

**COMPARATIVE ANALYSIS OF HUMAN RESOURCE MANAGEMENT
PRACTICES ADOPTED BY INTERNATIONAL ORGANIZATION FOR
STANDARDIZATION CERTIFIED AND NON INTERNATIONAL
ORGANIZATION FOR STANDARDIZATION CERTIFIED COMMERCIAL
BANKS IN KENYA**

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university

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This management research project has been submitted for examination with my approval for examination as the University Supervisor.

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DEDICATION

I am proud to dedicate this study to my wife Jane and my two great loving kids Victor, and Maggie.

To Jane for her leadership, agreement and encouragement. To Victor for his great ideas.

To Maggie for her love of a greener universe and bubbling spirit.

Without their love, support and encouragement my studies would have been an impossible task to undertake.

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To you all, God bless.

ABSTRACT

The adoption of International Organization for Standardization certification requires that certain standards be maintained in the management of human resources. The Kenyan banking sector has become so competitive following the aggressive entry of more commercial banks. As such, human capital has turned out to be an important competitive tool in the banking sector that calls for proper management practices for these resources to ensure sustained bank competitive advantage (Anyango, 2010). The research objective was to compare human resource management practices adopted by International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks in Kenya.

This study used cross-sectional descriptive survey design. The population of this study was comprised of all commercial banks in Kenya. There are 43 commercial banks in Kenya. The respondents were human resource managers of the commercial banks in Kenya. Primary data was collected using a semi-structured questionnaire. International Organization for Standardization certification enables commercial banks to adopt human resource management practices.

The findings concludes that there is a significant difference between firms with and without International Organization for Standardization 9000 certification with respect to the human resource management practices. The study recommends that commercial banks should seek International Organization for Standardization certification as it was found that it has great effect on adoption of human resource management practices.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations today constantly wrestle with revolutionary trends: accelerating product and technological changes, global competition, deregulation, demographic changes, and at the same time, they must strive to implement trends towards a service and information society (Kane 2000). Due to this turbulent business environment, one of the challenges facing many business organizations is the growing belief that if organizations have to survive and thrive in global economy, they require world-class human resource competencies and the processes for managing them (Armstrong, 2002).

Among an organization's intangible resources, human resource is more likely to produce a competitive advantage because they often are truly rare and can be more difficult for competitors to imitate (Jackson, Hitt and DeNisi, 2004). Human resource researchers have argued that human resource management practices or strategies have a major impact on employee productivity and commitment because the way employees are treated directly impacts on the organizational performance. (Huselid, 1995) found that human resource management practices impact turnover, productivity, corporate financial performance. (Pfeffer, 1998) and (Pfeffer and Veiga, 1999) argue that competitive success is based on how employees are treated and that there are seven human resource practices that together lead to competitive success, profitability and survival.

As strategic business partners, human resource professionals should understand the nature of the business from strategic, operational, financial, and other aspects necessary to be part of an effective team managing an organization. It includes effective manpower planning, recruitment and selection process, realistic performance plans and development oriented performance appraisal, effective learning system providing ample learning opportunities with the help of training, performance guidance, and other mechanisms such as mentoring. It also consists of mechanisms to inculcate sense of pride in work, high degree of organizational commitment, introducing such organizational development systems as personal growth labs, creativity workshops, quality circles, kaizen team building exercises among others (Zairi, 1998).

1.1.1 Human Resource Management Practices

Human resource policies are continuing guidelines on the approach the organization intends to adopt in managing its human capital resources. They form the philosophies and values of the organization on how people should be treated, and from these are derived the principles upon which managers are expected to act when dealing with human resource matters. Human resource policies therefore serve as reference points when employment practices are being developed, and when decisions are being made about people. They help define "the way things are done around here". (Armstrong, 2002). The impact of human resource management policies and practices on firm's performance is an important topic in the fields of human resource management, industrial relations and organizational psychology (Boudreau, 1991; Jones and Wright, 1992; Kleiner, 1990).

Prior work (Huselid, 1996) suggests distinct human resource practices that should influence a firm's competitive advantage. Using that research as a foundation, the present study posits that hiring selectivity, training and development, levels of benefits, compensation and incentive pay, employee involvement and staff union involvement, and grievance resolution mechanisms all affect performance in a competitive environment hence are determined by International Organization for Standardization certification in commercial banks.

1.1.2 Human Resource Management by International Organization for Standardization Certified Firms

According to Rcnuka and Venkateshwara (2006) who did an exploratory study on small manufacturing firms with and without International Organization for Standardization Certification in India, there is a significant difference between firms with and without International Organization for Standardization 9000 certification with respect to the human resource management practices and advanced technology adoption. Their findings shows that small manufacturing firms had embraced advanced technologies overwhelmingly compared to non- International Organization for Standardization certified firms. In this study, the authors bring out certain significant differences in the adoption of Human Resource Management (human resource management) practices and advanced technology of small manufacturing firms with and without International Organization for Standardization 9000 Certification. Hassan (2009), examined the employees' perception of human resource practices in International Organization for Standardization and non- International Organization for Standardization certified

companies in Malaysia. According to Hassan, the International Organization for Standardization -certified companies received higher endorsements on managing career systems, conducting contextual analysis for goal setting, and quality orientation. In the rest of the cases, the differences were not significant. The findings suggested that organizations need to go beyond quality assurance to organization-wide quality management through improvement in human resource systems and practices. The adoption of International Organization for Standardization certification requires that certain standards be maintained in the management of human resources. This is because human resources constitute an important resource in the organization's production process (Anyango. 2010).

1.1.3 Human Resource Management Practices by Non International Organization for Standardization Certified Firms

Human Resource is the most important asset for any organization and it is the source of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital and for its effective management; organization requires effective human resource management system. Human resource management system should be backed up by sound human resource management practices. According to Khatri (1999), people are one of the most important factors providing flexibility and adaptability to organizations. Rundle (1997) argues that one needs to bear in mind that people (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment.

