CONTRIBUTIONS OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES TO FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN PUBLIC UNIVERSITIES IN NAIROBI

By

MUGA HELLEN N.
D53/CE/10796/06

A Research Project Submitted In Partial Fulfilment of the Requirement for the Award of a Degree of Master of Business Administration of School of Business, Kenyatta University

MAY 2012
DECLARATION

This research project is my original work and to the best of my knowledge it has not been presented for a degree or a diploma in any other university for academic fulfillment.

Signature............................................ Date 23/5/2012

HELLEN MUGA N.
D53/CE/10796/2006

SUPERVISORS

This is to certify that this project proposal has been submitted for consideration with our approval as the university supervisors.

Signature............................................ Date 23/5/2012

DR. GORETTY A. OFAFA
Lecturer, Department of Business Administration

Signature ............................................ Date 23/5/12

MR. PHILIP WAMBUA
Lecturer, Department of Business Administration

CHAIRMAN

This is to certify that this project proposal has been submitted for consideration with my approval as the chairman of the department.

Signature ............................................ Date 23/5/12

Mr. SHADRACK BETT
DEDICATION

To my dear daughter Debra Kanana who had to bear with my absence at her very tender age as I worked tirelessly on this project.
ACKNOWLEDGEMENTS

I would like to acknowledge the following, without whom, this work would not be successful. The Almighty God who makes all things beautiful in His own timing. To Him is all the glory. My supervisors, Dr Goretty Ofafa, and Mr. Philip Wambua who guided me till I knew what project writing is all about, my mother, Ruth Kanyamu, who prayed for me and made me believe that it is all possible with God, my precious daughter, Debra Kanana for her patience, my cousins, Mr & Mrs Silas Mwiti and their daughters who stood with me every step of the way. I also thank my colleagues, MBA class 2006, and especially Grace & Elizabeth for their invaluable support. I also thank my friends and workmates at Loreto Kiambu and Eastleigh High Schools.
ABSTRACT

The concept of strategic human resource management became popular in the 1980’s with the development of Harvard Business school two models integrating strategy and human resource management. These models identified mission strategy, organization strategy, and human resource management as core elements necessary for a firm to function effectively. In the models, human resource management comprises of planning, recruitment, selection, placement, appraisal, compensation, and employee relations. One of the measures of competitive effectiveness is good financial performance. The study focussed on Chuna and Kenversity saccos of the University of Nairobi and Kenyatta university respectively. Sacco societies are affected by the fast changes taking place in the general business environment such as competition, financial constraints, technological advancement, political, and legal requirements. The aim of this study was to relate the contributions of the above strategic human resource practices to the financial performance of sacco societies of public universities. Specifically, the study focused on strategic human resource planning, strategic recruitment and selection process, strategic training and recruitment programs, remuneration and employee relations. A survey research design was used in the study. Such a design is instrumental in determining the current status of the population with respect to certain variable which is strategic human resources practices. The study used both qualitative and quantitative approaches. Employees and committee members of the respective SACCO societies form the target population. There are forty five employees and twenty eight committee members. A sample size of thirty six respondents which is forty nine percent of the target population was used. Stratified sampling technique was used to determine the number of respondents from each stratum. The actual respondents were selected using simple random sampling method. Data was collected by use of questionnaires, analysed using SPSS (Statistical package of social sciences) and findings presented by use of descriptive statistics such as pie charts, tables, frequency distributions, and percentages. The research findings showed a lack of strategic human resource planning. However there is competitive and transparent recruitment and selection process, training programs are in the form of seminars and workshops, and time off to attend classes. Salaries are determined by employee qualifications, scale and the market. The sacco manager and selected executive committee members are responsible for employee grievances and disciplinary measures. The financial performance of the two sacco societies under the study showed improvement as measured by annual profits, dividend payout, deposits, and membership growth, The researcher concludes that the practice of strategic human resource management has contributed to the improvement in the financial performances of the two sacco societies over the period. It is recommended that further study to be done to determine the relationship, if any, between employee gender and the financial performances of these societies.
LIST OF ABBREVIATIONS USED

AGM – Annual General Meeting
D.C.O – District Co-op Officer
FOSA – Front Office Service Activity
GDP- Gross Domestic product
HRM- Human Resource Management
ICA – International Co-operative Alliance
KNFC – Kenya National Federation of Co-operatives
KUSCO – Kenya Union of Savings and Credit Co-operative
MCDM – Ministry of Co-operative Development
SACCOs – Savings and Credit Co-operative Societies
SHRM- Strategic Human Resource Management
WOCCU – World Council of Credit Unions
DEFINITION OF TERMS

**Innovation** - This refers to a form of change introduced into the existing system, with a view to making it better or improving it.

**Management** - It is the process of planning, organizing, coordinating, leading and controlling to attain set goals or objectives.

**Managerial Competencies** - Refers to those abilities, knowledge and skills possessed by SACCO societies managers through training, experience or otherwise that would enable them perform their roles effectively.

**Objectives** - Specific aims of a firm

**Performance** - Results achieved against specified objectives.

**Policy** - A statement of the manner in which work activities are to be pursued.

**Strategy** - Large-scale, future oriented plans for interacting with the competitive environment to achieve company objectives. It is the company's 'game plan'.

**Strategic Human Resource Management Practices** - Refers to the use of HRM functions to gain competitive advantage.

**Sustainability** - The maximization of economic efficiency in the use of developmental resources.

**Technology** – These are methods to get things done. This includes visible machinery, tools and equipment.

**Training** - Giving instruction and practice that impart to an employee and enable him / her acquire the relevant knowledge, skills and abilities to perform his / her roles effectively
**LIST OF TABLES**

Table 1.1 Sacco and Banks compared ........................................ 5
Table 2.2 Sacco Deposits, loans and Membership ......................... 10
Table 3.2 Target population composition .................................. 21
Table 3.3 Sample size ................................................................. 22
Table 3.4 Oeralization of research objectives ............................... 22
Table 4.3 Employees gender composition ................................... 24
Table 4.4 Employees age profile ................................................... 25
Table 4.5 Employees education level ......................................... 26
Table 4.8 Training needs assessment programs ............................. 27
Table 4.9 Employee compensation assessment ............................. 28
Table 4.10 Employee appraisal evaluation ................................... 29
LIST OF FIGURES

Figure 4.3 Gender distribution .........................................................23
Figure 4.6 Mission statement communication.................................26
Figure 4.7 Vacancy identification .....................................................27
Figure 4.8 Training needs analysis ...................................................27
Figure 4.9 Remuneration and performance ......................................28
TABLE OF CONTENTS

DECLARATION ................................................................................................. i
DEDICATION .................................................................................................. ii.
ACKNOWLEDGEMENT ................................................................................. iii
ABSTRACT ...................................................................................................... iv
LIST OF ABBREVIATIONS USED ............................................................... v
DEFINITIONS ................................................................................................. vi
LIST OF TABLES ........................................................................................... vii
LIST OF FIGURES ......................................................................................... viii

CHAPTER ONE: INTRODUCTION 1

1.1 Background of the study........................................................................ 1
1.2 Statement of the Problem...................................................................... 5
1.3 Objective of the Study.......................................................................... 6
1.4 Research Questions ............................................................................. 7
1.5 Significance of the Study ..................................................................... 7
1.6 Scope of the Study .............................................................................. 8
1.7 Limitations of the Study ..................................................................... 8

CHAPTER TWO: LITERATURE REVIEW 9

2.1 Introduction .......................................................................................... 9
2.2 Origin and Development of SACCOs ............................................... 9
2.3 Strategic Human Resources practices .............................................. 11
2.3.1 Human Resource Planning ........................................................... 12
2.3.2 Recruitment and Selection .............................................................. 14
2.3.3 Training and Development .............................................................. 15
2.3.4 Employee compensation ................................................................. 16
2.3.5 Employee Relations ......................................................................... 17
2.3.6 Performance Management ............................................................. 18
2.4 Critical Review ................................................................................... 19
2.5 Conceptual Framework ....................................................................... 20
CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction ................................................................. 21
3.1 Research Design ............................................................ 21
3.2 Target Population ......................................................... 21
3.3 Sample and Sampling Technique ...................................... 22
3.4 Data collection Instrument .............................................. 22
3.5 Data Collection Procedure ............................................. 23
3.6 Data Analysis Technique ............................................... 23

