THE IMPACT OF GLOBALIZATION ON PERFORMANCE MANAGEMENT

(A CASE OF MANUFACTURING INDUSTRIES IN KENYA)

BY

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JULY 2003
DECLARATION

This project is my original work and has not been presented in any other university or for any other award. I'm solely responsible for all errors or omissions.

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DEDICATION

This project is dedicated to my parents, Peter P.G. Kimani, and Lucy Wangeci; to my Brothers Andrew, Anthony, Vincent, Stephen, Joseph, and Michael; to my Sisters Christine, Joan, Collettae, and Pauline; to my nieces Lucy and Kimani for the support and encouragement you gave me in the course of my entire study.
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Finally, above all let the glory and honour go back to our Lord and saviour Jesus Christ.
ABSTRACT

Globalization represents the structural making of the world characterized by the free flow of technology, human and financial resources across national boundaries as well as the spread of information technology (IT) and mass media representing an ever-changing competitive business environment. Since the human factor is the key in the new era of globalization, the primary objective of this project was to present a framework for effective management of human resources (HR) as a response to the growing interaction of globalization and organizational performance.

There is no single "best practice" to which all organizations should aspire. Rather, it's evident that each organization has a distinctive HR system that represents core competencies required for the survival and sustainability for that particular organization.

Chapter two examines the contribution that the existing literature can make to the understanding and knowledge of the subject.

The researcher used descriptive research to attain data to test hypothesis or to answer questions concerning the current status of the subject in the study.

Chapter covered the findings of the study which discussed; skills and knowledge, education and training, effects of globalization, HRM challenges and organizational performance, measures of variables, impact of globalization, corporate governance, risk management, e-business, fraud, outsourcing and recruiting.

Chapter five covered recommendations, limitations, implications to various fields i.e. organizations, government, and researchers.
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CHAPTER ONE

1.0 Introduction

Globalization represents the structural making of the world characterized by the free flow of technology, human and financial resources across national boundaries as well as the spread of information technology (IT) and mass media representing an ever-changing competitive business environment. Since the human factor is the key in the new era of globalization (Hassan, 1992; Sims and Sims, 1995), the primary objective of this project was to present a framework for effective management of human resources (HR) as a response to the growing interaction of globalization and organizational performance.

Strategic management of HR requires that the process of managing people is not an end in itself, but explicitly related to the wider goals of the organization. Strategic human resource management (SHRM) must be a means to achieve strategy. The management of HR is judged on its contribution to the wider goals. SHRM must provide a framework for internally auditing the means by which it delivers contribution to strategic goals, with a view to continuously improve them. Performance management is a means of addressing these requirements. It also refers to a set of techniques and procedures, which share the common features of:

- Providing information on the contribution of HR to the strategic objectives of the organization.
- Forming a framework of techniques to secure maximum achievement of objectives for given inputs.
- Providing a means of inspecting the functioning of the process links, which deliver performance against objective.
1.1 Background

There is no single “best practice” to which all organizations should aspire. Rather, it’s evident that each organization has a distinctive HR system that represents core competencies required for the survival and sustainability for that particular organization (Capelli and Crocker – Hefter; 1996)\(^1\). Best practices in HR are subjective and transitory (Fitz-enz, 1993)\(^2\). What is best for one company may not be best for another. What was best last month may not be best for today. The concept of ‘best’ is highly subjective and non-specific. “Best practice” is not a set of discrete actions but rather a cohesive and holistic approach to organizational management. However there are areas of importance to the human resource professional, which include:

- **Strategic contributions to organization success** – capabilities address the areas of adding human capital value, planning and implementing strategic HR programs and measuring organizational results.

- **Business acumen** – capabilities address the areas of business fundamentals, managing outside HR contractors and other specialists, project management and complying with legal legislative framework.

- **Managing client relationships**, which cover fundamental capabilities, associated with managing a client’s HR services and those addressing the needs of the HR professional as manager.

- **Professionalism** – HR professional is responsible for maintaining established standards in the area of personal conduct. Professional development and advancement of the HR profession.

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\(^1\) (Capelli and Crocker – Hefter; 1996)

\(^2\) (Fitz-enz, 1993)
HR professionals should observe these principles to exhibit individual leadership as a role model for maintaining the highest standards of professional performance, and by so doing they set the standards for others while earning individual respect and increasing their credibility with the organizations they serve.

This is attributed to the following:

- That a growing body of evidence converges to suggest that changes taking place in the global business environment often are not accompanied by complementary changes in HRM practices leading to a situation whereby the failure of some firms is due to the mismanagement of people rather than to problems with technical systems.

- Organizations have achieved relatively low levels of effectiveness in implementing HRM practices. (Huselid, et al., 1997) especially in emerging economies.

- In order to manage employees for competitive advantage in a period of globalization, HR personnel must possess competencies relevant for implementing such SHRM policies and practices (Barney and Wright, 1998; Huselid et al., 1997; Ulrich, 1989, 1996; Ulrich, et al., 1995)

1.2 Statement of the problem

If organizations are to be competitive, more productive and economically sustainable, they will require highly skilled knowledgeable, innovative workers and a relatively stable workforce. An increasing number of organizations are implementing management

\(^3\) (Huselid, et al., 1997)^3
systems and HR practices with greater employee involvement to increase productivity and quality and to gain the competitive advantage of a workforce strategically aligned with organization's goals and objectives. Efforts to improve productivity and quality must include attention to the human organization (Schuster et al., 1997 and Kravetz, 1998).  

The coming of the 21st century globalization poses distinctive HRM challenges to businesses especially those operating across national boundaries as multinational or global enterprises. Global business is characterized by the free flow of human and financial resources especially in the developed economies. The developments are opening up new markets in a way that has never been seen before. This accentuates the need to manage human resources effectively to gain competitive advantage in the global market place. To achieve this, organizations require an understanding of the factors that can determine the effectiveness of various HR practices and approaches. This is because organizations differ along a number of dimensions that influence the attractiveness of Foreign Investments in each organization. These differences determine the economic viability of building an operation in a foreign country and they have a particularly strong impact on HRM in that operation. A number of factors that affect HRM in global markets are identified as: (1) Culture (2) Economic System (3) Political System – the legal framework and (4) Human capital (Noe, et al, 2000: 536). Consistent with the scope of the project, only one dimension was treated: human capital (the skills, capabilities or competencies of the workforce). This was in consonance with the believe that competency-based human resource plans provide a source for gaining competitive

4 (Schuster et al., 1997 and Kravetz, 1998)
advantage and for countries profoundly affect a foreign country's desire to locate or enter that country's market (O'Reilly, 1992).

In the case of developing countries and organizations alike, globalization poses distinct challenges to governments, the private sector and organized labor. These challenges, which must be addressed through a strategic approach to human resource management, include:

(1) Partnership in economic recovery and employee relations
(2) Efficiency and flexibility
(3) Concerns over possibility of fraud (such as issues of confidence and trust)
(4) Training and development

This project therefore, attempted to investigate the appropriate responses for organizations to address these imminent challenges.

1.3 Objectives of the Study

The broad objective of the study was to determine how to improve overall productivity and effectiveness of manufacturing firms by maximizing individual performance and potential.

The specific objectives of the study were:

- To find out how organizations have responded to globalization in improving individual and collective performance.
- To find out how the institutions can assist their HR staff to enhance their career prospects.
1.4 Significance of the Study

The research will assist the developing industries and other organizations to realize that today HRM is the key behind success. It identified competencies critical to performance. Also the research will help other academics in using information herein for their research work. It also identified areas that require further research.

The research hoped to provide some ideal features to be implemented and allow the organizations to compete highly in the current world of globalization.

1.5 Scope of the Study

The research project covered manufacturing industries in Kenya.

The researcher targeted employees who fall under human resource management department and other employees working close to this department. Also the management of the organization was covered.

1.6 Theoretical Framework

The essence of performance management has established that:

1. That there appears to be a significant relationship between strategic HRM practices and firm performance (low employee turnover, high productivity and high profitability (Huselid, et al., 1997).

2. It is also clear that there exist low incidence of implementing strategic human resource management (SHRM) practices relative to technical HRM practices (Huselid, et al., 1997; Wright & McMahan, 1992).
3. Further more although there exists a significant relationship between the extent of both HR professional and business-related managerial competencies and the incidence of implementing HRM practices, organizations have achieved higher levels of HR professional competencies relative to business-related competencies.

4. Finally, environmental context variables like firm size; technology and union status affect the extent of implementing HRM practices (Jackson & Schuler, 1995; Snell & Dean, 1992; Wagar, 1998).

This theoretical framework is in keeping with the thinking of a number of authors including Delery & Doty (1996), Huselid, et al. (1997), Jackson & Schuler (1995) and Wright & McMahan (1992).
Theoretical Framework for Human Resource Management

Intervening Variables

Technical Human Resource Practices

Independent Variables

MANAGERIAL COMPETENCIES
1. HR professional Competencies
2. Business-related Competencies

Strategic Human Resource Practices

Dependent Variables

ORGANIZATIONAL PERFORMANCE
- Efficiency
- Quality
- Time-based Performance

ORGANIZATIONAL CONTEXT VARIABLES
- Firm size
- Level of Technology
- Competition
- Strategy

Control Variables
1.7 Hypotheses of the study

The following testable propositions were derived from the framework above.

1. Human resource managers may have achieved higher levels of HR professional competencies and lower levels of business related competencies

2. The incidence of implementing strategic HR practices is lower in organizations especially in the developing organizations.

3. Both HR professional competence and knowledge of the business (business related competence) significantly contribute to the extent of implementing SHRM Practices

4. Managerial competencies are significantly related to organizational performance

5. The extent of implementing SHRM practices contribute significantly to firm level outcomes

6. The relationship between SHRM and organizational performance is affected by organizational context variables (firm size, level of technology, competition and strategy).
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

In this section the researcher examines the contribution that the existing literature can make to the understanding and knowledge of the subject.

Schneider and Bowen, (1993)\(^5\) argued that, given the importance of the customer-employee interaction to the service encounter, human resource management (HRM) has a key role to play in securing high levels of service quality. The consumer of a service, it is proposed, engages in a subtle and complex experience, which is personal and psychological, unlike the act of consuming a product. Surprisingly then, our understanding of the relationship between HRM policies and practices and service quality remains incomplete. Redman and Mathews (1998, p.71)\(^6\) sum up the literature thus the advice is largely normative and the links between good HRM practice and the quality of service that the customer receives are typically only inferred.

Schneider (1994) attributes the lack of focus on service outcomes in the as a measure of HRM performance to the manufacturing paradigm within which HRM is said to have developed. However, the HRM literature in general has tended to assume that the linkages between HRM and organizational performance are positive. Interest in the measurement of the effects of HRM (as opposed to individual HRM practices) on organizational performance, however defined, has been limited until recently.

Over the past decade a number of studies have reported a positive relationship between high commitment or high performance HRM policies and practices, and organizational

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\(^5\) Schneider and Bowen, (1993)
\(^6\) Redman and Mathews (1998, p.71)

Arthur, (1992)\(^7\); Dyer and Reeves, (1995)\(^8\); Ichniowski, et al.; and (1997); MacDuffie, (1995) have recently focused attention on the ability of internally consistent and synergistic HRM "bundles" or systems, in particular, to create a source of sustained competitive advantage, especially when aligned with organizational strategies, though the development of theory has not matched the encouraging empirical results.

Guest, 1997; Peccei and Rosenthal, (1997) argue that linkages between HRM, the intervening variables (commonly held in the HRM literature to be employee attitudes and individual and group behavior) and organizational performance have been neglected in the empirical studies. This theoretical weakness becomes critical in the case of the hospitality industry (Haynes, 1999). The empirical studies have tended to focus on the manufacturing sector (e.g. Arthur, 1992, 1994; Cutcher-Gershenfeld, 1991; Ichniowski et al., 1997; MacDuffie, 1995; Youndt et al., 1996) or have surveyed employers across different sectors (e.g. Delaney and Huselid, 1996; Huselid, 1995; Huselid et al., 1997).

However, following Regan (1963, cited in Redman and Mathews, 1998), many writers have distinguished the service sector from the manufactured goods sector on the basis that the services provided are intangible, inseparable from the service producer, non-standardized and perishable. This view implies a critical importance for the producer-consumer interaction within the service offer in determining the customer's perceptions of service quality, which is most frequently defined as exceeding the customer's expectations.

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\(^7\) Arthur, (1992)\(^7\);
\(^8\) Dyer and Reeves, (1995)
A significant exception is the work of Peccei and Rosenthal (1997). This seeks to identify the antecedents of employee commitment to customer service in order to better understand how the intervening variables of employee attitudes and behavior may link HRM practices and organizational performance in the service sector. Peccei and Rosenthal survey a large sample of service industry employees in order to throw light on these linkages. The present study attempts to identify the characteristics of the bundle of HRM policies and practices most likely to generate high organizational performance in the service industry by reviewing the experience of a single service sector organization.

It is possible to differentiate customer-orientation (Bowen and Basch, 1992) or service operational types (Heskett et al., 1990) within the service sector in order to better identify, if not model, appropriate management approaches.

