HUMAN RESOURCE MANAGEMENT PRACTICES AND THEIR EFFECT ON EMPLOYEE PERFORMANCE IN THE MANUFACTURING COMPANIES IN MERU COUNTY OF KENYA

BY

NATALY KARUNDI KILIUNGU

D53/CE/14466/2009

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF MASTER OF BUSINESS ADMINISTRATION (HUMAN RESOURCE MANAGEMENT OPTION)

KENYATTA UNIVERSITY

SEPTEMBER 2013
DECLARATION

This Research Project is my original work and has not been presented for a degree in any other university for any other award.

Signature: ........................................... Date: ________________

Nataly Karundi Kiliungu
D53/CE/14466/2009

This Research Project has been submitted for examination with My approval as university supervisor.

Signature: ........................................... Date: ________________

PETER PHILIP WAMBUA
Lecturer
Business Administration Department

This Research Project has been submitted for examination with my approval as Chairman of the Department

Signature: ........................................... Date: ________________

MUATHE S.M (PhD)
Chairman
Department of Business Administration
For and on behalf of Kenyatta University.
DEDICATION

This study is dedicated to my parents, Celina and Henry, and my brothers Salesius and Patrick.
ACKNOWLEDGEMENTS

Thanks and appreciation to Peter Phillip Wambua, my principal supervisor for his guidance, Corrections and suggestions which was a constant source of encouragement even in difficult times of progress and which finally led to the successful completion of this research project. Special debt and appreciation is due to Ms Jedida Muli a lecturer at Kenyatta University for her suggestions and corrections that added value to this work.

I gratefully acknowledge the help and support received from managers of the companies who kindly granted permission to conduct research in their companies in addition to providing information from their own companies. I also extend my hearty appreciation to all respondents of various companies for their kind cooperation and for giving so freely of their valuable time and thoughts. Indeed, I am forever grateful to these busy people who made the study possible with little prospect of any benefit to themselves.

I am grateful to members, friends and colleagues in the school of business Kenyatta University whose company, encouragement and support vitalized and kept me going throughout. In particular, I wish to express my most sincere gratitude to all Kenyatta University lecturers for their friendship, interest and willingness to offer guidance whenever needed.

I wish to acknowledge and thank Kenyatta University administration for availing learning resources I needed and a wonderful conducive learning environment. God bless you all. God bless Kenyatta University.
# TABLE OF CONTENTS

DECLARATION ............................................................................................................................... ii
DEDICATION ................................................................................................................................. iii
ACKNOWLEDGEMENTS ................................................................................................................ iv
TABLE OF CONTENTS ................................................................................................................. v
LIST OF TABLES ............................................................................................................................ vii
LIST OF FIGURES ........................................................................................................................ viii
LIST OF ACRONYMS .................................................................................................................... ix
OPERATIONAL DEFINITION OF TERMS ...................................................................................... x
ABSTRACT ........................................................................................................................................ xii

## CHAPTER ONE: INTRODUCTION .......................................................................................... 1

1.0 Background to the Study ...................................................................................................... 1

1.1 Manufacturing Sector in Kenya ......................................................................................... 3

1.2 Statement of the problem .................................................................................................. 6

1.3 Objectives of the study ..................................................................................................... 8

1.3.1 Specific Objectives ....................................................................................................... 8

1.4 Research Questions ......................................................................................................... 9

1.5 Significance of the Study .................................................................................................. 9

1.6 Scope of the Study .......................................................................................................... 10

1.7 Limitations of the study .................................................................................................. 10

## CHAPTER TWO: LITERATURE REVIEW ......................................................................... 12

2.0 Introduction ....................................................................................................................... 12

2.1 Theoretical Review ......................................................................................................... 12

2.1.1 Human Capital Theory ............................................................................................... 12

2.1.2 Configurational Theory ............................................................................................. 13

2.1.3 Universalistic Theory ................................................................................................. 13

2.1.4 The Normative Theory ............................................................................................. 14

2.2 Models on HRM Practices and Performance ................................................................. 15

2.2.1 Becker and Huselid Model ......................................................................................... 15

2.2.2 Guest Model .............................................................................................................. 16

2.2.3 Paul and Anantharaman Model ................................................................................. 17

2.3 Human Resource Management practices ....................................................................... 18

2.3.1 Recruitment and selection ........................................................................................ 19

2.3.2 Employee Training and Development ..................................................................... 20

2.3.3 Employee compensation .......................................................................................... 21

2.4 Empirical Literature ...................................................................................................... 22

2.5 Summary and Gaps filled by the current study ............................................................... 26
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
5.1 Summary of Findings
5.2 Conclusions of the study
5.3 Recommendations
  5.3.1 Recruitment and selection
  5.3.2 Training and development of employees
  5.3.3 Reward and compensation
5.4 Suggestions for Further Study

REFERENCES

Appendix 1: Introductory Letter
Appendix 2: Questionnaire for All Respondents
Appendix 3: Map of Meru County
Appendix 4: Geographical location of Meru County
Appendix 5: Growth of Kenyan Economy since independent
LIST OF TABLES

Table 2.1: Linking HRM and firm performance ................................................................. 17
Table 2.2: Human Resource Practices in each bundle and corresponding HR practices...... 25
Table 3.1: Sample size of the study .................................................................................. 29
Table 3.2: Reliability value of the Scale ........................................................................... 31
Table 4.1: Response Rate of employee and managers...................................................... 34
Table 4.2: Distribution of sampled Employees by gender ................................................ 35
Table 4.3: Employee working experience in the organisation ........................................... 36
Table 4.4: Education level attained................................................................................... 37
Table 4.5: Employees Job Grades..................................................................................... 37
Table 4.6: Recruitment makes difference to employee performance ............................... 38
Table 4.7: Effects of effective recruitment and selection on employee performance........ 39
Table 4.8: Attendance of training ..................................................................................... 40
Table 4.9: Training and development necessary to employees........................................ 41
Table 4.10: Basis of pay of sampled companies............................................................... 43
Table 4.11: Sales per employee prior to training and development.................................... 46
LIST OF FIGURES

Figure 2.1: Model for the HR-shareholders value relationship ........................................ 16
Figure 2.2: Model for the HRM-performance linkage ..................................................... 16
Figure 2.3: The conceptual framework ........................................................................... 27
Figure 4.1: Chart presenting Gender in percentage ....................................................... 35
Figure 4.2: Respondents’ age Distribution pie chart ....................................................... 36
Figure 4.3: a Chart showing Type of Training received in percentage ............................ 40
Figure 4.4: Basis of Pay Chart ....................................................................................... 44
Figure 4.5: Contribution of HRM practices on employee performance ....................... 50
LIST OF ACRONYMS

CIPD: Chartered Institute of Personnel Development.

GDP: Gross Domestic Product

HPWS: High Performance Work Systems

HR: Human Resource

HRM: Human Resource Management

IHRM: Institute of Human Resources Management

SPSS: Statistical package for the social sciences
OPERATIONAL DEFINITION OF TERMS

**Competence** Refers to a person's ability to perform a task to an externally-agreed standard whether set by the organisation or some third party.

**Development** Any learning activity which is directed towards future needs rather than present needs, and which is concerned more with career growth rather than immediate performance.

**Employee participation** Refers to the participation of non-managerial employees in the decision-making processes of an organisation.

**Human capital:** Human capital consists of the knowledge, skills and abilities of the people employed in an organisation.

**Human resource management (HRM)** This expression refers to decisions about the deployment and treatment of people taken by line units as well as personnel specialists.

**Human resource planning** A technique aimed at securing and improving an organisation's human resources to meet present and future needs.

**Human Resource Practices** Refers to all activities carried by human resource specialist in the areas of Recruitment and Selection, Training and Development, Performance Appraisal, Compensation and Rewards, Job Design, Employee Health and safety, communication, Employee and labour Relations.

**Training** The process of teaching new employees the basic knowledge and skills they need to perform their Jobs.
ABSTRACT
This study focused on the effect that human resource management (HRM) practices have on employee performance within the manufacturing industry in Meru County of Kenya. The study specifically sought to establish the effect of recruitment and selection, training and development, and compensation and rewards, on employee performance. The research design used was descriptive research design. The total population was 158 permanent employees working in six firms drawn from manufacturing firms within Meru Country: Companies that comprised the sample were Mafuko Manufacturing Ltd, Unga Group Ltd, British American Tobacco Kenya Ltd, Meru Timbers Ltd, Githongo Tea Ltd, and Kenya Electricity Generating Company. The target population were human resource managers and non-managerial staff. Companies were selected randomly from the directory of quoted manufacturing companies in Meru County 2012. A sample of 90 was selected using probability sampling method. Primary data was collected using open-ended and closed ended questionnaires and personal interviews. Secondary data was collected from company’s records and documentation as well as electronic database. Data collected was analysed using Statistical package for the social sciences computer packages and descriptive statistics such frequencies and percentages. Regression analysis was done to establish the relationship between various HRM practices and employee performance. Data was coded and presented in form of tables, charts and graphs. Based on the findings, investments in recruitment and selection, training and development, and compensation and rewards system were found to have a significant positive causal link on employee performance in terms of commitment, innovativeness, efficiency and effectiveness which lead to company performance. The effectiveness, in which companies managed, motivated and engaged the willing contribution of the people who worked in them is a key determinant on how well those companies performed. The more the effective implementation, the more motivated, satisfied, and productive employees.
CHAPTER ONE: INTRODUCTION

1.0 Background to the Study.

There is rapid change in the business environment due to political, economic, technological and environmental factors. Today business has become more competitive than in the past because of Globalisation (Khatri, 2002). Khatri goes on to say that business needs to focus even harder on their competitive strength so as to develop appropriate long term strategies. In most firms today, it is the employees’ skills and commitment that create competitive advantage for an organization (Wilkinson, 2008). It is, therefore, important that organizations truly leverage on their workforce as a competitive weapon to develop a competitive advantage.