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Introduction ................................................................. 24
4.2 Respondents ................................................................. 24
4.3 Gender ................................................................. 24
4.4 Age ................................................................. 25
4.5 Level of Education ....................................................... 25
4.6 Strategic human resource planning ................................... 26
4.7 Recruitment and selection .............................................. 26
4.8 Training and Development ............................................ 27
4.9 Employee compensation ................................................. 28
4.10 Employee appraisal ..................................................... 29
4.11 Employee relations ..................................................... 29
4.12 Financial performance ................................................. 30

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction ................................................................. 31
5.2 Summary of findings ..................................................... 31
5.3 Conclusion ............................................................... 32
5.4 Recommendations ..................................................... 32
REFERENCES ................................................................. 34
APPENDICES ................................................................. 37
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

People management can be a key source of sustained competitive advantage. This is because people bring capability and commitment which distinguishes successful organizations from the rest. Thus human resource management is a matter of strategic importance in an organization and must be internally and externally integrated with the business strategy (Snell & Bohlander, 2007).

Strategic Human Resource Management (SHRM) refers to the pattern of planned human resource activities intended to enable an organization to achieve its goals (Wright & McMahan, 1992). Strategic Human Resource Management links human resources management with the organizational strategic planning (Snell & Bohlander, 2007). Its overall aim is to achieve organizational strategic goals. Thus, Strategic Human Resource Management is the linking of human resources with strategic goals and objectives in order to improve business performance and develop organisational culture that foster innovation, flexibility and competitive advantage. In an organisation, strategic human resource Management means accepting and involving the human resource function as a strategic partner in the formulation and implementation of the company’s strategies through human resource activities such as recruiting, selecting, training and rewarding personnel.

Dessler (2008) defines strategic human resource management as formulation and execution of human resource systems, that is, human resource policies and actions that produce the employee competencies and behaviours that the company needs in order to achieve its strategic aims. An organisation can have the latest in terms of technology and infrastructure but these on their own are worthless unless and until they are managed by a competent human workforce at all times of operation or production (Gathii, 2003). Michael Etal (2006) observes that employees are investments that will, if effectively managed and developed, provide long-term rewards to the organisation in the form of greater productivity. He asserts that policy programmes and practices must be created that satisfy both the economic and emotional needs of employees.
Strategic planning involves a set of procedures for making decisions about the organization’s long-term goals and strategies. Such plans have a strong external orientation that covers major portions of the organization. They specifically focus on how the organization will position itself relative to competitors in order to achieve long-term survival, value, and growth (Snell & Bohlander, 2007). According to Tyson (1997), Strategic Human Resource Management seeks to proactively provide a competitive advantage through the organization’s most important asset: its human resources. The inference is that should organizations and particular business enterprises, wish to become competitive and gain competitive advantage, then they ought to consider their human resources as a unique and an integrated part of their business strategy.

The concept of strategic human resource management became popular in the 1980s with the development of Harvard Business schools two models integrating strategy and human resource management namely the matching model and the Harvard framework model. The matching model was conceptualised by Formbrum et al (1984) who were known as the first formulators of SHRM and who identified three core elements as necessary for firms to function effectively. These are mission and strategy, organisation strategy, and human resource management. The Harvard model of human resource management comprise of four distinct factors: human resource flows, a reward system, employee influence, and work systems (Analoui, 2007). Human resource flows consist of the recruitment of an employee into the organization, selection, placement, appraisal, and promotion. Human resource flows also deals with termination of an employee out of the organization. These flows make up the employee’s experience in the organization from their recruitment to their termination, and are therefore important in the overall human resource function of an organization.

A strong reward system consists of pay and benefits that are designed to attract, motivate and retain employees. Employee continuity which is an important prerequisite of soft human resource management largely depends on the presence of a good reward system. Employee influence entails their participation and involvement in decision-making such as employee representative in managerial processes. In this way, employees have a voice and
influence, a matter that encourages a positive work environment. Work systems are another human resource management policy found in Harvard model. It involves defining and designing jobs. Defining job requirements in advance gives the job a foundation that can be used to recruit contributing employees.

Harvard model of human resources goes further to state that good human resources management practices will ultimately lead to competence, congruence, commitment, and cost effectiveness (Analoui, 2007). Competence involves the overall ability of the employee to act as a productive member of the organization and do the job that they were hired to do effectively and efficiently. Job definition, an activity undertaken in work systems, does set guidelines as to what the organization is seeking from the potential employee. The potential employee is expected to possess those skills that defines the specific competencies that the job will involve. Beer et al (1984) argues that a rapidly changing environment creates an imperative need for a more comprehensive and strategic perspective regarding human resources. Increasingly strategic human resource management is becoming even more popular. Today human resources are seen as “the available talents and energies of people who are available to an organisation as potential contributors to the creating and realisation of the organisations mission, vision, strategy and goals” (Jackson & Schuler, 2000).

Armstrong and Baron (2002) regard the concept of strategic human resources as “a general approach to the strategic management of human resources in accordance with the intentions of the organisation on the future direction it wants to take. It is concerned with long-term people issues as part of the strategic management processes of the business. Strategic human resource management has the following two main perspectives namely, human resource management as an integral part of an organizational strategy, which is chiefly about ensuring that the organisation has the skilled committed and well motivated workforce it needs to achieve its business objectives and human resource management as a strategy in itself which means developing staff in order to face the challenges of a rapidly changing world (Armstrong, 2000).
The rationale for strategic human resource management is the perceived advantage of having an agreed and understood basis for developing approaches to people management in the long-run. Longnick-Hill (1990) contends that underlying this rationale in a business is the concept of achieving competitive advantage through human resource management strategy. Competitive advantage is the essence of human management strategy. It encompasses those capabilities, resources, relationships and decisions which permit and capitalise on opportunities in the market place and to avoid threats to its desired position. Unique talents among employees include superior performance, productivity, flexibility, innovation and the ability to deliver high levels of personal customer services. These are ways in which people provide critical ingredient in developing an organisation competitive position. The importance of human resource management can not be undervalued in today's intensely competitive global market place. This is because there is a very small margin for error from becoming a market leader to becoming a market joke. Prudent management of human resources is the difference between employing a qualified workforce and hiring inept workers.

In many organisations both big and small, human resources are viewed as a source of competitive advantage. This is because a carefully implemented human resource policy can obtain a high quality workforce that lets an organisation compete on the basis of market responsiveness, product and service quality and technological innovation. Strategic Human Resource Management's focus is on human resource programs that have long-term objectives and not on internal human resource issues. It is also about assessing the company's internal strengths and weaknesses as this affects the future performance of an Organisation.

The significance of SACCO movement in the Kenyan economy can not be underestimated. SACCOs serve more than 17% of the Kenyan population and have grown at the rate of 20% per annum between the years 2002 – 2007 (KUSSCO, 2008). The sector continues to be one of the mainstays of the financial markets as it contributes significantly to the country's growth and development by mobilizing savings from where members borrow to undertake economic activities. As at 31st of March 2007, there were 5,000 registered
SACCO societies in Kenya. By the beginning of the year 2008, SACCO’s had a following deposits, outstanding loans, and members in comparison to commercial banks:

**Table 1.1 Comparisons of Banks and Sacco**

<table>
<thead>
<tr>
<th>Details</th>
<th>Banks</th>
<th>Saccos</th>
<th>Percentage/ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>682 billion</td>
<td>210 billion</td>
<td>31%</td>
</tr>
<tr>
<td>Outstanding loans</td>
<td>400 billion</td>
<td>150 billion</td>
<td>38%</td>
</tr>
<tr>
<td>Members</td>
<td>2,000,000</td>
<td>7,000,000</td>
<td>1.35</td>
</tr>
</tbody>
</table>

Source: Kussco, 2008

From the above table, it is apparent that SACCOs play a significant role in the Kenyan economic system. They hold a size about 31% of all deposits held by all banks combined, and 38% the size of loans given by banks. The SACCO movement is more than three times the banking sector in terms of membership (depositors).

