

**EFFECTS OF HUMAN RESOURCE FACTORS ON PROJECT  
PERFORMANCE IN NAIROBI COUNTY IN KENYA: A CASE OF  
SELECTED ORGANIZATIONS IN WESTLANDS**

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## DECLARATION

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## ABSTRACT

Organizations are becoming project-oriented thus must continuously change their human resource management (HRM) practices in order to adapt and respond to changing and temporary work schedules. The objectives of this study were to; Determine the influence of management on project performance of organizations within Westlands; Assess impacts of staff welfare issues on project performance of organizations within Westlands; Determine the relationship between technical expertise and project performance of organizations within Westlands; and Examine the effects of HR planning on project performance of organizations within Westlands, Nairobi County. The research design used in this study was descriptive survey. The study was conducted in Westlands in Nairobi County in forty six (46) out of the five hundred and thirty two registered POOs in Kenya. About 82.67 percent (439) of them have their headquarters in Nairobi where line managers and HRM are found. This study randomly selected 46 of those operating in Westlands Nairobi which is about 10.5 percent. One HR manager and two line managers from each organization formed the respondents for this study, thus giving a total of 138 respondents. Out of 138 questionnaires that were distributed to HRMs and line managers in all the 46 POO selected only 97 questionnaires were successfully completed and returned by respondents, thus giving questionnaire response rate of 70.28%. The completed questionnaires were coded, entered into the computer, organized and analysed with a Statistical Package for Social Sciences (SPSS). Descriptive statistics (percentages, frequencies and means) are used to convey the essential characteristics of the data for interpretation. Regression and correlation analysis were used to indicate whether a relation exists between these practices and performance. Cross-tabulation and one  $\chi^2$  were used to analyze for variance in responses. The study established that management ( $R=0.745$ , Pearson's correlation ( $r=0.681$ ), staff welfare issues ( $R=0.594$ ,  $R^2=0.352$  and Pearson's correlation ( $r=0.482$ ), technical expertise ( $R=0.84$ ,  $R^2=0.706$  and Pearson's  $r=0.817$ ) and planning ( $R^2=0.713$  and Pearson's correlation  $r=0.653$ ) have varying effects on organization performance to the extent of implementation of the practice. From the study findings it can be concluded that HRM practices have an effect on POO performance.

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## LIST OF ABBREVIATIONS

ANOVA	:	ANOVA
CFA	:	Confirmatory Factor Analysis
HR	:	Human Resource
HRM	:	Human Resource Management
MBA	:	Masters in Business Administration
PBO	:	Project Based Organizations
POO	:	Project Oriented Organizations
SPSS	:	Statistical Package for Social Science

## DEFINITION OF OPERATIONAL VARIABLES

**Human Resource Management Practices:** This refers to the total habitual or customary actions or ways of performing roles/duties that are unique to the organization and directly or indirectly affect organizational success.

**Organizational culture:** Is the collective behaviour of humans who are part of an organization and the meanings that they attach to their actions and basically includes the organizational values, visions, norms, working language, systems, symbols, beliefs and habits.

**Organizational performance:** It comprises the actual output or results of an organization as measured against its intended outputs i.e. goals and objectives and it encompasses three specific areas of firm outcomes: financial performance (e.g. profits, return on assets and return on investment); product market performance (e.g. sales, market share) and shareholder return (e.g. total shareholder return, and economic value added).

**Organizational structure:** The formal system of task and reporting relationships that coordinates and motivates organizational members so that they work together to achieve organizational goals.

**Project Oriented Organizations:** Refers to those organization where people apply projects and programs for the performance of complex processes( it's similar to Project Based Organizations).

# CHAPTER ONE

## INTRODUCTION

### 1.1 Introduction

This chapter presents the background to the research problem. It then situates and articulates the research problem and highlights the research objectives and questions. The chapter also defines the scope of the study, benefits and limitations and delimitations of the study.

### 1.2 Background of the Study

In today's world, project-based forms of organizing are replacing traditional line staff structures and divisional structures in a number of organizations and sectors of development: growth industries, be it consulting, media and IT, seem to operate in projects on a continuous basis (Sydow, *et al.*, 2004; Whitley, 2006).

Most research into project-based organizations has dealt with a wide range of topics concerning alternatives to functional structures, knowledge management processes, multi-project management, and the problems with inter-project learning and innovation processes (Söderlund, 2004). Recent research have stressed the need for more studies focusing the “people side” of project management arguing that particularly the human resource management practices should have a great impact on the success of project-based organizations. For example, Clark & Colling (2005) and Huemann et al. (2007) both call for more engagement between the disciplines of HRM and project management since organizing by projects imply a core mechanism for deploying human resources, and since the project-oriented organization have specific requirements regarding HRM. Packendorff (2002) address the situation for individuals in a ‘projecticed society’ and argues that HRM procedures need to be readdressed since most of these procedures “have been designed for permanent organizations where each individual has a position, not for project-oriented organizations where positions are non-existent or are changed all the time”. Similarly, Engwall et al. (2003) point to the importance of more empirical research

on the area, since project-oriented structures seem to affect people issues like hiring of staff, competence development, new career paths, and working-life issues (commitment, job satisfaction, time pressure, stress, etc).

In general, these studies argue that for the increasingly common project-oriented organizations, the people and their knowledge are core assets, but the organizational setting as such demands new ways of dealing with people issues. Increasing the ability to deal with people issues and human resource management should therefore be core to the competitiveness of the firm, as well as for the well-being of the people working in it. This has become an increasingly important concern for top managers in project-oriented organizations, which points to a need that connects competitiveness, capabilities as well as human resource management in the empirical domain of project-oriented organizing.

As already mentioned, interest in project intensification (Soderlund and Bredin, 2006), project management and project-based organizations (Turner and Keegan, 2001; Gareis, 2005) has increased in recent years and the reasons for this include the need for organizations to adopt appropriate structures to respond to 'the highly differentiated and customized nature of demand' (Sydow et al., 2004) in organizations in the creative and cultural industries, high technology sector and professional and consulting industries. Interest has also increased because of a tendency for firms in all types of industries 'to undertake projSects as a growing part of their operations even while their primary productive activity might be volume-based or operations-oriented' (Sydow et al., 2004). Most writers distinguish between those companies that do most of their work in projects and/or have a main emphasis on the project dimensions, and firms where the functional dimensions of organizational structure and processes dominate and projects take place in the back office to support the functionally based front office, (Turner and Keegan, 2001; Lindqvist, 2004).

In essence, what defines a company as project oriented is that it perceives itself as being project oriented and shapes its policies and practices for working, for organizational

culture and for strategy towards the challenge presented by management by projects. Turner and Keegan (2001) defined a Project-Oriented Organization (POO) as one 'in which the majority of products made or services delivered are against bespoke designs for customers'. This implies that it is project-oriented perforce because of the customized nature of the demand from their customers. However, the corporate governance still needs to make the choice to adopt project-oriented ways of working as a strategic choice.

Gareis (2005) suggests that the POO is such by choice. It is one in which the people of the organization: Define "*management by projects*" as their organizational strategy; apply projects and programs for the performance of complex processes; manage a project portfolio of different internal and external project types; have specific permanent organizations like a project portfolio group or a project office to provide integrative functions; and view the organization as being project-oriented. Therefore specific competencies and skills are needed by project personnel to work together in projects. This may require the POO to adopt training and development practices to develop employees capable of working in the project environment, which in turn may require it to adopt specific HRM practices in these areas matched to the management paradigm adopted. Organizations which perceive themselves as project-oriented and adopt management by projects as a strategic choice are subjected to these pressures.

Turner et al. (2007) describe the new and different HRM practices adopted by POOs. However, they also need to recognize the pressures placed on the work experience of employees by the dynamic work environment, and adopt and adapt HRM and work practices that are sensitive to the human resource. This study is therefore set out to answer the following questions: What are the consequences for human resource management dynamics and how it impacts on project performance? It will also be important to find out HR departments are doing to build and improve human resource management to respond to the challenges?

### **1.3 Statement of the Problem**

Human Resource Management (HRM) is the most important function in all organizations. It contributes to the success of the organization and creates competitive advantage for the organization. Project Oriented Organizations exerts pressures on the employees by the very nature of their dynamic work environment which may affect project performance. This requires the HRM to device unique ways and means of adopting and adapting to work practices that are sensitive to the human resource in POO. The HR management and leadership practices, ways of handling workers' welfare issues, HR planning and employees' skills may determine how the worker copes with temporary work structures that makes workers to be uncertain about his/her future and leads to reduced motivation and thus project performance. If these issues are identified and addressed and due attention given to them, project performance will improve and organizations will do well in terms of improved sales, service delivery and profitability.

One of the main causes of project failure is the lack of effective human resource management practices (Berg & Karlsen, 2007; Ellemers, et al., 2004; Schmid & Adams, 2008). The need for effective human resource management (HRM) practices is accepted among academicians and practitioners of project management. The objective of this study is to add to the existing body of project oriented HRM research by investigating how HRM practices influence project-oriented organization performance in Westlands?

### **1.4 The Objective of the Study**

This study was designed to investigating the effects of HRM practices on project-oriented organizational performance. The specific objectives were to:

1. Determine the influence of leadership and management on project performance of organizations within Westlands, Nairobi County.
2. Assess impacts of staff welfare issues on project performance of organizations within Westlands, Nairobi County.
3. To determine the relationship between technical expertise and project performance of organizations within Westlands, Nairobi County.

4. To examine the effects of HR planning on project performance of organizations within Westlands, Nairobi County.

### **1.5 Research Questions**

1. What is the influence of leadership and management on project performance of organizations within Westlands, Nairobi County?
2. What are the effects of staff welfare issues on project performance of organizations within Westlands, Nairobi County?
3. Is there a relationship between technical expertise and project performance of organizations within Westlands, Nairobi County?
4. What are the effects of HR planning on project performance of organizations within Westlands, Nairobi County?

### **1.6 Scope of the Study**

The study was conducted in Westland area of Nairobi City, Kenya. Forty (46) POOs were surveyed where one line manager and one HR manager of each selected POO were interviewed. This is primarily due to the fact that most POOs operating in Kenya have their headquarters in Nairobi and Westland has a good representation of all the categories.

### **1.7 Limitations of the Study**

In trying to investigate the causal relationship between HRM and organizational performance the study indirectly claimed that HRM practices data refer either to the same performance period (contemporaneous design) or the period just before the performance period (predictive design). However, for properly investigating causality time-series or longitudinal data should be employed. Furthermore, and due to the difficulty of collecting data from employees at lower managerial levels in Nairobi County POO, this study did not interview the employees who actually experience the HRM practices and are so intimately involved in translating practices into performance. Thus, future research should not only interview managers but it should also consider the voices of employees.

### **1.8 Significance of the Study**

The study was aimed at providing insights on how use of projects affects the HRM-Organizational relationships. Its findings are useful to the following groups: firstly, stakeholders in the POOs- the results of the study will form a vital tool in decision making with regard to the practice of HRM, chief executive officers, and the boards of directors; Secondly, managers in other organizations intending to use projects in most of their work; thirdly, the government agencies concerned with policy and decision-making affecting the way organizations source, utilize and dispose HRM. And lastly, the findings of this research do contribute to the existing body of knowledge.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter focused on reviewing identified studies and theoretical bases on HRM with a particular focus on Project Oriented Organizations (POO) in Kenya. It discussed specific features of POO and how they affect HRM thus creating certain challenges that are unique to these organizations. Finally, a conceptual framework has been developed to show the relationship between the dependent and the independent variables.

#### 2.2 The Concept of HRM in POOs

Human resource is one of the important resources for successful development of every organization. Several researchers, for example, Pickett L. (2000), Sparrow P. et al. (2000), Evans P. et al. (2002), Hayton J. (2005) have proven convincingly, that HRM is one of the most sensitive and important fields of action for the future success of project-oriented organizations. The issues and problems of knowledge management in project-oriented organizations have been put at the fore in such contexts (Peisenniece L. et al., 2010; Gann & Salter, 2001; Lindkvist, 2004). Literature on project-oriented learning has also pointed to the important role of projects for learning and building knowledge in the organization (DeFillippi, 2001). However, only modest attempts have been made to understand the competence issue and knowledge gap of HRM in POOs (Soderlund, Bredin, 2006). However, competence issues within human resource management have been stressed in the literature (Lengnick-Hall, 2003).

Heumann, et. al. (2007) suggests that specific features of the project-oriented organizations create specific challenges for HRM in that context, which are not widely recognized in the general management, HRM or project management (PM) literatures. Researchers have started defining and analyzing the value of project management in organizations (Thomas and Mullaly, 2008). Although, organizations and management scholars have indicated that the adoption of “Managing by Projects” as organizational strategy in a company does have fundamental effects on supporting functions such as the

Human Resource Management (HRM), project-oriented companies are still struggling to align HRM to the needs of project-oriented companies, however, changing HRM approaches when developing into a project-oriented company seems to be often neglected in practice (Heumann, 2010). “Management by Projects” is considered as the organizational strategy of the project-oriented company to meet their objectives as well as gaining a competitive edge over their peers (Gareis, 2005). The company applies temporary organizations such as projects and programs to perform business processes, when appropriate (Gareis and Stummer, 2008).

