

**STRATEGIC HUMAN RESOURCE MANAGEMENT
PRACTICES AMONG COMMERCIAL BANKS IN KENYA**

LINDA A. ABONG'O

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the School of Business, University of Nairobi in Kenya for academic credit.

Signed:

Date:

LINDA A. ABONG'O

D61/P/8447/2004

This project has been presented for examination with my approval as the appointed university supervisor

Signed:

Date:

GEORGE OMONDI

Lecturer, Department of Business Administration,
School of Business, University of Nairobi

DEDICATION

To the most important people in my life: my lovely husband and kids for the moral support they gave towards my education.

ACKNOWLEDGEMENT

It would have not been possible for me to write this research project if it were not for the support, encouragement and guidance of many people.

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ABSTRACT

The study looks at the extent of adoption of strategic human resource management practices (role and structure of HR department, recruitment, training and development, compensation) among the commercial banks in Kenya and further seeks to determine factors influencing their adoption (poor communication and decision making process, poor planning of HR issues, poor job orientations). The study conducted a survey on 43 commercial banks and analyses were carried out by statistical means. Descriptive statistics and factor analysis were used to draw comparisons and make conclusions. The responses yielded a variety of human resources management variables relating to role and structure of the HRM department, recruitment, results-oriented appraisals, participation, compensation, training and development and internal career opportunities.

The study, thus has both academic and practical implications for HR management. From an academic standpoint, this work contributes to the SHRM literature. While traditionally, the costs associated with the development of SHRM have been regarded as a cost, these costs would be better considered as an investment in capital assets. From the practitioner point of view, this study is of importance to line managers, Human Resources Managers, and top management of commercial banks in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background

Developing an effective human resource system that is compatible with organizational strategy is critical for the functioning and success of an organization in the competitive business arena. Indeed, the increasing complexity of contemporary corporate life has elevated the importance of shedding traditional beliefs that were concerns of personnel managers and to shape new mindsets, proactive attitudes and professional identities, orientations that have placed greater emphasis on the utilization of human resources (Wei, 2006).

Armstrong (1994) proposes that human resource management is a strategic and coherent approach to the management of an organization's most valued assets, the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage. This implies that the successful achievement of business objectives depends upon the effective use of human resources along with financial and physical resources and therefore human resources initiatives should be aligned with strategic objectives of the organization.

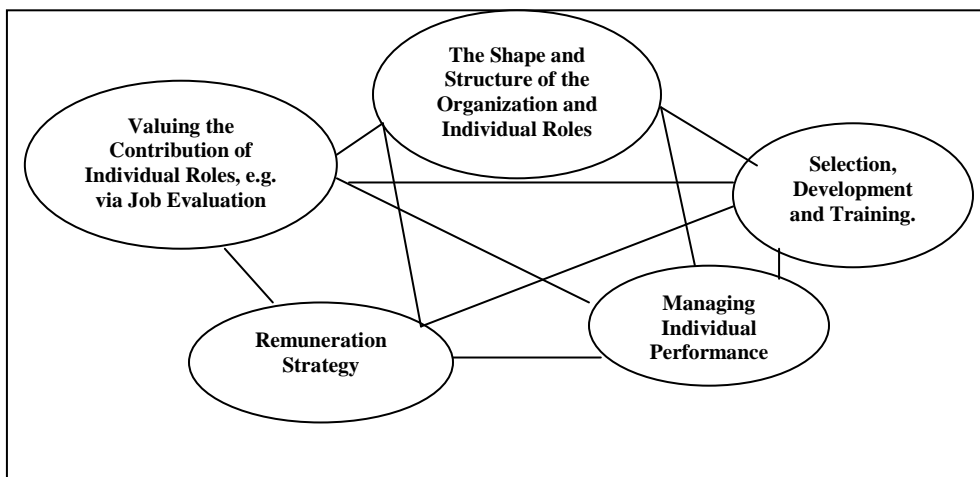
1.1.1 Strategic Human Resources Management

Human capital is one of the most critical components of strategic success for many organizations. Researchers, (Ulrich et al, 1995; Schuler and Macmillan 1984) have pointed out that by matching human resource management with strategy, the critical human resources skills, attitudes, behaviours and performances that are needed to successfully implement strategies can be acquired, developed, motivated and maintained. In order for human resources management practices to be judged to be truly effective, they must contribute to the organization's bottom line (Pfeffer, 1994; Huselid, 1995; Guest, 1997). This approach to human resources management linking it to both strategy and organizational performance represents what has evolved to be known as, strategic human resources management (SHRM).

Strategic human resource management can be defined based on the distinct levels of contribution that can be delivered by the human resources (HR) function in any organization as follows: From a strategic level, strategic human resource management is the establishment of the overall direction and objectives of key areas of human resource management in order to ensure that they not only are consistent with but also support the achievement of business goals. From a policy level, strategic human resource management is the development and implementation of detailed procedures, and systems which reflect the strategic framework. From administrative level, strategic human resource management is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes (Osman-Gani, 1999; Wang, 2000).

Figure 1.1 is a simple model which identifies five key areas of strategic human resource management. In the context of this model, an organization adopting a strategic approach to human resource management would display the following characteristics (James, 2002; Wang, 2000, 2003).

Figure 1.1: A Strategic Approach to Human Resources Management



Source: Wang, Z.M. (2003), "Managerial competency modelling and the development of organizational psychology: pp. 324.

Together, these view points suggests that strategic human resource management has many different components, including policies, culture, values and practices.

In the west, the conceptual and empirical link between strategic human resource management and firm performance has been well established in the literature (Huselid, Jackson and Schuler,1997;Wright and Gardner, 2003). Researchers have shown that the use of strategic human resource management is positively related to both financial and operational performance (Delaney and Huselid 1996). Evidence also has been provided of the synergistic effect of bundles of human resources practices on firm outcomes (Huselid 1995; McDuffie;1995). Recently, several studies conducted in China have found a positive relationship between strategic human resource management and firm performance (Bjorkman and Fan, 2002; Law, Tse and Zhou, 2003).

Researchers have argued that human resources may be seen as a source of sustained competitive advantage for organizations (Barney, 1991, 1995; Becker & Gerhart, 1996). This research has led to a number of human resource management practices that contribute to company performance across different organizations (Huselid, 1995). In a literature review, Delery and Doty (1996) identified seven such practices that have been consistently considered strategic human resources management practices. They defined strategic human resource management practices as those that are theoretically or empirically related to overall organizational performance. These practices include internal career opportunities, formal training systems, results oriented appraisals, employment security, participation, job descriptions, and profit sharing. This approach has come to be known as the best practices or universalistic approach.

Harel and Tzafir (1999) used eight strategic human resource management practices: grievance procedure, incentive compensation, participation, promotion from within, recruitment, selection and training. Others used innovative work practices such as total quality management and quality circle(Ostermann, 1994). Some saw employment security and employee ownership as best practices (Pfeffer, 1994). When a firm's human resource practices are consistent with each other (i.e internal fit), and with the firm's strategic goals (i.e external fit), organizational efficiency will be enhanced(Huselid, 1995;Wright and McMahan, 1992). While strategic human resource management is related with the human resource alignment with the firm's strategy, human

resource practices are the exact mechanisms aimed at the acquisition, development, and motivation of human capital. Strategic human resource management focuses on what a firm does with human resources, while human resource practices refer to how these resources are managed.

A few recent studies have examined the linkage between human resource management practices and company performance. Bjorkman and Fan (2002) conducted a study of 62 manufacturing foreign-invested enterprises and wholly owned foreign subsidiaries in China. They reported significant positive effects of the human resource management system and human resource management-business alignment on company performance. They created a human resource management system index based on average standardized scores on eleven strategic human resource management practices and company performance was measured by managerial assessments of satisfaction with profitability and overall performance. Law et al. (2003) conducted a study of 122 firms across nine Chinese cities to test, among other things, the effect of the strategic role of human resource management on firm productivity and return on equity. Reporting positive effects on both indexes, they concluded that ‘good’ human resource management does matter to firm performance in a transitional economy (Law et al. 2003, p.263).