The aim of this study was to relate the contributions of strategic human resource management practices used by the SACCO societies of public universities in Nairobi to their overall financial performance as measured by annual profits, dividend payout, and capital and membership growth.

### 1.2 Statement of the Problem

The greater the degree of competition faced by a firm, the greater the tendency to engage in strategic human resource management as a result of a skilled, motivated and adoptable work-force (Barney 1995). A firm that uses strategic human resource management has advantages of adopting to change quickly, can meet customer demands and achieves financial performance (Guest 1989). According to Grobler et al (2006) employees are investments that will if effectively managed and developed provide long-term rewards to the organization in the form of greater productivity.

The SACCOS have led to considerable improvement in the members' economic well-being and bringing people together hence tightening members’ social ties. However like many other organizations, SACCOS are affected by the fast changes taking place in the general business environment such as competition, financial constraints, technological advancement, political and legal, environmental and new regulations by the Ministry of
Marketing and Cooperative Development (KNFC, 2000). Commercial banks are now reaching out to customer hither to a preserve of SACCOs in the form of unsecured loans and minimum account balances. The government through the Ministry of Marketing and Cooperatives development has placed new demands on regulation of SACCOs in the form of additional capital and management. These new demands of increased competition and government regulations require SACCOs to operate more efficiently to survive in the market (Mudibo, 2006). This calls for the adoption and practice of good strategic practices. It is in view of the above that the study sought to determine the extent of adoption of strategic HR practices in SACCOS and how it contributes to their financial performance. The study endeavoured to answer the question: How do strategic human resource management practices contributes to financial performance of sacco societies?

1.3 Objectives of the study

1.3.1 General objective

The main objective of this study was to relate the SHRM practices used by SACCOs of Public Universities in Nairobi to their financial performance.

1.3.2 Specific Objectives

The specific objectives of the study were:

1. To establish the use of strategic human resource planning to enhance financial performance of public universities in Nairobi.

2. To establish the process of strategic recruitment and selection in identifying suitable employees that enhances financial performance of public universities in Nairobi.

3. To determine strategic training and development programs used by the SACCOs to enhance employee skills and managerial capabilities that enhances financial performance of public universities in Nairobi.

4. To gauge remuneration package of the SACCO societies as a way of enhancing financial performance of public universities in Nairobi.

5. To establish level of cooperation between management and employees in discharging their duties.
1.4 Research Questions
The following research questions guided the study:

1. What are the human resource plans in place geared towards financial performance in your SACCO society?
2. How do you undertake recruitment and selection of new employees in your SACCO society?
3. What training and development programs are used to enhance employee performance?
4. How do you relate employee remuneration to the overall financial performance of the SACCO?
5. How is the relationship between management and employees compare with the financial performance of the SACCO?

1.5 Significance of the Study
The information generated from this study will help committee members and management in SACCOs to plan and implement SHRM Practices that will result in competitive advantages and creation of wealth to their members. SACCO members will benefit from increased efficiency in service delivery in addition to increased income in form of dividends and interest. To members, improvement in efficiency is demonstrated in quick disbursements of loans, and high dividends and interest payout ratios.

Employees of these SACCOs will encounter career growth and development. Further, employee involvement and participation is expected to boost employee morale. Since employees will be recruited based on competence and skills, the result is high performance leading to better terms of service. Better performance of SACCOs is also bound to lead to increase in tax payment to the government.

The study will also add to existing knowledge which researchers and scholars may use as reference and source for secondary data for future research. The researcher will also enhance her skills in the field of Human Resource Management. This information will be crucial to the government in formulating policies regarding SACCOs.
1.6 Scope of the Study
The study was to establish the SHRM practices and their corresponding relationship to performance in SACCO societies of public universities in Nairobi. There are two public universities whose SACCOs are located in Nairobi. These are Chuna and Kenversity SACCO societies of the University of Nairobi and Kenyatta University respectively. As at 31st December 2010, Chuna had a membership of 3,110 while Kenversity had 2,256. These SACCOs have been on several occasions awarded the best managed SACCOs in Nairobi (KNFC, 2000). It is for this reason that the researcher believe that this study will give a true reflection of the extent of strategic human resource practices in Saccos in Nairobi and indeed nationally.

1.7 Limitations of the Study
The major anticipated constraints of this study are

i) Lack of co-operation from the respondents due to suspicion as the topic under study touches on a sensitive issue of Human Resource Management. To overcome this limitation, the researcher will endeavour to offer explanations to the respondents as to the importance of undertaking this study. The researcher will also use observation and secondary data as additional tools of collecting and collaborating data.

ii) Financial constraints – the researcher will undertake most of the research activities so as to minimize on the number of research assistance. Adoption of cost effective means of data collection will be used. Such methods include use of public transport and compilation of the report by the researcher.

iii) Time constraint since the researcher is full time employee. To overcome this constrain, the research intend to take unpaid leave during the time of data collection, analysis and report writing.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter deals with a review of literature relevant to the study. It will therefore present a review of works done by scholars on the area of SACCOS and on the Strategic Human Resource practices.

2.2 Origin and Development of SACCOS in Kenya
Savings and credit Co-operatives are financial institutions that offer savings and credit services to members. Their purpose is to improve members’ economic and social wellbeing through asset accumulation and income generation. They offer a range of financial services most significantly focusing against members share capital (David & Murungi, 2004).

Co-operation is an old concept with potential for a very bright future that can only be realised if the people with an interest in co-operatives put efforts to make them survive. According to Co-operative Societies Act Cap 490 (1966) a co-operative is an association of people who has voluntarily joined together to achieve a common goal through the formation of a democratically controlled organisation, making equitable contributions to capital required and accepting a fair share of risks and benefits of the undertaking in which the members actively participate. Co-operative movements are known to have existed in countries like England, Canada and USA. In England they are known to have existed since 1944 at Rochale. They later spread to Canada 1901 and USA 1908 (Ouma, 1990)

In Kenyan traditional Co-operatives existed in almost all Kenyan communities under different names. In Kimeru it was called “Ndimaniro”, group work in which members of the group assisted each other in turn in cultivation of land and construction. In Kikuyu it was “Ngwatio”, Luo “Saga”, Kisii “Risaga”, Kalenjin “Kokiveti”, while Luhya Bhulala”. Sometimes the work done by these groups was paid through material considerations like foodstuffs. The informal Co-operatives can be traced in different communities in every country of the world. Before colonisation, Africans knew that unity
was strength and that is why they cleared bushes together, lived together in homesteads defended themselves against enemies together and looked after cattle together. The old people knew that the young ones would look after them when they become too old to work among other things (Ouma, 1987).