Temporary structure such as projects and programs lead to organizational differentiation within companies, which therefore also require specific integration structures, such as, project portfolios, expert pool or a Project Management Office (Heumann, 2010).

Project-oriented companies have dynamic boundaries and contexts and the number and the sizes of the projects they perform are constantly changing, permanent and temporary resources are employed, and co operations with clients, partners and suppliers are organized in teams, some of them are virtual (Gareis, 2005; Sydow et. al., 2004). Projects have been described as temporary organizations to bring about change (Turner et al., 2003; Turner, 2006; Gareis, 2005; Turner et al., 2003; Sydow et. al., 2004). The implementation of project management in an organization can be considered as a change which touches different identity dimensions of the organization (Stummer et al., 2005). A central dimension to be changed is “Human Resources”, as personnel require new competences and skills. Thus every time a new project or program is started, the HR configuration of the organization must change. This might create pressure on the organization and its available human resources. It certainly impacts the work organization, and creates the need for new processes like assigning personnel onto projects, dispersement from projects, and processes for linking projects assignments to careers.

Therefore specific competences, knowledge and skills are needed by the project personnel to successfully work together in projects. These may be formally supported by

the organization or informally demanded by the nature of the project business (Heumann et.al., 2007). Capacities such as competence tracking and competence development are considered core issues in HR organization. Knowledge, competencies, and skills developed by the project team members therefore need to be applied directly during the course of execution, thus facilitating its preservation within the organization following completion of the project, and thereafter, become available for use in subsequent projects. Owing to the limited scheduled time allocated for project execution, the speed of decision making is a crucial factor as it influences the effective actions and responses of distinct phenomena and problem solving. Therefore, knowledge gained and retained previously provides a means that allows project managers to employ a knowledge model and elucidate appropriate relations between the accessible knowledge and the current situation.

### **2.3 The Organizational HRM**

Building on Brewster & Larsen (2000) arguments on HRM, that refers to the structures, processes and activities directed towards the management of the relation between individuals and their organizational context. The relationship in this context is professional work relation where the individual provide the organization with labour force, competence, knowledge and experiences.

In return, the organization compensates the individual in different ways; with money, challenges, motivation, a nice work environment, personal development, increased knowledge, etc. It is also important to note that this definition of HRM rests on the assumption that the main purpose for HRM is to contribute to building a successful organization.

This definition of HRM provides a number of interesting openings which makes it highly relevant for the purposes of this study. Firstly, HRM is not limited to the activities carried out by managers or an HR department – the individual can also be an important player. The definition of Beer, et al. equates ‘employees’ with ‘human resources. However, ‘human resources’, defined as “the training, experience, judgment, intelligence, relationships, and insight of *individual* managers and workers in a firm” (Barney, 2002),

implies that it refers to the non material capital provided by individuals to an organization, not to the individuals themselves. Managing these human resources then becomes basically about managing the interplay between the individuals providing the human resources and the organization receiving the human resources. This view clarifies the danger with considering HRM as the activities carried out by a personnel department or by managers. All individuals who contribute to an organization can in this approach be made partly responsible for managing the 'human resources' that they provide, by keeping themselves 'employable'. They need to ensure that they possess and develop the competencies that their organization demands and maintain efficient relations with their organization. At the same time, the individuals have the power to take their resources and go to another organization, so it is very much in the interest of the organization to manage the relation with the individuals who can provide what the organization needs. In other words, this definition opens up for including individuals as active participants in the structures, processes and activities directed towards managing the relation, not as passive receivers of human resource management practice.

Secondly, the organizational context is critical for the relation and thereby also for the management of the relation. This definition of HRM rests on the assumption of an active relation between individuals and their organizational context and logically, both parties in the relation influence the nature of the relation. Ekstedt (2002) argues that temporary organizational solutions are becoming more common and that an increased use of projects "will also influence the contractual relations between organizations and the individuals". Ekstedt points for example to an increased use of short assignments and temporary employment in organizations that rely heavily on project-based structures. Hence, this definition of HRM is highly adequate for the purposes of this study, since it highlights the importance and of course impacts of the organizational context on HRM.

Thirdly, the relation is between the organization and the individuals who contribute to the organization, not only between the organization and their permanent employees. In organizations that struggle for flexibility, the use of temporary labour increases (Estevão and Lach, 2000).

As suggested above, firms become increasingly dependent on consultants and other types of temporary work force. Ono and Zelenev (2003) discuss the ‘changing boundaries’ of organizations and argue that increased competitive pressures force companies to “focus on ‘core competencies’, redrawing their boundaries around what constitutes or supports their true competitive advantage”. Moreover, they state that firms appear to be drawing their boundaries around narrower spheres of activity. However, while the boundaries of permanent employees are narrowed, the boundaries for individuals contributing to the organization in various ways are broadened. Hence, from the organization’s perspective, delimiting HRM to concern only the management of the relation between permanent employees and their organizational context is too narrow to capture the management of all human resources contributing the organization. This seems to be particularly important in flexible organizational forms, such as project-based organizations.

To summarize, the approach to HRM that is surmised in this study implies that the individuals as well as the organizational context actively influence one another, and have a responsibility for managing, their mutual relation. Moreover, this relation refers to the relation between the organization and all individuals contributing with their human resources, not only the permanent employees. Therefore, the changing nature of PBO makes them to have characteristic challenges that are not likely to be similar to those of the classical organizations.

#### **2.4 Definition of Project-Oriented Organizations**

This research centres on the project-oriented organization as an organizational context for HRM. There are a number of different definitions and approaches in the literature of POOs. This study will introduce some of these and then explain and argue for the approach taken in this study.

Some of the earlier works by Hobday (2000), position different ‘ideal types’ of organizational forms along a scale with the pure functional organization at one extreme, the pure project-oriented organization at the other, and matrix organizations with various degrees of project orientation in between. The main factor for deciding on the project

orientation in these typologies is the level of authority over personnel, finance, and other resources (Hobday, 2000). In the typology of Hobday, the POO is accordingly defined as “one in which the project is the primary a unit for production, innovation, and competition”, and where “there is no formal functional coordination across project lines”.

In this type of definition, which is based on a ‘scale of extremes’ with PBO at one end and the functional organization at the other, ‘project-oriented’ inherently implies the total abolishment of functional coordination. However, it is rather unclear if this concerns functional coordination of core activities such as production and innovation, or if it rules out all forms of functional coordination across the projects.

Lindkvist (2004) suggests a broader definition and argues that “Firms that privilege strongly the project dimension and carry out most of their activities in projects may generally be referred to as project-oriented firms.” Similarly, Whitley (2006) describes the ‘project-oriented firm’ as a firm that “organize work around relatively discrete projects that bring particular groups of skilled staff together to work on complex, innovative tasks for a variety of clients and purposes”. However, these definitions are rather vague, particularly concerning the nature of the activities that are being carried out in projects.

For researchers, whose main focus is on HRM and people management systems in project-oriented organizations, these definitions seem to miss out on important aspects. Project-oriented structures, from other studies’ view point, do not necessarily equal to a total dominance of the project structure over the functional structure. Other typologies take factors such as employment contracts, affiliation and the level of repetitiveness of project work, into consideration when identifying different types of organizational forms that include projects. For example, Söderlund (2000) distinguishes four ideal types of organizations depending on the one hand on the permanency/temporality of the structure, and on the other hand on the permanency/temporality of the employment contracts. In Söderlund’s typology, ‘project organization’ describes a situation where people have permanent employment contracts in an organization that is characterized by work in temporary project constellations. Ekstedt (2002) presents a similar typology. Packendorff

(2002) discusses four types of ‘project work’ depending on whether project workers have their primary affiliation to the individual project or to the organizational context, and on whether project work is considered to be routine or the exception. In this typology, ‘project-based work’ is regarded as one in which project workers have their primary affiliation to the organizational context, and in which project work is routine.

Following this line of argument, PBOs consequently do not include ‘single-project organizations’ (Whitley, 2006), where the entire organization is dissolved after completion of a project. The PBO by the definition subscribed to, instead concerns a permanent organizational framework in which temporary projects are embedded (Sydow, et al., 2004).

The definitions and approaches discussed above suggest that the structures used for carrying out core activities, the repetitiveness of project work, the permanency of the organizational framework, and the nature of employment are matters that stand out as being particularly important for what defines a project-based organization. Hence, in this study, the following four features, in combination, are considered to define the project-based organization: The POO is an organization that privileges strongly the project dimension concerning its core activities and carry out most of these activities in projects; In a POO, project work is routine rather than the exception; The POO is a permanent organizational framework in which temporary projects are embedded; In a POO, people are employed or hired by the organization, not by individual projects.

In this study, the use the term ‘project-oriented organization’ is preferred to ‘project-based firm’, for two main reasons. Firstly, a firm can consist of both project-oriented departments as well as functional departments, so there might exist POOs inside a firm, even though the whole firm is not project-oriented. Secondly, the term ‘firm’ implies that the concept is delimited to business oriented firms, but POOs are likely to exist also within the public sector and within public and non-profit organizations.

It is also important to recognize that the term POO should be seen as a general term for a variety of organizational solutions that have the four features described above in

common. As also argued by Whitley (2006) future research into project-oriented organizations should distinguish between different kinds of POOs, since they “vary considerably in the kinds of products and services they produce, the level of market and technical uncertainty they have to deal with, and their organizational complexity”.

Lastly, but also a very important point also to note, is the fact that the general projectification trend in the modern economy can also be described as consisting of two principal patterns of change in relation to the structuring of organizations; (1) that new firms increasingly start off as project-oriented organizations and (2) that traditionally functional organizations change into relying more on project-oriented structures. These two change patterns give rise to two different types of project-oriented organizations, depending on their origins. The first type is original POOs, which are organizations created as project-oriented from the start and that hence have no history of organizing their core activities in functional structures which includes NGOs, consultancy firms and advertising agencies. The second type of PBOs is projectified organizations, which implies that the organizations have gone through (or are still going through) a development from more functionally oriented to project-oriented structures. Many engineering and high-technology, product developing firms could be examples of such organizations.

## **2.5 HRM Challenges Facing Project Oriented Organizations**

Project oriented human resource managers are accustomed to organized, predictable, logical, well structured, detailed, and standardized environment governed by objective rules and controllable variables (Srica, 2008). In contrast, projects tend to be characterized by crisis, uncertainty, and suspense, which combine to test the ability and performance of the project managers in coordinating and controlling a diverse selection of functional specialists, over which they may have little direct authority (El-Sabaa, 2001). These contrasting positions could make effective leadership one of the most challenging areas to apply in project management (Irani, Sharif, & Love, 2005).

Project performance is often less a matter of understanding the constraints of the project and more a function of the personal skills and capabilities of the potential leaders' available (Jiang, et al., 2001).

The project management literature has often ignored the importance of HRM, while ascribing importance to project management software tools, management processes and assorted "best practices" (Shenhar, 2001; Sumner, et al., 2006). In addition project managers have traditionally emphasized technical knowledge and skills as the key ingredients in managing projects (Berg & Karlsen, 2007). The growing importance of the organizational and human factors of project management, however, makes the requirement of leadership skills essential for the effective management of projects (Sumner, et al., 2006).

Staffing and assigning appropriately skilled project resources present some of the most challenging areas within which to employ effective project management techniques (El-Sabaa, 2001). Real estate project managers, for example, have to combine technical knowledge and expertise with behaviors that engender effective multi-organizational teamwork and communication if successful outcomes are to be achieved (Turner & Muller, 2003). Engle (2007) supports this position by pointing out that projects require process leaders, as projects are primarily an exercise in dealing with other people using the key skills that are best portrayed through leadership, organization, and communications. This means that the HR department must employ the best practices, for example recruitment, training and retaining to develop good leaders for project teams.

The Project Management Institute (2008) identified development and management of the project team as core aspects of the human resource management competency in project management. Project teams consist of individuals from previously loosely coupled areas in an organization brought together to perform complex or specialized tasks of a multidisciplinary nature (Turner and Muller 2003). The short-term interaction of projects presents one of the greatest challenges to individuals managing performance within it (Turner & Muller, 2003). Projects involve undertaking a range of work activities for a finite period with one or more defined objectives (Turner and Muller 2003). Added to

this is a project setting characterized by groups of individuals working together for short periods of time before being disbanded and redeployed elsewhere within the organization (Atkins and Gilbert 2003).

Cabano (2006) pointed out that many projects are experiencing limited abilities in meeting the demands of capital programs due to the limited skills of their human resources, he also makes mention of the fact that resources level in project management is more acute than most other disciplines. The allocation of human resources in the execution of projects is usually made according to the experience and intuition of project managers. Successful negotiation for project staff assignments is oftentimes dependent on the best HR department assign leadership to projects and based on their ability to ensure that the project receives appropriately competent staff in the required time frame (Dainty, et al., 2005; Kotnour & Vergopia, 2005).

Yoshimura, et al., (2006) suggest that as the contents of the projects become more complex and the required abilities to carry them out more diversified, there is an increasing need for logical support systems to assist decision makers when seeking the best possible deployment of the human resources. Dainty et al., (2005) recommends a predictive tool designed on a competencies approach that will help to identify selection techniques or psychometrics that are likely to result in useful evidence for the job role being undertaken. The project management tools can be used to help the project execution as planned while also supporting learning by providing a mechanism for planning, communicating expectations, and recognizing the deviations or successes of a project. The planning tools provide the original baseline from which actual results are compared. The planning tools facilitate learning-by doing, by providing the explicit definition of the goals and expectations or understanding of the project.