1.2 Commercial Banks in Kenya

Commercial banks are profit making financial institutions that play a significant role in the financial system. Commercial banks offer a wide range of corporate financial services that address the specific needs of private enterprise. They provide deposit, loan and trading facilities but will not service investment activities in financial markets. The term commercial bank is used to differentiate these banks from investment banks, which are primarily engaged in the financial markets. Commercial banks are also differentiated from retail banks that cater to individual clients only (Cargill, 1986). Commercial banks in Kenya play a number of roles in the financial stability and cash flow of the country’s private sector. They process payments through a variety of means including telegraphic transfer, internet banking and electronic funds transfers. They also issue bank cheques and drafts, as well as accept money on term deposits. They act as moneylenders, by way of instalment loans and overdrafts. Loan options include secured loans, unsecured loans and mortgage loans. Commercial banks in Kenya provide a number of import financial and trading documents such as letters of credit, performance bonds, standby letters of

credit, security underwriting commitments and various other types of balance sheet guarantees. They also take responsibility for safeguarding such documents and other valuables by providing safe deposit boxes. Currency exchange functions and the provision of unit trusts and commercial insurance are typically provided by the relevant departments in larger commercial banks.

In today's competitive banking environment, exemplary customer service is one of the distinguishing characteristics that commercial banks can exploit to establish a competitive edge. Since most of the commercial banks offer comparable products and services, they continually search for a competitive advantage that will attract new customers and help them retain existing ones. They therefore endeavour to develop innovative programs and initiatives to maintain superior customer service levels while remaining profitable. These has led to commercial banks either downsizing or rightsizing themselves while continuously restructuring their operations in order to develop more cost effective and efficient operations (Rajan et. al. 1998).

1.3 Statement of the Problem

In today's intensely competitive and global marketplace, maintaining competitive advantage puts a heavy premium on having a highly committed or competent workforce. As strategic partners, human resources managers should be able to identify the human resources practices that make the strategy happen. The primary actions of the strategic human resource manager translate business strategies into human resources priorities (Wang, 2003).

To be effective, commercial banks must have a high degree of credibility. The commercial banks ought to have the capacity to keep track of and carefully analyze the many factors that impinge on its core business of maintaining price stability and financial stability. It therefore requires that commercial banks to be able to respond with sound and well thought through policies as and when the need arises. This requires considerable skill, expertise, experience and judgement on the part of its staff. Although people are a commercial bank's most important asset, there are also significant risks in the human resources area and those risks need to be carefully managed. The risks include the consequences of recruiting the 'wrong' people, inadequately training and developing them, losing them prematurely, developing ineffective or misguided motivation structures and failing to consider future human resources capability needs. Management therefore needs to maintain structures and policies to identify and manage these risks.

Human resources managers in commercial banks are facing difficult challenges. They are however not up to the challenge because of lack of strategic approaches to human resource management and lack of human resources competencies. The ad-hoc nature of human resources management policies and practices of commercial banks has contributed significantly to the job-hopping phenomenon. Commercial banks in Kenya under practice strategic human resource activities in two important areas: recruitment/selection and training/development. Critical aspects of training and development such as evaluation of training programs, training needs analysis and cost-benefit analysis have been neglected.

Poor management practices have had much influence on employee turn over. All the above factors suggest that strategic human resources management in commercial banks in Kenya is not a particularly well managed function.

A number of studies have been done with respect to strategic human resource management practices. Most of the recent ones have focused upon the dimensions of human resource management practices and entrepreneurship and their effects for organizational effectiveness. The field studies were carried out in the western regions of China to investigate the main characteristics of human resource management practices and models in comparison with that of the eastern and coastal areas (Wang and Zang, 2004). The results showed that there were two major dimensions in human resource management practices: functional dimension and strategic dimension. Studies have also been also carried out to examine and identify the key dimensions of entrepreneurship among local Chinese companies (Wang, 2003; Yuan, 2004).

Studies done locally on strategic human resource management practices include Rimberia(2001) who conducted a survey on the use of flexible human resource practices by manufacturing firms in Nairobi. Murage (2005) did a survey of the relationship between strategic human resource management practices and performance of firms quoted in the Nairobi Stock Exchange. Roba (2008) did a survey to assess the extent of adoption of strategic human resource management practices at Teachers Service Commission of Kenya. Although a number of researches have been done in strategic human resource management practices, none has been done with respect to Commercial banks in Kenya. The foregoing made it imperative to conduct a study to determine the extent of adoption of strategic human resources management practices among commercial banks in Kenya.

1.4 Objectives of the Study

The objectives of this study were:

- i. To establish the extent of adoption of strategic human resource management practices among commercial banks in Kenya; and
- ii. To determine the factors that influence adoption of strategic human resource management practices by commercial banks in Kenya.

1.5 Significance of the Study

Findings from this study will benefit the following groups:

i. The Commercial Banks in Kenya

The findings of this study will help the commercial banks' managers in Kenya and other decision – makers with an insight into the benefits of best practice strategic human resources management techniques in service delivery.

ii. Academics / researchers

Findings from this research will assist academicians in broadening of their syllabus with respect to strategic human resources management practices hence providing a deeper understanding. The findings may as well attract other researchers to venture into strategic human resources management practices that have not been studied in the African context. The available literature is full of case studies from the west, which as pointed out by Aosa (1992), cannot be replicated without amendments for organizations operating in Africa.

iii. Government

The government can use the findings for their research to assist in policy formulation and development of a framework for strategic human resources management practices/techniques in its ministries; this study might also help in pointing out areas in which state corporations especially the Treasury can develop competencies and capabilities leading to superior performance with respect to strategic human resources management practices. It is also hoped that this study will help in recognizing local economic constraints in the finance sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

To understand the notion of strategic human resource management, it is necessary to appreciate the concept of strategy upon which it is based. Johnson and Scholes (1999) define strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through configuration of resources within a changing environment, to meet the needs of markets and fulfil shareholders expectations.

Mintzberg et al (1988) suggests that strategy can have a number of meanings namely a plan or something equivalent- a direction, a guide or cause of action; a pattern that is consistency in behavior over time; a perspective, an organizations way of doing things; a play, a specific manoeuvre intended to outwit an opponent or a competitor.

Pearce and Robinson (2000) recommend three critical ingredients for the success of a strategy. First, the strategy must be consistent with conditions in the competitive environment. It must take advantage of existing or projected opportunities and minimize the impact of major threats. Second, the strategy must place realistic requirements on the firm's resources. The firm's pursuit of market opportunities must be based not only on the existence of external opportunities but also on competitive advantages that arise from the firm's key resources. Finally, the strategy must be carefully executed.

2.2 Strategic Human Resource Management

Strategic human resource management has been defined as 'the linking of human resources with strategic goals and objectives in order to improve business performance and develop organizational culture that fosters innovation and flexibility '. Strategic human resource means accepting the human resource function as a strategic partner in the formulation of the company's strategies as well as in the implementation of those strategies through human resource activities such as recruiting, selecting, training and rewarding personnel. Whereas strategic human resource recognizes human resource's partnership role in the strategizing process, the term human resource strategies refers to specific human resource courses of action the company plans to pursue to achieve it's aims (Madsen et al. 2004).

By design the perspective demands that human resource managers become strategic partners in business operations playing prospective roles rather than, being passive administrators reacting to the requirements of other business functions. Strategic human resource managers need a change in their mindset from seeing themselves as relationship managers to resource managers knowing how to utilize the full potential of their human resources (Li, Zhao and Liu, 2004).

In a growing number of organizations human resources are now viewed as a source of competitive advantage. There is greater recognition that distinctive competencies are obtained through highly developed employee skills, distinctive organizational cultures, management processes and systems. This is in contrast to the traditional emphasis on transferable resources such as equipment. Increasingly it is being recognized that competitive advantage can be obtained with a high quality workforce that enables organizations to compete on the basis of market responsiveness, product and service quality, differentiated products and technological innovation (Wang and Zang, 2004).

The shape and structure of the organization and individual roles depends on Selection, development and training; Valuing the contribution of individual roles; e.g. via job evaluation; remuneration strategy; and managing individual performance. The human resource agenda would be driven clearly by the strategic objectives and priorities of the organization. The approach taken to human resource management would recognize that there are critical interrelationships and interdependences between the distinct areas of human resource management. For example, if the organization structure was changed and individual roles were redefined, then this would have implications for the way in which individual performance was managed, and the way in which pay structures needed to be designed in order to reflect and support new ways of working (Li, Zhao and Liu, 2004).

Specific human resource management initiatives would recognize the need to understand “where you are now” in relation to each of the distinct areas, and consequently ensure that the sequence of change took place in the right order. For example, it would be pointless to embark on a job evaluation exercise or to implement a new pay structure, if the organization was considering a fundamental rethink of work practices and processes.

