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HUMAN RESOURCE MANAGEMENT PRACTICES AND PERFORMANCE OF FIRMS LISTED ON THE NAIROBI SECURITIES EXCHANGE

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HUMAN RESOURCE MANAGEMENT PRACTICES AND PERFORMANCE OF FIRMS LISTED ON THE NAIROBI SECURITIES EXCHANGE

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Abstract

Purpose: The purpose of this study was to investigate the influence of human resource management practices and performance of firms listed on the Nairobi securities exchange.

Methodology: The proposed study was predicated on the positivist philosophy of science. It endeavored to be objective and test hypotheses by describing real and observable phenomenon Cross sectional survey design was used to obtain the relevant data which was used to determine the relationship between the variables of the study. The target population comprised of all the 60 firms that were listed on the NSE. Quantitative and qualitative data was collected to enable the researcher to conduct an in-depth study. The researcher used descriptive statistics to explore the characteristics of the firms. Descriptive statistics analysis will be utilized to illustrate frequencies, mean values and standard deviation of every variable. A Pearson's product moment correlation coefficient analysis will be performed to establish the direction and magnitude of the relationship between the variables. The Statistical Package for Social Scientists (SPSS) will be used to analyze the collected data. To test the pattern of relationships between the independent variables and dependent variable, simple linear regression, stepwise regression and multiple linear regression analyses were conducted.

Results: The findings revealed there was relationship between human resource management practices and firm performance. Descriptive results indicated that the majority of the listed firms had put in place practices to safeguard employee security. Majority of the firms practiced selective hiring. Results revealed that majority of the firms had put in place self-managed teams. Majority of the firms had put in place policies and procedure to ensure performance related pay. Results revealed that workforce training was one of the human resource management practices undertaken by listed firms. On status differential, majority of listed firms did not emphasize on wearing ties,

uniforms and individualized offices. Results indicated that majority of listed firms had put in place information sharing systems. Overall, majority of listed firms had put in place effective human resource management practices. This was supported by mean scores of above 3.5 for the statements representing human resource management practices.
Correlation and regression results indicate that human resource management practices have a positive and significant relationship with firm performance. This was supported by correlation coefficient of 0.346; (p value 0.039) and a regression coefficient of 0.32 ;(p value 0.039) .The results led to the acceptance of hypothesis that human resource management practices have a positive effect on firm performance.

Unique contribution to theory, practice and policy: The study recommended that firms should emphasize on proper human resource practices as this will contribute positively to firm performance. Specifically, the following practices should be emphasized such as employment security practices, selective hiring practices, self-managed teams, performance related pay, workforce training, status differentials and sharing information.

The study intends to establish the link between HRMP and firm performance, namely sales growth rate, market share, productivity and profitability. This will not only ensure that the investors who put their capital in listed firms continue to reap the benefits of their investment, but also boost the confidence of other investors to commit their capital in the Nairobi Securities Exchange listed firms.
***Keywords: Competitive** Strategy, Employee Outcome, Firm Performance, Human Capital Theory, Human Resource Management Human Resource Management Practices, Nairobi Securities Exchange,*

1.0 INTRODUCTION

There has been a considerable amount of empirical research on the relationship between certain Human Resource Management Practices (HRMP) and business performance. According to Pfeffer & Viega (1999) there are seven specific HRMP, these are; employment security, targeted selection, workplace teams and decentralization, high pay contingent on organizational performance, employee training, reduction of status differentials and business information sharing with employees, which collectively lead to higher revenue, profits, market value and even organizational survival rates.

An organization can adopt a set of HRMP that suit its operational requirements. According to Pfeffer (1998) there are seven HRMP that influence firm performance. Faced with intensive and complex competitive pressure, firms have closely examined their organizational structures, especially how they organize employment. This change of focus to the human side of the business has necessitated the implementation of continuous improvement HR programs (Esther, W, Elegwa, M & James, K 2012; Longenecker et al., 1998). Globally competitive organizations depend on the uniqueness of their human resources and the systems for managing human resources effectively to gain competitive advantage (Pfeffer, 1994; Barney & Wright, 1998). Human resources are not only the drivers and principal value creators of the output of the knowledge industry, but they are also the intellectual capital or the infrastructure investment. Therefore, attracting, training, retaining and motivating employees are the critical success determinants for any knowledge-based organization. A firm that aspires to perform well has to ensure that its HRM practices are synergistic and consistent with its organizational strategy (Nzuve, 2007), like its competitive strategy in order to spur both individual and organizational performance (Schuler & Jackson, 1987).