#### **2.6.0 HRM Practices and Accumulation of Knowledge**

This subsection will cover theoretical literature on HRM practices and how they impact on organizational performance.

### **2.6.1 HRM Practices**

In this study, human resource practices refers to a combination of individual skills and organizational routines (Huang, 200), which are routinely used as a part of the organization. These consists of three components: One, Culture which refers to the beliefs, values, norms and management style of the organization; Two, Organizational structure- job roles and reporting lines of the organization; Three, People- the skill levels, staff potential and management capability, and; Four- human resources systems- the people focused mechanisms which deliver the strategy e. g. employee selection, communications, training, rewards and career development.

According to Huang (2000), HRM practices are one area that influences employees' intention to leave, levels of job satisfaction, and organizational commitment. Bratton and Gold (2007), illustrates the function of human resource management as “the process of linking the human resource function with the strategic objectives of the organization in order to improve performance”. They added that HRM is a managerial process requiring human resource policies and practices to be linked with the objectives of the organization. Many other researchers (McMahan et al., 1999; Fey et al., 2000; Huang, 2001; Stavrou and Brewster, 2005; Christiansen and Higgs, 2008) have suggested that Company's HRM practices contribute to increased performance and thus help it to grow and gain sustainable competitive advantage. These studies attempted to answer the question of whether or not human resource management practices have a crucial role in the creating a high financial performance and sustaining a competitive advantage in a fast changing environment.

Bratton and Gold (2007) define HR planning as ‘the process of systematically forecasting the future demand and supply for employees and deployment of their skills within the objectives of the organization’. Werner and DeSimone (2006), human resource planning helps companies predict how changes in their strategy will affect their HR needs. Planning the workforce needs of any company is very critical and important especially in the rapid changes in external market demands. Koch and McGrath (1996) found a positive relationship between HR planning and labour productivity.

Staff welfare encompasses several factors; Participation and Involvement, Compensation and Benefits, Recruitment and Selection, Training and Development, and Participation and Involvement among others. Putting in place employee involvement program afford employees with opportunities to reflect their own attitudes and work experiences, as well as their own hopes for the future (Bratton and Gold, 2007). Batt (2002) states that high-involvement practices may influence organizational performance and that employees' involvement in problem-solving and self-directed teams may increase autonomy and satisfaction.

Motivating employees through a good reward system constitutes a difficult and challenging task for general managers as it can positively affect employees' behavior toward their jobs and increase their commitment and thus their performance. Armstrong & Murlis (2007) states that reward strategies are an important part of an organization's HRM and should be bundled with other HR practices so that they complement and reinforce one another. Bratton & Gold (2007) found that motivation through a good reward system can lead to an increase in employees' productivity. Kalleberg & Moody (1994) states that some forms of compensation such as profit sharing is used as a strategic variable to improve firm competitiveness because it ties the interests of workers more closely to that of the organization and thus enhance their efforts and lead to better performance.

Wright et al. (1999) examined the impact of other HR practices (selection, training, technical expertise, leadership and management style) and participation of the financial performance of 190 US petro-chemical refineries. Their results confirmed the existence of a direct relationship between selection, training, leadership and management styles with workforce motivation. However, they found that only under highly participative systems, HR practices (selection, training, leadership and management styles) are positively related to firm performance. Batt (2002) examined the relationship between human resource practices, employee quit rates, and organizational performance in the service sector. His findings confirm that, firms emphasizing high skills, employee participation in decision making and in teams, and human resource incentives such as

high relative pay and employment security, have lower quit rates and higher performance (sales growth).

From the reviewed literature, it is evident that an extensive body of literature about the impact of HR practices on firm performance has emerged as a dominant research issue in the HRM field (Fey et al., 2000). The data from the reviewed literature indicate the dependency of firm success on the caliber of its employees and how effectively they are managed.

### **2.6.2 The Link between HRM in POOs and Knowledge Management**

The state of knowledge on knowledge management has evolved considerably over the past 20 years (Raub & Ruling, 2001). In the course of this evolution, processes of knowledge sharing have been brought to the fore as a key lever for the effective management of organizational knowledge. The notion of ‘practice’ plays an important role in this context, as witnessed by the substantial literature on the transfer of ‘best practices’ and ‘strategic organizational practices’ (Probst et al., 2000).

Today’s business environment is essentially knowledge based. While this may seem commonplace, it will be argued in this paper that human resource professionals may be surprised about the degree to which knowledge management affects their daily business and, vice versa, the degree to which HRM can play a substantial role in implementing and supporting knowledge management initiatives. The link between HRM and knowledge management becomes particularly obvious in the context of communities of practice – one of the most recently discovered and potentially most promising territories of knowledge management.

While management researchers and practitioners alike are quick to acknowledge the importance of knowledge as an organizational resource and a (potential) source of competitive advantage, many may yet have to discover how diverse the challenges of a knowledge-based economy really are. For instance, executives are operating in an environment of increasing information overload (Probst et al., 2000) which requires them to deal with a paradox. On the one hand, most recognize that they need massive amounts

of information to do their jobs. At the same time, they complain about the difficulty of finding the proverbial needle in the ever-increasing haystack. The phenomenon of information overload has been a starting point for a number of early knowledge management initiatives. These focused on creating ‘transparency’, for instance, by identifying experts and entering relevant contact information into ‘corporate yellow pages’.

A comprehensive understanding of knowledge management, however, goes far beyond the information-based effects of technocratic approaches (North et al., 2000). An excessive focus on information technology has been exposed as running counter to the true intentions of knowledge management (Garvin, 2000). Viewed from a more holistic perspective, knowledge management involves all processes that contribute to improving the knowledge base of an organization. These include the definition of knowledge goals, the upgrading of the knowledge base through the acquisition or development of new knowledge, the sharing and use of existing knowledge and the evaluation of knowledge (Probst et al., 2000). In any case, it implies continuous change and learning for the organisation (Garvin, 2000) as well as lifelong learning for the individual (Read, 2001).

### **2.6.3 Benefits of Communities of Practice to HRM in POOs**

Communities of practice have been hailed as a way of “reinventing” companies and their alleged benefits span anything from strategy development, corporate growth through innovation and creativity, to better knowledge management (Wenger & Snyder, 2000). While some of these benefits are likely to remain elusive, communities of practice can indeed provide very real contributions at the level of human resource management. Moreover, a link between HRM and communities of practice is likely to be mutually beneficial. The task of human resource managers may be facilitated by the activities of communities of practice; while at the same time human resource professionals may be able to play an important role for the development of new communities.

The links between HRM and communities of practice are manifold. Potential benefits of communities of practice can be identified in most major HRM functions - internal and external staffing, evaluation and compensation and, finally, training and development.

Communities of practice support staffing in two directions. Human resource managers can search communities of practice for appropriate candidates when a job opening occurs. Community media may also be used for precisely targeted job posting. Moreover, community membership is very much akin to an “indirect” job bidding process. Being a member of a community has a dual effect - it signals interest and expertise in a particular topic. Thus, community membership may be used as a tool for building ‘the brand which can be called you’, the characteristic organization. The combined effect of both processes is that internal transparency is increased and the supply and demand for internal staffing are more likely to meet.

Beyond the internal staffing aspect, communities of practice can contribute to recruiting from external sources. Some communities of practice reach beyond the boundaries of a single organisation to include for instance, experts from research institutions or professional associations. Tapping these sources may not only generate substantial contributions to the communities but can also be exploited for detailed leads to potential recruits (Probst et al., 2000).

A second major contribution of communities of practice lies in the area of performance evaluation and compensation. Community members share an interest in a given topic and often display similar types of expertise. Thus, they are in an exceptionally good position to judge the quality of professional contributions made by their peers. Their judgment should certainly not replace traditional forms of performance evaluation; however, it may contribute an important piece to the evaluation mosaic in the spirit of a 360° philosophy.

The link to compensation is equally obvious. More and more organizations resort to knowledge sharing activities as an important component of compensation. Rewards for knowledge sharing may be obtained as an immediate result – for instance, participants in Siemens’ ShareNet platform receive “ShareNet shares” akin to frequent flyer miles which can be redeemed for attractive prices (Gibbert et al., 2000). Compensation may also be obtained through periodic performance evaluation. Potentially the most obvious contribution of communities of practice as explained by Economist (2000) and Fortune (2000) is to be found in the area of training and development. Indeed, individual skill

development is one of the defining elements of a community of practice. Skill development within communities overcomes the traditional separation of learning and work. Learning in communities occurs in the form of “legitimate peripheral participation”. Thus, it is a by-product of discussion, problem-solving and knowledge generation, which form the core of a community.

Once more, community based training should be seen as a complement to, not a replacement for, traditional training activities. Its benefits, however, are obvious. The attitude and intrinsic motivation of community members is likely to produce an extremely conducive atmosphere for learning. Learning from other experts in the domain involves contents and problems at the cutting edge of current developments while at the same time being extremely business-focused. The flexibility of communities of practice means that almost every training need can be catered to and even organization members with peripheral areas of interest can find a forum for discussion and personal development. Finally, learning in communities liberates training resources that can be brought to bear on other target groups and on more fundamental issues (Economist, 2000; Fortune, 2000).

In a larger context, communities of practice create more interesting work environments. While this has a direct impact on the motivation and satisfaction of employees, it is also becoming an increasingly important argument for the recruitment of new employees and the retention of existing ones. Communities of practice may even turn out to be the ultimate weapon in the ever-fiercer competition for talented employees (Economist, 2000; Fortune, 2000) (Table 2 summarizes the benefits of communities of practice for HRM).

### **2.7.0 HRM in Project Oriented Organization versus Generally Managed Organizations**

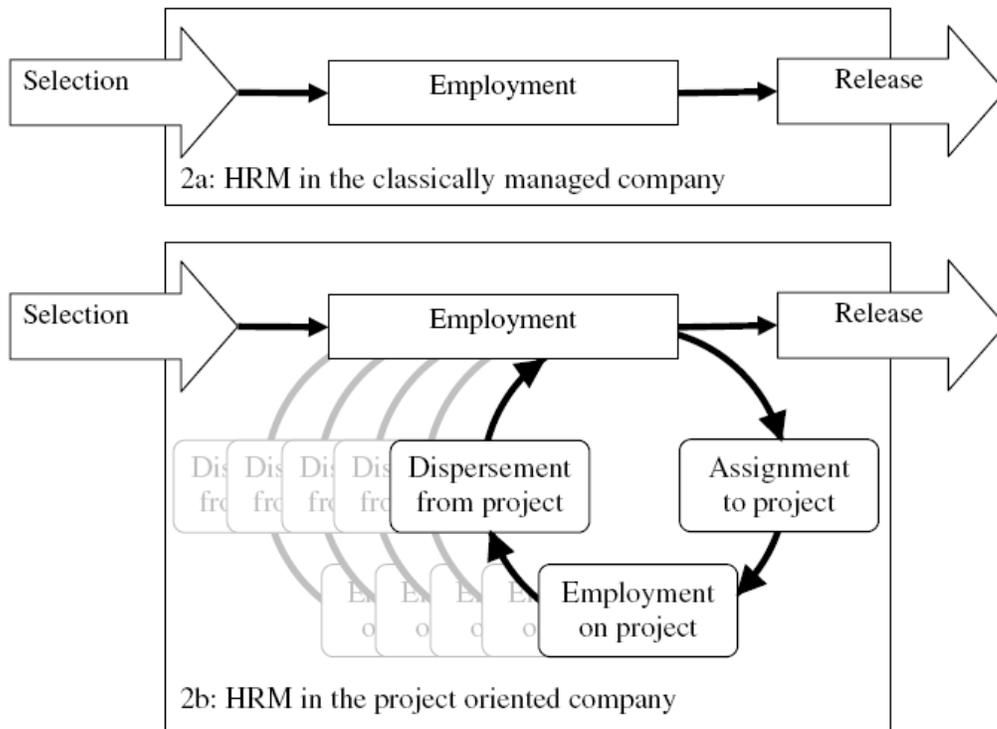
HRM should be a core process in all organizations affecting the way they acquire and use human resources, and how employees experience the employment relationship, (Winstanley and Woodall, 2000). HRM is of strategic importance to all organizations, contributing to the success of the organization and helping to create competitive

advantage, (Francis and Keegan, 2006). Thus HRM should be linked both vertically and horizontally with the strategy of the organization, vertically, so that HRM practices support the organization's strategy choices; horizontally, so that HRM practices support other operational practices under the umbrella of the strategy of the organization. Project-oriented organizations adopt project-based ways of working as a strategic choice, (Gareis, 2005), in response to their customers' demands for bespoke products or services, (Turner and Keegan, 2001), and so the HRM practices and processes adopted by the organization should support that choice, and the HRM and project management practices and processes adopted should support each other.