Organizations that do not adopt a strategic approach are easily recognized by a fragmented and *ad hoc* approach to the development and implementation of human resource initiatives. As a consequence, the organization may get the timing of these initiatives wrong, and will probably also fail to recognize the interdependence and interrelationships between them. (Madsen et al. 2004). In organizations that do not adopt a strategic approach, existing approaches often act as barriers to the implementation of strategy. The design of individual roles and work processes will obviously conflict with the needs of the organization for cost reduction and quality improvement. Similarly, pay and reward systems often encourage individual jobholders to behave in a way which is completely at odds with the goals of the organization (Wang and Zang, 2004).

Organizations which fail to adopt a strategic approach are clearly at risk of reacting to somebody else's agenda. They may react to the external agendas of Government bodies, or professional associations. Equally, the human resource function may be drawn into reacting to the trade union agenda, because it has no strategic direction of its own to pursue. Failure to take a strategic approach to human resource management will directly impact on the performance of the organization. Critically, failure to take a strategic approach will have implications for costs, efficiency, productivity and quality (Li, Zhao and Liu, 2004; Madsen et al. (2004).

The adoption of a strategic human resource management approach necessitates the alignment of human resource strategies with overall business strategies. This can provide a benefit, for without a clear overall strategy into which a strategic human resource management approach can be integrated, and then strategic human resource management is not possible. Strategic human resource management can become a driving force with regard to the development of the organization; the critical management task is to align the formal structure and the human resource systems so that they drive the strategic objective of the organization (Formbrun et al., 1984). Because strategic human resource management places strong emphasis on ethics, business strategy can be influenced to develop beyond the immediate needs of the profit and loss account. Mueller (1996) argues that strategic human resource management grows out of an organic development process which is facilitated by persistent intent and builds on underlying developments in skills formation and established patterns of spontaneous co-operation thereby ensuring that the best of existing practices and attitudes can be retained, whilst alignment with overall objectives takes place. Additionally, the holistic approach required by strategic human

resource management encourages the best interaction between human resource and other resources, resulting in more complex interdependencies which are harder to imitate than straight forward good quality human resource systems which are imitable.

Aligning organizational and human resource strategies also presents a number of difficulties. Strategy development may be incremental, ad-hoc social, cultural and political affairs where numerous cognitive, information limitations- allied to cultural ways of thinking, and political loyalties, and historic relationships and interests play major roles in structuring how managers think and what they think about (Mabey et al., 1998).

Strategic human resource management presents as inevitable and necessary organizational strategies which may be political choices aimed at displacing the costs of organizational decline to the less advantaged members of the organization, while presenting these policies as inevitable and neutral (Mabey, et al., 1998). Many organizations may be unable to formulate clear strategic objectives which can be cascaded and owned round the organization. Strategy may be determined bottom up rather than top-down, or cross-sectional, putting the holism of strategic human resource management into jeopardy. Strategic human resource management has been held to consist of contradictory ideas-for example, simultaneously stressing individualism (in pay schemes) and co-operation; employee commitment and managerial flexibility (Mabey et.al., 1998)

2.3 Dimensions of Strategic Human Resource Management

A number of recent studies focused upon the dimensions of human resource management practices and entrepreneurship and their effects for organizational effectiveness. The field studies were carried out in the western regions of China to investigate the main characteristics of human resource management practices and models in comparison with that of the eastern and coastal areas (Wang and Zang, 2004). The results showed that there were two major dimensions in human resource management practices: functional dimension and strategic dimension. Both those dimensions significantly affected organizational and entrepreneurial performance indicators.

Studies were also carried out to examine and identify the key dimensions of entrepreneurship among local Chinese companies (Wang, 2003; Yuan, 2004). The results of those research showed that most of entrepreneurial firms were either individually- or collectively-based in structuring the ownership and either locally- or globally-oriented in developing the business. This two-dimensional model of entrepreneurship was built to capture the key features of different types of entrepreneurship. Using this model, various kinds of entrepreneurial firms were differentially identified and the collectively-owned and globally-oriented entrepreneurship proved to be significantly correlated with the long-term effectiveness of those firms (Wang and Zang, 2004). This finding has provided a useful framework for most of local firms who are at the new phase of corporate entrepreneurship.

Recent empirical studies indicated that local entrepreneurial firms who adopted the collectively-based and globally-oriented model of entrepreneurial strategies were among the most successful companies and that the fit between strategic human resource management practices, innovation strategy and entrepreneurial models significantly contributed to entrepreneurial performance and organizational effectiveness. More specifically, team-and career-focused strategic human resource management have shown long-term effects upon organizational effectiveness, whereas the collective entrepreneurship model is more suitable to the Chinese context of both manpower and business development (Wang 2004).

Technology innovation needs to be supported by the work systems and organizational structure. Madsen et al. (2004) studied the problems in the process of integrating technology innovation with human resources using an in-depth analysis of a real life case of new business development in Ericsson Denmark. The study went through all phases and aspects of the innovation process, from inception to field trials, representing a radical innovation based on a disruptive internet technology. They called this as dysfunctional integration. It was shown that when innovative human resources were not well integrated into the host organizational system, the new business would definitely go wrong. The organizational system needs to be re-structured in order to cope with the new requirements for entrepreneurship and technological innovations. Chen and Zhu (2004) examined the characteristics and system requirements using indicators of the corporate entrepreneurship and innovation performance. In their study, entrepreneurship was seen as the most important impetus for the development of an enterprise and even country's economy. There

is a close relationship between the HRM practice indicators evaluated by human resource managers and the organizational performance independently rated by industrial bureau officials.

2.4 Strategic Human Resources Management Practices

Strategic advantages of human capital practices: theory development historically, human resource management (formerly known as personnel management) consisted largely of recordkeeping and maintenance activities. The personnel function was considered an area of business that needed to be done, but which added little value to the organization in terms of productivity or profitability.

Pfeffer(1994, 1998) described and distilled human resource management best practices to a list of seven strategic areas as follows: Job security; selective hiring of new personnel; Self-managed teams and decentralization of decision making as the basic principles of organizational design; comparatively high compensation contingent on organizational performance; extensive training; reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels; extensive sharing of financial and performance information throughout the organization.

These seven best practices should drive higher levels of performance in the organizations that effectively use them. Other researchers have specifically noted the benefits of complementary human resource practices (Kandel and Lazear, 1992; Holmstrom and Milgrom, 1994).

Pfeffer's (1994, 1998) list is a valid starting point, but other researchers and theory builders have presented different lists or weight items differently.

Huselid (1995) conducted a cross sectional study of publicly held firms and found strong support for the effects of certain human resource management practices on the reduction of turnover and the enhancement of revenue. Huselid's study was cross-sectional. It therefore left indeterminate the direction of influence between human resource management practices and firm performance. Did high performance work systems drive firm performance or did high performing firms invest in high performance work systems? The survey contained only one respondent from each firm, making the estimation of response variance difficult if not impossible. However, the finding that major positive financial outcomes were associated with implementation of certain human

resource practices was striking. Internal auditors should be cognizant of Huselid's findings in the context of the general development of strategic human resource thinking summarized by Pfeffer, and the consistent implementation of a bundle of consistent practices.

Most of the early research on personnel management focused on issues affecting individuals, such as employee testing and training (Ferris et al., 1999). The evolution from personnel management to human resource management was more than simply a change in name. Rather, it represented a conceptual change from thinking of employees in an organization as personnel (perhaps a cost to be minimized), to resources that bring value to the organization. However, it was not until a broader perspective, known as strategic human resource management (SHRM), developed in the late 1980s and early 1990s that human resource management began to gain credibility as a potential source of competitive advantage. Strategic human resource management looks beyond individual implications of human resource management issues and attempts to align human resource management activities with the strategic goals of the organization (Butler et al., 1991).

Strategic human resources management developed from scholars' interest in examining the relationship between human resource management practices and organization performance (Bowen and Ostroff, 2004) and from theoretical arguments that an organization's human resources can be a source of sustainable competitive advantage for the organization (Wright and McMahon, 1992). There is general agreement among scholars that strategic human resource management involves designing and implementing internally consistent policies and practices that enable an organization's human resources to contribute to the achievement of business objectives; however, a more precise definition has yet to be reached (Huselid et al., 1997).