Officially, cooperatives were introduced in Kenya in the 1930's and recognised and controlled by government from 1931 when the ordinance to regulate their operations was first passed. In 1945, the Cooperative ordinance Act was passed that is the predecessor of CAP 490 of the laws of Kenya, the current Cooperative Act. That Act was amended in 1997 removing much of the control of Government (Kodthek, 2004). The first cooperative however was registered in 1964 after the country attained independence in 1963. In the following year, several SACCOs based upon common bonds linked to residence, occupation, and churches were formed. However in 1969 the government required that SACCOs be strictly based on a secure crop or employment relationships. This was the introduction of check-off system for monthly payments from the employer, processors, and marketing agencies. This system ensured that a member’s income would have automatic deductions to boost shares and repay loans. This was an important factor in the development of SACCos in Kenya (Kibaara, 2006). The significance of the cooperative movement in Kenya is further reinforced by the fact that it supports forty five percent of the country’s economic activities (Ongwae, 2005). Sessional paper number ten (10) of 1965 recognized Co-operatives as one of the means of achieving economic development. Since independence the Co-operative movement has expanded rapidly. For instance, as at 31st March 2007, there were 5,000 registered SACCO societies in Kenya. By the beginning of 2008, SACCOs had the following deposits, outstanding loans, and membership:

<table>
<thead>
<tr>
<th>Details</th>
<th>Saccos</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>210 billion</td>
</tr>
<tr>
<td>Outstanding loans</td>
<td>150 billion</td>
</tr>
<tr>
<td>Members</td>
<td>7,000,000</td>
</tr>
</tbody>
</table>

Source: Kusco, 2008
As Co-operatives, SACCOS subscribe to a philosophy, same ideals and values that promote mutual self help, social justice, solidarity and social integration. They have become some of the most successful enterprises in the world today (KUSCCO 1996). They play a significant role in the financial sector controlling about 15% of the market and in most cases providing financial intermediation to market segments shunned by the conventional financial sector (KUSCCO 2000). The main objective of the SACCO is to avail credit to the low and middle income class of employees at favourable terms than those offered by commercial banks. Members take the role of collateral for each other unlike banks that may require property. Today SACCOS are an integral part of the finance system in Kenya. Their objectives are: to mobilise savings from members, give loans or credit, and provide income in the form of dividends and interest to their members (KUSCCO, 2008). As at 31st March, 2007 there were over 5,000 SACCOS and had mobilized more than Kshs. 152 billion and supporting about 10 million Kenyans either directly or indirectly. It has been stated that Kenya’s domestic savings rate should be doubled from the official estimate of 14.4% to 30% in order to generate 7% per annual growth rate in gross domestic product, GOP which can be achieved mainly through SACCOS (Ndubi 2006)

2.3 Strategic Human Resource Practices
According to Gary Dessler (2008), strategic human resource management is about formulating and executing Human resource systems – Human Resource Policies and activities that produce the employee competencies and behaviours the company needs to achieve its strategic aims. A firm that practices strategic human resource management is able to adapt to change quickly, can meet customer demands and achieves financial performance (Guest 1989). Huselid (1996) concurs' that strategic human resource management and other high performance work practices contribute to financial performance of an organization. Strategic human resource could also help organizations reduce their cost, promote operating efficiency, increase innovation, revolutionize ability and increase organizational performance benefit (Dyer, 1983). According to Grobler et al (2006) employees are investments that will if effectively managed and developed provide
long-term productivity. There are various components of strategic human resource practises and discussed below.

2.3.1 Human resource planning
Strategic human resource planning involves a set of procedures for making decisions about the organization’s long-term goals and strategies. Such plans have a strong external orientation that covers major portions of the organization (Snell & Bohlander, 2007). The aim of such strategies is to position the organization in a place of long term survival, value and growth. Strategic human resource planning ensures that an organisation has suitable access to talent to ensure future business success. Access to talent includes considering all potential access sources; employment, contracting out, partnerships, and changing business activities to modify the types of talent required. By talent is meant the skills, knowledge, predisposition and ability to undertake required activities including decision making. Strategic planning considers the business risks concerning insufficient, disrupted, and mis-deployed talent on the organisation’s business priorities (Dyer and Reeves 2005). SHRP is the process through which company goals are put forth in mission statements and company plans are translated into human resource objectives. It helps to ensure that the company is neither over nor understaffed, that employees with the appropriate talents, skills and desire are available to carry out their tasks in the right jobs at the right time.

When SHRP is linked with company overall planning process, it will facilitate the organisation’s ability to successfully pursue strategic objectives and initiatives that yield competitive advantages. Thus, human resource programs and policies are to function in a manner that achieves both immediate and long-term corporate goals. The profitability of the company improves through better utilisation of employees. It also leads to better understanding of the human resource implications on company strategies (Pieter et al 2006).

According to Gomet et al (2007) strategic human resource planning is the process of formulating human resource strategies and establishing programs or tactics to implement them. This he says will encourage proactive rather than reactive behaviour in the organisation and explicit communication of company goals as well as identification of
gaps between current situation and future vision. One of the more restrictive and potentially dangerous assumptions is that strategic planning is only about talent in the form of employees. Hiring is a strategy for accessing talent and will often be the superior one. However, the use of employees to meet talent needs carries with it unique risks that can be mitigated using alternative access sourcing arrangements. Regardless of the access source used, insightful assessment of the strategy's attendant business risk is prudent (McDuffie 1995). The process for starting out strategic human resource planning is linked with the organization's strategy. This means identifying the critical talent needs, which if not met, can adversely affect the business success. Once the business risks are fully appreciated then attention turns to schedule and timing, assessing current internal capability and its relative position when it will be called upon in the future, and speculating on future sourcing options and identifying the preferred sourcing option. Implementation and execution then follow. Attention to periodically reviewing the "sanity" of the current plan is prudent (Dyer and Reeves, 2005).

Succession planning is a significant part of human resource planning. It considers two talent business risk event areas usually in executive roles. First is the sudden loss of an incumbent through sickness, resignation or any other cause. Second, to meet long-term anticipated turnover by having a "pool" or "designate" ready willing and able to fill the vacated role. Succession planning holds a static view of the world and looks at the future needs. Unfortunately, necessary roles evolve and change over time, hence the pool or designate can become deficient in one critical talent area or the other. Another issue is when the designate approach is taken. This can establish morale and performance issues that unnecessarily feed the organizations politics. It is quite common that when a role is vacated, the organization wants to test the broader market place for talent and often shows a preference for external hires. If this happens frequently, it can lead to disruptive effects within the organisation. On balance, succession planning can be very effective as a "contingent" plan when a vacancy appears. This provides the organisation time to think through its longer term needs (McDuffie, 1995).
Recruitment and selection

Recruitment is the process of attracting individuals on a timely basis, in sufficient numbers and with appropriate qualifications and encouraging them to apply for jobs with an organisation (Mondy & Robert, 1996). Recruitment sources can be internal or external such as colleges, universities and other organisations. The principle purpose of recruitment is to attract sufficient and suitable potential employees to apply (Cole, 2002). Selection is the process of choosing from a group of applicants those individuals best suited for a particular position (Mondy & Robert, 1996). Cole (2002) defines selection as simply the identification of the most suitable potential employees to apply for vacancies in the organisation. According to Mondy & Robert (1996) selection process often begins with an initial screening of applicant to eliminate those who obviously do not meet the position’s requirements. This is then followed by having the prospective employee complete an application for employment selection tests are often used to help assess an applicant’s qualifications and potential for success. If organisations are able to fund and employ staff that consistently fulfil their roles and are capable, the organisation is immeasurably better placed to deal with the opportunities and threats arising from their operating environment than competitors who are always struggling to build and maintain their work force.

Johnson and Scholes (2002) concurs that “the starting point of successful strategies is acquiring, retaining and developing resources of at least threshold standards and it applies to people as a resource”. Nzuve (1997) emphasises that recruitment is not employing or employment; it is a search for qualified people to apply for existing job position or newly created ones. He further identifies the process of recruitment as critical “the process cannot be started until the organisation decides what type of employees are required and how many”. Reputable recruitment agent can be used to source for suitable persons to fill the vacancies of importance is also “poaching” of known employees whose performance record is known. Pieter Grobler et al (2006) defines recruitment as the process of acquiring applicants who are available and qualified to fill positions in the organisations while selection is the process of choosing from a group of applicants the individual best suited for a particular position. He asserts that it is mandatory for an organisation to recruit and select applicants to fill positions regardless of its size, product or service.
SACCOS have a pool of qualified people in the labour market from which they would get a large number of applicants. A strategic manager should not be enticed by unemployment to source for cheap labour because such people may not necessarily produce results. Instead a thorough job analysis should be carried out from which job description and personal specification of the persons required identified. The purpose of job analysis is that “each employee in an organisation has a specific job to perform and has a separate position or title and therefore each position must be differentiated by a comprehensive job study.