However, non International Organization for Standardization certified organization do not always put in place structures necessary to ensure maximum human resources management. This is because they strive to maintain the minimum standards required by law in their human resource management practices. Non International Organization for Standardization certified firms tend to have poor human resource management practices because of lack of standard guidelines on how to address human resource issues (Anyango, 2010)

1.1.4 International Organization for Standardization Certification

The International Organization for Standardization 9000 family of international standards were first introduced by the International Organization for Standardization in 1987, which was subsequently revised in 1994. The standard has since gone through a major revision in 2000. The International Organization for Standardization 9000[1] family of standards and guidelines has earned a global reputation as the basis for establishing quality management systems. By following the International Organization for Standardization 9000 standards, companies discover what makes them successful and then they can document this information in formalized processes and procedures. International Organization for Standardization 9000:2005, Quality Management System - Fundamental and Vocabulary describes the concepts of a quality management system (QMS) and defines the fundamental terms used in the International Organization for Standardization 9000 family. International Organization for Standardization 9001:2000, Quality Management Systems Requirements specifies the requirements for a quality management system, whereby an organization needs to assess and demonstrate its ability

to provide products that meet customer and applicable regulatory requirement, and thereby enhance customer satisfaction. It only specifies the requirements for quality management systems. International Organization for Standardization 9004:2000 Quality Management Systems Guidelines for performance improvement provides guidance for continual improvement and can be used for performance improvement of an organization. It takes in a broader perspective of quality management and gives guidance for future improvement (International Organization for Standardization, 9000). International Organization for Standardization 19011:2002, Guidelines on Quality and Environmental Management Systems Auditing provides guidance on conducting internal and external quality and/or environmental management system audits to verify a system's ability to meet defined objectives (International Organization for Standardization , 9000).

1.1.5 Commercial Banks in Kenya

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members. (Kenya Bankers Association annual Report, 2011)

There are forty-three commercial banks and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Thirty-five of the banks, most of which are small to medium sized, are locally owned (Central Bank of Kenya annual report 2011). The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Nine of the major banks are listed on the Nairobi Stock Exchange. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking, insurance services and custodial services among others.

1.2 Research Problem

The role of human resource practices in fostering employee engagement and commitment is paramount following the increased competition arising from high competition among commercial banks. Those practices that provide workers with the opportunity to intervene in the work process and to make decisions, that motivate workers to put forth discretionary effort, and that ensure that workers have the skills and ability to do their jobs are the foundation of a human resources practices (Bailey, 1992). The intent of these human resource and workplace practices is to increase organizational performance.

The Kenyan banking sector has become so competitive following the aggressive entry of more commercial banks. The transformation of Equity Bank Limited, Family and K-Rep deposit taking microfinance institutions into full commercial banks has taken the competition to another level in the banking industry in Kenya. These have necessitated

the market segmentation and product differentiation so as to win and retain a desired market share for each bank. However, the banking products offered from one institution to another seem to be more or less the same only differentiated with the manner in which is delivered by the human resource of the Bank. As such, human capital has turned out to be an important competitive tool in the banking sector which calls for proper management practices for these resources to ensure sustained bank competitive advantage (Anyango, 2010). International Organization for Standardization Certification puts some international standards in the management of human resources in the organization. With the adoption of International Organization for Standardization Certification, commercial banks become more people minded hence put in place the necessary measures to maximize employee contribution to the organization.

Several studies on International Organization for Standardization certification have been carried out. For instance (Kioko, 2002) carried out a survey on the strategic use of international standards. Likewise (Miyumo, 2003) did a research on change management practices in total quality management implementation whose focus was on International Organization for Standardization 9000 certified firms in Kenya. (Abongo, 2009) did a study on strategic human resource management practices among commercial banks in Kenya. (Matilu, 2009) competitive strategies and human resource management practices adopted by insurance companies in Nairobi, Kenya. Despite the increasing efforts of institutions all over the world to attain the International Organization for Standardization certification status and its effects on human resource management and other aspects of their productivity cannot be overlooked. Most organizations in both the public and

private sector in Kenya embracing International Organization for Standardization certification as a way of contributing to proper human resource management practices as well as having an international standard on which they are operating on. to the best of researcher's knowledge no study has been done to evaluate the comparison of human resource management practices of International Organization for Standardization of human resource management practices of International Organization for Standardization certified commercial banks and non International Organization for Standardization certified ones in Kenya. It is against this backdrop that this study sought to find out the comparison of human resource management practices of International Organization for Standardization in human resource management practices for International Organization for Standardization certified commercial banks and non International Organization for Standardization certified ones in Kenya.

1.3 Research Objective

To compare human resource management practices adopted by International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks in Kenya.

1.4 Value of the Study

The knowledge of the effect of International Organization for Standardization certification to the human resource management practices is of great importance to the policy makers in the country as it will enable government officials to develop policies and strategies that will facilitate International Organization for Standardization certified

organizations to come up with strategies aimed at improving human resource management activities.

The study is thus a major contribution to the commercial banks' management in enlightening them on the strategy to be employed so as to enhance the banks' competitive success by optimizing the use of the human resource and International Organization for Standardization certification possesses.

The findings of this study also benefit other researchers and scholars in the field of service quality management and human resource management with literature on this topic. The study will act as an important source of reference besides providing areas for further research where future scholars can reference.