Building on theoretical arguments in favour of strategic human resource management, research attempting to demonstrate the relationship between human resources management practices and organizational performance emerged in the late 1980s and early 1990s (Delaney et al., 1989; Huselid, 1995; MacDuffie, 1995). Based on these studies, scholars began to compare approaches to strategic human resource management both conceptually and empirically. Two main approaches developed initially (Youndt et al., 1996). Subsequent work expanded the number of approaches to three by making additional distinctions in the categorizations of previous work

(Chadwick and Cappelli, 1999; Ferris et al., 1999). Most recently, the perspectives for studying the relationship between human resource management and organizational performance have again been reduced to two as the body of research has narrowed in on two logical approaches which have found support in the literature. The “systems approach” and the “strategic approach” and the evolution of these perspectives. These approaches are complementary and co-exist in organizations. The effective implementation of both strategic human resource management approaches represents a formidable competitive advantage for the firm.

The systems approach focused initially on the relationship between individual human resource management practices and organizational performance and later transitioned into an examination of a set of human resource management practices and their relationship as a group with organizational performance (Bowen and Ostroff, 2004). This approach was identified by earlier scholars as the “universalistic” approach because it asserts that certain “best practices” will be advantageous to all organizations. Early research on “best practices” examined the effect of individual human resource management practices, such as job design or promotion criteria, on an organization’s turnover and productivity levels. However, subsequent research found that the return on groups of human resource management practices that work with each other in a complementary fashion is greater than the effect of such practices used individually, and far superior to mismatching human resource management practices that are contradictory. For example, the effect of using valid selection procedures should be greater if the organization uses performance appraisals and incentive compensation programs that reward good performance (Huselid, 1995).

If compensation programs based on seniority are combined with performance appraisals and incentive compensation, their positive effects on performance should be lessened. According to the systems approach, when human resource management practices are aligned in a complementary fashion, an “internal fit” (Baird and Meshoulam, 1988) develops that leads to improved financial performance. Such complementary human resource management practices are known as high performance work systems. Huselid’s (1995) seminal work in this area sparked further thinking about how human resources practices can be leveraged to improve organizational performance.

The strategic approach, as suggested by Bowen and Ostroff (2004), has three different meanings in the literature. One meaning is the “fit” between human resource management practices and organizational strategy. This perspective also considers the horizontal alignment of human resource management practices, such that that the practices “fit” with each other to support the business strategy (Bowen and Ostroff, 2004). A second meaning of the strategic approach is based on contextual factors, such as organization size or industry.

According to this contingency perspective, the effectiveness of human resource management practices on increasing organization performance depends in part on contextual factors associated with the organization. For example, Youndt et al. (1996) studied 97 plants from various segments of the metal-working industry finding that the combined effects of manufacturing strategies and sets of human resource management practices on operational performance were positive and statistically significant. The interactive effects of management strategy and human resource management practices suggest the importance of a vertical fit between human resource management practices and strategic or contextual factors. A third meaning of the strategic approach concerns the complexity of a complete set of human resource management practices, which are difficult for competitors to imitate. The resource based view of organizations (Barney, 1991) suggests that organizations can achieve competitive advantage by using a set of human resource management practices that affect employee effort, attitudes, and behaviors, and thus are difficult for competitors to imitate (Bowen and Ostroff, 2004).

2.5 Factors influencing the adoption of Strategic Human Resource Management Practices

Organizations today must grapple with revolutionary trends – accelerating product and technological change, international competition, deregulation, demographic changes, and a shift towards service society. These trends have increased dramatically the degree of competition in virtually all industries. Companies in such an environment either become competitive high-performers or they vanish (Dessler, 2000). Within this competitive organizational context, human resource management practices have gained increased significance. More specifically, Human Resource has been linked to increased productivity (Fox et al., 1999), good customer service (Fox et al., 1999), greater profitability (Fox et al., 1999) and overall organizational survival (Melbourne and Andrews, 1995).

As organizations develop, they have to operate in an increasingly interconnected world (Schuler, 2000). Training and development activities are going to support those changes in the near future and are essential to the success of any organizational strategy. In the highly competitive, global market place, the competitive advantage for companies is the quality of their human resources (Pickles et al., 1999). Holden (1997) believes that the recognition of the importance of training in recent years has been heavily influenced by the intensification of global competition and the relative success of economies like Japan, Germany and Sweden, where investment in employee development is considerable. Technological developments and organizational change have gradually led some employers to the realization that success relies on the skills and abilities of their employees, translating into considerable and continuous investment in training and development. This investment has also been underscored by the rise of human resource management with its emphasis on the importance of people and the skills they possess in enhancing organizational efficiency. Such human resource management concepts as commitment to the company and the growth in the quality movement have led senior management teams to realize the increased importance of training and development (Muhlemayer and Clarke, 1997).

According to resource dependence theory (Pfeffer & Salancik 1978), resource is critical for organization existence and development. Internally, the development of various human resource management functions depends on resource provision from the organization (Tsui 1990). The amount of investment or budget devoted to human resource management represents the resources available for the human resource department. This is critical if the human resource department is to design or implement high quality human resource practices. For example some effective human resource practices require the involvement of outside experts or licensing expertise from other organizations.

Ability and skills of organizational members are important for successful implementation of organizational goals and strategies (Lado & Wilson 1994). As a major function, the human resource system and practices are crucial in facilitating the achievement of business strategy through the management of people. Therefore it is necessary to identify the impact of personnel factors on human resource based on prominent characteristics of the human resource function. First based on the competency perspective, managerial competencies are important organizational dimensions which add value to an organization through its determination on the

acquisition and arrangement of business resources, process of resource transformation to valuable products or services as well as the value delivery process to organizational stakeholders(Lado, Boyd & Wright 1992).The capability of human resource managers is critical in designing an internally consistent as well as a compatible strategic human resource system. Second human resource managers have been found to play significant roles in the business strategic making process (Dutton and Ashford 1993).

Managers and human resource specialists must work in partnership to ensure that the communication policies and procedures bolster employee relations, since to develop and sustain such relations, employers must keep employees informed of company policies and strategies (Gomez-Mejia et al., 2001). Additionally, to foster good employee relations, managers must listen to and understand what employees are saying and experiencing and provide employees with the freedom to express grievances about management decision (Ivancevich, 2001,). Additionally, the management style of line managers directly affects employee relations, since line managers are crucial to the links to the human resource function. Managers also, must facilitate the interactions that occur within work groups. In their role, managers provide direction, encouragement, and authority to evoke desired behaviours, (Eichinger and Ulrich, 1995).

Likewise empowerment is another important part of employee relations. In essence, the process of empowerment entails providing workers with the skills and authority to make decisions that would traditionally be made by managers(Ivancevich, 2001).Empowerment can encourage employees to be creative and to take risks, which are key components that can give a firm a competitive edge in a fast-changing environment (Hymowitz, 2000).

According to the competency based perspective, organizational competencies can be employed as potential sources of competitive advantage. As an important type of organizational competencies, managerial competencies refer to the ability of strategic leaders to create and enact the strategic vision of an organization (Lado & Wilson 1994). The support of top managers for the human resource function to adopt a series of internally compatible human resource practices has impact on the fit of the human resource system itself and the human resource system with the firm's strategy. Prior research evidence (Tsui 1990) also indicates that top

executives are one of the most important constituents on human resource management and the priorities of top management have significant influences on human resource policies and practices (Kane and Palmer 1995).

The effects of the design and implementation of a firm's human resource activities are embodied through all employees. Their knowledge and skills directly affect the quality and performance of the human resource system. More knowledgeable and skilful employees will have competencies to understand and enact a variety of human resource management practices, such as those designed for a firm's specific strategy. Conversely if the knowledge and skills of employees are limited, it is likely their performance will be adversely affected and their acceptance and utilization of human resource practices will be impeded. A lower level of desirable knowledge and skills exercised by employees will accordingly hinder efforts to change their behavior in an effective way to accomplish their job and the human resource practice.(Wright & Snell 1998).

The nature of strategy that a firm adopts has unique implications on diverse human resource practices and will influence the achievement of vertical fit (Schuler & Jackson 1987). Human resource practices are designed and arranged to reinforce functional implications of the various generic strategies (Porter, 1985). A study undertaken by Martell, Gupta and Carroll (1996) demonstrated the effects of different human resource practices and business strategy on firm performance. Specifically, these researchers found that training has higher positive effects for firms adopting a cost leadership strategy than with differentiation strategy. The authors of this investigation attribute the ineffectiveness of training under differentiation to a higher extent of creativity and flexibility needed, which is not likely to be learned through pre-defined training.