The conditions under which HRM emerges in the project-oriented organization ( Figure 2.1) may differ from those associated with mainstream HRM, which is shaped by the typically large, classically managed organizations, based on the Taylorian model of management, (Schuler and Jackson, 1996; Flood et al., 1996). The project-oriented organization adopts temporary organizations in the form of projects and programs, and associated temporary work processes to deliver its products and services to its customers. This creates a dynamic work environment. Every time a new project or program starts or an old one finishes the HRM configuration of the organization needs to change. If the project-oriented organization is to adopt HRM practices and process that support both vertically and horizontally its strategic choice of project-based working, they should be designed for that purpose. Project-oriented organizations will require both additional and different HRM practices and processes than those suggested by the traditional approaches. They will require additional processes specific to the project and programs they adopt to undertake their work- projects and programs are temporary organizations, and so HRM practices and processes required are specific to those organizations. They will also require different practices to deal with the dynamic nature of the working environment in the project-oriented organization.

**Figure 2.1: HRM in the project oriented company versus HRM in the classically managed company.**

*M. Huemann et al. / International Journal of Project Management 25 (2007) 315–323*



1. HRM in the project-oriented company versus HRM in the classically managed company.

Further, that dynamic working environment can create additional stresses on employees. For instance work-loads can be difficult to predict, and they can lead to peaks for employees as the demands of projects for different clients' peak simultaneously. There can also be uncertainties about an employee's forthcoming working environment and the colleagues he or she will be engaging with, which can create additional stresses. Employee well being and stability can be a significant issue in this context.

### 2.7.1 Challenges Faced by HRM in POO from the Project Side

Although there is a lack of studies focusing on HRM, there are many arguments in recent project research that stress the need to study the performance and challenges Project Oriented organizations face. The arguments can be classified according to their point of departure; a *top-down perspective*, i.e. the need for the company to manage the strategic

resources effectively in order to stay competitive, or a *bottom-up perspective*, i.e. the concern for the individual project worker in a projectified environment.

Mike Hobday's (2000) study of the effectiveness of project-oriented organizations in managing complex products and systems gives example of arguments from a top-down-perspective.

Hobday reports that the project-oriented organization he studied had created a "high pressured work environment that had left little space for formal training or staff development", and a "lack of incentives for human resource development". He also argues that project-based organizations can breed insecurity over career development because of the dispersion of technical leadership across projects. Hobday is not alone in this concern; also the famous study of the Danish project-oriented company Oticon (Larsen, 2002) point to changes in career structures in project-oriented organizations. Other researchers identify problems with staffing and resource allocation (Engwall & Jerbrant, 2003). One of Larsen (2002) main concerns in his case study of the projectification process is the difficulty to maintain the long-term technical learning process when the organizational structure promotes short-term objectives. Midler also points to the need for changes in people assessment and career management.

Researchers with arguments from a bottom-up perspective typically put the individual at the centre (Huemann et al., 2004; Packendorff, 2002). Packendorff (2002) argues that projects influence individuals in the modern society, not only at work, but also in their every-day life. According to Packendorff, work in projects expose individuals to time limits and requirements of "self-marketing". The work situation depends on the individuals' own priorities, which usually ends up affecting their personal life outside work. As pointed out, a common feature of modern organizations is the importance of the individual employees, their knowledge and their creativity. At the same time, projectification tends to increase the requirements on the individuals. Some researchers argue that the increasing ill-health in work life can be explained by the increased demands and responsibilities placed on employees and the lack of management and

support systems to aid the employees in handling this development (Strannegård & Rappe, 2003).

As it seems, many of the problems identified by project researchers are closely related to the management of the relation between the individuals and the organizations, the management of human resources. Some of them take the organizations' point of view, while others focus on the individuals' situation. Nevertheless, the researchers from the project-oriented research do not link their studies to the HRM field of research in order to analyze the problems. The understanding of project-oriented organizations' challenges would benefit significantly from studies focusing on the management of the relationship between the individuals and their organizational context. Of course, when focusing on the management of the relation between individuals and their organizational context, both the bottom-up perspective and the top-down perspective are central in order to grasp the challenges of POOs. However, as a first step, I will in this licentiate thesis delimit the analysis to a top-down perspective. In other words, the analysis takes its starting point in the need for companies to manage their strategic resources effectively in order to stay competitive.

### **2.7.2 Challenges Faced by HRM in POO from the HRM Side**

It is thought that HRM developed from traditional personnel management, or personnel administration, which was typically used to describe the work of the traditional personnel department (Redman & Wilkinson, 2001). This development implied an increased importance of strategic management of human resources as a way to success. The approach to HRM that this study relies on is that it essentially concerns the management of the relation between individuals and their organizational context. As Brewster & Larson (2000) put it, HRM has become "an institutionalized way of handling the central issues of selecting, appraising, rewarding and developing people" and it focuses "the interplay between people, tasks and organization". In this study, HRM is accordingly defined as the structures, processes and activities related to the management of the relation between individuals and their organizational context.

HR departments and HR specialists have been subject to vast changes during the last ten years as indicated by scientific researches: many articles refer to “a dramatic upheaval of the personnel work”, changes in HR departments, the changing roles of HR specialists, outsourcing HR services, etc (Alsrup Badner, 2004; Hedlund & Åberg Aas, 2004). Moreover, numerous studies have reported on and analyzed these changes. One of the most referred researchers in this context is the American management researcher Dave Ulrich. He argues that HR specialists need to become “strategic players” and his typology of the HR department as “strategic partner”, “administrative expert”, “employee champion” and “change agent” has had considerable impact, both within the academic and the practical community of HRM (Ulrich & Beatty, 2001). This typology is useful in many ways, but it does not consider the organizational structure as an important context that affects and influences HRM. This seems to be an inherent weakness in the HRM field of research, where most of the research done overlook the influence of project-oriented organization on HRM and not the other way round.

There are some researchers referring to new organizational forms as one important driving force for changes in HRM (Redman & Wilkinson, 2001). Their argument is that the development of new, flexible organizational forms puts a new focus on co-workers and on competence issues, instead of on task and work, as was the case earlier. As was the case with the project-oriented research, which identified issues important for HRM, there are some studies within the HRM field that touch upon issues related to project-oriented structures. However, these studies typically do not explicitly see the project-oriented organization as the basic context for their studies. For instance, in their study of changes in line management in Europe, Larsen & Brewster (2003) identify the increasing use of matrix or project-based structures in high-tech, knowledge-intensive organizations. According to the authors, this affects the possibilities to handle long-term development of individuals or deal with other people issues.

Other studies present case studies of project-oriented organizations, but their focus is to examine relatively delimited parts of HRM-related areas, such as the development of core competencies and career development (Larsen, 2002). Although many of the problems

and challenges identified as central for HRM in modern organizations seem to have been strongly related to the organizational structure, the impact of the continuously increasing use of project-oriented structures is not the centre of attention.

To summarize, these is an area that is identified by both the project-oriented field of research and from the HRM field of research that needs further attention. Literature on projectification and project-oriented structures analyses project-oriented context challenges in a field that is becoming increasingly common and adds to the general knowledge on human resource management in such organizations. However, this field of research typically misses out on the dimension of management that focuses on the relation between the individuals and the organization, even if some researchers point to important challenges for this dimension. The HRM literature, on the other hand, reflects the changing role of HRM and of HR specialists. Several studies also identify flexible organizational forms as a driving force for change and as a complicating circumstance for specific HRM-related issues. Nevertheless, these fields of research in general do not explore projectification and project-oriented organizations as a basic context for these changes.

## **2.8 Firm Performance**

The measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity, growth, social responsibility and responsibility to adapt to the ever changing environment among other objectives. Although performance has been traditionally conceptualized in terms of financial measures, some scholars have proposed a broader performance construct that incorporates nonfinancial measures including among others market share, product quality, and company image.

Extant research findings have shown that perceived measures of performance can be a reasonable substitute of objective measures of performance (Wan-Jing & Tung, 2005) and have a significant correlation with objective measures of financial performance. Additionally, cross-industry organizational performance is influenced by external economic factors (Bamberger & Meshoulam, 2000), hence subjective evaluations may be

even more appropriate than objective measures in this study. Studies by Wan-Jing & Tung, (2005) recognize the difficulty in obtaining objective measures of performance and suggest asking managers to assess their own firm's performance relative to others in the same industry or sector. To minimize the effects of random errors, researchers have suggested the use of multiple items to assess performance. Given this scenario, the researcher in this study has opted to use multiple items in order to assess the performance of the POO to be studied. These items relate to profitability and sales growth.

## **2.9 Empirical Review**

Human Resource Management (HRM) is the most important function in all project-oriented organizations. It contributes to the success of the organizations and creates competitive advantage for the organization. The way HRM practices and policies take shape also affects the employee's experiences of work and the employment relationship more so in the project-oriented organizations, where management is by structures that are temporary and focuses on projects thus putting more pressure on the system with resultant challenges to which the HRM needs to respond.

Results from several surveys have confirmed that even the best-formulated projects may fail to produce superior performance for the firm if the HRM lacks the necessary skills for successful implementation. A broad range of experiences are required for future project managers. It is not possible to develop them by restricting their experiences to one function or if every time a project comes up a new project staff is hired. Thus, rather than seeing project managers climbing the ladder up the functional silo, they have broad, sweeping careers, being exposed to a number of functions, perhaps moving back to functions they have fulfilled before in a more senior role(Keegan and Turner 2000).

Some important inputs to this study are taken from the study conducted at Posten and Saab in 2002 by Bredin & Forsström (2003). This study revealed some interesting trails concerning HRM in POOs, such as which role and structure the HR department has in the organization, redistribution of HR responsibilities, and problems with increasing gaps

between line managers and their employees operating in projects. In another study by Bredin (2003) conducted on R&D units at Volvo and AstraZeneca during summer and fall 2003 about the strategic change project where traditional post offices were closed and service outlets in supermarkets opened. In this study, the top project managers were interviewed, as well as the CEO and senior managers involved in the project. The work with this case is important for general understanding of the challenges of HR department during transition and for understanding of project environment.

The four companies studied by Bedin (2003) are different in several aspects, but in all of them, the increased focus on project operations and on changes in support structures is obvious. However, at the beginning of the century, Posten initiated somewhat of a 'radical' projectification process, clarifying in strategy documents and annual reports that the company was going to work in projects and networks. This decision was followed by the creation of a number of programs and support systems to enhance efficient project operations and a project was initiated to investigate how Posten could improve work in projects. This highly deliberate and conscious projectification made Posten an interesting and relevant case for this study since it illustrates that there are challenges on HRM in POOs that must be tackled for successful projectification (Söderlund & Bredin, 2006).

In a case study of Volvo and AstraZeneca by Hedlund & Åberg Aas (2004), the analysis indicated some interesting patterns concerning structural effects on the HR organization and content effects on the HRM practice. As to structural effects, the HR departments seemed to have problems finding their role in relation to other players in the HR organization in the project-based context. The HR departments in both cases had been restructured, however, not following the same logic. Furthermore, the responsibilities within the HR organization were going through a transition where line managers were assuming increased HR responsibilities, thus in a way creating duplicate role play between the two offices.

Over the past three decades, a small but growing literature has emerged which empirically examines the association between human resource management (HRM) practices and organizational performance. However, a significant challenge exists for researchers seeking to draw conclusions from this research, in that organizational performance is not a one dimensional construct. In fact, organizational performance includes innovation, venturing and strategic renewal activities (e.g., Hedlund & Åberg Aas, 2004). Furthermore, organizational performance may be internally or externally oriented (e.g., Söderlund & Bredin, 2006) and has both formal and informal aspects (e.g., Truss, 2001 2006). As a result, research that examines the contribution of HRM practice to organizational performance varies widely in focus and specificity with respect to the dependent variable. Therefore, this paper has attempted to summarize and organize the literature with the aim of identifying what is known and areas where future research can enhance our understanding. This summary will also make a contribution from the perspective of practice. As project oriented organizations increasingly employ practices relying upon human resources management and innovation (e.g., Meyer & Heppard, 2000) they need to identify the key HR drivers of these practices (e.g., Becker, Huselid, & Ulrich, 2001). This review summarizes what we know with respect to these HRM drivers of POO.

HRM research that addresses firm level outcomes tends to take one of two perspectives. Some researchers have focused upon individual HRM practices, such as compensation (e.g., Klein & Koslowski, 2000), while others have examined the influence of entire HRM systems (e.g., Laursen, 2002). The growing popularity of the systems perspective reflects interest in the impact that the HRM function, as a whole, can have upon organizational performance.

Organizational effectiveness is an important aspect of firm performance that HRM practices are expected to influence. Organizational effectiveness is an important aspect of firm performance that HRM systems are expected to influence.

The empirical research reviewed here discusses the link between HRM practices of HR practices and firm level outcomes. Although the unit of analysis is the organization, the underlying assumptions driving these analyses involve the influence of HR practices upon employee behaviors. In this regard, the implicit assumption reflects the behavioral model of HR practices proposed by Schuler and Jackson (1987). However, the link between individual employee contributions and organizational level phenomena remains largely untested in the literature (DeNisi, Hitt, & Jackson, 2003). This is most likely due to the complexities of conducting cross level research in general (Klein & Koslowski, 2000), and in particular, the challenge of gathering a large enough sample when organizational level phenomena are the outcome of interest.

