

**STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES AND
PERFORMANCE OF PARASTATALS IN KENYA**

BY

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DECLARATION

This thesis is my original work and has not been presented for any award in any other University. No part of this thesis should be reproduced without authority of the author or/and Kenyatta University.

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DEDICATION

This thesis is dedicated to family, my wife Rose for her love and care, our children, who are so infinitely precious to me, Mark, Abigail and Lynette, thank you all for your prayers. Last but not least is to my parents Daniel and Margaret. Thank you for believing in me with your unwavering faith. You have made all the difference in my life. I will love you forever.

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OPERATIONAL DEFINITION OF TERMS

Compensation	Formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance to their value to the organization.
Contingency Scholars	Those of the view that HR policies must be consistent with other aspects of the organization.
Human Resource Capability	Routines embedded in the tacit and implicit knowledge of members of an organization functioning to acquire, develop, nurture, deploy, and redeploy human resources in a dynamic, competitive environment.
Human Resource Management	All management decisions and action that affect the nature of relationship between the organization and its employee.
Organizational Performance	Mission fulfillment, accuracy, timeliness and value of service and program delivery, the extent to which an organization adapts to changing conditions and its environment and financial viability.
Organizational Culture	The learned patterns of behavior, shared over a period of time and from one generation to another, and include values and assumptions shared by organizational members about what is right and what is good and important.

Performance Management

Strategic and integrated approach to delivery sustained success to organization by improving the performance of people who work in them and developing the capabilities of team and individuals contributors.

Parastatals

An entity howsoever incorporated that is solely or majority owned by the government or its agents for commercial purposes, strategic functions, regulation or state agency.

Public Sector

The government ministries, departments and public enterprises.

Recruitment

The process of finding and engaging the people to meet organization needs.

Strategic human resource management

A strategic approach to manage human resources of an organization.

Training

Is a systematic acquisition of skills rules, concepts or attitudes that result in improved performance in another environment.

Universalistic Scholars

Those of the view that some HR practices are better than others and all organization should adopt these best practices.

ABBREVIATIONS

GLM	General Linear Model
HR	Human Resource
HRM	Human Resource Management
IDRC	International Development Resource Centre
IOA	Institutional and Organizational Assessment
NPM	New Public Management
PMS	Performance Management System
OPA	Organization Performance Assessment
RBV	Resource Based View
SHRM	Strategic Human Resource Management
UNDP	United Nation Development Programme

ABSTRACT

Worldwide, the public sector plays a central role in any country's socio-economic development. The sector has however been affected by globalization, public sector reforms, regional and international partnerships, climate change, information, communication and technology and human resource development, among other factors. In an increasingly changing global environment, the mandate, structure and operations of public sector must be reshaped and productivity enhanced to make it more focused, efficient and responsive to the needs of those it serves. This research sought to examine the extent to which strategic human resource management practices influence performance of parastatals in Kenya. The specific objectives were to establish the relationship between strategic human resource management practices and organizational performance, examine the relationship between strategic human resource management practices and human resource capabilities, determine the relationship between human resource capabilities and organizational performance and to assess the extent to which public sector culture influence on the relationship between strategic human resource management and organizational performance. The philosophical foundation of the study was positivism. The study utilized both the descriptive research design and explanatory research design which was cross-sectional survey in nature. The study population comprised of all the 185 parastatals in Kenya as outlined in the report of the presidential taskforce on parastatal reforms of 2013. Self-administered questionnaires were used to collect primary data. Descriptive statistics were computed to describe the characteristics of the variables in the study while multiple regression analysis was used to establish the nature and magnitude of the relationships between the independent and dependent variables. The findings indicate that there is a significant positive relationship between training and parastatals' performance in Kenya, performance management has a significant positive relationship with performance of parastatals while compensation has a significant positive relationship with Parastatals performance in Kenya. Human resource capabilities partially mediate the relationship between strategic human resource management practices and parastatals' performance in Kenya, public sector culture was found to be an explanatory variable in explaining the relationship between organizational performance and strategic human resource management practices. However recruitment was found not to have significant relationship with organizational performance. The findings supported the theoretical foundation of the resource based view theory that competitive advantage comes from the internal resources that are possessed by an organization. The recommendations are; human resource managers should offer a variety of trainings to their staff, policy makers should create an adequate performance management framework that will effectively link performance of parastatals to national development goals and hence adequately link individual performance to institutional performance. Finally on compensation the study recommends that the boards of parastatals set specific levels of remuneration of executives and senior staff in consultations with the parent Ministry and the State corporations Advisory Committee.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic Human Resource Management (SHRM) is crucial in all organizations particularly public organizations, where it facilitates those who work in the public service in adapting to the changing role of the government. Comprehensive Human Resource (HR) strategies are necessary in exploiting new opportunities and ensuring that all public service functions are carried out accordingly to the highest professional standards. The need for skills and knowledge in the public service in areas of policy development, in the management of organizations, in public service delivery and in tackling economic crises of global magnitude than ever before. Public service leaders around the world are looking for new approaches to inspire integrity, accountability and motivation in public service in order to achieve coherence and coordination between government policies and various interests (Tompkins, 2003; Storey, 2010).

The concept of SHRM has been instrumental in management research and practice for the last three decades (Purcell, 2011). Continuing analysis within the field usually focuses on how Human Resource Management (HRM) can add strategic value and hence to organizational success. According to this approach, which has mainly been applied in the private sector, people are a key resource and a significant element in an organization's performance. The main rationale for strategic HRM thinking is that by integrating HRM with the organization's strategy and by utilizing particular sets of HR policies and practices,

workers will be managed more effectively, and consequently individual and organizational performance will improve (Fombrun, 2010).

At the international level the transformation of systems structures, and processes inside public services has been well acknowledged over the past 20 years. The key rationale of these changes has been to improve the cost-effectiveness, efficiency and performance of public organizations. Government owned entities have therefore been under immense pressure to follow private sector managerial practices, such as performance management, customer orientation, and a heightened strategic focus (Truss, 2008).

Truss (2008), asserts that improved HRM helps facilitate the acquisition, training and retention of esteemed employees, this serves to improve organizational cost-effectiveness, and serve to create a performance-driven culture via the adoption of a more strategic HR function. Truss further argues that, the confirmation as to whether or not there have been any substantive changes in the role of the HR function still remains both incomplete and open to doubt despite the acknowledged significance of HRM under New Public Management (NPM). This study, contributes to the imperative discussion over the actuality of change in the public sector, while also trying to find out whether the HR function in the public sector has become more strategic and hence affecting organizational performance.

According to a United Nations report on a study carried out in 14 countries; Australia, Brazil, Canada, Chile, China, Finland, Germany, Hungary, The Netherlands, New Zealand, Poland, Republic of Korea, UK, and US, there were four broad reform concerns that were publicly

stated by governments: to improve policy responsiveness and implementation by overcoming resistance from vested interest to the implementation of legitimate policies or reduction of some programs; to reduce public expenditure, maintaining the attractiveness of the investment climate and the competitiveness of national firms; to improve government as an employer by making it responsible to attracting sufficient numbers of appropriately skilled employees while restraining aggregate employment costs and to improve service delivery and build public and private sector confidence by enhancing the degree of respect and trust accorded to government by private sector and by the public (United Nations, 2011).

1.1.1 The Concept of Strategic Human Resource Management

According to Wright and McMahan (2002) strategic human resource management is the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals. As such, SHRM adopts a systems view to examine the effects of a bundle of HR practices which differentiates strategic HRM from more traditional functional views of HRM.

A major problem is identifying what differentiates strategic HRM from HRM (Hendry & Pettigrew, 1986; Karami & Analoui, 1999). One of the main differences between strategic human resource management and traditional conceptions of human resource management is the degree to which HRM is incorporated with the strategic decision making processes that have a tendency to direct organizational efforts to deal with the environment (Guest, 2009). Globalization, increased competition, and continuous change in technology and market are the main reasons for the change of human resource management. The emerging strategic

functions for human resource management have been defined based on the condition of competitive and worldwide market (Beer, 2007).

Traditional HR ideas emphasize mainly on manual skills; training that cover exact responsibilities; functional and sub-functional specialty; and concern for individual efficiency. The traditional approach did not put the prominence on people but rather on tasks at the cost of people and their improvement. However, SHRM ideas emphasize the sum input on the firm; artistic behavior and innovative; overall effectiveness and cross-functional integration (Analoui, 2008).

Pfeffer (1994) explains how varying market circumstances have rendered many of the traditional sources of competitive advantage, such as economies of scale, patents, market regulations and access to capital, less important than they have been in the latest past. Unlike conservative assets, strategic human resources as a rational or organizational capital are mostly unseen and, consequently, do not become visible on the organization's balance sheet (Tomer, 2007; Karami, 2009). They are seen in a well trained, motivated and flexible labor force, and in the HRM structure that develops and sustains it. Intellectual capital therefore nowadays represents a growing fraction of many organizations total assets, hence making the strategic role of the HRM system more significant. Ulrich and Lake (2009) suggest that such a HRM system is a source of organizational capabilities that allows firms to learn and take advantage of on fresh opportunities.

SHRM implies a managerial orientation that ensures that human resources are utilized in a way favorable to the achievement of organizational goals and mission. The notion of SHRM evolved in the 1990s with an amplified prominence on a proactive, integrative and value-driven approach to human resource management (Schuller, 2002). SHRM focuses on a number of issues such as the fit between human resource management practices and organizational strategic goals, the incorporation of human resource management in the organizational strategic management, the participation of human resource role in senior management teams, the devolvement of human resource practices to line managers and taking of strategic approach to employee compensation, selection, performance appraisal and the value that is added to the organizational performance by HRM (Schuller, 2002).

Various studies have examined SHRM as a means of enhancing organizational competitive advantage. Scholars and practitioners have extensively adopted this approach to organization strategy planning. The fundamental postulation of SHRM is that organizational performance is influenced by a set of HRM practices. This postulation has been supported by various empirical evidences (Arthur, 1994; Huselid, 1995; MacDuffie, 1995). Nevertheless an important question still remains on whether SHRM guarantees positive firm performance outcome.

Modern organizations have continuously become aware of the importance of SHRM. Hence the shift from the bureaucratic model of public services where administrative rules are determined by national government and implemented by public organizations with comparatively minimum scope for strategizing at a local level (Bach & Della Rocca, 2000).

Ideas of standardization, paternalism, collectivism, job security, the aspiration to be a model employer and developmental-humanism, are the principles supporting the administration of people (Lupton & Shaw, 2001).

Under the new ways of public management, the traditional HRM approach is seen as rather of a liability, undermining performance and demotivating employees (Bach & Della Rocca, 2000). According to Selden (2005) in a move mirrored by governments around the developed world, what were once supposed as best practice concepts of employee management, resulting from the private sector, were held up as standards to which the public sector should seek. Some of the central workings of this imported replica were: reducing the costs of employment; employing performance-based rewards system for staff; improving elasticity in order to react to customer demands; empowering organizations to take strategic decisions in the HRM field; increasing individualization of the employment relationship; and decentralization (Skalen, 2004). Significant to this was the idea that HR functions could shift from their traditional administrative roles and become more strategically involved in their organizations than had previously been the case (Sheffield, 2000).

In the past years, more investment has been made in research focusing on the relationship between SHRM practices and organizational performance. Research in this area has been accelerated recognition of the fact that accessing funds and equipment are becoming less efficient as they can be without difficulty copied by rival firms. Human resource on the other hand is seen to represent an asset that can be a source of competitive advantage because it is often difficult to duplicate by competing firms and hard to substitute even within the same

firm. SHRM can therefore, be used by organizations to acquire and develop this valuable capital. (Huselid, 1995; Huang, 1998; Dimba & K'Obonyo, 2009; Abdulkadir, 2009).

An issue that has featured prominently in the discussion of the interactions between SHRM and organizational performance is whether the correlation between SHRM practices and measures of organizational performance is universal or contingent. The universalistic observation suggests that a number of HRM practices are more valuable than others. Firms that use modern hiring systems should on average have more efficient, competent and resourceful labor force than firms that employ other systems (Pfeffer, 2004; Huselid, 2005).

The contingency view, on the other hand, suggests that the effectiveness of SHRM practices depends on other factors such as organizational climate and culture among others, as well. According to this argument, organizational culture influences human resources management practices in that when employees understand and internalize the organizationanl culture they will choose strategy and behavior that fit their personality and also match the main routines of the organization's activities (Suharnomo, 2009). Hence, if HRM practices are not in conformity with the organization's values that are shared by employees, then the employees will feel unsatisfied, uncomfortable and uncommitted, thereby resulting in low performance because their values are different from the company's expectations (Earley, 2002).

1.1.2 Strategic Human Resources Management Practices

SHRM practices, are those decisions and actions which concern the management of employees at all levels in the business, and which are related to the implementation of

strategies directed towards sustaining competitive advantage (Dimba, 2010). Even though advancement in the direction of identifying precisely which HR practices are linked with better organizational performance has been unsatisfactory, it is recognized that there are four main areas in which human resources strategies may be developed. These include recruitment, training, compensation, and performance management (Armstrong, 2002; Foot & Hook, 2009).

Marchington and Grugulis (2000) suggest that lists of SHRM practices are generated by constructing groupings of practices on the basis of factor analysis, and then attempting to impose some theoretical justification or looking at what other researchers have used. Other researchers such as Pfeffer (2000) opine that a number of HR practices are constantly superior than others and that all organizations ought to adopt them. Pfeffer (2000) further argues that increased utilization of 16 management practices, for instance selective recruitment, incentive pay, employment security, employee participation, performance management, training and promotion from within, results in increased output across organizations. Likewise, Osterman (2004) noted that a number of modern work practices, such as job rotation, job design, total quality management, and quality circles, result in efficiency in organizations. These practices identified by Pfeffer and Osterman are also referred to as high performance work practices, or simply best practices.

Furthermore according to Stone (2005) the domain of HRM covers the acquisition, development, reward and motivation maintenance and departure of employees whereas typical areas of concern include HR planning and capability audits, recruitment and selection

of employees, skill development and training, career progression, performance appraisal, formulating employment conditions and compensation and reward this is irrespective of whether the firm is in the public or private sector. The applicability of the four SHRM practices in this study is supported by the fact that, parastatals are significant in promoting growth and development of trade and industry. They are also vital to enhancing the technical capability of the country in promoting national development. Lastly, parastatals are key in facilitating the improvement of service delivery in the public service, as well as addressing the essential requirements of the populace. The SHRM practices used in this study are; recruitment, training, compensation and performance management.

According to Goldstein (1993), training involves systematic acquisition of skills, rules, concepts or attitudes that result in improved performance in another environment. According to Analoui (2002), for training to be effective those two conditions need to be met first: the criteria of transfer and the strategic nature of training meaning training is effective if it can be transferred to the workplace. Lack or absence of positive transfer means that the individuals are not performing to their potential. This results in them being redundant and failing to advance the objectives of the organization, leading to inefficiency and inability to secure competitiveness. Second training should aim to achieve the overall business strategy. If training is not focused, resources will be underutilized and development will only be for the sake of development rather than realizing the goals of the enterprises.

According to Armstrong (2009), recruitment involves finding and engaging the people who can help meet the organization's needs. HRM is concerned with the development of

integrated packages of policies towards the management of people (Bratton & Gold 2004). According to Sparrow and Hiltrop (2004), recruitment is key to providing the organization with a powerful basis for influencing and organizing human behavior in line with the strategic direction of the organization. Over many years recruitment for organizations has evolved into a relatively standardized approach, what can be referred to as a traditional approach (Newell & Shackleton, 2005).

This traditional approach has its roots in a psychometric model where organizational effect is directed to match the different attributes of individuals to the different demands of specific jobs in order to establish a person- job fit (Newell, 2005). Recruitment is strategic where the suitability of the potential recruit is defined by reference, not only to specific job requirement but also to broader strategic concerns, indeed if the organization's recruitment is informed by its environment, is socially responsible, valid, periodically evaluated and maintained by knowledge of leading theory and practice then recruitment is strategic (Lundy & Cowling, 1996).

Armstrong and Baron (2002), define performance management as a strategic and integrated approach of delivering sustained success to organizations by improving the performance of people who work in them and by developing the capabilities of the team and individuals contributors. Purcell (2003) argues that for people to perform effectively, they must have the ability to do so by possessing the required skills and knowledge, be motivated to do the work and be given the opportunity to use their skills in playing their part in achieving their team's and organization's success. Performance management has a direct role in ensuring that

employees are motivated and have the opportunity to use their skills. Senior management can rely on the performance management activities to guide in the strategic direction of the organization by keeping the organization focused on its mission and closely relating the organization's business objectives to those of the individual (Guest, 2007).

According to Lawler (2002) compensation is concern itself with the formulation and implementation of strategies and policies in order to reward people fairly, equitably and consistently in accordance to their value to the organization. Lawler further argues that the organizations compensation strategy can make a valuable contribution to the development of employee behaviors. Compensation strategy is driven by the overall business strategy of the organization, which is shaped by the environment external and internal to the organization operates.

1.1.3 Organizational Performance

Strategic human resource management represents a latest change in the field of HRM. SHRM is concerned with the function that human resource management systems play in organizational performance, focusing on the configuration of human resources as a technique of gaining competitive advantage. Firms are becoming conscious that thriving human resource policies and practices may enhance performance in diverse areas such as productivity, quality and fiscal performance (Voorde, Van De, Paauwe & Van Veldhoven, 2010).

The postulation founding the practice of HRM is that employees are the firm's most important resource and organizational performance mostly depends on them. Hence if proper assortment of HR policies and processes are developed and implemented effectively, then HR will register a huge impact on organizational performance. A great deal of the previous research work in the field of HR has attempted to answer two fundamental questions: First whether SHRM practices create a positive impact on organizational performance; second, whether they have any impact when applied. The second query is the more imperative one. It is not sufficient to give reason for HRM by proving that it is a good practice. It is important to establish what can be done to ensure that it is a good thing (Voorde *et al.*, 2010).

Despite there being a range of stakeholders in an organization, the principal strategic goal of any business is superior performance which depends to a great extent on effective operational performance. The operational performance of an organization is a function of people, processes and technology. For successful interaction of people with equipment and processes, the people in the organization have to be knowledgeable enough, with the requisite comprehension, skill and abilities. Proficiency of the individual is a vital aspect that decides operational effectiveness in terms of providing quality products and services within a short time. HRM practices such as recruitment, training, compensation and performance management may enhance the competence of employees for higher performance (Huselid, 2005).

Measuring the performance of organizations is not straightforward especially for firms with numerous objectives of customer retention, productivity, profitability, ability to become

accustomed to the ever varying environment, employee satisfaction, growth and social responsibility amongst additional goals. Organizational performance has mostly been conceptualized on the basis of financial measures, however some scholars have urged for a wider performance construct that incorporate aspects of non-financial measures such as, effectiveness, efficiency, quality, and company image, (Waiganjo, Mukulu & Kahiri, 2012).

According to Richard (2009), organizational performance means achievement of organizational goals and objectives. Organization performance should be measured not only in terms of market share, return on investment and financial profitability, but should encompass both qualitative and quantitative parameters of measurement. This approach is supported by Lusthaus (2000) who categorizes organization performance indicators in terms of; effectiveness, ability of an organization to provide the best service or product within the most effective structure; efficiency, the degree to which an organization moves towards attainment of its mission and realization of its goals; relevance, survival of an organization and financial viability, an organization's ability to have more financial resources than its spending.

One of the most comprehensive framework for Organization Performance Assessment (OPA) is the Institutional and Organizational Assessment Model (IOA). The details of how it works are elaborated by Universalia and the International Development Resource Centre (IDRC). This model views the performance of an organization as a multidimensional idea, which is a balance between effectiveness, relevance, efficiency, and financial viability of the organization. The framework also posits that organizational performance should be examined

in relation to the organization's motivation, capacity and external environment. Thus, organizational performance should be evaluated using various indicators such as effectiveness, efficiency, customer satisfaction and financial leverage depending on the nature of the organization (IDRC, 2002). These indicators were applied in this study.

Organizational effectiveness is the extent to which a firm achieves its immediate objectives or produces its desired outcomes that is, mission fulfillment (UNDP, 2010). According to Scott (2003) organizational effectiveness is a measure of performance against a defined standard. Scott further argues that indicators to be used in evaluating organizational effectiveness have to be chosen from among several possible types. Measures based on outcomes, processes, and structural features of organizations may if considered in isolation produce inconsistent conclusions. Although several representations for differentiating among these concepts have been proposed, Scott suggests that the three paradigms of organizational perspectives, the rational, natural and open systems perspective, which account for much of the variances in measures of effectiveness.