Lashley (1998) classifies the most suitable HRM approaches for service operations according to the degree of customization of the service offer and the form and locus of management control of employee performance. The latter refers to the extent to which control is exercised by management externally (through monitoring, performance pay, etc.) as opposed to control strategies reliant on employees internalizing organizational objectives. Four ideal types are identified: involvement, professional, participative, and command and control.

Keith H. Hammond, and ‘Michael Porter’s Big Ideas’, Fast Company, issue 44, p 150, suggest that organizational effectiveness is dependent upon adaptability, the capacity to design organizations and distribute human capital for the optimal execution of strategy. In the current environment of change, future effectiveness has become reliant upon employees who, through this very environment, have potentially become uncommitted
and insecure. Meeting the challenge of change whilst attending to the needs of human capital is the difficult balancing act, which faces today's HR function. In addition, HR must concern itself with professionalism, business partnership and a significant contribution to competitive advantage. Porter, cited in: Hammonds (2001), says HR has been seen as the guardian of the status quo, responsible for defining, through its procedural activities, the field in which careers are played out. This capacity to define the experience of work must now be harnessed not to maintain stability, but rather to facilitate flexibility and create a capacity to meet, and thrive on, organizational change. To meet this challenge, the HR function must reshape and repopulate both itself, and its surrounding organization. In enabling that organization to be adaptable and competitive, the function itself must become a microcosm of its surrounding structure: responding flexibly, acting professionally, and thinking strategically.

Thus Performance measurement is an important managerial activity that is of key concern to the bank manager. Unfortunately, there has been a paucity of service related research to assess the appropriateness of existing bank performance measurement systems in use. This paper is thus an attempt to identify how a performance management system by HR practitioners has the potential to deliver competitive advantage in the ever-expanding global market. It is important to note that competitive advantage can be achieved if inputs, processes, outputs, market; environmental characteristics are congruent with business objectives (by Paul A Phillips-1999), which is a challenge to HR professionals.
CHAPTER THREE

3.0 Methodology

This chapter elaborates on the way the research was carried out. It consists of five sections: research design, population and sample of the study, sampling strategy, data collection procedure, and data analysis method.

3.1 Research Design

The researcher used descriptive research to attain data to test hypothesis or to answer questions concerning the current status of the subject in the study. The purpose of descriptive research was to determine and report the way issues are.

3.2 Population and Sample of the Study

The population was drawn from the management, and the personnel in the HR department. Population covered was from manufacturing industries.

The sample size covered 60 employees working in the personnel department and other employees working close to this department. This represented a response rate of 42% and constitutes the sample used to gather information.

3.3 Sampling strategy

The researcher used random sampling technique to give all equal opportunity to participate. All manufacturing industries in Kenya were considered.
3.3 Data Collection Procedure

Data was collected through a questionnaire. Questions included both open-ended and closed-ended questions. The questionnaire was delivered to the specific respondents identified and collected later by the researcher. Also existing literature on performance management in the organizations was used. Direct interviews with the participants were also widely used to attain information that was not clearly indicated in the questionnaires received.

3.4 Data Analysis

Descriptive statistics was used to analyze data collected. These include the use of tables, and percentages. Tabulation was done using statistical package for social sciences (SPSS) computer program. In the case of data, which may not have been analyzed by the quantitative analysis, qualitative analysis was used.
CHAPTER FOUR

4.0 Research Findings

This chapter reports the data collected from the questionnaires received, and is divided into sections corresponding with the sections found in the questionnaire.

4.1 Skills And Knowledge

In this section the research focused on the actual skills and knowledge required by personnel practitioners. About half of the organizations define or publish guidelines on the skills and knowledge required for personnel management activities and responsibilities (53 per cent). Like the range of training courses offered by organizations, these guidelines cover all personnel management activities, with recruitment and selection being quoted by the most associations (Figure 1). The fact that many areas of personnel management are covered by guidelines in fewer than half of the organizations surveyed may indicate a gap in the setting of standards in the country.

In addition to the guidelines on skills and knowledge, over three-quarters of organizations produce formal guidelines on a code of conduct for personnel management practitioners (Figure 2). A quarter of organizations impose penalties for members failing to abide with any of these guidelines.

The information represented in figures 1, and 2 are evidence of the existence of a body of knowledge and codes of conduct, which are important findings in terms of establishing the professionalism of HR. HR, as a profession should have its own standards, qualifications and ethics, as this is important in order to establish worldwide HR competencies and standards.
Figure 1

Range of Organization guidelines produced

- Recruitment and selection
- Employment law
- Industrial relations
- Discipline and grievance
- Strategic management
- Training and development
- Pay and Benefits
- Change management
- Equal opportunities
- Employee communication
- Health and safety
- Retention/promotion/appraisal
- International personnel management
- Counseling/welfare
- Environmental issues
The questions regarding what levels of personnel practitioner carry out which activities produced a wide range of responses. Some organizations found that it was impossible to differentiate tasks between the levels as presented in the questionnaire due to the nature of the personnel practitioners' role in that organization. Others stated that the responsibilities depend largely on the size of the organization. However, there was a large degree of consensus between the responses as presented below.

Recruitment, retention, promotion and termination activities are carried out at the three levels of HR practitioners: support/administrative, professional/specialist and senior/strategic management (Figure 3). Support/administrative staff are mainly responsible for administering recruitment activities, followed by administering promotion schemes and implementing induction programs for new employees. Professional/specialist staff are responsible primarily for interviewing and selecting new
employees, implement induction programs for new employees and carrying out procedures for termination of employment. The key responsibility at senior/strategic management level is authorizing recruitment budgets and staffing levels, followed by formulating a corporate resourcing strategy.

**Figure 3**

*Recruitment, retention, promotion and termination*

![Bar chart showing distribution of responsibilities across three practitioner levels: Professional/Specialist, Senior/Strategic Management, Support/Administrative, Not applicable to personnel.](chart.png)

Performance measurement, reward and development activities were also divided amongst the three practitioner levels (Figure 4). Support/administrative and professional/specialist
staff takes equal responsibility for administering reward and benefits schemes. Professional/specialist staff are also responsible for delivering training, carrying out performance appraisals, deciding on training activities and methods and administering job evaluation schemes. Senior/strategic management staff develops employee-training strategies, determine the levels of reward and benefits and develop corporate reward strategies.

Figure 4

Performance measurement, reward and development

<table>
<thead>
<tr>
<th>Task</th>
<th>Support/Administrative</th>
<th>Professional/Specialist</th>
<th>Senior/Strategic Management</th>
<th>Not applicable to personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administer reward and benefit schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administer job evaluation scheme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliver training to individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carry out performance appraisals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement equal opportunity programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decide on training activities and methods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop employee training strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop corporate reward strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine the levels of reward and benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

% of organizations
The third category covered the areas of employee communication and the working environment (Figure 5). Aside from supporting the welfare of individuals, support/administrative level practitioners were not seen as responsible for many of these activities. Professional/specialist level practitioners are mainly responsible for developing information systems, providing advice to other functions on employment law and supporting the welfare of individual employees. Senior/strategic management level staff responsibilities include developing an employee relation’s strategy, developing an internal communications policy and managing culture change programs.

Figure 5

Employee communication and the working environment

- Support the welfare of individual employees
- Monitor health and safety policy implementation
- Handle grievance and disciplinary cases
- Provide advice to other functions on employment law
- Manage culture change programs
- Negotiate with staff representatives
- Develop HR information systems
- Evaluate the HR function
- Develop an employee relations strategy
- Develop an internal communication policy

% of Organizations

- Support/Administrative
- Professional/Specialist
- Senior Strategic Management
- Not applicable to personnel
A number of activities were expressed as not being applicable to the personnel management function by one or more countries (Figures 3, 4 and 5). These include implementing equal opportunities programs (23%), developing personnel management information systems (14%), evaluating the personnel management function (9%), monitoring health and safety policy implementation (9%) and developing corporate reward strategies (9%). These percentages show that very few of the activities listed are actually seen as irrelevant to the personnel function. This would indicate that although literature refers to many HR activities being devolved to line management in organizations, in practice, this is not very common. If we compare these findings to the job roles identified in the literature, we can see a large degree of correlation with the findings of previous studies. In particular, the studies carried out by Tyson and Fell (1986) which identified three HR roles (clerk of works, contracts manager and architect), can be compared to the findings of this survey. The clerk of works role, which focuses on the day-to-day operations carried out by the personnel department, is the support or administrative HR practitioner role. The contracts manager role, which is the HR expert ensuring that every aspect of policy and procedure, is the professional or specialist HR practitioner role. The architect role, which is that of the long-term designer and planner, coordinating the activities of other members of the department, is the senior or strategic management HR practitioner role. Taking this analysis further, the division of activities between different levels of personnel practitioner around the world, shows the professional/specialist level of practitioner as primarily responsible for the technical activities, whilst the senior level is focusing more on the strategic management activities. This raises the issue of whether this division is necessary and/or desirable, and whether
the focus of personnel management activities is shifting towards strategic activities as is
often advocated in the literature. Clearly, the skills to perform these roles are quite
different. As noted earlier, the challenge for the future for HR appears to lie in sustaining
an appropriate balance between strategist and technical roles in the face of a changing
environment. The fact that very few activities were seen as outside of the scope of the
personnel function, indicates that there may be less devolution of activities to line
management than the literature promotes.

4.2 Education and Training

This section reports on both the level of achievement of employees and on the education
and training activities of each organization.

Across all of the organizations, a very large majority of employees are qualified to
college certification level (49%). The proportion of other certifications held by
employees is shown in Figure 6.

Amongst these certifications, business studies was the most popular discipline for
personnel management practitioners, followed by psychology and then law (Figure 7).
Figure 6

Proportion of Certifications held by Employees

Figure 7

Most common disciplines among personnel management practitioners
Almost three-quarters of the organizations believe it is very important to have a university degree to practice personnel management, with the remainder seeing this as quite important, and a few believe it's not important. Very similar opinions are held with regard to the need to follow a course of study in personnel management (Figure 8).

This data shows an apparent rise in the importance of gaining a personnel management qualification, compared with the findings of the in existing literature.

Of all organizations, which responded none does run professional management certified courses of study, but they all recognize professional HRM certified courses of study run by other institutions.
4.3 Effects of Globalization

This section reports on the effects or rather the impact the globalization in performance and the appropriate responses that the organizations are/have taken to face this challenges.

All organizations that participated in the research based their operations in the urban regions. This was explained in terms of convenience, security, market, technology and generally the infrastructure.

Globalization as an aspect was well understood by all participants. The most common aspects named were, standardization of procedures including those of the human capital; code of conduct; technological development; internationalized qualifications/certification for the staff; and diversity in market for products as well as human capital. Organizations were affected both positively and negatively and caused changes in all organizations. The reason attributed to the changes was that in our current economy, the market has been liberalized and thus all possible competitors struggle for the same resources and consumers. Thus changes have been effected to ensure the performance and sustenance of the organization in the world of globalization.

4.3.1 Human Resource Management Challenges and Organizational Performance

Organizations today must grapple with revolutionary trends - accelerating product and technological change, international competition, deregulation, demographic changes, and a shift towards a service society. These trends have increased dramatically the degree of competition in virtually all industries. Companies in such an environment either become competitive high-performers or they vanish.
Within this competitive organizational context, human resource management practices have gained increased significance. More specifically, HR has been linked to increased productivity, good customer service, greater profitability and overall organizational survival. To achieve such link, management must not only face current issues of human resource management but also deal with future challenges related to human resource management effectively.

One of the main challenges that human resource managers are facing involves issues of training and developing human capital. As organizations develop, they have to operate in an ever more interconnected world. Training and development activities are going to support those changes in the near future and are essential to the success of any organizational strategy. In the highly competitive, global market place, the competitive advantage for companies is the quality of their human resources.

Up to now, training and development has been largely restricted to local and regional efforts. Furthermore, an increasing emphasis is put on the internal training and the use of on the job training, rather than external courses. However this training does not offer professional certification and thus remains an internal affair of the organizations. Only limited funding is available from businesses for going global, which requires a more expensive training investment. It is important here to note the work of Holden (1997) who believes that the recognition of the importance of training in recent years has been heavily influenced by the intensification of global competition and the relative success of economies like Japan, Germany and Sweden, where investment in employee development is considerable. Technological developments and organizational change have gradually led some employers to the realization that success relies on the skills and
abilities of their employees, translating into considerable and continuous investment in training and development. This investment also has been underscored by the rise of human resource management with its emphasis on the importance of people and the skills they possess in enhancing organizational efficiency. Such human resource management concepts as "commitment" to the company and the growth in the "quality" movement have led senior management teams to realize the increased importance of training and development.

In the current economic climate, the process of training and developing knowledge and its management can be left no longer to fate and luck (Mühlmeyer and Clarke, 1997). It must be recognized that knowledge and therefore training is a potential competitive factor, which is often company-specific and which can be achieved only on a long-term basis. It is vital to the overall success of the organization and must be given a corresponding amount of management support.