This study makes three contributions to the literature on HRM practices in POO. First, in reviewing the empirical literature this study has highlighted points of agreement and disagreement and identified gaps in our current understanding and potential directions for future study. Understanding where we have been and what is now known will help plan future research directions. Second, this study identifies some key areas for synthesis of findings in research across the aspects of HRM practices in POO. Synthesis of prior results will contribute to the development of a theoretical account of the processes underlying HRM practices. Finally, this study will attempt to identify possible preferred HRM practices bases that may contribute to an understanding of how HRM influences POO performance. A significant limitation in the literature concerning HRM in POO is a lack of consensus concerning the appropriate theoretical perspective. Therefore, we believe that future research will be enhanced by the adoption of a clear theoretical paradigm.

### **2.10 Research Gaps**

HRM literature still gives greater attention to the management in routine organizations, although modern flexible organization forms have been discussed there (Volberda, 1998). In the project-oriented management literature a very limited amount of research has considered HR issues (Themistocleous and Wearne, 2000; Kloppenborg and Opfer, 2002). Conceptualizing HR in project context is still rudimental (Belout and Gauvreau,

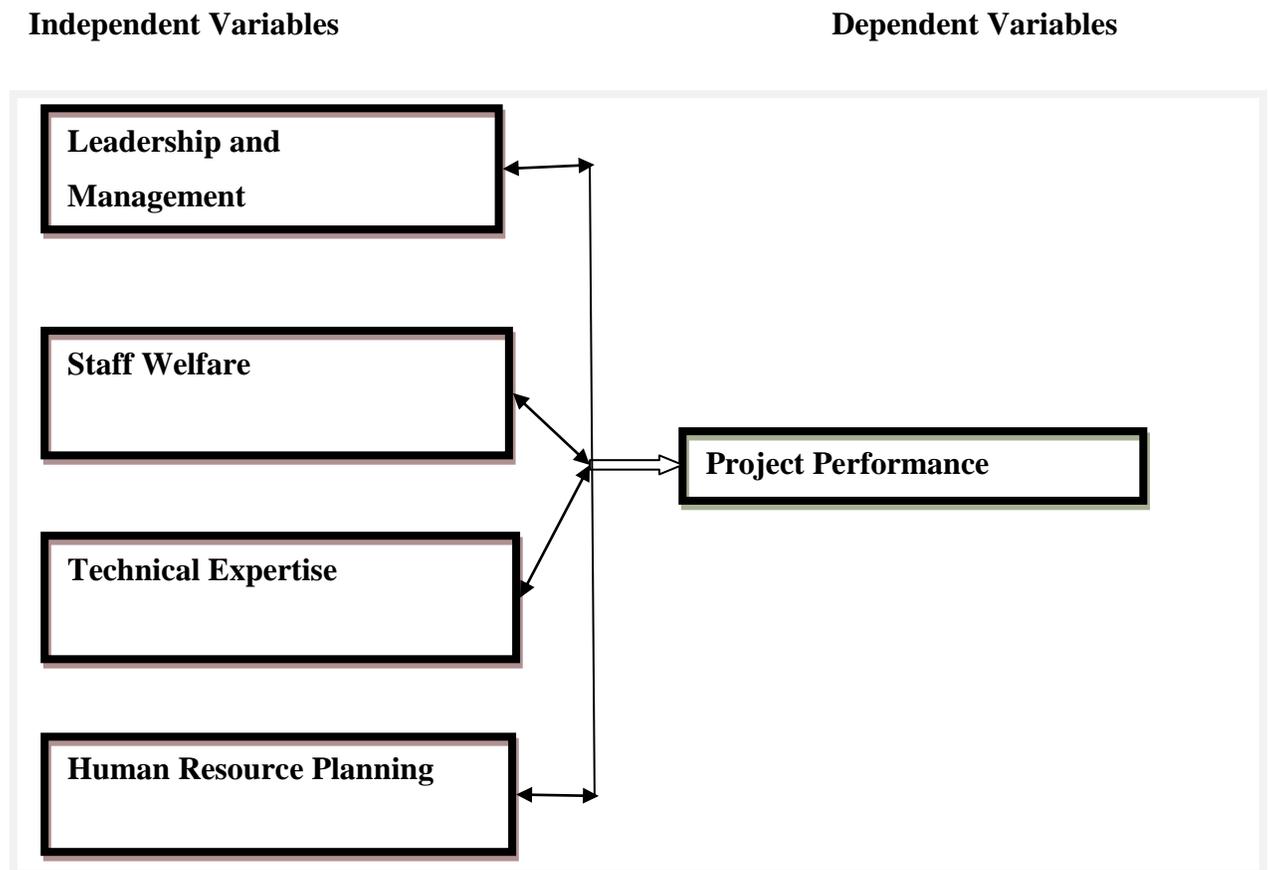
2004). Where HR has been considered then it is mainly at the multi-project resource allocation perspective (Keegan and Turner, 2003).

Based on prior research (Huemann et al., 2004; Gareis and Huemann, 2003) this study is undertaking a research project, which aims to identify effects of HRM factors on project performance and needs for HRM in the project-oriented organizations to adopt and adapt to ways that will realize better project performance.

### **2.11 Conceptual Framework**

A conceptual framework is a tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny. It helps the research to explain the relationship among interlinked concepts such as the dependent and independent variables (Kombo, 2006). In this study, the researcher wishes to establish the effect and impacts of HRM practices on the performance of POO. The study is anchored on the contingency theory that argues that there is no one best way of doing things advocated by Lawrence and Lorsch (1967). The study is also based on the assumption that there are specific practices applied by HR managers in various POO. Figure 2.2 below shows a diagrammatic representation of the relationship between the dependent and independent variables.

**Figure 2.2: Conceptual Framework**



**(Source: Researcher, 2013)**

This study supposes that HR systems in POOs are often defined in terms of policies (e.g., staffing, job design, Leadership, management, planning, staff participation and involvement and so forth) and “system” refers to the particular array or combination of HR practices in an organization. These HR systems in turn directly influence what might be termed intermediate employment effectiveness outcomes such as ability, motivation, attitudes, and staff performance. These intermediate employment outcomes, in turn, are expected to influence business performance outcomes in the POOs. However, how HR systems impacts on intermediate employment effective outcome is affected by factors termed as intervening variable such political climate.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the research design, target population, location of study, sample size and sampling procedure, research instruments, method of data collection and analysis.

#### **3.2 Research Design**

The research design used in this study was descriptive survey. Kombrabail (2005) defines descriptive research as a characteristic process which focuses on answering questions such as who, what, when, where and how of the subject under investigation, and usually describes the present situation or providers of a process.

#### **3.3 Location of the Study**

The study was conducted in Westlands in Nairobi County in forty (46) out of the five hundred and thirty two registered project-oriented organizations (Registrar of companies Report, 2010).

Westlands is about 3km to the northwest of the central business district and is favourite with Nairobi's large Indian/Asian community. Westland's southern edge borders the busy Waiyaki Way, a main route from the city centre to Kenya's Great Rift Valley. It lies between the Coordinates: 01°16'12"S 36°48'36"E, at an elevation of 5,600 ft (1,700 m) and covers averagely 72.40 km<sup>2</sup>. During the 1990s and early 2000s, as land and office space became scarce and exorbitantly priced in the central business district, more businesses relocated to Westlands and today it has a large share of business that operates in Nairobi (infotrackea, 2012). Westlands contains some of the highest income areas in Nairobi, as well as slum areas such as Kangemi. However, it is mainly known as Nairobi's dynamic social and entertainment hub for expatriates, middle class and wealthy Kenyans, with a wide range of shops, plazas, restaurants, bars and night clubs.

### **3.4 The Target Population**

The target population for this survey study comprised all the individuals and objects that the researcher used to reasonably generalize his findings (Mugenda, 2008). The target population consisted of five hundred and thirty two registered project-oriented organizations.

About 82.67 percent (439) of them have their headquarters in Nairobi where line managers and HRM are found. This study randomly selected 46 of those operating in Westlands Nairobi which is about 10.5 percent. One HR manager and two line managers from each organization formed the respondents for this study, thus giving a total of 138 respondents.

### **3.5 Sampling Method**

To make the sample representative, POOs were divided into three categories: large (over 500 employees), medium (100-500 employees) and small (less than 100 employees). A representative sample was randomly picked from each category according to the category's representation ratio to make a total of 46 POOs. In each organization, the head of HR was interviewed and two line managers who were selected randomly. Six of the organizations were used in a pilot study and were consequently not used for the main survey. Thus a total of 46 POOs were used for this study, at least 15 from each category.

### **3.6 Data Collection Instruments**

This study use both primary and secondary data collection tools. The primary data were obtained from the field in the respective POOs using questionnaires. These were developed in a manner that captured all the key components of the research and clearly aligned with the objectives of the study. The secondary data comprised of comprehensive literature review from the various sources including books, referred print and electronic journals, POOs' annual and strategic reports, and reviews from relevant industry-related newspapers and magazines.

### **3.7 Data Collection Procedure**

A letter of introduction (appendix II) was obtained from the Doctoral & MBA Coordination Office of Kenyatta University and taken to the National Council of Science

and Technology to apply for research permit. Then, the participating POOs were notified in writing for permission to conduct the research in their institutions. Appointments were booked with the heads of HR and line managers to explain the purpose of the study and request the respondents to fill in the questionnaires.

The researcher delivered the questionnaires in person to the respondents in order to increase the response rate. The respondents were allowed one week to fill the questionnaires and thereafter the researcher collected them for entry and analysis.

### 3.8 Validity

Validity is the extent to which the instrument used in research measures what it purports to measure (Nunnally and Bernstein, 1994). The researcher ensured accuracy and consistency of the instruments through a pilot study. Piloting of the questionnaires was done in 6 randomly selected POOs with two from each of the category. The results from the pilot study are indicated in Table 3.1. Construct validity was examined by evaluating the percent of the total variance explained per dimension obtained by applying confirmatory factor analysis (CFA) (Joreskog and Sorbom, 2004). The percent of total variance explained values reported in Table 3.1, are much higher than 50.0% indicating acceptable survey instrument construct validity (Hair et al., 1995).

**Table3. 1: Construct Internal Consistency and Validity**

<i>Variables/Constructs</i>	<i>Cronbach alpha</i>	<i>% Variance Explained</i>
<b>Staff Welfare</b>	0.913	90.47
<b>HR Planning</b>	0.853	68.15
<b>Leadership And Organizational Culture</b>	0.91	89.37
<b>Technical Expertise</b>	0.849	67.74
<b>Company Performance</b>	0.896	69.27
<b>Intervening Variables</b>	0.715	61.26
<b>Average</b>	<b>0.856</b>	<b>74.38</b>

(Source: Research data, 2013)

### 3.9 Reliability

Reliability refers to the consistency or stability of the scores obtained from tests and assessment procedures (Christensen & Johnson, 2000). Data obtained from the pilot

study was used to determine the reliability of the instrument. Cronbach's  $\alpha$  coefficient was used as an Index to test survey reliability by measuring how well a set of items (or variables) measures a single one-dimensional monotonic latent construct. Construct internal consistency was checked by computing Cronbach (1951) alphas. The figures in Table 3.1 indicate that the survey instrument was a reliable instrument for this study because all Cronbach alphas, except for the intervening constructs (0.715), are much higher than 0.85. Cronbach's alpha reliability coefficient normally ranges between 0 and 1 and it is used to determine the internal consistency or average correlation of items in a survey instrument to gauge its reliability. George and Mallery (2003) provide the following rules of thumb: "> 0.9 = Excellent, > 0.8 = Good, > 0.7 = Acceptable, > 0.6 = Questionable, > 0.5 = Poor, and <0.5 =Unacceptable"

### **3.10 Data Analysis**

Data analysis comprised of both the primary and secondary information. Once the questionnaires were received, they were cross-checked for accuracy. This was done by checking whether the responses are legible, all important questions have been answered, the responses are complete and whether all contextual information was included, which is a critical step emphasised in research (Kombo & Tromp, 2006).

The questionnaires were coded, entered into the computer, organized and analysed with a Statistical Package for Social Sciences (SPSS). Descriptive statistics such as percentages and means are used so as to convey the essential characteristics of the data for interpretation. At certain points cross-tabulation and one  $\chi^2$  is used to analyze for variance in responses between the genders, HRMs and line managers and to give better interpretation of data. Data is presented using tables and charts.

### **3.11 Variables of the Study**

Review of literature indicates that Job Classification System; Compensation and Benefits System; Recruitment, Hiring, Transfer, and Promotion; Orientation Program; Policy Manual; Discipline, Termination and Grievance Procedures; Relationships with Unions and Labor Law Compliance by the HRM department in a POO have an effect on the performance of the company and are therefore designed to help the organization to

achieve its corporate, business and operational objectives. These elements of the HRM function affects organizational performance in terms of the attainment of the set targets – long-term, medium-term and short-term. They also influence the level of achievement/performance; efficiency or productivity; and growth or profitability. The study, therefore, endeavoured to establish how these structural elements impact on the POO in view of the afore-mentioned practices and performance indicators.

However, in the process of strategy implementation, the independent variables are likely affected by among other factors technology, availability of adequate resources, level of management and employees training, and political-legal issues. These intervening variables had to be moderated so that they do not adversely affect the expected outcomes.