Organizational values and culture shape the human resource management practices (Bowen and Astroff 2004). The influence of value and culture is mainly reflected in how quickly or good the strategy can be merged into the designing of human resource management practices that are compatible with the strategy. Development of a strategy compatible human resource management practices is affected by corporate values and culture, partly because the human resource system takes on an advisory or consultancy role in the management structure of a firm. If the contribution of the human resource function is deemed as minor or unimportant, it is difficult to induce the efforts of the human resource managers to design a series of human resource practices according to corporate strategy. Even if the human resource department is self

motivated to provide a set of strategy compatible human resource arrangements, the adoption and implementation of these human resource activities may become problematic due to lack of enough support from top level managers who are representatives of the values and the unique culture of a firm (Wei & Lau 2005).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study adopted a descriptive survey design. This design was preferred because the researcher intended to collect cross sectional data on strategic human resources management practices employed by the commercial banks in Kenya in the management of their human resource for their enhanced overall performance advantage.

3.2 Population

The study targeted all the commercial banks in Kenya. There were forty-three commercial banks licensed to operate in Kenya (Central Bank of Kenya, Commercial Banks Directory, (2008), (See Appendix III).

3.3 Data Collection

Primary data was collected. The main instrument for data collection was a semi-structured questionnaire which was administered to the human resources managers and their assistants. The questionnaire was made up of three parts: part I had the personal information and the Bank information. Part II had the strategic human resource management practices employed by the Banks, to answer the first research objective. Part III had questions on the factors that influence the adoption of strategic human resources management practices to answer the second objective. The Drop-and-Pick later approach was used to administer the questionnaires.

3.4 Data Analysis

Descriptive statistics and factor analysis were used to analyse data. Pearson product moment correlation coefficient was be used to measure the degree of relationship between the two casually related variables. The value of the coefficient of correlation will enable us establish if there exists perfect positive correlation, perfect negative correlation, or no correlation, between the variables under study (Kothari 2004).

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter covers data analysis and findings of the research. The data is summarized and presented in the form of proportions and tables.

4.2 Years in Operation

Banks that have been in operation for long can be seen to be properly aligned to the best-practice human resources management for ever changing competitive environment.

Table 4.1: Years in Operation

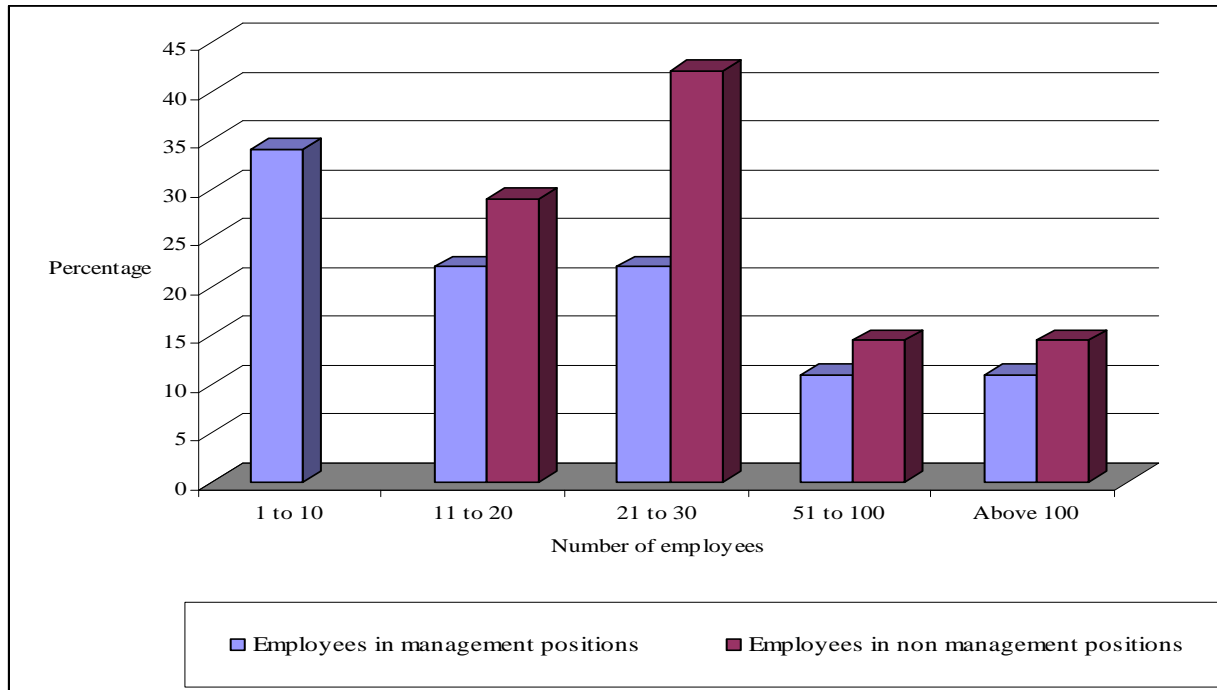
Number of Years	Frequency
Above 20	13
11 – 15	4
6 – 10	4
1 – 5	9
TOTAL	30

The findings, as shown in table 4.1, indicate that most of the banks (43%) have been in operation for more than 20 years while 30% have been in operation for between 1-5 years, indicating that all the commercial banking institutions were well represented.

4.2.1 Number of Employees

The employees in the commercial banks were categorized into management and non-management positions as indicated below:-

Figure 4.1: Employees' categories



From the findings, as illustrated in Figure 4.1 above, most of the banks have fewer employees in management levels as compared to non management employees (categories of 1 to 10 and 11 to 20). On the other hand non management employees form the bulk of categories 21 to 30, 51 to 100 and above 100. This is in line with best practice human resources management.

4.2.2 Level of Education

Most promotions to management level are dependent on one's level of education and also the institution's employee development policy.

Table 4.2: Level of Education

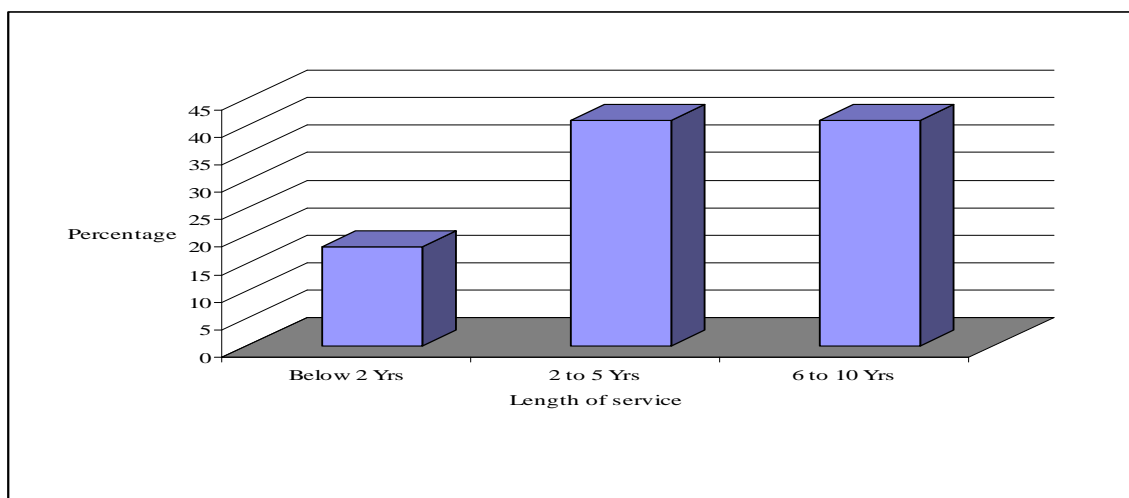
	Frequency
Certificate	2
Diploma	4
Degree	14
Postgraduate	10
Total	30

Majority (14) of the respondents had first degree, followed by 10 respondents with postgraduate qualifications, 4 with diploma and 2 with certificate as minimum education qualifications. This implies that the respondents were able to understand and comprehend the issues under discussion in the research questionnaire.

4.2.3 Number of Years in Bank's Service

An individual's experience on the job depends on the number of years he/she has been in the institution's service. This also depends on the motivation at the organization level to remain at some given job level.

Figure 4.2: Number of Years in Service



From the results in figure 4.2, most respondents (41%) have worked in the Commercial banking sector for more than five years. This indicates maturity and experience in matters relating to best-practice human resources management.

4.3 Strategic Human Resource Management Practices adopted by the Commercial Banks in Kenya

Human resources are one of the most critical components of strategic success for many organizations and for one to objectively judge human resources management practices as effective; they must contribute to the organization's bottom line.