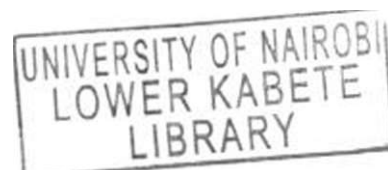
CHAPTER TWO

LITERATURE REVIEW

2.1 Human Resource Management

Human resource management is defined as 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. Storey (1989) believes that human resource management can be regarded as a 'set of interrelated policies with an ideological and philosophical underpinning'. He suggests four aspects that constitute the meaningful version of human resource management: a particular constellation of beliefs and assumptions; a strategic thrust informing decisions about people management; the central involvement of line managers; and reliance upon a set of 'levers' to shape the employment relationship (Beardwell and Holden, 1997).

The human resource management function of an organisation manages the individual aspects of the employment relationship starting from employee recruitment and selection to international employment relations, salaries and wages. Human resource management is a complex blend of science and art, creativity and common sense. At one level, human resource practice draws on economics, psychology, sociology, anthropology, political studies, and strategic and systems thinking. At an operational level, success depends on interpersonal relationships (Delery and Doty, 1996). Human resource professionals are often the "go to" people in an organisation for advice and information. When things go



wrong employees rely on the integrity and ability of human resource management staff to manage and advice on issues without taking sides. They may also train and develop staff to ensure the business performs well, that it meets its goals and continually improves (Arthur, 1994).

2.2 Human Resource Management Practices

Human resource practices comprise of the informal approaches used in managing people at the work place. Distinctive human resource practices shape the core competencies that determine how firms compete according to (Cappelli and Crocker-Hefter, 1996). Extensive research has shown that such practices can make a significant impact on firm performance. Human resource management strategies aim to support programmes for improving organizational effectiveness by developing policies in such areas as knowledge management, talent management and generally creating "a great place to work\ This is the 'big idea*' as described by Purcell *et al.*, (2003), which consists of a 'clear vision and a set of integrated values'. More specifically, human resource strategies can be concerned with the development of continuous improvement and customer relations policies. Some of the human resource management practices adopted by organizations and so commercial banks include among others employee training and development, staff performance appraisal practices, employee recruitment and selection and employee retention.

2.2.1 Human Resource Planning

Human resource planning enables an organization to project its short to long term needs on the basis of its organizational plans and objectives so that it can adjust its manpower

requirements to meet changing priorities. The more changing the environment the organization is in, the more the organization needs manpower planning to indicate: the number of recruits required in a specified timeframe and the availability of talent; early indications of potential recruitment or retention difficulties; surpluses or deficiencies in certain ranks or grades; and availability of suitable qualified and experienced successors. Human resource planning comprises of two key components: succession planning and employee turnover (Delery and Doty, 1996).

Succession planning assesses the likely turnover in key posts, identifies suitable candidates to fill these posts in future, and ensures that they have the right training and exposure for their future work. Given the effort and support required for undertaking succession planning, it is normally confined to the directorate and those ranks immediately below, plus any grades with high turnover or anticipated expansion. Succession planning is a very important exercise because it minimizes the impact of turnover in these key ranks and gives an organization early warning of any skill shortages or likely difficulties in finding suitable candidates (Arthur, 1994). Ideally a succession plan should cover 3 to 5 years and should identify: key posts and possible successors; causes of turnover: competencies of successors and the training required for them; and posts for which no apparent successor exists and the remedial action planned. The information derived from the succession plan should feed into the training and development of the individuals concerned by ensuring that they attend the necessary training and are posted to jobs that will provide them with the experience for their intended role (Delcry and Doty, 1996).

Turnover refers to retirement, resignation and redundancy. While an organization cannot plan turnover because there are factors, such as resignation, which are beyond its control, it can monitor turnover carefully to ensure the organization will have minimal difficulties in retaining staff. If such difficulties are envisaged or experienced, the organization will find out the causes for them and take early steps to address them by improving, for example, motivation or training and development opportunities (Delery and Doty, 1996). When addressing the aspects of succession and turnover, the organization also needs to consider other manpower planning factors: external factors and internal factors.

2.2.2 Employee Recruitment and Selection

Recruitment and selection is a process of obtaining number and quality of employees required to satisfy the human resource needs of an organisations at minimum cost. According to Cole, (2002), the principle purpose of recruitment is to attract sufficient and suitable potential employees to apply for vacancies in the organisation while selection is the identification of the most suitable potential employees to apply vacancies in the organisation while selection is the identification of the most suitable applicants and persuade them to accept the position in the organisation.

The alignment of the institution to International Organization for Standardization quality policies, such as creating and communicating the total quality management vision, preparing the organization and employees for total quality management implementation and generating quality awareness among the employees across all levels, functions, and departments, should contribute to an increase employee competence and institution performance (Palo and Padhi, 2005). Continuous quality improvement as advocated for

by International Organization for Standardization policies depends upon the best use of the talents and abilities of a company's workforce. To achieve world class quality, it is imperative that a company empowers its workers. Companies must develop and realize the full potential of their workforce and maintain an environment conducive to full participation, personal and organizational growth. It is necessary to consider employees' behavior, attitudes and values for any total quality management program to be successful. In ensuring employee competence in their duties, reference is made to the recruitment process, appointing people with specific qualities and values that will contribute to the continuing success of the institution (Smyth and Scullion, 1996).

Recruitment should be externally oriented in the main (Schuler and Jackson, 1987). However, some compromise over the internal market is required in order to foster total quality management (Schuler and Harris, 1991) and promote employee empowerment, participation and integration. Therefore, companies should foster both internal and external recruitment (Rees and Doran, 2001). Selection methods should be designed to assess total quality management; that is, selection should be based on technical abilities, problem resolution and mathematical and statistical abilities (Bowen and Lawler, 1992). Selection has to be orientated towards a more person-centered approach than a task-based selection; that is, organizational selection processes should be oriented to identifying individuals who possess quality-related competences (Rees and Doran, 2001). However, a critical aspect is that selection procedures should facilitate the appropriate culture (Wilkinson et al., 1994). The bid to develop a quality culture must be by recruiting and selecting employees with the required attitudinal and behavioral

characteristics and inducting them into the quality culture (Snape *et al.*, 1995). This implies that candidates must fit the organizational culture and the total quality management system (Simmons *et al.*, 1995; Snape *et al.*, 1995).

