STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES
ADOPTED BY MICROFINANCE INSTITUTIONS IN NAIROBI

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DECLARATION

The research project is my original work and has not been presented for examination to any other University.

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DEDICATION

This research study is dedicated to my husband and daughter for the tireless sacrifices of their precious family time throughout the entire MBA program and especially during this research project.
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ABSTRACT

The adoption of Strategic Human Resource Management Practices enables strategic decisions to be made by management that have major and long term impact on behavior and success of the organizations. This is achieved by ensuring that the organizations have skilled, committed and well motivated employees they need to achieve their objectives. Microfinance Institutions are expected to play a vital role in the realization of the Kenya Vision 2030 which localizes the United Nations’ Millennium Development Goals. Despite this noble role, a closer look at the operations of many MFIs reveals that they all face challenges related to strategic human resources management practices. The objective of the study was to establish the strategic human resources management practices adopted by the microfinance institutions in Nairobi. The findings of the study will be of benefit to financial institutions, the human resource practitioners and the seekers of knowledge in the field.

The study adopted a descriptive research design. The study population consisted of 40 MFIs registered under AMFI. (The Association of Microfinance Institutions) AMFI is a member Institution that was registered in 1999 under the societies Act by the leading Microfinance Institutions in Kenya to build capacity of the microfinance industry in Kenya. Since the entire population of MFIs to be studied was sufficiently small, the researcher used the census method. The study was carried out through census survey because of the cross-sectional nature of the data to be collected.

The study used primary data in data collection. The primary data was collected through the use of a structured questionnaire. The target group included Human Resource departments heads or HR section heads. The data was analyzed using descriptive statistics. The descriptive statistics findings were presented in simple tabular analysis, which formed the basis of quantitative analysis of the collected data.
From the findings, the study found out that Microfinance institutions in Nairobi have adopted Strategic human resource management practices to a great extent. The adoption of strategic human resource management practices in MFI’s creates competitive advantage for the institution, increased productivity and higher quality of work life that’s leads to the attainment of greater profitability.

The study concluded that the other strategic management practices adopted by the microfinance were recruitment and selection, training and development, formal grievance procedure, employee motivation and commitment, reward management, compensation and performance management. From the findings and conclusion, the study recommends that organizations should adopt strategic human resources management practices. When these are put in place the people through whom the goals of an organization are accomplished are empowered.
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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AMFI</td>
<td>Association of Microfinance Institutions</td>
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<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
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<tr>
<td>DTMFI</td>
<td>Deposit Taking Microfinance Institution</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>KPRS</td>
<td>Kenya’s Poverty Reduction Strategy</td>
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<td>K-REP</td>
<td>Kenya Rural Enterprise Programme</td>
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<td>KWFT</td>
<td>Kenya Women Finance Trust</td>
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<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
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<tr>
<td>SMEP</td>
<td>Small and Micro Enterprise Programme</td>
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<td>SMRM</td>
<td>Strategic Human Resource Management</td>
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<td>SMRMP</td>
<td>Strategic Human Resource Management Practices</td>
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<td>USAID</td>
<td>United States Agency for International Development</td>
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CHAPTER ONE - INTRODUCTION

1.1 Background

Strategic Human Resource Management has been defined as aligning of Human resource function of a firm with its overall strategic goals and objectives. It is the acceptance of the Human Resource Management functions as a strategic pattern in the formulation of the company’s strategies as well as in the implementation of these strategies (Hendry, 1990). Human resource management has evolved from personnel management to Human Resource Management (Lengnick Hall, 1988). According to Hendry (1986) Strategic Human Resource Management is an approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take.

Armstrong (2006) states that Strategic Human Resource Management is more about getting things done than thinking about them. It leads to the formulation of human resource strategies that first define what an organization intends to do in order to attain defined goals. The aim of Strategic Human Resource Management (SHRM) is to generate a perspective on the way critical issues relating to people can be addressed. It enables strategic decisions to be made that have a major and long term impact on the behavior and success of the organization by ensuring that the organization has the skilled, committed and well motivated employees it needs to achieve sustained competitive advantage. Strategic human resource management builds upon the idea that human capital is one of the most critical components of strategic success for many companies. Managers are being encouraged to link specific HRM practices to strategic outcomes (Schuler and Jackson, 1987). Strategic human resources are generally made up of many individual business and human resources-related strategies. Strategic human resource management is important in that a firm which adopts Strategic human resource management practices adapts to change quickly, can meet customer demands and basically achieves high financial performance by executing its strategy. The aim of Strategic human resource management is to provide a future direction, i.e. to manage people in an organization in terms of
the long-term planning of human resource management by aligning it with an organization’s overall strategic plan.

In many organizations, the contribution of human resource function is viewed as intangible and not documented in economic terms. Due to this, heads of the department face an uphill task for greater budget and influence in the organization (Storey, 1995). However, Human resource Managers need to shift their focus from thinking of HR as a cost to be minimized and embrace the idea that an investment in human capital eventually gives a return on shareholder’s value (Ulrich, 1996). The human resource (HR) is a living and active input that operates the other factors of production. It is people who create organizations and make them survive and prosper. Without people, organizations cannot function. Yet people also need the organizations so that they can maintain their living standards. There is a symbiotic relationship between organizations and employees who work in them. As defined by Storey (1995), Strategic human resource management is a distinctive approach to employment management which seeks to obtain competitive advantage through the strategic deployment of a highly committed and skilled workforce, using an array of cultural, structural and personal techniques. Armstrong, (1999)

1.2 Strategic Human Resource Management practices

In an attempt to define Strategic Human Resource Management practices, Ulrich (1996) emphasized that it is people working in an organization who individually and collectively contribute to the achievement of its objectives. The strategic human resource management practice has undergone tremendous changes. Previously, the duties of human resources were normally centered on staffing activities such as hiring, keeping and organizing other personnel activities. However, today companies can no longer afford to look at people as a commodity to be exploited to exhaustion and then discarded (Cole, 1997).

Strategic human resources management practice is a strategic approach by the management of organizations’ most valued asset; the people working there who individually and collectively contribute to the achievement of its goals. As defined by Storey (1995): Strategic Human
resource management practice is a distinctive approach to employment management which seeks to obtain competitive advantage through the strategic deployment of a highly committed and skilled workforce, using an array of cultural, structural and personnel techniques. It is clear that Strategic human resources management practices are an important part of today’s business management. According to Armstrong (2000) Strategic human resource management (SHRM) practices have a number of key features. These include: the internal integration of personnel policies and their external integration with overall strategy; line management responsibility for human resources implementation and, to a certain extent, policy; individual rather than collective employee relations; an emphasis on commitment and the exercise of initiative. Hendry and Pettigrew (1986) adds that the use of planning, a coherent approach to the design and management of personnel systems based on a Strategic human resource management employment policy and manpower strategy is a key strategic resource for achieving “competitive advantage”.

During the last few decades, companies have been confronted with an increasingly competitive environment. Forces facilitating globalization, such as the liberalization of international trade, the international integration of production, research and marketing by major firms, as well as the emergence of major economic regions, have enabled companies to invest in human resource management practice to gain or maintain competitive advantage. It has been argued that human assets are an emerging source of competitive advantage for many firms. Strategic Human Resource Management practice is evolving from being just a support function to one of strategic importance. Values and Human Resource systems help to shape organizational culture and the people who operate within and influence that culture. On the other hand, it has also been argued that Strategic Human Resource Management Practices (SHRMP) constitutes a major constraint when firms try to implement these strategies (Adler and Bartholomew, 1992). This is mainly due to the complexities involved in employing and managing people from various cultural backgrounds. Some of the SHRMP that will be discussed include: Recruitment and selection, training and development, Performance management, Employee motivation and commitment, reward management and compensation
According to Channon (1986), Strategic human resources management practices describe the way in which managers set about achieving results through people. How people behave will depend partly on their natural inclination, partly on the example given to them by their manager, and partly on the norms, values and climate of the organization. Effective strategic human resource management practices encompass a wide range of interrelated activities including recruiting and training the best employees, ensuring they are high performers, dealing with performance challenges, and ensuring that personnel and management practices are aligned with various regulations. (Helmuth, 1999). Traditional personnel management considered management of employees as a centralized strategic function, with established personnel policies and practices. Unlike in personnel management, the strategic human resources management practices regard personnel activities as part of both strategic plans of the organization and operational responsibilities of line managers. The fulfillment of personnel relations in the organization resides ultimately in the nature of leadership provided by line managers.

1.3 Microfinance Institutions in Kenya

Microfinance is the provision of financial services to low income, poor and very poor self employed individuals Cassell, (2002). At present, MFI outreach is basically through group lending schemes, which have limited capacity for financial resources. He observes that financial institutions consistently compete for deposits as public confidence in the financial system keeps on being patronized. One of the ways is by strategically offering the best practice in human resource management. In Kenya there are estimated 3490 legally though unregulated constituted microfinance service providers including 3392 savings and credit co-operatives and co-operative like community-based intermediaries, 40 MFIs, 2 building societies and several commercial banks. Central Bank Publication (2005). Informal finance includes 17,305 rotating savings and credit associations (ROSCAS).