4.3.1 Human Resource Management Practices

The findings indicated that there is the day-to-day personnel administration, for example personnel records, payroll and administration of benefit programmes, the bank has developed and implemented detailed procedures and systems reflecting its strategic framework in Human Resource Management. The excellent performance of commercial banks include the living result of its people's efficiency, effectiveness, commitment and potential, and the banks have strategic and coherent approach to the management of its most valued assets – the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage. All the factors were found to be highly correlated with each other (see correlation matrix in Appendix IV).

4.3.2 Bank's Human Resource Management and Performance

Findings indicated that recruitment and selection is well linked to key performance areas; training is well linked to key performance areas; performance appraisal is well linked to key performance areas; and lastly compensation management is well linked to key performance areas.

4.3.3 Strategic Human Resource Management Practices

From the results, strategic human resources management practices in commercial banks include; the recognition of individual roles of employees accompanied with valuing the contribution of individual employees for example via job evaluation; the implementation of chosen human

resources management strategy, efficiently and effectively with careful marshalling of resources that support the business strategy; the utilization of mechanisms for identifying priorities within the human resources department; and the effective management of the expectation of employees. Other important strategic human resources management practices in the banks include; managerial competency modeling; full implementation of knowledge management support systems within the human resources department; keen selection, development and training of human resources; utilization of the full potential of the human resources to the firm's advantage; technology innovation aimed at high-performance technology; sound remuneration strategy; and sound management of individual performance.

4.4. Factors that Influence Adoption of Strategic Human Resource

Management Practices

With regard to the second objective of the study, that was to determine the factors that influence adoption of strategic human resource management practices by commercial banks in Kenya, it was established that the factors that have constrained the banks from adopting strategic human resource management practices by commercial banks in Kenya include; lack of participation and organization of employees in problem-solving teams; lack of extensive selection procedure used to hire new workers; lack of extensive efforts to set clear expectations about required work behaviours of the new workers; employees and union representatives, if any, are not provided with financial information on a regular basis; a majority of employees are not involved in formal or informal work teams or other related problem-solving activities; employees are not covered by a "non-traditional" incentive pay plan which applies across shifts of workers; employees are not covered by a "non-traditional" incentive pay plan which is sensitive to quality as well as quantity aspects of output; lack of extensive selection procedure including tests for personality traits needed for cooperative team environments; line managers don't meet off-line with employees to discuss issues of concern, including issues related to performance and quality, failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to issues; the banks are not committed to a goal of long-term employment security and offering employees a pledge of employment security employees don't rotate across jobs or tasks on the line.

With the aid of factor analysis using principal component analysis, the following were identified as the main factors influencing adoption of strategic human resource management practices among commercial banks in Kenya; poor communication between management and employee representatives, poor planning of human resource management activities, and lack of clear targets and expectations from employees.

Poor communication and decision making process, which includes failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to human resources issues, the line managers don't meet off-line with employees to discuss issues of concern, including issues related to performance and quality, as majority of employees are not involved in formal or informal work teams or other related problem-solving activities.

Lack of planning of human resource management activities, which include the failure to cover employees by a "non-traditional" incentive pay plan which applies across shifts of workers, failure of the bank's profit-sharing plan to cover all employees and line workers, poor planning on off-the-job training and the banks are not committed to a goal of long-term employment security and offering employees a pledge of employment security.

Lack of clearly set clear expectations about required work behaviours of the new workers, employees don't rotate across jobs or tasks on the line and failure to organize employees into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings and makes conclusions based on the objectives of this study: to establish the extent of adoption of strategic human resource management practices among commercial banks in Kenya; and to determine the factors that influence adoption of strategic human resource management practices by commercial banks in Kenya. It also includes recommendations for further study.

5.2 Summary

It is observed from the analysis that the response rate was seventy (70%) percent. In any research endeavour, good representation in the sample is important. All commercial banks operating in Kenya were sampled and all cadres of the banking institutions were well represented. From the study, most of the banks have a proportionate number of employees in management level with respect to those in non-management. Most promotions to management level depend on one's level of education and equally on the organization's employee development policy. Majority of the respondents were university graduates, implying that they understood the issues under discussion in the research questionnaire. Most respondents (41%) having have worked in the banking sector for more than five years indicated maturity and experience in matters relating to best-practice human resources management.

Human resources are one of the most critical components of strategic success for many organizations and for one to objectively judge the human resources management practices as effective; they must contribute to the organization's bottom line. It was established to a great extent that there is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes in the bank; the Bank has developed and implemented detailed procedures, and systems which reflect it's strategic framework in Human Resources Management. Further recruitment and selection; training; performance appraisal; and lastly compensation management is well linked to key performance areas.

A number of human resources management practices can be used as strategic weapons for organization to remain competitive. From the research data, the key (mean = 4) strategic human resources management practices to banks include: the recognition of individual roles of employees accompanied with valuing the contribution of individual employees for example via job evaluation; the implementation of chosen human resources management strategy, efficiently and effectively with careful marshalling of resources that support the business strategy; the utilization of mechanisms for identifying priorities within the human resources department; and the effective management of the expectation of employees. Further analysis using factor analysis using Principal Component Analysis to extract the key strategic human resources management practices required Varimax with Kaiser Normalization gave a rotation that converged in 3 iterations. From the research data, strategic human resources management practices can be broken into two components. The first component is post-entry/on-the-job strategic human resources management practices, which include the implementation of chosen human resources management strategy, efficiently and effectively with careful marshalling of resources that support the business strategy; the utilization of mechanisms for identifying priorities within the human resources department; and the effective management of the expectation of employees. The second component is pre-entry strategic human resources management practices, which include the recognition of the individual roles of employees before they are employed, keen selection, development and training of Human Resources; and lastly managerial competency modeling.

It was established that factors that have discouraged (Mean = 2) the adoption of strategic human resource management practices by commercial banks in Kenya include poor or lack of participation and organization of employees in problem-solving teams, there is no extensive selection procedure used to hire new workers, lack of extensive efforts to set clear expectations about required work behaviours of the new workers, employees and union representatives, if any, are not provided with financial information on a regular basis. Also a majority of Employees are not involved in formal or informal work teams or other related problem-solving activities; employees are not covered by a "non-traditional" incentive pay plan which applies across shifts of workers. The above factors are far too many. Further analysis using factor analysis using Principal Component Analysis to extract the factors that have discouraged the adoption of

strategic human resource management practices by commercial banks in Kenya required Varimax with Kaiser Normalization gave a rotation that converged in 16 iterations. From the research data, factors can be broken into three components. The first component is poor communication and decision making process, which include failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to human resources issues, the line managers don't meet off-line with Employees to discuss issues of concern, including issues related to performance and quality, as majority of employees are not involved in formal or informal work teams or other related problem-solving activities. The second component is poor planning on HR issues, which include the failure to cover employees by a "non-traditional" incentive pay plan which applies across shifts of workers, failure of the bank's profit-sharing plan to cover all employees and line workers, poor planning on off-the-job training while the banks are not committed to a goal of long-term employment security and offering employees a pledge of employment security. The third component is on poor job orientations which includes lack of extensive efforts to set clear expectations about required work behaviors of the new workers, employees don't rotate across jobs or tasks on the line and failure to organize employees into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities.

5.3 Conclusions

Based on the results from data analysis and findings of the research, one can safely conclude the following, based on the objectives of the study;

A number of human resource practices can be used as strategic weapons for organization to remain competitive. These can be seen as the best practice human resources management practices. The key strategic resources management practices can be broken into two components. The first component is post-entry/on-the-job strategic human resources management practices, which include the implementation of chosen human resources management strategy, efficiently and effectively with careful marshalling of resources that support the business strategy. The second component is pre-entry strategic human resources management practices, which include

the recognition of the individual roles of employees before they are employed, keen selection, development and training of Human Resources; and lastly managerial competency modeling.

Secondly, the factors that have discouraged the adoption of strategic human resource management practices by commercial banks in Kenya can be broken into three components. The first component is poor communication and decision making process, which include failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to human resources issues, the line managers don't meet off-line with employees to discuss issues of concern, including issues related to performance and quality, as majority of employees are not involved in formal or informal work teams or other related problem-solving activities. The second component is poor planning on HR issues, which include the failure to cover employees by a "non-traditional" incentive pay plan which applies across shifts of workers, failure of the bank's profit-sharing plan to cover all employees and line workers, poor planning on off-the-job training while the banks are not committed to a goal of long-term employment security and offering employees a pledge of employment security. The third component is on poor job orientations which includes lack of extensive efforts to set clear expectations about required work behaviors of the new workers, employees don't rotate across jobs or tasks on the line and failure to organize employees into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities.

