

**INFLUENCE OF HUMAN RESOURCE MANAGEMENT
PRACTICES ON PERFORMANCE OF SAVINGS AND
CREDIT COOPERATIVES IN VIHIGA COUNTY, KENYA**

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university or institution of learning.

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Signed----- Date-----

This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

I dedicate this research project to God Almighty for good health He bestowed upon me.

To my dad Ben Busungu and mum Stella Busungu for inspiration and direction they gave me in my life

To my Wife Jacqueline, daughter Hope and sons Adriele and Hansel for the support and encouragement they gave me.

ACKNOWLEDGMENTS

I sincerely thank the almighty God for giving me good health that enabled me to carry out this research.

I salute my supervisor, Prof. K'obonyo who guided me and corrected me through the project. It goes without saying that without his unending support, the study would not have been a success.

Most especially, am grateful to my MBA classmates, Mr. Dominic Luvavo, Mr. Odongo Fred and Mr. Sande , just to name a few for their priceless contribution to this study.

ABSTRACT

The objective of this study was to determine the effect of Human Resource Management Practices on performance of SACCOS in Vihiga County, Kenya. The research design was a descriptive survey. A census survey of 34 respondents was used in the study. The study used primary data and secondary data. The data collection instrument was a questionnaire which was semi-structured comprising both open and close ended questions. Quantitative data was analyzed using descriptive statistics in form of percentages means, standard deviations and frequencies. Linear regression technique was used to establish the strength of the relationship between Human Resource Management Practices and SACCO performance. Based on the findings, it was found that Human Resource practices have a significant effect on SACCO performance. Training and development has a greater effect on SACCO performance followed by rewards and appraisal. Future research should focus on other Counties and also on other HRM practices and their effect on Firm performance.

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CHAPTER ONE: INTRODUCTION

1.1 Background

An organization that is performing well is one that is successfully attaining its objectives or one that is effectively implementing an appropriate strategy (Otley, 1999). Job performance is therefore the single most result of an employee's work (Hunter, 1986). Performance in organizations can be separated into organizational performance and job performance. According to Otley (1999), the performance of organizations is dependent upon the performance of employees and other factors such as the environment of the organization.

Firm performance is measured in order to know the success or failure of an organization and to ensure that it achieves its goals (Dreikorn, 1995). Guest (2001) reckons that as firms link the maximization of performance with Human Resource Management Practices (HRM), the HRM practices can enhance organizational image, interpersonal relations and commitment to the organization. The success of an organization is gauged by several indicators both qualitative and quantitative (Fry et al., 1998). These include financial performance and non-financial performance. The assumption underpinning the practice of HRM is that people are the organization's key resource and organizational performance largely depends on them. If, therefore, appropriate range of Human Resource (HR) policies and processes are developed and implemented effectively, HR will make a substantial impact on firm performance. Performance of an organization depends to a large extent on effective operational performance. The operational performance is a function of people, process and technology. For effective interaction of people with technology and process, they need to be competent with the required knowledge, skills and abilities. Competence of

the individual is an important factor that influences operational effectiveness in terms of quality products and services within a short time.

HRM practices are universal in the sense that they are assumed to apply in any situation and that adopting them will lead to superior organizational performance. Universalistic scholars (Luthans & Summers, 2005; Pfeffer, 2001) argue in support of a set of superior HRM practices which if adopted by a firm, would enhance its performance. There are many HRM practices which the management of organizations can adopt in order to realize organizational goals. But for the purpose of this study, training and development, employee rewards and performance management will be used since they are crucial in enabling organization achieve its goals. A co-operative society in this study is a general name for any type of co-operative, which includes savings and credit, housing, marketing, or even farmers' cooperatives. The SACCOs as a type of co-operative societies do mobilize savings and then lend to the members under terms agreed upon in their specific general meetings. The loaning is administered through loan policies developed by individual SACCOs. Pollet and Develtere (2004), observe that successful cooperatives reviewed reveal that governance issues play a crucial role in harnessing the different associative and business forces at play in cooperatives.

1.1.1 Human Resource Management Practices

For firms to survive in a global economy, they need to exploit all the available human resources as a means of achieving competitive advantage. Human capital, such as skills, ability and motivation, must be aligned with the needs of the organization to improve performance (Pickles et al, 1999).

Human resources are the source of achieving competitive advantage because of its capability to convert the other resources (money, machine, methods and material) into output (product/service). The competitor can imitate other resources like technology and capital but the human resource are unique. According to Khatri (1999), people are one of the most important factors providing flexibility and adaptability to organizations. Rundle (1997) argues that one needs to bear in mind that people (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment).

(Ichniowski *et al.*,1997) contend that human resource management practices include continuous planning, selection and recruitment strictly on merit, proper matching of individual capabilities and interest with demands and rewards given by the organization against the job, regular training and development activities that are aimed at not only improving employee performance at work, but also boosting self confidence of individual employee; use of flexible work arrangements to enable employees to mix work and family responsibilities without hurting any side; making performance appraisal to be part of the organizational culture and linking it to organizational objectives and good labor relationships that include diversity management.

The approach that a firm uses to manage its human resources is increasingly being recognized as centrally important to the execution of its business strategy (Pfeffer, 1994).Boxall and Steenveld (1999) suggested a positive relationship between firm performance and labor management and it is evident that the quality of human resource management is critical in the performance of the firm. There are human resource

management practices and approaches which will invariably help an organization in achieving competitive advantage in service delivery over others. While there are differences of opinion on the question of details of how each practice creates competitive advantage, some scholars ;(Laursen and Mahnke, 2000); Becker et al (1997); Huselid (1995) and Mac Duffie (1995) have observed that human resource practices have a strong effect on organizational performance. They have also suggested that the same basic bundles of human resource practices tend to enhance business in all organizations irrespective of particular product market strategy.

Katou and Budhwar (2007) have grouped HRM practices into two HRM systems, namely the HRM system aiming at attracting and developing human resources, and those aiming at retaining human resources. Among the HRM practices aimed at attracting and developing employees are recruitment and selection, training and development; and those aimed at retaining employees are performance appraisals , reward management and compensation systems.

1.1.2 Organizational Performance

Beach (1998) submits that human assets grow and increase in value; maintaining and upgrading employees' skills not only tend to increase productivity; but also increase commitment and motivation. It is important that organizations pay extra attention to their employees in order to attain optimum efficiency and effectiveness at the work place. Otley (1999) observes that performance in organizations can be separated in organizational performance and job performance. According to Otley (1999), the performance of organizations is dependent upon the performance of employees and other factors such as the environment of the organization. An organization that is performing well is one that is

successfully attaining its objectives or one that is effectively implementing an appropriate strategy (Otley, 1999). Job performance is therefore the single most result of an employee's work (Hunter, 1986).

Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness (Gungor, 2011). Some studies show that the reward distribution system can undermine individuals' performances while others show that system implementation can improve individuals' performances. For example determining reward in the schools for learning multiply table lead to increase efforts of students for learning while reward system in teams working lead to reduced performance if the rewards are allocated to some and not allocated to others, regardless of job type, age and skills of team members and etc (Kohn, 1993). Karin and Oliver, (2002) asserts that the structure and allocation of rewards may affect the motivation of individual team members, and the inclusion of rewards is central to many models of work group effectiveness. It is seen in the literature that reward practices of businesses are mostly analyzed under the classification of intrinsic and extrinsic rewards (Mottaz, 1985, Mahaney and Lederer, 2006). Intrinsic rewards are those that exist in the job itself. Examples are achievement, variety, challenge, autonomy, responsibility, and professional growth. They also include status, recognition, praise from superiors and co-workers, personal satisfaction, and feelings of self-esteem (Mahaney and Lederer, 2006).

Intrinsic rewards increase feelings of self-esteem and accomplishment (Honig-Haftel and Martin, 1993). Intrinsic rewards are derived from the content of the task itself and include

such factors as interesting and challenging work, self-direction, responsibility, variety, creativity, and opportunities to use one's skills and abilities, and sufficient feedback regarding the effectiveness of one's efforts (Mottaz, 1985). Employees are motivated to work hard to produce quality results when they pride in their work, believe their efforts are important to the success of the team, and their jobs are fun, challenging, and rewarding (Mahaney and Lederer, 2006).