The microfinance sector in Kenya has faced a number of constraints and challenges and of late there has been stiff competition in the sector. The major challenges to the development of microfinance business in Kenya include lack of specific legislation and set of regulations to
guide the operations and insufficient use of human resource management practices since the industry is labour intensive. The task and challenge for human resource management practitioners is to introduce innovative techniques that help managers within an organization to articulate clear goals that can be understood and undertaken by a workforce. It is till recently that a microfinance bill was enacted that became an act of parliament. This law has enabled microfinance institutions to seek licensing for deposit taking. Initially Microfinance institutions in Kenya were registered under eight different Acts of Parliament. Some of these forms or registrations did not address issues regarding ownership, governance, and accountability. They contributed to a large extent to the poor performance and eventual demise of many Microfinance Institutions because of a lack of appropriate regulatory oversight. This has had a bearing on a number of other constraints faced by the industry, namely: diversity in institutional form, inadequate governance and management capacity, limited outreach, unhealthy competition, limited access to funds, unfavorable image and lack of performance standard. The lack of oversight, however, has enabled them to innovate and develop different techniques of providing microfinance services. (CBK2005)

1.4 Statement of the Problem

Strategic human resource management is important in that it generates a perspective on the way which critical issues relating to people are handled. Strategic Human Resource Management Practice enables strategic decisions to be made that have a major and long term impact on behavior and success of the organization by ensuring the organization has skilled committed and well motivated employees it needs to achieve its objectives. (Armstrong, 2006). Studies in Kenya on Strategic human resource management practices show that in spite of significant advances in human resource management in the last two decades the adoption of Strategic human resource management practices is inadequate (Waweru, 1984). Several recent studies have been carried out on Strategic human resource management practices by several researchers like Murage, 2005, Kibune, (2007): Omoro, (2008) and Nguku (2008). The findings of these studies indicate
that SHRMP is key to the success of the organization in many aspects such as productivity, profitability, future focus and image.

Microfinance Institutions are expected to play a vital role in the realization of the Kenya Vision 2030 which localizes the United Nations’ Millennium Development Goals. Despite this noble role, a closer look at the operations of many MFIs reveals that they all face challenges related to human resources management. First and foremost these institutions are labour-intensive since they offer services that are highly personalized and relational in nature. Lack of clear training and development programs as well as leadership that is not wholly committed to employee welfare, are some of the challenges that have dogged effective strategic human resource management practices in Microfinance Institutions (MFIs). Helmut,(1999). Current human resource practices in micro-finance institutions have partly impacted negatively on the overall image and operations of the institutions. Being financial institutions, the quality of their services have suffered considerably in that the morale and commitment of employees to their work is low. Poor motivational techniques have increased dissatisfaction among employees leading to exceptionally high staff turnover. This scenario is compounded by the fact that mainstream banks have invaded the microfinance sector because of its great potential. Granted banks have the financial muscle to offer better terms of service to the workers they poach from the microfinance institutions.

Banks have more established human resources policies that are more attractive to employees of microfinance institutions. The business of the microfinance institutions targets a market segment that constitutes about 70% of population. (Helmuth,1999). This implies that they have to employ many employees to serve clients. The business of microfinance institutions is unique in aspects such as group lending and therefore the loss of one employee through poaching or otherwise can have a devastating effect on portfolio management. Furthermore, microfinance institutions loose business when mainstream banks poach employees together with the groups of clients that they serve. The researcher has also noted that there are few well established academic programes on microfinance studies in our local universities and colleges. This implies that microfinance institutions hire many people trained in other fields and build capacity in them over a long period.
of time. This makes retention of such highly valued employees a critical factor. The existence of these critical challenges in Microfinance Institutions has prompted the researcher to carry out an investigation into the strategic human resources management practices in the micro-finance sector with particular focus on Microfinance Institutions based in Nairobi. The researcher has noted that Institutions like majority of the banks have been poaching staff from the MFIs since their SHRMP are attractive to these employees. Practices like training and development programs, performance management and reward management are already in place in these banks, meaning that if the MFIs had SHRMP in place this challenge of staff turnover and motivation would be addressed.

1.4.1 Research objectives
To establish the strategic human resources management practices adopted by microfinance institutions in Nairobi

1.5 Importance of the Study
The beneficiaries of the findings will be the financial institutions, the human resource practitioners and the seekers of knowledge in the field.

1.5.1 Microfinance Institutions
The Microfinance Institutions (MFIs) will be able to know how effective they have been in strategic human resource management practices. This will act as a basis upon which improvement can be made to an increasing effectiveness. In Kenya the microfinance sector plays such a major role in the economic development of the country. The study will add to the body of knowledge in human resource management and may stimulate the top management of these institutions to adopt some of the proposed outcomes of the research. Strategic human resource management practices (SHRMP) vary across firms because different strategies require different employee characteristics related to these competences in order to be successful. The Microfinance Institutions in Kenya will recognize the importance of selecting appropriate
strategic human resource management practices, ensuring sustainability, increasing cost-effectiveness and improving performance of employees and the organizations in general.

1.5.2 The Government

The government is the custodian of all its citizens regardless whether it has the ability to address their plight. Information gathered through this study will help the government to formulate policies beneficial in the regulation and protection of the workforce especially employees who work in such financial institutions. Looking at Kenya’s vision 2030 this project will help the public policymakers to help grow the microfinance sector through the enhancement of strategic human resources management practices.

1.5.3 Academicians

Research is an ever continuous process. As the researcher benefited from previous studies conducted by other professionals, so will the future researchers benefit from this study, either in advancing in the same research problem or in any related research phenomenon. The findings will be an eye opener to researchers who desire to seek further knowledge in strategic human resources management practices and its practicability in the business world.
CHAPTER TWO - LITERATURE REVIEW

2.1 Strategic Human Resource Management (SHRM)

The concept of strategic human resource management (SHRM) became popular in the 1980s with the development of the Harvard Business School's two models integrating strategy and human resource management, namely the matching model and the Harvard framework model. These were conceptualized by Formbrun et al. (1984), who were known as the first formulators of strategic human resources management, and who identified three core elements as necessary for firms to function effectively which are mission and strategy; organization strategy; and human resource management. These authors emphasized the importance of aligning human resource management to organizational strategy. This view is supported by Beer et al. (1984), who has stated that a rapidly changing environment creates an imperative need for a more comprehensive and strategic perspective regarding human resources.

The 1980s and 1990s have been a period of significant change in national and world economies: increased globalization and global competition, the decay of traditional industries and the rise of new ones. In addition there has been the privatization of much activity that was previously in the public domain, the reduction in power of trade unions and the impact of information technology. All these and other socio-economic and political factors have caused a rethink of the way in which organizations are managed. Dowling (1990). Strategic human resource management has been one of the major developments of this rethinking process. There have been a number of reasons for this. In many organizations, staff costs represent a major proportion of the budget; the cost-effective deployment of personnel must be a key priority in any competitive situation. Grant (1991) sums up a now-widely-held view that “capabilities are the main source of a firm’s competitive advantage”. Strategic human resource management aims to provide the framework within which these key characteristics can be fostered.

Increasingly, strategic human resources management is becoming ever more popular. Today, human resources are seen as “the available talents and energies of people who are available to an
organization as potential contributors to the creation and realization of the organization's mission, vision, strategy and goals” Jackson et.al (2000). Hence, strategic human resources management is not a completely new and revolutionary field; rather its roots can be traced back to the mid-1950s. Schuler et.al (1999) defined strategic human resource management as “the pattern of planned human resource developments and activities intended to enable an organization to achieve its goals”. This definition integrates the two main points: linkage of human resource activities with the organizational strategy; and harmonization of various human resource activities. Armstrong, (2002) have recently regarded the concept of strategic human resources as “a general approach to the strategic management of human resources in accordance with the intentions of the organization on the future direction it wants to take. It is concerned with long term people issues as part of the strategic management processes of the business”. The key issues highlighted are similar to those made by Armstrong and Long (1994) that strategic human resources management refers to an organization’s decision-making about its human resources; it is an organization’s overall plan to pursue to achieve its goals through people; where human resource management and strategic management are correlated with people being an integral component of any organization’s corporate strategy.

Strategic human resources management includes comprehensive concerns about structures, values, culture, quality, commitment and performance and the development of the human resources through whom the goals of an organization are accomplished. Strategic human resources management has the perspective of human resource management as an integral part of an organizational strategy, “which is chiefly about ensuring that the organization has the skilled, committed and well-motivated workforce it needs to achieve its business objectives. It can be achieved by linking human resource strategies to basic competitive strategies” (Armstrong, 2000), and human resource management as a strategy in itself, which means developing staff in order to face the challenges of a rapidly changing world. Lack of proper policies and the nature of leadership at corporate level are the most important challenges without which all other subsystems of the organization cannot function. Policies are the guidelines on the approach an organization intends to adopt in the management of its workforce. They define the rules of the
organization, acts as points of reference to all categories of employees and define the way things are done in the organization. With proper policies and able leadership, other issues/challenges like workforce diversity and union representative can easily be solved. Guest, D. (1987)

2.2 Strategic human resources management practices

Strategic Human resources management practices as defined by Armstrong (1999) is a strategic and coherent approach of the management of an organization’s most valued assets, the people working there who individually and collectively contribute to the achievement of its goals. Human resource systems and organization structure should be managed in a way which is congruent with organizational strategy. This can be explained by the human resource cycle (an adaptation of which is illustrated in figure 1) which consists of four generic processes or functions that are performed in all organizations. These are: selection, performance, reward and development. Fombrun et. al, (1984).