Organizational efficiency is the optimal transformation activities of inputs into outputs, that is accuracy, timeliness and value of service and program delivery. It focuses on rational use of resources at tactical level, meeting timelines and emphasizes least costs and maximum result (UNDP, 2010; Njuguna, 2013). Organizational efficiency is a ratio that reflects a comparison of outputs accomplished, to the costs incurred in accomplishing these goals. There are two aspects of efficiency. The first one is the units of production or service that relate to the organizational purpose, and, the second is how much it cost to produce those

goods and services (Barket, 1995, Njuguna, 2013). Efficiency is generally measured as the ratio of output to inputs. This means that to attain efficiency, an organization must ensure that maximum output is obtained from the resources it devotes to a program, operation or department (Tavenas, 2002).

Organizational relevance denotes a firm's ability to gain the support of its priority stakeholders as well as meet their needs in the past, present and future, that is, the extent to which a firm adapts to changing conditions and its environment. It is the firm's ability to innovate and create new and more effective situations as a result of insight and new knowledge (Montalvan, 2002; Njuguna, 2013).

Financial viability is the ability of a firm to raise the capital required to meet its operational requirements in the short, medium and long terms (Lusthaus, 2002). A firm's financial viability can be assessed in two dimensions. The first dimension relates to the ability of a firm to generate enough cash to pay its bills, and in the case of not-for-profit organizations, to be financially sustainable. Resources are generated through an organization's ability to create, supply and deliver products, service or programs useful to customers, clients or beneficiaries (Henke, 2002). The second dimension is the ability of an organization to raise the funds required to meet its functional requirements in the short, medium and long terms (Lusthaus, 2002 ; Njuguna 2013).

1.1.4 Parastatals in Kenya

In Kenya one of the key players in the public sector arena are the parastatals. Parastatals are deeply implicated in most fiscal problems of African governments because of their inefficiency, losses, budgetary burdens, and provision of poor products and services. Mostly their non-commercial objectives are used to justify their poor performance (Mwaura, 2007). Parastatals were first established in Kenya by the colonial government to provide services that were not provided by the private sector. They control key sectors such as agricultural exports, transport and communications, manufacturing and agricultural trade (Muthaura, 2010).

At independence in 1963 parastatals were retooled by sessional paper no. 10 of 1965 into vehicles for the indigenization of the economy. They were to meet both commercial and social goals while at the same time helping to correct market failure, to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas (World Bank, 2008). According to the Ndegwa report of 1982 on the study of public enterprises in Kenya, the establishment of public enterprises in Kenya was part of a deliberate government policy to participate directly in the productive activities of its economy in order to decolonize the latter and to promote development and regional economic balance in the country (Republic of Kenya, 1982).

The Government of Kenya has made a number of attempts in the past to improve public sector performance. In 1979, following the publication of a government report on parastatals, the parastatal advisory committee was formed. At the same time, the Government expanded

the role of the Inspectorate of State Corporations to serve as a trouble-shooting, management audit and consulting service for parastatals (Republic of Kenya, 1982). In 1982, the Government released the findings of the Working Party on Public Expenditure, which detailed many serious deficiencies in the financial and economic performance of parastatals. The report suggested a series of reforms and proposed the reducing the role of parastatals through increased private sector activity. As a result of the working party report, direct budgetary transfers to the parastatals were severely restricted, declining from Kshs.1.12 billion in 1982 to Kshs. 0.36 billion in 1984 (Republic of Kenya, 2013).

Public sector restructuring and transformation efforts have been put in place in Kenya to get better public sector performance and in particular public service delivery. Similar to other African countries, in Kenya these efforts have been motivated mostly by the fact that the state bureaucracy in the country has been underperforming and public service delivery has not been serving the public interest within its best possible potential. The restructuring in Kenya evolved and culminated in the concept of re-engineering of the public sector in the background of public sector change drawing on elements of New Public Management (NPM). The term NPM symbolizes the plan of nurturing a performance-oriented culture that seeks to overhaul the progression through which public organizations operate in order to increase efficiency, effectiveness, and encompassing client-oriented, mission-driven, and quality-enhanced management. It is projected to better serve the needs of both government and the citizenry with improved delivery of public services so as to trim down poverty, improve livelihoods, and uphold good governance (Hope, 2001).

Parastatals need to be reformed because they will be key in the attainment of Kenya's vision 2030. This a national long-term development blue-print meant at creating a worldwide competitive and wealthy nation with a high quality of life by 2030, it also aims to transform Kenya into a newly industrialized, middle-income economy, providing a high quality of life to all its citizens in a clean and secure environment by 2030. If the expansion agenda set by the vision secretariat is to be achieved a transformational frame of mind in the technique government business is conducted will be needed The vision is anchored on three key pillars; transformed economic, social and political governance.

The objective of the Social Pillar is investing in the people of Kenya in order to improve the quality of life for all her people by using a cross-section of human and social welfare projects and programmes. These are programmes on education and training health environment housing and urbanization, gender, children and social development, youth and sports. The role of parastatals in the realization of the vision will be to; encourage and /or hasten the growth and development of the economy which will in turn lead to social and economic transformation of Kenya to an internationally competitive and flourishing nation with a better quality life by 2030; Maintain the establishment of robust and extensive opportunities for employment across the entire nation; The vision further foresee the need for a paradigm shift in the way government carry out of its developmental mandate. Hence the needs to focus on the capacity of the state to proactively carry out its strategic, organizational and technical functions (Republic of Kenya, 2013).

1.2 Statement of the Problem

According to the report by a taskforce on parastatal reforms in Kenya 2013, the performance of parastatals has been poor in an environment where resources are scarce and needs have been mounting. Key among the policy issues and challenges facing parastatals in Kenya, include: poor governance leading to embezzlement of funds; a large number of officially authorized and institutional frameworks that produce numerous reporting and answerability lines; ambiguity on the task that parastatals ought to play in the economy, which heightens the weaknesses of boards and chief managers; majority of the boards running parastatals been weak and/or ineffective, leading to their inability to offer direction that is strategic; weak institutional and human resource ability to draw and maintain the skillfulness that is required to propel performance also included is an insufficient structure on performance management that fails to rightly relate the performance of parastatals to countrywide development objectives (Republic of Kenya, 2013).

Currently in Kenya, the traditional approach used to manage people has an emphasis on administrative procedures associated with the Weberian centralized, hierarchical model of public services, where administrative rules are determined by national government and implemented by public organizations. This approach is seen as undermining performance and demotivating individuals (Kamoche, 2003). According to Lankeu and Maket (2012), modern HRM involves putting in place strategies that will ensure the maximum utilization of people in an organization. This is done in a systematic and planned method by ensuring that there is a shift in the way employees of parastatals are managed to ensure that they deliver results as

required, to achieve these changes the leaders should be equipped with knowledge and experience on modern or advanced human resource management.

The empirical literature in this study also highlights that most of these research work examining the relationship between SHRM practices and an organization's performance have been carried out generally in a few developed countries like United Kingdom and United States (Purcell, 2003; Guest, 2003; Marchington & Wilkinson, 2007; Grant, 2008). According to Katou and Budhwar (2007) it is not clear whether individual set of HR practices will work evenly well no matter the background. There is need to fill this gap and to additional look at the existence of such a relationship in other contexts particularly in the African context. This study sought to investigate whether SHRM practices influence performance of parastatals in the Kenyan context.

While most empirical literature covered in this study looks at the direct relationship between SHRM and organizational performance, thus gaining support from the contingency perspective, the gap is to show whether HR capabilities have mediating effects on the relation between SHRM practices and organizational performance and also whether public sector culture has a moderating role on the relationship between SHRM practices and organizational performance. It is against this backdrop of limited empirical research that this study seeks to provide empirical evidence on the influence of SHRM practices on performance of parastatals in Kenya.

Although there are numerous research studies on SHRM there is limited empirically based research that has examined SHRM practices, the mediating effect of HR capabilities, and the moderating role of organizational culture and linked them to organizational performance such as effectiveness, efficiency, relevancy and financial viability. Moreover only a small number of researchers have expressed potential mediators and moderators to a limited extent (Delery & Shaw, 2001; Wright, 2001; Schuler, 2009). There is a black box in empirical examinations of the relationship between SHRM practices and organizational performance where the mediating and moderating mechanism is typically implied but not measured. Hence this study.

1.3 Objectives of the Study

1.3.1 The General Objective

The general objective of the study was to analyze whether strategic human resource management practices influence performance of parastatals in Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were to:

- i. Determine the relationship between training and performance of parastatals in Kenya.
- ii. Evaluate the relationship between recruitment and performance of parastatals in Kenya.
- iii. Assess the relationship between performance management and performance of parastatals in Kenya.

- iv. Establish the relationship between compensation and performance of parastatals in Kenya.
- v. To determine the mediating effect of HR capabilities on the relationship between SHRM practices and performance of parastatals in Kenya.
- vi. To examine the moderating role of public sector culture on the relationship between SHRM practices and performance of parastatals in Kenya.

1.4 Research Hypotheses

The following hypotheses which are stated in their null form were tested in this research work:

H₀₁ There is no relationship between training and performance of parastatals in Kenya.

H₀₂ There is no relationship between recruitment and performance of parastatals in Kenya.

H₀₃ There is no relationship between performance management and performance of parastatals in Kenya.

H₀₄ There is no relationship between compensation and performance of parastatals in Kenya.

H₀₅ HR capabilities have no mediating effect on the relationship between SHRM practices and performance of parastatals in Kenya.

H₀₆ Public sector culture has no moderating effect on the relationship between SHRM practices and performance of parastatals in Kenya.

1.5 Significance of the Study

This study contributes to the transformation of parastatals so that they can completely be involved in the process of economic growth and development. The study also provides some

insights and practical implications to HRM practitioners and line managers about SHRM practices in Kenya. It will help them cope with innovation needs, for a firms sustained and enhanced growth. This enables firms to keep pace with the rapid environmental changes associated with globalization. The study is also of use to scholars who might want to carry out their research in the area of SHRM and organizational performance

In spite of the assertion that SHRM practices are universally appropriate majority of the research on the relationship between SHRM practices and organizational performance has been carried out in private sector firms, and little is known about this relationship in public sector firms. This study contributes in showing the extent to which values and internal environment in public-sector has considerable implications for how SHRM is practiced in parastatals.

Finally the current study investigated both the mediating and the moderating effects of human resource capabilities and public sector culture on the relationship between SHRM practices and organizational performance. Most of the previous studies show a direct relationship between SHRM practices and organizational performance.

1.6 Scope of the Study

This study covered all the 185 parastatals in Kenya to establish the effect of SHRM practices on organizational performance. The parastatals are the key players in the public sector. The justification for this is that they are the engine that is supposed to drive government business

and ineffectiveness of government policies and programs can directly be traced to the actions or inactions of employees working in these parastatals.

1.7 Limitations of the Study

As with most research of this nature, the findings of this study should be interpreted with consideration of a number of limitations. First, there are few studies on public sector in Kenya hence making it difficult to obtain secondary data from other similar studies. It was also difficult to access the parastatals published materials. However, the researcher mitigated this challenge by comparing similar research in different sectors both local and Western to try and infer the research findings.

Another issue is the fact that this research was conducted in the parastatals only without involving firms in the private sector means is a limitation on its own. This may mean that the results obtained cannot allow for generalization in other sectors. This can however be moderated by having an in depth study of other selected public sectors. There was also lack of current studies dealing with SHRM in the public sector especially in the developing countries and specifically Kenya.

Another limitation is the fact this study used a cross-sectional research design in which the respondents were interviewed on only one occasion to appraise their perspective of the issues under study, the long term effects of the operations of parastatals may not have been addressed. Use of a case study research design would have best addressed this as it gives a

researcher a long period of time to interact and observe respondents in their natural environment.

1.8 Organization of the Study

This thesis is organized into five chapters. Chapter one present the introduction and background to the study variables which include SHRM practices and organizational performance, it further highlighted the statement of the problem, research objectives, research hypotheses, significance of the study, and the limitation of the study.

Chapter two present an extensive literature review of the major study variables namely SHRM practices, public sector culture, HR capabilities and organizational performance. This culminated into a conceptual framework showing the relationships between the variables under study. Chapter three give details on the research methodology, design, research procedures, operationalization of the variables, the analytical models used to test the hypotheses and ethical considerations. Chapter four presents the results of data analysis and discussions. Chapter five presents the summary, conclusions and policy recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the theoretical and empirical literature suitable to answer the research questions of this study. The chapter begins by discussing the main theories the study relied on to build the framework for the research. The chapter then discusses the specific literature for the study with a focus on the main variables whose relationships were being investigated. This covers literature review on SHRM practices, human resource capabilities, public sector culture and organizational performance

2.2 Theoretical Review

This study was underpinned by the following theories; resource based view theory, universalistic theory, contingency theory and configurational perspective theory which are commonly used in studying SHRM.

2.2.1 Resource Based View

The Resource Based View (RBV) theory is founded on the work of Penrose (1959), others who have extended the theory include, Wernerfelt's (1984), Rumelt (1984), Barney (1996), and Dierickx and Cool (1989). The RBV theory is currently predominantly used by researchers studying SHRM (Wright, Dunford, & Snell, 2001). Barney (1991) posits that an organization gains competitive advantage by not only acquiring but also developing, putting together, and effectively deploying its physical, human, and organizational resources in techniques that put in unique value and that are difficult for competitors to imitate. The

resource based view states that competitive advantage comes from the internal resources that are owned by a firm (Wernerfelt, 2004).

The RBV is concerned with the connection between internal resources, strategy and the performance of the organization. It focuses on the encouragement of sustained competitive advantage through the development of human capital rather than just aligning human resources to current strategic goals (Torrington, 2005). The argument that resources internal to an organization can result to competitive advantage is a shift from earlier suggestions of strategy which focuses on the external environment and such factors as customers, industry, and competitors (Miles and Snow 2004; Porter 2005). The RBV provides a theoretical enlightenment of how the human resources of an organization can add to performance and competitive advantage.

According to Wright, McMahan, and McWilliams (2004), resources that are valuable, rare, inimitable and non-substitutable lead to competitive advantage. It is the human resources of an organization that make up the resource that leads to competitive advantage. From this outlook HR practices or HR systems possibly will without difficulty be duplicated by other organizations and only the knowledge skills and abilities possessed by individuals within a firm would meet the criterion outlined by Barney (1991).

Lado and Wilson (1994) argue that HR practices put together into a general HR system can be exceptional and not easy to duplicate and constitute a resource satisfying the conditions necessary for sustained competitive advantage. While both views appear to be acknowledged

in the literature, the majority of SHRM researchers using RBV as their theoretical framework have paid attention on the HR system or overarching HR philosophy as a resource functioning to develop the human capital of the firm (Boxall, 1998).

The resource based view was used in this study to support organization's human resource capabilities which needs to be valuable, rare, inimitable and non substitutable to give a firm competitive advantage. It was also used to identify the SHRM practices that are used in the study.

2.2.2 Universalistic Theory

The universalistic theory was postulated by Dewar and Werbel (1979) who rooted for a best practices approach to SHRM. Additional researchers who have contributed to the universalistic theory include; Delaney, Lewin, and Ichniowski, 1989; Huselid, 1993, 1995; Osterman, 1994; Pfeffer, 1994 and Terpstra and Rozell, 1993. These researchers, posit that some SHRM practices are constantly better than others and therefore all organizations should assume these best practices.

According to Pfeffer (1994), universalistic or best-practice approaches posits that certain independent-dependent variable relationships hold across whole populations of organization that is, some HR practices are always better than others, and all organizations should adopt them Under a universalistic approach, strategic HR practices are those that are found to consistently lead to higher organizational performance, independent of an organization's

strategy. Such practices include formal training systems, profit sharing, voice mechanisms, and job definition.

According to Marchington and Wilkinson (2008), the idea of best practice was at first acknowledged in the early US models of HRM, most of which argued that the taking on of certain best human resource practices would result in improved organizational performance, manifested through; improved worker attitudes and behaviors, decreased levels of turnover and absenteeism, increased skills levels and therefore increased productivity, better quality and efficiency and increased return on investment. Universalistic arguments simply mean that the connection between given independent variable and a dependent variable is universal across the populace of organizations. To be able to make universalistic predictions, key strategic HR practices are identified and then opinion that relate to the individual practice offered.

Leonard (1990) established that an organization having long-term incentive policies for their senior managers had registered higher profits over a five-year period than did other organizations. Ahowd (1990) argues that managerial compensation should be based on an organization's financial performance. Gerhart (1990) elaborates that pay blend was related to monetary performance. Organizations with pay strategies that included a greater amount of performance-contingent pay achieved better monetary performance.

This theory seeks to identify the choices of practices that do well in successful environments. However what works contributes to good results in one organization may not result in

equally good results in another organization since it may not fit its plan, technology or working practices. The theory also helps to examine the direct relationship between SHRM practices and the performance of the organization.

2.2.3 Contingency Theory

The contingency theory was influenced by researches done in the 1950s at Ohio State University. In the mid 1960s the theory was further advanced by Fred Fielder, others who have contributed to the contingency theory include Galbraith (1973). These researchers posit that there is no one best way to organize human resources.

The contingency or external fit perspective emphasizes the fit between business strategy and HRM practices, implying that business strategies are followed by HRM practices in determining business performance. The contingency perspective goes beyond the simple, linear, causal relationships explored in universal theories and allows for interaction effects and varying relationships depending on the presence of a contingent variable most often firm strategy. Effectiveness of HR practices is contingent on how well they mesh with other aspects of the organization. The contingency perspective draws a causal line from the HR policies and practices to the organizational performance metrics, and it allows for the moderating effects of strategy (Youndt, 2006).

An argument mostly put forward by the contingency scholars is that HR strategy would be more effective if it were to be properly incorporated with a precise environmental background. The best fit theory support the idea of ensuring that HR strategies are suitable to

the conditions of the firm, such as the culture, operational processes and external environment. HR strategies have to assess the specific requirements of both the organization and its people. It looks at the close association between strategic management and HRM by taking in to account the extent to which there is vertical integration between a firm's business strategy and its HRM policies and practices (Decktop, 2006).

Wright (2004) states that vertical integration between business strategies and individual behavior individual, team and organizational performance influence the models of SHRM. This vertical integration or fit where influence is realized through events, policies and processes is broadly recognized to be an important part of any strategic approach to the management of people (Dyer, 2005). The best fit hence ensures a relationship between internal operations of the firm and policies and the external market in business strategy, and thereby ensures that competences are produced which have a prospective to be a main source of competitive advantage (Wright, Gardner & Allen, 2005).

The contingency model is often criticized for tending to generalize a firm's reality. While trying to relate one dominant variable of the organization to another internal variable, the supposition is that there exists a linear, non-problematic relationship. The contingency theory is applicable in this study to help show how other factors can be integrated in the relationship between SHRM and organizational performance.

2.2.4 Configurational Perspective Theory

The configurational theory was postulated by Mintzberg (1973). The theory posits a simultaneous internal and external fit between a firm's external environment, business strategy, and HRM strategy, implying that business strategies and HRM practices interact according to organizational context in determining business performance (Arthur, 1994). According to Boxall and Purcell (2003) configurative theories address HRM issues from a systemic perspective. Sheppeck and Militello (2000) argue that a system is a set of interrelated elements, such that each individual part or element depends to a greater or lesser extent on its situation within an integrated whole organization operates as complex systems comprised of interdependent external and internal subcomponents that are best understood when viewed holistically. This configurational interpretation retains a system perspective by focusing on the pattern of relationships between different elements (Delery & Doty, 2006). A change in one part will affect the other parts, intentionally or not. Thus, configurative theories analyze organizational change processes that emerge in response to external or internal pressures (Broedling, 1999).

According to Wilkinson (2002) the configurational theory attempts to obtain a set of HR practices that can be relied on in making best use of horizontal combination and then connect these to the different strategic configurations in order to exploit vertical integration and hence a better performance by firms. SHRM according to configuration theorists requires a firm to come up with a HR system that achieves both horizontal and vertical integration.

The configuration approach is used in the study to show why it is important for organizations to achieve both vertical and horizontal fit through their HR practices, so as to add to an organization's competitive advantage and consequently be deemed strategic. It shows how a fit between public sector culture and HR capabilities can enhance organizational performance.

2.3 Empirical Review

2.3.1 Strategic Human Resources Practices and Organizational Performance

The age of strategic HRM was ushered in nearly two decades ago and since then, a behavioral perspective has emerged as the predominant paradigm for research. Nevertheless it was only in the 1990s that the notion of bundling of human resource practices became popular and attracted several studies.