Extrinsic rewards, on the other hand, are external to the job itself. They comprise such elements as pay, employee allowances, job security, promotions, private office space, and the social climate. Other examples include competitive salaries, pay raises, merit bonuses, and such indirect forms of payment as compensatory time off (Mottaz, 1985, Mahaney and Lederer, 2006). Firms are able to improve worker productivity by paying workers a wage premium- a wage that is above the wage paid by other firms for comparable labor. A wage premium may enhance productivity by improving nutrition, boosting morale, encouraging greater commitment to firm goals, reducing quits and the disruption caused by turnover, attracting higher quality workers and inspiring workers to put forth greater effort (Goldsmith, Veum and Darity, 2000). As a result, people are attracted to well-paying jobs, extend extra effort to perform the activities that bring them more pay, and become agitated if their pay is decreased (Stajkovic and Luthans, 2001).

Managers can influence the behavior of their employees and thus the performance of the organization by taking into account factors such as the formal and informal structure, the planning, reward, control and information systems, their skills and personalities, and the relation of these to the environment. Managers influence organizational outcomes by

establishing 'context', and context is the result of a complex set of psychological, sociological, and physical interactions. There are significant connections between HRM practices and firm performance; that the strategic alignment of HRM is also a driver for firm performance (Joseph & Dai, 2009).

1.1.3 SACCOS in Vihiga County, Kenya

Savings and credit societies in Vihiga County have recorded a remarkable growth between the years 2000 and 2015: mobilizing savings in excess of 20 million Kenya shillings and employing over 1000 people. From 10 societies and an accumulated savings of about Kshs.5, 000 at independence, the societies grew to 30 in the year 2000, and 34 by 2014 with an average of 8 000 members, and an accumulated savings of over 200 million Kenya shillings. Between the year 2000 and 2008, agriculture based cooperative societies grew from 4 to 12, accounting for 35% of the total number of registered societies, while savings and credit cooperatives (SACCOS) grew from 3, to 13 representing 38% of the total number of registered societies during the same period. The remaining 9 societies, accounting for 27% of the total number of registered societies, represented by societies from transport, housing, and other sectors. (Ministry of cooperatives and marketing strategic plan, 2008-2012).

The savings and credit cooperative societies emerged to become the leading subsector in cooperative sector. However, various challenges threaten their performance. They include external competition from commercial banks, lack of clarity of roles between elected leadership and the management teams, low level of formal education by various stakeholders, low utilization of Information and communication technology, undercapitalization, limited application of management and operational systems,

inadequate internal management and operational controls, among others (SASRA Strategic plan 2012-2016).

The SACCOs as a type of co-operative society mobilizes savings and then lend to the members under terms agreed upon in their specific general meetings. The loaning is administered through loan policies developed by individual SACCOs. Pollet and Develtere (2004), observe that successful cooperatives reviewed reveal that governance issues play a crucial role in harnessing the different corporation and business forces at play in the cooperatives.

1.2 Research Problem

Today's organizations are operating in a very dynamic and highly competitive environment. To remain relevant in the market, they have to respond quickly to ever changing customer demands through application of appropriate HRM practices. HRM practices are organizational activities directed at managing the pool of human resources in the best possible ways and ensuring that the resources are employed effectively so as to fulfill organizational goals. An effective and competitive human resource is a key strength for an organization facing the challenges of business today. Hence, the importance of having a competitive human resource is synonymous with the success of today's organizations because an efficient and effective human resource will produce quality and productive individuals that can eventually minimize the problems that are related to human resource such as job dissatisfaction, absenteeism, or turnover of employees. Training and development practices are the systems and structures that an organization puts in place to ensure that the ability and capacity of its employees are developed (Armstrong, 2009).

For SACCOS to survive in a global economy, they need to exploit all the available human resources as a means of giving better service to members so as to enable them achieve competitive advantage. Skills, ability and motivation, must be aligned with the needs of the organization to improve performance (Pickles et al, 1999). The drawbacks experienced by SACCOS in Vihiga County include poor management, inadequate communication network, very costly HRM practices such as training and development since after training, employees leave for greener pastures, limited and costly capital base, low employee motivation. Despite these many challenges, a good number of SACCOS within Vihiga County have been successful while others have had a stunted growth, but still others have declined in performance especially dividends to members has had a declining trend. It is for this reason that this study seeks to explore the effect of Human resource management practices on organizational performance of SACCOS in Vihiga County.

Though various studies show that training and development strategy is influenced by many factors, it is important to establish the effect that human resource strategy, management support, and employee involvement have on the training and development practices in any organization. Prior studies by Katou and Budhwar, (2007) found substantial positive evidence for statistical associations between HRM practices and improved firm performance of organizations, including SACCOs. Organization performance refers to the effectiveness of the organization in fulfilling its set goals (Porter, 2003). It is the effectiveness and efficiency in the delivery of services. According to the above-mentioned study, organization performance refers to the achievement of the strategic objectives of SACCOS, including increased profits, increase in membership, and reduced employee turnover among others

Studies by Guest (1997) argue that it is important to examine HRM practices in as many settings as possible to justify these results. On the basis of the foregoing arguments, there is a need for additional robust and quantitative evidence to support the claim that HRM practices influence firm performance. Consequently, it is worth establishing the effect of HRM practices on organization performance in a developing country, such as Kenya, as opposed to developed countries. A study by Olando, Jagongo and Ombewa (2013) on The Contribution of Sacco Financial Stewardship to Growth of SACCOS in Kenya indicate that Growth of SACCOs wealth depend on loan management, institutional strengths, and Innovativeness of SACCO Products. The study however did not point out how loan management is responsible for low growth what causes low innovativeness and how employees should be motivated so as to bring about sound loan management, boost employee innovative skills. This study therefore seeks to contribute to the strategic management field in addressing gaps identified in various studies. Arising from the gaps identified above, this study seeks to answer the question: What is the effect of Human Resource Management Practices on Performance of SACCOS in Vihiga County, Kenya?

1.3 Research Objective

To determine the effect of Human Resource Management Practices on performance of SACCOS in Vihiga County, Kenya.

1.4 Value of Study

The study is important to management and SACCO employees in understanding of the importance of HRM practices and its effects on performance of SACCOS. It is also of great help to the policy makers in the ministry of cooperative development, SACCOS and

other financial institutions in formulating and implementing employment policies congruent to HRM practices in organizations.

This study is of importance in supplementing the literature on the relevance of human resource management practices in Kenyan firms and to provide justification for the organizational performance. It is also important in providing management with information that is helpful in its management practice, policy formulation and evaluation of the relevance of existing management development practices in their organizations.

The discussions and the findings of this study is important to academic researchers since it is geared in providing important factors regarding the increasing number of management practices and their effects on employee performance and commitment in the organizations. It is also of value to researchers and scholars as the study is aimed at increasing the body of knowledge in this area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews both empirical and theoretical literature related to the study. Both independent and dependent variables for the study are reviewed in this chapter. The purpose of the study is to establish the effect of human resource management practices on performance of SACCOS. The review of literature is divided in the following subheadings namely: Theoretical framework, Best fit and Human Capital theories, HRM practices namely: Training and development, Rewards, Employee appraisal and firm performance and conceptual framework.