In addition, training cannot be used as a fringe benefit or as a reward for management or as a last resort at times of crises. A consensus should be established within the organization that training makes a vital contribution to the development of the organization as a whole, even if its success is often difficult to quantify. A training program needs to be integrated within the strategic planning of a business; the methods of implementation and the required resources need to be agreed upon within the organization. According to Ashton and Felstead (1995, p. 245), companies should look more inwardly by training and developing existing employees rather than buying in appropriately qualified and experienced workers.
Training and development should be combined with efforts to improve employee quality of life. Employees in our days need to balance life with work. A good way to help them achieve such balance is to offer flexible work arrangements. Therefore, another significant human resource management challenge that organizations are facing is flexibility. Flexible or non-standard working patterns have become a significant element of the reality of employment in many organizations in the 1990's and all the indications suggest that this challenge is set to continue into the twenty-first century (Skinner, 1999).

A key aspect of the growth of flexible working practices is its role in enabling an organization to meet the diverse needs of its workforce. Flexible working patterns are widely perceived to offer an effective way of combining successfully home and work commitments and to be a stepping-stone towards achieving equality of opportunity. Labor flexibility, even though not widely practiced yet, has come to be widely accepted throughout the manufacturing industries. The forms it takes have been determined largely by the strategies adopted by the social partners, particularly the employers, given that implementation is their direct responsibility.

Generalizations are difficult, but a number of employers have come to assume a somewhat proactive role in this area. Nevertheless, as the need for greater flexibility is widely accepted, the challenge is to find out how far, how permanently, how strategically, and in whose interests is the achievement of this flexibility in organizations. All the above challenges cannot be considered outside the context of employee relations. Good employee relations involve providing fair and consistent treatment to all employees so that they will be committed to the organization. Companies with good employee relations are likely to have a human resource strategy that places high value on
employees as organizational stakeholders. In addition, companies with strong employee relations benefit because their workforce is highly motivated to expend its best efforts. In exchange, employees expect to be treated fairly and to be recognized for their achievements. In turn, employee relations involve another human resource management challenge. Human resource specialists play a crucial role in employee relations. For example, if they develop communications and procedures that apply appropriate information tools in a timely manner, employees can access more abundant, higher quality information and can communicate more effectively with management, resulting in being more effective in their work.

Managers and human resource specialists must work in partnership to ensure that the communication policies and procedures bolster employee relations, since to develop and sustain such relations; employers must keep employees informed of company policies and strategies. Additionally, to foster good employee relations, managers must listen to and understand what employees are saying and experiencing and provide employees with the freedom to express grievances about management decisions.

Such employer-employee behavior is part of the corporate culture, which can have an impact on employee expectations and in turn productivity (Ivancevich, 2001, p.47).

Corporate culture provides a benchmark of the standards of performance among employees. For example, it can provide clear guidelines on attendance, punctuality, concern about quality, and customer service. A corporate culture that is easily duplicated provides little advantage.

The most difficult corporate cultures to copy are those that have evolved over a period to suit the specific needs of an organization. A strong corporate culture is an advantage in
the global universe, but it is important to note that cultures are not static. They influence each other.

Understanding employee attitudes helps corporate culture take root. Cultures that are sensitive to employee attitudes and customs are bound to be more successful.

Additionally, the management style of line managers directly affects employee relations, since line managers are crucial links to the human resource function and the ones who must orchestrate the distinctive skills, experiences, personalities, and motives of individuals. Managers also, must facilitate the interactions that occur within work groups. In their role, managers provide direction, encouragement, and authority to evoke desired behaviors (Eichinger and Ulrich, 1995). In addition, managers reinforce desirable behavior so that it is sustained and enhanced. The manager is an important source of knowledge about the tasks, the organization, and the human resource management policies, programs, and goals (Ivancevich, 2001, p.50). The management style will influence which HRM programs are communicated and implemented.

Likewise, empowerment is another important part of employee relations. In essence, the process of empowerment entails providing workers with the skills and authority to make decisions that would traditionally be made by managers (Ivancevich, 2001). The goal of empowerment is an organization consisting of enthusiastic, committed people who perform their work because they believe in it and enjoys doing it (Gomez-Mejia et al., 2001). This situation is in stark contrast to an organization that gets people to work as an act of compliance to avoid punishment, for instance being laid-off or qualifying for a pay check. Empowerment can encourage employees to be creative and to take risks, which are key components that can give a firm a competitive edge in a fast changing
Empowerment is really a necessary tool to increase employee satisfaction, which will transfer into greater productivity and organizational effectiveness.

Another topic directly related to employee relations is industrial relations. A union can alter significantly the human resource management policies of a company because of its bargaining power, which is supported by labor law (Gomez-Mejia et al., 2001). Human resource managers must first possess enough knowledge of basic labor law in order to avoid creating a legal liability for the company, second to implement the terms of labor agreements fairly and impartially, and last to hear and resolve employee grievances (Gomez-Mejia et al., 2001).

A feature of the industrial relations literature over the last few years has been the realization that workplace industrial relations have undergone extensive changes. The last decades have been full with large-scale movement in the social, political, legal and economic climate, resulting to changes in the nature of the relationship between governments, businesses and trade unions. Furthermore, a more individually based workplace emerged, placing emphasis on dealing with individual employees rather than formal groups (Gomez-Mejia et al., 2001).

Certainly, the context of industrial relations is changing, but there is a strong sense of continuity. National influence explains many of the variants of industrial relations. Unions may be under some pressure, but they are not in terminal decline and continue to play a significant role in industrial relations. However, it seems likely that with the growing globalization of markets, goods/services and production will continue to move freely across international borders. Where vast differences in wages, benefits, and other
costs of doing business exist, the tendency will be to move to areas that are less costly, unless skills are unavailable or productivity is significantly lower.

Therefore, unless labor unions can increase their productivity sufficiently or organize new production facilities, union influence is likely to decline (Noe et al., 2000). In turn, to be a successful organization in today's emerging competitive environment, human resource specialists have to account for these changes in industrial relations and act accordingly.

The present study based upon data collected from the industries, the table below presents the total sample units from each area covered in the study and reveals that a large proportion of the database comes from organizations operating within Nairobi.

Table 1: Database Sample Units

<table>
<thead>
<tr>
<th>Country</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nairobi</td>
<td>229</td>
<td>43.29</td>
</tr>
<tr>
<td>Nakuru</td>
<td>123</td>
<td>23.25</td>
</tr>
<tr>
<td>Eldoret</td>
<td>105</td>
<td>19.85</td>
</tr>
<tr>
<td>Thika</td>
<td>72</td>
<td>13.61</td>
</tr>
<tr>
<td>Total</td>
<td>529</td>
<td>100</td>
</tr>
</tbody>
</table>

In fact, more than forty percent of the total responses are from organizations in Nairobi while the smallest sample was in Thika, which makes up for approximately fourteen percent of the data. In total, the database consists of 529 responses.

Most challenges reported in the literature were the same as those reported by the study participants. The researcher associated these challenges with current organizational practices, also reported in the questionnaire. To facilitate the data analysis, it was
imperative for the researchers to operationalize each challenge through the formation of construct indices. These indices show how each human resource management challenge is dealt with presently by organizations in the sample.

These indices, named Key HR Challenges, are the following: Training and Development, Efficiency and Flexibility, and Employee Relations.

### 4.3.2 Deciphering the key HR Challenges

As it can be seen from Table 2, the most important human resource management challenge is related to Training and Development, with a percentage higher than twenty-five. It is also important to point out that Efficiency and Flexibility and Employee Relations are among the top rated challenges.

#### Table 2: Key HR Challenges

<table>
<thead>
<tr>
<th>Title of challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and Development Index</td>
<td>26.48</td>
</tr>
<tr>
<td>Employee Relations Index</td>
<td>15.13</td>
</tr>
<tr>
<td>Efficiency and Flexibility Index</td>
<td>12.66</td>
</tr>
<tr>
<td>Personnel Function Index</td>
<td>10.69</td>
</tr>
<tr>
<td>Recruitment and Selection Index</td>
<td>6.74</td>
</tr>
</tbody>
</table>

From the results above, the researchers reached the conclusion that overall Training and Development, Employee Relations, and Efficiency and Flexibility are among the top rated challenges but with different rankings.

Organizational Effectiveness: measures of Productivity, Profitability and Service Quality
Each of these variables was assessed through the perceptions of study participants as to whether the performance of their organization is at the top 10% or not (yes or no) in comparison with that of other organizations in their field. In turn, organizations were grouped into top-performers and non-top performers. Top performers were at the top 10% in each organizational effectiveness measure while non-top performers were not at the top 10% in each measure.

Given the above information, a framework may be developed where the relationship between the challenges, operationalized into existing human resource management practices, and organizational performance is explored. The model is depicted in figure 9 below.

**Figure 9: Key Challenges in HRM and Organizational Performance**

- Existing Human Resource Management Practices
- Key HR Challenges: Training and Development, Efficiency and Flexibility, Employee Relations
- Organizational Effectiveness: Productivity, Service, Quality, Profitability
- Organizational Performance: Top-performers, Non-top performers

**4.3.2.1 Discussion**

The focus of this section was on the relationship between *Organizational Performance* and *Key HR Challenges* among organizations (Figure 9). From the three effectiveness measures of Productivity, Profitability and Service Quality, the first was statistically significant with all three challenges, namely Training and Development, Efficiency and Flexibility, and Employee Relations.
In an effort to explicate the above results, it can be inferred that top-performer organizations will enjoy greater Productivity levels, due to the ways they deal with Efficiency and Flexibility, Training and Development, and Employee Relations. Managers already recognize that the above challenges are among the leading ones of the near future, and thus, they now need to be aware of the impact the related practices have on their organizations' performance. It seems the managers are concerned with productivity because they feel it is a representative indicator of the overall efficiency of an organization (Herman, 1987).

To illustrate, good employee relations involve providing fair and consistent treatment to all employees so that they will be committed to the organization (Gomez-Mejia et al., 2001). Management seems to realize that good employee relations create a human resource strategy that places high value on employees as stakeholders in the business, thus improving productivity. Companies with good employee relations motivate their employees highly to expend their best efforts. In exchange, employees expect to be treated fairly and recognized for their achievements. In this context, human resource specialists play a crucial role because, if they develop procedures that apply appropriate communication tools in a timely manner, employees can access more abundant, higher quality information and can produce more productively. Therefore, managers and human resource specialists must work in partnership to ensure that the communication policies and procedures keep employees informed of company policies and strategies (Gomez-Mejia et al., 2001). Additionally, to improve productivity, managers must listen to and understand what employees are saying and experiencing as well as provide the freedom for employees to express grievances about management decisions.
In addition to good employment relations, employee knowledge and skills may also improve productivity, thus contributing to the continued development of the organization. Due to globalization, training focuses on ensuring that managers are productive in global exchanges and adaptive to local conditions (Dowling et al., 1999). Furthermore, knowledge of the economy, politics, business practices and cultural foreign countries is very important. Therefore, at a time where the life cycle of knowledge is decreasing constantly and the information required by a company is becoming increasingly complex, top-performer organizations have realized the importance training and development in improving productivity. While functioning in the midst of complexity, to develop a system for managing training and development, within which the needs and requirements of the company can be analyzed and handled effectively, is crucial.

In the past, organizations tried to govern the increasing complexity with division and specialization of labor, but it seems that the limit of possibilities in this direction was reached (Skinner, 1999). Nowadays, flexible work arrangements gain in importance, since a falling share of jobs can be completely formalized and thus, electronically automated, while the share of jobs with a high degree of complexity is constantly growing (Ruf, 1991). This development has clear repercussions for the company’s hierarchical structure, its internal formalism, its communicational structure, and the spatial and temporal dimensions of its human resource management. Furthermore, it has clear implications on organizational effectiveness, especially productivity. Management among top-performer organizations has realized the connection between productivity and flexibility. However, more organizations should seek to adopt work structures, which are
characterized by their flexibility and adaptability (Wood, 1991). In many instances, this involves redesigning jobs around a functionally flexible worker (Katz, 1985).

Given the above, it seems clear that when human resource management is properly practiced and its challenges of the future are confronted effectively, the work and effort of employees will become more efficient and of higher value to the organization, hence increasing their productivity level. This will result in the long-term effectiveness of an organization within its industry. Sustaining an organization's position is important not only for the various stakeholders of the organization, but also for the overall competitiveness. This is especially important in the new economy where globalization prevails and competition ignores cross-country boundaries.

4.3.3 Measure of Variables

4.3.3.1 Measuring High-Commitment HRM Practices

For the purpose of the present study, the choice of practices to be included in the category of high-commitment management was made with various points in mind. First attention was turned to those practices most often included in investigations into innovations in HRM. A second consideration involved the restrictions imposed by the questionnaire used. Taking these details into account, the practices that were most often mentioned in the literature and that also figured in our database were included.

The use of employees already working for the organization to fill vacancies further up in the hierarchy is a variable common to all the different studies of high-performance HRM practices. Respondents were asked to show how many of their current supervisors and
skilled technicians had previously had jobs on the shop floor. This scale has been transformed into a scale from 0 to 1 to create the variable Promotion.

Another factor that encourages workers' identification with the firm is their confidence in being able to keep their jobs. The Security variable equals the percentage of permanent employees.