Ferris (1990) in a study of 2,236 firms from the U.S. construction industry addressed the roles played by three important organizational functions and activities on firm performance: the status and importance of the HRM function, the role of unions and strategic planning. They found that firms that had HRM departments were high performers in areas such as increased market share, organizations which had a higher number of their labor force joining unions also gave better results than firms with a lower proportion and, lastly organizations which engaged in formalized strategic planning also performed better.

Huang (1998) in a comparative research work of SHRM practices amongst American – owned, Taiwan – owned and Japanese – owned firms, examined the strategic level of HRM

at 315 Taiwanese organizations. The findings indicated that American-owned firms were observed to engage in strategic human resource management more repeatedly than Japanese- or Taiwan-owned firms. A positive relationship was furthermore found between the quantity of capital resources accessible to firms and the degree to which they practiced SHRM. Huang in addition reported that enterprises engaging in SHRM received improved ranking than other firms on the indices of organizational confidence monetary performance, and overall performance.

Browns (1999) in a study on compensation in 4600 organizations, noted that although 94 percent of the respondent reported that they had made significant changes of their rewards policies in the preceding three years and more had changes planned, the reward packages still looked the same to those of three, five or even ten years ago, the impression gained from this study is one of incremental change with aspects such as competences being used to improve traditional job evaluation schemes and team pay introduced alongside rather than in place of individual bones share.

Wan (2002) in a study on Strategic Human Resource Management and Organizational Performance in Singapore examined the relationship between strategic HRM variables and firm performance. In the analysis, the SHRM variables are found to have a positive effect on organizational outcomes, especially with respect to a firm's HR performance job satisfaction, employee productivity and commitment. The findings points to the fact that if key strategic HRM practices are effectively implemented then firms will achieve higher levels of organizational performance. The study findings also show a possibility to the fact that

different aspects of performance could be affected by different strategic HRM variables. For a firm promoting financial performance, performance appraisal appears to be the most important issue to tackle. On the other hand, firms interested in enhancing HR performance may emphasize the need for training and empowerment.

Singh (2004) looked at the connection between six HRM practices and firm level performance in India. 359 enterprises were obtained from firms listed in the Centre for Monitoring Indian Economy database. The study findings indicated that there was a significant relationship between the two HR practices, namely, training and compensation, and perceived organizational and market performance of organizations.

Budhwar and Boyne (2004) in their comparative study of 137 large manufacturing firms distinguishes between the HR practices in public sector and private sector companies in India. Their findings recommend that in opposition to the conventional ideas the difference between the Indian private and public sector HRM practices in terms of composition of HR department, function of HR in corporate modification, recruitment and selection, pay and benefits, training and development, labor relations and key HRM strategies is not very significant but in a few functional areas namely compensation, training and development, the study reported that private-sector firms had adopted a more rational approach than their public sector counterparts.

Rodwell and Teo (2008) in a study on the influence of strategic HRM and sector on perceived performance in health services organizations examined a variety of management

characteristics of for-profit and not-for-profit organizations in the health services industry. Data from Australian senior executives were used to test the relationships between managerial constructs such as employee commitment, customer demandingness, strategic HRM orientation and the adoption of human capital-enhancing human resource (HR) practices and perceived overall performance. The findings reported a statistically significant path from commitment to employees, customer demandingness and strategic HRM orientation to the adoption of human capital-enhancing HR practices such as selective staffing, comprehensive training, and performance appraisal to perceived organizational performance. The results also showed that private sector health service organizations have a higher level of perceived performance. The study also found that the possession of a SHRM orientation and the adoption of human capital-enhancing HR practices together with the presence of an external and internal orientation can significantly contribute to perceived overall performance in the health industry.

Ekhsan and Othman (2009) on a study of strategic HRM practices on perspectives of Malaysian and Japanese owned companies in Malaysia examined the applications and processes of one of the key distinctive features of SHRM, that is integration of HRM functions with business-corporate strategy and two key HRM functions, recruitment/selection and training/development. Analysis of the questionnaire responses on strategic integration, recruitment/selection, and training/development showed little difference in practices between the Malaysian and Japanese owned companies. Both Malaysian and Japanese owned companies indicated a higher HR involvement in the business/corporate strategy formulation process, either from the outset or in implementation. One of the limitations of this study is

the self-reported views which could lead to bias, and may not provide reliable data about actual practices.

Dimba and K'Óbonyo (2009) in their study wanted to establish whether the effect of human resource management practices on organizational performance is direct or indirect, whether employee cultural orientations moderated the relationship between strategic human resource practices or whether the moderation was through employee motivation. By means of regression analysis, the findings indicated that every of the SHRM practices variables, except recruitment and selection were positive and significantly connected with performance; relationship between SHRM practices and firm motivation did not depend on employee cultural orientations when cultural values were considered; motivation mediated the relationship between SHRM practices and firm performance and motivation affected firm performance.

Oladipo and Abdulkadir (2011) in a study on SHRM practices in Nigerian Universities examined the influence of ownership-type and age on the adoption of SHRM practices. Their findings on recruitment system as practiced were that it ensured a fit between the prospective employee's abilities and qualifications and the universities requirements. Similarly, performance appraisal system as practiced then was effective enough to let the universities scrutinize the development of desired employee attitudes and behavior.

Onyango and Kipchumba (2012) in a study on SHRM practices and performance of Hotels in Kenya examined the relationship among strategic human resource management practices,

motivation and organizational performance. The study also sought to establish the degree to which the connection between SHRM practices, employee motivation and firm performance depended on employee cultural values and organizational characteristics. The study found out that training and development and compensation systems were the best predictors of a hotel performance while training and development, compensation systems, and performance appraisal were the best predictors of motivation at work and that organizational distinctiveness had significant influence on the relationship between SHRM practices and firm performance.

2.3.2 Human Resource Capabilities

HR capability can be defined as the routines embedded in the tacit and implicit knowledge of members of an organization functioning to acquire, develop, nurture, deploy, and redeploy human resources in a dynamic, competitive environment (Boxall, 1998). HR capability is a source of competitive advantage as it is embedded in the collective knowledge of firm members that is inimitable, is developed over time, is rare and valuable (Wright, 2004). The RBV of the firm proposes that if an organization utilizes resources that are valuable and rare it gains competitive advantage, which in turn leads to its better performance.

2.3.2.1 Value

According to Barney (2002) a capability or resource is valuable if it has the prospect to facilitate a firm to minimize costs and/or react to environmental opportunities and threats. An organization will gain competitive advantage if it is capable of effectively deploying such a resource or capability. Hence an organization's competitive advantage is determined by how

valuable its resources and capabilities are. This means that, organizations with capabilities and resources that are marginally valued will at best achieve only minimal competitive advantages. However as argued by Wright (2004), firms that are endowed with great capabilities and resources are likely to attain relatively more competitive advantages. This may mean that the organization has the ability of exploiting its capabilities and resources; because only when valuable capabilities and resources that have potential are effectively utilized can a firm achieve competitive advantages.

Penrose (1959) argues that the services resulting from resources are a function of the way in which they are utilized. To be able to effectively deploy, or take advantage of a resource, an organization should make use of the appropriate capabilities that means that a firm should have capacity to deploy resources. Hence, whereas a certain resource possibly will have the latent to give rise to a valuable service, that service will remain potential awaiting being utilized through an appropriate means (Amit & Schoemaker 2003).

Resources and capabilities are usually combined simultaneously to help attain competitive advantage. Penrose (1959) further argues that resources or capabilities cannot be of any use by themselves; for them to be efficient they must be used in possible combinations with other resources or capabilities. Makadok (2001) suggests that firms may gain a competitive edge by opting for better resources than competing firms and also by utilizing them more effectively with the right capabilities. Makadok further argues even if the firm's capabilities are great, they might not produce revenue if the firm does not obtain the resources whose productivity would be improved by its capabilities.

Hence despite the fact that a resource or capability might have remarkable latent value, that value can just be realized when it is pooled with an equivalent capability or resource. Given that resources and capabilities are not productive in seclusion the key to attaining a competitive advantage is not just the utilization of a valuable resource or a valuable capability, but rather the utilization of a valuable resource-capability mixture. Furthermore the more valuable the firm's resource-capability combinations, the greater the advantage it will derive as a result of their utilization (Makadok, 2001).

2.3.2.2 Rarity

According to Barney (2002) for firms to achieve competitive advantage, they should utilize market opportunity, achieve a cost level and/or counteract a threat that their competitors cannot. However organizations are not likely to attain these results if the resources and capabilities they use are widely held. As an alternative competitive advantage can only be derived from the use of capabilities and resources that are rare, or possessed by a significantly small number of firms in an industry.

Barney (2002) further asserts that for rareness to contribute to competitive advantage there must be a level of resource-capability combinations meaning that resources and capabilities must be utilized in combination, if exploited individually they may not yield rareness. This supports the criterion that exclusivity applies to resource bundles, signifying that if a specific bundle of resources and capabilities is widespread then a large numbers of organizations will be capable of implementing the resulting strategy, thus reducing the advantage to be earned from it by each firm.

Beardwell and Claydon (2007) however argue that organizations must not necessarily have resources and capabilities that are rare in order for them to attain competitive advantage. For instance, if an organization possesses the ability that no other firm does such as a patented chemical process, it is not necessary for it to possess equally rare resources in order to translate that capability's latent value into a competitive advantage. The mere fact that this patented process is intended to influence widely obtainable raw materials such as obviously occurring chemical compounds, the firm may still enjoy a competitive advantage more than its competitors given that its rare capability allows it to exploit common resources differently than other firms.

2.3.2.3 Inimitability

According to Beardwell and Claydon (2007) if an organization's human resources add value and are rare, they can provide competitive advantage in the short term, but if other firms can imitate these characteristics, then over time competitive advantage may be lost and replaced with competitive parity. Human Resources should therefore develop and nurture characteristics that cannot be easily imitated by the organization's competitors.

According to Barney and Wright (2008) if a resource itself, or its benefit, can be imitated across firms, then it can only be a source of competitive parity, not competitive advantage. They further recognize the significance of socially complex phenomena, such as an organization's unique history and culture, which can be used to identify unique practices and behaviors which enable organizations to leapfrog their competitors.

According to Cardeal and Antonio (2012) Resources tend to be more difficult to imitate if: they are path dependent; there is an ambiguous relationship between the resources that enhances competitive advantage; they are socially complex, for example, if they are beyond the ability of firms to manage and manipulate them in a systematic way ; there are legal property rights, such as in the case of patents and if the process of their imitation by other companies is lengthy, for example due to the time needed to train employees or to absorb the knowledge necessary to master the resource.

2.3.2.4 Organization

Organizations need to ensure that they are organized so that they can capitalize on, adding value, rarity and inimitability. This implies a focus on horizontal integration, or integrated, coherent systems of HR practices rather than individual practices, that enable employees to reach their potential (Gratton, 1999). This requires organizations to ensure that their policies and practices in the HR functional areas are coordinated and coherent, and not contradictory.

Cardeal and Antonio (2012) argues that competitive advantage stems from the way firms operate and interrelate their strategic and non-strategic resources, exploiting organizational processes, to produce what can be regarded as intermediate products between primary resources and the firm's final products.

2.3.3 Public Sector Culture

Organizational culture refers to learned patterns of behavior that is shared over a period of time from one generation to another; this may include assumptions and values that members

of an organization share about what is right, good and important. Organizational culture is therefore that which holds an organization together and is a source of identity and distinct competence. (Masood, Dani, Burns & Backhouse, 2006).

According to the World Bank Group's country assessment report (2007), prior to the year 2003 the public sector service quality in Kenya was very low as a result of inadequate responsibility and accountability, coupled with poor governance. The public assets were poorly managed leading to a nearly total failure of infrastructure, decrease in output and an increase in poverty (Kenya National Bureau of Statistics, 2006). A number of public servants would also not be present at their duty stations and it was common to find members of the public waiting to be served while there was no one in the office. The poor service delivery was also due to unclear direction and non-existent strategic plans. Even where plans existed, there lacked effective systems for implementation and evaluation. The lack of accountability resulted from an organizational culture characterized by negative values among staff (Republic of Kenya, 2003a; 2004; 2006; Koigi 2011).

According to Slocum and Hellriegel (2007) organizational culture is made up of the unspoken rules and traditions operating 24 hours a day in an organization and is critical to the long-term success of that organization. A strong organizational culture is underpinned by strong and positive values, which, if well thought through, should help in the execution of the strategy. There are four types of culture that can be found in public sector organizations, namely: market oriented culture; hierarchical or bureaucratic culture; clan culture; and developmental or adhocracy culture.

A hierarchical organizational culture aims at maintaining efficiency through administering, continuous monitoring, coordinating and reinforcing rules. The long-term goal of this kind of organizational culture revolves around maintaining stability, efficiency and predictability. Its proponents argue that organizations are held together by formal rules and policies (Koigi, 2002). According to Parker and Bradley (2005) a hierarchical culture involves a control focus in which information management and communication are utilized in order to achieve stability. The culture involves the enforcement of rules, conformity and attention to technical matters.

The main attributes of the clan culture include organizations having strong traditions, emphasis on personal commitment and employee loyalty, as well as extensive socializing through teamwork. The long-serving employees act as mentors to the newcomers. Employee's long-term commitment to the organization is usually compensated with job security, salary increases and promotions and other forms of recognition (Slocum & Hellriegel, 2007).

For organizations that have a market culture they see themselves as being dictated to by the market forces, since they are expected to provide whatever the market wants. Market-oriented organizations are driven by competition which requires a clear purpose and an aggressive strategy to increase productivity and profitability. This orientation to results is characterized by toughness and a will to win. Market-oriented organizations therefore always strive to have a strong position in the market (Masood *et al.*, 2006; Slocum & Hellriegel, 2007).

According to Masood *et al.* (2006) a developmental organizational culture involves a flexibility focus in which readiness and adaptability are utilized in order to achieve growth, resource acquisition and external support. This culture is associated with innovative leaders with vision that maintains a focus on the external environment. Parker and Bradley (2005) argue that organizations with a developmental culture are dynamic and entrepreneurial and are characterized by readiness for change. Their leaders are risk takers and organizational rewards are linked to individual initiative.

Phelps and Tillman (2010) contend that organizations need to be entrepreneurial in order for them to create new possibilities and to change with the changes in customer needs and tastes. Advancement in technology and globalization calls for a paradigm shift in the way organizations conduct their activities. This may enable organizations to identify and exploit opportunities before their competitors can. This study will focus on investigating the role of developmental culture and hierarchical culture on improving the organizational performance of Kenyan parastatals. These two organizational cultures have been chosen on the basis that they represent aspects of both hard and soft HRM.

Denison (1984) investigated characteristics of organizational culture of these organizations and recorded their output over the same period. The researcher relied on financial indicators to measure performance. The findings showed that organizational culture was correlated with financial performance. Work plan and decision making were found to have a significant relationship with long term monetary performance whereas administrative leadership was linked with short term monetary performance.

Rousseau (1990), in a study on a number of firms giving voluntary services utilized as a performance measure the amount of money raised through campaigns. The findings were that there was no relationship between indicators performance and culture.

Kotter and Heskett (1992) in a study on several firms over a period of time used various measures of culture and long term economic performance data. Although they initially found only a slight relationship between strong culture and long term performance, successive results showed that organizations with cultures suitable to their market environment had improved performance than those that are less integral to their environment.

Marcoulides and Heck (1993) while analyzing the connection between organizational culture and performance composed from 26 firms, used several variables to measure organizational culture such as organizational values, organizational structure, organizational climate and the values and beliefs of individuals and organizational performance was measured using market share and financial indicators. The findings of this study showed that all of the variables used to measure organizational culture had significant effect on performance of the organization.

Ogbonna and Harris (2002) in another study on the influence of organizational culture and performance included the style of leadership as a third variable in the model. Using a sample of 1000 units British based companies they measured performance using indicators such as: the firms market share, customer satisfaction, sales growth and competitive advantage. The indicators of organizational culture used were: innovative culture, competitive culture,

community culture and bureaucratic culture. The findings were that all the four indicators of organizational culture had a strong relationship with corporate performance.

2.4 Summary of Literature and Research Gaps

Considering that the literature highlighted that most studies examining the relationship between SHRM practices and organization's performance have been conducted mostly in developed countries (US and UK) and few African countries, and that only a few researchers have measured the mediators and addressed their importance, the question still left unanswered is the influence of SHRM practices on organizational performance or specifically, HR capabilities and, consequently organizational performance in other contexts (Katou & Budhwar, 2007).

To fill this gap and to further examine the existence of such a relationship, it was important to conduct research in an African context. This study investigated the association between SHRM practices and organization performance and also the mediating role of public sector culture in the Kenyan context. Furthermore most of the studies had their main limitation being a small sample size; this study involves adequate sample size to deal with this limitation.

Table 2.1 Summary of Previous Studies and Knowledge Gaps

Thematic area	Author(s)	Study(focus/purpose)	Key findings	Knowledge gaps identified	Focus of the current study
SHRM practices	Ferris (1990)	Effects of human resources management on organizational performance	Organizations with commitment systems had higher productivity, lower scrap rates and lower employee turnover than those with control systems.	Focused only on the direct relationship between HR and organizational performance.	This study assessed the mediating effect of HR capabilities on the relationship between SHRM and organizational performance.
	Huang (1998)	The level of strategic HRM in Taiwanese business firms	A strong association was reported between the quantity of funds available to enterprises and the degree to which they practiced SHRM	Focused on only on one SHRM practice	This study focused on four SHRM practices.
	Wan (2002)	Connection between SHRM variables and firm performance.	SHRM variables were found to have a positive effect on firm performance	Emphasis on financial performance	This study focused on non financial indicators of organizational performance.
	Ekhsan & Othman (2009)	SHRM practices on perspectives of Malaysian and Japanese owned companies in Malaysia	HR involvement in the business/corporate strategy formulation process, either from the outset or in implementation	The views were self-reported which could lead to bias, and may not provide reliable data about actual practices	This study focused on data collected from experts that could reduce the effects bias

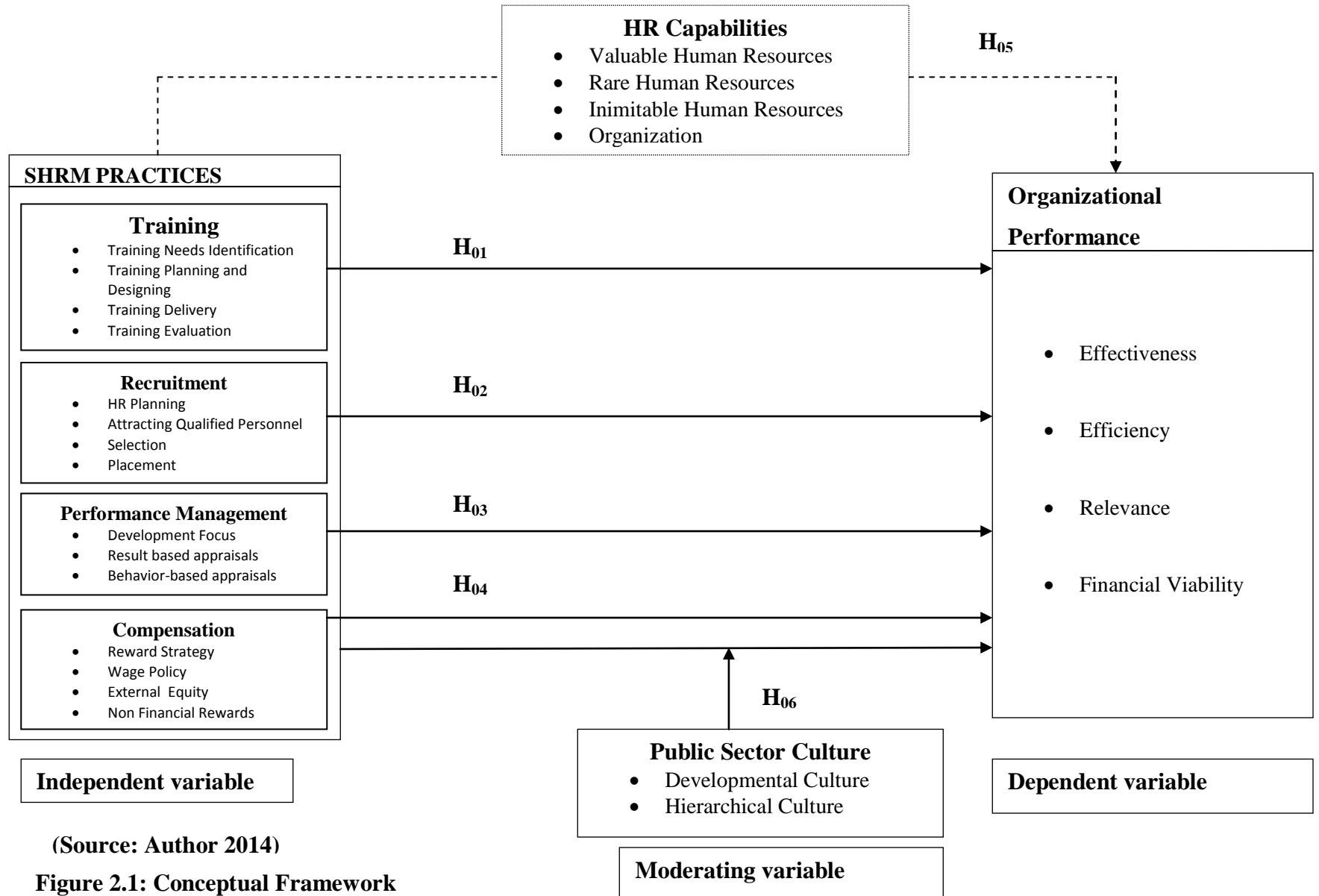
	Dimba & K'Óbonyo (2009)	Effect of SHRM practices on organizational performance.	All the variables of SHRM practices, except recruitment and selection had a positive significantly association with performance	The study used a single respondent from each organization to provide information	This study adopted a multi –rater response approach.
	Oladipo & Abdulkadir (2011)	Evaluation of SHRM Practices in Nigerian Universities	modest taking up of SHRM practices in the Nigerian university system	The study assumed a direct relationship between the independent and dependent variables	Current study incorporated moderating and mediating variables
Organizational Performance	Rodriguez & Ventura (2003)	A study of manufacturing firms in Spain,	Implementation of a make HR system has a significant and positive effect on the organizations overall performance	No focus on internal capabilities yet external factors will impact on performance	This study focused on public sector culture as an external factor.
	Michie & Sheehan (2005)	A survey of firms from both manufacturing and service sector in the UK	Strategic HR practices are significantly correlated with all the firms' performance measures.	The study focused on a single category respondent	This study focused on a multiple respondent's response approach.
Public Sector culture	Rousseau (1990)	Charitable service firms using as a performance measure the donations recieved	No significant positive relationship between culture and performance.	Focused on financial sustainability of Organizations	This study focused on overall organization performance

	Kotter & Heskett (1992)	The relationship between a firm's culture and performance	Organizations with cultures suitable to their market environment had superior performance	The study assumed a direct relationship between the independent and dependent variables	This study had a moderating variable
	Marcoulides & Heck (1993)	relationship between organizational culture and performance	variables used to measure the culture of the organization had some effect on performance	The relationship of the study variables was implied rather than measured.	This study used a regression model to analyze the relationships amongst the variables used.
	Ogbonna & Harris (2002)	association between organizational culture and performance	All indicators of organizational culture had a relationship with organizational performance.	The effect of inimitable internal resources is not addressed	This study adopted HR capabilities as internal mediating factors.