2.2 Theoretical Framework

This study will be anchored on two theories, namely best fit and human capital theory

2.2.1 Best Fit Theory

Best fit HRM theories which are also known as universalistic theories postulates that HRM practices are universal in the sense that they are best in any situation and that adopting them will lead to superior organizational performance. Universalistic scholars (Luthans & Summers, 2005: Pfeffer, 2001) argue that there is a set of superior HRM practices which if adopted by a firm, would lead to enhanced firm performance. A crucial aspect concerning SHRM is the concepts of fit and flexibility. The degree of fit determines the human resource system's integration with organization strategy (Kumar,2006). Fit includes the utilization of human resources to help with the achievement of organizational objectives. In this context, organizational behavior, organization theory, and strategy researchers have long assumed that "fit" among organizational subcomponents results in organizational effectiveness, but often they have been frustrated by difficulties in both conceptualizing and operationalizing the concept. Similarly, a dominant theme of the SHRM literature is the need to fit human resources strategy to the larger organizational context (Milliman et al., 1991). According to Lengnick-Hall and Lengnick-Hall

(1988), managers should be fitted or matched to the nature of strategic business planning, the firm's expansion strategy, product life cycle, and future strategic needs and choices. In addition to the concept of fit, another theme in the SHRM literature is the need for flexibility in adapting human resources strategy to its larger organizational context (Lengnick-Hall and Lengnick-Hall, 1988).

According to the best fit theory, a firm that follows a cost-leadership strategy designs narrow jobs and provides little job-security, whereas a company pursuing a differentiation strategy emphasizes training and development. This approach is a counterpart to the “one strategy fits all” seen in Pfeffer’s seven best practices. The best fit school, therefore, argues that all SHRM activities must be consistent with each other and linked to the strategic needs of the business (Schuler, 1992). According to the best fit school, human resources strategy will be more effective when it is appropriately integrated with its specific organizational and environmental context (Boxall and Purcell, 2000). It has been argued that human resources management practices that are not aligned and consistent with organizational strategy and which conflict with other human resources practices can restrain both individual and organizational performance.

Based on contingency or fit perspective, SHRM can be defined as the integration of human resources practices and policies to the overall organizational objectives with the aim of improving performance. The contingency perspective of SHRM gives particular importance to human resources planning and argues that a firm can be effective if its human resources practices and strategy aligned with other aspects and strategies of the firm. There are two forms of fit alignment- vertical and horizontal (www.ivythesis.typepad.com). Vertical or external fit refers to

the alignment of human resources practices with the specific organizational context and horizontal or internal fit refers to the alignment of human resources practices into a coherent system of practices that support one another (Delery, 1998). In general, vertical fit is viewed as a critical step toward attaining the organizational goals through initiating some human resources activities that are aligned with firm objectives, while horizontal fit is essential when making good use of these resources (Wei, 2006). This type of fit shifts the focus from individual human resources practices to the entire human resources management system. If all of the practices fit into a coherent system, the effect of that system on performance should be greater than the sum of the individual effects from each practice alone (Ichniowski et al., 1997).

2.2.1 Human Capital Theory

Proposed by Schultz in 1961 and developed by Becker in 1994 suggests that HR practices can directly influence firm performance. It postulates that Workers have a set of skills developed by education and training that generates a stock of productive capital. Employees and employers each derive benefits from investment in creating human capital. The level of pay should supply both parties with a reasonable return on that investment. Human capital constitutes a key element of the market worth of a company. A research study conducted in 2003 (CFO Research Studies) estimated that the value of human capital represented over 36 per cent of total revenue in a typical organization.

People in organizations add value and there is a case for assessing this value to provide a basis for HR planning and for monitoring the effectiveness and impact of HR policies and practices. The process of identifying measures and collecting and analyzing information relating to them will focus the attention of the organization on what needs to be done to find, keep, develop and make the best use of its human capital. Measurements can be used to monitor progress in

achieving strategic HR goals and generally to evaluate the effectiveness of HR practices. The defining characteristic of Human Capital Theory is the use of metrics to guide an approach to managing people that regards them as assets and emphasizes that competitive advantage is achieved by strategic investments in those assets through employee engagement and retention, talent management and learning and development programmes.

Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization. These can be regarded as the intangible resources associated with people which, together with tangible resources (money and physical assets), comprise the market or total value of a business. Bontis (1998) defines intangible resources as the factors other than financial and physical assets that contribute to the value-generating processes of a firm and are under its control.

2.3 Human Resource Management Practices and Organizational Performance

Human Resource is the most important asset for any organization and it is the source of achieving competitive advantage. Managing human resources is very challenging as compared to managing technology or capital and for its effective management, organization requires effective HRM system. HRM system should be backed up by sound HRM practices. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals. Human resources are the source of achieving competitive advantage because of its capability to convert the other resources (money, machine, methods and material) into output (product/service). The competitor

can imitate other resources like technology and capital but the human resources are unique (Huselid, 1995).

Khatri (1999) suggested that people are one of the most important factors providing flexibility and adaptability to organizations. Rundle (1997) argues that one needs to bear in mind that people (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment. Several scholars have noted that managing people is more difficult than managing technology or capital (Barney, 1991; Lado and Wilson, 1994). However those firms that have learnt how to manage their human resources well would have an edge over others for a long time to come because acquiring and deploying human resources effectively is cumbersome and takes much longer (Wright, 1994).

The effective management of human resources requires sound Human Resource Management systems. Storey (1995) defines HRM as a distinctive approach to employment management which seeks to obtain competitive advantage developed showing how HRM practices leads to overall corporate performance. HRM can help firms improve organizational behavior in such areas as staff commitment, competency and flexibility, which in turn leads to improved staff performance (Koch and McGrath, 1996). In order to develop a sound HRM system, the organization should have effective Human Resource Management practices. HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson, 1987; Schuler & MacMillan, 1984; Wright & Snell, 1991). HRM practices may differ from one organization to another and from one country to another. According to Chandler and McEvoy

(2000) , one of the lingering questions in HRM research is whether or not there is a single set of policies or practices that represents a ‘universally superior approach’ to managing people . Theories on best practices or high commitment theories suggest that universally, certain HRM practices, either separately or in combination are associated with improved organizational performance. Researchers have also found that those well-paid, well motivated workers, working in an atmosphere of mutuality and trust, generate higher productivity gains and lower unit costs (Boxall, 1996; Lowe and Oliver, 1991; Pfeffer, 1994).

Several attempts have been made from time to time by different researchers to identify the type of HRM practices in different sectors. Initially Pfeffer (1994) identified 16 practices which denote best practice. This was later refined to the following seven practices: Employment security, Selective hiring, Self-managed teams/team working, High compensation contingent on organizational performance, Extensive training, Reduction in status difference, Sharing information. In another study, Redman and Matthews (1998) identify an ‘HRM bundle’ of key practices which support service organizations quality strategies, these being, Careful recruitment and selection, for example, ‘total quality recruitment’, ‘zero defects recruitment’, ‘right first time recruitment, Extensive remuneration systems, for example, bonuses, available for staff willing to be multi-skilled, Team working and flexible job design, for example, encouraging a sense of cohesiveness and designing, empowered jobs, Training and learning, for example, front line staff having enhanced interpersonal and social skills, Employee involvement, for example, keeping employees informed of key changes in the organization., Performance appraisals with links to contingent reward, systems, for example, gathering customer feedback to, recognize the work by employees over and above their expected duties, which in turn is likely to lead to a bonus

for staff.

2.3.1 Training and Development and Firm Performance

Whenever HRM embarks on the hiring process, it attempts to search and secure the best possible candidate. Decenzo, (2010) posit that while HRM professionals pride themselves on being able to determine those who are qualified versus those who are not, the fact remains that few, if any, new employees can truly come into an organization and immediately become fully functioning, 100% performers. First employees need to adapt to their new surroundings. Socialization is a means of bringing about this adaptation. During this time, the focus is on orienting the new employee to the rules, regulations, and goals of the organization, department and work unit. At this time, the employee should be made aware of the nature of the job, the job requirements and the working conditions. Eventually, job deficiencies, intricacies, and peculiarities arise in trying to meet the job needs and organizational needs. Training comes in handy as a form of human capital investment whether that investment is made by the individual or by the firm. Training provides employees with specific skills or helps to correct deficiencies in their performances, while development is an effort to provide employees with abilities the organization will need in the future (Chew, 2004). Training and development is a human resource practice that can provide competitive advantage to organizations, if properly implemented (Schuler & MacMillan, 1984).