The criteria applied in the selection and recruitment of new workers give some indication of how the firm is being run, since they reveal what type of qualities and behavior is being sought after in candidates for jobs in the firm. The binary variable Selection tells whether one of the two main factors considered when selecting and taking on new workers gives priority to personality characteristics or the ability to work as part of a team and learn new skills, rather than focusing on higher qualifications and a closer match between the technical requirements of the job and the abilities and technical skills possessed by the candidate.

The effort made by the firm to train its workers also serves as an indication of its concern for the future of its workforce. Training is equal to 1 if some workers have received any formal training within the past year. As for the content of that training, Group train equals the percentage of hours of training provided by the firm devoted to teamwork and problem solving techniques.

There are several issues relating to wage systems that must be included. Wage level is a binary variable that indicates whether the workers' average wage is above the average for the same type of workers in the same sector and the same region. Plantinc shows whether or not the plant uses for the majority of its workers incentive schemes based in any way on its operations or financial performance. Know pay indicates whether the main factor in
determining the majority of workers' wages is their level of professional skill, as opposed to other criteria, such as the nature of their job or their length of service in the firm.

Several of the aspects included refer to the nature of the job. On the one hand, there is the existence of autonomous work teams, which is measured by the variable Team. The use of job rotation among shop-floor workers is captured by the variable Rotation. Self-inspection by the majority of workers as a quality management technique is represented by the Selfins dichotomous variable. Respondents were asked to indicate the degree to which their workers were allowed to plan and organize their own work. The variable Autonomy is the outcome of dividing the initial values by 10.

Specific action designed to increase the participation of workers in the running of the firm may take the form of schemes to collect individual suggestions or the creation of groups of workers to meet periodically in order to identify problems related with their work and propose possible solutions. These two instruments are reflected in the binary variables Suggestion and Groups, respectively.

The use of methods to allow communication to take place between workers and company management is an issue that needs to be taken into account when dealing with the attempt to get workers to identify with the firm. While periodic meetings with employees in order to inform them about company issues creates a downward flow of communication, conducting surveys in which employees are asked about their degree of job satisfaction sets up a flow of communication in the opposite direction. This type of action is captured by the variables Meetings and Surveys. Open-door, meanwhile, indicates whether or not the firm has organized open-days in an attempt to involve employees and the surrounding
community and to create links between the workers' private environment and the firm that employs them.

Table 3 contains the most relevant descriptive statistics for the seventeen HRM practices defined as high-performance. This table shows that the adoption of the different practices varies considerably. As far as diffusion is concerned, at one extreme you find training in teamwork and problem solving techniques and plant incentives, in which application is the least intense. Two further practices, with a diffusion limited to around 20%, and both contributing to increasing worker involvement, are, first of all, surveys to detect job satisfaction and, second, the organization of open days. Meanwhile, only a quarter of the plants covered by the researcher included workers' level of knowledge and skills when fixing the basis for their wages. Moreover, workers are given very little autonomy in their jobs.

At the other extreme is self-inspection by the workers of the quality of the products they manufacture. This is common practice in 90% of the plants interviewed. There is also very widespread provision of some kind of formal training for production workers (80% of the sample) and a high proportion of permanent employees. Though to a more moderate extent, there is widespread application of personality-based criteria in personnel selection processes, as well as frequent use of internal promotion in order to fill posts as job vacancies occur within the organization.

Highly relevant observations can be made from the associations between the different practices and how they interrelate. As was to be expected, the correlation coefficients are overwhelmingly positive, and among the negative only one is significantly distinct from 0. In all, of the 136 coefficients that make up the matrix, only eleven are negative.
Table 3: Mean, Standard Deviation, and Correlation Matrix for HRM Practices (N=60)

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<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
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<tr>
<td>1. Promotion</td>
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<td>2. Training</td>
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<td>3. Grouptrain</td>
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<td>4. Wagelevel</td>
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<td>5. Plantinc</td>
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<td>6. Knowipay</td>
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<td>7. Team</td>
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<td>8. Rotation</td>
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<td>9. Selfms</td>
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<td>10. Autonomy</td>
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<td>11. Groups</td>
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<td>12. Suggestion</td>
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<td>.50</td>
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<td>13. Mealing</td>
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<td>.49</td>
<td>.04</td>
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<td>14. Survey</td>
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<td>15. Opendoor</td>
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<td>16. Selection</td>
<td>.87</td>
<td>.47</td>
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<td>17. Security</td>
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*: standard deviation; **: *: p<.01; ***: p<.05; ****: p<.10.
It can be seen how some of the practices considered possess an individual diffusion profile that falls far wide of the trend followed by most of the rest. This casts serious doubts on the theory that high-commitment practices are implemented in such a way as to remain consistent with one another. However, this phenomenon may also be interpreted as an indication of error in the theoretical definition of the practices that make up the subject. In other words, it may be that some of the practices included fail to complement the rest.

In relation to this issue, there is evidence to suggest that paying workers above the going rate, providing them with job security, rewarding them for their knowledge and offering them internal promotion are practices that have very little connection with other aspects of high commitment management. The case of the Promotion variable is particularly remarkable, in that it fails to register even a single positive correlation significantly distinct from 0 with any of the remaining sixteen practices analyzed. This echoes the results obtained in Becker and Huselid (1998) and points to the need for further theoretical investigation into the relationship of this feature of internal labor markets and the rest of the HRM system.

When there are a great number of practices to be analyzed, as in the case in hand, the investigator is faced with two possible ways of evaluating the degree to which HRM can be considered to be based on high-commitment. The first of these involves taking the variables referring to the use of individual practices and creating an index that measures the extent to which high-performance employment practices are being applied (e.g., Wood and Albanese, 1995; Pil and MacDuffie, 1996; McNabb and Whitfield, 1999). The second option is to classify firms according to their level of application of the whole set...
of practices under consideration (Arthur, 1992). It is thus possible to opt for a more or less continuous measurement or for using a nominal variable. For the purposes of the present study, the research applied both options, since this will help in ascertaining whether the results obtained are robust in relation to the procedure used to evaluate the way in which human resources are managed.

The index used for the present study is the sum of the seventeen variables defining high-commitment practices taking place in the establishment; this will be labeled \textit{HRM index}.

In order to group the plants according to the degree to which they have introduced high-commitment practices into their management of human resources, they were classified by means of cluster analysis. First an agglomerative analysis using a Ward hierarchical procedure and the square of the Euclidean distance was carried out. From this it is able to deduce that the optimum number of groups to be formed is 2. Taking the results of this first analysis as the initial centroids, a non-hierarchical cluster analysis using two groups was performed.

This process gives two groups. \textbf{Table 4} shows the number of plants in each group, the mean value in each group for the variables and the statistical significance of the chi-squared statistic. Judging from the frequencies of the different HRM practices examined, the first of the groups is the one that can be classed as containing the firms where high-performance HRM practices have been introduced. The second group, meanwhile, is made up of plants that continue to practice traditional methods of personnel management, placing the emphasis on strict control of workers' actions. \textit{HRM group} is a binary variable that takes a value of 1 when the plant belongs to the first group taken from the
cluster analysis, that is, plants that include high-commitment practices in their HRM, and a value of 0 otherwise.

Table 4: Association between HRM Practices and Groups Resulting from Analysis (N=60 for Mean, N₁=33 for Group 1, N₂=27 for group 2)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Mean Group 1</th>
<th>Mean Group 2</th>
<th>Chi-2 p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Promotion</td>
<td>.67</td>
<td>.69</td>
<td>.65</td>
<td>.042</td>
</tr>
<tr>
<td>2. Training</td>
<td>.90</td>
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<td>.60</td>
<td>.000</td>
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<td>3. Grouptrain</td>
<td>.07</td>
<td>.10</td>
<td>.05</td>
<td>.000</td>
</tr>
<tr>
<td>4. Wagelevel</td>
<td>.42</td>
<td>.46</td>
<td>.37</td>
<td>.016</td>
</tr>
<tr>
<td>5. Planting</td>
<td>.12</td>
<td>.31</td>
<td>.07</td>
<td>.000</td>
</tr>
<tr>
<td>6. Knowpay</td>
<td>.25</td>
<td>.28</td>
<td>.20</td>
<td>.010</td>
</tr>
<tr>
<td>7. Team</td>
<td>.47</td>
<td>.58</td>
<td>.33</td>
<td>.000</td>
</tr>
<tr>
<td>8. Rotation</td>
<td>.47</td>
<td>.50</td>
<td>.43</td>
<td>.000</td>
</tr>
<tr>
<td>9. Satisfy</td>
<td>.90</td>
<td>.93</td>
<td>.85</td>
<td>.000</td>
</tr>
<tr>
<td>10. Autonomy</td>
<td>.25</td>
<td>.31</td>
<td>.18</td>
<td>.000</td>
</tr>
<tr>
<td>11. Groups</td>
<td>.39</td>
<td>.65</td>
<td>.07</td>
<td>.000</td>
</tr>
<tr>
<td>12. Suggestion</td>
<td>.57</td>
<td>.83</td>
<td>.25</td>
<td>.000</td>
</tr>
<tr>
<td>13. Meeting</td>
<td>.59</td>
<td>.91</td>
<td>.21</td>
<td>.000</td>
</tr>
<tr>
<td>14. Survey</td>
<td>.21</td>
<td>.36</td>
<td>.04</td>
<td>.000</td>
</tr>
<tr>
<td>15. OpenDoor</td>
<td>.19</td>
<td>.30</td>
<td>.06</td>
<td>.000</td>
</tr>
<tr>
<td>16. Selection</td>
<td>.67</td>
<td>.72</td>
<td>.62</td>
<td>.002</td>
</tr>
<tr>
<td>17. Security</td>
<td>.80</td>
<td>.81</td>
<td>.78</td>
<td>.044</td>
</tr>
</tbody>
</table>

It can be clearly seen how the first group includes most of the plants where the adoption of the seventeen practices considered is most intense. Moreover, it must also be emphasized that differences between the two groups are always significant, although on two of the variables, Promotion and Security, the difference is not quite as marked as on the rest. These findings coincide reasonably closely with the conclusions drawn from the previous analysis of correlation in the implementation of these practices.

4.3.3.2 Operational Performance Measures

It is important to explain the two characteristics of the measurements of performance that were used in this study. First of all, they measure the degree of improvement in the different performance indicators of the plant in the last three years. The different manufacturing performance dimensions, which are measured in absolute terms, depend
largely on the technology being used and type of process being undertaken at the plant. Therefore, it becomes difficult to establish comparisons when the data are obtained from a group of heterogeneous plants, even when the sector is introduced as a control variable. The other noteworthy characteristic is the subjectivity of the information used. Results of a subjective nature are often used in research on organizations. Some studies have demonstrated a strong relationship between objective and subjective measures of financial performance. This may serve as a justification for the use of this kind of performance (Dess and Robinson, 1984; Venkatraman and Ramanujam, 1987; Powell, 1995).

The indicator for efficiency (cost performance) used here is Efficiency; this refers to improvement in the percentage of productive hours in relation to the total number of hours of direct presence of the workforce. It reflects waste and inefficiency in the productive system and identifies unproductive time resulting from organizational problems (lack of material, breakdowns, problems with quality, etc.).

The two indicators of improvement in quality performance correspond to a definition of product quality as conformance with specifications and they are defined as the percentage of defective products. Quality1 measures improvement in the percentage of defective finished products, that is, the number of defective finished units divided by the total number of finished units manufactured in the plant. Quality2 measures improvement in the percentage of defective unfinished products, that is, it refers to the percentage of defective units that have been detected in the intermediate stages of the manufacturing process, and not at the end of it.
Two indicators for time performance are also used. Time1 indicates the improvement in the percentage of delivery dates fulfilled, which is a typical measurement of punctuality, and considered a basic aspect of customer service. Time2 indicates improvement in the reduction of the time taken from the moment the material is received to the moment the product is delivered to the customer. This serves as an indicator of process speed (lead time).

The five performance variables are discrete variables. They take a value of 0 for plants whose manufacturing results have not improved in the last three years, 1 for those whose results have improved slightly and 2 for those whose results have improved greatly.

4.3.3.3 Control Variables
The first control variable is the size of the plant, measured by the natural logarithm of the number of employees that work in the factory (Lnsize). This is a common means of measuring establishment size. Technology has great significance in any attempt to explain the operational results achieved by the plant. Technical features are measured by the variable Automation, which aims to capture the degree of automation in the plant. The questionnaire enquired after four technical features that were felt to be directly related to the degree of automation: namely, programmable automats, automatic materials storage and retrieval systems, computer integrated manufacturing and computer networks for the processing of the plant’s production data. By applying factor analysis to these four variables, a single factor is obtained with an eigen value greater than 1, which accounts for just over 47% of the variance. The factor loadings on these variables are greater than .44. Automation is defined as the average of the four variables mentioned.
Competitive pressure can force firms into striving to improve operational performance if they wish to survive in the market or maintain and improve their financial results. The level of competition being faced by the firm is captured by the variable *Competition*. This uses a scale of 1 to 5 to assess the evolution of competition levels over the last three years in the sector in which the plant operates. A score of 1 on this scale indicates a large decrease, whereas a score of 5 represents a large increase.