There has been much research that attempts to establish a positive link between HRM practices and firm performance. According to Ulrich (1997), HR practices seem to matter and survey findings confirm it, though direct relationships between investments and attention to HR practices are often fuzzy, and tend to vary according to the population sampled and the measures used. Other scholars like (Purcell et al, 2003) have cast doubts on the validity of some of the attempts through research to make the connection. In the proposed study, employment security, selective hiring, selfmanaged teams, performance related pay, workforce training, status differentials and sharing information will be used as indicators of human resource management practices.

Firm performance can be measured in various ways. This may include but not limited to sales growth rate, market share, productivity and profitability (Ichniowski et al, 1997). Sales growth rate is a ratio that measures the rate of change in sales from time to time or a specified period of time. The utilization of historical growth rates is one of the methods of estimating future growth. Market share is the percentage of a market, which may be defined in terms of either units or revenue, accounted for by a specific entity. Market share is a key indicator of market competitiveness, that is, how well a firm is doing against its competitors.

Productivity is a measure of organizational competence and can be viewed as a measure of the efficiency and effectiveness with which resources are used to produce the output of goods and services of the quality needed by consumers and society in the long run. Labour productivity is one of the partial measures of productivity, others include materials, energy or capital productivity. Profitability is measured with income and expenses; income is money generated from the activities of the business. Increasing profitability is one of the most important tasks of business managers because a profitable business has the ability to survive and reward its owners.

1.2 Research Problem

In the current business environment, organizations are striving for ways and means of attaining and sustaining a competitive advantage over their competitors through the uniqueness of their human resources and systems. The HRMP that are adopted by a firm can affect its performance, which can be manifested in terms of sales growth rate, market share, productivity and profitability attained by the firm

The firms have to formulate and implement sound HRM Practices in order to make optimum use of a workforce that can make the firms build a sound human resource base. This can be used to build an inimitable human resource that can assist a firm provide goods and services that cannot be easily imitated by competitors. Due to the liberalization of the market in Kenya, the firms are encountering challenges and are unable to operate effectively due to micro and macro economic factors that are adversely affecting business. The NSE listed firms are grappling with reduced sales volumes, declining market share, low levels of productivity and reduced profitability. These challenges can be traced to the kind of HRMP adopted by firms, Much research has attempted to establish a positive link between HRMP and firm performance (Wan-Jing & Tung, 2005; Pfeffer, 1994; Ulrich, 1997), though doubts have been cast on the validity of the findings. Most of the empirical studies (Delery & Doty, 1996; Guthrie, 2001; Huselid *et al.*, 1997) have shown a positive relationship in the HRMP and firm performance link, the question that remains is how HRMP affects firm performance.

1.3 Research Objectives

i) To establish the relationship between human resource management practices and firm performance.

2.0 LITERATURE REVIEW

2.1 Theoretical Foundations of the Study

2.1 Human Capital Theory

The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization. The HCT according to Schultz (1961) provides a perspective that value addition by people within an organization can contribute to better firm performance. Human Capital Theory regards people as assets and not a cost within an organization. Human capital according to Bontis et al. (1998) represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinct character. The HCT Theory emphasizes the added value that people can contribute to an organization

Human the Resource Based View (RBV)

The proposed study is anchored in the Human the Resource Based View (RBV) of the firm. Firms compete in an ever changing business environment. Organizations can attain and achieve a sustained competitive advantage through its employees according to Barney (1991). This can be realized when a firm has a human resource pool that cannot be imitated or substituted by its rivals or competitors. The RBV as a basis of competitive advantage lies primarily in the application of the bundle of valuable resources at the disposal of the firm. The firm has to identify the key