In their study towards a results-oriented public service, Lenkeu and Maket (2012) explored what may be referred to as 'revolutionary changes' aimed at changing the civil service towards delivering desired results over time. The study found that employee development can create efficient and effective service delivery. They established that management should focus on training and development and career advancement. In this regard, public sector should invest in

training its staff at various levels on skills, values, culture change, vision and mission of their various sections. Consistent with this study was a study by Dimba (2012) on an assessment of the moderating role of employees' cultural orientations amongst foreign manufacturing multinational companies in Kenya. The study revealed that training and development is positively related to firm's performance.

Another study on factors affecting performance of hotels and restaurants in Kenya by Kemunto, Iravo, and Munene (2013) where a sample of five hotels with over twenty rooms and 100 workers using a sample of over hundred respondents including managers, employees and customers. It was revealed that there were gaps as far as employee skills, knowledge and customer satisfaction levels are concerned. Strategic management of these organizations recommended training and development as an important HRM skill that must be implemented for organizations to realize good performance since trained manpower is able to perform their tasks well. Another study of 139 academics from Jordanian University by Omari et al, (2009) established that training and development and organizational commitment had a significant positive effect on firm performance among the academic staff.

2.3.2 Rewards and Firm Performance

People do what they do to satisfy needs and before they do anything, therefore they look for a payoff or reward. According to Decenzo (2010) reward management is one of the strategies used by Human Resource Managers for attracting and retaining suitable employees as well as facilitating them to improve their performance through motivation and to comply with employment legislation and regulation. As a result of these pressures, HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees. It is very important to reward high performance levels because this motivates and controls the

performance. Indeed, reward strategies confirm the level and the merge of non-financial and financial rewards required to attract, maintain and inspire skillful competent, and capable employees to make the organization prosperous. Although some of these benefits are in financial forms, such as options for salary sacrificing and competitive pay, there are a lot of non-financial benefits which firms can provide its employees. Therefore, for a manager, it is necessary to know what really inspires employees perhaps are not the same things that stimulate other employees. Management should be cautious about the way rewards are managed within the reward system. Furthermore, the reward system should be connected so as to stimulate and motivate employee's performance. Empirical studies done in this context support the view that rewards especially non financial rewards if well managed can be a source of competitive advantage and hence promote firm performance.

Ahmed & Ali (2008) carried out a research on the “impact of reward and recognition programs on employee motivation and satisfaction”. Research design used was exploratory. Sample chosen for the study was 80 employees of Unilever companies in Kenya and data collection instrument used was a questionnaire. Major findings indicated a positive relationship between rewards and work satisfaction as well as motivation. Factors affecting satisfaction were identified; payment 86%, promotion 74%, works conditions 61%, personal 37%. Analysis showed support for a positive relationship between reward and employee satisfaction. The researchers recommended that further studies can be done on ‘impact of reward and recognition on motivation and satisfaction for diverse groups of people’ example gender, race and disability (Ahmed and Ali,2008).

In their study on the effect of cash bonus on firm performance,, Njanja and Kibet (2012) sought to establish the extent to which the rewards adopted at KPLC have influenced employee performance. The research adopted correlation research design. 68 management employees out of 84 responded. Data was collected using questionnaires. Descriptive statistics were used to present data. Inferential statistics (chi-square) was used to analyze the relationship between cash bonuses and employee performance. The findings of the study showed that cash bonus have no effect on employee performance. The research found out that those who received cash bonuses and those who did not their performance was the same. The organization should therefore focus on changing the intrinsic nature and content of jobs.

On the effects of motives, in his research, Jibowo (1977) adopted the same procedure to Herzberg (1959) and provided some support on the impact of motivators on job performance. In another study conducted by Centres and Bugental (1970), the authors also managed their study based on Herzberg's two-factor theory on motivation, by dividing job variables to two categories: motivators and hygiene factors. They discovered that at higher professional levels, intrinsic job factors or motivators were more valued; while extrinsic rewards on job or hygiene factors were valued more at lower professional levels. Therefore, they concluded that a firm that fulfills both extrinsic and intrinsic rewards could be the best one. Additionally, Bergum and Lehrs (1964), investigated the influence of financial motivators on firm performance; and they showed that people who received individual rewards perform less than those who receive group awards due to teamwork and feeling of not wanting to disappoint.

2.3.3 Employee Appraisal and Firm Performance

Performance management is a systematic process for improving organizational performance, getting better results by understanding and managing performance within an agreed framework

of planned goals, standards and competency requirements. As Weiss and Hartle (1997) commented, performance management is: 'A process for establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving success. 'The main concerns of performance management are; aligning individual objectives to organizational objectives and encouraging individuals to uphold corporate core values; enabling expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be); providing opportunities for individuals to identify their own goals and develop their skills and competencies. In contrast performance management is a continuous and much wider, more comprehensive and more natural process of management that clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future. The overall objective of performance management is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization. Characteristics of performance management are; Performance management is a planned process of which the five primary elements are agreement, measurement, feedback, positive reinforcement and dialogue. It is concerned with measuring outcomes in the shape of delivered performance compared with expectations expressed as objectives (management by objectives). In this respect it focuses on targets, standards and performance measures or indicators (Hartle, 1997).

Performance management is not just a top-down process in which managers tell their subordinates what they think about them, set objectives and institute performance improvement

plans. It is not something that is done to people. As Buchner (2007) emphasizes, performance management should be something that is done for people and in partnership with them.

Performance management is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results. It is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and cooperation rather than control or coercion.

Performance management focuses on future performance planning and improvement and personal development rather than on retrospective performance appraisal (Armstrong, 2006).

It functions as a continuous and evolutionary process in which performance improves over time. It provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment. A performance management system, in and of itself is an accountability system. It shows everyone from senior executives to front-line employees what business results they are accountable for and sets expectations for how they should go about achieving results. But to be effective the process need to start at the top. Employee performance management system provides cascading goals functionality that transforms each employees goals into an individual scorecard that can be aligned directly to the corporate strategy.(Varma,Budhwar,and Denisi,2008).

A study done on the relationship between performance management system and organizational performance at the standard chartered bank Kenya limited by Ambetsa (2010) in which a case study design with a total of 15 respondents were interviewed using an interview guide target

respondents being heads of departments in the organization. Findings reveal that performance management system that has been put in place has to a great extent contributed positively to the banks performance. Practices adopted by the bank like setting goals, sharing feedback with employees, evaluating employee performance, rewarding employee performance and disciplining employee contribute to firm's performance. This finding supports the study by Ngolovoi (2001). In his study on perceived social and psychological effects of performance appraisal in selected international donor organizations in Kenya, the study found out that performance appraisal had a positive effect on the international donor organizations by promoting positive attitude towards donor relations.

Mureithi (2008) in his study on reasons for slow adoption of performance management concept in non-governmental organizations operating in Nairobi found out that more emphasis has been placed on performance planning and performance contracts and very little on performance monitoring and training. Obiye (2002), in his study on the survey of preferred methods, raters and uses of performance appraisals by employees in selected tertiary public institutions in Nairobi found out that while all respondents had the full knowledge and understanding of performance management, the only important parts in the components was planning and contracts. They admitted that there is a need for training in performance management.

2.4 Conceptual Framework

HRM practices are the independent variables that influence firm performance, while performance of SACCOS is the dependent variable as presented in figure 2.1. Training provides employees with specific skills or helps to correct deficiencies in their performances, while development is an effort to provide employees with abilities the organization will need in the future (Chew, 2004). The purpose of training in the work context is to develop the abilities of the

individual and to satisfy the current and future manpower needs of the organization. Performance management is a means of getting better results from a whole organization by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. A performance management system shows everyone from senior executives to front-line employees what business results they are accountable for and sets expectations for how they should go about achieving results. Reward management is one of the ways used by organizations for attracting and retaining suitable employees as well as facilitating them to improve their performance. Rewards can be used to improve performance by setting targets in relation to the work given.