(Source: Author, 2014)

2.5 Conceptual Framework

The conceptual model presented here has been derived from the discussions presented in the literature review. The conceptual framework (Figure 2.1) presents the researcher's schematization of the relationships of current study variables. The variables included SHRM practices, HR capabilities, public sector culture and organizational performance. Based on this framework, various hypotheses were developed and tested.



(Source: Author 2014)

Figure 2.1: Conceptual Framework

The conceptual model presented in Figure 2.1 captures the relationships between and among the study variables underpinning SHRM practices, HR capabilities, Public sector culture and organizational performance.

The conceptual framework illustrated in Figure 2.1 was based on the integration of several organizational theories that explains the relationship between SHRM and organizational performance. These theories included the resource based view theory, universalistic theory, contingency theory and configurational theory which have been presented in the literature review.

SHRM practices which are the independent variable of the study were proposed to influence organizational performance. HR capabilities (value, rarity, inimitability and organization) was treated as the mediating variable while public sector culture (entrepreneurial and market orientations) was treated as moderating variable. Organizational performance (effectiveness, efficiency, relevance and financial viability) was the dependent variable.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section discusses the research methodology used in the study, particularly the research philosophy, the research design, population of the study, data collection, validity and reliability of the instrument data analysis and ethical considerations.

3.2 Research Philosophy

Research philosophy relates to foundation of knowledge upon which important assumptions and predispositions of a study are based. A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analyzed and used. In social sciences, there are two main research philosophies, namely; positivism (scientific) and phenomenology (interpretivism) which may also be viewed in terms of two perspectives, namely quantitative and qualitative approaches (Coopers & Schindler, 2004).

Positivist philosophy premises that knowledge is based on facts and that no abstractions or subjective status of individuals is considered. Positivism thus derives a quantitative perspective which holds that there is an objective reality that can be expressed numerically, with explanatory and predictive power (Neuman, 2006; Furrer, Thomas & Goussevkaia, 2008). Under this paradigm, knowledge is valid only if it is based on values of reason and facts, gathered through direct observations and experience, measured empirically using quantitative methods and statistical analysis. Under this paradigm, theoretical models can be developed that are generalisable to explain cause- and – effect relationships (Saunders, Lewis

& Thornhill, 2007). Consequently, problem solving under this approach follows a pattern of formulating hypotheses in which assumptions of social reality are made and hypotheses tested often using quantitative techniques (Buttery & Buttery, 1991; Stile, 2003).

The philosophical foundation adopted for this study was positivism where scientific processes were followed in hypothesizing fundamental laws then deducing the observations so as to determine the truth or falsity of the said hypotheses. Further according to Beardwell and Claydon (2007) positivism underpins many organizational activities such as psychometric testing for selection and SHRM models. Esmoyol and Jonasova (2013) underscore the importance of understanding SHRM thinking, through the development of the best-fit approach, the configurational approach, the resource-based view approach, and find the contribution SHRM can make to organizational performance, through increased competitive advantage and added value. The positivist's view in this case considers the context of SHRM practice and fragments the relevant variables in order to establish the relationships among them through several hypotheses. Further the positivist route help the researcher come up with findings that validate HR's long-cherished route to be a strategic partner.

3.3 Research Design

According to Saunders, Lewis and Thornhill (2007) no single design exists in isolation. They argue that combining different designs in one study enables triangulation and increases the validity of the findings. Therefore the current study used both descriptive research design and explanatory research using cross-sectional survey design. Descriptive research design affords

the researcher an opportunity to capture a population's characteristic and test hypothesis (Cooper & Schindler 2008). Further, the researcher has no control of the variables in the sense of being able to manipulate them hence guarding against bias. The explanatory research design looks for explanations on the nature of certain relationships and investigates the cause effect relationship between variables (Saunders, 2009). According to Zikmund (2003) surveys provide a quick and accurate means of assessing information if properly conducted. A survey also attempts to quantify social phenomena particularly on issues, conditions or problems that are prevalent in the society.

3.4 Operationalization and Measurement of Variables

The dependent variable in this study was organizational performance whereas SHRM practices were the independent variables. The study also sought to establish whether human resource capabilities and public sector culture are mediating and moderating variables respectively. Table 3.1 presented a description of the four study variables and how they were operationalized.

Table 3.1 Operationalization of Variables

VARIABLE	NATURE	OPERATIONALIZATION	INDICATORS	MEASUREMENT CRITERIA IN QUESTIONNAIRE
Recruitment	Independent variable	Finding and engaging the people who can help meet the organization needs.	- HR Planning - Attracting Qualified Personnel - Selection - Placement	Section B Items on a 1-5 scale
Training	Independent variable	Acquisition of skills, rules, concepts or attitudes that result in improved performance	- Training Needs Identification - Training Planning and Designing - Training Delivery	Section B Items on a 1-5 scale

			- Training Evaluation	
Performance management	Independent variable	Delivering sustained success to organizations by improving the performance of people who work in them	- Result Based Appraisal - Behavior Based Appraisals	Section B Items on a 1-5 scale
Compensation	Independent variable	Strategies and policies aimed at rewarding people fairly, equitably and consistently	-Reward Strategy - Wage Policy - Equity - Non Financial Rewards	Section B Items on a 1-5 scale
HR Capabilities	Mediating variable	Ability to reduce costs and respond to environmental opportunities and threats	Valuable HR	Section C Aggregated index of 1-5 point scale
		Possessed by few firms in an industry that is small enough to prohibit perfect competition	Rare HR	
		That which cannot be easily imitated by the organization's competitors	Inimitable HR	
		Organization of other HR capabilities	Organization	
Public sector culture	Moderating variable	Flexibility focus in which readiness and adaptability are utilized	Developmental culture	Section D Aggregated index of 1-5 point scale
		Continuous monitoring, administering, coordinating and reinforcing rules, as well as maintaining efficiency	Hierarchical culture	
Organizational Performance	Dependent Variable	Achievement of a firm's immediate objectives	Effectiveness	Section E Aggregated index of 1-5 point scale
		Optimal transformation activities of inputs into outputs	Efficiency	
		Ability to meet the needs and gain the support of its priority stakeholders	Relevance	
		The ability of an organization to raise the funds required to meet its functional requirements	Financial viability	

Source: (Author, 2014)

3.5 Target Population

The target population of the study consisted of all 185 parastatals in Kenya listed in the presidential taskforce on parastatal reforms report of October 2013 (Appendix III). These organizations were specifically targeted for the survey as they represent the various sectors of the Kenyan economy which include agriculture, commercial and services, finance and investment, and industrial and allied sectors.

3.6 Sampling Design and Procedure

Since the study population is reasonably small a census was conducted. According to Saunders (2007) a census is the collection and analysis of data from every possible case or group member in a population. In order to identify the respective respondents for each of the parastatals a three multi-stage random sampling method as proposed by (Shapiro, 2006) was used. The first stage used purposive sampling in selecting human resource departments in all the parastatals. The second stage involved the use of stratified random sampling to create two strata consisting of the heads of human resource departments to represent senior management and another consisting of other employees in the human resource department to represent middle level management. The third stage involved the use of simple random sampling to pick one employee from each of the human resource departments to represent middle level management. The HR managers are the subject matter experts and were believed to be in a good position to provide the required information they are also likely to be involved in policy formulation and implementation and hence knowledgeable in the areas under study. Kilika (2012) also used this approach in his study.

The study adopted a multi-rater response approach as urged by Gerhart (2000) who contends that SHRM effects based on single respondents surveys are significantly undermined by the presence of measurement error in the HRM measures. To minimize these error questionnaires were administered to two target respondents in each of the parastatals, namely head of human resource department and another employee from the same department.

3.7 Data Collection Instruments

Primary data was collected using self-administered questionnaires (see appendix III). The questionnaires were used to explore the selected manager's observations, views and opinions on the variables under study. This method was preferred because of the technical nature of items in the scale and the need to ensure reliability of responses from the respondents. The questionnaires were divided into five sections to obtain information covering various aspects of the study. Section A covered demographic characteristics of the respondents. Section B covered strategic human resource practices including recruitment, training, performance management, and compensation. Section C covered human resource capabilities, section D public sector culture and E on organizational performance. 5-point likert scale was used to measure variables in sections B through E. Open ended questions were used so as to substantiate responses in respective sections.

3.8 Validity and Reliability of Research Instruments

The study evaluated both the validity and reliability of the data collection instrument.

3.8.1 Validity of Research Instruments

Validity can be described as the extent to which the instrument measures what it purports to measure (Jankowicz, 2005). Validity concerns the accuracy and meaningfulness of inferences which are based on the research results (Bryman & Cramer, 2005). A pilot test was carried out to evaluate face and content validity of the instrument.

Face validity dealt with the researcher's subjective evaluation of the validity of the measuring instrument, and hence the extent to which the researcher believed the instrument was appropriate. The study also relied on instruments developed in other related studies, as well as concepts generated from a broad range of appropriate literature.

Content validity was ensured by the questionnaire getting tested by subjecting it to double check. This also ensured that the questionnaire covered all the main areas of the study. A rational analysis of the instrument was done by five (5) raters who were familiar with constructs of interest. They recommended changes which were thereafter incorporated in the final instrument. Construct validity was ensured through the operationalization of terms. The variables in the study were operationalized to reflect the theoretical assumptions that underpinned the conceptual framework for the study.

3.8.2 Reliability of Research Instruments

Reliability is the extent to which a questionnaire tests observations or any measurement procedure produces the same results. That is the stability or consistency of scores over time or across raters (Malhotara, 2004). Internal consistency of the research instrument was

measured using Crobach's Alpha. Crobach's Alpha is the reliability coefficient that indicates how the items in a set are positively correlated to one another (Sekaran, 2003). It has, been suggested that a reliability level of 0.70 is enough on predictor tests or hypothesized measures of a construct. (Ehlers, 2000). Indeed, it is recommended that, a minimum of 0.70 for exploratory work and a standard 0.90 for advanced practice should be applied. However, Cooper and Schindler (2003) argued that a Cronbach's alpha value of above 0.50 is regarded as an indication of reliability. Similarly, Muathe (2010) used a similar threshold. In this study, 0.50 was used to indicate reliability of the research instruments and the results for all the items are summarized in Table 3.2

Table 3.2 Test of Reliability of the Research Instrument

Questionnaire Section	No of Questionnaire items	Alpha Score	Comment
Training	11	.844	reliable
Recruitment	7	.577	reliable
Performance Management	7	.729	reliable
Compensation	11	.720	reliable
HR Capabilities	13	.786	reliable
Public Sector Culture	11	.857	reliable
Organizational Performance	25	.906	reliable
All Items	85	.940	reliable

Source: (Pilot Testing, 2014)

Results presented in table 3.2 indicate that all the variables attained the acceptable and recommended level of alpha 0.50. The reliability of the instrument stands at approximately 94%.

3.9 Data Collection Procedures

The data collection process involved getting the approval letter from the National Commission for Science, Technology and Innovation (NACOSTI), and a letter of introduction from Kenyatta University. In addition the authorization and consent to collect information from study respondents was sought from the management of the parastatals. Questionnaires were administered by trained research assistants. Three hundred and fifty (350) questionnaires were distributed to the human resource management department one to the head of the department and another to a middle level manager in the department for each of these parastatals. The filled responses were picked later within a specified time from the concerned officials. Data collection took approximately 10 weeks, data was thereafter, sorted and collated for analysis and subsequent presentation.

3.10 Data Analysis and Presentation

Descriptive statistics such as mean scores, standard deviations, percentages, and frequency distribution were computed to describe the characteristics of the variables of interest in the study. Descriptive statistics provided the basic features of the data collected on the variables under study and provided the impetus for conducting further analysis on the data (Mugenda, 2008). Stata version 11.0 was used to aid in data analysis and the results were presented in form of tables for easy understanding and interpretation.

To establish the nature and magnitude of the relationships between the variables and to test the hypothesized relationships, this study applied inferential statistics. The appropriate test

applied was multiple regression analysis. The research hypothesis is tested at 95% level of confidence.

To facilitate regression the study used summations of likert items in each section of the structured questionnaire. The generated sum was used as a proxy for the given variable. Therefore, each index for strategic human resource management component was generated as follows;

$$I = \sum_{i=1}^N q_i$$

Where,

I is the index (proxy) for the various components of strategic human resource management (training, recruitment, compensation and performance management).

q_i is a likert item in each section of the structured questionnaire.

N is the number of likert items in each of the sections in the structured questionnaire.

3.10.1 Diagnostic Tests

To ensure that the results of the multiple linear regression analysis were reliable several tests on the basic assumptions about the population from where the data had been derived were conducted.

One of the most important assumption underlying multivariate analyses is the normality of data. Normality refers to the extent to which the distribution of the sample data corresponds to the normal distribution (Hair, 2010). The researcher used the rule of thumb that a variable is reasonably close to normal if its skewness and kurtosis have values between -0.1 and + 0.1 as recommended by Myoung (2008). Normality test is important because regression model estimation methods are based on an assumption of normality since normally distributed data ensures that the data is fit for further statistical analysis and does not result to inflated statistics and under- estimated standard errors (Field, 2009).

Linearity means that the relationship between the explanatory variables and the outcome variable is linear. In other words, each increase by one unit in an explanatory variable is associated with a fixed increase in the outcome variable. The Pearson's correlation coefficient was used to test the linearity of the relationship between the variables as recommended by (Yount, 2000; Wooldridge, 2000). Further correlation coefficient shows the strength as well as the direction of the linear relationship; a negative correlation indicates a inverse relationship where an increase in one variable caused a decrease in the other while a positive correlation indicates a direct influence, where an increase in one variable causes an increase in the other variable (Field, 2009).

Multicollinearity refers to the linear correlation among variables. To check for correlated variables, multi-collinearity was tested using variance inflation factor (VIF). A VIF value of above 10 and a tolerance of less than 0.1 indicates presence of multi-collinearity (Hair *et al.*, 2010). Multi-collinearity creates a problem for multiple regression models given that as

collinearity increases the standard error of coefficients also increases making them less reliable.

Homoscedasticity refers to the assumption that the dependent variable exhibits similar amounts of variance across the range of values for an independent variable (Hair *et al.*, 2010). To test for the homogeneity of variance the Breush-Pagan test was conducted as recommended by Warner (2008). Where the Breusch-Pagan null hypothesis states that there is constant of error term. Further, Warner (2008) recommends that the probability value should be greater than .05 to meet the homoscedasticity assumption to allow the regression model for further analysis.

3.10.2 Empirical Model

This section provides the empirical models that were estimated and used for inferential analysis, as informed by the conceptual framework. The relationship between independent variables (SHRM practices) and organizational performance (dependent variable) as well as the mediating effect of HR capabilities and moderating effect of public sector culture were tested. Objectives one through four were addressed using model 3.1.

$$OP = \beta_0 + \beta_1T + \beta_2R + \beta_3PM + \beta_4C + \varepsilon \dots\dots\dots (3.1)$$

Where OP: - Organizational Performance

T:- Training

R:- Recruitment

PM:- Performance Management

C:- Compensation

ε :- Error Term

The coefficients path β_1 , β_2 , β_3 , β_4 and ε measure the effect of T, R, PM, and C on OP respectively. The significance of β 's was used to test the corresponding hypotheses specified in chapter one.

The fifth objective sought to establish whether HR capabilities have a mediating effect on the relationship between SHRM practices and performance of Parastatals in Kenya. To establish whether HR Capabilities mediate the relationship between independent variables and the dependent variable a four step approach as suggested by MacKinnon (2002) and also used by Muli, (2014) was employed. First model 3.1 was estimated as the base model to determine the relationship between the dependent variable and the independent variables. Secondly, model 3.2 which estimated the relationship between mediator and the independent variables.

$$HRC = \beta_0 + \beta_5 SHRM + \varepsilon \dots \dots \dots (3.2)$$

Where,

SHRM = Strategic human resource management

HRC: Human resource capabilities

The other variables remain as defined in 3.1

Thirdly, model 3.3 was included HRC as one of the explanatory variables to determine whether HRC has a complete, partial or no mediation effect on the relationship between SRHM variables and organizational performance.

$$OP = \beta_0 + \beta_6SHRM + \beta_7HRC + \varepsilon \dots\dots\dots(3.3)$$

Fourth, the decision criteria used to address the hypothesis is articulated in table 3.3.

Table 3.3 Mediation Decision Making Criteria

OUTCOME		CONCLUSION
1.	$\beta_1 - \beta_4$ are significant in model 3.1	Complete mediation
	β_5 is significant in model 3.2	
	$\beta_6 - \beta_7$ are not significant and β_{10} is significant in model 3.3	
2.	$\beta_1 - \beta_4$ are significant in model 3.1	Partial mediation
	β_5 are significant in model 3.2	
	$\beta_1 - \beta_4$ in 3.1 are significant but more than $\beta_1 - \beta_4$ in 3.3 and β_5 is significant in model 3.3	
3.	$\beta_1 - \beta_4$ are not significant in model 3.1	No Mediation
	β_5 is not significant in model 3.2	
	$\beta_1 - \beta_4$ in 3.1 are significant and equal to $\beta_1 - \beta_4$ in 3.3 and β_5 is not significant in model 3.3	

Source: Baron and Kenny, (1986)

The sixth objective sought to examine the moderating role of public sector culture on the relationship between SHRM practices and performance of Parastatals in Kenya. According to Keppel and Zeddeck (2000) estimating moderation is a two-step procedure. First, model 3.4 which included Public Sector Culture (PSC) as an explanatory variable was estimated as follows.

$$OP = \beta_0 + \beta_8SHRM + \beta_9 PSC + \varepsilon \dots\dots\dots(3.4)$$

Second, model 3.5 which captures the direction and total effect of the moderator on the relationship between independent variables and the dependent variable is estimated as:

$$OP = \beta_0 + \beta_{10}SHRM + \beta_{11}SHRM * PSC + \varepsilon \dots\dots\dots(3.5)$$

β_{10} to β_{11} capture the coefficient of the interactive terms between PSC and the SHRM variables. According to MacKinnon (2002) the decision criteria is given as follows: If β_{10} to β_{11} in model 3.5 are not significant but β_9 in model 3.4 is significant then public sector culture is just an explanatory variable. However, if β_{10} to β_{11} in model 3.5 are significant then public sector culture is a moderator whose effect and direction are given by the β_i 's.