In recent years, the focus of research on HRM has shifted from study of individual HRM practices on business performance to entire HRM system and its influence on organizational performance (Khan, 2010). Most researches investigating the link between HRM and performance tend to select HR practices from different HRM functions, then study their influence on performance (Ulrich & Brockbank, 2005; Wall & Wood, 2005). Rather than focusing on individual HR practice, a bundle of HRM practices facilitate employee commitment and involvement (McDuffie, 2005). The implication is that HR practices should be complimentary in nature.

Organizations’ human resources may be a strong potential source for achieving sustainable competitive advantage (Pfeffer, 2001). The way an organization manages people can influence its performance. In particular HRM practices such as employee participation and empowerment, job redesign, team-based production systems,
extensive employee training and performance-contingent compensation are widely believed to improve the performance of organizations (Pfeffer, 2001). Organizations can adopt various HRM practices to enhance employee skills as well as motivate them to work harder towards achieving the set targets. Organizations can improve the quality of current employees by providing comprehensive training and development activities. Considerable evidence suggests that investments in training produce beneficial organizational outcomes (Storey, 2007; Koch & McGrath, 2006). The effectiveness of skilled employees will be limited, however, if they are not motivated to perform their jobs.

Organizations can implement merit pay or incentive compensation systems that provide rewards to employees for meeting specific goals. Incentive compensation and performance management systems enhance the performance of employees and organizations (Gerhart & Milkovich, 2002). Performance management as a process explicitly recognizes that in today’s globally competitive industrial environment, every employee’s efforts must focus on helping the company to achieve its strategic goals (Dessler, 2008). The notion behind individual performance-related pay is that employees will be motivated if they believe they will be rewarded for improving their contribution to the success of the enterprise. This view derives from many years of psychological thinking. For behaviorists such as B. F. Skinner, learning only takes place through external positive and negative reinforcement. The right behaviour could be encouraged through the use of rewards and praise and, to a lesser extent, discouraged through punishments. F. W. Taylor applied these theories in the workplace and advocated the use of piece rate payments as a means of controlling behaviour and orientating it to management requirements.
1.1 Manufacturing Sector in Kenya
Although Kenya is the most industrially developed country in East Africa, manufacturing still accounts for only 19 percent of gross domestic product (GDP). This level of manufacturing GDP represents only a slight increase since independence. In the last 31 years, it has been greatly fluctuating. In 1980, industry and manufacturing accounted for 21 percent of Kenya’s overall GDP. In 1990, it decreased to 19 percent, and in 2000, the value added to GDP decreased again to 17 percent. In 2011, there was a slight rise to 19 percent of Kenya’s overall GDP. Compared to the service sector, the sector lags behind as far as Kenyan economy is concerned. Expansion of the sector after independence has stagnated since the 1980s; it has been hampered by shortages in hydroelectric power, high energy costs, dilapidated transport infrastructure, and the dumping of cheap imports. However, due to urbanization, the industry and manufacturing sectors have become increasingly important to the Kenyan economy, and has been reflected by an increasing GDP per capita. Manufacturing is a wealth-producing sector of an economy it need to be revived (Central Bank economic report 2012). Due to global and rapid technological changes companies in Kenya must develop human resource to the international standards as well as focusing on achieving superior company performance through the best use of talented, committed and motivated human resources as a strategic asset where the global economy is daunting.

1.1.1 Human Resource as competitive advantage
Resources lead to sustainable competitive advantage when they are valuable, rare, inimitable and non-substitutable (Barney, 2001). Human resource can provide a competitive advantage due to the fact that it is valuable, rare, imperfectly imitable, and has no substitutes. Competitors can duplicate competitive advantage obtained via
better technology and products, but it is difficult to duplicate competitive advantage that is created through improved management of people. Khanderkar and Sharma (2005) believe that if companies are to survive and thrive in the global economy they require world class human resource competencies and processes for managing them. Firms who are able to hire and retain qualified employees should experience stronger business performance through reduced recruitment costs, higher returns on training investments, and increased customer loyalty due to a more engaged, service-oriented employees.

According to Armstrong and Baron (2004) people and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization, are now recognized as making a significant contribution to organizational success and as constituting a major source of competitive advantage. The practices of HRM such as resourcing, training and development, employee relations and reward management are concerned with how people are employed and managed in organizations so as to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce. Armstrong (2009) further goes on to say that the effectiveness with which organisations manage, develop, motivate, involve and engage the willing contribution of the people who work in them is a key determinant of how well those organisations perform. Dessler (2008) made this same point when he said that effective management of employees encourages, leadership that motivate people, draws on their talents, drives their participation in decision making, and takes in their consideration, their expectations and needs.
HRM has the ability to create; firms that are more intelligent, flexible, and competent than their rivals through application of policies and practices that concentrates on recruiting and selecting, training and developing skills of employees and directing their effort towards achievement of corporate goals. These practices can create competitive advantage as it is not easy to imitate or replicate. Cole (2004) contends that, highly competent, motivated people who are treated with respect will show great commitment to the fulfilment of the company’s objectives.

Positive company performance can be created and sustained through the best exploit of human resources as organisational intangible asset (Wright, 1998). World-class competitiveness is determined by an organisation’s ability to satisfy its customers’ needs better, faster and cheaper than its competitors. This requires high and continuously improving levels of quality, speed and cost effectiveness. To achieve this company requires competent and committed people including competent leaders as well as continuous analysis and improvement of all processes. Committed and developed people and continuous improvement of business processes are the results of good HRM practices.

Within Kenya, only a limited research has been conducted relating to HRM practices and organizational performance hence necessitating the need of the present study. In addition the role of HRM in Kenya has been underestimated and the HR personnel seem not to have adequate knowledge to effectively implement HRM practices; neither do they know their strategic importance. The present study is an attempt to address these gaps. The study will offer valuable insight to the management of these organizations about the strategic importance of HRM practices for superior and sustainable organizational performance. In addition, it will add valuable information
to the limited empirical knowledge about link of HRM practices and business performance in a developing economy, where the strategic role of HRM is gaining popularity as a vital tool for business performance. The aim of this study is therefore to examine the effects of HRM practices on employee performance in Kenya.

1.2 Statement of the problem

Despite the vital role HRM practices play in enhancing organisational performance, the way these HRM practices are implemented by business organisation here in Kenya is questionable and in most cases ineffectual. It is misleading to assume that simply because HR practices are present they will be implemented as intended. There is a big problem when workers are not taken for training and development, not empowered to perform, not motivated and are poorly compensated for their work.

Recruiting and selection of high-potential employees does not guarantee that they will perform effectively. People who do not know what to do or how to do it cannot perform effectively even if they want to. Therefore there is need for organizations to train and develop its employees (Dessler, 2008). Training is an expensive venture just like any other HRM practices and organizations need some assurance of return on investment on training, and all other HRM practices in the form of enhanced productivity. The question is, do HRM practices such as recruitment and selection, training and development, performance-related pay, empowerment, job-design and job security increase employee performance and productivity?. Are companies' managers in Kenya fully aware that people are the greatest assets they can ever have and that investment in people and proper implementation of HRM practices alone can lead to improved earnings, productivity, reduced cost and wastage, enhanced quality, improved employee motivation, greater customer satisfaction, public
recognition and competitive advantage? It is absurd when some managers see employees as variable costs to be minimised in an organisation.

Most studies examining the relationship between HRM practices and organization’s performance have been conducted mostly in developed countries like United States and United Kingdom, (Purcell, 2003; Guest, 2003; Marchington &Wilkinson, 2007; Leung, 2003; Grant, 2008). Several authors point out that research needs to be conducted in others contexts (Ericksen & Dyer, 2005; Wright et al., 2005).

The gap in these studies lies in understanding those dimensions that have the most positive impact on business performance, and again they do not explain why link exist between HRM practices and company performance. There exists very limited studies in Kenya examining the effects of HRM practices of corporate performance; hence it is unclear if HRM will have a noticeable impact on firm performance in Kenya (Wanyama, 2009).

According to Kenya Economic Development report, 2012, the corporate sector lag behind in terms of productivity as it contributes only 19 % of GDP and this has remained largely unchanged since 2004. Recent cases of labour unrest demand for unionisation in industrial and service sector in Kenya is an indicator that most employees may be dissatisfied with pay and working conditions and this has a negative effect on employees’ performance which translate to the overall corporate performance (Mutua, 2012). Thus how employees are valued and treated in Kenya need to be examined. There is a need to explain the link between the HRM practices and company performance in Kenya as well as exploring how certain HRM practices
may lead to enhanced business performance. There is also a need to examine the status of HRM practices in Kenya and also identify HRM practices that business in Kenya need to implement effectively so as to compete effectively with other companies in the world.

This study therefore sought to determine the effect of Human Resources management practices on employees' performance in Meru County.

1.3 Objectives of the study

The general objective of the study is to determine the effect of Human Resource Management practices on employee’s performance.

1.3.1 Specific Objectives

The study aims to achieve the following:

i. To determine the effects of recruitment and selection on employee performance.

ii. To establish the effect of training and development on the employee performance.

iii. To determine the effects of compensation and reward on employee performance.

1.4 Research Questions

Given the above objectives, this study will endeavour to address the following questions:

i. What are the effects of recruitment and selection on employee performance?
ii. What are the effects of training and development of employee performance?
iii. What are the effects of compensation and rewards on employee performance?
iv. Is there relationship between HRM practices and employee performance?