INDEPENDENT VARIABLES

DEPENDENT VARIABLE

HR PRACTICES

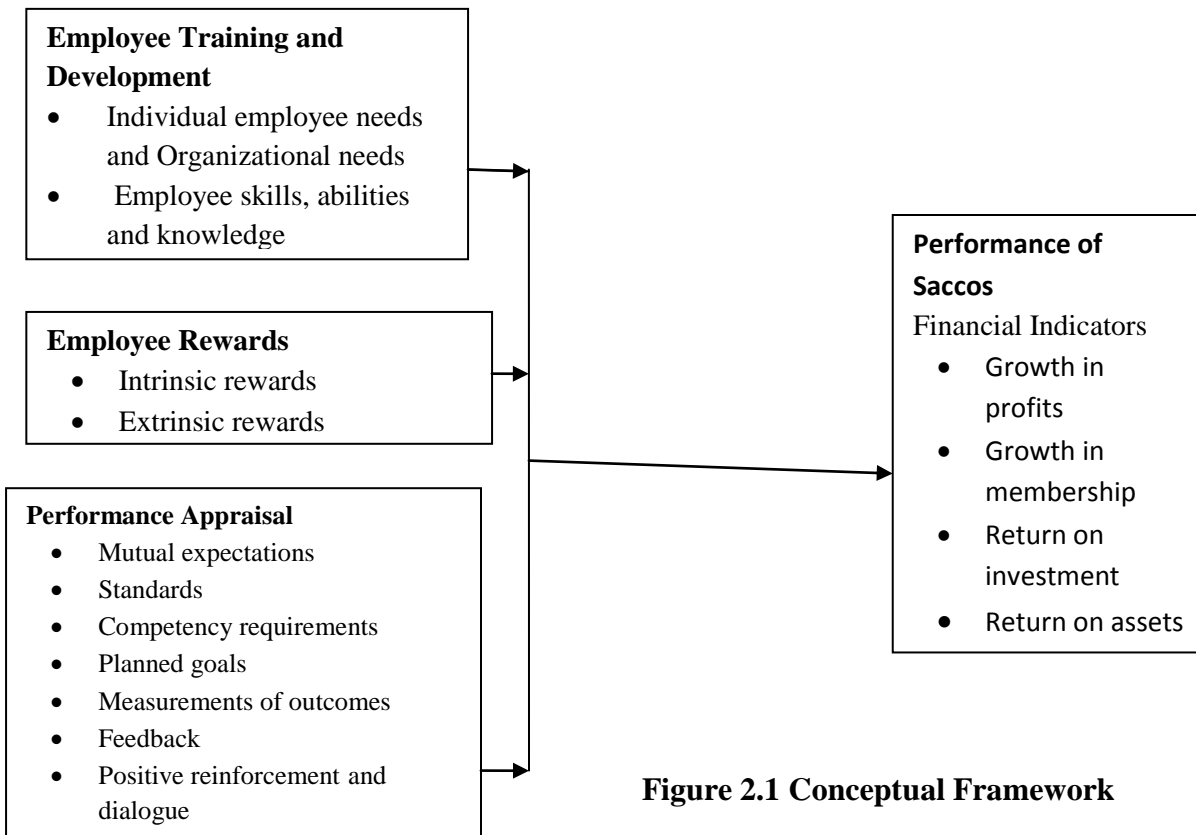


Figure 2.1 Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section contains the research design, population, data collection and data analysis.

3.2 Research Design

This survey explains events as they are, as they were, or as they will be and when a researcher wants to simply describe events or opinions without manipulating variables, then descriptive census survey is the best design. It was appropriate method for this study because it is possible to compare and verify information across several SACCOS. Descriptive census survey research designs are used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret data for the purpose of clarification (Orodho, 2005).

3.3 Population of the Study

Target population is defined as all the members of a real or hypothetical set of people, events or objects to which a researcher wishes to generalize the results of the research study (Borg & Gall, 1989). The target population for this study consisted of 34 SACCOS in Vihiga County. This was a census study since all the thirty four SACCOS were involved. According to the Vihiga District Corporative development officer there are 34 SACCOS in Vihiga County as at 2015. These SACCOS are classified as, institution based, farmers based, teachers based, Government based and community based. A census study is preferred due to the small size of the population.

3.4 Data Collection

Primary data was collected using semi-structured questionnaires which involve using both open and close ended questions. The questions were structured in such a way to ensure definite, concrete, and precise responses. The questionnaires was divided into three sections as follows: Section A elicited information on the demographic data; section B: addressed aspects of HR

practices. Section C brought out issues on Performance of SACCOS. The questionnaires were administered to respondents through “drop and pick later “method by the researcher. The respondents were the 34 managers in charge of the SACCOS in Vihiga County, Kenya.

3.5 Data Analysis

To ensure completeness and consistency, completed questionnaires were edited, then coded and checked for any errors and omissions. Data was analyzed using descriptive statistics such as frequency counts, distribution, mean scores, percentages and standard deviations. Descriptive statistics has an advantage in that it is used to generate meaning in relation to the research objectives. Pearson’s’ Correlation analysis was used to test for the strength and significance of the relationship between HRM practices and Performance of SACCOS.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This section presents an outcome of findings of the research. This research sought to determine the effect of human resource management practices on performance of SACCOS in Vihiga County, Kenya. All completed questionnaires were edited for completeness and consistency.

The questionnaires were administered to 34 respondents and out of the 34 respondents, only 29 responded representing an overall of 85%. This response rate was fair and conforms to Mugenda and Mugenda (1999) who stipulated that a response rate of 50% is adequate for analysis and reporting, a rate of 60% is good and a rate of 70% and over is excellent. Data was then analyzed using descriptive statistics.

4.2 Quantitative Data Analysis

4.2.1 Response Rate

Out of the target population of 34 respondents chosen randomly from Vihiga County SACCO managers who were issued with questionnaires, 29 responded. This represents 85% of the target population.

4.2.2 Gender of the Respondent

This item was intended to capture the number of male and female interviewed. Out of those who responded to the questionnaires, 69 % were male and 31 % were female as shown in the table 4.1 below

Table 4.1: Gender of respondents

GENDER	Frequency	Valid percent	Cumulative percent
Female	9	31	
Male	20	69	100
Total	29		100

Source (Research Data)

It can therefore be concluded that the majority of the respondents were males (69%) while 31 % were female.

4.2.2 Employees Age Group

Respondents were asked to indicate their age brackets by ticking appropriately their age group.

Data was then analyzed using percentages and the results were as shown in the table 4.2 below

AGE GROUP IN YEARS	FREQUENCY	VALID PERCENTAGE (%)	CUMULATIVE
Below 30	3	10.34	10.34
30-40	4	13.79	24.13
41-50	13	44.83	68.96
51 yrs and above	9	31.4	100
TOTAL	29		100

SOURCE (Research Data)

The outcome shows that age group (Below 30), (30-40), (41-50), (51 and above) had 10.34, 13.79, 44.83 and 31.4% respondents respectively. It therefore indicates that the majority of the respondents were in the age group (40-50 years). It is therefore worth concluding that majority of top management staffs of the SACCOS in Vihiga County are above 40 years and that the

management promotes and includes them in the management positions. Most of the youthful managers exit SACCOS for greener pastures.

4.2.4 Years in Employment

This item was intended to capture the respondent work duration with the savings credit and cooperative societies. Respondents were asked to tick appropriately how long they had served in the SACCOS for; less than 3 years,(4-7),(8-11) and 12 years and above. Data was analyzed using percentages and findings presented in table 4.3 as shown below.

Years in Employment (Years)	Frequency	Valid percentage	Cumulative percentage
Below 3 yrs	3	10.34	10.34
4-7	2	6.9	17.24
8-11	12	41.38	58.62
12 yrs and Above	12	41.38	100
Total	29	100	

Source (Research Data)

Results in the above table show that 41.38 % of the respondents have served in the SACCOS for more than 12 years indicating that labor turnover is moderate among SACCO managers.

4.2.4 Level of Education

Table 4.4: Respondents level of education.

Level	Frequency	Valid %	Cumulative
O level	4	13.8	13.8
A level	0	0	13.8
Diploma	4	13.8	27.6
Degree	17	58.68	86.28
Post graduate	4	13.8	100
Total	29	100	

Source (Research data)

The table 4.4 above represents the level of education of respondents. The study reveals that the managers level of education was secondary (13.8 %), College (13.8 %), University (73 %). This shows that the SACCO management has fewer secondary and post graduates while the majority are degree holders. Hence most SACCO managers in Vihiga County are educated and informed indicating that they can make sound managerial decisions on the subject of the study.