3.11 Controlling for Type I and Type II Errors.

Wrong interpretations in empirical research may arise during the testing of hypotheses due to the influence of type I and type II errors. In statistical hypothesis testing, a type I error is the incorrect rejection of a true null hypothesis, while a type II error is the failure to reject a false null hypothesis (Zikmund, 2003; Nachmias & Nachmias, 2004). According to Cooper & Schindler (2006) type I errors are considered more serious than the type II errors and that reducing the probability of a type II error increases the probability of a type I error.

Researchers and statisticians agree that controlling type I errors largely depends on the level of statistical significance that the researcher has set up for testing the hypothesis. The conventional levels are $p < 0.001$, $p < 0.01$ and $p < 0.05$ (Nachmias & Nachmias, 2004). The various hypotheses tested by this research were tested within the threshold of the conventional significance levels to ensure that the probability of committing this type I error

was very low and that practical decisions made out of the recommendations of the tested hypotheses stand a relative low chance of being misleading.

Zikmund (2003) suggested that type II error is addressed by ensuring that the sample size is relatively large. This study obtained data from a population of 268 respondents. While statisticians agree that a sample size of 30 respondents is the cut off point for determining whether the sample is large, this study had an actual response of 268 respondents which is considered relatively large and hence capable of reducing the chances of committing type II error. A number of scholars have used a similar approach to limit type II error (Muathe, 2010; Kilika, 2012).

3.12 Research Ethics

The researcher took various steps to ensure that the study adhered to research ethical standards. The researcher sought consent from the administration of each parastatal before administering the questionnaires. Participants were asked to verbally consent to participate in the research and their confidentiality was guaranteed. The questionnaire was designed to collect information directly related to the research questions, and no private or personal questions were asked from respondents. The questionnaires did not contain any degrading, discriminating or any other unacceptable language that could be offensive to any members of the sample group. Lastly, journals and text books belonging to other authors that have been used in any part of this study have been fully acknowledged using APA Referencing System.

CHAPTER FOUR

EMPIRICAL FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and discussion of the study and is organized as follows: The analysis of the response rate, descriptive statistics showing the respondents profiles and characteristics to show the degree to which data represents the population of interest, pre-estimation diagnostic tests and inferential statistics.

4.2 Analysis of the Response Rate

The researcher distributed 370 questionnaires, out of which 268 were received from the field. This represented an overall successful response rate of 72.1%. The rest (27.9%) consisted of those questionnaires that were never returned. According to Wimmer and Dominick (2006), a response rate of 21% – 70% is acceptable for self-administered questionnaires. It guarantees accuracy and minimizes bias. Rogelberg and Stanton (2007) assert that when cross – sectional studies of survey design are conducted at the individual level, the expected response rate is 50%. Ibid (2007), further argues that for those studies carried out at the organizational level, the appropriate response rate is between 35 – 40%. Therefore, the above response rates meet this criterion hence it was appropriate for this study.

4.3 Respondents Biographic Information

For brevity and conciseness Table 4.1 shows the demographic characteristics of the respondents. The discussion is complemented by figures 2, 3, 4, 5 and 6 in appendix V.

Table 4.1: Demographic Profiles of Respondents

Gender	Frequency	Percentage
Male	158	59
Female	110	41
Total	268	100
Age		
Less than 35 years	79	29
35 – 40 years	55	21
41 – 45 years	84	31
More than 45 years	50	19
Total	268	100
Level of Education		
High school	1	0
Diploma	42	17
Bachelors	96	36
Masters	125	47
Doctorate	2	0
Others	2	0
Total	268	100
Years of Service		
1 – 3 years	81	30
4 – 5 years	80	30
More than 5 years	107	40
Total	268	100
Level of Management		
Head of human resource	159	59
Middle level management	109	41
Total	268	100

Source: (Survey Data, 2015)

The findings in Table 4.1 show the demographic profiles of the respondents and summary statistics of their distribution across these characteristics. Table 4.1 (see appendix V) show that the respondents were fairly distributed across gender. There were marginally more male respondents than female with 58.96% being male and 41.04% being female. This is consistent with the fact that there are generally more men in employment than women and also shows a fair balance where neither gender has occupied all the positions. This is in line with the constitution which requires that at least a third of the employees in the public sector be female. 29% of the respondents were aged below 35 years while those aged between 35-40 years got 21% rate response. This implies that the most active age of employees was involved in this study. 31% were aged between 41- 45, this being the age bracket with the highest number of respondents while only 19% were more than 45 years. This is consistent with the public sector career progression practices which lay emphasis on experience and the number of years of service. The age structure of the employees also creates an opportunity for organizations to plan for succession so that younger employees can take over from their older colleagues.

Concerning the level of education, 17% had a diploma 36% had a bachelor's degree while 47% had a master's degree. Only one manager had a doctorate degree. Therefore, on average human resource managers and middle level managers in the Kenyan parastatals hold a Masters Degree. This underscores the fact that managerial positions in the Parastatals require more skills than basic education but are less attractive to doctorate holders. 70% of the respondents had served their respective parastatal for more than four years. This is consistent with the non-interference policy pursued by the public service, which is known for job

security. The significant number of respondents with enough experience implies that the findings are good enough to help understand the performance of parastatals.

4.4 Descriptive Analysis

In this section the descriptive statistics for the study variables namely SHRM practices, public sector culture, HR capabilities and organizational performance are reported. The descriptive statistics summarize the main characteristics of the study variables.

4.4.1 Training

Respondents were asked to rate training on a scale of 1 to 5. Where 5 represents ‘to a very great extent’ and 1 ‘not at all’. Mean and standard deviation were then computed for the variable as given in Table 4.2.

Table 4.2 Responses on Training

	Mean	Std. Deviation	Minimum	Maximum	Sum
Training offered is relevant to employees' jobs	4.5933	.58274	1.00	5.00	1231.00
Training is aimed at improving organizational performance	4.6978	.61965	1.00	5.00	1259.00
Employees in each job will normally go through training programs every year	3.9590	1.38822	1.00	5.00	1061.00
Training programmes are well planned and designed	4.3470	1.17516	1.00	5.00	1165.00
All the employees are exposed to different kinds of training	3.8993	1.24263	1.00	5.00	1045.00
There is training for problem- solving skills.	3.6791	1.22765	1.00	5.00	986.00
There is a training policy applicable to all employees	4.3507	1.15960	1.00	5.00	1166.00
There are plans and budgets for training activities	4.4382	.95329	1.00	5.00	1185.00
The organization links training with the company's business strategy	4.4120	.98233	1.00	5.00	1178.00
The organization has a full-fledged training department manned by competent professionals	4.0336	1.33618	1.00	5.00	1081.00
There is evaluation of the training programmes	4.0933	1.13287	1.00	5.00	1097.00
Aggregate score	4.2276	1.07275			

Source: (Survey data, 2015)

The overall aggregate mean score for this section stands at 4.2276 and the standard deviation at 1.07275. This implies that on average the managers affirmed that training offered was relevant to employees' jobs, and this is aimed at improving organizational performance. This supported the statement suggesting that training is aimed at improving organizational performance with the highest mean score of 4.6978 and a standard deviation of 0.61965. One of the items 'training for problem – solving' scored relatively low, with a mean of 3.6791 and a standard deviation of 1.22765. This may be explained by the fact that employees in parastatals are mostly involved in solving routine problems not complex ones.

The findings are in agreement with the assertion by Katou and Budwar (2007), that there has been a growing recognition of the importance of training as a source of sustained competitive advantage as employers introduce more skills-specific forms of training to deal with skills shortages in certain areas.

4.4.2 Recruitment

The respondents were asked to rate to what extent statements on recruitment were accurate or inaccurate from a scale of 1 to 5. Very accurate is 5 and 1 is very inaccurate. The results are in Table 4.3.

Table 4.3 Responses on Recruitment

	Mean	Std. Deviation	Minimum	Maximum	Sum
The organization is able to determine future demand of employees.	4.2985	.94833	1.00	5.00	1152.00
The organization is able to determine future supply of employees	3.4627	1.09583	1.00	5.00	928.00
The organization prefer getting employees from within	2.8433	1.49583	1.00	5.00	762.00
The organization prefer getting employees from external sources	3.9851	1.40083	1.00	5.00	1068.00
The management understands the requirements for job	4.5448	.72013	1.00	5.00	1218.00
A preliminary screening is conducted all potential employees	4.5373	.62599	1.00	5.00	1216.00
Recruitment strategies are aimed at giving the organization a competitive advantage	4.6754	.63823	1.00	5.00	1253.00
Aggregate score	4.0495	0.98931			

Source: (Survey data, 2015)

The overall aggregate mean score for this section stands at 4.0495 and a standard deviation of 0.98931. This implies that on average the managers were convinced that parastatals had put in place recruitment practices that would enable them get the kind of employees their

organizations needed. The statement that recruitment strategies are aimed at giving the organization a competitive advantage had the highest mean score of 4.6754 while the standard deviation stood at 0.63823. The statement whether the organization preferred getting employees from within had the lowest mean score of 2.8433 and a standard deviation of 1.49583 implying that the firms preferred getting employees from outside the organization.

The findings seem to support the argument by Paul and Anantharaman (2003) that organizations should try to identify talented candidates so that only competent people get into the organization. The findings also support the assertion that organizations see recruitment as an effective way to achieve human capital advantage, thus by recruiting outstanding people and capturing a stock of exceptional human talent then organizations can achieve sustained competitive advantage (Marchington & Grugulis, 2000).

4.4.3 Performance Management

The respondents were required to rate their level of agreement or disagreement with the statements pertaining to performance management on a scale of 1 to 5. Where 5 represents 'strongly agree' and 1 'strongly disagree'. The results are in Table 4.4.

Table 4.4 Responses on Performance Management

	Mean	Std. Deviation	Minimum	Maximum	Sum
There is emphasis on behavioral based appraisal	4.2388	.80893	1.00	5.00	1136.00
Performance of the employees is measured on the basis of objective quantifiable results	4.5448	.81756	1.00	5.00	1218.00
The performance evaluation emphasizes guiding employee behaviors toward the company's strategic direction	4.1978	.86227	1.00	5.00	1125.00
The main focus of performance evaluation is development as opposed to punishment	4.3134	1.01242	1.00	5.00	1156.00
Performance evaluation uses a long-term measurement standard	3.8321	1.00829	1.00	5.00	1027.00
Goals set for performance evaluation are mutually decided	4.1119	.95329	1.00	5.00	1102.00
Promotions are strictly based on performance management system	4.2687	3.27552	1.00	55.00	1144.00
Aggregate Scores	4.2154	1.24833			

Source: (Survey data, 2015)

The overall aggregate mean score for this section stands at 4.2154 and the standard deviation at 1.24833. This implies that on average the managers strongly agreed that their firms had a system of determining and communicating to an employee how they are performing on the job and establishing a plan of improvement. The statement on whether the performance of employees is measured on the basis of objective quantifiable results had the highest mean score of 4.5448 and a standard deviation of 0.81756. This implies that the parastatals used objective means to measure their employees' performance.

The findings support the arguments by Oladipo and Abdulkadir (2010) that organizations should use performance measures that are quantifiable to monitor the development of desired

employee attitudes and behaviors. This appraisal-based information could also be used for changing the selection and training practices to select and develop employees with the desired behaviors and attitudes.

4.4.4 Compensation

The respondents were required to rate their level of agreement or disagreement with the statements pertaining to compensation on a scale of 1 to 5. Where 5 represent 'strongly agree' and 1 'strongly disagree'. The results are in Table 4.5.

Table 4.5 Responses on Compensation

	Mean	Std. Deviation	Minimum	Maximum	Sum
Incentive pay is linked to job performance for all employees	3.9254	1.33592	1.00	5.00	1052.00
The organization provides managerial staff a flexible compensation structure but not a standardized one	3.4851	1.23152	1.00	5.00	934.00
There is a great discrepancy in incentive pay between the high and low performers for the same job	3.7985	1.37271	1.00	5.00	1018.00
The incentive pay of middle- to high-level managerial staff is linked to the organization's performance	3.9552	1.31181	1.00	5.00	1060.00
Salary and other benefits are comparable to what is generally obtainable in the industry	4.0970	1.24443	1.00	5.00	1098.00
There is a clear explanation of remuneration policy and its implementation	3.7649	1.45622	1.00	5.00	1009.00
There are individual incentives	3.7948	1.51115	1.00	5.00	1017.00
There are group incentives	3.0448	1.72388	1.00	5.00	816.00
There is skill based pay element in our pay package	3.0187	1.46738	1.00	5.00	809.00
Pay is only in terms of salary	3.5149	1.47760	1.00	5.00	942.00
No financial incentives	3.2313	1.65764	1.00	5.00	866.00
Aggregate Scores	3.6027	1.43548			

Source: (Survey data, 2015)

The overall aggregate mean score for this section stands at 3.6027 and the standard deviation at 1.43548. This implies that the respondents agreed that they had good compensation policies in their organizations. The statement on whether the salaries and other benefits

payable to employees are comparable to what is generally obtainable in the industry had the highest mean score of 4.0970 and a standard deviation of 1.24443.

The findings support the argument by Milkovich and Boudreau (1998) that firms can use incentive-based compensation to impact on firm performance. Performance-based compensation involves providing rewards to employees who achieve the specific goals and objectives of the firm.

4.4.5 Human Resource Capabilities

The respondents were required to rate their level of agreement or disagreement with the statements pertaining to human resource capabilities on a scale of 1 to 5. Where 5 represents 'strongly agree' and 1 'strongly disagree'. The results are in Table 4.6.

Table 4.6 Responses on Human Resource Capabilities

	Mean	Std. Deviation	Minimum	Maximum	Sum
The firm is able to exploit environmental opportunities	4.3731	.87983	1.00	5.00	1172.00
The firm is able to neutralize environmental threats	4.2910	.84201	1.00	5.00	1150.00
The firm's HR result in an increase in revenues	4.1530	1.03628	1.00	5.00	1113.00
The firm's HR result in a decrease in costs	4.0522	1.05161	1.00	5.00	1086.00
Human resource Capabilities average score (Value)	4.2174	.81799	1.00	5.00	1130.25
The HR in your firm is only comparable to others in a small number of competing firms	3.6217	1.32755	1.00	5.00	967.00
The resources used to make products/services in the firm are rare	3.6343	1.33543	1.00	5.00	974.00
The final products/services of the firm are rare	3.5000	1.37528	1.00	5.00	938.00
The firm's HR can be trusted	4.4925	.84575	1.00	5.00	1204.00
Human resource Capabilities average score (Rare)	3.8134	1.00149	1.00	5.00	1022.00
What your firm is doing is difficult to imitate	3.2239	1.64734	1.00	5.00	864.00
The HR in your organization possesses unique managerial skills	4.1498	1.03693	1.00	5.00	1108.00
particular circumstances have led to a unique development of competencies	4.0784	.94682	1.00	5.00	1093.00
The organizations resources are patented	3.7201	3.45111	1.00	55.00	997.00
Human resource capabilities average score (Imitation)	3.7938	1.25968	1.00	17.50	1016.75
The firm's other policies and procedures are organized to support the exploitation of its valuable, rare, and costly-to-imitate resources	4.4195	1.02418	1.00	5.00	1180.00
Aggregate Scores	4.0610	1.02584			

Source: (Survey Data, 2015)

The overall aggregate mean score for this section stands at 4.0610 and the standard deviation at 1.02584. This indicates that the parastatals have human resource capabilities that are valuable, rare, inimitable and organized. The aggregated parameters for the sub-variables of human resource capabilities are value with mean score of 4.2174 and a standard deviation of 0.81799, rareness with a mean score of 3.8134 and a standard deviation of 1.00149, inimitability with a mean score of 3.7938 and standard deviation of 1.25968 and organization with a mean score of 4.4195 and a standard deviation of 1.02418. Hence the sub – variable organization and value contribute somewhat highly each to human resource capabilities according to the study measurement scale. Rareness and inimitability make average contribution to human resource capabilities, on the measurement scale.

The findings support the argument by (Wright, 1998) which indicates that one of the key competitive advantages of the organization is its human resources capabilities, which facilitate the production of organizational effectiveness, and high performance of the organization. Thus, any venture in increasing human resource capabilities ought to be considered crucial to the improvement of the firm's performance.

4.4.6 Public Sector Culture

The respondents were required to rate their level of agreement or disagreement with the statements pertaining to public sector culture on a scale of 1 to 5. Where 5 represents 'strongly agree' and 1 'strongly disagree'. The results are in Table 4.7.

Table 4.7 Responses on Public Sector Culture

	Mean	Std. Deviation	Minimum	Maximum	Sum
My organization is characterized by a culture of creativity	4.4104	.84101	1.00	5.00	1182.00
We believe in creating change rather than reacting to change	4.4179	.91838	1.00	5.00	1184.00
The organization is characterized by a culture of flexibility	4.0821	1.08478	1.00	5.00	1094.00
In the organization, individual departments are allowed to develop and run with their own ideas	3.8652	1.15873	1.00	5.00	1032.00
In the organization, individual initiative is rewarded	4.3545	1.05880	1.00	5.00	1167.00
Developmental organizational culture average	4.2267	.80390	1.20	5.00	1132.75
The firm is driven by achievement of market-related goals	4.2276	.98512	1.00	5.00	1133.00
Competitiveness is strongly emphasized in the organization	4.3731	.69962	1.00	5.00	1172.00
If one does not work hard, one will not fit into the organization's culture	3.6517	1.38549	1.00	5.00	975.00
In my firm, every department or division is expected to achieve monthly /quarterly/ annual set goals,	4.3769	.83225	1.00	5.00	1173.00
In the firm, increased performance is rewarded accordingly	4.0299	1.30076	1.00	5.00	1080.00
In the firm, relations are based on performance- reward relationships instead of social relationships.	3.8134	1.19717	1.00	5.00	1022.00
Hierarchical organizational culture average	4.0788	1.06674	1.00	5.00	1093.00
Aggregate Scores	4.1528	0.93532			

Source: (Survey Data, 2015)

The overall aggregate mean score for this section stands at 4.1528 and the standard deviation at 0.93532. This indicates that the respondents agreed that the parastatals had effective organizational culture. The aggregated parameters for the sub-variables are developmental organizational culture with a mean score of 4.2267 and a standard deviation of 0.80390 and

hierarchical organizational culture with a mean score of 4.0788 and a standard deviation of 1.06674.

These findings are consistent with assertions by Koigi (2011) that employees from different departments should be encouraged to work together to they create change rather than react to change, they also be encouraged to have a strong commitment to innovation.

4.4.7 Organizational Performance

The respondents were required to rate their level of agreement or disagreement with the statements pertaining to organizational performance on a scale of 1 to 5. Where 5 represents ‘strongly agree’ and 1 ‘strongly disagree’. The results are in Table 4.8.