This study will examine whether there exists a relationship between human resource practices in POO and the performance of companies in Nairobi County, Kenya. The data will be collected primarily by a questionnaire developed from literature review (information on strategic HR effectiveness) and secondary data information sources (measures of performance). The respondents will be asked to indicate the extent to which their POO used the listed HRM practices: planning, recruitment and selection, training and development, participation and involvement, performance appraisal, and compensation and benefits. They will also be asked about the performance of the company and importance of technical expertise in the achievement of the company's set targets.

### **3.11.1 Dependent Variable**

In this study, two types of performance measurement were collected. The first type includes the opinion of the respondents concerning rate of the company's performance over the past two years compared to other companies in the industry. The second type was sales growth and profit growth. These variables were separately used to determine growth which was then compared for consistency.

### **3.11.2 Independent Variables**

The items of the questionnaire were developed on the basis of literature review and study of previous questionnaires. A five point Likert-type scale was used as the response format for the variables, which were assigned values ranging from 1 being "Strongly disagree" to 5 being "Strongly agreed". The titles of the items were not revealed to the respondents. The items of the questionnaire were grouped into six HRM factors (see also Table 3.2) namely:

Demographic data captured among other factors age, education and professional training; these are meant to give a brief background of the respondents.

Planning had eight statements intended to give an indication of the importance of HR planning in the company's performance. This evaluates how human resource planning has implemented practices that help companies predict changes in their strategy that affect their HR needs which in turn affects organizations performance.

Leadership and organizational culture were composed of two sections, namely recruitment and selection with three statements which measured selection process, and Training and Development which had five statements mainly to gauge the importance of employees' training, on organization performance.

Staff welfare solicited information on staff participation and involvement and had six statements intended to measure the employees' level participation in decision making and its effect on company performance. Also under staff welfare compensation and benefits was considered and it consisted of nine statements which were meant to give an indication of the effects of the compensation procedure on the company's performance

The last section had three statements on the importance of technical expertise in the achievement of the company's set targets. This was meant measure employees' technical expertise and whether they are receiving continuous training so that they can learn new things needed to ensure quality improvement of the products and services of the company.

**Table 3. 2: Operationalization of Variables**

<b>VARIABLE</b>	<b>INDICATORS</b>	<b>MEASUREMENTS</b>
Demographic information	Age, Academic, Profession	Number in years, Highest academic and professional certificates
Planning	Existence of strategic Plans, Goals and Objectives	Implementation of plans and objectives
Leadership and management	Leadership styles, training, Orientation of new workers	Worker attitude to existing forms of leadership,
Staff Welfare	Workers participation in decision making, Compensation, Performance appraisal.	How often workers are involved in decision making, Performance appraisal records
Technical Expertise	Workers skills	Performance, effectiveness and efficiency of work done
Performance	Service delivery, Sales & profit growth (financial performance)	Sales in volumes, net profit trends, efficiency in delivery of services

## **CHAPTER FOUR**

### **RESULTS PRESENTATIONS AND DISCUSSIONS**

#### **4.0 Introduction**

The survey results are presented in six main sections namely: Demographic information of respondents, the effects of type of management on performance, the effects of staff welfare issues on performance, the effects of HRM planning on performance, the effect of technical expertise on performance in POO operating in Nairobi County, Kenya. The findings are discussed in the context of the study objectives. Recommendations to deal with future challenges facing the industry and areas for further research are also given.

#### **4.1 Demographic Information**

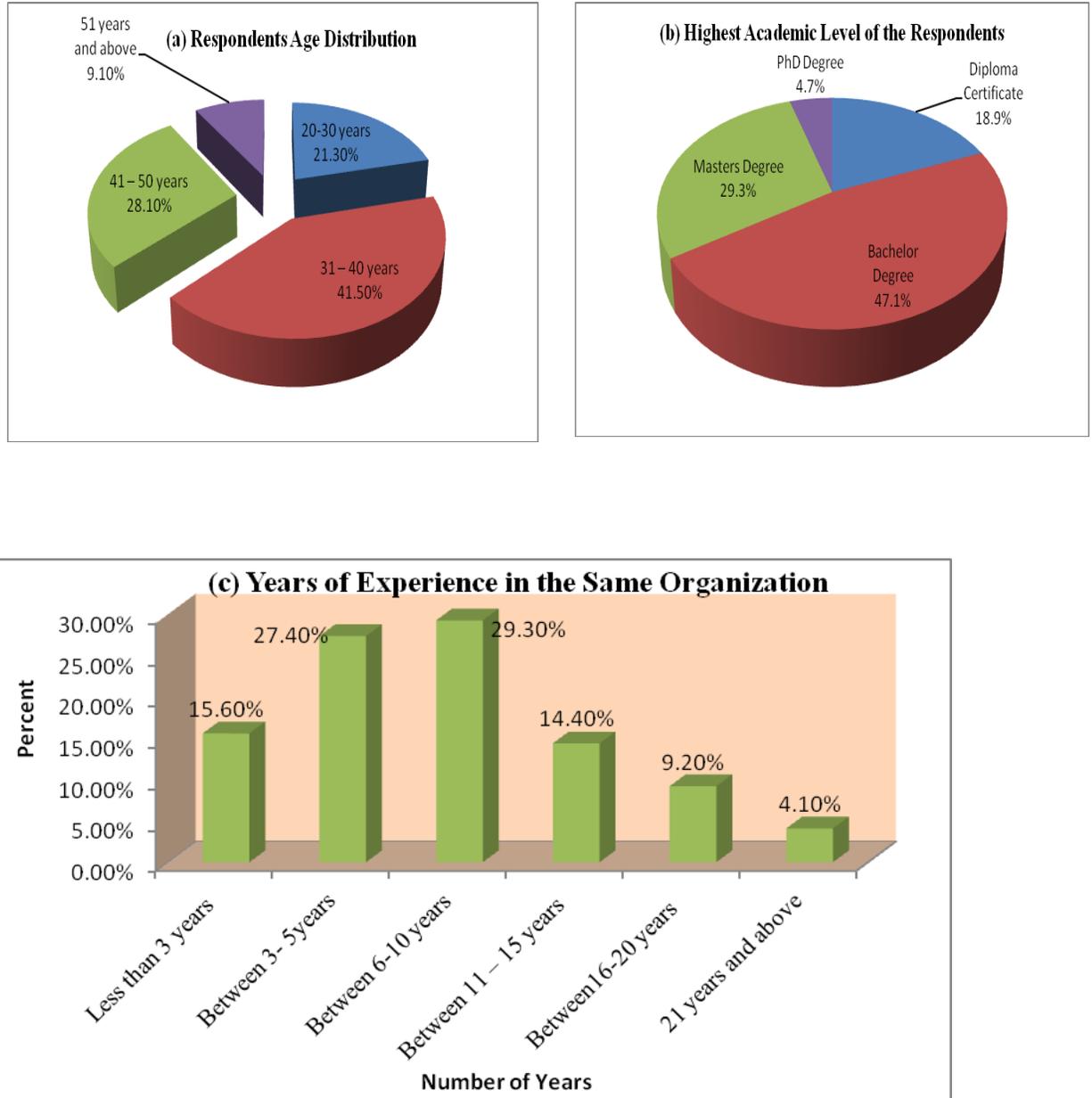
A total of 138 questionnaires were distributed to HRMs and line managers in all the 46 POO selected (see Appendix II). Of these 97 questionnaires were successfully completed and returned by respondents, thus giving questionnaire response rate of 70.28%.

Figure 4.1(a, b and c) and table 4.1 shows the distribution of respondents by age, level of academic, length of service, gender, management level, salary and size of organization. Of the 97 respondents, 65 (67.01%) were males and 32 (32.99%) were females; hence the research sample met gender balance. Majority (62.8%) of the respondents were below forty years old. The distribution by education level shows that most respondents (471%) had a bachelor degree, closely followed by masters' degree holders (29.3%).

On years of service majority (56.7%) had worked for their organizations for a period ranging from 3- 10 years while 15.6% had worked for less than 3 years suggesting high recruitment rate occasioned by high staff turnover. Concerning the monthly salary, 38 respondents (39.2%) earned a salary of 70,001-100,000 closely followed by a salary of 100,001-150,000 (32%) and 150,001-200,000 (19.6%). Table 4.1 also shows that 70.1% of the respondents were line managers while HRMs were 29.9%. The majority (83.5%)

of the companies where the respondents were drawn from were small and medium size (less than 500 employees).

**Figure 4.1 (a, b & c): The Age, Academic level and Work Experience of the Respondents**



(Source: Survey data, 2013)

**Table 4.1: Factors of Gender, Management level, Salary and Size of the Organization**

Demographic Factor (N= 97)	Frequency	Percent
<b>Gender</b>		
Male	65	67.01
Female	32	32.99
<b>Management Level</b>		
Line Managers	68	70.1
HRM	27	29.9
<b>Salary in KSHs</b>		
Less than 50,000	0	0
50,000-70,000	8	8.2
70,001- 100,000	38	39.2
100,001- 150,000	31	32
150,001-200,000	19	19.6
Over 200,001	1	1
<b>Size of the Organization</b>		
Small (Less than 100 employees)	37	38.1
medium (100- 500 employees)	44	45.4
large (over 500 employees)	16	16.5

Source: (Survey data, 2013)

These Demographic Profiles provides valuable comparative attributes within the organization. On age and experience the data suggests that employee turn-over is moderate since majority (29.3%) had an experience of 6-10 years within the same organization and that majority of employees are in their most productive age ( majority 41.5% are 31-40 years old). On education, 34% have a masters degree and above indicating that the organizations may be encouraging skill upgrading.

#### **4.2 The influence of leadership Management on Project Performance**

The respondents were asked about their opinions, on a five-point likert scale, to indicate the extent to which they agreed or disagreed with statements concerning certain management issues in their organizations. The points ranged from 1 for strongly disagree to 5 for strongly agree. Responses to various statements were collapsed and a composite index (mean score) computed for each function (Table 4.2).

Table 4.2 shows that, almost all issues scored a mean of 3.47 and above indicating that the respondents “agree” that indicator factors of management style are well-establish in their different organizations. The average mean was  $4.367 \pm 1.107$ , thus indicating that

most respondents either “agreed” or “strongly agreed” to the management statements (Table 4.2) about their organizations. To determine whether gender, line and HRM had an effect on the responses, cross-tabulation was done and significance assessed using Pearson  $\chi^2$  (table4.2). The results indicate no significant difference between genders and between line and HRMs.

Table 4.7(a) shows the regression of the management indicator factors on the organizations’ performance. Results reveal a strong positive relationship ( $R= 0.745$  &  $R^2= 0.566$ ) between the overall management factors and the performance of the firm, and thus, confirming the different past research findings, for example, those by Huselid (1995 and Youndt et al. (1996) which indicated that a relationship exists between management approaches of the senior staff and organizational performance. Furthermore, Gardner et al. (2001) and Purcell and Hutchinson (2007) argue that it is the style of management that transforms indented HR practices to actual HR practices that eventually impacts on organizational performance. Additionally, Purcell et al. (2003) and Purcell et al. (2004) add that it is the culture of the organization and the management style in general (but especially of the immediate line managers and team leaders) that moderates the precise effects of the HRM practices.

**Table 4.2: Management Approaches**

<b>Management Issues (N= 97)</b>	<b>Mean</b>	<b>STD DEV</b>
1. Our organization learns from successes and failures on past projects	4.44	1.816
2. We encourage project teams and professionals to reflect on their own experiential learning	3.88	0.917
3. In our organization employees receive training in the beginning stage of the project	4.98	0.516
4. Our organization maintains an open door policy in dealing with the staff	3.47	1.927
5. Our organization has a good system of problem solving	4.46	0.892
6. In our organization employees are given time to adapt to the company's culture and to feel comfortable with the organization	4.97	0.574
Males	4.46	$\chi^2=0.37$
Females	4.28	
Average Mean/ STD DEV	4.37	1.107

**Source: (Survey data, 2013)**

#### **4.3 The Impacts of Staff Welfare Issues on Project Performance**

Concerning staff welfare issues, the respondents are of the opinion that most organization do not put employee issues on their priority list (Table 4.3). This study established that employees tended to be neutral about how the organizations have implemented welfare issues (average mean  $2.958 \pm 1.610$ ). The study revealed that most organizations have not implemented workers welfare issues and therefore, there appears to be a rift between the management and the junior staff. However, when responses were compared between line and HRMs, there was no significant difference ( $\chi^2 = 0.058$ ).

The study also reveals a weak relationship ( $R = 0.594$ ,  $R^2 = 0.352$  and Pearson's correlation ( $r = 0.482$ ) between the staff welfare issues and organization performance (Table 4.7(a)). The weak relationship may be explained by possibly the selection of indicator variables of staff welfare. This finding is contrary to other studies which indicate that management factors influences organization performance in relation to employee's ability, motivation and opportunity to participate in decisions affecting the running of the organization (Appelbaum et al., 2000; Wright and Gardner, 2003). It should be noted that benefits and promotion are dominant HRM practices purposively for compensation and incentives under the area of staff welfare. According to Lepak et al.

(2006), an emphasis on promotion from within a company does provide a sense of fairness and justice among the employees and they feel more secure, thus the employees works best under this scenario.