1.5 Significance of the Study

a) The study will provide insight to manufacturing industry and other business related organizations on the effect the various HRM practices have on employee performance hence enabling them to take the necessary action in order to improve the overall organizational performance.

b) To Human Resources practitioners, and managers: the study will highlight how various HR practices need to be implemented to enhance employee commitment, motivation and satisfaction which in turn lead to higher productivity. This will help them to arrive at decisions that will help to improve workers morale and working conditions.

c) To the government: the government benefits from the firms through the taxes they pay to it. Improved employee performance implies improved financial performance in firms. This will lead to increased taxes paid to the government. The government will also find the findings of the research important in its policy formulation towards the firms especially on employment. In addition, Human Resource Management practices brings out the important values of trust, care, teamwork, encouragement and
development which help the Government meet the principle of being a good employer and thereby motivating staff to give their best.

d) To academia: The findings of this study will add to existing body of knowledge in the field of human resource management. Besides, it will stimulate further research in the related fields as well as acting as a starting point for the future researchers. This is important since not much study has been carried in the area.

1.6 Scope of the Study

This study examines the effects of Human Resource Management Practices on employee performance on Manufacturing Companies in Meru County of Kenya. It comprised 6 companies namely; Mafuko Limited Company; Kenya Electricity Generating Company, British American Tobacco Ltd, Meru Timbers Ltd, and Githongo Tea Ltd. The target population was 158 employees with a sample of 90. The selection of manufacturing industry was due to its importance in the economy of Kenya as it is a wealth-producing sector of an economy.

1.7 Limitations of the study.

Lack of adequate time and funds led the researcher to restrict this study to manufacturing companies in central region of Kenya, hence raising the question of generalisability. Data was collected at a company level which does not allow for differences in separate work place in multi-workplace organisations. To overcome some of these challenges, the researcher ensured that the selected sample was as representative as possible by considering variables such as sex/gender, age, social economic status, education and experience.
Some respondents especially managers had a very tight schedule yet they were the only ones who could have provided reliable data. To overcome some of these challenges the researcher had to mail some questionnaires to managers to fill them at their own convenient time.

Some respondents seemed to have been biased hence didn’t feel at ease with the researcher. Due to this fact their willingness to offer information was highly doubted. This compelled the researcher to carry interview personally so as to guarantee respondents confidentiality, clarify the purpose of research, and offering an opportunity to offer clarification to respondents who were unable express themselves fluently in English.
CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter presents various studies related to the effect of HR practices on the organisation performance conducted worldwide. The literature is revealed under the various theories and models. However, the current study is be underpinned by normative theories. The chapter covers theoretical review, empirical literature, summary, gaps the current study fills, and finally conceptual framework.

2.1 Theoretical Review

It is worth noting that more than 30 studies carried out in the UK and the US since the early 1990s leave no room to doubt that there is a correlation between people management and business performance, that the relationship is positive, and that is cumulative: the more and the more effective the practices, the better the result (UK’s Chartered Institute of Personnel and Development, 2005). A few of these studies is presented in this chapter.

2.1.1 Human Capital Theory

Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character (Armstrong, 2009). Torrington (2008) explains that human capital signifies the combined intelligence and experience of staff as a source of competitive advantage that cannot be imitated by rivals. Significance of human capital theory is that it regards people as assets and stresses that investment by organizations in people will generate worthwhile returns.
2.1.2 Configurational Theory

A firm with bundles of HR practices should have a high level of performance, provided it also achieves high levels of fit with its competitive strategy (Richard & Thompson, 2002). A key theme that emerges in relation to best-practice HRM is that individual practices cannot be implemented effectively in isolation (Storey, 2007) but rather combining them into integrated and complementary bundles is crucial. McDuffie (2005) argues that a ‘bundle’ creates the multiple, reinforcing conditions that support employee motivation, given that employees have the necessary knowledge and skills to perform their work effectively (Stavrou & Brewster, 2005).

Employee performance is a function of both ability and motivation. Thus; there are several ways in which employees can acquire needed skills. Such ways include: careful selection and training, and multiple incentives to enhance motivation such as implementing different forms of financial and non-financial rewards.

2.1.3 Universalistic Theory

Universalistic scholars argue that there is a universal set of HRM best practices that can maintain a firm’s performance (Lau & Ngo, 2004). The theory points that, some HR practices are better than others and all organizations should adopt such practices. It is based on the assumption that there is a set of superior/best HRM practices, and that adopting them will inevitably lead to superior organizational performance (Mathias & Jackson, 2004). The notion of best practice was identified initially in the early US models of HRM, many of which mooted the idea that the adoption of certain ‘best’ human resource practices would result in enhanced organizational performance, manifested in improved employee attitudes and behaviours, lower levels of absenteeism and turnover, higher levels of skills and therefore higher productivity, enhanced quality and efficiency and of course increased profitability (Marchington &
Wilkinson, 2008). Here, it is argued that all organizations will benefit and see improvements in organizational performance if they can identify, gain commitment to implementing a set of best HRM practices. This is in conformity with universalistic perspective that maintains that firms will see performance gains by identifying and implementing best practices irrespective of the product market situation, industry or location of the firm (Pfeffer, 2001).

2.1.4 The Normative Theory

Normative theory of HRM practices assumes a set of best practices of HRM. The theory further, state that if integrated, HRM practices are capable of achieving goals of high commitment, quality and flexibility which results to high work performance. This will have positive impact on organisational performance (Armstrong, 2009). The normative theory further, proposes that high performance at the individual level, depends on high motivation plus possession of the necessary skills and abilities, and appropriate role and understanding of that role. The normative approach to HRM practices includes those that encourage high skills and abilities, for example careful selection and high investments in training; high motivation as a result of employee involvement, performance related pay, extensive communication and feedback.

The normative approach assumes that appropriate HRM practices tap the motivation and commitment of employees. The key aspect of normative approach is that HRM practices provides a coherent integration of behavioural theories and also explain the linkage between HRM practices and organization performance.

The current study will be guided by the normative theories. This is because normative theories are more Prescriptive and do suggest that if an integrated set of HRM practices is applied with a view to achieving the normative goals of high commitment
to the organization plus high quality and flexibility, then higher worker performance will result.

2.2 Models on HRM Practices and Performance

Various models linking Human Resource Management to organizational performance have been formulated by several authors (Guest & Becker 2003; Paul & Anantharam 2003). Notably these models have distinct approaches to the study of the link between HRM and performance.

2.2.1 Becker and Huselid Model

In their study of the impact of high performance work systems on the firm, Becker and Huselid (2001) proposed that intervening variables of employees' skills, motivation and job design and work structures link operating performance which in turn influences profits and market shareholder value. They developed a model that addresses the design of HRM system. While the model shows a clear relationship between HRM practices, the firm performance and shareholders' value, it is simplistic in that it does not show the effects of other intervening variable. The model is depicted in figure 2.1
2.2.2 Guest Model

Guest et al., (2003) identified a model that links Human Resource Management and performance. Guest (2003) argues that financial performance of companies is influenced by four factors: business and HR strategies; effectiveness of HR department and HR practices; HRM outcomes; and productivity coupled with product and service quality. They go on to suggest that: "higher financial performance is likely to be achieved through a set of appropriate practices resulting in high quality, flexible and committed employees."

He proposed a model that linked HRM practices to performance and financial outcomes as indicated in table 2.1. The model indicates a path of how HRM practices influence firm performance; however the influence of the other variables which could weaken the impact of HRM outcomes on performance needs to be considered. The model is shown in table 2.1.
Table 2.1: Linking HRM and firm performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation</td>
<td>Selection</td>
<td>Commitment</td>
<td>Motivation</td>
<td>High: Profits</td>
<td>Profits</td>
</tr>
<tr>
<td>(innovation)</td>
<td>Training</td>
<td></td>
<td></td>
<td>Productivity, Quality and innovation</td>
<td></td>
</tr>
<tr>
<td>Focus</td>
<td>Appraisal</td>
<td>Quality</td>
<td></td>
<td>Lower: Absence,</td>
<td>Return On Investments (ROI)</td>
</tr>
<tr>
<td>(quality)</td>
<td>Job design</td>
<td>Cooperation</td>
<td></td>
<td>Labour Turnover,</td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>Rewards</td>
<td>Involvement</td>
<td></td>
<td>Conflicts,</td>
<td></td>
</tr>
<tr>
<td>(cost-reduction)</td>
<td>Involvement</td>
<td>Flexibility</td>
<td>Involvement</td>
<td>Customer complaints.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Status and security</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Source (Guest, 2003)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Although the study points to the relationships between certain key variables it is less helpful in explaining the reasons for certain associations between variables.

2.2.3 Paul and Anantharaman Model

Paul and Anantharaman (2003) used the balanced scorecard in identifying intervening variables between HRM practices and firm performance. They separated firm performance into operating performance and financial performance, as they identified financial performance as the chief strategic goal of any organisation. Operational performance was defined in terms of employee retention, productivity, product quality and operational cost. Financial performance was measured in terms of growth in sales, net profit and return on investment. They found that not a single HRM practice influences financial performance directly but every HRM practice had a casual relationship to financial performance indirectly through one or more intervening
variables and operational performance dimension. This model is more closely linked to this study than all the others because of bundling nature of HRM practices and the link to performance. The model they proposed is shown in figure 2.2.

**Figure 2.2: Showing a Model for the HRM-performance linkage**

```
HRM Practices
  Selection
  Induction
  Training
  Job design
  Work environment
  Performance
  Appraisal
  Compensation
  Career development
  Incentives

Intervening Variables
  Employee Competence
  Teamwork
  Organisational Commitment
  Customer orientation

Operating performance
  Employee retention
  Employee productivity
  Product quality
  Speed of delivery
  Operating cost

Business Performance

```

2.3 Human Resource Management practices

Human Resource Practices are informal approaches used in managing people (Armstrong, 2009). Wall and Wood (2005) outline HRM practices as sophisticated selection methods, appraisal, training, teamwork, communications, empowerment, performance related pay and employment security. Huselid (2001) used eleven HRM practices in his study and these include personnel selection, performance appraisal,
incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labour management participation, recruitment efforts, employee training and promotion criteria. Pfeffer and Grugulis (2000) identified seven practices of successful organisations. These include employment security, selective hiring, self-managed team working, high compensation scheme based on organisation performance, extensive training, reduction of status differences and sharing information. They argued that those practices can increase profit.