2.2.3 Training and Development

Training is the process of teaching new and present employees skills they need to perform their jobs (Stoner, 1994; Desler, 1997). It is formal and systematic modification of behaviour through learning, which occurs as a result of education, instruction development and planned experience (Armstrong, 2002). The fundamental aim of training is to help the organisation achieve its purpose by adding value to its key resource; the people it employs. Training means investing in people to enable them perform better and empower them to make the best of their natural abilities.

One of the key elements in the International Organization for Standardization 9001 standard is the clause on training (Clause 4.18 of International Organization for Standardization 9001:1994 standard and 6.2.2 of International Organization for Standardization 9001:2000 standard). These clauses describe the training and experience requirements of an organization. It requires that the organization train new employees and all personnel whose work affect quality. The aim is to continually improve training programs to enable employees to handle changes in the global marketplace. The standard requires that the need for training of personnel should be identified and a method for providing that training should be established. Further, consideration should be given to

providing training to all levels of personnel within the organization (International Organization for Standardization, 1994; 2000).

International Organization for Standardization 9001 has an impact on the training and development of the employees as it influences the training design (O'Connor *et al.*, 1996). That is, training needs analysis; determining what training subjects are essential and helping identify those employees who are in need of the training is guided by International Organization for Standardization 9001 provisions and guidelines. International Organization for Standardization 9001 presupposes that the training design which is the creation of an intervention or training effort targeted at addressing the problem identified gives the employees the ability to handle issues competently and hence enhance service delivery by guiding the processes of curriculum development, course design, computer-aided design and the development of learning aids or materials. It also ensures that training delivery that is the means to communicate the training information to the employees, including the selection and deployment of the media, methods, and arrangement of the facilities is appropriate and effective in achieving the training needs identified hence improving service delivery this therefore implies that organizations that are International Organization for Standardization certified are likely to perform better than non International Organization for Standardization certified ones (International Organization for Standardization. 1994; 2000).

Human resource development programmes are important for several reasons. These include: source of management talent, helps organizations retain and develop productive employees, provides challenging assignments, prescribes new responsibilities and helps

employees grow by developing their abilities. Organizations show commitment to the employees by providing continuous development opportunities to better themselves and in turn the employees will reciprocate by being committed to the organization. In this way, the organization is not merely providing jobs but also helping employees to upgrade their skills and building a career in the organization (Allan, 2002).

2.2.4 Performance Management

Performance management is a very important human resource management function. Its objective is to improve overall productivity and effectiveness by maximizing individual performance and potential. Performance management is concerned with improving individual and collective performance; communicating management's expectations to supervisors and staff; improving communication between senior management, supervisors and staff; assisting staff to enhance their career prospects through recognizing and rewarding effective performance; identifying and resolving cases of underperformance; and providing important links to other human resource management functions, such as training (Allan, 2002).

Performance appraisal is one of the most problematic components of human resource management (Allen and Mayfield. 1983). All involved parties supervisors, employees, and human resource administrators typically are dissatisfied with their organization's performance appraisal system (Smith *et al* 1996) and view the appraisal process as either a futile bureaucratic exercise or, worse, a destructive influence on the employee-supervisor relationship (Momeyer, 1986).

Given the importance of performance appraisal to both the employee and the organization, the pervasive dissatisfaction with its effectiveness is perplexing in light of the fact that factors that contribute to the successful design and implementation of appraisal systems are well recognized. One factor that contributes to an effective performance appraisal system entails ensuring that the system focuses on performance variables as opposed to personal traits (Smither, 1998).

Second, for an appraisal system to be effective, employees must believe that they have an opportunity for meaningful input into the appraisal process (Gilliland and Langdon, 1998). Such input may range from having the opportunity to challenge or rebut the evaluation one receives (Korsgaard and Roberson, 1995) to judging one's own performance through self appraisal. Regardless of the nature of employee input, it is clear that giving employees a voice in their own appraisals enhances the perceived fairness of the appraisal process, which, in turn, increases the likelihood that employees will accept the appraisal system as a legitimate and constructive means of gauging their performance contributions. As noted by Gilliland and Langdon (1998, p. 211), without the perception of fairness, "a system that is designed to appraise, reward, motivate, and develop can actually have the opposite effect and create frustration and resentment".

2.2.5 Compensation

Employee compensation is a system of benefits provided by law to workers for their contribution to the organization, that is, for doing their job. Research has shown that compensation can influence a company's success in terms of being able to attract, retain

high performing employees and also motivate, energize and direct their behaviour to achieve organization objectives (Bemadin, 2003). Compensation management is concerned with the formulation and implementation of strategies and policies with the aim of compensating people fairly, equitably and with the aim of achieving organizational goals (Dessler, 2003).

Compensation is a primary motivator for employees. People look for jobs that not only suit their creativity and talents, but compensate the month in terms of salary and other benefits accordingly. Compensation is also one of the fastest changing fields in Human Resources, as companies continue to investigate various ways of rewarding employees for performance.

2.2.6 Employee Relations

Employee relations consist of all those areas of human resource management that involve relationships with employees directly and or through collective agreements where trade unions are recognised. "Employee relations refer to interrelationships, both formal and informal, between managers and whom they manage" (Cole, 2002). It embraces; contractual obligations, communication policy and practice; joint decision making and problem solving; collective bargaining; individual grievance and disciplinary policy and practice; employee development and employee welfare.