4.3 Human resource Management Practices

The respondents were asked to rate appropriately on a scale of 1-5 the effect of training and development on performance by ticking the most appropriate response. The scale was provided as: Not at all (1), to a less extent (2), to a moderate extent (3), to a great extent (4) and to a very great extent (5) undecided.

Table 4.6 Effect of Training and Development on Performance

		1	2	3	4	5	MR	SD
1	Help employees adapt to their new surroundings through socialization	0	0	2	12	15	4.45	1.13
2	Helps employees to be aware of the nature of the job, job requirements and the working conditions	0	0	0	29	0	4.0	0.97
3	Provides competitive advantage if properly implemented	0	0	0	20	9	4.31	1.078
4	Influences recruitment of employees, motivation, and productivity and employee turnover	0	0	0	13	16	4.55	1.17
5	Create efficient and effective service delivery	0	0	0	13	16	4.55	1.17
6	Positively related to organizational performance	0	4	0	21	4	3.86	0.925
7	Lack of strategic role of training cause employee turnover	0	4	13	8	4	3.41	1.8
8	Compensation structure is based on skills and abilities of its staff	0	17	0	8	4	2.96	0.76
9	Enable employees perform their tasks well	0	4	0	12	13	4.17	1.03

Source (Research Data)

The study intended to find out how training affects employee performance. Table 4.6 above shows means rating and standard deviations of the responses. Effects of training and development on employee performance were to a very great extent for SACCO employees to be motivated, to enable employees increase productivity and reduce turnover with a mean score of 4.55, to enable employee adapt to new surroundings through socialization with a mean score of 4.45, to provide SACCO with competitive Advantage with a mean score of 4.31, to enable

employees perform their tasks well with a mean score of 4.17 and to Help employees to be aware of the nature of the job, job requirements and the working conditions with a mean rating of 4.0.

Other reasons training SACCO employees were to a great extent stimulated by the need for SACCO to increase performance by a mean score of 3.86, need for SACCO to reduce employee turnover with a mean score of 3.41, to make employees acquire skills with a mean score of 2.96.

Respondents were further asked to indicate by ticking appropriately how often the SACCO makes an effort to train its manpower and 100 % of the respondents were in agreement that training and development takes place once after every 1-2 years.

To the question on how else the training and development affect employee performance in the SACCO, 20 % were of the opinion that training promotes intrinsic motivation, 30 % of the respondents felt that training improves HR relation between top management and the low cadre employees while 50 % were undecided.

4.4 Effect of Rewards on Firm Performance

Respondents were then presented with a list of statements concerning the effect of employee rewards on firm performance and asked to indicate by ticking appropriately how much they agree or disagree with the following: Scale 1=Strongly disagree 2= Disagree 3= Undecided 4= Agree 5= Strongly Agree

Table 4.7 Effect of Employee Rewards on Firm Performance

	Statement	1	2	3	4	5	MR	SD
1	Rewards satisfy employee needs leading to employee satisfaction	8	4	0	8	9	3.2	0.80
2	Rewards are used to attract and retain suitable employees	4	12	0	4	9	3.07	0.79
3	Rewards motivate and make employees be compliant with regulation and legislation	4	8	0	12	5	3.21	0.80
4	Reward facilitate organizations strategic goals and employee goals	0	12	0	12	5	4.17	1.03
5	Rewards maintains, inspire skillful and competent employees	4	12	4	4	5	2.79	0.8
6	Rewards offer Competitive advantage that promote firm performance	0	0	0	25	4	4.14	1.0155
7	Group rewards leads to higher firm performance than individual rewards	0	17	0	12	0	2.83	0.8

Source (Research data)

The study computed the weighted means and standard deviation as shown in table 4.7 above.

The mean scores show that understanding that rewarding SACCO employees very highly facilitate organizations strategic goals and employee goals leading to high performance with a mean score of 4.17, offer Competitive advantage that promote firm performance with a mean score of 4.14, motivate and make employees be compliant with regulation and legislation with a mean score of 3.21, satisfy employee needs leading to employee satisfaction with a mean score of 3.2, Rewards are used to attract and retain suitable employees with a mean score of 3.07, leads to higher firm performance than individual rewards with a mean rating of 2.83 and inspire skillful and competent employees with a mean score of 2.79

Respondents were further required to give their opinions on how else rewards affect employee performance. 52 % observed that rewards improves efficiency and effectiveness of employees by boosting their morale, 40 % indicated that rewards make employees complete their tasks on schedules while the remaining 8 % felt that rewards stimulate employees to give quality work output.

4.5 Effect of Employee Appraisal on Firm Performance

Respondents were then required to use the Likert scale to rate the effect of employee appraisal on firm performance by ticking against the most appropriate response (1= strongly disagree 2= Disagree 3= Undecided 4= Agree 5= Strongly Agree) that best reflect their preference.

Table 4.8 Effect of Employee Appraisal on Employee Performance

	Statement	1	2	3	4	5	MR	SD
1	Aligns individual objectives to organizational objectives	8	4	0	13	4	2.69	0.81
2	Helps organization get better results by understanding and managing performance within agreed framework of planned goals, standards and competency requirements	0	17	0	8	4	2.97	0.79
3	Enables expectations to be defined and agreed in terms of role, responsibilities and accountabilities	0	0	4	21	4	4.0	0.97
4	Facilitates provision of opportunities for individuals to identify own goals and develop their skills and competencies	0	8	0	21	0	3.5	0.83
5	Establish a shared understanding about what is to be achieved and how it is to be achieved	4	8	0	13	4	3.17	0.80
6	Develop capacity of people to meet and exceed expectations to the benefit of the organization	0	4	0	21	4	3.86	0.93
7	Measures outcomes in the shape of delivered	0	4	0	21	4	3.86	0.93

performance compared with expectations								
8	Focuses on targets, standards expected from employees about what business results they are accountable for	0	13	0	13	3	3.21	0.80
9	Focuses on future performance, planning and improvement and personal development	0	12	0	13	4	3.31	0.81
10	Provides regular and frequent dialogue between managers and employees about performance based on feedback and self assessment	0	9	0	16	4	2.97	0.79

Source (Research Data)

The study computed the weighted means and standard deviation as shown in table 4.8 above.

The mean scores show that understanding that employee appraisal enables expectations to be defined and agreed in terms of role, responsibilities and accountabilities with a mean rating of 4.0, develops capacity of people to meet and exceed expectations to the benefit of the organization and measures outcomes in the shape of delivered performance compared with expectations with a mean rate of 3.86

Appraisal of employees also affect employee performance by facilitating provision of opportunities for individuals to identify own goals and develop their skills and competencies by a mean rating of 3.5. On the question of whether employee appraisals establish a shared understanding about what is to be achieved and how it is to be achieved, respondents agreed with a mean score of 3.17. Respondents also supported the argument that appraisals focus on targets, standards expected from employees about what business results they are accountable for and focus on future performance, planning and improvement and personal development with mean scores of 3.21 and 3.31 respectively. However respondents were undecided about the view that

appraisals provide regular and frequent dialogue between managers and employees about performance based on feedback and self assessment with a mean score of 2.97.

4.6 Effect of Selected HRM Practices on Performance of SACCOS

Respondents were then presented with a list of statements concerning how much they agreed or disagreed with each statement using the following scale 1=strongly disagree, 2=Disagree 3=Undecided, 4= Agree 5= Strongly Agree

Table 4.9 HRM Practices and Performance of SACCOS

	Statement	1	2	3	4	5	MR	SD
1	Organizational performance is dependent on employee performance	0	0	0	14	15	4.5	1.15
2	Performance in the SACCO is dependent on training and development	0	4	0	25	0	3.72	0.89
3	SACCO performance is dependent on the rewards	0	14	0	15	0	3.03	0.83
4	Employee appraisal affect employee performance	0	8	8	13	0	3.17	0.80
5	Well developed HR policies and processes if well implemented affect performance	0	4	0	15	10	4.07	0.99
6	Organizational performance is caused by successful attainment of objectives and implementation of appropriate strategy	0	0	0	21	8	4.28	1.07

Source (Research Data)

The study computed the weighted means and standard deviation as shown in table 4.9 above.