The resource based view of the firm indicates that the firm could develop sustained competitive advantage through creating value that is rare and difficult for competitors to imitate (Barney, 2001). HR practices play an important role in achieving these requirements through their influence over employee skills, motivation and organisational structure that provides employees with the empowerment they need in order to perform well.

2.3.1 Recruitment and selection

Recruitment is the process of attracting, screening, and selecting qualified people for a job (Armstrong, 2009). As Legge (2005) contends that, recruitment activities need to be responsive to the increasingly competitive market to secure suitably qualified and capable recruits at all levels. However, to be effective, these initiatives need to include how and when to source the best recruits (Dessler, 2008). Effective recruitment demands well-defined organizational structures with sound job design, robust task and person specification and versatile selection processes, and employee engagement and on-boarding strategies Legge (2005). The quality of the recruitment process in the Kenya manufacturing companies has not been investigated despite the poor performance in comparison with other companies in the other regions.
Taylor and Collins (2000) argue that recruitment satisfies Barney and Wright’s (2001) five Resource Based View criteria, which might offer a competitive advantage. First, recruitment might add value by enhancing labour cost efficiencies and/or spilling over to customer perceptions of the firm’s products or services. Second, recruitment strategy might identify and tap talent that is rare in the labour market. Third and organization’s set of recruitment practices might be such a complex bundle of tactics that it is virtually inimitable. Fourth, recruitment may be a non-substitutable organizational practice to the extent that the recruitment strategy is innovative and idiosyncratic to one organization. Fifth, for maximum leverage, recruitment must be aligned with other HR practices, so that recruitment might support and enhance the benefits of the other HR functions, such as compensation, selection, or performance appraisal. When these five conditions are met, recruitment would be expected to make a contribution to a firm’s financial performance.

2.3.2 Employee Training and Development

Training refers to the methods used to give new or present employees the skills they need to perform their jobs (Dessler, 2008). Development means any learning activity directed towards future needs and is concerned more with career growth rather than immediate performance (Cole, 2004). Employee training and development can be expected to be an important determinant of company performance. Training was suggested to be of high performance HRM practices in research by, among others Purcell (2003); Delaney and Huselid (2001); Koch and McGrath (1996); and MacDuffie (2005).

According to Armstrong, 2009, there are three factors that affect the level of individual performance: motivation, ability and opportunity to participate. In 2003,
Purcell in his study of 12 Companies in UK found that employee performance is a function of ability + motivation + opportunity. That implies that people perform when they possess the knowledge and skills necessary for the job, are motivated to perform and, finally are given sufficient opportunity to deploy the skills and contribute to work group and organisational success.

According to Armstrong (2009) effective training can minimize learning costs; improve individual, team and corporate performance in terms of output, quality, speed and overall productivity; improve operational flexibility by extending the range of skills possessed by employees (multi-skilling); attract high quality employees by offering them learning and development opportunities, increasing their levels of competence and enhancing their skills, thus enabling them to obtain more job satisfaction to gain higher rewards and to progress within the organization; help to manage change by increasing understanding of the reasons for change and providing people with the knowledge and skills they need to adjust to new situations; help to develop a positive culture in the organization, one that is oriented towards performance improvement and finally provide higher levels of service to customers.

2.3.3 Employee compensation

An equally important aspect of HRM practices is employee compensation. Compensation consist of every item of payment that is both monetary and non monetary. According to Roche (2000), this practice improves organizational performance. Blinder (2000) points out that the way employees are compensated impacts on their commitment levels. An example is performance related pay. According to Dessler (2008) merit pay or a merit raise is any salary increase the firm awards to an individual performance. It is different from a bonus in that it usually
becomes part of the employee’s base salary, whereas a bonus is a one-time payment. Advocates argue that only pay or other rewards tied directly to performance can motivate improved performance. They contend that the effect of awarding pay raises across the board (without regard to individual merit) may actually detract from performance, by showing employees they will be rewarded regardless of how they perform. Cole (2004) suggest that, employers need to pay well to attract and retain sufficient and suitable employees. He further suggests that employees should be rewarded for their effort, loyalty, experience and achievement.

2.4 Empirical Literature

Empirical studies indicate a strong and positive association between HRM practices and performance of organizations. (Huselid, 2001; Youndt, 2000). Human resource management has emerged as an essential factor for sustained competitive advantage. Research highlights that organizations that develop and sustain competitive advantage through management of its scarce and valuable resources will benefit from superior performance (Barney, 1991). An organization should take time to nurture and develop human capital in the form of knowledge, skills, abilities, motivation, attitude, and interpersonal relationship, and makes it difficult for competitors to imitate (Becker & Gerhart, 1996). Organizations are pursing proactively human resource management (HRM) practices and systems to capitalize on strength of this vital asset for sustained competitive advantage in knowledge economy (Jackson & Schuler, 2000; MacDuffie, 2005)

Morishima (1998) concluded that organizations with integrated HR practices performed well in Japan than organizations with poorly integrated personnel practice. In a study in New Zealand, Guthrie (2003) validated the impact of HRM practices on
employee turnover and profitability. Lee and Lee (2007) established that workforce planning, teamwork, training and development, compensation and incentives, performance appraisal, and employees' security are important HRM dimensions that affect productivity, product quality, and business performance. Tekeuchi (2006), in a study in Taiwan, found a positive relationship of employees' empowerment and firms' performance. In a study of HRM practices in Chinese small and medium enterprises, participatory decision-making, performance-based pay, free market selection and performance appraisal, employees' commitment emerged as the most essential outcome for improving performance. Prior Studies established that HRM practices aimed at acquisition and development of employees is an essential investment that develop valuable and rare human assets (Becker, 1997).

A significant number of empirical studies have explored the relationship between HRM Practices and firms' performance in American organizations (Huselid et al., 1997; Youndt et al., 1996). Wright et al. (2005) explored the effect of HRM practices on firms' performance in 45 business units in America and Canada and established a causal association between HRM practices and business performance. In Western countries, several studies have examined this relationship. In a study of 428 firms in Finland, HRM practices had positive influence on firms' performance Doyle (1998). Guthrie (2001) studied 128 companies in New Zeeland and found positive relationship between high-involvement work practices and firms' performance. In Taiwan, Chang and Chen (2002) studied 62 firms to determine the effects of HRM practices on business performance and found a positive association.
Pollit (2004) found that the HRM practices of Nokia played vital role in helping the company in reaching its 40% percent share of the global handset market, and industry leading profit margins of 20%-25% at a time of unmatched change and competition. Katou and Buthwar (2007) through an in depth study of 178 manufacturing firms in Greece found that HR practices such as recruitment, training, promotion, incentives, benefits, involvement, and safety and health were positively related with the elements of organisational performance such as innovation and satisfaction of stakeholders.

Rizov and Croucher (2008) empirically examined the relationship of HRM practices and organizational performance in European firms. They found that collaborative form of HRM practices (characterized by valuing employees as assets and core partners, creating and communicating a culture of partnership between employer and employees as well as among employees, communicating organization's mission, values, goals and strategy statement through explicit open communication policy and strong support for employees consultative bodies like unions and committees) reflected positive and statistically significant association with firms' performance.

A recent survey by HayGroup firm Canada (2012), has demonstrated that certain bundles of HRM practices increase employee commitment to the company, while others increase employee performance by providing appropriate incentives and training. This study adopted the bundling approach and grouped HRM practices into either Inducement HRM Practices (that is the practices focused on increasing employee engagement and fostering employee good will), and Performance Expectation HRM Practices (that is practices focused on increasing employee performance through incentives and skill development).
Their recommendations are depicted in table 2.2 which shows human resource management practices and how they need to be implemented.

<table>
<thead>
<tr>
<th>Human Resource practices Bundle</th>
<th>Human Resource Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inducement practices</strong></td>
<td><strong>Employee treatment</strong></td>
</tr>
<tr>
<td>Increased employee engagement and foster good will.</td>
<td>• Ensuring systems and managers treat employees fairly</td>
</tr>
<tr>
<td></td>
<td>• Providing appreciation or recognition to employees who perform well</td>
</tr>
</tbody>
</table>

**Fair pay**

• Ensuring pay is equitable compared to the market

**Job Design**

• Empowering employees to be innovative and creative.
• Ensuring reasonable work loads
• Showing the employees how their jobs help the business to succeed.

<table>
<thead>
<tr>
<th><strong>Performance Expectation Practices</strong></th>
<th><strong>Rewards and Advancement</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase performance through incentives and skill development.</td>
<td>• Clearly linking job performance to rewards</td>
</tr>
<tr>
<td></td>
<td>• Promoting employees based on performance rather than seniority.</td>
</tr>
</tbody>
</table>

**Training**

• Training employee to deliver high quality customer service
• Giving employees constructive and regular feedback
• Ensuring employees have the tools and training to do the job.

**Hiring**

• Using assessments and structured interviews to make hiring decisions.

Source: HayGroup (2012)

Uysal and Koca (2009) found out that recruitment, training and performance based pay all have a significant positive relationship with organizational performance.
Additionally Khan (2010) conducted a research in Pakistan to investigate the effect of human resource management practices (recruitment and selection, training and development, performance appraisal, compensation and rewards, and employee relations) on organizational performance (product cost, product quality, market share, performance relative to competitors, and organization’s performance relative to industry average) and he found a significant positive relationship between these practices and organizational performance in 20 oil and gas companies.