Employee relations' processes consist of the approached and methods adopted by employers to deal with employees collectively or individually. These are based on organizations articulated or implied employee relation policies and strategies recognising

the uniqueness of each organisation. Armstrong (2002) emphasise that "there is of course no such a thing as a model employee relations policy. Every organisation develops its own policies."

Approaches to employee relations strategies should flow from business strategy. For example if business strategy is to concentrate on achieving competitive edge through innovation and service delivery to its customers employee relation strategy should emphasize process of involvement and participation, including the implementation of programmes for continuous improvements and total quality management (Oakland, 1998).

According to Orcilley (1993), formal information sharing is important for the sake of making employee maximize on their job performance. For example, the clearer an employee is about the basic goals and mission of the organization the easier it is to direct job activities in that direction. Research carried on the importance of communication shows positive relationship between effective communication and improvement of the quality (Feather, 1981). The above view is supported by Hall (1991), "information is critical as it affects attitude and motivation of employees"

When formulating or adopting Human Resource Management strategies Drucker cited in Havard business review Sept - Oct 1994 an insight that would assist a visionary manager. A knowledge worker himself, Drucker was particularly interested in the growing importance of people who worked with their minds rather than their hands. He was intrigued by employees who knew more about certain subjects than their bosses or

colleagues but who still had to cooperate with others in the organisation. Drucker analysed it and explained how it challenged the common thinking of about how organization should be run and he concluded that the great potential hidden in human capital of an organisation could be a solution to most of the organisation problems if it's exploited through appropriate strategic Human Resource Management.

Employee relations are also involved with dispute resolution mechanisms. Many firms have formal procedures for resolving employment disputes. These provide a mechanism to redress grievances, and promote "voice" over "exit." Such procedures encourage the view that the organization seeks fairness and is open to calls for change from below. Because this concern for due process and fairness signals the organization's support and its commitment to employee concerns, grievance mechanisms should increase employee commitment (Eisenberger *et al.*). Further, grievance procedures fulfill due process and fairness expectations (Rousseau, 1995). Consistent with these arguments, Bemmels (1995) found grievance procedures positively related to commitment.

2.2.7 Employee Exit

Employee exit management is the process used within many businesses to terminate employees in a professional manner. It applies to employees who have resigned and those that have been terminated by the company. When an employee is terminated there are a number of considerations that an organization needs to make in order to cleanly end the relationship between the company and the employee. The company as a legal entity has a responsibility to the employee which may extend beyond the period of employment and this is the primary focus of the exit procedure.

All employees voluntarily leaving the employment of an organization may be invited by the human resources department to participate in an independent exit interview meant to enlighten the management of the organization as to the reasons for their departure so that the management can take the necessary actions in managing future employee issues.

2.3 Application of International Organization for Standardization on Human Resource Practices

Since the introduction of International Organization for Standardization 9000, there were a series of controversies and doubts over the role and the significance of International Organization for Standardization 9000 series on improving product and service quality, achieving internal and external customer satisfaction, and improving performance (Dick, 2000). Quality experts, researchers, academics and practitioners have realized that "human resources" issues can be at the core of the quality philosophy and that employee involvement and commitment is essential for the successful introduction and implementation of quality initiatives, programmes or practices and techniques. It is widely accepted that total quality management has a high human resource context and that quality movement recognizes the importance of human resources utilization and states a conceptual and well-defined image concerning human behaviour and motivation.

Wilkinson et al., states "putting human resources issues in the top management agenda is a prerequisite for the effectiveness of all quality improvement efforts". Research evidence suggest that as total quality improvement efforts proceeds, a change in the corporate culture occurs, resulting in the establishment of a work climate in which participation.

trust, responsibility for goal achievement and employee involvement takes place. It is widely suggested that successful total quality management implementation changes the dominant values, organizational structures and the way people work together.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This study used cross-sectional descriptive survey design. It is deemed to be the most appropriate design for this study since a number of commercial banks were studied at the same time to enable comparison among the banks.

3.2 Population

The population of this study was comprised of all commercial banks in Kenya. There are 43 commercial banks in Kenya (Central Bank of Kenya Report, 2011). Following the small number of the population, the study conducted a census where all commercial banks were involved with the study targeting the human resource office.

3.3 Data Collection

Primary data was collected using a semi-structured questionnaire. Questionnaires was administered using a drop and pick method. The respondents were human resource managers of the commercial banks in Kenya.

3.4 Data Analysis

The data was coded and entered into a processing system to enable the responses to be grouped into various categories. Descriptive statistics was used to analyze the data by use of percentages and frequencies. The findings were presented in tables and graphs.