Therefore, managers need to be sure that the decision to adopt a practice is the right one. For HR departments, a track record of adding value by adopting effective HR practices is likely to lead to benefits in terms of credibility, and power; a history of unsuccessful programs could be detrimental to the department's image among managers and employees (Buyens & De Vos, 2001). Finally, employees are likely to trust managers and HR departments that demonstrate long-term commitment to effective HR practices. (Abrahanson, 2003).

Although several explanations have been proposed to explain the issue of adoption/rejection, these vary widely and typically focus on limited aspects of the phenomenon. For instance, the low rates of adoption of effective HR practices have variously been attributed to the slow

diffusion of knowledge from researchers to practitioners (Johns, 1993), managerial perceptions of utility (Boudreau & Ramstad, 2003), and the complexity of implementation (Pfeffer & Sutton, 2000).

5.4 Recommendations for Further Study

The findings of the study indicate that there are a number of issues to be addressed in research, for policy and practice. This was a survey on the adoption of strategic human resource management practices among commercial banks in Kenya. Further research in the areas of strategic human resource management practices would be useful in understanding the impact that the practice has in organizations competitiveness and management process for enhanced productivity.

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APPENDIX I: LETTER OF INTRODUCTION

Head of Human Resource Management Unit

I am a postgraduate student currently pursuing an MBA degree at the School of Business, University of Nairobi. I am in my research year of my postgraduate studies focusing on **“Strategic Human Resource Management Practices among the Commercial Banks In Kenya”**. Your organization has been selected for this study. The specific objective of the survey component of the research is to identify and document the strategic human resource management practices employed by the commercial banks in Kenya in the management of their human resource for their enhanced overall performance advantage.

If you are interested in the results from this study you are welcome to request a copy of the final report by supplying your name and email address. Any queries regarding the questionnaire or the overall study can be directed to the undersigned. Please be assured that this information is sought for research purposes only and your responses will be strictly confidential. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone.

All information will be used for academic purposes only. Please assist me in gathering enough information to present a representative finding, by completing the attached questionnaire. Your participation is entirely voluntary and the questionnaire is completely anonymous. Thank you very much for helping with this important study.

Yours Sincerely,

Linda A. Abongo(MBA Student)
University of Nairobi
P.O.Box 30197
Nairobi

Mr. George Omondi(Supervisor)
University of Nairobi
P.O.Box 30197
Nairobi

APPENDIX II: QUESTIONNAIRE

SECTION A: RESPONDENT'S PROFILE

1. Name of the Bank.....Number of Years in Operation.....

2. Number of Employees? Management.....Line Workers.....
3. Location.....
4. Highest Level of Education
5. Number of years of service at the Bank.....

SECTION B: STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES

On a scale of 1-5 where:

1=very low extent; 2=Low extent; 3=No effect; 4= High extent; 5= Very high extent

1. Please indicate the extent to which you agree with the following statements

Statement	Rating
Your bank is facing the challenge of how to develop and manage its employees strategically in order to achieve more with less and make optimum use of their potential	[1] [2] [3] [4] [5]
The Bank has a strategic and coherent approach to the management of its most valued assets – the people working there who individually and collectively contribute to the achievement of the its objectives for sustainable competitive advantage	[1] [2] [3] [4] [5]
The Bank's excellent performance is the living result of its people's efficiency, effectiveness, commitment and potential.	[1] [2] [3] [4] [5]
Your Bank identifies each person's skills, motivates employees to use those skills and places the appropriate individuals at the key positions to have a great impact on your Bank's effectiveness	[1] [2] [3] [4] [5]
The Bank has well established overall direction and objectives of key areas of human resource management in order to ensure that they are not only are consistent with but also support the achievement of business goals	[1] [2] [3] [4] [5]
The Bank has developed and implemented detailed procedures, and systems which reflect the it's strategic framework in Human Resources Management	[1] [2] [3] [4] [5]
There is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes in the bank.	[1] [2] [3] [4] [5]
Others	
1.	[1] [2] [3] [4] [5]
2.	[1] [2] [3] [4] [5]
3.	[1] [2] [3] [4] [5]

2. To what extent has your bank linked the following aspects with strategic human resources practices to its key performance areas?

	Rating
Recruitment and selection is well linked to key performance areas	[1] [2] [3] [4] [5]
Training is well linked to key performance areas	[1] [2] [3] [4] [5]
Performance appraisal is well linked to key performance areas	[1] [2] [3] [4] [5]
Compensation management is well linked to key performance areas	[1] [2] [3] [4] [5]
Others	
1.	[1] [2] [3] [4] [5]
2.	[1] [2] [3] [4] [5]

3. To what extent has your bank emphasized the following aspects in its Human resources Management?

	Rating
The Individual roles of employees	[1] [2] [3] [4] [5]
Valuing the contribution of individual employees for example via job evaluation	[1] [2] [3] [4] [5]
Sound remuneration strategy	[1] [2] [3] [4] [5]
Sound management of individual performance	[1] [2] [3] [4] [5]
Keen selection, development and training of Human Resources	[1] [2] [3] [4] [5]
Technology innovation aimed at high-performance technology	[1] [2] [3] [4] [5]
Managerial competency modeling	[1] [2] [3] [4] [5]
Organizational re-structuring and well distributed engineering	[1] [2] [3] [4] [5]
Integrated innovative tech-HRM strategies	[1] [2] [3] [4] [5]
Others	
1.	[1] [2] [3] [4] [5]
2.	[1] [2] [3] [4] [5]

4. To what extent has your Bank implemented the following strategies?

	Rating
Review of drivers and strategies for human resources knowledge management efforts	[1] [2] [3] [4] [5]
Gaining the commitment and understanding from human resources executives	[1] [2] [3] [4] [5]
Effective management of the expectation of employees	[1] [2] [3] [4] [5]
Marshalling resources that support the business strategy	[1] [2] [3] [4] [5]
Implementation of chosen strategy, efficiently and effectively	[1] [2] [3] [4] [5]
Utilization of the full potential of the human resources to the firm's advantage	[1] [2] [3] [4] [5]
Leveraging other resources such as physical assets and capital to complement and augment the human resources based advantage	[1] [2] [3] [4] [5]
Utilization of mechanisms for identifying priorities within the human resources department	[1] [2] [3] [4] [5]
Full implementation of knowledge management support systems within the human resources department	[1] [2] [3] [4] [5]

SECTION C: FACTORS THAT INFLUENCE ADOPTION OF STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES

To what extent have the following factors influenced the adoption of the strategic human resource management practices in your Bank?

Use the following scale: 5 = **Very high extent**; 4 = **High Extent**; 3 = **No Effect**; 2 = **Low Extent**; 1 = **Very Low Extent**

Factors Influencing the adoption of Strategic HRM Practices	Rating
The Bank’s profit-sharing plan does not cover all employees and line workers	[1] [2] [3] [4] [5]
Employees are not covered by a “non-traditional” incentive pay plan which applies across shifts of workers	[1] [2] [3] [4] [5]
Employees are not covered by a “non-traditional” incentive pay plan which is sensitive to quality as well as quantity aspects of output	[1] [2] [3] [4] [5]
There is no extensive selection procedure used to hire new workers	[1] [2] [3] [4] [5]
There is no extensive selection procedure including tests for personality traits needed for cooperative team environments	[1] [2] [3] [4] [5]
There are no extensive efforts to set clear expectations about required work behaviors of the new workers	[1] [2] [3] [4] [5]
A majority of Employees are not involved in formal or informal work teams or other related problem-solving activities	[1] [2] [3] [4] [5]
Employees don’t participate in more than one problem-solving team	[1] [2] [3] [4] [5]
Employees are not organized into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities	[1] [2] [3] [4] [5]
The bank is not committed to a goal of long-term employment security and offering employees a pledge of employment security	[1] [2] [3] [4] [5]
Employees don’t rotate across jobs or tasks on the line	[1] [2] [3] [4] [5]
All Employees on the line receive off-the-job training	[1] [2] [3] [4] [5]
Employees and union representatives, if any, are not provided with financial information on a regular basis	[1] [2] [3] [4] [5]
Line managers don’t meet off-line with Employees to discuss issues of concern, including issues related to performance and quality	[1] [2] [3] [4] [5]
Union representatives and managers don’t meet often to discuss concerns and cooperate in finding solutions to issues	[1] [2] [3] [4] [5]
The line is not a unionized operation	[1] [2] [3] [4] [5]
The grievance-filing rate is less than 12 per year	[1] [2] [3] [4] [5]
Others	
	[1] [2] [3] [4] [5]

Any other general comments you wish to make

Thank you for your cooperation.