2.5 Summary and Gaps filled by the current study

Although past research findings on HRM practices on organisational performance were generally positive, there was still uncertainty about how certain types of HRM practices influence business performance outcome. It was also unclear if HRM would have a noticeable impact on companies’ performance in central region of Kenya. The review of literature indicated a serious lack of sample empirical study designed to explore the effect of HRM practices on employee performance in Kenya particularly in Meru County.

To fill some of the above voids, this study was set to determine the effect of HRM practices on employee performance in Meru County. The study also aimed at exploring whether the HRM practices had positive effects on the performance of companies in Kenya. Finally the researcher has spelt out the benefits a company is likely to derive from effective utilisation of its human resources. This research goes beyond the previous references in two ways. First it examines the relationship between HR practices and firm performance in manufacturing companies in Meru County of Kenya. Secondly it sought to establish effects those practices have on employee performance.
2.6 Conceptual Framework
From the reviewed literature, recruitment and selection, training and development and compensation and rewards have been adopted as independent variables of the study. Measures of employee Performance as the dependent variable include productivity, and profitability.

Figure 2.3: The conceptual framework

Human Resource Practices

| Recruitment and selection |
| Training and development |
| Compensation and rewards |

Employee performance

| Employee Productivity (sales per employee) |
| Quality of goods & service |
| Profit per Employee |

Independent variables

| Employee skills; |
| Employee Motivation; |
| Employee Satisfaction; |
| Employee Commitment; |

Moderating variables

Source: Author 2013

Figure 2.3 indicates that HRM practices influence employee performance in respective companies. The framework holds that HRM practice based such as recruitment and selection procedures; training and development of staff and compensation and rewards system have impact on employee productivity and firm profitability.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This chapter describes the approach the researcher used in the study. Specifically the chapter covers the research design, target population, sampling Design, data collection methods, data collection instruments and data analysis and presentation.

3.1 Research design

The research approach adapted to this study was descriptive design. Descriptive research is the process of collecting data in order to answer questions concerning the current status of the subjects in the study (Kothari, 2004). The reason for choosing this design is that it attempts to describe such things as behaviour, attitudes, values and characteristics. Thus it helped to gather information aimed at gaining in depth understanding of the effect that various Human Resource Management practices have on employee performance. It assisted the researcher in describing possible HRM practices being implemented, and their effect on employee behaviour and attitude which translate their performance.

3.2 The Target Population

The target population comprised 158 employees drawn from six manufacturing firms in Meru Country: Companies that comprised the sample include: Mafuko Manufacturing Ltd, Unga Group Ltd, British American Tobacco Kenya Ltd, Meru Timbers Ltd, Githongo Tea Ltd, and Kenya Electricity Generating Company.

3.3 Sampling Design

The researcher used probability sampling method to select the sample. This is because the method allows the sample to be selected in a way that each person in the
population has a known likelihood of being included in the sample. Stratified random sampling technique was used to select non-managerial where the employees were divided into strata based on departments in which they worked, and thereafter respondents were selected randomly from the various departments in every firm under consideration. Purposive sampling was used to select HR personnel of selected companies. Table 3.1 depict the sample of the study.

Table 3.1 Sample size of the study

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>NO. OF EMPLOYEES</th>
<th>SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration Managers</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Personnel Managers</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td>Finance</td>
<td>22</td>
<td>12</td>
</tr>
<tr>
<td>Production</td>
<td>42</td>
<td>20</td>
</tr>
<tr>
<td>Marketing</td>
<td>48</td>
<td>30</td>
</tr>
<tr>
<td>Secretaries</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>158</strong></td>
<td><strong>90</strong></td>
</tr>
</tbody>
</table>

Source: *Meru County Human Resource office (2013)*

### 3.4 Data collection methods

Secondary data was collected from companies’ records and databases. Primary data was collected through questionnaires and personal interviews. Questionnaires were administered on a drop-and-pick up later basis. The questionnaire was divided into three parts: Part 1 captured information about the respondents, such as gender, age and length of service in the organisation; Part 2 captured information on companies HRM practices (recruitment and selection, training and development, and compensation and rewards). Part 3 comprised questions regarding company performance.
3.5 Data collection instruments

Data was collected using questionnaires. The use of questionnaires was due to the fact that they are easy to administer and allow greater flexibility on the part of research. The questionnaire comprised both open-ended and closed-ended questions. Open-ended questions provided for greater depth of response as respondents give their personal views and attitudes. Close-ended questions were also used as they provide short responses to the question and are easy to process.

3.5.1 Validity of Research

The questionnaire was examined by the research experts to ensure that they were able to yield the required results and by so ensuring content validity. Data validity was enhanced further by using various data collection tools such as questionnaire, interview and discussions. The validity of the data was further enhanced by the collection of formalised documentation from senior managers, so that responses about the existence of practices relating to, for example, training and development could be validated.

3.5.2 Reliability of Research

Prior to the study, a pilot study was done, with 10 respondents from the population. This is in agreement to suggestion made by (Mugenda, 2003), who suggests that pre-test sample should be at least 10% of the population. In addition to pilot study, Cronbach’s method was used to determine the reliability. It may be mentioned that its value varies from 0 to 1 but satisfactory value is required to be more than 0.6 for the scale to be reliable (Malhotra, 2002; Cronbach, 1951). The cronbach’s alpha of variables ranged from 0.726 to 0.780 respectively as indicated in table 3.2.
Table 3.2: Reliability value of the Scale

<table>
<thead>
<tr>
<th>SCALE</th>
<th>NO. OF ITEMS</th>
<th>CRONBACH’S ALPHA (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment and Selection</td>
<td>05</td>
<td>0.780</td>
</tr>
<tr>
<td>Training and Development</td>
<td>06</td>
<td>0.774</td>
</tr>
<tr>
<td>Compensation and reward</td>
<td>05</td>
<td>0.726</td>
</tr>
</tbody>
</table>

Data collected were analyzed and compared with the literature reviewed conducted through Desk-based research and online to find out if there was consistence between the two.

3.6 Data Analysis and presentation

Data was collected and converted into numerical codes representing attributes or measurements of variables and then was analysed using scientific Package for social Services (SPSS) computer package and descriptive statistics such as frequencies and percentages. Regression analysis was done to establish the relationship between various HRM practices and employee performance. Data was presented in form of tables, charts and graphs.

3.7 Regression Model

Let the dependent variable, performance be denoted by \( z \)

Let the independent variables Recruitment and selection, training and development, and compensation and reward pay be denoted by \( x_1, x_2, \) and \( x_3 \) respectively.

\[
z = f(\text{recruitment and selection, training and development, and compensation and rewards}) = f(x_1, x_2, x_3)
\]

\[
z = f(x_1, x_2, x_3)
\]

Also let
\[ Z = a + b_1 x_1 + b_2 x_2 + b_3 x_3 + e \]

Where \( a \) = parameter of regression model

\( b \) = coefficients

\( x \) = independent variables

\( e \) = standard error

a Predictors: (Constant), recruitment, Training and compensation

b Dependent Variable: Performance

Total variation = total = \( \sum (y - y_l)^2 \) = 43.469 - 12.046 = 31.423

Error of variation = residual = SSE = \( \sum (y - y_l)^2 \) = 12.046

Regression variation = SSR = SS total - SSE = 43.469 - 12.046 = 31.423

The regression equation is:

\[ \text{Performance} = 0.530 + 0.060x_2 + 0.290x_4 + 0.611x_5 + e \]

Careful Recruitment and selection has a direct relationship i.e. the more the level of qualification of employees, the higher the level of performance of the employees and vice versa. This means that for each additional unit of qualified employee hired, there is a 6% increase in Performance level, regardless of the other remaining two variables i.e. training and development, and compensation management.

Training and development has also a direct relationship. This implies that for each additional unit of training, there is 29% increase in the level of performance. This effect occurs regardless of the other remaining variables. The variable "compensation and rewards" does have a direct relationship. This means as the compensation and reward increases so does the level of performance. For each additional unit of
performance related pay, we expect the level of employee Performance to increase by 61.1%.

3. 8 Research Ethics
According to Kerridge Lome and McPhee (2005) Ethics involves making judgement about right and wrong behaviour. In this study, issues of confidentiality were put under consideration as the information relevant to the study was considered sensitive. In this regard the names of respondents were not disclosed and the names of the specific manufacturing companies involved in the study are held in confidence. Respondents were informed about the purpose of the study and their informed consent to participate in the study was sought.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

This chapter presents the results and the analysis of the study. It contains the detailed analysis and interpretation of data collected from the manufacturing companies under study.

4.1 Descriptive findings

4.1.1 Response Rate

Out of the 90 questionnaires that were distributed in six manufacturing companies, 79 were returned back. To check the response rate the following formula was applied.

\[
\text{Response Rate} = \frac{\text{Responded questionnaires}}{\text{Total questionnaires}} \times 100
\]

\[
= \frac{79}{90} \times 100 = 87.8\%.
\]

The total response rate therefore is 87.8%. Most staff employees 65, (87.8 %) and managers 14, (87.5 %) returned questionnaire after filing in it. Table 4.1 summarises the response rate.

Table 4.1 Response Rate of employee and managers

<table>
<thead>
<tr>
<th></th>
<th>EXPECTED RESPONSE</th>
<th>ACTUAL RESPONSE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>STAFF</td>
<td>74</td>
<td>65</td>
<td>87.8</td>
</tr>
<tr>
<td>MANAGERS</td>
<td>16</td>
<td>14</td>
<td>87.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>90</td>
<td>79</td>
<td>87.8</td>
</tr>
</tbody>
</table>

Source: Research data

The high response is attributed to the fact that the researcher personally administered the questionnaire through the human resource department of each company. The researcher also made a follow ups and collected back the questionnaire.
4.1.2 Distribution of sampled employee by gender

Table 4.2 Distribution of sampled Employees by gender

<table>
<thead>
<tr>
<th>POSITIONS</th>
<th>STAFF</th>
<th>MANAGERS</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO.</td>
<td>% AGE</td>
<td>NO.</td>
<td>% AGE</td>
</tr>
<tr>
<td>MALE</td>
<td>38</td>
<td>10</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>58.5</td>
<td>71.4</td>
<td></td>
</tr>
<tr>
<td>FEMALE</td>
<td>27</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>41.5</td>
<td>28.6</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>65</td>
<td>14</td>
<td>79</td>
</tr>
<tr>
<td></td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research data.