*Qualassur* is a binary variable that assesses whether the plant has set up a quality assurance system. It reveals whether the factory is following a quality strategy by establishing organizational routines aimed at preventing defective products from reaching the customer.

Finally, *Strategy* is a variable defining the relative importance attached by the management of the plant to the question of quality in comparison to cost; when both quality and cost are given the same importance *Strategy* takes a value of 100.

**Table 5** shows the average and standard deviation of the dependent variables, control variables and *HRM group* and *HRM index*. It also shows the correlation between *HRM group*, *HRM index*, performance variables and control variables.

This table enables us to see how the plants included in the sample remain at intermediate levels of automation, though slightly below the exact mid-point. However, the plants that participated in the study claimed that the competition they had to face had increased over the three years previous to the interview. It is also worth mentioning the effort that is going into increasing quality assurance at the plants, since 71% of the manufacturers claim to have set up systems to deal with this.
The vast majority of the plants report improvements in the different plant performance areas considered, that is, efficiency in the use of resources, quality, and the speed at which they complete the different stages in the productive cycle. Analysis of the correlation matrix brings us to the conclusion that no incompatibilities are present in the performance attaining processes in the different areas of operations management at the plant. Plants that have improved their performance in one of the three areas considered are more likely also to have improved in the remaining areas.

Table 5 also offers a simple profile of the plants that have opted to introduce high-commitment. The larger the size of the plant, the greater the likelihood of its introducing this type of practices. Likewise, in the area of technology, there is clear evidence to show that these tend to be plants with more highly automated processes, and where it will be more usual to find quality assurance schemes in progress.

Table 5: Mean, Standard Deviation, and Correlations between results variables, control variables, HRM group and HRM index (N=60)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
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<tr>
<td>1. Lnsize</td>
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<td>.85</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Automation</td>
<td>4.18</td>
<td>2.36</td>
<td>.318***</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>3. Competition</td>
<td>3.48</td>
<td>.89</td>
<td>.036</td>
<td>.041</td>
<td></td>
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<td>4. Qualassur</td>
<td>7.1</td>
<td>.45</td>
<td>.280***</td>
<td>.296***</td>
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<td>5. Strategy</td>
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<td>.081**</td>
<td>.004</td>
<td>.059</td>
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<td>6. Efficiency</td>
<td>.81</td>
<td>.71</td>
<td>.103**</td>
<td>.138***</td>
<td>.027</td>
<td>.141***</td>
<td>.028</td>
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<tr>
<td>7. Quality1</td>
<td>.82</td>
<td>.70</td>
<td>.096**</td>
<td>.164***</td>
<td>.053</td>
<td>.217***</td>
<td>.006</td>
<td>.405***</td>
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<td>8. Quality2</td>
<td>.83</td>
<td>.70</td>
<td>.108***</td>
<td>.211***</td>
<td>.016</td>
<td>.208***</td>
<td>.006</td>
<td>.457***</td>
<td>.797***</td>
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<tr>
<td>9. Time1</td>
<td>.90</td>
<td>.72</td>
<td>.065</td>
<td>.126**</td>
<td>.007</td>
<td>.138**</td>
<td>.005</td>
<td>.506***</td>
<td>.491***</td>
<td>.540***</td>
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<td></td>
</tr>
<tr>
<td>10. Time2</td>
<td>1.01</td>
<td>.75</td>
<td>.110***</td>
<td>.255***</td>
<td>.061</td>
<td>.193**</td>
<td>.002</td>
<td>.286***</td>
<td>.286***</td>
<td>.372***</td>
<td>.356***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. HRMgroup</td>
<td>.44</td>
<td>.50</td>
<td>.228***</td>
<td>.253***</td>
<td>.004</td>
<td>.314***</td>
<td>.046</td>
<td>.114***</td>
<td>.197***</td>
<td>.163***</td>
<td>.209***</td>
<td>.207***</td>
<td></td>
</tr>
<tr>
<td>12. HRMindex</td>
<td>7.86</td>
<td>2.48</td>
<td>.287***</td>
<td>.350***</td>
<td>.033</td>
<td>.347***</td>
<td>.034</td>
<td>.127***</td>
<td>.209***</td>
<td>.214***</td>
<td>.150***</td>
<td>.217***</td>
<td>.747***</td>
</tr>
</tbody>
</table>

†: standard deviation; ***: p<.01; **: p<.05; *: p<.10.
4.3.3.4 Estimation Framework

Given the nature of dependent variables, the question of whether HRM leads to differences in operational results will be tested by estimating ordered probit models (Maddala, 1983). For each dependent variable three different models are constructed. The first of these includes only control variables, the second incorporates the HRM group variable and its interaction with Strategy and the third substitutes HRM group with the HRM index variable, which is the other measurement of the prevalence of high-performance HRM practices, also including the interaction term. To deal with the multicollinearity problems of the multiplicative interaction terms we have made a linear transformation known as “centering”, in which the mean value for a variable is subtracted from each score (MacDuffie, 1995). By using two variables to measure the adoption of high-performance practices, we aim to obtain a clearer picture of the impact that such practices have on plant performance. Although in our estimations we control by activity sector through eleven dummy variables, the coefficients do not appear in the corresponding tables.

Results

Tables 6, 7 and 8 show results for the ordered probit models estimated to examine the determinants of plant performance. Table 6 is an analysis of the efficiency of the production system; Table 7 deals with quality and Table 8 with time-related performance.

4.3.3.5 Efficiency

Table 6 shows the results of the ordered probit models estimated for improvement in efficiency, measured in terms of changes in the proportion of productive hours over the
total number of hours of direct labor. Though the model proves significant, results are not entirely satisfactory, owing to the low pseudo-$R^2$ value.

Out of all the control variables included, both the level of automation and the installation of quality assurance systems register coefficients significantly distinct from 0. These, therefore, are factors that enhance the capacity of a manufacturing plant to improve the efficiency of its production processes. The decrease in significance of the $\text{Qualassur}$ variable in the second and third models was to be expected, in view of its strong correlation with $\text{HRM group}$ and $\text{HRM index}$. In the second model it can be seen how the fact of belonging to the high-commitment HRM practitioners group enhances a factory's efficiency results, though not to a significant degree. Results obtained on model 3, in contrast, show that if the level of application is measured in terms of the intensity of practices adopted ($\text{HRM index}$) we see the emergence of a positive and significant impact on improvements in efficiency. The interaction term is significant only in model 2, although not with the expected sign. For the case in hand, therefore, it is unable to draw any definite conclusions regarding the relationships analyzed.
Table 6: Ordered probit analysis for efficiency performance (N=60)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th></th>
<th></th>
<th>Model 2</th>
<th></th>
<th></th>
<th>Model 3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(b)</td>
<td>s.e. 1</td>
<td></td>
<td>(b)</td>
<td>s.e. 2</td>
<td></td>
<td>(b)</td>
<td>s.e. 3</td>
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<tr>
<td>Constant</td>
<td>-.8279**</td>
<td>.403</td>
<td></td>
<td>-.9152**</td>
<td>.4034</td>
<td></td>
<td>-.9993**</td>
<td>.409</td>
</tr>
<tr>
<td>Lnsize</td>
<td>.0689</td>
<td>.064</td>
<td></td>
<td>.0860</td>
<td>.065</td>
<td></td>
<td>.0829</td>
<td>.066</td>
</tr>
<tr>
<td>Automation</td>
<td>.0489**</td>
<td>.020</td>
<td></td>
<td>.0446**</td>
<td>.020</td>
<td></td>
<td>.0432**</td>
<td>.020</td>
</tr>
<tr>
<td>Competition</td>
<td>.0235</td>
<td>.051</td>
<td></td>
<td>.0217</td>
<td>.051</td>
<td></td>
<td>.0255</td>
<td>.051</td>
</tr>
<tr>
<td>Qualassur</td>
<td>2324**</td>
<td>.109</td>
<td></td>
<td>2106*</td>
<td>.113</td>
<td></td>
<td>1955*</td>
<td>.113</td>
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<td>Strategy</td>
<td>-.0244</td>
<td>.056</td>
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<td>-.0131</td>
<td>.057</td>
<td></td>
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<td>.058</td>
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<tr>
<td>HRMgroup</td>
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<td>.099</td>
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<td>-1.338</td>
<td>.099</td>
<td></td>
<td>-1.338</td>
<td>.099</td>
</tr>
<tr>
<td>HRMgroup x</td>
<td></td>
<td></td>
<td></td>
<td>-.0021*</td>
<td>.001</td>
<td></td>
<td>.0357*</td>
<td>.021</td>
</tr>
<tr>
<td>Strategy</td>
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</tr>
<tr>
<td>HRMindex</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Pseudo-R2</td>
<td>6.7</td>
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<td>7.7</td>
<td></td>
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</tr>
<tr>
<td>Chi-square</td>
<td>40.16***</td>
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<td>45.97***</td>
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<td>45.87***</td>
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</tr>
<tr>
<td>Log L</td>
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<td></td>
<td>-658.36</td>
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<td>-658.41</td>
<td></td>
</tr>
</tbody>
</table>

\(\dagger\) parameter estimate; \(\pm\) standard error; **: p<.01; ***: p<.05; *: p<.10.

4.3.3.5 Quality

Table 7 shows the results of the ordered probit models estimated for the two variables that capture the plants' quality performance. The first three models refer to Quality_1, i.e., changes in the percentage of product defects, while the remaining three refer to Quality_2, i.e., changes in the percentage of processing defects. All six models are statistically significant and give a substantially better overall impression than those obtained when attempting to explain manufacturing efficiency.

As in the previous table, both the level of automation and the installation of quality systems have a strong influence on the firm's progress in the pursuit of quality. The two factors have a similar type of effect on the firm's capacity to improve the quality of its products. In the case of Quality_1, however, a significant impact is also brought about by
the evolution of the firm's competitive position in the market. It would appear that plants feeling themselves exposed to increasing competition are forced to improve the quality of the final products that they take to market.

For both product and processing defect rates, it is apparent that HRM practices being implemented help to explain the evolution of the plant's quality performance. In the case in hand, results remain conclusive whatever method is used to measure the implementation of high-commitment practices. The explanatory capacity of the two models increases by introducing the \textit{HRM group} variable; a similar effect also takes place with the \textit{HRM index} variable. The implementation of high commitment HRM practices in a factory has a beneficial effect on reducing the defect rate. However, the interaction terms are significant in none of the models; therefore, the existence of complementarities between strategy and the adoption of HRM practices is disregarded in explaining quality performance.
<table>
<thead>
<tr>
<th></th>
<th>Quality1</th>
<th>Quality2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
</tr>
<tr>
<td><strong>Constant</strong></td>
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<tr>
<td><strong>Lsize</strong></td>
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<td>0.0196</td>
</tr>
<tr>
<td><strong>Automation</strong></td>
<td>0.0614***</td>
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</tr>
<tr>
<td><strong>Competition</strong></td>
<td>0.0997</td>
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</tr>
<tr>
<td><strong>Qualassur</strong></td>
<td>0.4761***</td>
<td>0.4192**</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
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<td>-0.0154</td>
</tr>
<tr>
<td><strong>HRMgroup</strong></td>
<td>0.3023***</td>
<td>0.099</td>
</tr>
<tr>
<td><strong>HRMgroup x Strategy</strong></td>
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<td>0.001</td>
</tr>
<tr>
<td><strong>HRMindex</strong></td>
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<td>0.021</td>
</tr>
<tr>
<td><strong>HRMindex x Strategy</strong></td>
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<td>0.001</td>
</tr>
<tr>
<td><strong>Pseudo-R2</strong></td>
<td>12.7</td>
<td>14.1</td>
</tr>
<tr>
<td><strong>Chi-square</strong></td>
<td>76.43***</td>
<td>85.83***</td>
</tr>
<tr>
<td><strong>Log L</strong></td>
<td>-625.50</td>
<td>-620.80</td>
</tr>
</tbody>
</table>

* parameter estimate; † standard error; **: p<.01; ***: p<.05; *: p<.10.
4.3.3.6 Time-Based Performance

Table 8 shows the results of the ordered probit models estimated to explain trends over the last three years in the two indicators used to evaluate speed of action, which are the percentage of on-time deliveries and the time that elapses between receiving the materials and delivering to the client. It can be seen that all six models are significant and help to explain the variables being analyzed.

Once again you find that quality assurance systems and high levels of automation in product processing help firms to achieve improvements in time-based performances. In the case of Time2 it is also possible to see the effect of competition on the results obtained by the firms in this respect. Plants that come under higher levels of competitive pressure make a greater effort to reduce the time that elapses between receiving materials at the start of the production cycle and the moment when the product finally reaches the client, irrespective of whether or not they accompany this with action in the technological area.