Figure 2.1: The Human Resource Cycle

Rewards

Selection —— Performance

Management

Performance

Development


Strategic Human resource management practices must change as the business environment in which it operates changes. The researcher has tried to compare what various authors have analyzed as the most widely used Strategic human resources management practices in an organization. In essence, Strategic human resource management requires a holistic approach, with not only an internal integration between personnel systems (recruitment, selection, reward
mechanisms, performance management), but also an integration between those systems summarized in a human resource strategy and the organization’s strategy overall. Thinking holistically about human resource may lead to a greater degree of success simply because changes envisaged in one area of an organization (e.g. structures) are more likely to work because all the knock-on effects of such a change have been considered (e.g. recruitment, selection and induction policies). Guest (1992) argues that such a coherent approach to human resource management policies can also lead, via the generic human resource management outcomes of strategic integration, commitment, flexibility/adaptability of the workforce and quality (all necessary ingredients when developing a competitive edge).

Brewster (1995) reports that the integration of strategic human resources management practices with business strategy is rare even among the large organizations. Down et al (1997) claim that many management teams have had difficulty transforming human resource management practices into a strategic function, leaving the human resources department in most companies focused on administrative and clerical tasks. Many organizations tend to focus on the administrative aspects of the human resource function, due to difficulties they face on the integration of human resource practices to organizational goals. In the end, such strategies fail to energize their managers in making necessary changes to achieve competitiveness through people and often fade away or are replaced before they achieve any real impact. (Down et al; 1997).

The Strategic human resource management practices function entails two major aspects. First, the function should provide enough input into the organization’s strategy about whether it has the necessary capabilities to implement it. Second, it has the responsibility to ensure that the Strategic human resource management practices and programs are in place to effectively execute the strategy. Not only must an organization see to it that employees' rights are not violated, but it must also provide a safe and healthy working environment. Mondy and Noe (1996). In order to prevent injury or illness, the Occupational Safety and Health Administration (OSHA) was created in 1970. Through workplace inspections, citations and penalties, and on-site consultations, OSHA seeks to enhance safety and health and to decrease accidents, which lead to decreased productivity and increased operating costs. Through employee assistance programs
(EAPs), employees with emotional difficulties are given "the same consideration and assistance" as those employees with physical illnesses (Mondy and Noe, 1996). The Strategic human resource management practices that are widely used will be the focus of the researcher. These include training and development, recruitment and selection, employee motivation and commitment, reward management, compensation and performance management

2.2.1 Recruitment and Selection
Recruitment is seen as a bridge-building activity bringing together those with jobs to fill and those who are seeking jobs. Recruitment is a process by which organizations discover, develop, seek and attract individuals to fill actual or anticipated job vacancies”. The objective of recruitment is to attract a number of qualified personnel for each particular job opening. Ronald R Sims (2002) indicates that recruitment can either be external or internal or both. Employers can recruit directly from the labour market, at the company's gates, through private employment agencies and through licensed brokers. Recruitment involves locating and attracting potential employees to apply for jobs in the organization. Organizations and their human resource managers have realized that recruitment is a two-way process. Just as the organizations are seeking qualified applicants who are interested in employment with the organizations, so are individuals likely to be approaching a number of organizations, trying to entice as many of them as possible to offer the individuals employment. Today many organizations are concerned about increasing the effectiveness of all recruiting methods. These organizations are finding that it is imperative to provide prospective employees with what is called a realistic job preview which provide complete job information to the job applicant.

Selection is the process of determining which job applicant fits the jobs. It is the matching of people with jobs. Selection in many organizations is made by line managers and in making decisions they tend to rely on the job requirements. The selection process involves activities like interviews, employment history, background checks, physical examination and placement. Organizations have also attempted three of the major important organizational inducements
namely organizational compensation systems, career opportunities and organizational reputation (Lloyd L.et.al 2000)

2.2.2 Training and Development

In the field of human resource management, training and development is the field concerned with organizational activity aimed at improving the performance of individuals and groups in organizational settings. It has been known by several names, including employee development, human resource development, and learning and development. Training designs summarizes all that is required in training to enable the trainee upon completion, to perform efficiently. "Training focuses on learning the skills, knowledge, and attitudes required to initially perform a job or task or to improve upon the performance of a current job or task, while development activities are not job related, but concentrate on broadening the employee's horizons" (Nadler 1986). Education, which focuses on learning new skills, knowledge, and attitudes to be used in future work, also deserves mention (Nadler and Wiggs, 1986). Training can be used in a variety of ways, including: orienting and informing employees, developing desired skills, preventing accidents through safety training, supplying professional and technical education, and providing supervisory training and executive. Some of the benefits are reducing the learning time for new hires, teaching employees how to use new or updated technology, decreasing the number and cost of accidents because employees know how to operate a machine properly, providing better customer service, improving quality and quantity of productivity, and obtaining management involvement in the training process. When managers go through the training, they are showing others that they are taking the goals of training seriously and are committed to the importance of human resource development.

The type of training depends on the material to be learned, the length of time learners have, and the financial resources available. One type is instructor-led training, which generally allows participants to see a demonstration and to work with the product first-hand. On-the-job training and apprenticeships let participants acquire new skills as they continue to perform various aspects of the job. Computer-based training (CBT) provides learners at various geographic
locations access to material to be learned at convenient times and locations. Armstrong M. (1993) Training focuses on the current job, while development concentrates on providing activities to help employees expand their current knowledge and to allow for growth. Types of development opportunities include mentoring, career counseling, management and supervisory development, and job training. Guest (1992)

2.2.3 Performance Management

Performance Management is about aligning individual objectives to organizational objectives and ensuring that individuals uphold corporate core values. It provides for expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do) skills (expected to have) and behaviours (expected to be). The aim is to develop the capacity of people to meet and exceed expectations and to achieve their full posted to the benefit of themselves and the organization. Strategic human resources management practices and systems have been linked to organizational competitiveness, increased productivity, higher quality of work life and greater profitability. In a global economy, competitiveness means the ability to take the most advantageous position in a constantly changing market environment. Cascio, (1992). In order for this link to be accomplished between strategic human resources management and organizational success, the role of human resources manager must become strategic instead of operational meaning it should be aligning the human resources function with the strategic needs of the organization. Pfeffer, (1994) mentions that Performance management is the principal set of practices by which control is manifested in an organization. Performance management is meant to regulate motivation and ability.

Performance Management is usually taken to comprise 3 key elements namely: the setting objectives desired from corporate and business unit strategies, the evaluation of performance; and the linkage between evaluated performance and development and records in order to reinforce desired behavior. (Storey1993). Appraisal is the judgment of an employee’s performance in a job, based on considerations other than productivity alone. Guest, D.E (1997) illustrates how performance appraisals serve several purposes, including: guiding human
resource actions such as hiring, firing, and promoting; rewarding employees through bonuses, promotions, and so on; providing feedback and noting areas of improvement; identifying training and development needs in order to improve the individual’s performance on the job; and providing job related data useful in human resource planning. Performance appraisals not only assist in determining compensation and benefits, but they are also instrumental in identifying ways to help individuals improve their current positions and prepare for future opportunities. Appraisals help managers decide what increase of pay shall be given on grounds of merit, determine future use of employees, e.g. whether they shall remain in their present job or be transferred, promoted or demoted, or dismissed. Appraisals also serve the purpose of motivating employees to do better in their jobs, by giving the worker knowledge of results, recognition of merits and the opportunity to discuss with their managers. Schuler and Jackson (1996).

2.2.4 Reward Management and Compensation

Reward Management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly equitably and consistently in accordance with their value to the organization (Michael A.2004). A reward system expresses what the organization values and is prepared to pay for. It is governed by the need to reward the right things to get the right message across about what is important. It is a well established principle that salary assessments should occur well after performance and reviews have been completed. Today, the lion’s share of corporate value nearly three-quarters by some estimates comes from an organization’s people and their ideas, innovation and performance. Towers Perrin (2007) Competitive advantage is increasingly being achieved through investments in people and skills rather than expenditures on capital for physical assets. For an effective reward system one needs to connect with the business strategy to create a high-performing culture. An organization becomes what it rewards and too many companies fail to grasp the connection between poor performance and a misaligned reward strategy. In order to support the “employment brand,” organizations need to design, implement and communicate rewards in a way that addresses employees’ sense of fairness and their need to clearly understand “the deal.” Organizations can’t afford to make investment decisions without a very clear understanding of the return they want on the investment. Armstrong, (1993)
Basic pay is determined mainly at the company and individual level, National agreements are seldom used by firms. Achievement of group objectives and individual performance are found to be the two most important dimensions in deciding salary levels for firms. Wolf (1999) states that traditional characteristics, such as employee training level and experience as well as seniority, are still considered more important in firms; their level of importance is clearly diminishing. On the other hand, collective agreements support seniority and this is in contrast to performance-related compensation practice that many firms want to introduce. At the same time, seniority is also considered to be important in labour laws for deciding the level of certain employee benefits. Compensation should be legal and ethical, adequate, motivating, fair and equitable, cost-effective, and able to provide employment security. In the ideal situation, employees feel they are paid what they are worth, are rewarded with sufficient benefits, and receive some intrinsic satisfaction (good work environment, interesting work, etc. Compensation programs must be internally equitable, externally equitable and be personally motivating to employees. (Wolf 1999)

2.2.5 Employee motivation and commitment

Employee motivation brings about commitment which is a driving force for the success of any organization. Guest (1987) asserts that committed employees are more satisfied, productive and adaptable. Beer et al. (1985) also identifies motivation as a key dimension because “it can result not only in more loyalty and better performance for the organization, but also in self-worth, dignity, psychological involvement, and identity for the individual.” (Wasti, 1998) reveal that the meaning of work differs from one culture to another. Thus, it is natural for employees with different cultural, social, economic and political backgrounds to have different expectations from their jobs and to consider different aspects of their work to be inspiring. In order to identify employees’ expectations from their jobs in a firm, Wasti (1998) argues that, in their high uncertainty-avoidance culture, learning new things in the workplace is highly motivating for firm’s employees.
Employee commitment is seen as an important way of securing strategic human resource management practice. This is a difficult challenge, given the increasing job insecurity in many countries and industries. It requires the development of new psychological (as opposed to employment) contracts: The important thing is that they are believed by the employee to be part of the relationship with the employer. (Robinson and Rousseau, 1994) Some studies (Wasti, 1998) reveal that the meaning of work differs from one culture to another. Thus, it is natural for employees with different cultural, social, economic and political backgrounds to have different levels of motivations depending on expectations from their jobs and how different aspects of their work to be inspiring. In order to identify employees' expectations from their jobs in a firm, Wasti (1998) argues that, in their high uncertainty-avoidance culture, learning new things in the workplace is highly motivating for firm’s employees. Employee participation is a driver to employee motivation in that there is ownership of the outcome of the decisions made.