Table 4.8 Responses on Organizational Performance

	Mean	Std. Deviation	Minimum	Maximum	Sum
The organization achieves its annual objectives	4.3731	.83169	1.00	5.00	1172.00
The organizational objectives are in line with the organization’s mission	4.5075	.78608	1.00	5.00	1208.00
The organization supports innovation.	4.5373	.80872	1.00	5.00	1216.00
Members of staff are fully utilized to meet organization’s goals.	4.4104	.76155	2.00	5.00	1182.00
The organizations always achieve its objective within the set time frame	4.1124	1.15464	1.00	5.00	1098.00
The organization aggressively introduces new products	3.9963	1.26461	1.00	5.00	1071.00
Continuously assesses customer satisfaction	4.3806	.89773	1.00	5.00	1174.00
High quality administrative systems are in place to support service delivery.	4.3895	.87034	1.00	5.00	1172.00
Organizational Performance Effectiveness (average scores)	4.3391	.70116	1.25	5.00	1162.88
The organization responds to customers complain in a timely manner	4.1015	1.01732	1.00	5.00	1091.00

The organization makes optimal use of its financial resources.	4.1842	.85556	1.00	5.00	1113.00
Reacts to competitors threats immediately	4.1124	.96680	1.00	5.00	1098.00
The organization compares progress made in the organization from time to time	4.5187	3.20516	1.00	55.00	1211.00
The organization delivers its services/products promptly without any delay.	4.0896	.95174	1.00	5.00	1096.00
The organization controls overhead costs.	4.0970	.95885	1.00	5.00	1098.00
Organizational Performance Efficiency (Average scores)	4.1853	.93676	1.33	13.33	1121.67
Services/products of the organization are regularly reviewed to reflect changing environment.	4.3221	.83238	1.00	5.00	1154.00
Services/products of the organization are regularly reviewed to reflect changing capabilities.	4.3545	.85531	1.00	5.00	1167.00
Services/products of the organization are regularly reviewed to reflect changing client needs.	4.4216	.83319	1.00	5.00	1185.00
Services/products of the organization are regularly reviewed to reflect changing client type.	4.3433	.90859	1.00	5.00	1164.00
The organization regularly reviews the environment to adapt its strategy.	4.0974	1.02133	1.00	5.00	1094.00
The organization adequately balances stakeholders demand.	4.0149	1.16107	1.00	5.00	1076.00
Organizational Performance Relevance (Average scores)	4.3090	.77590	1.00	5.00	1154.80
The organization has sustainable financial resources for continuity of its activities.	4.5224	.70542	1.00	5.00	1212.00
The organization has more revenue than expenses.	4.0821	1.10869	1.00	5.00	1094.00
The organization does not rely on funds from external sources.	3.6530	1.48239	1.00	5.00	979.00
The organization has more assets than liabilities.	3.9888	1.30782	1.000	5.000	1065.000
The organization depends on external funding.	3.6418	1.60944	1.00	5.00	976.00
Organizational Performance financial viability(Average scores)	3.9776	1.24275	1.00	5.00	1065.00
Aggregate Scores	4.2028	0.91414			

Source: (Survey Data, 2015)

The overall aggregate mean score for this section stands at 4.2028 and the standard deviation at 0.91414. This indicates that the respondents agreed that the performance of the parastatals was effective, efficient, relevant and financially viable. The aggregated parameters for the sub-variables are effectiveness with a mean score of 4.3391 and a standard deviation of 0.70116, efficiency with a mean score of 4.1853 and a standard deviation of 0.93676, relevance with a mean score of 4.3090 and a standard deviation of 0.77590 and financial viability with a mean score of 3.9776 and a standard deviation of 1.24275. From the study scale, effectiveness and relevance sub – variables each make somewhat high contributions to organizational performance with financial viability making the least contribution.

4.5 Regression Analysis

Regression analysis was used to test all the six hypotheses. However before the analyses were carried out, diagnostic tests were conducted to investigate on the basic assumptions of multiple linear regressions, as suggested by Greene (2002).

4.5.1 Results of Diagnostic Tests

The following diagnostic tests were conducted.

a) Normality Test

To test for normality, statistics estimating measures of shape including skewness and kurtosis were made and presented in Table 4.9. The rule of thumb is that a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0 as recommended by Myoung, (2008). Normality of the variables is shown in Table 4.9 below.

Table 4.9 Results of Normality Diagnostic Test

Descriptive		Statistic	Std. Error	Conclusion
Organizational Performance	Skewness	-0.125	0.098	Normally Distributed
	Kurtosis	0.186	0.839	
Training	Skewness	-0.147	0.098	Normally Distributed
	Kurtosis	0.411	0.609	
Recruitment	Skewness	-0.452	0.067	Normally Distributed
	Kurtosis	0.641	0.365	
Performance Management	Skewness	-0.857	0.022	Normally Distributed
	Kurtosis	0.227	0.123	
Compensation	Skewness	-0.0081	0.172	Normally Distributed
	Kurtosis	0.289	0.342	

Source: (Survey Data, 2015)

The results in Table 4.9 show that the variables are normally distributed with skewness and kurtosis values ranging between -1.0 and + 1.0. This implies that the study variables namely training, recruitment, compensation, performance management and organizational performance are normally distributed and hence further tests can be carried out on the data.

b) Linearity Test

Concerning the assumption of linearity, the linear relationship of the independent variables on the dependent variables was tested using Pearson's correlation coefficient between the organizational performance and each of the hypothesized explanatory variables as proposed by Yount, (2006). The linearity results are shown in Table 4.10 below.

Table 4.10 Results of Pearson's Correlation Linearity Test

		Performance	Conclusion
Training	Pearson Correlation	0.5103	Linear
	Sig. (2-tailed)	.000	
	N	259	
Recruitment	Pearson Correlation	0.0839	Linear
	Sig. (2-tailed)	0.181	
	N	259	
Performance Management	Pearson Correlation	0.210	Linear
	Sig. (2-tailed)	.0012	
	N	259	
Compensation	Pearson Correlation	0.416	Linear
	Sig. (2-tailed)	.000	
	N	259	

Source: (Survey Data, 2015)

The findings presented in table 4.10 indicates that there is a significant positive linear relationship between organizational performance and training, organizational performance and performance management at $P < 0.05$ significance level. However, there is no significant linear relationship between organizational performance and recruitment at $P < 0.05$ significance level. But, it is important to mention that correlation does not necessarily mean that there is a causal relationship (Yount, 2000; Wooldridge, 2000). To this end, it is important to conduct regression analysis in order to estimate causal relationship. The population is normally distributed therefore the linear regression is suitable and can be estimated in this study, accordingly the proposed models 3.1, 3.2, 3.3, 3.4 and 3.5 can accurately be estimated.

c) Multicollinearity Test

To determine whether multicollinearity existed, collinearity test was conducted using, tolerance, and variance correlation analysis. The collinearity results are presented in Table 4.11.

Table 4.11 Results of Multicollinearity Test

Coefficients		
Model	Collinearity Statistics	
	Tolerance	VIF
Training	0.437	2.288
Recruitment	0.624	1.602
Performance Management	0.609	1.641
Compensation	0.523	1.912
HR Capabilities	0.287	3.485
Public Sector Culture	0.296	3.381
Mean VIF	0.462	2.385
Dependent Variable: Organizational Performance		

Source: (Survey Data, 2015)

Table 4.11 shows that the VIF for training = 2.288, recruitment = 1.602, performance management =1.641, compensation = 1.912, HR capabilities = 3.485, and public sector culture =3.381. The mean VIF for the variables is 2.385. Table 4.11 shows that the variables have a VIF that is less than 10 and tolerance value more than 0.1 ruling out the possibility of multicollinearity. Therefore, the results imply that there was no multicollinearity problem among the variables and hence the level of multicollinearity in the model can be endured.

4.6 Test of Hypotheses

Hypotheses testing required the use of multiple regression analysis. This was performed using the field data and the results interpreted according to the adjusted R^2 values and P values at $P < 0.001$ and $P < 0.005$ significance level. The variables under study were regressed on performance indicators and a composite performance measure computed to reflect overall organizational performance. Six research hypotheses that the study sought to test are addressed in this section.

4.6.1 Test of Direct Relationship

The findings of the multiple regression testing the direct relationships between training, recruitment, performance management, compensation (SHRM practices) and organizational performance are summarized in Table 4.12.

Table 4.12: Influence of SHRM Practices on Organizational Performance

Goodness of fit	Test Statistic	P-value	
Adjusted R-squared	0.6379		
R-squared	0.6435		
F-statistic (4, 268)	114.64	0.000***	
Breusch-Pagan Test (Heteroskedasticity)	0.42	0.5164	
Dependent Variable= Organizational Performance	Linear Regression Results		
	Coefficients	t-statistic	P-value
Training	0.613	9.46	0.000***
Recruitment	0.225	1.34	0.181
Performance Management	0.363	3.27	0.001***
Compensation	0.439	7.29	0.000***
Constant	7.459	1.77	0.078
Key	** significant at 5 percent		
	*** significant at 1 percent		

Source: (Survey Data, 2015)

Table 4.12 shows that the adjusted R-squared is 0.6379 meaning that the independent variables jointly explain 63.79% variations in the dependent variable while the rest are explained by the error term. The F statistic is 114.64 with a P-value of 0.0000 which implies that the regression model is significant. The Breusch Pagan statistic is 0.42 with a P-value of 0.5164. Therefore, the t statistics and p-values can reliably be used to test the significance of coefficients in the model; $OP = \beta_0 + \beta_1T + \beta_2R + \beta_3PM + \beta_4C + \varepsilon$

The regression equation obtained from this output is:-

$$\text{Organizational Performance} = 7.459 + 0.613 \text{ training} + 0.225 \text{ recruitment} + \\ 0.363 \text{ performance management} + 0.439 \text{ compensation.}$$

4.6.2 H₀₁ There is no Relationship between Training and Performance of Parastatals in Kenya

The first objective sought to investigate the relationship between training and performance of Parastatals in Kenya. A null hypothesis H₀₁ was formulated with the assumption that there is no relationship between training and performance of parastatals in Kenya. Table 4.12 shows that the coefficient of training was 0.613. The beta coefficient for training is 0.613. This indicates that a unit increase in training would result in 61.3% increase in organizational performance value in a direct relationship between training and performance of parastatals in Kenya. The t-statistic and corresponding p-value were 9.46 and 0.000 respectively. Therefore, at P < 0.001 level of significance the null hypothesis is rejected implying that training has a significant influence on performance of Parastatals in Kenya. On the basis of these statistics, the study concludes that there is significant positive relationship between training and performance of parastatals in Kenya.

In terms of the concerns of this study, this finding brings out the role that training of the current employees can have on performance of parastatals. This is supported by the statement “training is aimed at improving organizational performance” with the highest mean score of 4.6978. The fact that training enhances organizational performance is consistent with prior studies (Bartel, 1994; Black & Lynch, 1996; Huselid, 1995; Paul & Anantharaman, 2003; Kotau & Budhwar 2007; Dimba & K’Óbonyo, 2009). This means that parastatals in Kenya offer training that is relevant to the employees job this is also evident due to the availability of plans and budgets for training activities as well as training programmes that are well planned and designed.

From the theoretical framework, the study used the postulates of the RBV theory. The resource-based view presents an influential framework for understanding strategic management. Sustained competitive advantage derived from the resources and capabilities a firm controls that are valuable, rare, imperfectly imitable, and not substitutable. These resources and capabilities can be viewed as bundles of tangible and intangible assets, including firms’ management skills, its organizational processes and routines alongside the information and knowledge it controls.

The above observation contributes to the bridging of the knowledge gaps identified in chapter two of this study. Noor (2010) examined the effects of HRM practices on personnel performance of some selected Jordan public academic libraries, but failed to show how SHRM practices contribute to organizational performance. The study by Noor (2010) was also based on only one organization hence was limited in scope. The current study besides

having a wider scope also looks at training from a strategic perspective as opposed to the traditional HR perspective. This study therefore contributes to the body of knowledge by showing that there can be a fit between training and strategy in parastatals in Kenya and hence improved organizational performance.

4.6.3 H₀₂ There is no Relationship Between Recruitment and Performance of Parastatals in Kenya

The second objective sought to determine the relationship between recruitment and performance of Parastatals in Kenya. A null hypothesis, H₀₂, was formulated with an assumption of no relationship between recruitment and performance of Parastatals in Kenya. The results in table 4.12 show that the coefficient of recruitment was 0.225 with the t-statistic and corresponding p-value of 1.34 and 0.181 respectively. Thus the study fails to reject the null hypothesis at $P < 0.001$ level of significance. Therefore the study concludes that recruitment in Kenyan parastatals does not have significant relationship with performance.

Hypothesis two relied on the theoretical proposition of the contingency theory that HR strategy would be more effective only when appropriately integrated with a specific organizational and environmental context. The Kenyan context has challenges such as a weak human resource and institutional capacity to attract and retain the skill sets needed to drive performance, hence the lack of adequate experienced employees in the Parastatals. This can also be attributed to ethnicity which is highly evident in the workplace. It manifests itself mostly through favoritism in recruitment and career advancement. Although such practices are widely criticized by the intellectual elite, others justify it as discharging one's responsibility to friends, relatives and fellow tribesmen (Kamoche, 2003). Other observers

such as Blunt, (2005) see it as an adaptive response to workplace alienation whereby workers from the same rural area come together to give each other psychological and material support in the unfamiliar city environment. Holbeche (2001) asserts that recruitment should not be simply a question of filling positions but should focus proactively on bringing into the organization the skills and experience which cannot be built from within. Undeniably, effective recruitment is critical to the success of the organization. In Kenya however HR teams can be criticized for developing recruitment strategies which do not match business priorities.

4.6.4 H₀₃ There is no Relationship Between Performance Management and Performance of Parastatals in Kenya

The third objective sought to determine the relationship between performance management and performance of Parastatals in Kenya. As such a null hypothesis H₀₃ with an assumption of no relationship between performance management and performance of Parastatals in Kenya was formulated. Table 4.12 shows that the coefficient of performance management was 0.363 with the t-statistic and corresponding p-value of 3.27 and 0.001 respectively. The beta value for performance management is 0.363. This indicates that a unit increase in performance management would result in 36.3% increase in organizational performance value in a direct relationship between performance management and performance of parastatals in Kenya. Therefore, the null hypothesis was rejected at $P < 0.001$ level of significance implying that performance management has a significant positive relationship with parastatals performance in Kenya.

The findings are in agreement with the argument by Abdulkadir (2012) that organizations can monitor the development of desired employee attitudes and behaviors through the use of the appraisal mechanisms. This appraisal-based information could be used for changing the selection and training practices to select and develop employees with the desired behaviors and attitudes. The findings are further in agreement with the argument by Nzioka, (2008) that parastatals should perfect on performance evaluation instruments; and use performance evaluation to impinge upon personnel replacement, training, discipline and rewards for enhanced productivity.

These findings are consistent with the rationale of configurational theory which posits that a simultaneous internal and external fit between a firm's external environment, business strategy, and HRM strategy may help in improving business. These findings are also consistent with the findings of previous research in Western contexts, and research undertaken in private sector organizations such as (Boselie, 2010; Gould-Williams & Gatenby, 2010; Katou & Budhwar, 2010; Boon *et al.*, 2011). Thus, the present study's findings add weight to the argument that the effects of performance management on firm's performance are not confined to western countries, or private sector organizations, but are evident across different cultures and labor markets.

4.6.5 H₀₄ There is no Relationship Between Compensation and Performance of Parastatals in Kenya

The fourth objective sought to determine the relationship between compensation and performance of Parastatals in Kenya. To this end, a null hypothesis H₀₄ assuming no relationship between compensation and performance of Parastatals in Kenya was formulated.

Table 4.12 shows that the beta coefficient of compensation was 0.439 with the t-statistic and corresponding p-value of 7.29 and 0.000 respectively. Therefore, the null hypothesis was rejected at $P < 0.001$ level of significance implying that compensation has a significant positive relationship with Parastatals performance in Kenya. The beta coefficient for compensation is 0.439. This indicates that a unit increase in compensation would result in 43.9% increase in organizational performance value in a direct relationship between compensation and performance of parastatals in Kenya.

Incentives schemes such as employee share options, profit sharing, bonus schemes, and performance-related pay send a signal to employees that they will be rewarded for superior contributions. Kenyan parastatals clearly follow the merit- performance-related pay strategy for both the managerial staff and the non managerial staff. Their salaries and benefits are also comparable to what is generally obtainable in the public sector. The findings are in agreement with the argument by Marchington and Grugulis (2000) that having a variety of incentive schemes sends a signal to employees that they will be rewarded for superior contributions. Similar benefits schemes such as fringe benefits, sickness and maternity/paternity leaves between managerial and non-managerial staff have symbolic manifestations of egalitarianism, as well as in employees sending messages to non-managerial staff that they are valuable assets who deserve to be treated in a similar way to managerial staff. This is also in line with assertion by Hope (2012) that parastatals should aim at achieving compensation levels that are geared towards attracting and retaining professional and managerial talent in a competitive market economy as well as monetization of allowances.

Hypothesis four relied on the theoretical proposition of the universalistic theory that some practices are better than others and hence the need to have organizations adopting them. The results indicate an attempt by the government to pay wages that are practical and which can make a difference in the employee's lives and which take cognizance of realities.

4.6.6 H₀₅ HR Capabilities have no Mediation Effect on the Relationship Between SHRM Practices and Performance of Parastatals in Kenya

The fifth objective sought to determine whether human resource capabilities mediate on the relationship between SHRM practices and performance of Parastatals. To this end, a null hypothesis H₀₅ assuming that human resource capabilities had no mediating effect on the relationship between SHRM practices and performance of Parastatals in Kenya was formulated. To test the hypothesis five a composite index of the SHRM practices was computed. To establish the mediation effect Baron and Kenny's (1986) causal step approach was used. The first step involved testing the relationship between SHRM practices and organization performance which was found to be statistically significant:

Step 1: Regression of organizational performance on SHRM practices

Table 4.13: Regression of SHRM Practices on Organizational Performance

Goodness of fit	Test Statistic	P-value	
Adjusted R-squared	0.6314		
R-squared	0.6328		
F-statistic (1, 268)	446.38	0.000***	
Dependent Variable= organizational performance	Linear Regression Results		
	Coefficients	t-statistic	P-value
SHRM	0.465	21.13	0.000***
Constant	3.37	1.05	0.293
Key	** significant at 5 percent		
	*** significant at 1 percent		

Source: (Survey Data, 2015)

In Step 1 regression of organizational performance on SHRM practices resulted in adjusted R^2 of 0.6314 and a significant beta coefficient for SHRM practices of 0.465 ($p < 0.001$) as shown in table 4.13. SHRM practices therefore explain 63.1% of the valuation in the regression model for step 1.

The regression model was:

$$OP = 3.37 + 0.465SHRM$$

Step 2: Regression of Human Resource Capabilities on SHRM Practices

Table 4.14: Regression of SHRM Practices on Human Resource Capabilities

Goodness of fit	Test Statistic	P-value	
Adjusted R-squared	0.5635		
R-squared	0.5662		
F-statistic (1, 268)	343.13	0.000***	
Dependent Variable= Human resource capabilities	Linear Regression Results		
	Coefficients	t-statistic	P-value
SHRM	0.365	18.52	0.000***
Constant	-5.34	-1.86	0.064
Key	** significant at 5 percent		
	*** significant at 1 percent		

Source: (Survey Data, 2015)

Regression of human resource capabilities on SHRM practices in Step 2, Resulted in adjusted R^2 of 0.5635 and significant beta coefficient for SHRM of 0.365 ($p < 0.001$) therefore SHRM practices explain 56.4 % of the variation in the regression model for step 2.

The linear regression model was:

$$HRC = -5.34 + 0.365 SHRM$$

Step 3: Regression of organizational performance on SHRM practices and HR capabilities

Table 4.15: Regression of SHRM practices and HRC on Organizational Performance

Goodness of fit	Test Statistic	P-value	
Adjusted R-squared	0.6596		
R-squared	0.6622		
F-statistic (1, 268)	251.94	0.000***	
Dependent Variable= organizational performance	Linear Regression Results		
	Coefficients	t-statistic	P-value
SHRM	0.357	11.08	0.000***
HRC	0.299	4.50	0.000***
Constant	4.903	1.58	0.116
Key	** significant at 5 percent		
	*** significant at 1 percent		

Source: (Survey Data, 2015)

In step 3 the simultaneous regression of organizational performance on SHRM practices and HR capabilities resulted in adjusted R^2 of 0.6596 (table 4.15) and significantly beta coefficient of practices ($\beta = 0.357$, $P < 0.001$) and HR capabilities ($\beta = 0.299$, $P < 0.001$). This implies in step 3, SHRM practices and HR capabilities explain 66 % of the variation in the organizational performance as compared to 63.1% by SHRM practices alone in step 1.

The linear regression model was:

$$OP = 4.903 + 0.357SHRM + 0.299HRC + \varepsilon$$

From the outcome of the regression model from step 1 SHRM practices significantly influence the dependent variable, organizational performance. From the results of regression model step 2 SHRM practices also significantly influences the mediating variable HR

Capabilities. The regression model for step 3 suggests that HR capabilities significantly influence the relationship between SHRM practices and organizational performance. In the mediated regression model the adjusted R-square value increases by 2.9% implying that the explanatory power of practices on the variability of organizational performance increases. Thus it is observed that the relationship between SHRM practices and organizational performance depends on the HR capabilities. The null hypothesis was therefore rejected and the study concludes that HR capabilities mediate the relationship between SHRM practices and performance of parastatals in Kenya. The above is summarized in Table 4.16.