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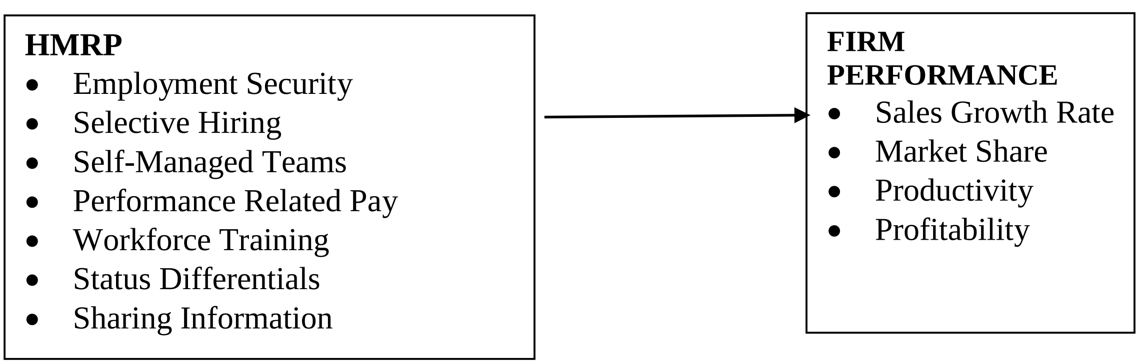
potential resources which should fulfill the criteria of being valuable, rare, in-imitable and non-substitutable by the firms' competitors (Galbreath, 2005).

Human resource management practices can affect the performance of an organization. According to Pfeffer (1994), a particular set of HR best practices can increase company profits and the impact is more pronounced when HR practices are integrated and used together. Such a conclusion holds good for all companies and industries irrespective of their context. Firms need to build long-term commitment to retaining their work force. This can be achieved through more rigorous recruitment and selection and greater investment by firms in training and developing their work force. Many organizations need to change their philosophy to regarding people as assets rather than costs (Fruin, 2000).

Employment security policies need to reflect more careful staff selection and leaner hiring. Leaner staffing can result to a more productive work force with fewer people doing the work, increased flexibility and employees working closer to the customer. People are often happy to be more productive if they know they have a secure long-term job with a career. More importantly, firms need to take a long-term strategic view to human resources rather than a short-term operational cost cutting approach (Fisher & Dowling 1999). Instead of management devoting time and energy to controlling the workforce directly, workers control themselves (Batt, 1996). Peer control is frequently more effective than hierarchical supervision because, in team-based organizations, people feel more accountable and responsible for the operation and success of the enterprise, not just to people in senior positions.

figure 1 Conceptual Framework



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3.0 RESEARCH METHODOLOGY

The proposed study was predicated on the positivist philosophy of science. It endeavored to be objective and test hypotheses by describing real and observable phenomenon Cross sectional survey design was used to obtain the relevant data which was used to determine the relationship between the variables of the study. The target population comprised of all the 60 firms that were listed on the NSE. Quantitative and qualitative data was collected to enable the researcher to conduct an in-depth study. The researcher used descriptive statistics to explore the characteristics of the firms. Descriptive statistics analysis will be utilized to illustrate frequencies, mean values and standard deviation of every variable. A Pearson's product moment correlation coefficient analysis will be performed to establish the direction and magnitude of the relationship between the variables. The Statistical Package for Social Scientists (SPSS) will be used to analyze the collected data. To test the pattern of relationships between the independent variables and dependent variable, simple linear regression, stepwise regression and multiple linear regression analyses were conducted.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

The questionnaires were to be administered to 60 firms. A total of 36 firms properly filled and returned the questionnaires. This represented an overall successful response rate of 60%

Table 1: Response Rate

Response	Total	Percent
Successful	36	60%
Unsuccessful	24	40%
Total	60	100%

4.2 Demographic data

Years of Operation

The respondents were asked to indicate their years of operation. Table 4.7shows that majority (72.2%) had worked for above 40 years. The findings imply that the respondents had worked long enough in the organization and hence had knowledge about the issues that the researcher was looking for.