The conclusion that emerges yet again is that the way workers are managed has its effect on a plant’s performance. The impact of HRM group and HRM index on both dependent variables is highly significant and, as with the quality results, the explanatory capacity of the models increases noticeably with the introduction of these variables. The implementation of innovative practices in the area of HRM leads not only to an increase in the percentage of on-time deliveries but also to a reduction of the amount of time the firm takes to manufacture the product and deliver it to the client. Again, the interaction terms do not show any significant coefficient in the different models estimated.
Table 8: Ordered probit analysis for time-based performance (N₁=53 for Time1, N₂=56 for Time2)

<table>
<thead>
<tr>
<th></th>
<th>Model 1</th>
<th></th>
<th>Model 2</th>
<th></th>
<th>Model 3</th>
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<th>Model 3</th>
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<td>.020</td>
<td>.04636**</td>
<td>.020</td>
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<tr>
<td>HRMgroup x Strategy</td>
<td>.0008</td>
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<tr>
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<tr>
<td>HRMindex x Strategy</td>
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</tr>
</tbody>
</table>

†: parameter estimate; ‡: standard error, "***": p<.01; "**": p<.05; ": p<.10.
4.3.4 Conclusions

These findings enable the researcher to confirm that the way in which human resources are managed influences a company’s performance. Generally speaking, the findings support the hypothesis that by using high performance HRM systems, organizations can improve their chances of reaching objectives as long as they do not lose sight of other aspects, mainly of a technological nature, the explanatory capacity of which is considerable. These findings coincide largely with those of researchers into this issue in other contexts.

It cannot be said, however, that the impact of high-commitment HRM practices used is significant in all of the three measurements of manufacturing performance analyzed. When it comes to efficiency, for example, we cannot be absolutely certain that the development of high-performance HRM practices in the plant noticeably increases the likelihood of improvements, since results differ depending on how the implementation of such practices is measured. In the case of quality and time-based performance, however, there is conclusive evidence that high-commitment work practices can bring about substantial improvements in company performance.

The findings also show that the strategy of the firm does not play any intermediate role between high-commitment management and performance. The positive effects of adopting high-performance practices for companies are equally significant both for firms that base their strategy on cost and for companies that give priority to quality in managing the factory.
This section reports issues internal practices in particular auditing faces as a result of
global economy that now permeates the economic environment in which we do business.
The amorphous public market we currently conduct business in will drive internal
auditing to evolve and adapt. However, forward-looking internal auditors will seek
opportunities to proactively adapt to the business world’s changing demands, rather than
simply reacting to them. In order to achieve this evolution, six foci must be considered, as
follows: Corporate Governance, Risk Management, E-Business, Fraud, Outsourcing, and
Recruiting. In this section, my conclusions are derived from existing research used to
evaluate how globalization has and will affect internal auditing.

4.4.1 Corporate Governance
Today, internal auditors have the opportunity to be recognized as delivering value at the
highest levels of their organizations by enhancing corporate governance. Industries,
markets, and competitors have become increasingly complex and diverse due to the
expanded economy. Companies strive to find a competitive advantage amidst the
menagerie of strategies that currently exist.

In a collaborative effort, The Institute of Internal Auditors Research Foundation and
PricewaterhouseCoopers LLP recently conducted an exhaustive corporate governance
study. The resulting findings were summarized and commented upon by Richard M.
Steinberg and Deborah Pojunis. The study found that “corporate boards must embrace:
strategy and planning; risk management, tone at the top; measuring and monitoring
performance; transformational transactions; management evaluation, compensation, and

58
succession planning; internal and external communication; and effective board dynamics. Steinberg and Pojunis concluded that internal auditors could create value in an organization by helping management carry out these responsibilities.

Effective strategy is a matter of survival in the business world. A company can outperform its rivals only if a competitive advantage is found and maintained. Competitive advantage is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. The internal auditors of a company can be a vital link in the decision-making chain. Internal auditing can help shape that information and provide crisp analysis in the areas of alternative strategies considered, risk factors, and performance measures. Internal auditing also can provide the board [of directors] analysis of best, worst, and most-likely case scenarios.

The recent events surrounding the collapse of Euro-Bank have put the importance of effective corporate governance in the spotlight. Issues such as off-balance sheet financing, executive's compensation, and the use of derivatives are all being heavily discussed and evaluated by both corporate leaders and legislative bodies. Based upon impending corporate decisions and legislative rulings, the input and expertise of internal auditors could now be even more crucial in a company's decision-making processes.

Critics of this concept argue that internal auditors who provide consulting services will lose their objectivity and blur the lines of auditor/auditee protocol, resulting in a distorted and tainted relationship. Actually, consulting has been part of internal auditing for years, but it is just beginning to be considered a real service. It is clear that internal auditors can add value to consulting assignments by providing the methodologies, facilitation, focus, knowledge, technology, best practices, and independence that help solve customers'
problems. During an interview conducted by KPMG LLP, Dr. Glenn Sumners, said the following about the evolving role of the internal auditor:

Future audit emphasis will focus more on operations and strategies than it has in the past. Financial analysis remains important, but increasingly, the historical side of accounting is significant to the internal auditor only as it relates to future decision-making. That’s where internal audit adds value. So, internal auditors must be involved in organizational planning and strategy, especially at the operating and management level. They will determine how to identify the most significant business risks and exposures as well as identify missed opportunities.¹⁰

The possibilities available to internal auditing in our current global environment are boundless. Those involved in the internal audit function must take a leadership role in assessing and managing risk, applying continuous quality initiatives, benchmarking and migrating best practices, and identifying opportunities. They must focus on value, by managing business and operational risks and identifying profit opportunities. Only then will internal auditors maximize the value they add to their organizations and aid in the maintenance of its competitive advantage at the highest levels.

4.4.2 Risk Management

Risk management is an area of paramount importance to an organization. Because every company is in business to take risks, effective risk management is necessary to the progression of a business entity, taking too little risk can be just as dangerous as taking too much risk. The need for internal auditors to assist the management of a company’s risk has been discussed above.

New risks exist that have not been contemplated. Globalization warrants a new internal audit model, and that model must include a new element—one that focuses on the

external risks and threats posed by globalization, new competition, changing technology, and mergers and acquisitions activity. That new element can infuse a powerful new risk focus into each of the historic segments, creating a new model for internal audit. Further analysis concludes the following:

This new vision calls for management to elevate internal audit’s focus to those critical business risks and exposures that determine an organization’s success or failure. It requires internal audit to understand those key business risks and how they enable or impede the organization in building shareholder value. This new vision requires internal audit to assess the risk responses that mitigate the key exposures as well as determine if those responses are sufficient or relevant.

Internal auditors need to facilitate the development of this new model, this new vision. As integral members of an organization, internal auditors have the position and ability to identify and prepare for previously unrealized global risks. Given that risk is a moving target, it is only by keeping up with changing market conditions, regulations, technology, globalization and other industry trends and developments that risk can be comprehensively and successfully managed. In order to develop such a model, leaders need to ascertain their risks, whether operational or financial risks, decide what level of risk they will accept, and then assimilate those initial estimates within the internal audit function. Using these conclusions, the internal auditor would analyze the key business processes in detail, focusing on those aspects of the operations that incur business risk and those where additional opportunities are likely to arise. The utilization of the internal audit function will help mitigate the global risks a company can be expected to face as it seeks out new, undeveloped markets.

Ibid.
Historically, risk has been evaluated using a two-part, or bipod analysis, focusing on the “cause” and “effect” of events. One professional suggests evaluating a third dimension, or tripod analysis—the third dimension being an assessment of how the activity is organized and performed, in addition to the cause and effect. By doing so, auditors can help simplify risk management and focus on how they truly add value, by improving the processes and performance of an activity. This professional furthers his conclusion by adding the following:

When auditors incorporate the third dimension into the audit process, they can evaluate the adequacy of internal control instead of focusing only on control or compliance. The tripod approach to auditing enables the auditor to respond clearly to client questions such as, "Why do we risk that?" or, "Can we do something?" Risk management becomes simpler and more straightforward for everyone involved in the process ... when auditors develop an audit plan, they are engaging in macro-risk assessment. At this stage, the auditors function at a strategic or conceptual level, and the bipod event and effect approach will likely be appropriate and relevant. When auditors perform an assignment, however, they must be more practical than conceptual, because they are close to the real world of operations. They're engaged in micro-risk assessment. It is at this point that risk must be perceived as a tripod: the possibility that an event or circumstance combined with a particular operational set-up will impede achievement of an organizational goal.¹²

Using a three-dimension approach to identifying risk allows the auditor to clearly see that risk is a result of numerous factors, and that each must be identified and evaluated. Further, auditors will have the ability to recognize those risks that are predictable and/or controllable. An aptitude that enables an auditor to “think outside the box” concerning risk factors is necessary to extinguish gaps that may form as a result of newly formed risks, those that may coexist within the venture. The auditor must be on the alert for something that is not done, not checked, not monitored; or points where there is no control to ensure that the activity is well performed.

¹² Ibid.
Good business is all about risk: business growth cannot occur without introducing new risks; business objectives cannot be achieved without placing assets at risk; and business rivalries cannot be won without 'out-risk-taking' the competition. Such risk taking is evidently necessary for businesses in a globally competitive market. Internal auditors must be equally ready to mitigate the risks that their organizations need to undertake in order to endure.

4.4.3 E-Business

Business seems to being moving at light speed. Technologies exist that could only once be imagined. With these added technologies come added opportunities and added challenges for internal auditors. The dramatic evolution of technology's role in the marketplace is impacting internal auditors, because new skills and knowledge are necessary to ensure that electronic transactions and the resulting growth occur in a controlled environment. E-business is one of the most common and complex new business solutions, and there are many issues of which internal auditors should be aware when reviewing such applications.

In the last few years, we have seen the rise of computer networking and software giants. One such company, Cisco Systems Inc., was once one of the most admired companies in the world, only to see its revenues, profits, and market value plummet in recent months. Technology has dramatically accelerated the rate of change, and many organizations are struggling to keep up. Confusion and change have replaced comfort and composure in the midst of corporate decisions. Auditors, according to one professional, can personally help organizations in the following ways:
Internal auditors can thrive in the midst of this confusion and, in fact, are needed more than ever before. As our organizations sail to the new world of e-business, auditors can be at their side. We can provide necessary advice and counsel as our clients embark on new explorations. In fact, the recently updated definition of our profession emphasizes the auditor's role as a consultant and risk manager. In this capacity, we can help identify and assess new business risks so that management can make wiser decisions. If necessary, we can shout a warning when we see icebergs ahead.\textsuperscript{13}

The innovative ways that business can be conducted will likely present considerable sized "icebergs" to all global corporations trying to thrive in an e-business environment. Great opportunities exist for those individuals who are willing to learn, adapt, and implement technological advances in their auditing functions. Auditors must embrace change or risk going the way of the dinosaur. They will survive and thrive if they reinvent their work.

In May 2000, Andersen LLP conducted a survey detailing the current internal audit functions of over 60 companies in the United Kingdom. Andersen found that "the largest single technology issue faced by 70\% of the companies surveyed is perceived to be the significant increase in e-business activities. On average respondents believe that the level of activity has increased by 81\% in the last three years and will increase from this much larger base by a further 52\% over the next three. Organizations in the Kenyan market accept this and appreciate that they are also under the same conditions.

Companies facing these technology challenges will need internal auditors to be on the forefront of the issues. In some cases, traditional financial auditors may find the need to metamorphose themselves into information technology (IT) auditors in order to handle the increased technical demands. E-business will continue to be a necessary business tool, and highly specialized and developed IT skills will be required to assess the systems associated with it. A fundamental understanding of IT systems will allow traditional auditors to work in e-business environments.

\textsuperscript{13} Ibid.
According to Robert Simons, author of Performance Measurements & Control Systems for Implementing Strategy, three risk exposures exist that can affect e-business: growth, culture, and information management.

1. Companies dealing in e-business usually have inordinate expectations of growth surrounding their organization. Such pressure is evidenced by the punishment received from the stock market when companies do not meet their revenue growth targets. Technology giants Cisco Corp., Nortel Networks, Oracle Corp., Sun Microsystems, Intel Corp., and many others feel the brutal reaction from investors when expectations aren't met.

2. The culture a company cultivates may incite certain risk factors; such culture has been called a company's risk appetite. Risk appetite is traditionally associated with the use of economic capital or funds that an organization is prepared to release in exchange for a greater return. Risk appetite is acquired over time and manifests itself in an organization's visions and values, corporate culture and strategy, regulatory compliance, and past experiences.

3. How a company deals with its information greatly affects the accompanying risk. In an ever-changing business environment, it is paramount that an effective communication system exists within a company to keep everyone abreast of the latest changes and the impact they may have on the operation of the company.

These three risk exposures exacerbate the problems internal auditors face in the new, global economy. As mentioned previously, new strategies must be developed to accommodate the revolutionary changes that are becoming commonplace in our current business environment. At a minimum, the review of an e-commerce application should
examine the process used for selecting and justifying the e-commerce system, customer service levels, security, Web page maintenance and monitoring, Web promotion, and risk analysis. Today, virtually every aspect of business is technology driven, and to assess business processes, auditors need to be versed in and prepared to apply technology fundamentals.

4.4.4 Fraud

Globalization has opened the floodgates for fraud opportunities. With the advent of e-business and the traversing of companies across uncharted territories, the vulnerability of companies to fraud has never been more prevalent. Controls and audit usually lag behind changes in systems and operations. Decentralizing, going global, outsourcing of manufacturing and services, strategic alliances, and selling on the Internet can provide real value, but they also provide new opportunities for fraud.