2.3 Approaches to Strategic human resource management

Strategic Human Resource Management (SHRM) adopts an overall resource based philosophy approach which focuses on satisfying the human capital requirements of the organization. Down et al (1997) highlights that a firm is an administrative organization and a collection of productive resources. There are three approaches to Strategic human resource management practices namely, High performance management, high commitment management and high involvement management. The high performance management approach involves the development of a number of interrelated processes which together make an impact on the performance of the firm through its people in such areas as productivity quality levels of customer service growth and profits and ultimately the delivery of increased shareholders value. This is achieved by enhancing the skills and engaging the enthusiasm of employees. Down et al (1997). High performance management practices include vigorous recruitment and selection procedures exclusive and recurrent learning and development activities, incentive pay systems and performance management process. The high commitment management model is a form of management which is aimed at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled. The approaches to creating a high commitment organization by
Beer et al (1984) include development of career ladders, emphasis on trainability and commitment as a highly valued characteristic of employees at all levels in the organization, a high level of functional flexibility with the abandonment of rigid job description, reduction of hierarchies and the ending of status. High involvement Management approach involves treating employees as partners in the enterprise whose interests are respected and where their voice on matters is considered. It’s concerned with communication and involvement. Down et al (1997)

Human resource managers can choose to either use the hard or soft approach to human resource management. Storey (1989). The focus in soft approach is on ‘mutuality’: a belief that the interests of management and employees can, indeed should, coincide. The soft model of human resources management practice traces its roots to the human-relations school; it emphasizes communication, motivation and leadership. As described by Storey (1989), the soft model involves ‘treating employees as valued assets, a source of competitive Strategic human resources management practices emphasizes the need to gain the commitment i.e. the hearts and minds of employees through involvement, communications and other methods of developing a high-commitment and high-trust organization. Attention is also drawn to the key role of organizational culture.

The hard approach to human resources management practice emphasizes the quantitative, calculative and business-strategic aspects of managing the headcount resource in as ‘national’ a way as for any other economic factor. It adopts a business-oriented philosophy which focuses on the need to manage people in ways which will obtain added value from them and thus achieve competitive advantage. It regards people as human capital from which a return can be obtained by investing judicially in their development. Fombrun, c.et.al (1984) quite explicitly presented workers as another key resource which managers use to achieve competitive advantage for their companies. This philosophy appeals to managements who are striving to increase competitive advantage and appreciate that to do this they must invest in human resources as well as new technology.

The most successful organizations will be the ones which can attract, develop and retain individuals who have the ability to manage a global organization that is responsive to customers
and the opportunities being presented by technology. It will be the human resource department’s responsibility to find, assimilate, develop, compensate and retain these talented employees. Once the workforce is in place, the human resource department in partnership with others must ensure that the intellectual resources of those employees are fully utilized. They must also ensure that the fruits of the intellectual activity are properly recognized and protected, and appropriately shared and managed. In the “knowledge economy”, superior talent is the key to the future “prime source of competitive advantage”. Guest, D. (1987),” This resource must be natured. Strategic human resources management practice is seen as the management of various activities designed to enhance the effectiveness of an organization’s workforce in achieving organizational goals. There are many challenges that hinder effective strategic human resources management practices in organizations and if they are not urgently addressed it can lead to poor employee relations and failure for the organization to achieve its goals (Pickles et al; 1999).

2.4 Strategic human resource management Practices and Organizational Performance

Peter K’Obonyo et.al (2009) in their study paper indicate that: all the variables of SHRM practices, except recruitment and hiring were positively and significantly correlated with performance; relationship between SHRM practices and firm motivation did not depend on employee cultural orientations in the case where cultural beliefs were considered but depended on employee cultural orientations. In their conclusion the relationship between SHRM practices and firm performance; and motivation affected firm performance. Pfeffer, 1998 have found that, in spite of the methodological challenges, bundles of HRM practices are positively associated with superior organization performance. The following benefits to the organizations that have adopted Strategic human resource management according to Guest (1992) includes high job performance; high problem solving, change and innovation; high cost-effectiveness; low turnover and absence of grievances. Storey (1992) adds to this list attitude and behaviour changes amongst the workforce, resulting in highly desirable increases in competitive performance as an outcome.
Strategic human resource management practice will not be taken seriously unless it can be demonstrated that, like any other new initiative, it is worth the return on investment. “Traditionally, the human resource director could talk abstractly and conceptually about employee morale, turnover, and commitment. To fulfill the business partner role of human resource concepts need to be replaced with evidence, ideas with results, and perceptions with assessments” Ulrich, (1997). The employee will be employed as long as he or she adds value to the organization, and is personally responsible for finding new ways to add value. Performance measurement systems aimed at developing and maintaining quality will allow for a clear articulation of the outputs which Strategic human resource management is intended to improve. These criteria will vary depending upon the particular context but, provided they are organization-wide, they will enable a link between human resource and organizational strategy to be formed and the relative priorities within both strategies to be identified more easily. The development and successful implementation of high performance work process, particularly those concerned with job and work design, flexible working resourcing recruitment and selection and talent management, employee development rewarding and giving employees a voice all contribute to good performance.

Model of the link between Human Resource Management and Performance

Figure 2.2: Model of the link between Human Resource Management and Performance

2.5 Conceptual framework

The conceptual framework for this paper is based on the previous literature on Strategic human resource management practices in general and particularly in microfinance institution. A number of studies have identified several strategic human resource management practices that managers use in executing their jobs, and have used these findings to provide theoretical and practical insights from a developing country. Kamoche, (2002), found that the concept and knowledge of human resource management practices, such as training, recruitment, compensation, performance management and reward systems, are practiced in developing countries. Anakwe (2002) in a study carried out in Nigeria, Human resource management practices: challenges and insights”, found that traditional Strategic human resource management functions, such as training and development, recruitment and selection, performance management, among others, are very much practiced by human resource professionals. A significant minority of firms sponsored courses with outside training agencies. Few firms make use of training at all and that very few firms made use of advertisements or employment agencies (Cassell et al., 2002). In a rapidly changing environment, employers should be encouraged to experiment with innovative new recruitment schemes to ensure increased efficiency. It has also been encouraged that other methods of recruitment such as word of mouth and/or internal recruitment should also be utilized. However, the use of informal mechanisms for recruitment and selection results in a better fit between new recruits though it is likely to exclude a large pool of competent candidates. Performance management should be extensively used, be concrete and have top management support. In today’s organizations the balanced score cards are widely used as a performance measurement tool. It is the responsibility of the top management to ensure that rewards are administered to those that deserve them and no discrimination is carried out. (Guest and Pecked,(1994). There is a considerable mix in the ways in which Strategic human resource management practices are used in microfinance institution and in their relative success (Cassell et al.,2002). Some Strategic human resource management practices such as recruitment and selection are used more than any other practice.
CHAPTER THREE- RESEARCH METHODOLOGY

3.0 Introduction

This section was an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. Therefore in this chapter the researcher identified the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections are included; research design, population, data collection and data analysis.

3.1 Research Design

This study adopted a descriptive research design. It is commonly used to study and indentify key issues and give relevant solutions which the research aims to study

3.2 Population

The study population consisted of 40 MFIs registered under AMFI.(The Association of Microfinance Institutions) AMFI is a member Institution that was registered in 1999 under the societies Act by the leading Microfinance Institutions in Kenya to build capacity of the microfinance industry in Kenya. The list of the MFIs was obtained from the Central bank of Kenya annual report on MFI in Kenya and AMFI.

3.2.1 Sampling and Sample Size

The sample size of 40 was chosen on the assumption that the microfinance institutions registered under AMFI umbrella have adopted modern management techniques to some extent. Since the entire population of MFIs to be studied was sufficiently small, the researcher used the census method. The study was carried out through census survey because of the cross-sectional nature of the data to be collected. A census survey involves collection of data from all members of the population. The method enhances confidence in the results that rose from the analysis of data as regards to the entire population. The results were utilized and conclusions made from the information.
3.3 Data collection

The study used primary data. The primary data was collected through the use of a structured questionnaire (See Appendix 2). The research involved self administration of a questionnaire to the target group who included Heads of Human Resource departments or HR section heads. Where they were not available a head of department that plays the HR role were involved. The drop and pick method was used and enveloped were used for confidentiality purposes. Advance notification to respondents by phone of the study and its intent were carried out including follow up of the non-respondents. Respondents were briefed and informed that participation was voluntary and anonymity was observed and encouraged. The questionnaire was divided into 2 parts, Part A containing questions on general information about the organization and part B dealt with the Strategic human resource management (SHRM) practices in use by the organization. The Likert 5-point Scale (degree of agreement scale) and Yes/No choice questions was used. The advantage of this data collection method was that it was less time consuming and less expensive to administer than other methods.