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Table 2: Years of Operation

	Frequency	Percent
Up to 10 Years	1	2.8
11 to 20	3	8.3
21 to 30	1	2.8
31 to 40	5	13.9
Above 40 Years	26	72.2
Total	36	100

4.2.1 Nairobi Securities Exchange Listing

The respondents were asked to indicate their Nairobi stock exchange listing. 22.2 % indicated that they were from banking sector. 13.9% were from agricultural sector. The results indicate that the listed companies under study were well spread across the various sectors and this may have improved the representativeness of the results.

Table 3: Nairobi Securities Exchange Listing

	Frequency	Percent
Agricultural	5	13.9
Commercial and Services	3	8.3
Telecommunication & Technology	2	5.6
Automobiles and Accessories	3	8.3
Banking	8	22.2
Insurance	1	2.8
Investment	1	2.8
Manufacturing and Allied	9	25
Construction and Allied	1	2.8
Energy and Allied	3	8.3
Total	36	100

4.3 Anova on Demographics

4.3.1 The influence of designation on independent and dependent variables

Results indicate that organizations with the human resources department headed by a human resource manager have slightly better human resource management practices than those organizations that are headed by other managers. However, the difference is not significant.

TABLE 4: The influence of designation on independent and dependent variables

	Designation	N	Mean	Std. Deviation	T	Sig(P value)
Firm performance	Human Resource Manager	19	3.86	0.88	0.064	0.949
	Others	17	3.84	0.68		

Results indicate that organizations with the human resources department headed by a human resource manager have slightly better firm performance than those organizations that are headed by other managers. However the difference is not significant

4.3.2 The influence of number of employees on independent and dependent variables

Results indicate that firm size in terms of employees does not significantly influence firm performance. This was supported by F statistics of 1.27 and a p value of 0.303.

4.4 Human Resource Management Practices

4.4.1 Employment Security Practices

The study sought to establish the employment security practices being adopted by organization under study. Results revealed that majority agreed with the statement that employees can expect a life-long employment. This was supported by a mean score of 4.25 and a standard deviation of 0.81.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The results also indicate that majority disagreed with the statement that it was easy to terminate or dismiss employees. This was supported by a mean score of 2.39 and a standard deviation of 0.96. The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The results also indicate that majority agreed with the statement that job security was almost guaranteed to employees. This was supported by a mean score of 4.14 and a standard deviation of 0.83. The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement. The results are illustrated in table 4.9.

The findings are consistent with those of Fisher & Dowling (1999) who asserted that employment security policies need to reflect more careful staff selection and leaner hiring. Leaner staffing can result to a more productive work force with fewer people doing the work, increased flexibility and employees working closer to the customer. People are often happy to be more productive if they know they have a secure long-term job with a career. More importantly, firms need to take a long-term strategic view to human resources rather than a short-term operational cost cutting approach (Fisher & Dowling 1999). Instead of management devoting time and energy to controlling the workforce directly, workers control themselves (Batt, 1996). Peer control is frequently more effective than hierarchical supervision because, in team-based organizations, people feel more accountable and responsible for the operation and success of the enterprise, not just to people in senior positions.

Table 4. 5: Employment Security practices

Statement	Mean	Std. Error	Std. Dev
Employees can expect a life-long employment	4.25	0.13	0.81
It is easy to terminate or dismiss employees	2.39	0.16	0.96
Job security is almost guaranteed to employees	4.14	0.14	0.83

4.4.2 Selective Hiring Practices

The study sought to establish the selective hiring practices being adopted by organizations under study. Results revealed that majority agreed with the statement that a rigorous recruitment and selection process was applied in hiring. This was supported by a mean score of 4.36 and a standard deviation of 0.59.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The results also indicate that majority agreed with the statement that the emphasis in hiring was competence. This was supported by a mean score of 4.47 and a standard deviation of 0.61. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

The results also indicate that majority agreed with the statement that the emphasis in hiring was merit. This was supported by a mean score of 4.08 and a standard deviation of 0.61. The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement. The results are illustrated in table 4.10.

The findings agree with those of Fruin (2000) who found out that the human resource management practices that are adopted by an organization influence employee outcomes. Where an organization adopts a rigorous recruitment and selection exercise for both internal and external sources of employees, based on competence and merit the employees who are hired are expected to strongly identify themselves with the organization.