**Table 4.3: Staff Issues Implementation by Organizations**

<b>Staff Welfare Issues (N= 97)</b>	<b>Mean</b>	<b>STD DEV</b>
<b>1. Staff Welfare (Participation and involvement)</b>		
Employees in this job have a reasonable and fair complaint process	3.245	1.631
Professional staff are briefed about company's strategies	4.923	1.952
Employees are allowed to make many decisions in their job	2.364	2.013
Employees are often asked by their supervisor to participate in decisions	3.271	1.783
Superiors keep open communication with employees in their job.	2.141	1.211
<b>2. Staff Welfare ( Performance Appraisal)</b>		
The employees' capabilities are viewed as the main source of competitive advantage	3.213	1.342
Employee input and suggestion are highly encouraged	3.021	1.526
Employees input and suggestions are highly implemented	1.967	0.924
The company places a great deal of importance on merit when making promotion systems	4.137	1.982
The superior normally discusses the performance of his subordinates with them	3.423	2.004
<b>3. Staff Welfare (Compensation)</b>		
The company uses performance-based compensation to a large extent	1.788	1.211
Compensation practice is linked to firm's goals and objectives	2.374	1.783
Employees in this organization regularly (at least once a year) receive a formal evaluation of their performance	2.562	1.445
Job performance is very important in determining his earnings	1.677	1.004
Pay raises for employees in this organization are based on job performance (competencies, motivations and behaviors)	2.363	1.781
Qualified employees have the opportunity to be promoted to positions of greater pay and/or responsibility within the company	3.672	1.776
The company constantly reviews and updates the range of benefits to meet the needs of employees	4.151	1.998
Line Managers	3.172	$\chi^2$ =.058
HRMs	2.744	
Average Mean and STD DEV.	2.958	1.610

Source: (Survey data, 2013)

#### 4.4 The Influence of Technical Expertise on Project Performance

When respondents were asked, on a scale of 1-5, to rate the extent to which technical expertise influences the production variables (where 1= high extent; 2=moderate extent; 3=neutral; 4=low extent; 5=very low extent), very interesting results was obtained (Table 4.4). The Table reveals that employee’s technical expertise affects work performance, attainment of set targets and efficiency to a high extent while it affects effectiveness of productivity to moderate extent. According to this study technical expertise affects work efficiency more than all others on the list (mean of  $1.37 \pm 587$ ) closely followed by attainment of set targets (mean  $2.14 \pm 0.562$ ) while effectiveness comes last with a mean of  $2.64 \pm 0.862$ .

Table 4.7(a) shows a regression and correlation between technical expertise and project performance. The table reveals that there is a strong positive relationship ( $R= 0.84$ ,  $R^2= 0.706$  Pearson’s  $r= 0.817$ ) between the two. This indicates that employee skills have a strong positive effect on organizational performance. Lepak et al. (2006) argues that employees’ skill affects ability of the worker and these impacts on aspects listed in table 4.4 below. In recognition of the importance of technical expertise in the performance of organizations, Marchington and Grugulis (2000) argues that employees training process can make real difference in organizational performance, by producing highly trained and skilled people, in an uncertain economic environment.

**Table 4.4: Influence of Technical Expertise on Production**

Effects of skill on (N= 97)	Likert Scale (1= to a agree extent, 5= to a small extent)					Mean	STD DEV
	1	2	3	4	5		
<b>Performance</b>	43.4	34.6	22.0	0	0	2.31	0.516
<b>Attainment of set targets</b>	47.2	33.4	18.4	1.0	0	2.14	0.562
<b>Timely attainment of set targets (Efficiency)</b>	51.7	35.5	9.8	3.0	0	1.37	0.587
<b>Productivity (Effectiveness)</b>	37.3	42.1	16.8	2.8	1.0	2.64	0.862

Source: (Survey data, 2013)

#### 4.5 The Effects of HR Planning on Project Performance

Table 4.5 gives results of respondents on scale of 1-5 (Where 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree) which indicates their opinions on the different degrees of importance of the factors of planning. These responses were then collapsed and a composite index (mean score) computed for each planning factor to show the direction of their opinions. On average the results shows that respondents “agreed” (mean =4.107 ±1.131) to the selected six statements on planning (see Table 4.5). The study also established that organizational performance is closely related ( $R = 0.713$ ) to HR planning (Table 4.7(a)). This is again supported by, analysis using Pearson’s correlation which gives a fairly strong positive correlation ( $r= 0.653$ ) (see Table 4.7(a)). According to Werner and DeSimone (2006), human resource planning helps companies predict how changes in their strategy will affect their HR needs. Planning the workforce needs of any organization is very critical and important especially in the rapid changes in external market demands experienced in today’s world. Price (2004) in their study also found a positive relationship between HR planning and labor productivity. In his study Price (2004) established that a company can achieve a competitive advantage and reach its goals by adopting an efficient usage of its personnel in planning. All these literature lends credence to the findings of this study.

**Table 4.5: The Effects of Planning on Project Performance**

<b>Planning (N= 97)</b>	<b>Mean</b>	<b>STD DEV</b>
Human resource department is an integral part of the company’s strategic planning process	4.752	0.912
The formulation and implementation of human resource activities are in line with overall corporate strategy	4.174	1.251
The human resource department has an explicit statement of its mission and goals	3.271	1.302
The human resource management function is accorded an important role in the company	3.712	0.973
There exists a formal written HR plan based on the strategic needs of the firm	3.891	1.372
The HR head is involved in the strategic business planning process	4.839	0.977
<b>Average Mean &amp;STD DEV</b>	<b>4.107</b>	<b>1.131</b>

Source: (Survey data, 2013)

#### **4.6 Organizations Performance**

To measure organization performance respondents were asked to rate (on 1-5 likert scale, where 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree) their perception on various development indicators about their organization's performance over the past two years compared to others in their industry. The results are shown in table 4.6. On average the respondents "agreed" that they have realized positive growth in most of the sectors of their operations. The greatest amount of growth had been realized in; HR system has directly contributed to the growth of the organization ( $4.97 \pm 0.467$ ), productivity efficiency has improved tremendously ( $4.85 \pm 0.687$ ), sales has increased ( $4.83 \pm 1.252$ ), more timely in responding to situations and revision of error ( $4.79 \pm 0.576$ ), and there has been an increase in productivity ( $4.78 \pm 1.008$ ). The most important finding is that almost all respondents "strongly agreed" that HR system has directly contributed to the growth of the organization ( $4.97 \pm 0.467$ ). These findings are in line with those of Purcell and Kinnie (2007) who used workers perception to determine organizational performance then compared the findings with those obtained from sales growth within the same period. The two results compared very well thus indicating that people's perception can be used to determine organizational performance.

Cross tabulation was done to determine whether there was a significant difference between line and HRMs. The results (Table 4.6) indicate a significant difference ( $\chi^2 = 0.041$ ) between the two groups. On average, the line managers "agreed" that there has been a positive growth on indicator factors of performance in the past two years while HRMs "strongly agreed" to these factors. There was also a greater variation in responses as indicated by variance analysis. This study is unable to explain the difference in responses given by these two groups.

**Table 4.6: Organization Performance in the Last Two Years Comparative to Peers.**

Statement on Performance Scored on a 1-5 Likert Scale (Note that 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree) (N= 97)	Average item score on a Likert Scale	
	Mean	STD DEV
We have developed faster	3.34	1.525
We are more efficient	3.67	1.241
We are more innovative	3.24	1.321
We offer better customer satisfaction	4.61	0.927
We deliver better quality service/products	4.34	0.897
Productivity efficiency has improved tremendously	4.85	0.687
Quality of work /range of services has increased	4.57	0.927
There has been an increase in productivity	4.78	1.008
Sales has increased	4.82	1.252
Net profits has grown	3.93	1.311
HR system has directly contributed to the growth of the co.	4.97	0.467
The employee attitudes is more positive today than before	4.75	0.516
More timely in responding to situations and revision of error	4.79	0.576
Production safety is much more improved than 2 yrs ago	4.42	0.814
Line Managers	3.68± 1.021	$\chi^2 = 0.041$
HRMs	4.90± 0.351	
Average Mean/STD DEV	4.29	0.962

Source: (Survey data, 2013)

#### **4.7 Regression and Correlation Analysis of the Determinants of Growth**

Table 4.7(a) shows the regression of the HR practices on the performance of the organizations. Results reveal a positive relationship between the overall HR practices and the performance of the firm. Table 4.7 (b) shows positive inter-correlations among the variables representing the different HRM practices, namely; planning, staff welfare issues and technical expertise. The inter-correlation results suggest that the independent variables do work in unison to bring about performance. These findings are supported by different past researches done in this area. Purcell et al. (2003) argues that careful resourcing and staff development improve the necessary abilities and technical expertise of employees to do work, while adequate compensation- staff welfare acts as incentives to improve employees' attitudes to apply their technical expertise and abilities. They further argue that management that involves employees connects employees with decision-making so they stay with the organization. Therefore, HRM practices may be

interpreted as engaging employees in discretionary behavior that is translated to improved organizational performance. In investigating the HRM-performance relationship, scholars such as Gardner et al. (2001), and Purcell and Hutchinson (2007) argue that in the HRM-performance causal chain may exist a serial causation, from employee skills/technical expertise, to attitudes as a result of welfare issues such as compensation and then to behaviours that finally affect organizational performance.

In other words, this result supports Purcell and Kinnie (2007) who assumes that only when all HRM outcomes, such as skills/technical expertise, staff welfare issues, and effective HR planning, are achieved can we expect higher organizational performance. It also coincides with Price (2004) who argues that HRM practices influence organizational performance by creating a workforce that is skilled and has the right attitudes and behavior as a result of well implemented staff welfare issues.

**Table 4.7a: Regression and Correlation between HRM Practices and Performance**

	Statistics		Regression Analysis			Pearson's Correlation	
	Mean	STD DEV	R	R <sup>2</sup>	R <sup>2</sup> adjusted	Pearson's r	Sign. level 2 tailed
Management	4.367	1.107	0.745	0.566	0.561	0.681	0.038
Staff Welfare	2.958	1.61	0.594	0.352	0.357	0.482	0.049
Technical Expertise	2.115	0.632	0.84	0.706	0.704	0.817	0.018
HR Planning	4.107	1.131	0.713	0.514	0.509	0.653	0.042

Source: (Survey data, 2013)

**Table 4.7b: The Inter-correlation among the Independent Variables**

<b>Independent Variables</b>		<b>Management</b>	<b>HR Planning</b>	<b>Staff Welfare</b>	<b>Technical Expertise</b>
<b>Management</b>	Correlation	1.000	.839	.594	.746
	Significance (2-tailed)	.	.000	.000	.000
<b>HR Planning</b>	Correlation	.839	1.000	.745	.739
	Significance (2-tailed)	.000	.	.000	.000
<b>Staff Welfare</b>	Correlation	.594	.745	1.000	.784
	Significance (2-tailed)	.000	.000	.	.000
<b>Technical Expertise</b>	Correlation	.746	.739	.784	1.000
	Significance (2-tailed)	.000	.000	.000	.

Source: (Survey data, 2013)

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction

This chapter gives the summary of the study findings based on the survey study objectives which were “To determine the influence of management, assess impacts of staff welfare issues, determine the relationship between technical expertise, examine the effects of HR planning on project performance of organizations within Westlands, Nairobi County”. The summary of the research findings is followed by the conclusion then recommendations and suggestions for further research.

#### 5.1 Summary

This study realized a total of 97 respondents which gives a response rate of 70.28%. Of the 97 respondents, 65 (67.01%) were males and 32 (32.99%) were females. Majority (62.8%) of the respondents were below forty years old. Most respondents (47.1%) had a bachelor degree, 29.3% had masters’ degree holders, and 18.8% had a diploma certificate while 4.75 were PhD holders. On years of service majority (56.7%) had worked for their organizations for a period ranging from 3-10 years while 15.6% had worked for less than 3 years. Concerning the monthly salary, 38 respondents (39.2%) earned a salary of 70,001-100,000 followed by a salary of 100,001-150,000 (32%) and 150,001-200,000 (19.6%). The respondents consisted of 70.1% line managers and 29.9% HRMs. The majority (83.5%) of the companies where the respondents were drawn from were small and medium size (less than 500 employees).

The respondents were in agreement that their management strategy allows learning from successes and failures on past projects (mean  $4.44 \pm 1.816$ ), encourage project teams and professionals to reflect on their own experiential learning (Mean  $3.88 \pm 0.917$ ), their organization employees receive training in the beginning stage of the project (mean  $4.98 \pm 0.516$ ), their organization maintains an open door policy in dealing with the staff (mean

3.47  $\pm$ 1.927), their organization has a good system of problem solving (mean 4.46  $\pm$ 0.892), and that their organization employees are given time to adapt to the company's culture and to feel comfortable with the organization (mean 4.97  $\pm$ 0.574). Regression analysis between management and project performance gave a positive causal relationship ( $R= 0.745$ ). Also the Pearson's correlation ( $r$ ) is 0.681, thus indicating that management does influence the overall performance of the organization.

This study established that employees were either "neutral" or "disagreed" with how their organizations have implemented welfare issues (average mean 2.958  $\pm$  1.610). This view is better expressed by regression and correlation analysis. Regression results reveals a weak relationship ( $R= 0.594$ ,  $R^2 = 0.352$  and Pearson's correlation ( $r$ ) = 0.482) between the staff welfare issues and organization performance.