3.4 Data Analysis

The process of data analysis involved several stages. Completed questionnaires were edited for completeness and consistency and coded for analysis. The data was analyzed using descriptive statistics. Descriptive statistics were used to describe the basic features of the data gathered from study. The descriptive statistics has been presented in simple tabular analysis, which formed the basis of quantitative analysis of the collected data. Percentages, frequencies and pie charts were also used. Arithmetic means, standard deviations were calculated that were used to draw up observations and make conclusions.
CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction
The study sought to investigate strategic human resources management practices adopted by the microfinance institutions in Nairobi. From the study, the target population was 40 microfinance institutions, 33 respondents responded and returned the questionnaire. This constituted 82.5% response rate.

4.1 Demographic Information

4.1.1 Gender of the Respondent
The study sought to indentify the gender of the respondents who basically were HR practitioners.

From the findings the majority 64.0% (21) of the respondents were male while 36.0% (12) were female as indicated in the Figure 4.1 below.

Figure 4.1.1 Gender of Respondents

This implies that microfinance institutions have embraced the contribution of gender balance in their human resource departments.
4.1.2 Current job roles of the respondents

Findings on the Current job roles of the respondents

Table 4:1 Current job roles

The study sought to identify the current job roles of the respondents. The table 4.1 indicates the current positions held by the respondents in their various microfinance institutions.

<table>
<thead>
<tr>
<th>Current Position</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource manager</td>
<td>19</td>
<td>58.0</td>
</tr>
<tr>
<td>General manager</td>
<td>6</td>
<td>18.0</td>
</tr>
<tr>
<td>Administration manager</td>
<td>5</td>
<td>15.0</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>9.0</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

From the findings, majority 58% of the respondents were human resource managers, 18 were general managers, 15% of the respondents were administrator managers while other represented by assistant human resources, directors and personnel managers. This clearly indicated that the information for the study was collected from the relevant respondents who offered the right information to achieve the study objective which was to establish the strategic human resource management practices adopted by microfinance institutions.

4.1.3 Age of the Respondents

The study sought the age of the respondents. From the findings, majority of the respondents were aged between 31-40 years as indicated by 62.0%, 33.0% of the respondents were aged between 21-30 years while 5.0% of the respondents were aged above 40 years. This is shown in Table 4.2
Table 4.2 Age of respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 - 30 years</td>
<td>11</td>
<td>33.0</td>
</tr>
<tr>
<td>31 - 40 years</td>
<td>20</td>
<td>62.0</td>
</tr>
<tr>
<td>Above 40</td>
<td>2</td>
<td>5.0</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

This implies that majority of the respondents in the HR departments were mature employees in terms of age and were able to respond to the questionnaire well.

4.1.4 Level of education

The study sought to indentify the level of education of the respondents.

From the findings, majority of the respondents were university graduates as indicated by 79.0%, 18.0% were college graduates while 3.0% of the respondents had attained a certificate level.

Table 4.3: Level of education

<table>
<thead>
<tr>
<th>level of education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>University graduate</td>
<td>26</td>
<td>79.0</td>
</tr>
<tr>
<td>College graduate</td>
<td>6</td>
<td>18.0</td>
</tr>
<tr>
<td>Certificate Level</td>
<td>1</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

This implies that most of the MFI’s had employed qualified staff in terms of education.

4.1.5 Working Experience

The study sought to indentify the work experience of the respondents. The respondents were requested to indicate the period of time they had worked in the organization. From the findings, majority 55.0% of the respondents had worked in their respective microfinance for 3-5years, 33.0% of the respondents indicated that they had worked in their respective microfinance
institutions for 5-10 years while 6.0% of the respondents indicated that they had worked for less than 3 years and more than 10 years respectively as indicated in the table 4.4.

Table 4.4: Working period

<table>
<thead>
<tr>
<th>Working period</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 3yers</td>
<td>2</td>
<td>6.0</td>
</tr>
<tr>
<td>3 - 5 years</td>
<td>18</td>
<td>55.0</td>
</tr>
<tr>
<td>5 - 10 yeas</td>
<td>11</td>
<td>33.0</td>
</tr>
<tr>
<td>above 10 yeas</td>
<td>2</td>
<td>6.0</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

This indicated that majority of the respondents (88%) had the understanding of the human resource management in their institutions.

4.1.6 Microfinance Performance over the years
The study sought to indentify the Microfinance Performance over the years. The respondents were requested to indicate how the microfinance institutions have been performing. From the findings, 70 % (23) of the respondents indicated that Microfinance performance has been improving each year, 15.0% (5) of the respondents indicated that Microfinance performance has been very good, 9% (3) of the respondents indicated that Microfinance performance had stagnated while 6.0% (2) of the respondents indicated Microfinance performance had been declining.
This implies that majority of the microfinance institutions had adopted strategic human resources practices resulting to good performance. This is in line with Guest (1992) who indicated that the organizations that have adopted Strategic human resource management have high job performance; high problem solving, change and innovation; high cost-effectiveness; low turnover and absence of grievances.

4.1.7 Availability of human resource department in the microfinance institutions

The study sought to know whether there was a human resource department in the various Microfinance institutions. From the findings 97.0% of the respondents indicated that there was the presence of a human resources department while 3.0% of the respondents indicated there was no human resources department. It clearly indicates that human resource department in the institutions is available.

4.1.8 Employees and Competitive Advantage

The respondents were requested to indicate the extent they agree with the statement that employees are valued assets used to create competitive advantage for the institution. From the findings, majority 60.6% of the respondents indicated that they agreed that employees are valued assets used to create competitive advantage for the institution. 24.0% of the respondents strongly agreed that employees are valued assets used to create competitive advantage for the institution.
while 15.4% were neutral on whether employees are valued assets used to create competitive advantage for the institution.

**Table 4.5: Employees and Competitive Advantage**

<table>
<thead>
<tr>
<th>Micro finance performance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>8</td>
<td>24.0</td>
</tr>
<tr>
<td>Agree</td>
<td>20</td>
<td>60.6</td>
</tr>
<tr>
<td>Neutral</td>
<td>5</td>
<td>15.4</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>100</td>
</tr>
</tbody>
</table>

This clearly indicated that microfinance institutions do value their employees as they are crucial in creating competitive advantage for the institutions.

**4. 2 Strategic Human Resource Management Practices findings**

The study sought to investigate the Strategic Human Resource Management Practices adopted by the microfinance institutions. The findings are discussed below.

**4.2.1 Openness of the system in terms of job advertisement, updating employees and employee relations with their supervisors.**

The study sought to investigate how the respondents rated the openness of the system in terms of job advertisement, updating employees and staff relations with their supervisors.

From the findings, Majority of the respondents rated the management handling of the employees in terms of updating them as very good as indicated by a mean of 4.44 while the respondents rated the openness of the microfinance system in terms of job advertisement as moderate as indicated by a mean of 3.55. In regard to the staff interpersonal relationship with supervisors majority rated it as moderate as indicated by a mean of 3.35. This implies that human resource management practices create openness in job advertisement to acquire qualified staff.
Table 4.6: Rating openness of system in terms of job advertisement, updating employees and employee relations with their supervisors

<table>
<thead>
<tr>
<th>Rating the statement</th>
<th>Excellent</th>
<th>Very Good</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
<th>Mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Openness of system in terms of job advertisement</td>
<td>3</td>
<td>8.0</td>
<td>20</td>
<td>2</td>
<td>0</td>
<td>3.55</td>
<td>0.20</td>
</tr>
<tr>
<td>Management handling of employees in terms of updating them</td>
<td>3</td>
<td>9.0</td>
<td>19</td>
<td>0</td>
<td>2</td>
<td>4.44</td>
<td>0.68</td>
</tr>
<tr>
<td>Staff interpersonal relationship with supervisors</td>
<td>4</td>
<td>1.0</td>
<td>14</td>
<td>13</td>
<td>1</td>
<td>3.35</td>
<td>14</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.78</td>
<td></td>
</tr>
</tbody>
</table>

Key

<table>
<thead>
<tr>
<th>Excellent</th>
<th>Very good</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Generally the study found that human resource management practices on openness in job advertisement, updating of employees and staff relations with supervisors was rated as moderate as indicated by a mean of 3.78.

4.2.2 Recruitment, employee participation, disciplinary and grievance handling of employees

The study sought the view of the respondents in regard to recruitment of the new staff, employee participation, disciplinary and grievance handling of staff in the Institution. The respondents were requested to rate the extent to which they agreed with the statement in regard to their Institution. From the findings majority of the respondents strongly agreed that their institutions have a human resource department and that human resource department has a head who is part of the top management team indicated by a mean of 4.84, 4.62. The study also found out that most of the respondents were neutral in regard to the statements that employees in MFI’s are allowed
to make decisions regarding their welfare, that the microfinance has a formal grievance procedure and when hiring, employees are provided with a realistic job preview from the MFIs management as indicated by means of 3.96, 3.68 and 3.57.