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Table 6: Selective Hiring Practices

Statement	Mean	Std. Error	Std. Dev
A rigorous recruitment and selection process is applied in hiring	4.36	0.10	0.59
The emphasis in hiring is competence	4.47	0.10	0.61
The emphasis in hiring is merit	4.08	0.14	0.84

4.4.3 Self-Managed Teams

The study sought to establish the self managed teams being adopted by organizations under study. Results revealed that majority agreed with the statement that the views of teams were sought before decisions were made. This was supported by a mean score of 3.72 and a standard deviation of 0.78.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The results also indicate that majority agreed with the statement that teams were usually formed to solve problems. This was supported by a mean score of 3.78 and a standard deviation of 0.80. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

The results also indicate that majority agreed with the statement that the teams/departments were provided with discretion and resources to make decisions. This was supported by a mean score of 3.97 and a standard deviation of 0.70. The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement. The results are illustrated in table 4.11.

The findings are consistent with those of Ahmad & Shroeder (2003) who argued that a firm that encourages team work and provides employees with discretion and resources to make decisions while allowing employees to discuss with the management matters that affect them is bound to achieve its set targets. Employees who are continuously trained and developed are able to develop their capacity to work and take action independently (Youndt & Snell 2004). This helps in reducing work performance cycle times and minimizes the need for employee supervision in the workplace

Table 7: Self-Managed Teams

Statement	Mean	Std. Error	Std. Dev
The views of teams are sought before decisions are made	3.72	0.13	0.78
Teams are usually formed to solve problems	3.78	0.13	0.80
Teams/departments are provided with discretion and resources to make decisions	3.97	0.12	0.70

4.4.4 Performance Related Pay

The study sought to establish the performance related pay being adopted by organizations under study. Results revealed that majority agreed with the statement that their organization provided high compensation contingent to performance. This was supported by a mean score of 3.86 and a standard deviation of 0.93.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The findings also indicate that majority agreed with the statement that compensation was aimed at encouraging employees to achieve organizational goals. This was supported by a mean score of 4.17 and a standard deviation of 0.77. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

The findings also revealed that that majority agreed with the statement that their organization's compensation recognized employees who contributed most to the company. This was supported by a mean score of 4.17 and a standard deviation of 0.88. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

The findings agree with those of Wang & Tung (2005) who focused on Strategic HRM practices and one of the indicators was compensation. Employees who are compensated and are recognized in their organizations tend to put extra efforts hence achieving the organizations goal.

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Table 8: Performance Related Pay

Statement	Mean	Std. Error	Std. Dev
My organization provides high compensation contingent to performance	3.86	0.16	0.93
Compensation is aimed at encouraging employees to achieve organizational goals	4.17	0.13	0.77
My organization's compensation recognizes employees who contribute most to the company	4.17	0.15	0.88

4.4.5 Workforce Training

The study sought to establish the workforce training being adopted by organizations under study. Results revealed that majority agreed with the statement that executive training programmes are provided to employees This was supported by a mean score of 4.11 and a standard deviation of 0.85.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The findings also indicate that majority agreed with the statement that employees usually undergo training every year. This was supported by a mean score of 4.11 and a standard deviation of 0.75. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

The findings also indicate that majority agreed with the statement that newly hired employees are provided with formal training. This was supported by a mean score of 4.19 and a standard deviation of 0.52. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

The findings also revealed that that majority agreed with the statement that employees who are promoted are provided with formal training. This was supported by a mean score of 3.86 and a standard deviation of 0.83. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

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The findings are consistent with those of Nzuve (2007) who found out that human resources are not only the drivers and principal value creators of the output of the knowledge industry, but they are also the intellectual capital or the infrastructure investment. Therefore, attracting, training, retaining and motivating employees are the critical success determinants for any knowledge-based organization. A firm that aspires to perform well has to ensure that its HRM practices are synergistic and consistent with its organizational strategy (Nzuve, 2007),

Table 9: Workforce Training

Statement	Mean	Std. Error	Std. Dev
Executive training programmes are provided to employees	4.11	0.14	0.85
Employees usually undergo training every year	4.11	0.12	0.75
Newly hired employees are provided with formal training	4.19	0.09	0.52
Employees who are promoted are provided with formal training	3.86	0.14	0.83

4.4.6 Status Differentials

The study sought to establish the status differentials being adopted by organizations under study. Results revealed that majority disagreed with the statement that all employees wear. This was supported by a mean score of 2.39 and a standard deviation of 1.46 .The standard deviation of more than 1 indicates that there was no consensus among respondents about how to rate this statement.