2.3.3 Training and development

Training is the process of teaching new and present employees skills they need to perform their jobs (Stoner, 1994, Dessler 1997). It is formal and systematic modification of behaviour through learning which occurs as a result of education, instruction development and planned experience (Armstrong 2002). The fundamental aim of training is to help the organisation achieve its purpose by adding value to its key resource, the people it employs. According to Mondy & Robert (1996) training is designed to permit learners to acquire knowledge and skills needed for their present jobs. Employees need to be helped to do their present job and effectively in order to adapt to rapid environmental changes, improve the quality of products and services and increase productivity so as to remain competitive. Slocum and Woodman (1989) differentiated the concept of training and development. Training is short term in nature and is designed to permit the learner to acquire knowledge and skills needed for the current job while development is training of long-term nature which is aimed at developing current and future employees for future jobs within the organisation.

Mondy & Robert (1996) defines training as learning that looks beyond today and today’s job: it has a more long-term focus. It prepares employees to keep pace with the organisation as it changes and grows. Developing human resources has become crucial with the rapid advances in technology as jobs are growing increasingly complex and impersonal necessitating the need for improved human relations with the firm. Luis Gomez et al (2007) defines training as the process of providing employees with specific skills or helping them correct deficiencies in their performance which focuses on current job, individual employee; is immediate and fixes current skill deficit. Development on the other
hand is an effort to provide employees with the abilities the organisation will need in the future which focuses on current and future jobs, work group or organisation, is long-term and prepares for future work demand.

A major purpose of training and development is to eliminate performance deficiencies whether current or anticipated. Training to improve performance is particularly important to organisation with stagnant or declining rates of productivity. Another purpose of training and development, especially relevant to organisations that are rapidly incorporating new technologies, is to make the current workforce more flexible and adaptable. Wright and Noel (1996) affirms that ‘if an organisation can increase its own adaptability it can enhance its chances of survival and adaptability. Development programmes are important for several reasons. These include: source of management talent, helps organisations retain and develop productive employees, provide challenging assignments, prescribes new responsibilities and helps employees grow by developing their abilities organisations show commitment to the employees by providing continuous development opportunities to better themselves and in turn the employee will reciprocate by being committed to the organisation. In this way the organisation is not merely providing jobs but also helping employees to upgrade their skills and build a career in the organisation (Tan 1997).

According to Oakland (1998) it is no longer enough to be efficient. To be successful today and in future, organisations have to be fast and responsive and it requires responding to customers needs for quality variety customisation, convenience and timelines. Meeting these new standards requires a workforce that is more than just technically trained. It requires people who are capable of analysing and solving job related problems working productively in teams and “switching gears” and shifting from job to job as well.

2.3.4 Compensation and rewards

Employee compensation refers to all forms of pay or rewards going to employees and arising from their employment. There are two components of it: direct financial payments in the form of wages, salaries, commissions, bonuses, and other monetary incentives; and indirect payments such as paid for insurance, pension, and vacation (Gary Dessler, 2000).
Employees desire compensation systems that they perceive as being fair and commensurate with their skills and expectations (Snell & Bohlander, 2007). Thus, employee compensation is a major strategic human resource management as it provides employees with a tangible reward for their services as well as a source of recognition and livelihood. Indeed, the way compensation is structured and allocated, communicates a message on what management believes is important and the type of activities it encourages. A strategic compensation program in an organization is a vital as a means of motivating employees, and encourages commitment, productivity and efficiency. Business organizations such as SACCOs have to design their compensation systems in search for competitive advantage. According to Bergmann & Scarpello (2002), gaining competitive advantage through people arises from compensation of employees in ways that enhance motivation and growth, while at the same time aligning the their efforts with the objectives, philosophies, and culture of the organization. In this way, compensation plans and actions are linked to the organization’s mission and corporate business objectives.

Reward management is about how people are rewarded in accordance with their value to an organisation. It consists of an organisation integrated policies, processes and practices for rewarding employees in accordance with their contribution, skill and competence and their market worth. Armstrong (2002) asserts that the aim of reward management is to support the attainment of the organisations strategic and short term objectives by helping to ensure it has skills, competence, committed and well motivated workforce it needs. The financial rewards could be fixed or variable pay and employees benefits which together comprise total remuneration. The system also incorporates non-financial rewards such as recognition, praise achievement, responsibility and personal growth.

2.3.5 Employee Relations

Employee relations consist of all those areas of human resource management that involve relationships with employees directly and or through collective agreements where trade unions are recognized. “Employee relations refer to interrelationships, both formal and informal between managers and whom they manage” Cole (2002). It embraces; contractual obligations, communication policy and practice, joint decision making and problem
solving, collective bargaining, individual grievance and disciplinary policy and practice, employee development and employee welfare. Employee relations processes consist of the approaches and methods adopted by employers to deal with employees collectively or individually. These are based on organisations articulated or implied employee relation policies and strategies recognizing the uniqueness of each organisation. Armstrong (2002) emphasizes that “there is of course no such a thing as a model employee relations policy. Every organisation develops its own policies”. If possible the management of SACCOS should strive to make their employees develop a sense of ownership. Appropriate employee relationship strategy is about trust between the employer and the employee which can be built on a mutually agreed framework and communication.

2.3.6 Performance Management

Pieter Grobler et al (2006) regard performance management as an ongoing process of evaluating and managing both the behaviour and outcomes in the workplace. According to Mondy & Robert (1996), performance management is a system that provides a periodic review and evaluation of an individual’s or group’s job performance with the purpose of improving the organisations effectiveness. Armstrong (2002) view performance management as the “tool” that can aid in the achievement of a fit between the individual and the organisation. According to him, performance is simply the records of outcomes. It can be regarded as behaviour – the way in which organisation’s teams and individuals get work done. Performance management is about getting better results from the organisations teams and individuals by understanding and managing performance within an agreed framework or planned goals, standards and competence requirement. Performance requires that employees be capable, have clearly defined job roles, know what is expected of them, have tools to do the job, have the knowledge and skills to perform, receive regular feedback on performance and understand and receive rewards for good performance. Thus, for SACCOS to receive maximum effort from their employees, they need to attract, retain, equip and train, motivate, reward, and appraisal in a manner that is fair and competitive. According to Cole (2002), employers seeking staff that are rare or want to achieve fairness in pay in relation to effort, responsibility and other factors find that monetary incentives are needed to encourage employees to put extra effort. Other factors that can strengthen
reward management systems in SACCOs include benefits such as flexible working hours, contribution to a pension fund, medical cover, day-care services for young mothers, creating succession posts, and paid study leave.

2.4 Critical Review of Major Issues
According to Kithuci (2006) the statistical information from MCDM as at the end of 2006 indicated that the SACCO movement business performance was voluminous and lucrative by having mobilised more than Ksh. 152 billion thus attracting the attention of business associates and competitors. The main competitor is commercial banks while others include micro-finance institutions (MFI), Financial Service Associations (FSA) and Pyramids Financial Schemes (PFS) which were directed to cease their operations for being illegal by CBK early 2007.

KUSCCO (2007) indicated that competition is a daily phenomenon in a financial service industry environment. Thus determining the most effective way of competing and managing competition is the real challenge. There is need to find, build and retain strategies that brings competitive advantages to the organization. SACCOs as business entities exist to achieve a purpose and hence must ensure that they have resources required to do so most effectively and efficiently. Adopting strategic human resource management practices help in aligning human resource function with the overall strategic goals and objectives. Organizational culture, people and processes rather than capital or technology can form a base of sustained competitive advantage of a firm (Miner 1991).