CHAPTER FOUR

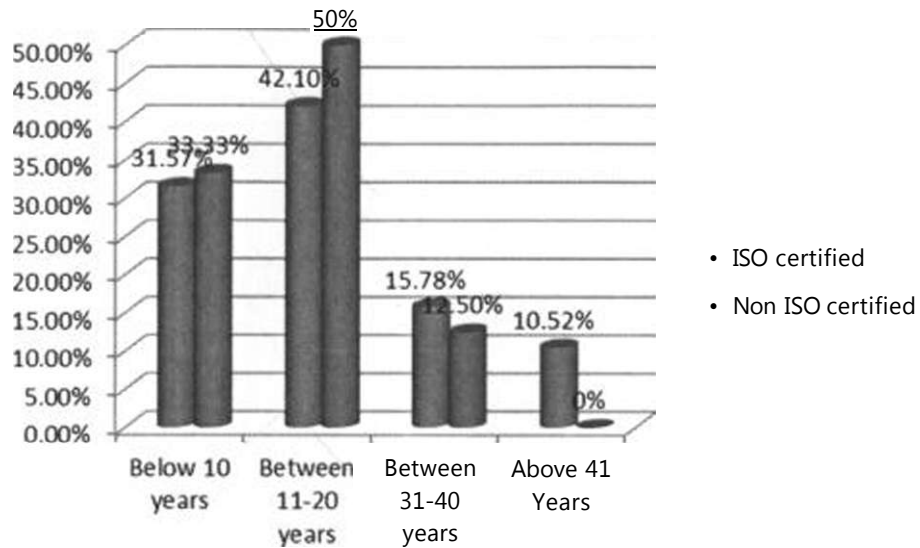
DATA ANALYSIS, FINDINGS AND DISCUSSION

4.0 Response Rate

The research was conducted on a population of 43 respondents from 43 commercial banks in Kenya to whom questionnaires were administered. However, only 39 questionnaires were returned duly filled in. This number constituted of 22 from Non-International Organization for Standardization certified and 15 from International Organization for Standardization certified banks. This study made use of frequencies (absolute and relative) on single response questions. On multiple response questions, the study used Likert scale in collecting and analysing the data whereby a scale of 5 points were used in computing the means and standard deviations. These were then presented in tables, graphs and charts as appropriate with explanations being given in prose.

4.1: Demographic Data

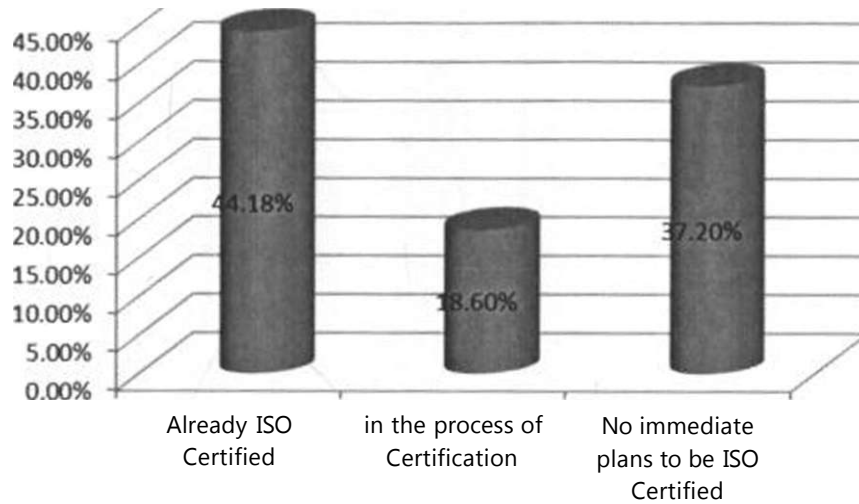
Figure 1: Duration of Operation



The study established that majority of the commercial banks have been operating for less than 10 years. From the study results, International Organization for Standardization Certified banks have been operating for more years than non International Organization for Standardization Certified banks.

4.1.1: Status of Bank's International Organization for Standardization Certification

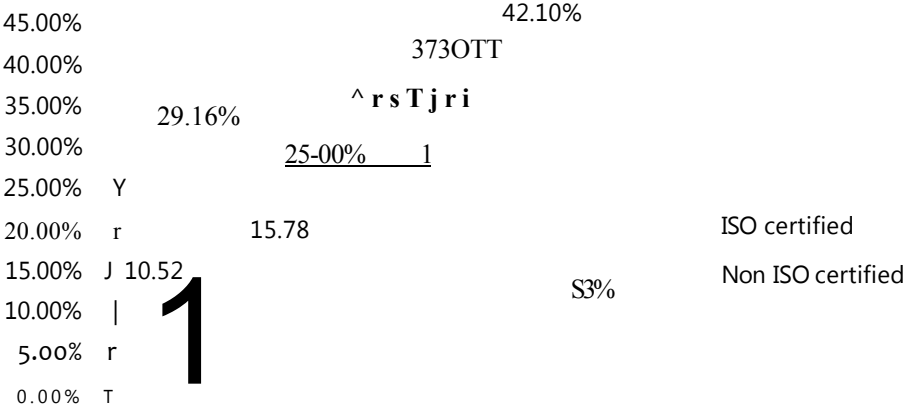
Figure 2: Status of Bank's Organization for Standardization Certification



The study established that 44.18% of the commercial banks are International Organization for Standardization certified 18.60% are in the process of certification while 37.20% have no immediate plans to be International Organization for Standardization certified.

4.1.2: Number of Employees

Figure 3: Number of Employees



The study established that majority of International Organization for Standardization certified commercial banks had a large employee number than non- International Organization for Standardization certified banks.

4.2: Human Resource Management Practices

The study explored the following human resource management practices: human resource planning, staffing practices, incentives practices, performance appraisal, training program, team work, and employee participation.

4.2.1: Human Resource Planning

The findings established that human resource planning by International Organization for Standardization certified commercial banks are significantly better than those by non International Organization for Standardization certified commercial banks. This is shown by the study results. The respondents strongly agreed that a large number of managers in International Organization for Standardization certified commercial banks are involved in human resource planning in firm which had a mean score of 4.543 while the just agreed that managers in non International Organization for Standardization certified commercial banks are involved in human resource planning in firm which had a mean score of 3.98. The study results further shows that structured and standardized interviews are used more used in International Organization for Standardization certified commercial banks than in non International Organization for Standardization certified commercial banks as shown by a mean score of 4.394 and 3.45 respectively. The study result indicates that International Organization for Standardization certified commercial banks than spends a great amount of money on selecting staff than non International Organization for Standardization certified commercial banks, as shown by a mean score of 3.736 and 3.40 respectively. Finally the study results indicated that International Organization for

Standardization certified commercial banks forecasts on personnel requirements on a timely basis than non International Organization for Standardization certified commercial banks.