The results also indicate that majority disagreed with the statement that all employees wear uniforms indicating different positions. This was supported by a mean score of 2.03 and a standard deviation of 1.32. The standard deviation of more than 1 indicates that there was no consensus among respondents about how to rate this statement.

The study findings also indicate that majority disagreed with the statement that all employees wear uniforms indicating different positions. This was supported by a mean score of 1.56 and a standard deviation of 0.69. The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

Table 10: Status Differentials

Statement	Mean	Std. Error	Std. Dev
All employees wear ties	2.39	0.24	1.46
All employees wear uniforms indicating different positions	2.03	0.22	1.32
Every employee has an individual office	1.56	0.12	0.69

4.4.7 Sharing Information

The study sought to establish the sharing information being adopted by organizations under study. Results revealed that majority agreed with the statement that information was made available to all employees. This was supported by a mean score of 4 and a standard deviation of 0.79.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The findings also indicate that majority agreed with the statement that their organization maintains and implements an open door policy. This was supported by a mean score of 4.25 and a standard deviation of 0.87. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

The findings also revealed that that majority agreed with the statement that employees are encouraged to make suggestions about their jobs. This was supported by a mean score of 4.08 and a standard deviation of 0.77. The standard deviation of less than 1 indicates that that there was consensus among respondents about how to rate this statement.

Table 11: Sharing Information

Statement	Mean	Std. Error	Std. Dev
Information is made available to all employees	4.00	0.13	0.79
My organization maintains and implements an open door policy	4.25	0.15	0.87
Employees are encouraged to make suggestions about their jobs	4.08	0.13	0.77

4.5 Firm Performance

4.5.1 Sales Growth Rate

The study sought to establish sales growth rate being adopted by organization under study. Results revealed that majority agreed with the statement that compared to their competitors in the previous year, what was their organization's sales growth rate. This was supported by a mean score of 3.75 and a standard deviation of 1.08.The standard deviation of more than 1 indicates that there was no consensus among respondents about how to rate this statement.

The study sought to establish market share being adopted by organization under study. Study results also indicated that majority agreed with the statement that compared to their competitors in the previous year, what was their organization's market share percentage. This was supported by a mean score of 3.81 and a standard deviation of 0.79.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The study sought to establish productivity being adopted by organization under study. Study results also indicated that majority agreed with the statement that compared to the previous year, what was the level of employee productivity in their organization. This was supported by a mean score of 4 and a standard deviation of 0.83.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The study sought to establish profitability being adopted by organization under study. Study results also indicated that majority agreed with the statement that compared to the previous year, what was the level of profitability of their organization. This was supported by a mean score of 3.83 and a standard deviation of 1.08.The standard deviation of more than 1 indicates that there was no consensus among respondents about how to rate this statement.

Table 12: Firm Performance

Statement	Mean	Std. Error	Std. Dev
Compared to your competitors in the previous year, what is your organization's sales growth rate	3.75	0.18	1.08
Compared to your competitors in the previous year, what is your organization's market share percentage	3.81	0.13	0.79
Compared to the previous year, what is the level of employee productivity in your organization	4.00	0.14	0.83
Compared to the previous year, what is the level of profitability of your organization	3.83	0.18	1.08

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Pearson's Bivariate Correlation

Bivariate correlation indicates the relationship between two variables. It ranges from 1to -1 where 1 indicates a strong positive correlation and a -1 indicates a strong negative correlation and a zero indicates lack of relationship between the two variables. The closer the correlation tends to zero the weaker it becomes. The correlation between firm performance and human resource management was weak and positive (0.346) and significant (0.039). This shows that a change in human resource management and firm performance changed in the same direction though the relationship was not very strong (0.346). However the relationship is statistically significant at a p value of 0.000.