According to Storey (1992) firms can gain competitive advantage in many ways and one way that is often overlooked is through human resources management practices. Competing using human resources is the most potent weapon as it is difficult for competitor to duplicate. He recommends that firms in highly competitive environment use strategic human resource practices as a means of gaining competitive advantage. A resource leads to sustainable competitive advantage when it is rare, valuable, un-imitable and non-substitutable. Human resources have these qualities as opposed to technology, land, money, and economies of scale.
2.5 Conceptual Framework

It is imperative to explore the role of strategic human resource management in realizing effective performance. The independent variables considered in the study were: Human Resource planning, Recruitment and Selection, Training and Development, and Employee Compensation Systems. Effective and efficient performance of SACCOs is critical to their long-term survival and profitability in the present day competitive business environment.

**Strategic Human Resource Practices**

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Intervening variables</th>
<th>Dependent variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Resources Planning</td>
<td>Political influence</td>
<td>Financial Performance of SACCOs</td>
</tr>
<tr>
<td>Recruitment and Selection</td>
<td>Technological changes</td>
<td>- Profits</td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td>Economic factors</td>
<td>- Dividends</td>
</tr>
<tr>
<td>Employee Compensation</td>
<td></td>
<td>- Capital</td>
</tr>
<tr>
<td>Employee Relations</td>
<td></td>
<td>- Deposits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Membership Growth</td>
</tr>
</tbody>
</table>

Performance of the individual SACCOs was measured using the following indicators: annual profits, dividend payout, and capital and deposits growth. Annual profits were measured using reported net profits, dividends by dividend payout ratio while capital and deposits growth was measured by their corresponding annual percentage change.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
This chapter explains the methods and procedures the researcher adopted in carrying out the study. It clearly defines the research design, target population, sampling procedures, data collection instruments, and data analysis.

3.1 Research Design
A survey design study was used as employees and managers of various SACCO societies were the sources of information. A survey design is important in the collection of data from members of the population so as to determine the current status of that population with respect to a certain variable, in this case, strategic human resource practices. It is also used to gain understanding of the perceptions, attitudes and behaviours of the respondents while analysing and interpretation of data. Both qualitative and quantitative approaches were used in this study. Qualitative information was used to give explanations to various questions posed in the study while quantitative techniques were used to measure and make scientific meaning to the data and hence unbiased conclusion. (Mugenda & Mugenda, 1999).

3.2 Target population
The study population is composed of employees and committee members of Chuna and Kenversity SACCO societies. These SACCOs are affiliated to the University of Nairobi and Kenyatta University respectively. The data on committee members and employees these societies are as below:

<table>
<thead>
<tr>
<th>SACCO</th>
<th>Employees</th>
<th>Management Committee</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chuna</td>
<td>28</td>
<td>16</td>
<td>44</td>
</tr>
<tr>
<td>Kenversity</td>
<td>17</td>
<td>12</td>
<td>29</td>
</tr>
<tr>
<td>Total</td>
<td>45</td>
<td>28</td>
<td>73</td>
</tr>
</tbody>
</table>

Source: Published accounts, 2010.
3.3 Sample and Sampling Technique.
A sample size of thirty six respondents representing 49% of the population was used. Such a sample size is considered large and ideal for further statistical analysis and inferences (Mugenda & Mugenda, 1999). To achieve fair representation from the two SACCOs, and the distinct groups: employees and committee members, stratified sampling technique was used so that the weights of the respective groups are reflected. Similarly within a stratum the respective weights of the particular sacco were used to determine the number of respondents. Thus employees comprised 61.65% of the sample while 38.35% were management committee members. The composition of the sample was as follows:

Table 3.3: Sample size

<table>
<thead>
<tr>
<th>SACCO</th>
<th>Employees</th>
<th>Management Committee</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chuna</td>
<td>14</td>
<td>8</td>
<td>22</td>
</tr>
<tr>
<td>Kenversity</td>
<td>8</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>14</td>
<td>36</td>
</tr>
</tbody>
</table>

The actual respondents were identified using simple random sampling technique.

3.4 Data collection Instrument
Data was collected using a structured questionnaire. The questionnaire was based on both open and close-ended questions. This method is considered appropriate as it gives the respondents enough time and personal confidentiality while completing them.

Table 3.4: Operationalization of research objectives

<table>
<thead>
<tr>
<th>Research Objective</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Strategic human resource planning</td>
<td>A1 – 16, B1 –11</td>
</tr>
<tr>
<td>2 Strategic recruitment and selection</td>
<td>A17 -24, B12 -15</td>
</tr>
<tr>
<td>3 Strategic training and development</td>
<td>A25 -32, B16 -19</td>
</tr>
<tr>
<td>4 Employee compensation</td>
<td>A33 -38, B20 -22</td>
</tr>
<tr>
<td>5 Employee relations</td>
<td>A39 -47, B23 -32</td>
</tr>
</tbody>
</table>
3.5 Data Collection Procedure
The researcher personally dropped and collected completed questionnaires from the respondents. To enhance cooperation and convenience of the respondents, the researcher met the management beforehand to explain the purpose of the study, and on the dates of delivery and collection of the responses.

3.6 Data analysis techniques
Completed questionnaires were reviewed, edited for completeness, coded, labelled and keyed into the computer for statistical analysis using statistical package for social sciences (SPSS). Findings are presented in form of percentages, and frequency distribution tables.
CHAPTER FOUR
DATA ANALYSIS, PRESENTATION AND DISCUSSIONS

4.1 Introduction
This chapter gives the findings of the research. These findings will form the basis of the conclusion and any recommendations made.

4.2 Respondents
A total of thirteen (13) members of the executive and supervisory committees of both Chuna and Kenversity Saccos were interviewed. This represents fifty percent of the population. Sixty percent (60%) have served for more than five years. Similarly, twenty two (22) employees from both Chuna and Kenversity Saccos representing forty nine percent (49%) of the population responded to the questionnaire. This is sixty four percent (64%) of the sample size.

4.3 Gender
Out of the thirteen committee members interviewed, only one is female. On the other hand, there are more female employees than are male as shown below:

Table 4.3: Employees' gender composition

<table>
<thead>
<tr>
<th>Gender</th>
<th>Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>8</td>
<td>36</td>
</tr>
<tr>
<td>Female</td>
<td>14</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>
4.4 Age Profile

All the committee members interviewed showed an age bracket above forty. The employees' age brackets are spread as indicated below:

<table>
<thead>
<tr>
<th>Employees’ age profile</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Age Bracket</td>
<td>Employees</td>
<td>Percentage</td>
</tr>
<tr>
<td>20-30</td>
<td>5</td>
<td>22.7</td>
</tr>
<tr>
<td>31-40</td>
<td>10</td>
<td>45.5</td>
</tr>
<tr>
<td>Above 40</td>
<td>7</td>
<td>31.8</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>

Sixty eight percent (68%) of the employees are below the age forty. On the other hand, seventy seven percent (77%) are above age thirty. Thus, there need to formulate and implement human resource strategies that appeals to virtually all ages.

4.5 Level of education

On education, twenty percent (20%) of the committee members have attained certificate level, forty percent (40%) diploma, and another forty percent (40%) degree level. As regarding employees, thirty two percent (32%) have degrees and sixty eight percent (68%) professional certificates.
Table 4.5: Employees’ education levels

<table>
<thead>
<tr>
<th>Level</th>
<th>Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Degree</td>
<td>7</td>
<td>32</td>
</tr>
<tr>
<td>Certificates</td>
<td>15</td>
<td>68</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>

4.6 Strategic human resource planning

Both SACCOs have mission statements. These statements are communicated to their stakeholders through annual members meetings, brochures, hand bills, posters, letter heads and booklets. However ninety (90%) percent of the respondents could not recite the mission statement.