The mean scores show that understanding that employee performance very highly leads to high organizational performance with a mean score of 4.5, Successful attainment of objectives and implementation of appropriate strategy with a mean score of 4.28, developing HR policies and

processes and implementing it well with a mean of 4.07, training and development with a mean rating of 3.72. However findings indicate offering rewards and appraising employees to a small extent contribute to increased employee performance.

On the question on other HRM practices that affect employee performance in organization, respondents held the view that some of the HRM practices that enhance organizational performance include Benchmarking 30%, having internal transfers 45% and sound communication between HR and staff 25%.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter reviews summary of findings, recommendations, limitations, conclusions and areas for further research.

5.1 Summary of findings

The aim of this study was to establish the Effect of Selected HRM Practices on Employee performance in Savings and Credit Cooperative societies in Vihiga County, Kenya. From the data analysis it was established that the majority of the respondents were male, majority of employees are aged below 50 years, most employees have worked in the SACCOS for more than 12 years, majority of these employees are either married or single and marital status has a significant effect on the employee performance. Research findings also indicate that most employees are degree holders with a few being form four leavers indicative that SACCO employees in Vihiga County are informed and can make sound decisions and thus level of education has a direct influence on employee performance.

Research findings are indicative that training and development of employees help employees adapt to their new surroundings through socialization, affect recruitment of employees, Create efficient and effective service delivery. In addition training boosts employee motivation, and productivity. Employee training also lowers employee turnover to a great extent. Training and developing employees provide competitive advantage if properly implemented. Finally training enable employees to perform their tasks well. Other effects of training and development includes its role

in imparting skills that increases job performance, makes employees more confident, less intimidated and reduces employee turnover.

Respondents assert that offering rewards also offer Competitive advantages that promote firm performance to a great extent. Respondents also agree that rewards facilitate organizations strategic goals and employee goals to a great extent with a mean rating of 4.17. On whether rewards maintains, inspire skillful and competent employees, respondents disagreed. Respondents also disagreed to whether group rewards leads to higher firm performance than individual rewards with a mean score of 2.83. Respondents were undecided when it came to the issue of whether rewards satisfy employee needs leading to employee satisfaction and motivate and that rewards make employees be compliant with regulation and legislation.

On the effect of employee appraisal on SACCO performance, respondents observe that appraisal enables expectations to be defined and agreed in terms of role, responsibilities and accountabilities. Findings are also indicative that appraising employees make employees develop capacity of people to meet and exceed expectations to the benefit of the organization and in addition measures outcomes in the shape of delivered performance compared with expectations.

Respondents only agreed to some extent that employee appraisal aligns individual objectives to organizational objectives maybe because they were for the opinion that even before appraising an employee his or her objectives are already aligned the moment one gets a job. Findings also show that respondents agree to a small extent that employee appraisal helps organization get better results by understanding and managing performance within agreed framework of planned goals, standards and competency requirements

The study show that understanding that employee performance very highly leads to high organizational performance with a mean score of 4.5, Successful attainment of objectives and implementation of appropriate strategy with a mean score of 4.28, developing HR policies and processes and implementing it well with a mean of 4.07, training and development with a mean rating of 3.72. However findings indicate offering rewards and appraising employees to a small extent contribute to increased employee performance.

Last but not least Organizational performance is dependent on employee performance to a very great extent. And that most of the respondents alluded to the fact that Organizational performance is caused by successful attainment of objectives and implementation of appropriate strategy. So if well developed HR policies and processes are well implemented, they affect performance. In summary the study shows that HRM practices have a significant effect on SACCO performance. The order of the agreement of the effect of the three HRM practices is as follows: training and development with a mean score of 3.72 followed by employee appraisal with a mean score of 3.17 and finally rewards with a mean rating of 3.03 indicative that respondent's neutrality on whether appraisal and rewards affect performance of SACCO.

5.2 Conclusion

The study sought to determine the effect of HRM practices on selected HRM practices on firm performance. The effect of three independent variables namely training and development; employee appraisal and rewards on firm performance were tested using a likert scale. Study findings show that training and development greatly affect firm performance. Trained manpower ensures tasks are well done and that imparting employees with skills makes an organization have a competitive advantage over the competitors. This was followed by employee appraisal.

Rewards use by management especially extrinsic rewards may or may not affect employee performance.

5.3 Recommendations

From the study findings above, the respondents were undecided on whether rewards affect firm performance therefore researcher recommends future study to focus on whether there exist rewards in SACCOS and if such rewards are given according to employee accomplishment of set targets. The study of effect HRM practices on Firm performance should be replicated in other organizations especially County Government and other institutions both private and public. The study can also focus on other HRM management practices such as effect of job involvement, job rotation, and job complexity on Firm performance.

5.4 Suggestion for Further Research

Future research should focus on other Counties since the study was based in Vihiga County. The study main focus was on effect three Selected HRM practices on firm performance. Future research should focus on more than three HRM practices on firm performance. The study unit was managers of SACCOS within Vihiga County who are tasked with top management. Future research should include middle and lower cadre employees. Future studies should focus on other HRM practices and their effect on Firm performance.

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APPENDIX I

Researcher Letter of Consent

University of Nairobi

P.O BOX

Date.....

To the Respondent

SACCO Name.....

P.O Box

RE: REQUEST FOR ACADEMIC RESEARCH DATA

I am a postgraduate student undertaking a Masters degree in Human Resource Management at The University of Nairobi. I am currently carrying out a research on **HUMAN RESOURCE MANAGEMENT PRACTICES ON PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVES IN VIHIGA COUNTY, KENYA**

I kindly request you to provide the required information by responding to the questions in the questionnaire. The information you provide is purely for academic purpose and will be used and treated with a lot of confidentiality.

A copy of the findings of the research will be availed to you upon request.

I will be glad if you will grant me your corporation in this academic exercise.

Thanks in advance for your precious time.

Yours faithfully

Victor Amendi

APPENDIX II

RESEARCH QUESTIONNAIRE FOR SACCO EMPLOYEE

Thank you for taking time to participate in this important study. Your response is highly valued and will remain completely confidential and anonymous. Please answer each question as honestly as you can. It is most important that you answer **ALL** questions. This questionnaire is designed to collect data on **HUMAN RESOURCE MANAGEMENT PRACTICES ON PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVES IN VIHIGA COUNTY, KENYA**. The data shall only be used for academic purposes and will be treated with utmost confidence. Your participation to facilitate the study is highly appreciated. The questionnaire is divided into 6 sections. Please complete each section as instructed. All the information provided in this questionnaire will be treated with utmost confidence.

1. PART A: Demographic Characteristics of the respondents

Please tick as appropriate.

1. Gender (Please tick as appropriate) Male Female

2. Age (Please tick as appropriate) below 30 years 30-40 years

41 – 50 years 51 years and above

4. Length of service with the SACCO

0-3 years 4-7 years 8 – 11 years 12 years and above

5. Highest academic qualification (Please tick as appropriate)

O level A Level Diploma Degree Post Graduate

PART B: Effect of Human Resource Management Practices on Performance of SACCOS.

This section aims to get your views on the effect of Human Resource Management Practices on performance.

6 (a). Using the likert Scale provided, rate the effect of Training and Development on performance by ticking against the most appropriate response (1=Strongly disagree 2=Disagree, 3=Undecided,4=Agree,5= Strongly Agree) that best reflects your preference.