According to a recent survey by the San Francisco-based Computer Security Institute (CSI) and the U.S. Federal Bureau of Investigation Reports, computer-security breaches cost each affected U.S. companies an average of more than $2 million per year. In addition, the 2001 Computer Crime and Security Survey reveal that the threat of computer-related crime and other online security intrusions continues unabated and that the financial toll of these attacks is mounting. Another survey that polled 538 computer-security professionals in corporations, governmental agencies, medical institutions, universities, and financial institutions, reveals that 85 percent of respondents detected a computer security breach in the past six months. Moreover, 64 percent of these respondents indicate that they suffered financial losses as a result of the breaches. The
186 respondents who disclosed the amount of financial damage they suffered reported an aggregate total of $377,828,700 in losses.

Again, internal auditors will need to respond to the new challenges facing expanding companies and especially so in developing countries like Kenya; where the number of professional in the field of IT which has accelerated the aspect of globalization are rather few. Specialized resources are needed in the areas of information technology and security, forensics and other operational areas of the business. Additionally, a pressing need exists for organizations to establish a system for handling these imminent problems.

Organizations that want to survive in the coming years need to develop a comprehensive approach to information security, embracing both the human and technical dimensions. they also need to properly fund, train, staff, and empower those tasked with enterprise-wide information security.

The proliferation of Internet transactions has made fraud prevention and detection much more daunting for internal auditors. Several proactive approaches auditors can take to help mitigate the growing risks to organizations have been suggested. The following general guidelines can help serve as internal auditors seek to help control this runaway crisis.

- Develop new internal controls that are as effective as those that used to exist in a paper environment. Internal auditors need to personally be involved in the creation of controls to handle various e-business variables and scenarios.

- Become a bridge-builder between IT and senior management. Auditors must interact regularly with the people in charge of IT; this will enable auditors to address emerging issues with senior management.
Encourage sharing of information. Auditors need to work with, or at least be aware of, national and international organizations that are exchanging information about how to fight cyber-crime. Hackers and crackers are continually working their information networks attempting to accumulate sensitive information. Internal auditors should equal this effort in attempting to thwart deviant, criminal activities.

Today, more than ever, many internal auditors have to act as cyber-crime scene investigators participating in the field of forensic technology.

4.4.5 Outsourcing

Outsourcing is a phenomenon that is sweeping across many organizations and many different functions within organizations. The outsourcing of organizational functions has taken place for a number of years. Recently, though, it has begun to garner attention from some of the world's largest companies. For example, many Fortune 500 companies including McDonald's, Whirlpool, Time Warner and PNC Bank have adopted an integrated audit approach by outsourcing their internal audit function. In some cases this approach has been very successful in terms of maximizing the company's return on its total investment in audit services.

One of the main arguments for outsourcing is the need to increase value without increasing costs. Currently, business is run at a rapid pace. Companies cannot afford to be complacent or lackadaisical; all units of an organization must provide value. From this vantage point, companies are seeking to find ways to increase output without increasing costs, and outsourcing provides an avenue of choice. Conversely, opponents of this
theory do not see the outsourcing of crucial functions, such as the internal audit function, as anything but detrimental to an organization.

Arguments exist that support the outsourcing of the internal audit function; four of these arguments are as follows:

- **Outsourcing allows management to focus on core competencies.** If management is allowed the time to formulate strategy and develop the company’s core competencies, an organization will be better positioned for global expansion.

- **Economies of scale should result in cost savings for the same services, or improved services for the same costs.** Optimally, by exploiting another company’s expertise, an organization can maximize its total investment in audit services by increasing the areas of risk coverage while decreasing the amount of audit overlap and redundancy (thus reducing costs).

- **Access to leading practices.** The outside provider can furnish insight, benchmarking, and best practices seen and performed by other companies.

- **Better international and cultural coverage.** Large international public accounting firms have locations that span the globe. The utilization of existing contacts and resources can provide a competitive advantage.

In opposition to the above points, arguments do exist against outsourcing; four of these arguments are as follows:

- **Over time, outsourcing providers will command an ever-greater premium for their services.** As dependency increases, the outsider provider will be able to increase the price paid for their services. This trend could ultimately negate any cost savings previously enjoyed.
An external provider will not know the businesses as well as insiders do. Outside firms refute this argument claiming that a broader background in multiple companies is a much greater advantage. Regardless, an insider would definitely know the intricate operations of his or her own organization more intimately.

A valuable training ground is lost. "Internal auditing is a job where ambitious employees can learn about all parts of the company as they study ways to make the organization operate more effectively." Internal auditing can be a stepping-stone for future managers.

Workforce morale will be seriously impaired. Layoffs or deceased job growth opportunities that may result from a downsizing of operations will only lead to reduced morale and anxiety about job security, which in turn will affect work productivity. Thus, the layoff threat could hamper the desired efficiency management was seeking.

Additional arguments also include that the allegiance of the employee will be to the outsourcing provider, not the client, and that the essential benefits of corporate governance cannot be outsourced.

Unfortunately, there are no easy answers to the outsourcing phenomenon. The one reality is that the outsourcing of the internal audit function is an option for a global company seeking to increase market share, efficiency, and ultimately profitability. Intuitively, an organization could also increase market share, efficiency, etc. without compromising the integrity of a company’s internal audit structure and function. The key is for an organization to identify these various options and exploit those that result in the most effective and efficient outcomes. For example, a current trend is toward “co-sourcing,”
where a company keeps its internal audit function, but works with an outside firm to supplement the in-house function with added manpower and expertise when and where needed.

### 4.4.6 Recruiting

In today's global economy, the spotlight seems to be focused on either external auditors providing assurance to financial statements, investment bankers who underwrite initial public offerings, or information technology specialists who build and design intricate systems. Current market conditions, technological advances, and new opportunities are providing college graduates with plentiful options for employment. Rarely are internal auditors highlighted in news articles or features, or even listed in guidance counselor's manuals. Because of the relative anonymity that seems to be affecting internal auditors, steps must be taken to ensure that a healthy influx of recruits into internal auditing occurs.

Many things can be done to make internal auditing more marketable to students. One suggestion is to focus on IT advances in the internal audit department. Internal audit departments need to market themselves effectively to IT professionals if they are to meet their recruitment targets. This will involve creating a strong selling message given the vast number of opportunities currently available for IT professionals. Another is to start at the education level, thereby influencing class choice and ultimately choice of profession. To ensure internal auditing remains a viable profession, we must appeal to the next generation of potential auditors. Getting involved at the educational level will not
only help perpetuate the profession, but it will also ensure that internal auditing continues to evolve and grow.

A recent survey given to accounting classes (approximately 75 percent of the respondents were senior accounting majors) of seven universities provided evidence that internal auditing has much to do in order to rise out of its relative obscurity.

According to the findings, all of the students were familiar with the CPA designation, but a substantially fewer number were familiar with the CIA designation. When asked to rank the relative importance of the three most prominent certifications (CPA, CMA, CIA), CPA was first, CMA was second, and CIA was last. In total, only 3 percent of the respondents claimed to be interested in internal auditing as a career. Another poll found that of 50 institutions with accounting programs, only 11 out of 50 (22%) indicated that they offered an internal auditing course to accounting majors.

Clearly, internal auditing has a long road to travel to take its proper place with the upper echelon of accounting designations and certifications. As mentioned previously, the emergence of global markets creates a predicament for recruiting. With the vast portfolio of choices now available to college graduates, efforts must be increased to attract the best and brightest into the internal auditing profession.

Some professionals suggest increasing recruiting by advertising internal auditing as a training ground for future corporate managers and leaders. Using the internal audit department as a training ground for the organization’s future finance and corporate leaders is a strategy employed successfully by a variety of leading-edge companies. This approach moves internal audit away from the role of detective and closer to a partnership with management—one devoted to real-world problem solving focused on determining
the strategic direction of the business. Returning again to Dr. Glenn Sumners, he believes “high turnover is inseparable from the new vision of internal auditing, which emphasizes evaluating processes over enforcing controls. There can’t be a better place to put your bright people than in internal auditing leave them their two or three years, and then rotate them out. They’ll get the big picture; they’ll have a business orientation”.

As shown throughout this section, the opportunities for internal auditors are greater now than they ever have been. Whether it is in corporate governance, risk management, e-business, fraud detection and prevention, or even doing outsourcing work, the options available to internal auditors are many. Ultimately, these tremendous opportunities in themselves represent a singular opportunity to attract bright, capable new internal auditors into the profession.

4.5 Conclusion

The time for internal auditing to adapt and assimilate, grow and evolve is now. The combination of natural growth through acquisitions and mergers, as well as the expansion resulting from globalization, has provided catalytic opportunities for the internal auditing profession. As initially stated, the Institute of Internal Auditors (IIA) clearly recognized the changes needed when they broadened the definition of internal auditing to encompass the necessities of a changing, global business environment.

Internal auditors will be able to adequately respond to this transitional and shifting time by focusing their efforts upon six main areas: Corporate Governance, Risk Management, E-Business, Fraud, Outsourcing, and Recruiting.
As technology has evolved in recent years, erasing global barriers, companies worldwide have dramatically transformed their operations. The transaction-based audit approach that evolved during the industrial age is not suited to the information age, when inventory arrives just in time, processes have value, and property is often intellectual. Now is the time for internal auditing to respond to these new challenges and opportunities. No greater time, nor a more crucial time exists.
CHAPTER FIVE

5.0 Recommendations And Conclusions

The recommendations for managers that derive from the results are straightforward. The findings encourage managers strongly to implement in their firms high-commitment practices in their management of human resources. These practices elicit behaviors and develop competencies in employees in such a way that they give rise to a series of benefits in terms of better outcomes, both in quality and time.

One of the shortcomings of this study is that cross section analysis, whilst revealing the type of association that exists between variables, does not provide any clear account of the causal relationships. It is not absolutely clear from the results of the study whether there is a causal relationship or a concomitant one. This issue might, therefore, be worthwhile exploring in any possible future investigation using panel data.

5.1 Conclusions

It is worth noting that, the existing literature shows that the relationships examined in the present study have not been investigated before. To be exact, the recognition of the human resource management challenges that the organizations are facing and will continue to face in the next three years has been examined by Brewster et al. (1996). Nevertheless, the significance of the present study stems from the fact that no existing literature provides an exploration of the impact of human resource challenges on organizational performance. Such an exploration seems important since human resources are considered vital for the success of organizations in this rapidly growing world.

Despite its contribution to the human resource management field, no research is without drawbacks and limitations. These do not necessarily have a negative influence on the
credibility of the conclusions drawn, but they have to be kept in mind, especially when interpreting the results. In addition, limitations give guidelines for further research.

5.2 Study Limitations

To begin with, diversity means that reaching a decision takes compromise from all the members involved, in achieving balance between all organizational needs with the more general objectives of organization (Brewster et al., 1996). The complexity of this procedure is mainly due to the organizational differences that are sometimes contradicting and need to find common ground to operate as mutually respected partners (Mayrhofer, 1998).

It is important to bear in mind that after getting to the final version of the questionnaire, changes were discouraged because of the need to have a standard accepted uniform measurement instrument (Brewster et al., 1996). Moreover, the questionnaire was translated for all of the participating organizations. Even though the translation method used to handle the dangers of the translation process, this procedure does not always produce correct translations and equivalent meaning to be used in research for different organizations.

Furthermore, the questionnaire was mailed out to the respondents without these respondents always having an investigator nearby to provide explanations (Mitchell and Jolley, 1992). In spite of the fact that it is possible for such a self-administered questionnaire to produce honest responses, free of interviewer bias, the opinions and perceptions of the respondents could have influenced their answers (Mitchell and Jolley, 1992). Besides, a self-administered questionnaire includes another important limitation.
The person that actually answers the questionnaire may not be the appropriate person (Zikmund, 1997). Even if it is the appropriate person that actually answers the questionnaire, it is based on his/her perceptions only in some questions.

In some organizations interviews were used to collect the needed data and albeit this method provides the chance to explain further the concepts involved to the respondents, it is subject to interviewer bias and is not in accordance with the method used from the majority research done.

Moreover, the response rates of mail surveys are usually low, which means that both the validity and reliability of the results may be negatively affected (Field Work Procedures Resume, 1998).

Consequently, the generalization of the results of this study must be done with caution, since some samples may not be representative of the national economies, and the generalization should properly be limited to large organizations.

Another limitation of the study is a result of the context in which the empirical analysis was carried out. The fact that the study was focused on the manufacturing industry, with the wide range of activities which that implies, and have concentrated on only one group of employees, albeit the largest, means that the conclusions cannot be made applicable to all professions and sectors.

Having mentioned the limitations of this research, the researcher continues with the implications and suggestions that the results of this study hold for organizations, governments and researchers.
5.3 Implications for Organizations

With regard to the *Key HR Challenges* identified by the researchers through this study, it can be derived that Training and Development, Employee Relations, and Efficiency and Flexibility are going to be the primary challenges in many organizations in the next three years. Therefore, despite the fact that not all indices appear to affect the organization’s effectiveness, it is believed that the challenges identified will affect the success of organizations. In turn, organizations should employ training, development flexibility and employee relations’ practices to achieve excellent organizational performance.