According to this study, technical expertise affects work efficiency more than all others (mean =1.37  $\pm$  587) closely followed by attainment of set targets (mean= 2.14  $\pm$ 0.562) while effectiveness comes last with a mean of 2.64  $\pm$ 0.862. This finding suggests that technical expertise has an influence on project performance and thus on organization performance. The regression and correlation analysis ( $R= 0.84$ ,  $R^2= 0.706$  and Pearson's  $r= 0.817$ ) also shows that there is an association between technical expertise and organization performance.

HR planning is a key factor in organizational performance as indicated by the study results. On average the results shows that respondents "agreed" (mean =4.107  $\pm$ 1.131) to the selected six statements on planning: human resource department is an integral part of the company's strategic planning process, the formulation and implementation of human resource activities are in line with overall corporate strategy, the human resource department has an explicit statement of its mission and goals, the human resource management function is accorded an important role in the company, there exists a formal written HR plan based on the strategic needs of the firm, the HR head is involved in the strategic business planning process. The study also established that organizational

performance is closely related ( $R = 0.713$ ) to HR planning. Also analysis using Pearson's correlation indicates a fairly strong positive relationship ( $r = 0.653$ ).

Concerning performance, respondents "agreed" that there has been positive growth in most of the sectors of their operations in past two years, however, the greatest amount of growth has been realized in; HR system has directly contributed to the growth of the organization ( $4.97 \pm 0.467$ ), productivity efficiency has improved tremendously ( $4.85 \pm 0.687$ ), sales has increased ( $4.83 \pm 1.252$ ), more timely in responding to situations and revision of error ( $4.79 \pm 0.576$ ), and there has been an increase in productivity ( $4.78 \pm 1.008$ ). The finding indicated that almost all respondents "strongly agreed" that HR system has directly contributed to the growth of the organization ( $4.97 \pm 0.467$ ). It was also established that a significant difference ( $\chi^2 = 0.041$ ) exists between the line and HRMs responses. On average, the line managers "agreed" that there has been a positive growth on indicator factors of growth in the past two years while HRMs "strongly agreed" to these factors. There was also a greater variation in responses as indicated by variance analysis (line managers STD DEV= 1.021 while HRMs STD DEV= 0.351).

In a nutshell, this result supports Guest (1997) who assumes that only when all HRM practices, such as technical expertise, staff welfare issues, and effective HR planning, are achieved can we expect higher organizational performance. Furthermore, this finding coincides with Delery and Doty (1996) who argue that HRM practices influence organizational performance by creating a workforce that is skilled and has the right attitudes and behaviour. It also partially supports Guest (2001) for satisfaction and commitment and Boselie et al. (2003) for satisfaction and motivation. The result of this study that HRM practices fully mediate the HRM-performance relationship is important because it informs the investors in the Kenyan context to handle the delicate issues carefully so as to realize higher organizational performance.

## **5.2 Conclusion**

From the results and discussion, it is well established that effective HRM practices will improve HRM outcomes. These results are very important because they indicate that HRM practices are influential in realizing the objectives of the HRM domains (Lepak et

al., 2006). Considering that the HRM input is crucial in the HRM-performance relationship (which is founded on the resource-based view) that may be influenced by business strategies and other contingencies like management style (contingency theory), this study employed the three broad HRM domains of technical expertise to perform (resourcing and development), motivation to perform (staff welfare-compensation and other incentives), and HRM planning to perform (job design and resource utilization) (Appelbaum et al., 2000; Lepak et al., 2006) to predict performance in POO. The results of the study revealed that HRM practices influence performance, however, are moderated by managerial style (degree of decentralization), and organizational culture. From the foregoing the study can concluded that HRM practices does have an impact on organizational performance.

However, from the design of this study, we cannot be able to certainly conclude whether the impact is direct or mediated through other HRM domains. Other researchers who who have done substantial amount of work in this area, for example, Gardner et al. (2001) and Purcell and Hutchinson (2007) argue that it is the style of management that transforms indented HR practices to actual HR practices. Additionally, Purcell et al. (2003) and Purcell et al. (2004) support that it is the culture of the organization and the management style in general (but especially of the immediate line managers and team leaders) that moderates the precise effects of the HRM policies.

The other issue that came out in this study is staff turnover demonstrated by a fairly high number of staff who has served the organization for barely 3 years in the management level. This may have impact on project implementation and success, thereby affect overall organizational performance. Many large, established companies employs fairly standard practices for the traditional processes, within guidelines set by the central HR department (Purcell and Hutchinson, 2007). Purcell et al. (2004) the above view by recommending that project manager be appointed from within the business unit most affected by the project. If the project is taking place within that business unit, all project team members are sourced from there as well. Problems arise if a project requires a

person from other business units because of a certain technical expertise which is key in project performance.

This can be loaded as a significant finding in the Kenyan context in conformity with previous studies done internationally like those by Pfeffer (1994, 1998); Huselid (1995) and Youndt et al. (1996). It follows that organizations should continue enhancing more the competence of its employees to attain better performance goals. Thus, it is important to ascertain that the HRM function plays its full role in attracting, retaining, motivating and developing the human resources according to personal and group requirements, which will help the company to use effectively its human capital to develop and sustain a competitive advantage, as people remain the unique inimitable resource in the organizations.

### **5.3 Recommendations**

It is true that, in the project-oriented organization, there are additional processes in HR management, as well as traditional processes which need to be applied differently. Furthermore, because the HR configuration of the organization changes with each new project, the HR practices in the project-oriented organization need to be much more invasive. Current practice is quite the opposite, with many project managers not paying much attention to it. Against this background, this study proposes that the role of the HR department needs to be different from the classically-managed organization. To deal with the different application of traditional HRM processes, the HR department needs to ensure that the rules and guidelines where necessary are sufficiently flexible to deal with the different requirements of the project-oriented parts of the business. They also need to develop policies, standards, rules, and guidelines to deal with the additional HRM processes required by those parts. Thus it is not so much the role of the HR department that is different as it is the way that it implements that role.

It should also be appreciated that without proper HR policies, standards, rules, and guidelines to deal with the additional roles, organizations may not realize their objectives. Therefore organizations must embrace the culture and practices that leads to good performance. They must learn from the past experiences and enhance the management

style that enhances the flexibility required to develop practices for organizational performance.

#### **5.4 Suggestions for Further Research**

The relationship between company business and HRM practices is dynamic and need to be reviewed constantly. However, from the empirical standpoint, the causality effect between HRM practices and performance is not clear since large companies with good performance usually adapt HR practices of long-term perspective. Thus, the crucial question to ask is “whether it is people who cause higher performance, or it is high-performing firms that afford good people management” which calls for deeper investigation to establish. And again, there is need to investigate how exactly HRM practices impact on performance in the Kenyan context, whether its effects is mediated through other employees’ factors.

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## APPENDIX I: QUESTIONNAIRE

Dear respondent,

I am a Postgraduate student at Kenyatta University undertaking a Masters degree in the department of Business Administration, School of Business. I am carrying out research on “Effects of Human Resource Factors on Project Performance: A case of Selected Organizations in Westlands, Nairobi County, Kenya”. In this regard your Organization has been identified as one of the POO in Westland, Nairobi County for the study. Your participation in filling this questionnaire will be sincerely appreciated. Again, i would like to confirm that the information on this questionnaire is subject to data privacy and will be treated with utmost confidentiality for the purpose of academic only.

### INSTRUCTIONS

*Answer all questions as indicated by either filling in the blank spaces or ticking (✓) the option that applies.*

### SECTION A: DEMOGRAPHIC DATA

1. What is your gender?                       Male               Female

2. What is your age bracket?

20-30 years       31 – 40 years       41 – 50 years       Above 50 years

3. What is your highest educational certificate?

Diploma                                       Bachelor Degree

Masters Degree                               PhD

Others (Specify).....

4. For how long have you worked in this organization?

Less than 3 years                               Between 3- 5years                               6-10 years

Between 11 – 15 years                       Between 16-20 years                       >20 years

5. What is your Educational specialization?

Management  HRM  Accounting  Sales & Marketing  Engineering

6. What is your current position in the organization?

Line Manager                       Human Resource Manager

7. What is your salary range?

Less than 50,000       50,001-70,000       70,001- 100,000  ]

100,001- 150,000       150,001-200,000       Over 200,001  ]

8. What is the number of employees in your organization?

Less than 100 employees       100-150 employees       151-200 employees  ]

201-300 employees            301-500 employees            501- 1000 employees  ]

Over 1001 employees  ]

#### **SECTION B: MEASUREMENT OF INDEPENDENT VARIABLES.**

1. On a scale of 1-5, rate the extent to which you think the following HRM factors do affect performance of Project Oriented Organizations?

Note: A scale of 1-5 indicates your opinion on the different degrees of importance of the factor, **Where is 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree.**

	<b>(Where 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree).</b>				
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1. Staff Welfare (Participation and involvement)</b>					
Employees in this job have a reasonable and fair complaint process					
Professional staff are briefed about company's strategies					
Employees are allowed to make many decisions in their job					
Employees are often asked by their supervisor to participate in decisions					
Superiors keep open communication with employees in their job.					
<b>2. Staff Welfare ( Performance Appraisal)</b>					
The employees' capabilities are viewed as the main source of competitive advantage					
Employee input and suggestion are highly encouraged					
Employees input and suggestions are highly implemented					
The company places a great deal of importance on merit when making promotion systems					
The superior normally discusses the performance of his subordinates with them					
<b>3. Staff Welfare (Compensation)</b>					
The company uses performance-based compensation to a large extent					
Compensation practice is linked to firm's goals and objectives					
Employees in this job regularly (at least once a year) receive a formal evaluation of their performance					
Job performance is very important in determining his earnings					
Pay raises for employees in this job are based on job performance (competencies, motivations and behaviors)					
Qualified employees have the opportunity to be promoted to positions of greater pay and/or responsibility within the company					
The company constantly reviews and updates the range of benefits to meet the needs of employees					
<b>4. Planning</b>					

Human resource department is an integral part of the company's strategic planning process					
The formulation and implementation of human resource activities are in line with overall corporate strategy					
The human resource department has an explicit statement of its mission and goals					
The human resource management function is accorded an important role in the company					
There exists a formal written HR plan based on the strategic needs of the firm					
The HR head is involved in the strategic business planning process					

## 5. Leadership and management

<b>A.</b> <b>Instructions:</b> Kindly indicate the extent to which the following are applicable to your organization on a scale of 1-5	Note that 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree				
	1	2	3	4	5
Our organization learns from successes and failures on past projects					
We encourage project teams and professionals to reflect on their own experiential learning					
In our organization employees receive training in the beginning stage of the project					
Our organization maintains an open door policy in dealing with the staff					
Our organization has a good system of problem solving					
In our organization employees are given time to adapt to the company's culture and to feel comfortable with the organization					

B. What kind of leadership do you prefer in your organization? [ ] Delegation [ ] Supporting [ ] Coaching [ ] Directing

### SECTION C: TECHNICAL EXPERTISE

1. On a scale of 1-5, rate the extent to which technical expertise influences the following outcomes: (where 1= high extent; 2=moderate extent; 3=neutral; 4=low extent; 5=very low extent).

		1	2	3	4	5
i	Performance					
Ii	Attainment of set targets					
Iii	Productivity (Effectiveness)					
Iv	Timely attainment of set targets (Efficiency)					

**SECTION D: COMPANY PERFORMANCE**

<b>Instructions:</b> Kindly indicate the extent to which the following are applicable to your organization on a scale of 1-5	Note that 1= strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree				
	1	2	3	4	5
We are more innovative	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We offer better customer satisfaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We deliver better quality service/products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Productivity efficiency has improved tremendously	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
There has been an increase in productivity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sales has increased	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Net profits has grown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
HR system has directly contributed to the growth of the co.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The employee attitudes is more positive today than before	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
More timely in responding to situations and revision of error	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Production safety is much more improved than 2 yrs ago	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*Thank you for your participation and cooperation.*

**APPENDIX II: A LETTER OF INTRODUCTION FOR RESEARCH**



**KENYATTA UNIVERSITY  
SCHOOL OF BUSINESS  
DOCTORAL & MBA COORDINATION OFFICE**

**P. O. Box 43844  
NAROBI  
KENYA  
Tel: 8710901 -19 Ext. 57500**

**16<sup>th</sup> April, 2013**

**TO WHOM IT MAY CONCERN:**

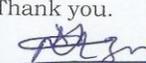
**RE: MUTULA MARTIN WAMBUA - D53/CE/14420/2009**

This is to confirm that the above named is a Master of Business Administration (**Project Management Option**) student in the **School of Business, Kenyatta University**.

He is through with course work and has successfully defended his MBA Project proposal (**Effects of Human Resource Factors on Project Performance: A Case of Selected Organizations in Westlands, Nairobi County, Kenya**). I confirm that he has done all the corrections that were pointed out by the examiners during the defense and he is now embarking on data collection.

Any assistance accorded him will be much appreciated by this office.

Thank you.

  
**DAVID NZUKI (PhD)  
DOCTORAL AND MBA PROGRAMME COORDINATOR**



DN/nt