From table 4.1, most of the Staff respondents were male 38, (58.5 %) while female staff respondents were 27, (41.5 %). The number of male managers was 10, (71.4 %) while that of female managers was 4, (28.6 %). The total male respondents were 48, (60.8 %), while female respondents were 31, (39.2). These results are summarised in figure 4.1

![Figure 4.1: Chart presenting Gender in percentage](image)

4.1.3: Age distribution of the respondents

The study revealed that majority of employees had 31-40 years and the least were those in 51 years and above. This implies that most companies sampled employed young energetic workforce.
4.1.4 Employee working experience

Table 4.3: Employee working experience in the organisation

<table>
<thead>
<tr>
<th>DURATION</th>
<th>MANAGERS</th>
<th>STAFF</th>
<th>TOTAL</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 6 years</td>
<td>-</td>
<td>22</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>5-10 years</td>
<td>5</td>
<td>18</td>
<td>23</td>
<td>29</td>
</tr>
<tr>
<td>11-15 years</td>
<td>7</td>
<td>15</td>
<td>22</td>
<td>28</td>
</tr>
<tr>
<td>above 15 years</td>
<td>4</td>
<td>8</td>
<td>12</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>79</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Research data (2013)*

From table 4.3 above most employees had served their organisation for more than five years. This is because most employees were employed on permanent basis since the manufacturing companies are permanent and so are the jobs. About (28 %) respondents had served in the organization for a period of 0-5 years, 29 % for a period of 5-10 years, 28 % for a period of 11-15 and 15 % for a period of 15 years and
above. Having a more experienced workforce added to the reliability of information
given by the respondents.

### Table 4.4: Education level attained

<table>
<thead>
<tr>
<th>EDUCATION LEVEL</th>
<th>NUMBER OF Respondents</th>
<th>PERCENTAGE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diploma/certificate</td>
<td>12</td>
<td>15.2</td>
</tr>
<tr>
<td>O-level /A level</td>
<td>-</td>
<td>00.0</td>
</tr>
<tr>
<td>Bachelors Degree</td>
<td>52</td>
<td>65.8</td>
</tr>
<tr>
<td>Masters degree</td>
<td>15</td>
<td>19.0</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Research data: (2013)*

Table 4.15 shows that 65.8% of the respondents were degree holders, 15.2% had
diplomas and certificates while 19.0% had masters’ degree.

#### 4.1.5 Employees Job Grades

All the respondents were middle level staff ranging between jobs grades scale 8 to 10.

### Table 4.5 Employees Job Grades

<table>
<thead>
<tr>
<th>Job Grade</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale 8</td>
<td>35</td>
<td>44.3</td>
</tr>
<tr>
<td>Scale 9</td>
<td>32</td>
<td>40.5</td>
</tr>
<tr>
<td>Scale 10</td>
<td>12</td>
<td>15.2</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### 4.2 Human Resource management Practices

#### 4.2.1 Responses on Recruitment and Selection

To assess whether recruitment and selection make any difference on employee
performance, the questionnaire item used was “Do Human resource management
practices such as careful recruitment and hiring qualified employees make a
difference to employee performance” Table 4.2.1 summarises the response to this item.

Table 4.6 Recruitment makes difference to employee performance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>71</td>
<td>89.0</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>8.0</td>
</tr>
<tr>
<td>missing</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source research data (2013)

The reasons given on the subsequent question on why they think so, was that careful selection and hiring has direct effects on employees’ performance. Those who responded yes, assert that, if well done, and based on ability it brings the best people to the organisation. This enhances employee stability. They added that Companies that take keen interest in recruitment and selection end up acquiring the right employees for the right jobs. 86% (12/14), of managerial teams said that endeavouring to acquire sufficient and suitable human resources is a worthwhile exercise. Employees with the right skills and attributes will do a better job for both the managements and the company.

The effects of recruitment and selection on employee performance was assessed with one item “what effects do effective recruitment and selection have on employee performance?”. Effects cited include the following it has effects of reducing the costs of hiring and recruiting new employees now and then. One of the respondents had this to say that “efficient recruitment and selection was positively related to their organizational performance variables of effectiveness, efficiency, innovation, and quality. The results confirm the positive association of recruitment and selection with corporate performance. This positive and significant relationship implies that companies that use a fair recruitment and selection criteria, posting the best applicant
to fill the vacancy realise best results in terms of employee productivity. A good number of Managers 10, (71.43 %) of companies reported that when companies invest in selecting the most highly skilled people and providing them with increased skills through continuous training and development, employees find a work place filled with well qualified co-workers. This creates a positive work environment where customers are served successively. The results to analysis of effects of recruitment and selection are presented in table 4.3.

Table 4.7 Effects of effective recruitment and selection on employee performance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance employees ability to perform better</td>
<td>22</td>
<td>27.8</td>
</tr>
<tr>
<td>Enhance effectiveness and efficiency</td>
<td>24</td>
<td>30.4</td>
</tr>
<tr>
<td>Lead to satisfied customers</td>
<td>18</td>
<td>22.8</td>
</tr>
<tr>
<td>Firm provides quality products and services</td>
<td>15</td>
<td>19.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>79</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Upon Suggestion on ways by which recruitment and selection should be done to enhance high employee performance, employees suggested validated hiring assessments that are aligned with required job skills and competencies to help businesses hire employees who are a better fit with the job and corporate culture, which ultimately leads to higher employee performance. Such practices would include behaviour-based tests, structured interviews; personality assessments and cognitive ability assessments. Once the right candidates have been selected, proper induction of employees is equally important to enable the newly recruits settle down quickly and feel more comfortable with the companies.

4.2.2. Response on Effects of Training and Development on employee performance

Items of training aimed to gather information about whether employees had attended training, the type of training attended, the number of formal training attended, the
impact the training had on their performance and finally to highlight the benefits of training and development on organisation. Table 4.4.3 show the response to whether employee had attended any training.

Table 4.8 Attendance of training

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>54</td>
</tr>
<tr>
<td>No</td>
<td>23</td>
</tr>
<tr>
<td>Missing</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
</tr>
</tbody>
</table>

*Source research Data (2013)*

From the responses analysed, 68.4% of the respondents had attended training, 29.1% not attend training, whereas 2.5 % did not give any response.

On the type of training attended, 20.6% attended job-related training; 24.4% attended continuous development; 17 % performance related, whereas 38.0% had not attended any. This information is depicted in figure 4.3.4

Figure 4.3: a Chart showing Type of Training received in percentage

*Source research Data (2013)*

40
The response on the average number of hours employees received formal training each year was as follows: (28.1%) had attended a 45 hours course; (15.6%), over 60 hours; 53.1% had attended a course for 15 hours and 3.1% of the respondents, the course lasted 120 hours. 100 % of employees who had attended any of the training unanimously agreed that the training had a significant effect on their performance. They said that they notice a direct relationship between training and development. Increased employee the training led to increased employee productivity.

The number of employee who said that the training and development was necessary and useful in helping them to perform their tasks better is presented in table 4.2.1.

<table>
<thead>
<tr>
<th>Table 4.9: Training and development necessary to employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>No response</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: Research data (2013)

Majority of respondents (91 %) from six companies responded positively that training was necessary to employees; 6 % negatively without providing a reason; while 3 % respondents did not respond. 72, 91 % of respondents who said that the training was necessary cited a number of benefits of training and development to an organisation and individual employees. They said that through development of knowledge and skills they were given the ability to perform better. Companies were able to offer a high standard of goods and services to the customers in a more cost effective manner than before. The managerial respondents commented that developing employee helped them not to be taken by threat of global crisis. Companies that had implemented various training programs reported that training and development leads
to superior knowledge, skills, and abilities, attitudes and behaviour of employees that eventually translated to enhanced organizational performance. Companies where HR managers attended various short-term development programs in the Institute of Human resource (IHRS), there were increased levels of skill and motivation which led to lower employee turnover and high productivity. Other benefit cited include: increased job satisfaction; self esteem; increased value of employee in the labour market; increased motivation of employees; and improved prospect of internal promotion. Thus the effect of training on employee performance is that more the training the more there will be increased employee performance. This relationship is positive and significant.

While it is clear that there is positive association between training and development, especially where companies had invested in training and development of their employees and realized improved productivity along other benefits, while companies that didn’t have any such programs in their calendar had realised lower performance. The reasons cited underlying the situation was lack of sufficient funds which lead the firms to apply cost reduction strategy. These companies showed a relatively small relationship between training and development on employees’ performance.

4.2.3. Responses to items on compensation and Rewards

4.2.3.1 Employee perception on rewards and compensation

100% of respondents unanimously agreed that a competitive reward and compensation that is perceived to be fair and in accordance with the market rates, had a number of benefit to both employees and organisations. It results to higher employees’ motivation; commitment and engagement that make them perform better. High levers of pay contributed to increased productivity by motivating superior performance, attracting and retaining better candidates, reduced labour turnover as
well enhancing good employee relations. This positive relationship means that companies' management that had applied an effective compensation and rewards mechanisms, performed better than others. This is because a competitive compensation makes employee satisfied and committed to their job and organizations.