Table 4.7: Recruitment of staff, employee participation, discipline and grievance handling

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource department has head who is part of the top management team</td>
<td>19</td>
<td>8</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>4.62</td>
<td>0.36</td>
</tr>
<tr>
<td>Human resource department is treated as important as other departments</td>
<td>4</td>
<td>13</td>
<td>14</td>
<td>2</td>
<td>14</td>
<td>3.12</td>
<td>0.34</td>
</tr>
<tr>
<td>My institution obtains new employees through reputable recruitment agencies</td>
<td>0</td>
<td>1</td>
<td>6</td>
<td>14</td>
<td>13</td>
<td>2.46</td>
<td>0.61</td>
</tr>
<tr>
<td>When hiring, employees are provided with a realistic job preview</td>
<td>1</td>
<td>17</td>
<td>11</td>
<td>3</td>
<td>1</td>
<td>3.57</td>
<td>0.83</td>
</tr>
<tr>
<td>Employees in MFI are allowed to make decisions regarding their welfare</td>
<td>22</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>2</td>
<td>3.96</td>
<td>0.94</td>
</tr>
<tr>
<td>Employees in my microfinance institution are asked to participate in decision making</td>
<td>4</td>
<td>16</td>
<td>7</td>
<td>2</td>
<td>3</td>
<td>2.50</td>
<td>0.94</td>
</tr>
<tr>
<td>My microfinance has a formal grievance procedure</td>
<td>4</td>
<td>10</td>
<td>13</td>
<td>2</td>
<td>3</td>
<td>3.68</td>
<td>0.69</td>
</tr>
<tr>
<td>The microfinance institution has a formal disciplinary procedure</td>
<td>9</td>
<td>13</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>2.28</td>
<td>0.22</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.27</td>
<td></td>
</tr>
</tbody>
</table>
Key

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

The study further found that most respondents were neutral and disagreed on whether human resource department is treated as important as other departments and whether employees in respondent microfinance institution were asked to participate in decision making as indicated by a mean of 3.12 and 2.50 respectively. Majority of the respondents disagreed that their institution obtains new employees through reputable recruitment agencies and that the microfinance institution has a formal disciplinary procedure as indicated by a mean of 2.46 and 2.28 respectively.

From the findings, it is clear that majority of the human resources department are treated as important as other departments, are responsible for carrying out recruitment and that employees are valued assets for the achievement of the set goals and objectives. The study also indicated that there is a need for human resource department in MFIs to develop a clear formal disciplinary procedure as the respondents disagreed that there is a formal disciplinary procedure. This clearly indicates that there is a need for the human resource department in the Microfinance institutions to improve on their operations in as far as recruitment of the new staff is concerned as well as engaging the employees in decision making. This will bring about better performance of the human resource department and this will replicate on the achievement of the organizational goals.

4.2.3 Training and Development

The study sought to find out if training and development was adopted by the human resource department in the Microfinance institutions. The respondents were requested to indicate the extent to which they agree with the given statement concerning training issues in microfinance institutions. From the findings majority of the respondents strongly agreed that MFI employees go through training programes regularly as indicated by a mean of 4.60. Most of the respondents agreed that MFIs evaluate their training programs, carry out trainings that are value adding to
their staff and offer training opportunities that are used in developing employee skills. In addition, respondents agreed that MFIs have a training department to harmonize and develop staff and that MFIs carry out training need analysis before engaging in training of its staff as indicated by means of 4.43, 4.32, 4.14, 4.12 and 4.02 which is rated as good.

**Table 4.8: Training and Development**

<table>
<thead>
<tr>
<th>Rating the statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
<th>Standard Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a training department that harmonizes the trainings and development of staff</td>
<td>5</td>
<td>21</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>4.14</td>
<td>0.41</td>
</tr>
<tr>
<td>MFI offers opportunities to use and develop employee skills</td>
<td>7</td>
<td>19</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>4.02</td>
<td>0.36</td>
</tr>
<tr>
<td>Training needs analysis is done before engaging in training</td>
<td>7</td>
<td>18</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>4.12</td>
<td>0.34</td>
</tr>
<tr>
<td>Employees go through training programs regularly</td>
<td>20</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>4.60</td>
<td>0.01</td>
</tr>
<tr>
<td>MFI does cost benefits analysis of training programs</td>
<td>2</td>
<td>16</td>
<td>2</td>
<td>3</td>
<td>10</td>
<td>2.57</td>
<td>0.83</td>
</tr>
<tr>
<td>MFI evaluates training programs</td>
<td>3</td>
<td>22</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>4.43</td>
<td>0.94</td>
</tr>
<tr>
<td>Training staff in MFI focuses on expanding the employee current knowledge and their</td>
<td>7</td>
<td>14</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3.50</td>
<td>0.94</td>
</tr>
<tr>
<td>growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MFI staff is trained to meet the needs of individual’s in search of long careers</td>
<td>2</td>
<td>13</td>
<td>11</td>
<td>7</td>
<td>0</td>
<td>3.96</td>
<td>0.22</td>
</tr>
<tr>
<td>Trainings carried out are value adding</td>
<td>5</td>
<td>20</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>4.32</td>
<td>0.45</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.802</td>
<td></td>
</tr>
</tbody>
</table>
The study also found that most of the respondents agreed that MFI employees are trained to meet their individual needs in search for careers. Training staff in MFI focuses on expanding the employee current knowledge and their growth was indicated by a mean of 3.96 and 3.50. The study further found out that most of the respondents were neutral on whether MFIs carry out cost benefits analysis of training programs as indicated by a mean of 2.57 which was poor.

The study clearly indicated that MFIs employees are usually taken through training programmes regularly to develop employee’s skills. The human resources department in Microfinance was found to generally have had in place training and development of the employees in place as indicated by a mean of 3.802. This implies that human resource management value training and development of staff for better achievement of the human resource units and improvement of overall performance of the organizations.

### 4.2.3.1 Training Approaches

The study sought to find out the training approaches adopted by the human resource management in microfinance. The respondents were requested to indicate the training approaches used by the microfinance institutions. From the findings as indicated by the table below majority of the respondents indicated that microfinance institutions used job rotation, training courses and seminars, coaching, job instruction and supervisory assistance and mentoring as indicated by 72.8%, 69.0%, 66.0%, 63.0% and 60.5% respectively. A few of the respondents indicated that microfinance institutions used job training as a training approach as indicated by 36.4% of the respondents. 30.0% of the respondents indicated that microfinance institutions used consultancy in training of staff.
Table 4.9: Training Approaches

<table>
<thead>
<tr>
<th>Training Approaches</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the job training</td>
<td>12</td>
<td>36.4</td>
</tr>
<tr>
<td>Supervisory assistance and mentoring</td>
<td>20</td>
<td>60.5</td>
</tr>
<tr>
<td>Job instruction</td>
<td>21</td>
<td>63.6</td>
</tr>
<tr>
<td>Job rotation</td>
<td>24</td>
<td>72.8</td>
</tr>
<tr>
<td>Coaching</td>
<td>22</td>
<td>66.0</td>
</tr>
<tr>
<td>Training courses and seminars</td>
<td>23</td>
<td>69.0</td>
</tr>
<tr>
<td>Consultants</td>
<td>9</td>
<td>30.0</td>
</tr>
</tbody>
</table>

4.2.4 Performance Management and Compensation

The study sought the respondent’s views on issues concerning performance management and compensation. From the findings, most of the respondents agreed that the heads of departments in MFI’s discuss performance management with their subordinates and that the MFI’s have defined positions of promotion as indicated by a mean of 4.40 in each case. The study also found that most respondents agreed that the compensation is adequate and fair; appraisal feedback is done within the set time frame. There are no biases in regard to merits, MFI’s reviews benefits regularly and that MFI’s promotes often from internal source than outsource when a vacancy arises. Appraisal process involves consultation between supervisors and subordinates and feedback is given after appraisal. This is indicated by a mean of 4.03, 3.93, 3.81, 3.75 and 3.59 respectively. The study further found that majority of the respondents were neutral on whether performance on job is the most determinant of earning as indicated by a mean of 3.18 while majority of the respondents disagreed that MFI has formal information sharing system as indicated by a mean of 2.18.
<table>
<thead>
<tr>
<th>Rating the statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Mean</th>
<th>Std deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFI has formal information sharing system</td>
<td>12</td>
<td>9</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>2.18</td>
<td>0.229</td>
</tr>
<tr>
<td>The heads of department in MFI discuss performance management with their subordinates</td>
<td>5</td>
<td>19</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4.40</td>
<td>0.214</td>
</tr>
<tr>
<td>Appraisal process involves consultation between supervisors and subordinates and feedbacks given after appraisal</td>
<td>2</td>
<td>18</td>
<td>7</td>
<td>2</td>
<td>5</td>
<td>3.59</td>
<td>0.103</td>
</tr>
<tr>
<td>Performance job is the most determinant of earning</td>
<td>4</td>
<td>6</td>
<td>17</td>
<td>3</td>
<td>3</td>
<td>3.18</td>
<td>0.154</td>
</tr>
<tr>
<td>MFI has defined positions of promotion</td>
<td>4</td>
<td>21</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>4.40</td>
<td>0.073</td>
</tr>
<tr>
<td>MFI promotes often from internal source than source when vacancy arises</td>
<td>3</td>
<td>15</td>
<td>11</td>
<td>2</td>
<td>2</td>
<td>3.75</td>
<td>0.016</td>
</tr>
<tr>
<td>There are no biases in regard to merits MFI reviews benefits regularly</td>
<td>4</td>
<td>12</td>
<td>13</td>
<td>2</td>
<td>3</td>
<td>3.81</td>
<td>0.029</td>
</tr>
<tr>
<td>The compensation is adequate and fair</td>
<td>18</td>
<td>4</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>4.03</td>
<td>0.318</td>
</tr>
<tr>
<td>Appraisal feedback is done within the set timeframe</td>
<td>3</td>
<td>15</td>
<td>5</td>
<td>3</td>
<td>7</td>
<td>3.93</td>
<td>0.318</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.69</td>
<td></td>
</tr>
</tbody>
</table>

**Key**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
This implies that MFIs should adopt performance of the job as determinant of earnings, ensure adequate and fair compensation and appraisal feedback should be done within the set time frame. The study found that generally human resource management practices on performance management and compensation were adopted as indicated by a mean of 3.69.