Table 4.16: Summary of Regression Results for the Mediating Effect

Parameter	Step 1	Step 2	Step 3	Change	Conclusion
Adjusted R ²	0.6314	0.5635	0.6596	0.0282	Reject H ₀₅ , there is evidence of partial statistical mediation
R ²	0.6328	0.5662	0.6622	0.0294	
F Value	446.38	343.13	251.94	-194.44	
B Constant	3.37	-5.34	4.903	1.533	
SHRM	0.465	0.365	0.357	-0.108	
HRC	-	-	0.299	0.299	

Source: (Survey Data, 2015)

Hence the decision making criteria affirms that human resource capabilities partially mediate the relationship between SHRM practices and parastatals' performance in Kenya. The findings are in agreement with argument by Becker and Gerhart (1996) that work on strategic perspective must elaborate on the black box between a firm's SHRM practices and

organizational performance. This argument is also supported by the contingency theory where a number of scholars such as (Huselid 2005; Huselid *et al.*, 2007; Schuler & Jackson 2009) suggest that the strategy–HR interaction accounts for more variation in firm performance than the indirect effects of HR measures. While researchers have emphasized that SHRM leads to better organizational performance, several authors (Delery 1998; Ferris *et al.* 1998; Edwards and Wright 2001) opine that a one-way causation between such fit and organizational performance is unsatisfactory and that there exists an indirect relationship between the two. Thus, there are variables that mediate a link between such types of fit and business performance (Huselid 1995; Paauwe 1996; Guest 1997; Fey, Bjorkman & Pavlovskaya 2000).

As mentioned in the problem statement, there is a black box in the relationship between SHRM and organizational performance. The current study contributes to the body of knowledge by showing that human resource capabilities mediates on the relationship between SHRM and organizational performances.

4.6.7 H₀₆ Public Sector Culture has no Moderating Effect on the Relationship Between SHRM Practices and Performance of Parastatals in Kenya

The sixth objective sought to examine the moderating role of public sector culture on the relationship between SHRM practices and performance of parastatals in Kenya. The corresponding hypothesis (H₀₆) assumed that public sector culture has no significant moderating effect on the relationship between SHRM practices and performance of parastatals. Table 4.8 shows two regression models. Model 3.4 is based on equation 3.4 as specified in chapter 4 where organizational performance is regressed on SHRM and PSC

introduced as an explanatory variable. Model 3.5 refers to an over specified regression model which includes the key explanatory variables and the interactive terms between PSC and the respective SHRM variables as specified by equation 3.5.

Table 4.17: Regression of SHRM Practices and PSC on Organizational Performance

Goodness of fit	Test Statistic	P-value	
Adjusted R-squared	0.7939		
R-squared	0.7955		
F-statistic (1, 268)	497.88	0.000***	
Dependent Variable= organizational performance	Linear Regression Results		
	Coefficients	t-statistic	P-value
SHRM Practices	0.162	5.99	0.000***
PSC	1.089	14.25	0.000***
Constant	-2.45	1.05	0.316
Key	** significant at 5 percent		
	*** significant at 1 percent		

Source: (Survey Data, 2015)

Table 4.17 show that the adjusted – R^2 is 0.7939, this shows that the model explains 79.4% variation in organizational performance variable the rest are explained by variables that are not fitted in the model. F statistic is 497.88 and, $P=0.000$ where ($P < 0.001$). The Beta coefficient for SHRM practices is 0.162 with a P-value of 0.000 ($P < 0.001$) while that of PSC was 1.089 with a P –Value of 0.000 ($P < 0.001$). Hence SHRM practices and PSC are jointly significant in explaining organizational performance. This satisfies the first explanatory condition where PSC should be significant (Mackinnon *et al.*, 2007).

The linear regression model was:

$$OP = -2,45 + 1.089PSC + 0.162SHRM$$

Table 4.18 Regression of SHRM practices, PSC and the interactive terms on OP.

Goodness of fit	Test Statistic	P-value	
Adjusted R-squared	0.7931		
R-squared	0.7955		
F-statistic (1, 268)	330.63	0.000***	
Dependent Variable= organizational performance	Linear Regression Results		
	Coefficients	t-statistic	P-value
SHRM Practices	0.163	1.87	0.063
PSC	1.094	4.12	0.000
SHRM^PSC	-0.000	-0.02	0.986
Constant	-2.65	-0.23	0.816
Key	** significant at 5 percent		
	*** significant at 1 percent		

Source: (Survey Data, 2015)

Secondly model 3.3 was estimated where the product of PSC and SHRM practices was used to estimate the moderating effect. The regressed results are presented in table 4.18. The finding in table 4.18 shows that the adjusted R- Squared is 0.7931. SHRM Practices had coefficient of 0.163 and P value of 0.063, PSC had co-efficient of 1.094 and P – value of 0.000 while the interaction term consisting of the product of SHRM practices and PSC had coefficient of -0.000 and p-value of 0.986. This implies that the interactive terms are not significant at $P < 0.001$. Mackinnon *et al.*, (2007) observes that when variables in step 1 are significant and those in step 2 are not significant then there is no moderating effect.

The linear regression model was:

$$OP = -2.65 + 0.163SHRM + 1.094PSC$$

Another approach to testing moderation would be to check whether the introduction of an interaction term would cause a change in R^2 . Where by an increase in R^2 would suggest a moderating affect of PSC on the relationship between and organizational performance.

From step 1 to step 2 there is no change in R^2 which remains at 0.7955 further indicating that the interaction is insignificant. Therefore based on the moderation rule by Mackinnon *et al*, (2007), PSC is just an explanatory variable. Therefore the study fails to reject the null hypothesis and state that public sector culture has no moderating effect on the relationship between SHRM practices and performance of parastatals in Kenya.

Table 4.19: Effect of Public Sector Culture on SHRM and Organizational Performance.

ITEM	Step 1	Step 2	Change	Conclusion
Adjusted R ²	0.7939	0.7931	-0.0008	Fail to reject H ₀₆ no evidence of moderating influence.
R ²	0.7955	0.7955	0.0000	
F- Value	497.88	330.63	-167.25	
β Constant	-2.45	-2.65	-0.2	
β SHRM	0.162	0.163	0.001	
β PSC	1.089	1.094	0.005	
β SHRM x PSC	-	0.000	0.000	

Source: (Survey Data, 2015)

Hypothesis six also relied on the RBV theoretical predictions Katou and Budhwar (2007). However this result is inconsistent with the conclusions by Aycan (2007) who established that managerial beliefs and values affect the managers' attitudes towards SHRM practices. Chian and Birtch (2007) also established that, employees' attitudes, which are attributed to their cultural orientations, influence their motivation towards SHRM practices. Previous studies produced similar results (Cameron and Quinn, 1999; Slocum and Hellriegel, 2010; Yiing and Ahmed, 2008; Guyer, 2007) arguing that organizational culture positively affects the individual performance of employees and hence the overall performance of the organization. Lastly the findings are in contrast with findings by Ogbonna and Harris (2002) who argued that measures of organizational culture were associated in some way with organizational performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND POLICY RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, contributions of the study to knowledge, conclusions, policy recommendations and suggestions for further research.

5.2 Summary

Governments owned enterprises are not famous for efficiency. Though no one can be certain of this until the matter has been properly researched, casual observation suggests that most economists probably believe that government enterprises are less efficient than enterprises in the market sector of society. In Kenya the performance of parastatals has been a matter of on-going concern in an environment of scarce resources and increasing needs. Yet parastatals are expected to continue playing an important role in the development process of the country. If Kenya is to achieve the goals set forth in Vision 2030, a transformational mindset in the way government business is conducted is required.

It is on this background that this study sought to analyze the influence of strategic human resource management practices on organizational performance in parastatals in Kenya. The specific objectives of the study were ; to determine the relationship between training and performance of parastatals in Kenya; to evaluate the relationship between recruitment and performance of parastatals in Kenya; to assess the relationship between performance management and performance of parastatals in Kenya; to establish the relationship between

compensation and performance of parastatals in Kenya; to determine the mediating effect of HR capabilities on the relationship between SHRM practices and performance of parastatals in Kenya and to examine the moderating role of public sector culture on the relationship between SHRM practices and performance of parastatals in Kenya.

The study employed both descriptive research design and an explanatory research using cross-sectional survey design. Data was collected using self-administered questionnaires. Descriptive statistics were used to describe and summarize data, while inferential statistics, particularly regression analysis was used to establish the nature and magnitude of the relationships hypothesized between the variables. The model specification was tested using Ramsey specification test, Breusch pagan (heteroskedasticity) and VIF (multicollinearity) test.

The research tested six hypotheses using three multiple regression models. The findings indicated that the relationship between training and performance of parastatals was positive and statistically significant. The relationship between recruitment and performance of parastatals was found not to be statistically significant, hence they do not contribute towards the performance of parastatals in Kenya. Performance management was found to have a positive and significant relationship with Parastatals performance. Compensation has a significant positive relationship with Parastatals performance. Human resource capabilities were found to partially mediate the relationship between SHRM practices and Parastatals' performance. On the other hand public sector culture was found not to moderate on the

relationship between organizational performance and SHRM rather it was found to be an explanatory variable.

5.3 Contributions of the Study to Knowledge

This study sought to examine the influence of strategic HRM practices on organizational performance. Most prior studies examining the relationship between SHRM and organization's performance have been conducted in the United States and United Kingdom. Recently, a few investigations have been initiated in other parts of the world, especially in emerging markets such as China. This study provides additional robust and quantitative evidence to support the SHRM-performance link from a different context, that's Kenya a developing country. The study findings provide support for the assumptions underlying the universalistic theory which postulates that one set of HR practices will work equally well no matter what context.

In addition most prior studies look at the direct relationship between SHRM and organizational performance. This study however contributes to knowledge by showing that HR capabilities have partial mediating effects on the relation between SHRM practices and organizational performance. From a theoretical perspective, the current study contributes to the HRM literature by supporting the contingency theory which emphasizes the need for a fit between business strategies and HRM practices in determining business performance.

Lastly the current study focused on relatively unexplored research area in the public sector in Kenya. Prior studies have shown evidence of the link between SHRM and organizational

performance with arguments based on firms in the private sector. This study provides empirical evidence that SHRM practices applied in a systematic way can lead to superior organizational performance in public sector firms and more specifically parastatals in Kenya.

5.4 Conclusion

From the summary of the findings of this study, several conclusions may be made. First the findings of this study show that SHRM practices namely training, performance management and compensation have a direct effect on organizational performance. The SHRM practices also have an indirect effect on organizational performance via HR capabilities. Therefore, human resource managers in organizations that want to boast their performance should endeavor to adopt SHRM practices that enhance the abilities of their workforce, and create for them opportunities to use their skills within the workplace.

Human resource capabilities were found to have a partial mediating effect on the relationship between SHRM practices and organizational performance. Thus organizations should strive to have HR capabilities that are valuable, rare, inimitable and well organized in order for them to attain competitive advantage and hence improved organizational performance.

5.5 Policy Recommendations

From the findings of this study, several policy implications can be drawn for effective application of SHRM practices in parastatals in Kenya. The policy implications are presented as per the study objectives.

Training as a SHRM practice was found to be positive and significant in contributing towards organizational performance. Hence HR managers should offer different types of trainings to their staff. Training offered to employees' should also be relevant to their jobs since Kenya's global competitiveness will depend on the ability to create a human resource base that has the prerequisite skills and knowledge. Lastly HR managers should ensure that their organizations link the training they offer with the company's business strategy.

On performance management which was found to significantly influence organizational performance, this study recommends that the division performance contracting in the ministry of devolution and planning should create of an adequate performance management framework that will effectively link performance of parastatals to national development goals and hence adequately link individual performance to institutional performance. This will help ensure the performance contracting cycle is aligned to that of budgeting so that national priorities, policies and programmes are determined before the negotiation of performance contracts. The study also recommends that the government develop a common performance management system, which should be based on a parastatal's performance scorecard to be developed by the central authority responsible for the parastatals. Finally the study recommends that HR managers should ensure that the performance of employees should be measured on the basis of objective quantifiable results.

On compensation which was found to significantly influence organizational performance the study recommends that the boards of parastatals set specific levels of remuneration of executives and senior staff in consultations with the parent Ministry and the State

corporations Advisory Committee. The Salaries and Remuneration Commission can also borrow from the study to deal with high inconsistencies in the remuneration of the executives and senior staff of these entities, since there is no clear reason why in some entities they are remunerated at significantly higher levels than those of others. HR managers should also ensure that the salaries and benefits offered by organizations are comparable to what is generally in the industry.

On human resource capabilities which were found to partially mediate the relationship between SHRM practices and organizational performance, HR managers should recognize the contribution of HR capabilities to organizational success. Identifying the source of competitive advantage with the entire organization and not a single department or leader is the first step toward effective development and utilization of these capabilities. The HR managers should ensure they acquire human resource that is able to exploit environmental opportunities as well as neutralize environmental threats. They should also make sure that the resources used to make their products or services in the firm are rare and patented to make them inimitable.

5.6 Suggestions for Further Research

A number of relevant directions for future research are worth noting. First, although longitudinal research is both time consuming and expensive, future studies would benefit from testing the current study's model through a longitudinal research design so as to determine the causal links more explicitly. Longitudinal research could also help evaluate

the stability of PSC overtime, and determine whether it is a static trait that does not change over time or a dynamic state which can be affected by organizational changes.

Lastly, the findings of the current study may not be applicable to all organizations in developing countries in general, Africa in particular, because of the vast differences in the social and cultural environments. Africa has diverse cultures; therefore, it is very likely that the way organizations in this region are structured and SHRM practices are carried out also be different. Accordingly, additional research is needed on this topic in other geographical locations so as to better understand the generalizability of the findings.

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APPENDICES

Appendix I: Research Permit

Permit No : NACOSTI/P/14/4278/4003
Date Of Issue : 10th November,2014
Fee Received :Ksh 2,000



THIS IS TO CERTIFY THAT:
MR. DAVID MURAGA KIIRU
of KENYATTA UNIVERSITY, 55066-100
Nairobi, has been permitted to conduct
research in All Counties

on the topic: INFLUENCE OF STRATEGIC
HUMAN RESOURCE MANAGEMENT
PRACTICES ON PERFORMANCE OF
PARASTATALS IN KENYA

for the period ending:
7th December,2015

.....
Applicant's
Signature

.....
Secretary
National Commission for Science,
Technology & Innovation

Appendix II: Researcher's Introduction Letter

To Whom It May Concern
Dear Sir/Madam,

RE: INFLUENCE OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES ON PERFORMANCE OF PARASTATALS IN KENYA.

I am a Doctor of Philosophy (PhD) candidate in the Department of Business Administration, School of Business - Kenyatta University. As part of the requirement for the award of the degree, I am expected to undertake a research study on the above named topic.

To facilitate the completion of this thesis, I wish to humbly request for your assistance with certain data from your organization. I have attached a copy of the questionnaire. Kindly answer all the questions as completely as possible. The research results are intended for academic purposes only and will be treated with utmost confidentiality. No specific reference will be made on your organization and only the summary results will be made public.

I look forward to your utmost support and remain grateful.

David Muraga Kiiru
+254 722 667581
muragakiiru@yahoo.com

Appendix III: Questionnaire

This questionnaire is designed to obtain information for purely academic research purposes from managers in charge of human resources and other officers human resource department in Kenyan parastatals. The accuracy of the responses you provide will be crucial to the success of the research project. Kindly respond to all the questions.

PART A: DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS

Tick (✓) where appropriate

1. Gender
Male [] female []
2. What is your highest level of education
High school certificate [] Diploma [] Bachelors degree []
Masters degree [] Doctorate []
Others specify _____
3. Year of service in your current organization.
1-3 years []
4-5years []
More than 5 years []
4. Age of respondents
Less than 35 years []
35- 40 years []
41- 45 years []
More than 45 years []
5. Indicate your management level. [] Head of HR [] Middle level.

PART B: STRATEGIC HUMAN RESOURCE PRACTICES

Training

Please indicate to what extent the following statements are true as relates to training in your organization. Please tick (✓) the box with a number from the scale below that best describes your response. Where 5 = To a very great extent 4 = To a great extent 3 = Not sure 2 = To a little extent 1 = Not at all

No	TRAINING	1	2	3	4	5
a.	Training offered is relevant to employees' jobs					
b.	Training is aimed at improving organizational performance					
c.	Employees in each job will normally go through training programs every year					

d.	Training programmes are well planned and designed					
e.	All the employees are exposed to different kinds of training					
f.	There is training for problem- solving skills.					
g.	There is a training policy applicable to all employees					
h.	There are plans and budgets for training activities					
i.	The organization links training with the company's business strategy					
j.	The organization has a full-fledged training department manned by competent professionals					
k.	There is evaluation of the training programmes					

Recruitment

To what extent are the following statements accurate or inaccurate on recruitment in your organization? Please tick (√) the box with a number from the scale below that best describes your response. Where 5 = very accurate 4 = accurate 3 = somewhat accurate 2 = inaccurate 1 = very inaccurate

	RECRUITMENT	1	2	3	4	5
a.	The organization is able to determine future demand of employees.					
b.	The organization is able to determine future supply of employees					
c.	The organization prefer getting employees from within					
d.	The organization prefer getting employees from external sources					
e.	The management understands the requirements for job					
f.	A preliminary screening is conducted all potential employees					
i.	Recruitment strategies are aimed at giving the organization a competitive advantage					

Performance Management:

To what extent do you agree with the following statements pertaining performance management in your organization. Please tick (√) the box with a number from the scale below that best describes your response. Where 5 = strongly agree 4 = agree 3 = somewhat agree 2 = disagree 1 = strongly disagree.

No	PERFORMANCE MANAGEMENT	1	2	3	4	5
a.	There is emphasis on behavioral based appraisal					
b.	Performance of the employees is measured on the basis of objective quantifiable results					
c.	The performance evaluation emphasizes guiding employee behaviors toward the company's strategic direction					
d.	The main focus of performance evaluation is development as opposed to punishment					
e.	Performance evaluation uses a long-term measurement standard					
f.	Goals set for performance evaluation are mutually decided					
g.	Promotions are strictly based on performance management system					

Compensation

To what extent do you agree with the following statements as pertains compensation in your organization? Please complete with a tick (✓) the box with a number from the scale below that best describes your response. Where 5 = strongly agree 4 = Agree 3 = somewhat agree 2 = disagree 1 = strongly disagree

	COMPENSATION	1	2	3	4	5
a.	Incentive pay is linked to job performance for all employees					
b.	The organization provides managerial staff a flexible compensation structure but not a standardized one					
c.	There is a great discrepancy in incentive pay between the high and low performers for the same job					
d.	The incentive pay of middle- to high-level managerial staff is linked to the organization's performance.					
e.	Salary and other benefits are comparable to what is generally obtainable in the industry					
f.	There is a clear explanation of remuneration policy and its implementation					
g.	There are individual incentives					
h.	There are group incentives					
i.	There is skill based pay element in our pay package					

j.	Pay is only in terms of salary					
k.	No financial incentives					

Part C: Human Resource Capabilities

The following statements are on how the organization uses its Human Resources Capabilities for the purposes of reducing costs to a competitive level, exploiting targeted market opportunities, and/or defending against known competitive threats. Please tick (✓) the box with a number from the scale below that best describes your response. Where 5 = strongly agree 4 = Agree 3 = somewhat agree 2 = disagree 1 = strongly disagree

Value		1	2	3	4	5
To what extent do you agree/disagree with the following statements as pertains your firm possessing valuable HR capabilities						
a.	The firm is able to exploit environmental opportunities					
b.	The firm is able to neutralize environmental threats					
c.	The firm's HR result in an increase in revenues					
d.	The firm's HR result in a decrease in costs					
Rareness		1	2	3	4	5
To what extent do you agree/disagree with the following statements as pertains your firm possessing rare HR capabilities						
a.	The HR in your firm is only comparable to others in a small number of competing firms					
b.	The resources used to make products/services in the firm are rare					
c.	The final products/services of the firm are rare					
d.	The firm's HR can be trusted					
Inimitability						
To what extent do you agree/disagree with the following statements as pertains your firm possessing inimitable HR capabilities						
a.	What your firm is doing is difficult to imitate					
b.	The HR in your organization possesses unique managerial skills					

b	particular circumstances have led to a unique development of competencies					
c	The organizations resources are patented					
Organization						
a	The firm's other policies and procedures are organized to support the exploitation of its valuable, rare, and costly-to-imitate resources					

Part D: Public sector culture

The following statements are on the presence of an effective organizational culture. Please tick (√) the box with a number from the scale below that best describes your response. Where 5 = strongly agree 4 = Agree 3 = somewhat agree 2 = disagree 1 = strongly disagree.

	Developmental organizational culture	1	2	3	4	5
a	My organization is characterized by a culture of creativity					
b	we believe in creating change rather than reacting to change					
c	The organization is characterized by a culture of flexibility					
d	In the organization, individual departments are allowed to develop and run with their own ideas					
e	In the organization, individual initiative is rewarded					
Hierarchical organizational culture		1	2	3	4	5
a	The firm is driven by achievement of market-related goals					
b	Competitiveness is strongly emphasized in the organization					
c	If one does not work hard, one will not fit into the organization's culture					
d	In my firm, every department or division is expected to achieve monthly /quarterly/ annual set goals,					
e	In the firm, increased performance is rewarded accordingly					
f	In the firm, relations are based on performance- reward relationships instead of social relationships.					