4.2.3.2 Item on the basis of pay raise within the sampled companies

To assess the basis sampled companies based their pay raise and promotion, respondents were asked to indicate the basis of pay raise in their respective companies. The response to this item is shown in table 4.5

<table>
<thead>
<tr>
<th>Basis of pay raise</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job performance</td>
<td>17</td>
<td>21.5</td>
</tr>
<tr>
<td>skills</td>
<td>10</td>
<td>12.6</td>
</tr>
<tr>
<td>Competence</td>
<td>15</td>
<td>19.0</td>
</tr>
<tr>
<td>Length of service</td>
<td>25</td>
<td>31.7</td>
</tr>
<tr>
<td>Others (loyalty)</td>
<td>12</td>
<td>15.2</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source research data (2013)*

From the above table, majority of sampled companies based their pay raise on the length of service, 31.7 %; followed by job performance 21.5 %; competence 19 %; then on basis of loyalty to management 15 %; and finally on basis of skills 12.6 %. This information is depicted in figure 4.4
4.2.3.3: How compensation and rewards need to be implemented in an organisation

Some of the suggestions cited on how the organization can improve performance of employees were; giving rewards on achievement of targets, exercise fairness in all practices, personal effort need to be valued. They also suggested that reward and promotion should be based on merit and not on patronage as it were notices in some companies that there was a tendency to reward those who sustained the status quo rather than those who were innovative and entrepreneurial. The rewards offered by managers need to be multifaceted in nature. That is it should be come in bundles that combine, money, achievement, recognition, personal and professional growth, job security, and self esteem. Managers should create a reward bundles that are more closely fit the needs of a group of employees rather than impose a blanket system on them all.

This research study also highlighted the need to tie some aspects of compensation, promotion, and recognition directly into performance. This will require the company to develop performance management system to ensure that employee performance is
evaluated appropriately and rewards are distributed fairly. This is essential given that employee motivation is profoundly influenced by their perceptions of fairness about the processes used to allocate rewards and treatment by their immediate supervisors.

4.2.3.4 Relationship between employee attitude and their performance

This research found a strong relationship between employees' commitment and positive perception of their companies but found a limited relationship between job-satisfaction and work output. 92% said that employees' commitment, a positive attitude towards their jobs and the companies they worked, and perception that the organisation values them is directly related to their performance. Job satisfaction however, received mixed feelings. 48% of respondents said that job satisfaction is more of attitude, an internal state, and therefore is necessary to achieve a high level of motivation and performance. This is in conformity with Content theories of motivation that tend to assume a direct relationship between job satisfaction and improved performance. However, 52% of respondents argued that there is no strong link between job satisfaction and productivity. Instead it is performance that leads to satisfaction. A satisfied work is not necessarily a productive work. They argued that human nature is driven by a desire to accomplish things. This implies that management should avail jobs that offer more opportunities for accomplishment.

These results demonstrate the relationship between employee attitudes and their performance. It suggests that managers of organisations eager to promote productivity and profitability should pay close attention to the attitudes their employees have and how they can be influenced to be more positive. The results demonstrate that the more satisfied workers are with their job the better the company is likely to perform in terms of productivity and particularly productivity.
4.3 Employee performance
Employee performance may be measured in terms of, creativity of employees, meeting targets and deadlines, customer satisfaction, productivity and the quality of products and services which might be expected to have strong link with the way in which companies manages their people. This may have subsequent effect to the level of customer satisfaction and the level of employee commitment. This research used employee productivity, quality of goods and services produced and offered to customers and profitability per employee as variable measures of employee performance.

4.3.1: Employee productivity
The employee productivity was measured with the item “what were average sales per employee prior to training and development”. This item was rated using a 4-point response scale ranging from (1= below average to 4= I don’t know). The results of this analysis are presented in table 4.7

Table 4.11: Sales per employee prior to training and development

<table>
<thead>
<tr>
<th>options</th>
<th>Frequency</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below average</td>
<td>20</td>
<td>25.3</td>
</tr>
<tr>
<td>Average</td>
<td>30</td>
<td>38.0</td>
</tr>
<tr>
<td>Above average</td>
<td></td>
<td>00.0</td>
</tr>
<tr>
<td>I don’t know</td>
<td>29</td>
<td>36.7</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data (2013)

The subsequent question aimed at gathering information on the average performance following an implementation of effective training and development program. Almost all respondents 95% said that training and development had a positive effect on the individual performance, while 5 % reserved their comments. This implies that
acquisition of skills explains a significant variation. This demonstrates the importance of HRM practices.

4.3.1 Employee productivity

All respondents (100 %), confirmed that productivity is influenced by employee skills and motivation. Some of the reasons given include the following: better training improved staff motivation; raised staff self esteem, enabled them to be aware of standards expected of them and so the morale to work more.

4.3.2: Measurement of quality of goods and services

Respondents were asked to give the number of inventory they were losing monthly due to damage, spoilage, delivery shorts and sales returns. The response to these questions was that majority of employees had not kept such records and so they could not give any statistical data to this question though they admitted that inventory loss and shorts was a reality.

4.3.3: Profitability measures

Employees’ responses on their current workers compensation expenses incurred during the previous six months divided by sales whereby, the smaller the number the better. The results to this analysis indicate that 90 % of employees had 45 % compensation expenses. This shows that majority of employees were underpaid given that the standard compensation expenses should be 60 % of sales. Only 10 percent of employees of who were on top management level had compensation expenses of 50% and above. This is an indication that only top management were compensated well.

The subsequent item of profitability from table 4.3.1, Majority of the respondents 40, (51 %) disagreed with the statement that the level of their motivation, commitment and customer satisfaction was high in the companies they worked. This is an
indication that the companies in question had not invested enough to people management practices since how business performs highly depends on the quality of its workforce. While 34, (43 %) respondents agreed with the statement, 5, (6 %), were undecided.

On the item on determining the operating pre-tax profit of business as percentage of sales per year, the respondents founds this item too sensitive, hence did not give any reliable information on this. They said they had no reliable data on the same.

Employees and customers' level of satisfaction, and employee committed were measured with the items “the level of employee and customers satisfaction in this company is high; the level of employee motivation and commitment in this company is high”. All these items were rated using a 5-point response scale (1= strongly disagree to 5= strongly agree). From the analysis to these items, many employees 60.4 % agreed with this statement while 39.6 disagreed. No respondents strongly agreed to the above statements. This implies that companies in question had not effectively implemented HRM practices and so the results were not effective.

Employee rating on how their companies were performing regarding, market share, sales growth, profitability, and quality of products were as follows. 40 % rated this item, poor, 35, rated fair, while 25 % rated as good. On the item “How would you rate competitiveness in your market in terms on company performance”. This was rated on a 4-point response scale ranging from 1= not competitive to 4= extremely competitive. The results of this item indicate that many employees (30 %) felt that the market was not competitive, while 42 felt that the market was competitive and 28 felt that the market was fairly competitive. This result generally indicates that
Manufacturing Companies in Meru count are not very competitive. They may be lacking inefficiency in their operations and management therefore needs to focus more on how to overcome obstacles to effective performance.

4.4 Management practices other than HRM practices and organisation performance

The results of this study have shown that among management practices, including use of competitive strategies, quality focus and investment in research and development. None of these other management practices appear to have anything like the same effect on performance as people management. This study has revealed that human resource management (HRM) practices taken together explain 66 per cent of the variation between companies' productivity and profitability. Selection and hiring and development of skills (selection, induction, training and reward) explained a significant amount of the variation. Management practices other than HR (i.e competitive strategies, quality emphasis, and research and development investment, investment in technology) accounted for a very small proportion of the variation between companies in terms of their profitability and productivity.
Managers of organisation eager to promote productivity and profitability should pay close to the attitudes their employees have and need to focus more on how they can be influenced to be more positive. This study has demonstrated that the more satisfied the workers are with their job, the better the company is likely to perform in terms of profitability and particularly productivity.

4.5 Ways by which employers can cultivate employee commitment

People generally respond according to the way they are treated. A successful manager is the one who is able to handle people effectively. Employees suggested that both management and employers should strive to make people feel important and give them a sense of personal worth. They added that majority of staff will respond constructively if treated with consideration and respect, and as responsible individuals who wish to serve the organisation well. In addition to effective communication, listening to employee's suggestions, training and developing employee and showing
fairness and equitable treatment with politeness, respect and dignity were cited to key factors on cultivating employee commitment.

**Conclusion**

This study found that the highest performing companies were those that linked people management policies and practices with performance. The existence of Human resource management policies and practices was found to be less important than the way in which they were implemented.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
This chapter provides a summary of the research findings, conclusion and recommendations.

5.1 Summary of Findings
The first objective of this study was to determine the effects of recruitment and selection on employee performance. The research findings has demonstrated that effective recruitment and careful selection attract a high quality employees capable of delivering superior performance, productivity, flexibility, innovation and high levels of customer satisfaction. This translates to increased quality of products and services offered to the market and overall effectiveness and efficiency in the organisation.

The second objective was to establish the effects of training and employee development on the employee performance. The current study has established that training enables employees to perform better, increases their self esteem, skills and motivation which lead to higher employee performance.

The third objective was to determine the effects of compensation and rewards on employee performance. The study revealed that compensation and rewards motivate employees to put more efforts especially where the rewards and compensation is based on employees' performance and contribution. A high level of pay attracts and helps in retaining better and committed employees.
The fourth and last objective was to establish the relationship between HRM practices and employee performance. This study has established that there is a strong and positive relationship between the way HRM practices are implemented and the employees’ performance. Effective implementation rather than mere presence of HRM practices create conducive work environment, which then determines employee performance. The extent to which HRM practices lead to a favourable climate is a key determinant to employee performance. This study found out that many companies do not implement HRM practices as intended partly due to management ignorance and lack of finances.