Figure 4.6

4.7 Recruitment and selection process to enhance financial performance

The respondents sighted several ways of identifying presence of a vacancy in the organizations. These included: employee exit, inability to cope with work, annual employee appraisal, and organizational structure. Once a vacancy is identified, it is advertised in the daily national newspapers to attract applicants. A sub-committee of the executive committee is charged with the responsibility of short-listing in line with the job description and specification and conduct the interview. The final decision however is made by the entire executive committee members.
4.8 Employee training and development programs

The management committee members indicated that there are plans for employee training. These plans are in the form of time-off to attend classes in colleges and universities, and participation in seminars and workshops relevant to the specific employee. As regards undertaking training needs assessment, seventy seven percent of the executive members responded in the affirmative as shown below:

**Table 4.8: Training needs assessment Programs**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>10</td>
<td>77</td>
</tr>
<tr>
<td>No</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


The employee to be trained is normally identified through self initiative, training needs analysis and service providers’ prompting. The efficiency of employee training is determined through individual employee performance, acquisition of new skills, reduction in customer complaints, and performance of different tasks.

4.9 Employee compensation

Both the committee members and the employees concurred that employee salaries are determined by combination of predetermined scales, employee qualifications and negotiations during the interview. The committee members that represent employer felt that the remuneration offered by the sacco is competitive. Comparing remuneration and performance, only nine percent (9.1%) of the employees felt the remuneration package is good. A whooping fifty four point five percent (54.5%) of employees felt it is low.

Table 4.9: Assessment of remuneration by employees

<table>
<thead>
<tr>
<th>Rate</th>
<th>Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Good</td>
<td>2</td>
<td>9.1</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>8</td>
<td>36.4</td>
</tr>
<tr>
<td>Low</td>
<td>12</td>
<td>54.5</td>
</tr>
<tr>
<td>Total</td>
<td>22</td>
<td>100</td>
</tr>
</tbody>
</table>
4.10 Employee appraisal

The method of employee performance appraisal was ranked as excellent, good and satisfactory by the respondents. None of the respondents ranked it as poor or average.

Table 4.10: Employee appraisal evaluation

<table>
<thead>
<tr>
<th>Rank</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>10</td>
<td>45.4</td>
</tr>
<tr>
<td>Good</td>
<td>4</td>
<td>18.2</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>8</td>
<td>36.4</td>
</tr>
<tr>
<td>Average</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Poor</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.11 Employee relations

Employee grievances are channelled to the executive manager through the sacco manager. There is a sub committee that is charged with the responsibility of solving employee grievances and any disciplinary matters. In both Saccos, employees are not members of a trade union.
4.12 Financial performance

Membership in Kenversity sacco rose from 2,088 in the year 2009 to 2,256 in the year 2010. This represents an 8% growth rate. Similarly, Chuna Sacco membership rose from 2,752 to 3,110. This is a growth rate of 13%. Members’ deposits also grew by 14.5% and 15% respectively in the same period. In both Saccos, income rose by more than 13%.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter gives a summary and conclusion of the findings in light of the overall objective of the study. Recommendations and suggested areas of further research are also given.

5.2 Summary of findings
The management committees of both Chuna and Kenversity saccos are male dominated by ninety nine percent (99%), eighty percent (80%) of them have reached a maximum of diploma level of education, sixty percent (60%) are serving the second term, and all of them are above forty years. This shows an educated, experienced and mature team of managers. On the other hand sixty four percent (64%) of employees are female, sixty eight percent (68%) are aged below forty, and all of them have either a degree or professional certificate in the relevant field.

5.2.1 Strategic human resource planning
There is evidence of human resource planning activities. This is because there is a mission statement, strategic plan, organizational structure, job descriptions, leave roster and human resource policy in place. These documents were last reviewed in the past one year. There is no human resource unit or specific manager in-charge of human resource function. This responsibility is shared by the manager and the executive committee.

5.2.2 Strategic recruitment and selection
Employee recruitment and selection is done in an open and competitive manner. Vacancies are advertised in the print media, applicants received and short-listed, and interviews conducted. However the exercise is done in-house by members of the management executive committee. Identification of a vacancy is largely done through inability to cope with work load and exit of employees.

5.2.3 Strategic training and development
There is no clear policy on employee training and development programs. The decision to undertake training is largely an initiative of the employee. Similarly there is no clear method in evaluating the effectiveness of the training received by the employee.
5.2.4 Employee compensation
Nine point one percent (9.1%) of the employee respondents felt the salary is comparable with their performance. The salary scales are regularly reviewed and compared with other sacco societies. All the employees are satisfied with the process of performance appraisal.

5.2.5 Employee relations
There is good cooperation between the executive committee members, management and employees. Although there is no trade union representing employees, there is a mechanism in place for employee grievance resolution and disciplinary measures.

5.2.6 Financial performance
In the two Saccos understudy, Chuna and Kenversity, deposits, annual income, and surpluses increased by more than 10%.

5.3 Conclusion
Chuna and Kenversity Sacco societies through their managers and executive committees execute several strategic human resource management practices. They all have a mission statement, strategic plan, and job descriptions and specifications to guide employee placement. Employees are recruited and selected competitively based on skills and remuneration is negotiated based on qualifications and industrial rates. Although employees are not members of a trade union, there is a good relationship with the management that fosters team work. Thus the increase in profitability levels, capital base, membership, and dividend payout can be clearly attributed to good human resource management practices that have resulted in recruitment and selection of qualified and committed employees who are committed to the organizations missions.

5.4 Recommendations
The researcher recommends the following:

a) The need to carry out further research on the effect that gender could have on employee performance in sacco societies. Such findings can be useful in the recruitment process of these organizations.

b) A comprehensive policy formulation on employee training and development to be undertaken in light of the prevailing and forecasted human needs of the saccos. Such a policy will result in a pool of employees commensurate with the required skills and
competencies at all times. This policy will also guide in the selection of employees for training.

c) There is need to examine whether lack of employee participation in any trade union infringes on their rights or the labour law as enshrined in the constitution.
REFERENCES


Egerton University (2004), Tegemeo Institute of Agricultural policy and Development rural finance paper


Hardesty S.D (1992), Co-operative principles and regulation: Aiding or hampering Co-operative effort of value added marketing.


Kithuci B. (2008), Effect of credit policy on performance of Saccos in Kenya. unpublished work

Kothari (2004), Research Methodology, New Age international


Ndubi T. (2006), Strategic Responses of SACCOS to changing operating Environment published work, Nairobi University


The SACCO star (2006), The Sacco family Union Newspaper issue no. 59 October 2006 Nairobi-Kenya


36
LETTER TO RESPONDENTS

Hellen Muga
P.O Box 42520-00100
Nairobi

Dear Sir/Madam,

Request To fill the questionnaire for research purpose

Am a Master of Business Administration student, School of Business, Kenyatta University undertaking a research on “Strategic Human Resource Management Practices on Performance of SACCOS of Public Universities in Nairobi’.

The purpose of this questionnaire is to obtain data for research purpose. This information will be treated with utmost confidentiality. Kindly provide answers to the questions honestly and precisely as possible.

Thank you.

Yours sincerely,

Hellen Muga
QUESTIONNAIRES

APPENDIX II

A) Questionnaire for Executive and Supervisory committees

Please tick where applicable or fill in the required information.

1. Gender : Male ☐ Female ☐

2. Age Bracket: 20 – 30 ☐ 31 – 40 ☐ Above 40 ☐

3. Level of Education: Degree ☐ Diplom ☐ Certificate ☐ Others ______________________

4. Position Held in SACCO. Management committee ☐ Supervisory committee ☐

5. How long have you been on the committee?
   Below 1 yrs ☐ 1-5 yrs ☐ 5-10 yrs ☐ Over 10 yrs ☐

6. What is the Mission of your organization?
   .................................................................................................................................

7. How do you communicate the above mission statement to other stakeholders?
   .................................................................................................................................