Hypothesis Testing

Hypothesis 1: To establish the relationship between human resource management practices and firm performance.

Table 4.31 shows the results for testing the robustness of the regression model. The results indicate that the regression model best fits in explain firm performance. This is supported by a coefficient of determination (R Square) of 0.12. This means that the predictor variables of the study can explain at least 12% of the variation in firm performance. The standard error of estimate (0.74236) is negligible which shows that the sample is close representative of the study population.

Results on analysis of variance indicate that the combined effect of the predictor variables is significant in explaining firm performance with an F statistic of 4.622 and a p value of 0.039.

Results indicate that human resource management practice was statistically significant factor in influencing firm performance. The beta coefficient indicates the direction and degree of influence of the predictor variable on the dependent variable. For example, a beta coefficient of 0.32 of human resource management means that a unit change in human resource management causes or leads to a 0.32 positive unit change in firm performance. This could further mean that human resources matter in firm success.This led to the full acceptance of the alternative hypothesis.

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Table13: Human Resource Management Practices and Firm Performance

Variable	Beta	Std. Error	t	Sig.	R squared change	F statistic change	Sig
Constant	1.199	1.284	1.071	0.292	0.12	4.622	0.039
Human Resource Management	0.32	0.688	2.15	0.039			

Firm Performance = 1.199+ 0.32 HRMP

Objectives	**Hypotheses**	**Statistical Tests/ Linear Models**	**Results and comments**
To establish the relationship between HRMP and Firm Performance (FP)	**H1:** There is a positive relationship between HRMP and FP	Population Pearson Correlation Coefficient $\mathbf{Y_1 = \beta_0 + \beta_1 X_1 + \varepsilon}$ Hence, FP is a function of HRMP	Hypothesis Fully Accepted

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Discussion

One of the objectives of the study was to establish relationship between human resource management practices and firm performance. Descriptive results indicated that the majority of the listed firms had put in place practices to safeguard employee security. Majority of the firms practiced selective hiring. Results revealed that majority of the firms had put in place self-managed teams. Majority of the firms had put in place policies and procedure to ensure performance related pay. Results revealed that workforce training was one of the human resource management practices undertaken by listed firms. On status differential, majority of listed firms did not emphasize on wearing ties, uniforms and individualized offices. Results indicated that majority of listed firms had put in place information sharing systems. Overall, majority of listed firms had put in place effective human resource management practices. This was supported by mean scores of above 3.5 for the statements representing human resource management practices. Correlation and regression findings led to the conclusion that human resource management practices have a positive and significant relationship with firm performance. The results led to the acceptance of hypothesis that human resource management practices have a positive effect on firm performance.

5.2 Conclusions

Human resource management practices are important in improving firm performance. It was concluded that listed firms have put in place practices to safeguard employee security. Results led to the conclusion that the firms practiced selective hiring, the firms had put in place self managed teams and had put in place policies and procedures towards performance related pay. It was concluded that workforce training, was emphasized by listed firms. It was concluded that firms did not emphasize on status differential. Results led to the inference that listed firms had put in place information sharing systems. Overall, it was concluded that listed firms had put in place effective human resource management practices.

5.3 Recommendations

It is recommended that firms should emphasize on proper human resource practices as this will contribute positively to firm performance. Specifically, the following practices should be emphasized such as employment security practices, selective hiring practices, self managed teams, performance related pay, workforce training, status differentials and sharing information.

5.4 Suggested Areas for Further Study

The study suggests that the debate on what factors contribute to firm performance is far from over. The study results indicated that a host of other independent variables need to be incorporated in order to improve the explanatory power of the model which currently stands at 27.6%.

It may be important to conduct a comparative study on the same topic by focusing on non listed firms. For instance, the manufacturing sector, the service sector, the NGO sector and state owned enterprises may form good populations upon which to compare the
current results.
It is recommended that a cross country comparative study would also form a fertile area of further research. Such a study would examine the difference in human resources management practices across the East African Region Countries and contrast with the firm performance. Such a study would call for a panel data type of analysis.

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