5.2 Conclusions of the study

The purpose of this study was to determine the effects of HRM practices on employee performance of manufacturing companies in Meru County. This research has demonstrated that HRM practices can be leveraged to improve employee skills, increase motivation, and foster commitment to company. In addition employers should seek to offer both HRM bundles to help maximise employee performance.

In particular it examined the influence of recruitment and selection, training and development, and compensation and rewards on employee performance. Employee performance was based on employees’ productivity, quality of products and services offered, and finally on profitability.

The study found out that, the overall average performance of manufacturing companies in Meru County is 60.24 %, and that recruitment and selection; training
and development are significant determinant of the employee performance of the manufacturing industry in Meru County. However compensation and reward were not found to be a key predictor of employee performance in Meru County. Since two out of the three variables examined were found to have significant affect on employee performance, the study concludes that HRM practices have significant influence on the performance of employees in Meru County; the more effective the HRM practices the higher the performance of manufacturing companies. Thus in a nutshell, effective human resource practices lead to intangible benefits such as employee satisfaction, motivation, commitment and the overall raise in company’s productivity and profitability.

5.3 Recommendations

In a nutshell, this study draws attention to HR practices of effective recruitment and selection; effective training and development of employees, and favourable rewards and compensation systems and harmonisation. This research recommends companies to invest resources, time and creativity in management of people within their organisations.

5.3.1 Recruitment and selection

Consider not only the current needs of the firm in terms of certain skills and behaviour but also the skills and behaviours required by the firm in the future in achieving sustainable growth. While recruiting and hiring employee, use valid selection assessments to hire best employees who will be fit for the job. This may include using tests or structured interviews asking all applicants the same job related questions; personality assessment tests; and scored application forms to hire best performing employees.
5.3.2 Training and development of employees

The research findings confirm the importance of training and development as a major influence to employee performance and company’s success since it is the only way employees are given the ability to perform. Training and development is necessary to enhance skills and modify behaviour which translates to enhance performance of employees, such opportunities should be provided to all employees. Management need to ensure that employees have the skills to provide high quality customer service and perform well in their job. The study therefore recommends to the management to view training and development of their staff as an integral part of their responsibility.

5.3.3 Reward and compensation

This study suggests rewarding people fairly, equitably and consistently in accordance with their value to the organisation and in alignment with local market rates. There should be developed systems which aim to meet the needs of both organisation and its stakeholders. People need to be rewarded according to what organisation values; for the value they create implying that management need to create a link between job performance and rewards. Promotions of employees ought to be based on job performance in order to enhance performance culture in an organisation. To be more effective, management should reward the right things to convey the right message about what is important in terms of behaviour and outcomes. The reward need to be provided in bundle not only in form of increased salaries Management needs to be aware that financial rewards play a small part on employees who earn higher salaries. The law of diminishing returns applies indefinitely to financial incentives as opposed to intrinsic incentives such as personal growth, creative achievements and autonomy where the law of escalating returns seem to apply.
5.4 Suggestions for Further Study

During the study, the researcher noted, most tour companies do not carry out human resource management practices as expected. There was a serious lack of effective recruitment, training and effective rewards mechanisms and as results companies were unable to achieve superior performance through effective utilisation of their employees. This study therefore recommends that further studies be carried out to establish:

a. Why manufacturing companies rarely carry out effective recruitment and selection of their employees.

b. What hinders effective training and development programs in organisations

c. What hinders companies to implement an effective competitive rewards and compensation to attract retain qualified employees.

d. The effects of other human resource management practices not covered in the current study on employee performance. Future research should focus on providing more detailed and more generalisable findings.
REFERENCES


Dear Sir/Madam

RE: REQUEST FOR INFORMATION

I am a student of the Kenyatta University School of Business Department of Business Administration. I am currently pursuing an MBA-HRM program. As part of my Masters program, I am conducting a research on the topic "Human Resource Management Practices and their effects on employees' performance in the manufacturing companies in Central region of Kenya".

I kindly request you to spare some of your precious time to fill this questionnaire I have just dropped here in your company. I will pick them later in one Week's time.

The confidentiality of the response to this questionnaire would be guaranteed. I wish to reiterate that the purpose of this research results is mainly academic and for my graduation. Counting on your kind cooperation.

Thank you very much for participating.

Yours sincerely

Karundi N.K.
Student Kenyatta University
Appendix 2: Questionnaire for All Respondents

Instructions

Dear respondent,

You are requested to provide answers to the following questions by ticking [ ] where options are provided else provide a brief description in the spaces provided. The information provided will be held in confidence.

PART 1: PERSONAL INFORMATION

1. Gender: Female [ ] Male [ ]

2. Age Bracket: 18-30 [ ] 31-40 [ ] 41-50 [ ] 51 and above [ ]

3. Number of years worked in the organisation.
   Below 5 years [ ] 6-10 years [ ] 11-15 years [ ]
   16-20 years [ ] above 20 years [ ]

4. Highest Education level attained
   KCPE/CPE [ ] O-level /A level [ ]
   Diploma/certificate [ ] Bachelors Degree [ ]
   Masters degree [ ]
   Any other specify: ..........................................................................................................................

5. In what job grade are you? ............................................................................................................
PART 2: HUMAN RESOURCE MANAGEMENT PRACTICES

Instructions
Please Tick your answer where options are provided or provide a brief description in the spaces provided.

Recruitment and selection
6. Do human resource management practices such as careful recruitment and hiring qualified employees make a difference to employee performance?
Yes [ ] ; No [ ] ; If so why?
........................................................................................................................................
........................................................................................................................................

7. What effects do effective recruitment and selection have on employee performance?
........................................................................................................................................
........................................................................................................................................

8. Suggest ways by recruitment and selection should be done to enhance high employee performance
........................................................................................................................................
........................................................................................................................................

Questions on employee training
Please circle the number that most closely matches your opinion.

9. a) Have you attended any course or training in your present position for the last one year? Yes [ ] No [ ]
b) If yes, what type of training?
Job related training [ ] Performance Related Training [ ]
Continuous development [ ] other, specify ..............................................
c) On average, how many hours of formal training do employees in this job receive each year? ..............................................................

10. Did the training have any effect on your performance?
   Yes [ ]            No [ ]

11. Do you think that training is necessary to employees? Yes [ ]    No [ ]

If yes highlight benefits of training and development to an organisation

Questions on compensation and rewards

12. Do employee perception on rewards and compensation have any effects on employee performance? Yes [ ]    No [ ]

13. What effects do effective compensation and rewards have on employee performance?

14. What is the basis of pay raise and promotion in your organization?
   Job Performance [ ]
   Skills [ ]
   Competence [ ]
   Length of service [ ]
   Other..............................................................................................................

15. In your opinion, suggest how compensation and rewards should be implemented in an organisation?

..............................................................................................................

..............................................................................................................

64
16. Is there any relationship between employee attitude (Job satisfaction and employee commitment) to their organisation and company performance?
   Yes [ ] No [ ]

PART 3: EMPLOYEE PERFORMANCE

Instructions
Please Tick your answer where options are provided or provide a brief description in the spaces provided.

Items on employee productivity

17. What were average sales per employee prior to training and development?
   Below average [ ] average [ ] above average [ ] I don’t know [ ]

18. What is the average performance of the company following implementation of effective recruitment, training and development and raise in pay?
   Below average [ ] average [ ] above average [ ] I don’t know [ ]

19. Do you think that employee productivity could be influenced by the level of employee skills and motivation? Yes [ ] No. [ ]
   If so, Why?
   ..................................................................................................................
   ..................................................................................................................

Items of quality of goods and services

20. How much inventory do you loss in a month including loss due to damage, spoilage, delivery shorts and sales returns.

Items to measure firm’ profitability

21. What is your current workers compensation expenses incurred during the last six months divided by sales.

22. What is your Operating Pre-tax Profit of Your Business as a percentage of sales per year?

..................................................................................................................

..................................................................................................................

65
23. Please tick the appropriate box to indicate whether you agree or disagree with the following statements:

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Depends</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) The level of employee satisfaction in this company is high</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) The level of customer satisfaction in this company is high</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Employee' motivation and commitment in this company is high</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

24. How is your company performing regarding, market share, sales growth, profitability, and quality of products/services. Tick the most answer that you find accurate.

- poor ✔
- fair ✔
- good
- very good

25. How would you rate competitiveness in your market in terms of company performance?

- Not competitive ✔
- Fairly competitive ✔
- Competitive ✔
- Extremely competitive.
26. How do other management practices (i.e. competitive strategies, quality emphasis, and research and development investment, investment in technology) compare with human resource management practices in terms of their influence upon organisational performance?

27. Suggest ways by which employers can cultivate employee commitment to organisation goals.

THANK YOU FOR YOUR PARTICIPATION
Appendix 3: Map of Meru County

Location: Located in Eastern Kenya bordering Isiolo County to the North
Population: 1,356,301

Location: Located in Eastern Kenya bordering Isiolo County to the North and North East, Tharaka County to the South, Nyeri County to the South West, and Laikipia County to the West

Area (Km 2): 6,936.0 Km 2

Climate/Weather: Temperatures range from a minimum of 16°C to a maximum of 23°C. The rainfall ranges between 500mm and 2600mm per annum

Road Network: Bitumen Surface (225.7 Km), Gravel Surface (266.1 Km), Earth Surface (767.5 Km)

Source: Google Map (2013).
Appendix 4: Geographical location of Meru County

POPULATION

Population: 1,356,301 (Male - 49.4 %, Female - 50.6 %)

Population Density: 195.5 people per Km 2

National Percentage: 3.5 %

Annual Growth Rate: Not Available

Age Distribution: 0-14 years (39.9 %), 15-64 years (55.6 %), 65+ years (4.4 %)

Number of Households: 320,616
Appendix 5: Growth of Kenyan Economy since independence

![Constant GDP per capita PPP in 2012 US dollar](source)