**4.2.5 Employee Commitment, Motivation and Reward management**

The respondents were requested to indicate the extent to which they agree on the issues of employee commitment, motivation and rewards management. From the findings most of the respondents were neutral in regard to: that salary in MFI’s is about the same for employees in the same category as in other similar institutions, that their MFI has a reputation as a good employer, the MFI’s have motivated employees, there is salary assessment after performance and that MFIs offers opportunities to be promoted to highest level as indicated by a mean of 3.61, 3.54, 3.52 and 3.51 respectively.

**Table 4.11 Employee Commitment, Motivation and Reward Management**

<table>
<thead>
<tr>
<th>Rating the statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>mean</th>
<th>Std dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is salary assessment after performance and reviews have been done</td>
<td>6</td>
<td>13</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>3.52</td>
<td>0.61</td>
</tr>
<tr>
<td>Salary is about the same employee in the same category in other similar institutions</td>
<td>6</td>
<td>5</td>
<td>16</td>
<td>3</td>
<td>1</td>
<td>3.61</td>
<td>0.92</td>
</tr>
<tr>
<td>Employees are treated as responsible and important persons and are involved in decision making</td>
<td>5</td>
<td>15</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>3.45</td>
<td>0.12</td>
</tr>
<tr>
<td>MFI offers opportunities to be promoted to highest level</td>
<td>5</td>
<td>15</td>
<td>7</td>
<td>4</td>
<td>2</td>
<td>3.51</td>
<td>0.56</td>
</tr>
<tr>
<td>MFI has a reputation as a good employer and has motivated employees</td>
<td>6</td>
<td>12</td>
<td>10</td>
<td>1</td>
<td>4</td>
<td>3.54</td>
<td>0.85</td>
</tr>
</tbody>
</table>
Considering everything I prefer to work for my MFI

<table>
<thead>
<tr>
<th></th>
<th>9</th>
<th>13</th>
<th>5</th>
<th>3</th>
<th>3</th>
<th>3.16</th>
<th>0.96</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.465</td>
</tr>
</tbody>
</table>

**Key**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

From the findings most respondents were neutral on whether employees are treated as responsible and important persons and are involved in decision making and whether considering everything employees prefer to work for the MFI as indicated by a mean of 3.45 and 3.16.
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS, SUGGESTIONS, LIMITATIONS AND RECOMMENDATIONS

5.0 Introduction
This chapter presents summary of findings, conclusion and suggestions of the study based on the objective of the study which was to establish strategic human resources management practices adopted by the microfinance institutions in Nairobi. The recommendation for further study is also presented.

5.1 Demographic findings
The findings in regard to gender, age of respondents, education, work experience, MFI performance, presence of a human resources department and employees as valued assets were as follows: In regard to gender the findings were that majority of microfinance institutions have embraced the contribution of gender balance in their human resource departments. The findings on current job roles of the respondents were that 91% were department and section heads implying that the information for the study was collected from the relevant respondents who offered the right information to achieve the study objective.

The study sought the age of the respondents and the findings were that majority of the respondents in the HR departments were mature employees in terms of age who were able to respond to the questionnaire. The study sought to indentify the level of education of the respondents of which 97% were college and university graduates. This implies that most of the MFI’s had employed qualified staff in terms of education. The study sought to indentify the work experience of the respondents and the findings were that majority of the respondents (88%) had the understanding of the human resource management in their institutions. The study sought to indentify the Microfinance Performance over the years and the findings were that the performance has been on an upward trend.
The study sought to know whether there was a human resource department in the various Microfinance institutions. From the findings 97.0% of the respondents indicated that there was the presence of a human resources department. From the findings on the statement on if employees are valued assets used to create competitive advantage for the institution the response rating was good. This clearly indicated that microfinance institutions do value their employees as they are crucial in creating competitive advantage for the institutions.

The study found that human resource management practices on openness in job advertisement was good indicating there is more to be done for excellent practice on job advertisement by human resource management in the institutions. Recruitment of new staff is a strategic human resources management practice that is being practiced by the microfinance institutions. From the findings majority of the respondents strongly agreed that their institution have a human resource department headed by human resource managers who are part of the top management team. This implies that issues concerning human resources in the institutions were presented to the top management for strategic action to be taken. Employees in MFI are allowed to make decisions regarding their welfare, and have a formal grievance procedure and when hiring, employees are provided with a realistic job preview. The respondents were neutral on whether human resource department is treated as important as other departments while majority of the respondents disagreed that their institution obtains new employees through reputable recruitment agencies. According to the findings the employees were not well versed on issues on whether employees were being engaged in decision making which is an important strategic human resource practice. The study also indicated that there is a need for human resource department in MFIs to develop a clear formal discipline procedure as the respondents disagreed that there is a formal disciplinary procedure.

From the findings it was established that there is a training department in most of the MFIs, employees go through training programmes regularly and that MFIs evaluate their training programs, carry out trainings that are value adding to their staff, offer training opportunities to be used in developing employees skills, and carry out training need analysis before engaging in training of its staff. According to Guest (1992) training and development opportunities include
mentoring, career counseling, management development and job training. Most of the Microfinance institutions had adopted these. The study established that MFI employees are trained to meet their individual needs in search for long careers and perform their duties efficiently. This is in line with Nadler (1986) who indicated that training focuses on learning the skills, knowledge, and attitudes required to initially perform a job or task or to improve upon the performance of a current job or task, while development activities are not job related, but concentrate on broadening the employee's horizons and enables the staff in the organization to performance their duties effectively and efficiently. The study established that microfinance institutions adopt various training approaches to develop their staff skills.

It was also established that the heads of departments in MFIs discuss performance management with their subordinates. MFI were said to define procedures of promotion. This implies that for the staff to achieve their individual objectives that lead to organization success, strategic human resources management practices and institutions success, the human resources manager must become strategic instead of operational i.e. aligning the human resources function with the strategic needs of the institutions. The study also found that MFIs recruit, train and develop, carry out performance appraisals, reward employees through promotions as well as identifying needs in order to improve the individual’s performance on the job. The study established that microfinance human resource department’s responsibility to find, assimilate, develop, compensate and retain these talented employees is in place and that strategic human resources practices were adopted which led to employee’s competence, commitment and flexibility leading to high quality service and eventually better microfinance performance.

It was established that microfinance institutions had their performance improve as majority of the respondents indicated that Microfinance performance has been improving each year. This implies that majority of the microfinance institutions had adopted strategic human resources practices resulting to improvement in performance. Firms that have adopted Strategic human resource management practices have outcomes like high job performance, high problem solving, change and innovation, high cost-effectiveness, low turnover and absence of grievances as indicated by Guest (1992). The Microfinance institutions value human resources as indicated
by the majority of the respondents. This is because employees are a resource that is used to create competitive advantage for the institution. Strategic human resource management practices and systems is linked to the institutions competitiveness, increased productivity, higher quality of work life and greater profitability as indicated by Cascio (1992).

On the issues of compensation the study established that there were no biases in regard to merits and that MFI reviews benefits regularly as well as promotes often from internal source. The study established: that salary offered in MFIs is competitive and equivalent to salary offered by other organization, that MFIs have a reputation as a good employer and has motivated employees, that there is salary assessment after performance in MFIs and that reviews have been done and that MFI offers opportunities to be promoted to highest level. The respondents also indicated that employees are treated as responsible and important persons and are involved in decision making and this makes the staff in the institutions to be committed in their duties. Employee commitment is seen as an important ingredient in strategic human resource management practice.

5.2 Conclusions

From the findings, the study concludes that the Microfinance institutions valued human resources create competitive advantage for institution, increased productivity, higher quality of work life and attains greater profitability. The MFIs under study largely have a procedural way in recruitment. The study also concludes that the other strategic management practices adopted by the microfinance were formal grievance procedure, hiring and providing employees with a realistic job preview and develop a clear formal discipline procedure. The study also concludes that the microfinance institutions had adopted job rotation, training courses and seminars, coaching, job instruction and supervisory assistance and job training as training approaches. From the findings it can be concluded that microfinance institutions offer training opportunities to be used in developing employees skills, and carry out training need analysis before engaging in training of the staff.
The study concludes that recruitment of new staff in human resource need to be improve and that there is a need for the human resource department in the Microfinance institutions to improve on their operations in as far as recruitment of the new employees is concerned. The study concludes that engaging the employees in decision making should be given priority as this will make the staff feel a sense of belonging and improve on their performance. This will bring about better performance of the human resource and replicates on the achievement of the organization.

The study also concludes that human resources management in Microfinance emphasized on training and developing the skills of the employees to a great extent. This implies that human resource management value training and developing the staff for better achievement of the human resource units and improves overall performance of the organizations but much need to be done to ensure experience and competent employees are continuously trained to gain skills and knowledge as required by the current job market.