5.4 Implications for the Government

As far as government officials are concerned, they can also use this study in order to develop strategies that place more emphasis on the role of human resource management in organizations. This issue is of great importance because the global market, where the government operates, requires highly competitive organizations. Finally, the government needs to realize that the use of human resource management practices must have a strategic perspective and they need to communicate this need to the owners of private sector organizations as a role model for corporate governance and good employee relations. In the long-term, achieving organizational excellence in business will reflect positively on national economies.

5.5 Implications for Researchers

When referring to the implications that this project has on researchers, essentially it refers about further research in order to provide more insights on the issues involved. For
example, future researchers may expand the framework presented in Figure 9 or conduct research that deals with one or more of the limitations of this study.

To start with, it would be interesting to adjust the questionnaire appropriately as to gain knowledge on the practices used in smaller organizations. In addition, further research can be done on gaining insights from employees and managers regarding the reasons why managers believe these challenges are the leading ones of the near future. Furthermore, additional research can be performed on finding ways to overcome the challenges defined in this study. To illustrate, the present framework could be expanded to help organizations apply some practices that may enable them to overcome these challenges in an effective and efficient manner.

Moreover, future researchers may examine whether Key HR Challenges are related to other performance measures, such as absenteeism and turnover. Additionally, research can be contacted on the challenges of the next six years or of previous years to see if any pattern may emerge of a chronological nature. Finally, future research may be undertaken concerning the challenges explored on the present study, but with a focus one each.

In conclusion, organizational performance is linked with the way human resources are managed, which in turn are directly related to the challenges identified. According to the analysis, it can be derived that Training and Development, Employee Relations, and Efficiency and Flexibility are going to be the primary challenges in the next three years. As Hinkin and Tracey (1999) pointed out, for organizations to improve and succeed in their industries they have to apply innovative management, especially for their human resources, to result in both organizational and individual improvements. Today’s highly
competitive environment demands organizational excellence, an organizational challenge that needs to be addressed with the work of human resources.

Further investigation into the roles internal auditors play is necessary to understand risk management issues created by globalization.

In subsequent studies other scholars should look further to other issues that have not been dealt with in this one. One of these is the possibility of a complementary relationship between the practices comprised in high-commitment management. Although the study looked on the system as a whole and not on individual practices, it is worth looking into the question of how these practices are interrelated and in what way this affects company performance. This analysis could reveal the importance of internal consistency in the field of personnel management.

Consideration is also made on ability to analyze more deeply the use of other operational indicators different from those used in this project. In this effort a balanced scorecard approach would be extremely useful in determining the effect of high-commitment management on the performance of the factory.

It will also be necessary to ascertain how far HRM practices complement other areas of plant management different from strategy. While the findings support the theory of the universal impact of these practices and rejects the contingency hypothesis on strategy, it remains to be seen whether the extent of the positive effect of high-commitment management depends on other decisions taken in the factory. The degree to which HRM complements strategy and technology will require special attention.
SPECIMEN LETTER TO THE RESPONDENTS

KENYATTA UNIVERSITY
SCHOOL OF HUMANITIES AND SOCIAL SCIENCES
DEPARTMENT OF FINANCE
P.O. BOX 43844,
NAIROBI.

To the Respondent,

RE: REQUEST TO CONDUCT A STUDY.

I am a postgraduate student researching on the topic “Impact of Globalization on Performance Management”

You have been selected as one of the respondents in this study. I would like to request you to complete the questionnaire. The information supplied will be used strictly for academic purposes only and will be treated with utmost confidentiality.

Your co-operation will be highly appreciated.

Thank you.

Kimani Rachel Waithera
Impact of Globalization on Performance Management  
(A Case of Manufacturing Industries in Kenya)

QUESTIONNAIRE

Information collected from this Questionnaire will be handled with high confidentiality and will strictly be used for academic purposes by the researcher.

SECTION I

1. What is the name of your organization? ---------------------------------------------

2. Which department are you? --------------------------------------------------------

3. What is the number of employees in your department? ------------------------------

4. How many departments are there in your organization? -----------------------------

SECTION II

SKILLS AND KNOWLEDGE

1. Does your organization publish or define guidelines on the skills and knowledge required for personnel management activities and responsibilities? Yes ----- No -----

2. If so, which areas do these guidelines cover?

   Recruitment and selection
   Retention/promotion/appraisal
   Pay and Benefits
   Health and safety
   Industrial relations
   Employee communication
   Employment law
   Discipline and grievance
   Equal opportunities
   Environmental issues
   Training and development
International personnel management
Change management
Strategic management
Counseling/welfare
Other, please specify

3. Do you publish formal guidelines on a code of conduct for personnel management practitioners? Yes ---------------- No ----------------

4. Are there any penalties for those who fail to abide with the published guidelines? Yes------------- No----------------

5. In this question, the researcher distinguishes between three levels of HR practitioners:
   a. Support/administrative
   b. Professional/specialist
   c. Senior/strategic management

Based on these levels, for which of the following activities is a HR practitioner responsible in your organization? Please tick all applicable.

Table 9: Recruitment, retention, promotion and termination

<table>
<thead>
<tr>
<th>Activity</th>
<th>Support/administrative</th>
<th>Professional/specialist</th>
<th>Senior/strategic management</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administer recruitment activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interview/select new employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorize recruitment budgets/staffing levels</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carry out procedures for termination of employment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formulate a corporate resourcing strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administer promotion schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement an induction program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 10: Performance measurement, reward and development

<table>
<thead>
<tr>
<th></th>
<th>Support/administrative</th>
<th>Professional/specialist</th>
<th>Senior/strategic management</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administer reward and benefit schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Determine the levels of reward and benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop corporate reward strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carry out performance appraisals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decide on training activities and methods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implement equal opportunity programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deliver training to individuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop employee training strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administer job evaluation scheme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 11: Employee communication and the working environment

<table>
<thead>
<tr>
<th></th>
<th>Support/administrative</th>
<th>Professional/specialist</th>
<th>Senior/strategic management</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop an internal communication policy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support the welfare of individual employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitor health and safety policy implementation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Negotiate with staff representatives</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Handle grievance and disciplinary cases</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop an employee relations strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluate the HR function</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Develop HR information systems</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manage culture change programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provide advice to other functions on employment law</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION III

EFFECTS OF GLOBALIZATION

1. Which area(s) does your organization operate in?
   a. Rural   b. Urban   c. Globally   d. Other (specify)  

2. What is your understanding of globalization in business?  

3. Has free flow of technology, human and financial resources affected the way the organization is run? Yes  No  

4. Has the effect shown a positive impact or negative?  

5. Has the aspect of globalization caused any changes? Yes  No  

6. What challenges can be attributed to globalization?  

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SECTION IV
EDUCATION AND TRAINING

1. In your organization, what is the approximate proportion of individuals:

   a. With university degree
   b. With secondary education only
   c. With college certification
   d. Others (specify)

2. Based on your organization's employee statistics, list the disciplines most widely held by personnel management practitioners in your organization:

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

3. In your opinion, how important is it in your organization a Human Resource personnel has a university degree?

   Very important
   Quite important
   Not important

4. In your opinion, how important is it in your organization that a HR practitioner has followed a course of study in Human Resource Management?

   Very important
5. Does your organization run professional management certified courses of study?  
Yes ----------- No -----------

6. Does your organization recognize professional HRM certified courses of study, which are run by other institutions?  
Yes ----------- No -----------

(If you answered no to questions 5, go to section V)

7. How long has your certified course of study been in existence? -------------------

8. Do these certified courses of study differentiate between different levels of competence? Yes ----------- No -----------

9. If they do differentiate between levels, what is the approximate total time needed to complete the certified course of study at the following levels?
   a. Elementary level: ----------
   b. Advanced level: ----------

10. If they do not differentiate between levels, what is the approximate total time needed to complete the certified course of study? ----------------------------------

11. Are there different modes of study for the course of study?  
Yes ----------- No -----------

12. What proportion of employees follow the certified course of study:
   a. Full-time  
   b. Part-time  
   c. Distance learning
d. In-company

e. other

13. Approximate how many employees pass the certified course of study each year? -

14. Of those who follow the course through your organization, approximately what proportion of these sit a formal/written examination? -

15. Does your organization award certificate for demonstrating competence in the field of professional Human Resource management? Yes ------ No -------

16. Does your organization offer training courses, which are not part of a formal course of study? Yes ------- No -------

17. If so, are these training courses offered to:
   a. All employees
   b. A selected group (specify the criteria) -

18. Does your organization license other institutions to run training courses? Yes ----------- No -------

19. Does your organization recognize training courses offered by other institutions? Yes ----------- No -------

20. Does your organization provide license or recognize training courses in the following area?
   a. Recruitment and selection
   b. Retention/promotion/appraisal
   c. Pay and benefits
   d. Health and safety
e. Industrial relations
f. Employee communication
g. Employment law
h. Discipline and grievance
i. Equal opportunities
j. Environmental issues
k. Training and development
l. International personnel management
m. Change management
n. Strategic management
o. Counseling/welfare
p. Computing/IT

21. From the following list, can you identify a maximum of three main areas in which your organization provides training courses? (Please do not tick more than three).

- Retention/promotion/appraisal
- Pay and benefits
- Health and safety
- Industrial relations
- Employee communication
- Employment law
- Discipline and grievance
- Equal opportunities
- Environmental issues
Training and development
International personnel management
Change management
Strategic management
Counseling/welfare
Computing/IT
Recruitment and selection

SECTION V:
IMPACT OF GLOBALIZATION

What are some of the issues facing internal practices as a result of the global economy, recognizing the need for employees in the various departments to add value by leveraging their strengths to fill their organizations' needs?
Appendix II

Bibliography


Leigh, Andrew. “20 Ways To Manage Better”, Institute of Professional Management, 1984


Appendix III

WORK PLAN

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>TIME (IN WEEKS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Pilot study</td>
<td>1</td>
</tr>
<tr>
<td>2. Adjustments</td>
<td>1</td>
</tr>
<tr>
<td>3. Data collection</td>
<td>5</td>
</tr>
<tr>
<td>4. Data coding</td>
<td>6</td>
</tr>
<tr>
<td>5. Data analysis</td>
<td>7</td>
</tr>
<tr>
<td>6. Report writing</td>
<td>5</td>
</tr>
<tr>
<td>7. Compilation</td>
<td>5</td>
</tr>
</tbody>
</table>

TOTAL 30

TIME TABLE OF EVENTS

Table 12: TIME TABLE OF EVENTS

<table>
<thead>
<tr>
<th>PHASE</th>
<th>DESCRIPTION</th>
<th>NUMBER OF WEEKS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1  2  3  4  5  6  7  8  9  10  11  12</td>
</tr>
<tr>
<td>I</td>
<td>Pilot study</td>
<td></td>
</tr>
<tr>
<td>II</td>
<td>Adjustments</td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>Data collection</td>
<td></td>
</tr>
<tr>
<td>IV</td>
<td>Data coding</td>
<td></td>
</tr>
<tr>
<td>V</td>
<td>Data analysis</td>
<td></td>
</tr>
<tr>
<td>VI</td>
<td>Report writing</td>
<td></td>
</tr>
<tr>
<td>VII</td>
<td>Compilation</td>
<td></td>
</tr>
</tbody>
</table>
Appendix IV

BUDGET

a) COST OF PROPOSAL

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st draft proposal</td>
<td>Kshs.400</td>
</tr>
<tr>
<td>2nd draft proposal</td>
<td>Kshs.300</td>
</tr>
<tr>
<td>Printing 30 pages @ shs.30</td>
<td>Kshs.900</td>
</tr>
<tr>
<td>Developing 5 copies @ shs.60</td>
<td>Kshs.450</td>
</tr>
<tr>
<td>Binding 5 copies @ shs.90</td>
<td>Kshs.2500</td>
</tr>
<tr>
<td>Total</td>
<td>Kshs.5,550</td>
</tr>
</tbody>
</table>

b) COST OF THE PROJECT

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traveling expenses</td>
<td>Kshs.1500</td>
</tr>
<tr>
<td>Questionnaire development 60 copies @ 30</td>
<td>Kshs.1800</td>
</tr>
<tr>
<td>Cost of processing data</td>
<td>Kshs.16000</td>
</tr>
<tr>
<td>Subsistence</td>
<td>Kshs.15000</td>
</tr>
<tr>
<td><strong>Cost of processing final document</strong></td>
<td></td>
</tr>
<tr>
<td>Printing 75 pages @ shs30</td>
<td>Kshs.2250</td>
</tr>
<tr>
<td>Developing 5 copies @ shs.150</td>
<td>Kshs.750</td>
</tr>
<tr>
<td>Binding 5 copies @ shs.1000</td>
<td>Kshs.5000</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>Kshs.18000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>Kshs.73,800</td>
</tr>
<tr>
<td><strong>10% Contingency</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>Kshs.87,285</td>
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