APPENDIX III: LIST OF COMMERCIAL BANKS

Commercial Bank	Telephone	Physical Address	Classification	No. of Branches
1.African Banking Corporation Ltd.	020-4263000	ABC Bank House, Mezzanine Floor, Koinange Street	Medium	9
2. Bank of Africa Kenya Ltd	020-2211175	Re-Insurance Plaza Taifa Rd	Medium	7
3. Bank of Baroda (K) Ltd	020-2248402/12	Baroda House Koinange Street	Large	8
4. Bank of India	020-2221414	Bank of India Blg.Kenyatta Avenue	Medium	4
5. Barclays Bank Of Kenya Ltd	020-210577/313405	Barclays Plaza Loita Street	Large	105
6. CFC Stanbic Bank Ltd	020-36380000	CFC Centre Chiromo Rd Westlands Nairobi	Large	18
7.Charterhouse Bank Ltd UNDER STATUTORY MANAGEMENT	020-242246/53	Longonot Place 6th Floor Kijabe Street	Medium	10
8. Chase Bank (K) Ltd	020-2774000	Riverside Mews, Riverside Drive.	Medium	7
9. Citibank N.A Kenya	020-2711211	Citibank House Upper Hiil Rd	Large	3
10. City Finance Bank Ltd	020-2210338/9	Unity House Koinange Street	Small	1
11. Commercial Bank Of Africa Ltd	020-2884000	CBA Building, upper hill	Large	17
12. Consolidated Bank of Kenya Ltd	020-340208/340836	Consolidated Bank House Koinange Street	Medium	12
13. Co-operative Bank Of Kenya Ltd	020-219831	Co-operative House	Large	73
14. Credit Bank Ltd	020-222300	Ground Floor Mercantile Hse Koinange Street	Small	4
15. Development Bank of Kenya Ltd	020-340401	Finance House, 16th Floor Loita Street	Medium	1
16. Diamond Trust Bank (K) Ltd	020-2210988/9	Nation Centre 8th Floor Kimathi Street	Large	13
17. Dubai Bank Kenya ltd	020-311109	I C E A Building Kenyatta Avenue	Small	4
18. Ecobank Kenya Ltd	020-2883000	Ecobank Towers Muindi Mbingu Strett	Medium	13
19. Equatorial Commercial Bank Ltd	020-311205	Sasini House, Loita Street	Medium	4

20. Equity Bank Ltd	020-2736617	NHIF Building 14th floor Community	Large	102
21. Family Bank Ltd	020-318173	Fourways Towers, Muindi Mbingu Street.	Medium	38
22. Fina Bank Ltd	020-246943	Fina House Kimathi Street	Medium	14
23. First Community Bank Ltd	020-2843000	Prudential Assurance Building, 1st Floor, Wabera Street	Small	11
24. Fidelity Commercial Bank Ltd	020-242348	I.P.S. Building, 7 th Floor, Kimathi Street	Small	6
25. Giro Commercial Bank Ltd	020-340537	Giro House Kimathi Street	Medium	6
26. Guardian Bank Ltd	020-216633/9561393	Chandaria Industries complex, Baba Dogo Rd. Ruaraka	Medium	7
27. Gulf African Bank Ltd	020-2740000	Geminia Insurance Plaza, Kilimanjaro Ave. U.Hill.	Small	7
28. Habib Bank A.G Zurich	020-341172/77	Nagina House Koinange Street.	Medium	5
29. Habib Bank Ltd	020-2222786	Exchange Building Koinange Street	Small	4
30. Imperial Bank Ltd	020-2874000	Bunyala Road Upper Hill	Medium	11
31. Investment & Mortgages Bank Ltd	020-310105/7	I & M Bank House 2nd Ngong Ave	Large	13
32. K-Rep Bank Ltd	020-3871511	Naivasha Road Riruta	Medium	31
33. Kenya Commercial Bank Ltd	020-3270000	Kencom House Moi Ave	Large	144
34. Middle East Bank (K) Ltd	020-2723120	Mebank Tower, Milimani Road Nairobi	Small	3
35. National Bank of Kenya Ltd	020-2828000	National Bank Building Harambee Avenue	Large	39
35. National Industrial Credit Bank Ltd	020-2888000	N.I.C House Masaba Road	Large	5
37. Oriental Commercial Bank Ltd	020-2228461/2	Finance Hse Koinange St	Small	5
38. Paramount Universal Bank Ltd	020-4449266	Sound Plaza Building Westlands	Small	4
39. Prime Bank Ltd	020-4203000	Riverside Drive	Large	11

40.Southern Credit Banking Corporation Ltd	020-2220948	Southern House, Nginda Lane,Off Muranga Road.	Medium	10
41. Standard Chartered Bank (K) Ltd	020-32930000	Stanbank House Moi Avenue	Large	35
42. Trans-National Bank Ltd	020-2224234-6	Transnational Plaza, City Hall way	Small	12
43. Victoria Commercial Bank Ltd	020-2719815	Victoria Towers Kilimanjaro Avenue, Upper Hill.	Small	1

Source: **Central Bank of Kenya, Commercial Banks Directory (2008)**

APPENDIX IV: CORRELATION MATRIX

		Your bank is facing the challenge of how to develop and manage its employees strategically in order to achieve more with less and make optimum use of their potential	The Bank has a strategic and coherent approach to the management of its most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage	The Bank's excellent performance is the living result of its people's efficiency, effectiveness, commitment and potential.	Your Bank identifies each person's skills, motivates employees to use those skills and places the appropriate individuals at the key positions to have a great impact on your Bank's effectiveness	The Bank has well established overall direction and objectives of key areas of human resource management in order to ensure that they are not only are consistent with but also support the achievement of business goals	The Bank has developed and implemented detailed procedures, and systems which reflect the it's strategic framework in Human Resources Management	There is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes in the bank.	Recruitment and selection is well linked to key performance areas
The bank is facing the challenge of how to develop and manage its employees strategically in order to achieve more with less and make optimum use of their potential	Pearson Correlation	1	-.651(**)	-.488(*)	-.655(**)	-.490(*)	-.251	-.150	-.504(*)
	Sig. (2-tailed)	.	.001	.021	.001	.021	.273	.505	.017
The Bank has a strategic and coherent approach to the management of its most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage	Pearson Correlation	.651(**)	1	.675(*)	.846(**)	.825(**)	.676(*)	.552(*)	.730(**)
	Sig. (2-tailed)	.001	.	.001	.000	.000	.001	.008	.000
The Bank's excellent performance is the living result of its people's efficiency, effectiveness, commitment and potential.	Pearson Correlation	-.488(*)	.675(**)	1	.737(**)	.731(**)	.349	.233	.721(**)
	Sig. (2-tailed)	.021	.001	.	.000	.000	.121	.297	.000
The Bank identifies each person's skills, motivates employees to use those skills and places the appropriate individuals at the key positions to have a great impact on your Bank's effectiveness	Pearson Correlation	.655(**)	.846(**)	.737(*)	1	.768(**)	.481(*)	.442(*)	.615(**)
	Sig. (2-tailed)	.001	.000	.000	.	.000	.027	.045	.003
The Bank has well established overall direction and objectives of key areas of human resource management in order to ensure that they are not only are consistent with but also support the achievement of business goals	Pearson Correlation	-.490(*)	.825(**)	.731(*)	.768(**)	1	.762(*)	.524(*)	.792(**)
	Sig. (2-tailed)	.021	.000	.000	.000	.	.000	.012	.000
The Bank has developed and implemented detailed procedures, and systems which reflect the it's strategic framework in Human Resources Management	Pearson Correlation	-.251	.676(**)	.349	.481(*)	.762(**)	1	.855(*)	.636(**)
	Sig. (2-tailed)	.273	.001	.121	.027	.000	.	.000	.002
There is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes in the bank.	Pearson Correlation	-.150	.552(**)	.233	.442(*)	.524(*)	.855(*)	1	.531(*)
	Sig. (2-tailed)	.505	.008	.297	.045	.012	.000	.	.011
Recruitment and selection is well linked to key performance areas	Pearson Correlation	-.504(*)	.730(**)	.721(*)	.615(**)	.792(**)	.636(*)	.531(*)	1
	Sig. (2-tailed)	.017	.000	.000	.003	.000	.002	.011	.