Statements	1	2	3	4	5
Whenever my SACCO embarks on the hiring process, it attempts to search and secure the best possible candidate					
Few, if any, new employees that come into my SACCO do not immediately become fully functioning					
Employees recruited to my SACCO adapt to their new surroundings through socialization as a means of bringing about adaptation.					
The management of my SACCO focuses on orienting the new employee to the rules, regulations, and goals of the organization, department and work unit.					
Employee in my SACCO are made aware of the nature of the job, the job requirements and the working conditions					
Training and development is a human resource practice that can provide competitive advantage to organizations, if properly implemented					

7. Training and development influence the recruitment of employees, motivation, and productivity and employee turnover.					
8. Employee development can create efficient and effective service delivery.					
9. My SACCO invests in training its staff at various levels on skills, values, culture change, vision and mission of their various sections					
10. Training and development is positively related to firm's performance.					
11. Employee turnover in my organization is caused by the level and the strategic role of training and development					
12. My SACCO has a good compensation structure based on skills and abilities of its staff					
13. There exists gaps as far as employee skills, knowledge and customer satisfaction levels are concerned					
14. Being a trained manpower I perform my tasks well					

Part B: Section II

6 (b). After how long does the management in your SACCO organize training and development programs?

After 1-2 yrs (ii) 3-4yrs (iii) 5-6 yrs (iv) 7-8yrs v 9yrs and above

6 (c) State how else the training and development affect employee performance in the SACCO

(i) _____

(ii) _____

(iii) _____

PART B Section iii: Effect of Rewards on Firm Performance

7.(a) Please indicate appropriately on a scale of 1-5 how much you agree or disagree with each of the following. Use the following scale: 1=strongly disagree 2=Disagree, 3=Undecided, 4=Agree, 5= Strongly Agree).

	Statement	1	2	3	4	5
1	The reason as to why I work in this SACCO is to satisfy my needs and before I do anything, therefore I look for a payoff or reward					
2	There exists a reward management strategy in my SACCO that is used by Human Resource Managers for attracting and retaining suitable employees					
3	Rewards help my SACCO in facilitating					

	me to improve my performance through motivation and to comply with employment legislation and regulation					
4	HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees					
5	In my SACCO,HR managers seek to design reward structures that facilitate the organizations strategic goals and the goals of individual employees					
6	The management of My SACCO rewards high performance levels because it has realized that this motivates and controls the performance.					
	Reward strategies in my SACCO confirm the level and the merge of non-financial and financial rewards required to attract, maintain and inspire skillful competent, and capable employees to make the organization prosperous					
8	Rewards in my SACCO are in financial forms, such as options for salary sacrificing and					

	competitive pay, as well as non-financial benefits					
9	Rewards especially non financial rewards if well managed can be a source of competitive advantage and hence promote firm performance					
10	Employees who receive individual rewards perform less than those who receive group awards					

7 (b) State how else the rewards affect employee performance in the SACCO

(i) _____

(ii) _____

(iii) _____

PART B Section IV: Effect of Employee Appraisal on Firm Performance

Using the likert Scale provided, rate the effect of Training and Development on performance by ticking against the most appropriate response (1=Strongly disagree 2=Disagree, 3=Undecided,4=Agree,5= Strongly Agree) that best reflects your preference.

	Statement	1	2	3	4	5
1	Management in my SACCO appraises employees by aligning individual objectives to organizational objectives and encourages					

	individuals to uphold corporate core values					
2	There exists employee appraisal system which is a systematic process for improving organizational performance, getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements					
3	Employee appraisal enables expectations to be defined and agreed in terms of role responsibilities and accountabilities (expected to do), skills (expected to have) and behaviors (expected to be);.					
4	HR managers seek to design appraisal systems structures that facilitate provision of opportunities for individuals to identify their own goals and develop their skills and competencies					
5	In my SACCO,HR managers seek to have appraisal system aimed at establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing					

	people that increases the probability of achieving success					
6	The management of my SACCO clarifies mutual expectations, emphasizes the support role of managers who are expected to act as coaches rather than judges and focuses on the future.					
	The overall objective of my SACCO is to develop the capacity of people to meet and exceed expectations and to achieve their full potential to the benefit of themselves and the organization					
8	The management of my SACCO is concerned with measuring outcomes in the shape of delivered performance compared with expectations expressed as objectives (management by objectives).					
9	My SACCO focuses on targets, standards and performance standards and hence					

	promote firm performance					
10	Appraisal of employees in my SACCO is a continuous and flexible process that involves managers and those whom they manage acting as partners within a framework that sets out how they can best work together to achieve the required results.					
11	My SACCO focuses on future performance planning and improvement and personal development rather than on retrospective performance appraisal					
12	My SACCO provides the basis for regular and frequent dialogues between managers and individuals about performance and development needs based on feedback and self-assessment					
13	Employee appraisal in my SACCO shows everyone from senior executives to front-line employees what business results they are accountable for and sets expectations for how they should go about achieving results.					

8 (b) State how else the employee Appraisal affect employee performance in the SACCO

(i) _____

(ii) _____

(iii) _____

SECTION C: PERFORMANCE OF SACCOS

Please indicate appropriately on a scale of 1-5 how much you agree or disagree with each of the following. Use the following scale: 1=strongly disagree 2=Disagree, 3=Undecided, 4=Agree, 5=Strongly Agree).

	Statement	1	2	3	4	5
1	Firm Performance in my organizations is dependent upon the performance of employees					
2	Performance of my firm is dependent on training and development					
3	Performance of my firm is dependent on rewards					
4	Performance of my firm is dependent on employee appraisal					
5	HRM practices in my SACCO enhance organizational image, interpersonal relations and commitment to the organization.					
6	People are the organization's key resource and organizational performance largely depends on them.					

	If appropriate range of Human Resource (HR) policies and processes are developed and implemented effectively, HR will make a substantial impact on firm performance.					
8	For firms to perform well, they need to be competent with the required knowledge, skills and abilities.					
9	Competence of the individual is an important factor that influences operational effectiveness in terms of quality products and services within a short time.					
10	An organization that is performing well is one that is successfully attaining its objectives or one that is effectively implementing an appropriate strategy					

11	Job performance is the single most result of an employee's work					
12	Firm performance in my SACCO is measured in order to know the success or failure and to ensure that it achieves its goals					

7 (b) State other human resource practices that affect employee performance in the SACCO

(i) _____

(ii) _____

(iii) _____

APPENDIX III

LIST OF SACCOS IN VIHIGA COUNTY

		Activity	Status	District
1	Vihiga Teachers SACCO	Savings & Credit	Active	Vihiga
2	Vihiga municipal employee	Savings & Credit	Active	Vihiga
3	VICCE	Savings & Credit	Active	“
4	WESTCOM	Savings & Credit	Active	“
5	YOPOME	Savings & Credit	Active	“
6	KAKAMEGA SHUTTLE SACCO		Active	“
7	BIGA SHUTTLE SACCO		Active	“
8	VIHIGA COUNTY TEA GROWERS SACCO		Active	SABATIA
9	LUANDA SHUTTLE SACCO		Active	”
10	VIHIGA YOUTH SACCO		Active	”
11	WAMONDO FCS SACCO		Active	”
12	EBENEZA SACCO		Active	”
13	VIHIGA DAIRY FCS		Active	”
14	HAMUSAVI MUSHROOMS FCS SACCO		Active	”
15	DELLOSA SUNFIELDS SACCO		Active	”
16	CHANGO HANDICRAFT SACCO		Active	”
17	VIHIGA TEACHERS HOUSING SACCO		Active	”
18	PAMOJA HORT.C.S LTD		Active	
19	KHAVIEM		Active	SABATIA
20	LUNYERERE FCS LTD		Active	
21	SABATIA SAFARIS		Active	
22	SABAIA JUA KALI SACCO		Active Active	
23	BUNYORE LIVESTOCK		Active	EMUHAYA
24	BUNYORE FCS		Active	
25	LUANDA TOWN COUNCIL SACCO		Active	
26	USHIRIKA WOEMN FUNDING		Active	
27	EMUHAYA YOUTH COOPERATIVE		Active	
28	LUANDA TRANSPORT LINK		Active	
29	NEHEEMA SACCO		Active	
30	FRIENDS SACCO LTD		Active	HAMISI
31	FRIENDS COMMUNITY		Active	
32	HAMISI DAIRY		Active	
33	HAMISI TRADERS		Active	
34	BANJA SAND HARVESTERS		Active	