8. Do you have a strategic plan guiding management policies in your SACCO?
   Yes ☐ No ☐

9. Do you have a specific department/unit or person in charge of human resource activities?
   Yes ☐ No ☐

10. If yes, what designation is given to the person in charge?
11. Do you have a policy document guiding the human resource management activities?
   Yes ☐ No ☐

12. If yes, what is the name of this document?
    ...........................................................

13. When was this document last revised?
    ...........................................................

14. Do you have an organizational structure in place?
   Yes ☐ No ☐

15. Do you have a staff leave roster?
   Yes ☐ No ☐

16. If yes, when do you prepare it?
    ...........................................................

17. How do you identify existence of a vacancy in your organization?
    ...........................................................

18. How do you communicate existence of a vacancy to potential employees?
   Advertise in newspapers ☐
   Current employees ☐
   Employment bureau ☐
   Management committee members ☐
   Other (specify) ..............................................

19. Describe the process used in selecting a new employee
    ...........................................................

20. Who makes the final decision on the recruitment and selection process?
    ...........................................................

21. Do you have a determined employee establishment in your organization?
   Yes ☐ No ☐

22. If yes, state the size of the establishment.
    ...........................................................

23. Do you have job description and specification for each employee?
24. If yes, state how they are used by the management.
   a) .................................................................
   b) .................................................................
   c) .................................................................

25. Do you have any arrangements on employee training?
   Yes ☐ No ☐

26. If yes, state the nature of training offered.
   On the job training ☐
   College/university ☐
   Other (specify) .................................................................

27. Do you have a budget for employee training?
   Yes ☐ No ☐

28. Who is in charge of employee training?

29. Do you conduct employee training needs assessment?
   Yes ☐ No ☐

30. How do you identify the person to undergo training?

31. Do you have a method of evaluating effectiveness of the training offered to the employees?
   Yes ☐ No ☐

32. If yes, please describe the method.

33. How do you determine employee compensation scales?

34. Do you make comparisons between your remuneration packages with that offered by the industry?
   Yes ☐ No ☐

35. If yes, how is this comparison undertaken?

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

40
36. What is the procedure used in appraising employee performance?

37. How do you use the information obtained from employee appraisal activity?
   a) .................................................................
   b) .................................................................
   c) .................................................................

38. Do you provide appraisal feedback to the employee concerned?
   Yes ☐      No ☐

39. Respond to the following statements about your SACCO by putting a tick (✓) in the relevant box.

<table>
<thead>
<tr>
<th>No</th>
<th>Statement</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Employees are treated as important people in the SACCO</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Human resource department is treated as important as other departments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Employees are valued assets of the SACCO</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>When hiring, employees are provided with a realistic job preview</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Employees in the SACCO are allowed to make decisions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>The SACCO has a formal grievance and disciplinary procedure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Performance in the job is the most important determinant of earning</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>SACCO reviews benefits regularly</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>The SACCO has formal training program</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>The compensation is adequate and fair</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>SACCO offers opportunities to use and develop employee skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>The salaries offered are competitive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Scale:

5  It is a policy and practised
4  It is a policy but not practised fully
3  Practised without a policy to guide
2  Policy but not yet implemented
1  No policy and not practised
40. Please complete the following table:

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual profits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend payout</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital / Deposists</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

41. What are your major strengths ranked in order of importance?
   a) ...........................................................................................................
   b) ...........................................................................................................
   c) ...........................................................................................................

42. Have you ever received an award as a performing SACCO?
   Yes □   No □

43. If yes, state the nature of the award.
..............................................................................................................................

44. Are there specific challenges confronting the present and future performance of
   your SACCO?
   Yes □   No □

45. If yes, please enumerate.
   a) ...........................................................................................................
   b) ...........................................................................................................
   c) ...........................................................................................................

46. What steps or actions are you taking to overcome the above challenges?
   a) ...........................................................................................................
   b) ...........................................................................................................
   c) ...........................................................................................................

47. What can you attribute as the major factor driving your performance?
...........................................................................................................................
Appendix III

Questionnaire for Employees

Please tick where applicable or fill in the required information.

1. Gender: Male ☐ Female ☐

2. Age Bracket:
   - 20 – 30 ☐
   - 31 – 40 ☐
   - Above 40 ☐

3. Level of Education
   - Degree ☐
   - Diploma ☐
   - Certificate ☐
   - Others __________________________

4. How long have you worked for your SACCO?
   - Below 5 yrs ☐
   - 6-10 yrs ☐
   - 11-15 yrs ☐
   - 16-20 yrs ☐
   - Over 20 yrs ☐

5. Do you know the mission of your organization?
   - Yes ☐ No ☐

6. If yes, state the mission statement.
   ..............................................................................................................................

7. Do you have a job description and specification?
   - Yes ☐ No ☐

8. What is your level in the organizational structure?
   ..............................................................................................................................

9. How do you know when you will proceed on annual leave?
   ..............................................................................................................................

10. How is your annual leave timing decided?
    ...............................................................................................................................

11. Had you worked elsewhere before your current employer?
    - Yes ☐ No ☐

12. If yes, what made you to move to the current employer?
    ...............................................................................................................................

13. How did you learn of the existence of a vacancy with the current employer?
    ...............................................................................................................................

14. Did you participate in the determination of salary level or scale?
    - Yes ☐ No ☐

43
15. If yes, how do you compare it with your performance?

16. Have you undergone any training with the current employer?
   Yes ☐    No ☐

17. If yes, state the nature of the training received

18. What benefits, if any, do you attribute to the training received?
   a) ........................................
   b) ........................................
   c) ........................................

19. Who met the cost of your training?

20. Have you been appraised as an employee?
   Yes ☐    No ☐

21. How do you rate that appraisal
   Excellent ☐
   Fair ☐
   Punitive or unfair ☐

22. Were you given any feedback regarding your appraisal?
   Yes ☐    No ☐

23. Do you belong to any trade union?
   Yes ☐    No ☐

24. What are the benefits, if any, are attributed to your membership in the trade union?
   a) ........................................
   b) ........................................
   c) ........................................

25. What is the common method of communication to the management?

26. How do you normally receive feedback or communication from the management?

27. What is the procedure of resolving employee grievances and complaints in the organization?

44
28. How do you consider the following processes in your organization?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Excellent</th>
<th>Good</th>
<th>Satisfactory</th>
<th>Average</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee training</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation schemes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other benefits given to employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee participation in decision making</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disciplinary and grievance procedures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee appraisal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperation with other employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quality of supervision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

29. As an employee what are the factors that influence your performance?
   a) ............................................................................
   b) ............................................................................
   c) ............................................................................

30. What can the management do to enable you enhance or maintain your current performance?
   a) ............................................................................
   b) ............................................................................
   c) ............................................................................

31. How do you rank your employer
   Employer of choice    
   Good
   Average
   Poor

32. State the reason for your rank above
   a) ............................................................................
   b) ............................................................................
   c) ............................................................................

45
### Appendix IV

**BUDGET PLAN**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Typing proposal</td>
<td>6,000</td>
</tr>
<tr>
<td>2 Typing and photocopying questionnaires</td>
<td>10,000</td>
</tr>
<tr>
<td>3 Travelling expenses</td>
<td>10,000</td>
</tr>
<tr>
<td>4 Binding</td>
<td>10,000</td>
</tr>
<tr>
<td>5 Computer charges</td>
<td>8,000</td>
</tr>
<tr>
<td>6 Contingencies</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>49,000</strong></td>
</tr>
</tbody>
</table>

### Appendix V

**Work Plan**

<table>
<thead>
<tr>
<th>Activity</th>
<th>July – Oct' 11</th>
<th>Nov'11 – Jan’12</th>
<th>Feb – Mar’ 12</th>
<th>April – May’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal writing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrections</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data collections</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data analysis</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Report writing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