International Organization for Standardization certified banks are more able to project its short to long term needs on the basis of its plans and objectives so that it can adjust its manpower requirements to meet changing priorities than non International Organization for Standardization certified banks. Thus, International Organization for Standardization certified banks are able to plan succession and turnover better than Non International Organization for Standardization certified banks

4.2.2: Staffing Practices

There were no major differences on staffing practices adopted by International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks in Kenya. The respondents strongly agreed that the bank adopts selectivity in hiring new employees, which had a mean score of 4.75 and 4.63 for International Organization for Standardization certified and non-International Organization for Standardization certified commercial banks. The study further revealed that International Organization for Standardization certified and non-International Organization for Standardization certified commercial banks focus on staffing for problem solving skills and technical skills and less on manual and physical skills.

The findings concurred with the findings of Rees and Doran, (2001) who established that in order to ensure employee competence in their duties, reference is made to the recruitment process, appointing people with specific qualities and values that will contribute to the continuing success of the institution. Selection should be based on technical abilities, problem resolution and mathematical and statistical abilities. Selection has to be orientated towards a more person-centered approach than a task-based selection; that is, organizational selection processes should be oriented to identifying individuals who possess quality-related competences

4.2.3: Incentives Practices

The incentives practices adopted by International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks in Kenya had no major variation. There was a slight variation on International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks on the incentives practices they have adopted. The respondents agreed that by International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks both has; favorable incentive practices to encourage employees to achieve the Bank's objectives, very fair incentive practices aimed at rewarding people who accomplish their goals and has incentive practices which really recognize people who contribute the most to firm. The mean of the International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks on issues of incentives practices ranged from 3.55 to 3.74.

4.2.4: Performance Appraisal

On the performance appraisal adopted by International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks in Kenya, the study results indicate that International Organization for Standardization certified banks Bank uses performance based appraisal more than non International Organization for Standardization certified commercial banks. This is shown by a mean of 3.63 and 3.04 respectively. International Organization for Standardization certified bank uses employee's self-ratings on performance more than Non International Organization for Standardization certified commercial banks. In International Organization for Standardization certified bank superiors in the Bank frequently discuss performance with subordinates than non International Organization for Standardization certified commercial banks.

International Organization for Standardization certified banks aim much higher than non-International Organization for Standardization certified banks in improving overall productivity and effectiveness by maximizing individual performance and potential through performance appraisal. Performance management is concerned with improving individual and collective performance; communicating management's expectations to supervisors and staff; improving communication between senior management, supervisors and staff; assisting staff to enhance their career prospects through recognizing and rewarding effective performance; identifying and resolving cases of underperformance.

4.2.5: Training Programs

The findings showed that International Organization for Standardization certified bank carry out more training program than their counter part non International Organization for Standardization certified commercial banks. The study results shows that the respondents agreed that International Organization for Standardization certified bank provide extensive training programs for employees in firm; employees normally go through various training programs every year, the bank provides formal training to promote skills to new hires as well as to promoted or existing employees. The non International Organization for Standardization certified commercial banks had a mean score of 2.67, 2.83. and 3.07 respectively on the same factors of training program.

The fundamental aim of training is to help the organisation achieve its purpose by adding value to its key resource; the people it employs. One of the key elements in the International Organization for Standardization standard is the clause on training. It requires that the organization train new employees and all personnel whose work affect quality. The aim is to continually improve training programs to enable employees to handle changes in the global marketplace. The standard requires that the need for training of personnel should be identified and a method for providing that training should be established. International Organization for Standardization has an impact on the training and development of the employees as it influences the training design.

4.2.7: Employee Participation

The findings established that there was a significant difference in employee participation adopted by International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks. The study results show that in International Organization for Standardization certified banks there is more employee participation than in Non International Organization for Standardization certified banks. The respondents agreed on the following factors of employee participation that in International Organization for Standardization certified, employees are often asked by their supervisors to participate in decisions making in the bank. Supervisors keep open communication with employees in Bank, employees are allowed to make many decisions regarding their work areas and employees are encouraged to suggest improvement in the way jobs are done at the Bank. Each of the factors had a mean score of 4.334, 3.845, 3.733 and 3.56 respectively. The respondents were neutral on the same factors on employee participation in non- International Organization for Standardization certified banks as they had a mean score of 3.48, 3.45, 3.40 and 3.55 respectively.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1: Summary of Findings

The study found that there was a significant difference on human resource management practices adopted by International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks in Kenya. International Organization for Standardization certified banks have adapted to a great extent human resource management practices than non International Organization for Standardization certified commercial banks. The main human resource management practices that had a great variation were human resource planning, performance appraisal, training program and employee participation. While staffing practices, incentives practices and teamwork had no major variation in International Organization for Standardization certified and Non International Organization for Standardization certified commercial banks in Kenya

The findings suggested that organizations need to go beyond quality assurance to organization-wide quality management through improvement in human resource systems and practices. The adoption of International Organization for Standardization certification requires that certain standards be maintained in the management of human

resources. This is because human resources constitute an important resource in the organization's production process.

International Organization for Standardization certified banks are more able to project its short to long term needs on the basis of its plans and objectives so that it can adjust its manpower requirements to meet changing priorities than non International Organization for Standardization certified banks. Thus International Organization for Standardization certified banks are able to plan succession and turnover better than Non International Organization for Standardization certified banks

The study concurred with the findings of Rees and Doran, (2001) who established that in order to ensure employee competence in their duties, reference is made to the recruitment process, appointing people with specific qualities and values that will contribute to the continuing success of the institution. Selection should be based on technical abilities, problem resolution and mathematical and statistical abilities

5.2: Conclusions

Since the introduction of International Organization for Standardization 9000, there were a series of controversies and doubts over the role and the significance of International Organization for Standardization 9000 series on improving product and service quality, achieving internal and external customer satisfaction, and improving performance (Dick, 2000). The study result has demonstrated that International Organization for Standardization certification enables commercial banks to adopt human

resource management practices. This is verified from the study results, which show that International Organization for Standardization certified banks have adapted to a great extent human resource management practices than non International Organization for Standardization certified commercial banks. Thus the study concludes that there is a significant difference between firms with and without International Organization for Standardization 9000 certification with respect to the human resource management practices

The study further concludes that human resource management practices in International Organization for Standardization certified banks are better than those of non International Organization for Standardization certified commercial banks. The study found that International Organization for Standardization certified banks all the human resource management practices such as human resource planning, performance appraisal, training program, employee participation, staffing practices, incentives practices and team work were better than those of non-International Organization for Standardization certified commercial banks.