The study concludes that MFIs had adopted performance management which includes performance appraisals, providing feedback and rewarding employees through promotion. The performance appraisals assist the HR practitioners in identifying training and development needs in order to improve the individual's performance on the job. Finally the study concludes that Microfinance institutions have adopted compensation programs that are ethical and this helps to avoid biasness in rewarding employees and ensures reviewing of benefits is done regularly. The presence of compensation programs in MFIs motivate staff, promote fairness during promotions as well as provide employment security and good work environment. The study further concludes that generally human resource management practices on performance management and compensation should be geared towards improving and motivating staff so as to ensure employees perform to expectations.
5.3 Recommendations

From the findings and conclusion, Microfinance institutions in Nairobi have adopted strategic human resource management practices to some extent. The study recommends that organizations should adopt strategic human resources management practices. When these are put in place the people through whom the goals of an organization are accomplished are empowered.

The study recommends that recruitment of new staff in human resource need to be improved and that there is a need for the human resource departments in the Microfinance institutions to improve on their operations in as far as recruitment of the new employees is concerned. The study also recommend that human resources management need to seek more ways of engaging staff in decision making to create a sense of belonging and improve staff performance resulting to better achievement of the organizational goals.

The study also recommends that human resources management in Microfinance emphasized on training and developing the skills of the employees to a great extent. Human resource management need to continuously engage in training and developing of the staff for better achievement of the human resource units and the overall performance of the organizations. This will ensure that experienced and competent employees are continuously trained to gain skills and knowledge as required by the current job market.

The study recommends that the presence of compensation programs motivate staff, promote fairness during promotions as well as provide employment security and good work environment. The study further recommends that generally human resource management practices on performance management and compensation should be improved and motivation of staff should be emphasized so as to ensure employees performs to expectations. This will also ensure competent and experienced staff in the Microfinance are retained and eventually will lead to greater competitive advantage.
5.4 Limitations of the study

The Microfinance institutions were undergoing transformation to deposit taking institutions during the time the research was being carried out and as a result alot of structural changes were taking place within the institutions affecting the human resource department. There was a lot of movement of employees from one department to another to align the institutions undergoing transformation to comply to the central bank regulations.

5.5 Suggestions for further study.

The study investigated strategic human resource management practices adopted by microfinance institutions in Nairobi. Further study should be carried out to investigates the effects of adoption of strategic human resources practices on microfinance institutions performance.
REFERENCES


Central bank of Kenya annual report on MFI in Kenya and AMFI .


APPENDIX 1: Questionnaire

Part A: General Information

Please fill in the details in the spaces provided

1. Name of the Micro Finance Institution...
   Year started: ..................................................
   Number of Staff. ...........

2. Gender
   Male................................................................. (....)
   Female............................................................. (....)

3. What is your current position?
   i. Human Resource Manager ............................ .........(....)
   ii. General Manager ................................... .................(....)
   iii. Administration Manager ........................... ............(....)
   Other, specify

4. What is your age?
   i. 21– 30 years............................................... ................(....)
   ii. 31 – 40 years........................................ .....................(....)
   iii. Above 40 years........................................ ..............(....)

5. What is the highest level of education?
   i) University graduate (degree) ............................... (....)
   ii) College graduate (diploma) .................................. (....)
   ii) Certificate level..................................................... (....)
   iv) Others (Please specify)............................................. (....)

6. How long have you worked in the Micro Finance Institution
   i. Below 3 years.....................................................(....)
   ii. 3 - 5 years.........................................................(....)
   iii. 5 – 10 years.......................................................(....)
   iv. Above 10 years....................................................(....)
7. How has the performance of the Micro Finance Institution been over the years?
   a) Very good..................................
   b) Improving each year..................
   c) Stagnated................................
   d) Declining................................

Part B: Strategic Human Resource Management Practices

1.0 Question related to general human resource perception and recruitment of Staff.
   a. Does your Microfinance have a Human Resource Department?
      Yes ( )
      No ( )
   b. To what extent do you agree with the statement:
      In the Microfinance where I work, employees are valued assets and are used to create competitive advantage for the Institution. Please tick the answer that suits you.
      i) Strongly Agree
      ii) Disagree
      iii) Neutral
      iv) Agree
      v) Strongly Agree
   c. How do you rate the openness of the system in terms of job advertisement and recruitment staff?
      a. Excellent
      b. Very good
      c. Good
      d. Fair
      e. Poor
d. How do you rate management’s handling of employees’ records in terms of updating them?
   a. Excellent  
   b. Very good  
   c. Good  
   d. Fair  
   e. Poor

e. How do you rate staff interpersonal relationship with the Supervisors?
   a. Excellent  
   b. Very good  
   c. Good  
   d. Fair  
   e. Poor
d. To what extent do you agree with the following statements regarding human resource department and recruitment of new staff in your Institution? (Tick one of the Criterion)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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</thead>
<tbody>
<tr>
<td>Human resources department has a head who is part of the top management team</td>
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<td>Human resource department is treated as important as other departments</td>
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<td>My Institution obtains new employees through reputable recruitment agencies</td>
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<td>When hiring, employees are provided with a realistic job preview</td>
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<td>Employees in my Microfinance Institution are allowed to make decisions regarding their welfare</td>
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<td>Employees in My Microfinance Institution are asked to participate in decision making</td>
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<td>My Microfinance Institution has a formal grievance procedure</td>
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<td>The Microfinance Institution has formal disciplinary procedure</td>
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</tbody>
</table>
2. Questions relating to Training and Development of staff:
   
i.) To what extent do you agree with the following statements applied to your Microfinance Institution in regards to training and development of staff?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Microfinance I work for has a training department that harmonizes the trainings and development of staff</td>
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<tr>
<td>My Microfinance Institution offers opportunities to use and develop employee skills</td>
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<td>Before engaging in training my Micro Finance Institution does training needs analysis</td>
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<td>Employees in my Micro Finance Institution go through training programs regularly</td>
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<td>My Microfinance Institution does cost-benefit analysis of training programs</td>
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<td>My Microfinance Institution evaluates training programs</td>
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<td>Training of staff in my Micro Finance focuses on expanding the employee current knowledge and their growth</td>
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<tr>
<td>In My Microfinance Institution staff are trained to meets the needs of individuals in search of life long careers.</td>
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<td>Trainings carried out are value adding</td>
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</table>
iii) Which approach or approaches does your institution use to train employees?

- On the job training
- Coaching
- Supervisory assistance and mentoring
- Training courses and seminars
- Job instruction
- Consultants
- Job rotation
- Supervisory assistance/mentoring

3. Performance management and Compensation

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<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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</thead>
<tbody>
<tr>
<td>My Microfinance Institution has formal information sharing system</td>
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<td>The heads of department in my Micro Finance Institution discuss performance management with their subordinates</td>
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<td>Appraisal process involves consultation between supervisors and subordinates and feedback is given after appraisal</td>
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<td>Performance in the job is the most important determinant of earning</td>
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<td>The Microfinance Institution I work for has defined positions of promotion</td>
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<td>My Microfinance Institution promotes often from internal source than external source when vacancy arises.</td>
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<td>There are no biases in regard to merits</td>
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<td>My Microfinance Institution reviews benefits regularly</td>
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<td>The compensation is adequate and fair</td>
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<td>Appraisal feedback is done within the set timeframe</td>
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</table>
4. Employee commitment, Motivation and Reward Management

To what extent do you agree with the following as related to Employee commitment, motivation and reward management in your Micro Finance Institution?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>My Microfinance Institution does salary assessments after performance and reviews have been completed.</td>
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<td>The salary is about the same for employees in the same category in other similar institutions</td>
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<tr>
<td>My Microfinance Institution treats employees as responsible and important persons and involves them in the decision making processes</td>
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<td>My Microfinance Institution offers opportunities to be promoted to highest level</td>
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<td>My Microfinance Institution has a reputation as a good employer and has employees who are motivated</td>
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<td>Considering everything I prefer to work for my Micro Finance Institution</td>
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</table>

End

Thank you for your cooperation
APPENDIX 2 List of Microfinance institutions

1. K-rep bank ltd
2. Kenya commercial bank
3. Kenya Women Finance Trust (KWFT)
4. Faulu Kenya limited
5. Wedco enterprise development
6. Pride Ltd
7. Jitegemee Trust
8. Co-operative bank of Kenya
9. Opportunity International
10. Elite Microfinance
11. Microcredit program
12. ARR Credit services
13. Window development fund
14. SISDO
15. K-REP development agency
16. Equity budgetary
17. Plan Kenya
18. Kenya Agency and development of enterprise and technology
19. Women economic empowerment consultant
20. Oiko credit (EDO)
21. Microfinance partners (sunlink)
22. Micro Kenya Ltd
23. Crossbridge Credit Ltd
24. Action aid
25. Adra Kenya
26. Agakhan foundation micro credit Programme
27. Archdiocese of Nairobi
28. Care international
29. Ecumenical church loan fund(ECLOF)
30. Hope Africa
31. Jamii bora
32. Jitegemee credit scheme
33. KADET(Kenya agency to development of enterprise and technology)
34. Kenya post office savings bank
35. Small microenterprise programme (SMEP)
36. World Vision
37. Kenya Gatsby trust
38. St. John's community centre
39. Kenya small traders and enterprise society
40. Private sector development Unit

Source: Central bank of Kenya annual report on MFI in Kenya