Part E**Organizational Performance**

To what extent do you agree or disagree with the following statements concerning your organization's performance? Please tick (√) the box with a number from the scale below that best describes your response. Where 5 = strongly agree 4 =agree 3 =somewhat agree 2 = disagree 1 = strongly disagree

	Effectiveness	1	2	3	4	5
a	The organization achieves its annual objectives					
b	The organizational objectives are in line with the organization's mission					
c	The organization supports innovation.					
d	Members of staff are fully utilized to meet organization's goals.					
e	The organizations always achieve its objective within the set time frame					
f	The organization aggressively introduces new products					
g	Continuously assesses customer satisfaction					
h	High quality administrative systems are in place to support service delivery.					

	Efficiency	1	2	3	4	5
a	The organization responds to customers complain in a timely manner					
b	The organization makes optimal use of its financial resources.					
c	Reacts to competitors threats immediately					
d	The organization compares progress made in the organization from time to time.					
e.	The organization delivers its services/products promptly without any delay.					
f.	The organization controls overhead costs.					

	Relevance	1	2	3	4	5
a	Services/products of the organization are regularly reviewed to reflect changing environment.					
b	Services/products of the organization are regularly reviewed to reflect changing capabilities.					
c	Services/products of the organization are regularly reviewed to reflect changing client needs.					
d	Services/products of the organization are regularly reviewed to reflect changing client type.					
e.	The organization regularly reviews the environment to adapt its strategy.					
f	The organization adequately balances stakeholders demand.					

	Financial viability	1	2	3	4	5
a	The organization has sustainable financial resources for continuity of its activities.					
b	The organization has more revenue than expenses.					
c	The organization does not rely on funds from external sources.					
d	The organization has more assets than liabilities.					
e.	The organization depends on external funding.					

Appendix IV: List of Parastatals in Kenya

1. Agro-Chemical and Food Company
2. Kenya Meat Commission
3. Muhoroni Sugar Company Ltd
4. Nyayo Tea Zones Development Corporation
5. South Nyanza Sugar Company Limited
6. Chemilil Sugar Company Ltd
7. Nzoia Sugar Company Ltd
8. Simlaw Seeds Kenya
9. Simlaw Seeds Tanzania
10. Simlaw Seeds Uganda
11. Kenya National Trading Corporation (KNTC)
12. Kenya Safari Lodges and Hotels Ltd.
13. Golf Hotel Kakamega
14. Kabarnet Hotel Limited
15. Mt Elgon Lodge
16. Sunset Hotel Kisumu
17. Jomo Kenyatta Foundation
18. Jomo Kenyatta University Enterprises Ltd.
19. Kenya Literature Bureau (KLB)
20. Rivatex (East Africa) Ltd
21. School Equipment Production Unit
22. University of Nairobi Enterprises Ltd.
23. University of Nairobi Press (UONP)
24. Development Bank of Kenya Ltd.
25. Kenya Wine Agencies Ltd (KWAL)

26. KWA Holdings
27. New Kenya Co-operative Creameries
28. Yatta Vineyards Ltd
29. National Housing Corporation
30. Research Development Unit Company Ltd
31. Consolidated Bank of Kenya
32. Kenya National Assurance Co. (2001) Ltd
33. Kenya Reinsurance Corporation Ltd
34. Kenya National Shipping Line
35. Kenya Animal Genetics Resource Centre
36. Kenya Seed Company (KSC)
37. Kenya Veterinary Vaccine Production Institute
38. National Cereals & Produce Board (NCPB)
39. Kenyatta International Convention Centre
40. Geothermal Development Company (GDC)
41. Kenya Electricity Generating Company (KENGEN)
42. Kenya Electricity Transmission Company (KETRACO)
43. Kenya Pipeline Company (KPC)
44. Kenya Power and Lighting Company (KPLC)
45. National Oil Corporation of Kenya
46. National Water Conservation and Pipeline
47. Numerical Machining Complex
48. Kenya Broadcasting Corporation
49. Postal Corporation of Kenya
50. Kenya Development Bank
51. Kenya EXIM Bank
52. Kenya Post Office Savings Bank

53. Kenya Airports Authority (KAA)
54. Kenya Ports Authority (KPA)
55. Kenya Railways Corporation (KRC)
56. Biashara Kenya
57. Internal Revenue Service
58. Kenya Intellectual Property Service
59. Kenya Investment Promotion Service
60. Konza Technopolis Authority
61. Bomas of Kenya
62. Water Services Trust
63. Leather Development Council
64. Agricultural Development Corporation
65. Anti-Female Genital Mutilation Board
66. Constituency Development Fund
67. Crops Development and Promotion
68. Customs and Boarder Security Service
69. Drought Management Authority
70. Export Processing Zones Authority (EPZA)
71. Financial Reporting Centre Proceeds of Crime and Anti-Money Laundering
72. Fisheries Development and Promotion Service
73. Higher Education Loans Board
74. Information and Communications Technology Authority
75. Investor Compensation Fund Board
76. Kenya Academy of Sports
77. Kenya Accountants & Secretaries National Examination Board (KASNEB)
78. Kenya Deposit Protection Authority
79. Kenya Ferry Services Ltd (KFS)

80. Kenya Institute of Curriculum Development
81. Kenya Law Reform Commission
82. Kenya Medical Supplies Authority
83. Kenya National Bureau of Statistics
84. Kenya National Examination Council (KNEC)
85. Kenya National Highways Authority (KeNHA)
86. Kenya National Innovation Agency
87. Kenya Ordnance Factories Corporation
88. Kenya Roads Board (KRB)
89. Kenya Trade Network Agency
90. Kenya Wildlife and Forestry Conservation Service
91. Kenyatta National Hospital State Corporations Act,
92. LAPSSET Corridor
93. Livestock Development and Promotion Service
94. Local Authorities Provident Fund
95. Moi Teaching and Referral Hospital
96. Nairobi Centre for International Arbitration
97. National Aids Control Council
98. National Cancer Institute of Kenya
99. National Coordinating Agency for Population & Development
100. National Council for Law Reporting
101. National Council for Persons with Disabilities
102. National Hospital Insurance Fund
103. National Industrial Training Authority
104. National Irrigation Board Irrigation
105. National Museums of Kenya
106. National Quality Control Laboratories

107. National Social Security Fund Board of Trustees
108. National Youth Council
109. Nuclear Electricity Board
110. Policy Holders Compensation Fund
111. Sports Kenya
112. The Kenya Cultural Center
113. Tourism Fund
114. Unclaimed Financial Assets Authority
115. Water Resources Management Authority
116. National Campaign Against Drug Abuse Authority
117. Agricultural, Fisheries and Food Authority
118. Commission for University Education
119. Communications Commission of Kenya
120. Competition Authority
121. Council for Legal Education
122. Energy Regulatory Commission
123. Health Services Regulatory Authority
124. Kenya Bureau of Standard (KBS)
125. Kenya Film Regulatory Service
126. Kenya Maritime
127. Kenya National Accreditation Service
128. Kenya Plant and Animal Health Inspectorate Service
129. Livestock Regulatory Authority
130. National Commission for Science, Technology and Innovations
131. National Construction Authority
132. National Environmental Management Authority (NEMA)
133. National Land Transport & Safety Authority

134. Public Benefits Organizations Regulatory Authority
135. Public Procurement Oversight Authority
136. Technical and Vocational Education and Training Authority
137. Tourism Regulatory Authority
138. Water Services Regulatory Board
139. Financial Supervisory Council
140. Mining and Oil Exploration Regulatory Service
141. Bukura Agricultural College
142. Chuka University
143. Cooperative University College
144. Dedan Kimathi University
145. Egerton University
146. Embu University College
147. Garissa University College
148. Jaramogi Oginga Odinga University of Science and Technology
149. Jomo Kenyatta University of Agriculture And Technology
150. Karatina University
151. Kenya Agricultural and Livestock Research Organization
152. Kenya Forestry Research Institute
153. Kenya Industrial Research & Development Institute
154. Kenya Institute of Mass Communication
155. Kenya Institute of Public Policy Research & Analysis (KIPPRA)
156. Kenya Marine and Fisheries Research Institute
157. Kenya Medical Research Institute (KEMRI)
158. Kenya Medical Training College (KMTC)
159. Kenya Multi-Media University
160. Kenya School of Government

161. Kenya School of Law
162. Kenya Utalii College (KUC)
163. Kenya Water Institute
164. Kenyatta University
165. Kibabii University College
166. Kirinyaga University College
167. Kisii University
168. Laikipia University
169. Maasai Mara University
170. Machakos University College
171. Maseno University
172. Masinde Muliro University of Science and Technology
173. Meru University of Science and Technology
174. Moi University
175. Murang'a University College
176. National Crime Research Center
177. Pwani University
178. Rongo University College
179. South Eastern Education, Science and Technology Kenya University
180. Taita Taveta University College
181. Technical University of Mombasa
182. The Technical University of Kenya
183. University of Eldoret
184. University of Kabianga
185. University of Nairobi

Source: (GOK, 2014)

Appendix V: List of Figures

Distribution of Respondents by Gender

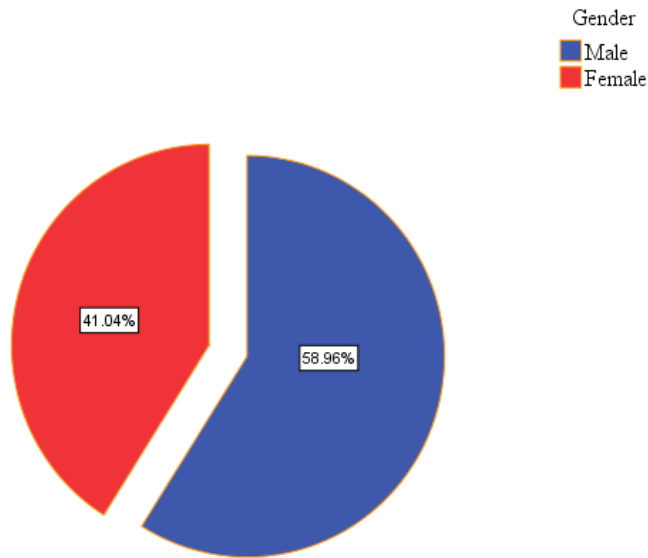


Figure 2a: Respondents by Gender

Source: Survey Data 2015

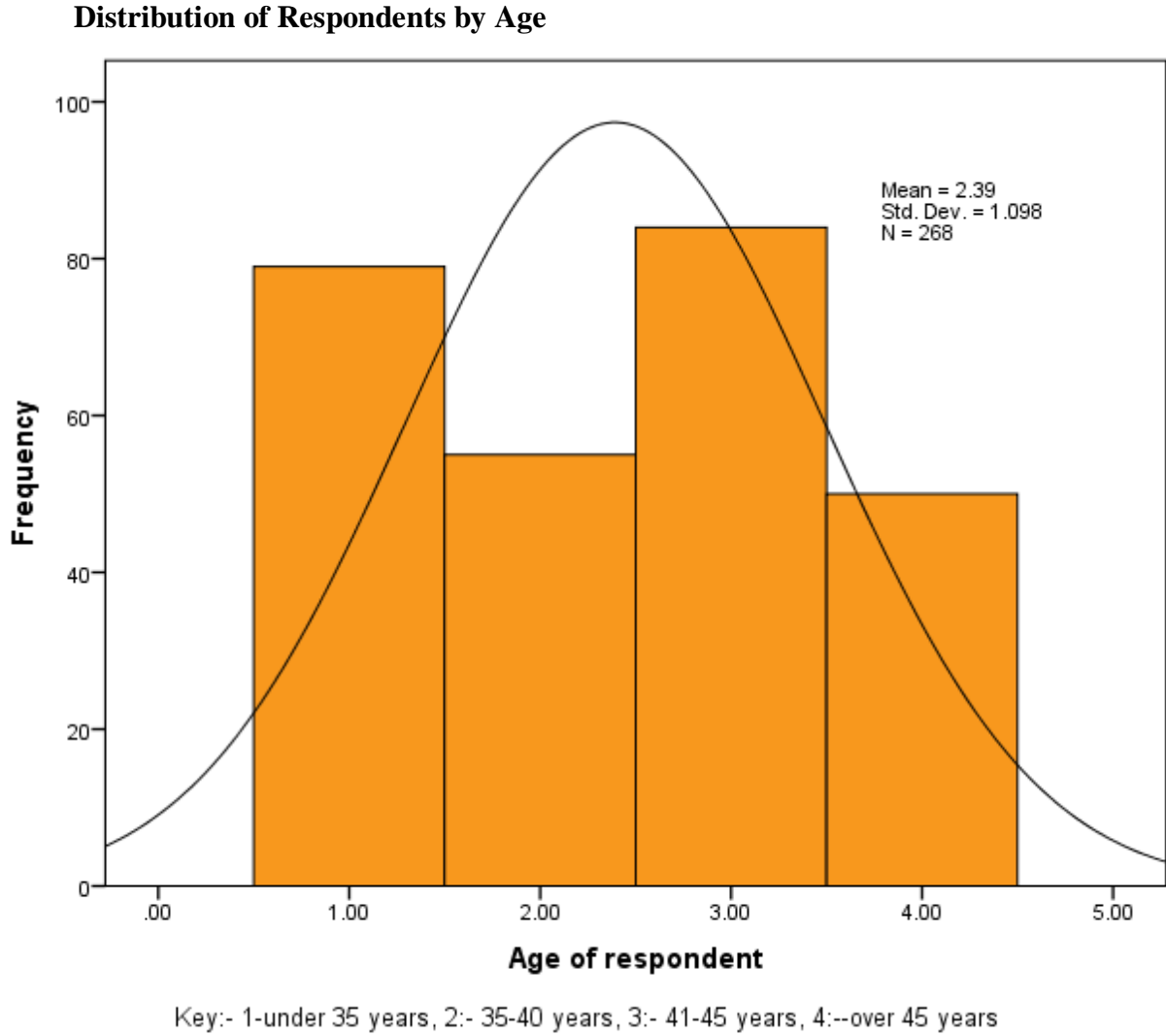
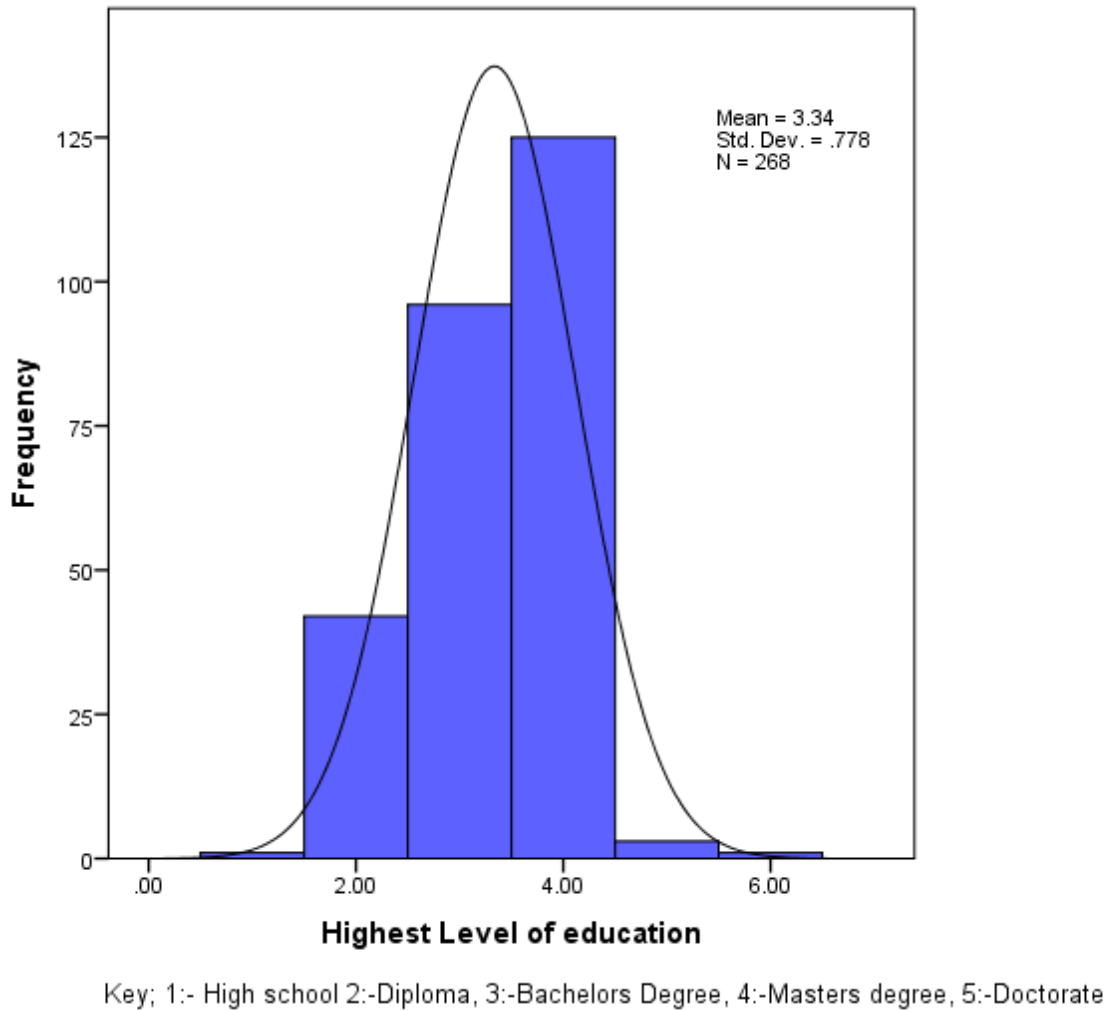
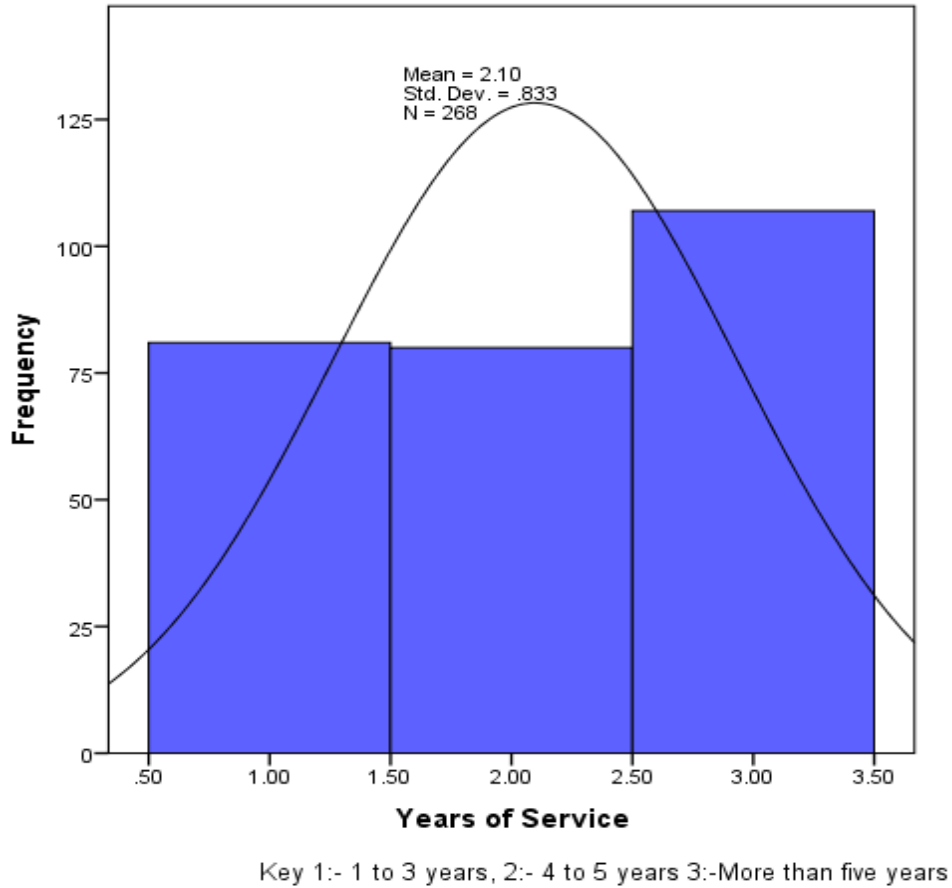


Figure 3b: Distribution of Respondents by Age

Source: Survey Data 2015

Distribution of Respondents by Level of education**Figure 4c: Distribution of Respondents by Level of Education**

Source: Survey Data 2015

Distribution of Respondents by Years of Service**Figure 5d: Distribution of Respondents by Years of Service**

Source: Survey Data 2015