5.3: Recommendations

The study recommends that commercial banks should seek International Organization for Standardization certification as it was found that it has great effect on adoption of human resource management practices. The study further recommends that those commercial banks, which are not yet International Organization for Standardization certified, ought to get International Organization for Standardization certification as it enhance human

resource management practices. Putting human resources issues in the top management agenda is a prerequisite for the effectiveness of all quality improvement efforts

5.4: Suggestions for further Research

The findings recommends that future researchers should carry out a similar comparative analysis with another financial sectors (for example insurance companies) to verify the study findings. The researcher further recommends that a study should be carried out on challenges facing commercial banks toward International Organization for Standardization certification

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APPENDICES

Appendix I: List of International Organization for Standardization Certified

Commercial Banks in Kenya

1. Barclays Bank
2. CFC Stanbic Holdings
3. Chase bank
4. Citi Bank
5. Commercial Bank of Africa
6. Consolidated Bank of Kenya
7. Co-operative Bank of Kenya
8. Diamond Trust Bank Kenya
9. Equatorial Commercial Bank
10. Equity Bank
11. Fina Bank
12. Guardian Bank
13. Kenya Commercial Bank
14. K-Rep Bank
15. National Bank of Kenya
16. NIC Bank Ltd
17. Oriental Commercial Bank
18. Standard Chartered Bank
19. Transnational Bank

Appendix II: List of non International Organization for Standardization Certified

Commercial Banks in Kenya

1. African Banking Corporation Ltd
2. Bank of Africa Kenya Ltd.
3. Bank of Baroda(K) Ltd.
4. Bank of India
5. Charter House Bank Ltd
6. Credit Bank Ltd
7. Development Bank of Kenya Ltd
8. Dubai Bank of Kenya ltd
9. Eco Bank of Kenya Ltd
10. Family Bank of Kenya Ltd
11. Fidelity Commercial Bank ltd
12. First Community Bank Limited
13. Giro Commercial Bank Ltd
14. Gulf African Bank Ltd
15. Habib Bank A.G Zurich

15. Habib Bank Ltd

16. Imperial Bank Ltd

17.1 & M Bank Ltd

18. Jamii Bora Bank Ltd

19. Middle East Bank (K) Ltd

20. Paramount Universal Bank Ltd

21. Prime Bank Ltd

22. Victoria Commercial Bank Ltd

23. UBA Kenya Bank Ltd

Appendix III: Questionnaire

SECTION A: DEMOGRAPHIC INFORMATION

1. Name of the bank (Optional)

2. Number of years the Bank has been in Operation

Below 10 years () Between 11 -20 years ()

Between 31 -40 years () Above 41 Years ()

3. Status of your Bank's International Organization for Standardization Certification

Already International Organization for Standardization Certified ()

In the process of Certification ()

No immediate plans to be International Organization for Standardization Certified
()

4. How many employees are there in your organization?

Below 1000 () 501-1000 () 1001 -1500()

1501-2000 () Over 2001 ()

SECTION B: HUMAN RESOURCE MANAGEMENT PRACTICES

Please indicate your levels of agreement with each of the following human resource management practices (by ticking) in your Bank. 5=strongly agree. 4= agree, 3= neutral. 2= disagree, and 1= strongly disagree.

Human Resource Planning	5	4	3	2	1
5. The Bank forecasts personnel requirements on a timely basis.					
6. The Bank spends a great amount of money on selecting staff.					
7. A large number of managers in the Bank (departmental heads) are involved in HR planning in firm.					
8. Structured and Standardized interviews are used in the Bank					
Staffing Practices	5	4	3	2	1
9. The bank adopts selectivity in hiring new employees.					
10. The focus of staffing in the Bank is for manual and physical skills					
11. The focus of staffing in the Bank is for technical skills					
12. The focus of staffing in the Bank is for problem solving skills					

Incentives Practices	5	4	3	2	1
13. The Bank has favorable incentive practices to encourage employees to achieve the Bank's objectives.					
14. The Bank has very fair incentive practices, aimed at rewarding people who accomplish their goals.					
15. The Bank has incentive practices which really recognize people who contribute the most to firm.					
Performance Appraisal	5	4	3	2	1
16. The Bank uses performance based appraisal.					
17. The Bank uses employee's self-ratings on performance.					
18. Superiors in the Bank frequently discuss performance with subordinates.					
Training Program	5	4	3	2	1
19. Extensive training programs are provided for employees in firm.					
20. Employees normally go through various training programs every year.					
21. The Bank provides formal training to promote skills to new hires as well as to promoted or existing employees.					

Team work	5	4	3	2	1
22. The Bank always gets team's opinion and ideas before making any decision.					
23. The Bank forms focused groups to solve problems.					
24. Teams are extensively provided with sufficient power and resources to solve problems.					
Employee Participation	5	4	3	2	1
25. In the Bank, employees are allowed to make many decisions regarding their work areas.					
26. Employees are often asked by their supervisor to participate in decisions making in the bank.					
27. Employees are encouraged to suggest improvement in the way jobs are done at the Bank.					
28. Supervisor keeps open communication with employees in Bank.					