THE INFLUENCE OF HUMAN RESOURCE MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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A Research Project submitted in partial fulfillment of the requirements of Master of Business Administration Degree, Department of Business Administration, School of Business, University of Nairobi.

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DECLARATION

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

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DEDICATION

To my loving family for encouragement and continuous support throughout my studies.

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Foremost, I would like to express my sincere gratitude to my supervisor for giving me the required guidelines all the way till I was through. My fellow classmates who assisted me in various ways cannot be forgotten since their contribution had a positive impact on the study. My deep gratitude also goes to the respondents who patiently completed my questionnaires within the shortest time possible. Last but not the least, special thanks go to managements of University of Nairobi for availing current books and reference materials throughout the period of study. I salute you all.

ABSTRACT

The financial/banking sector is human capital intensive since it relies heavily on its human resource capital to offer services to its clients. This implies that the human capital plays a critical role in order for the banks to meet their goals and thus it is important to explore and study the HRM practices which impact on the human capital and banks' financial performance. The main objective of the study was to determine the influence of Human Resource Management Practices on the Financial Performance of Commercial Banks in Kenya. The population of study comprised of all the 43 licensed commercial banks in Kenya. Both primary and secondary data was collected. Primary data was collected using a semi-structured questionnaire. Secondary data was collected from the Central Bank of Kenya which consisted of the financial performance reports of the banks. Descriptive statistics method was applied to analyze the data using a statistical package for social scientists, SPSS. The analyzed results were presented on tables. Finally, correlation analysis was carried out to establish the relationship between the research variables.

The study found that most commercial banks lacked effective human resource plans, employed ineffective recruitment and selection procedures, lacked effective reward management systems, lacked effective training and development programs and career development programs. The study thus concluded that the major human resource management practices that affected the financial performance of commercial banks included human resource planning, recruitment and selection, reward management, training and development, career planning and employees relations. The study recommended that commercial banks human resource management should embrace strategic human resource planning programs that are linked with the overall banks strategy. The bank human resource management should design an effective recruitment policy linked to the overall banks strategy. The banks recruitment practices should always be in accordance with the recruitment policy guidelines. Commercial banks should carry out periodic performance appraisal by embracing performance appraisal systems that are linked with the overall banks strategy such as Merit rating, Management by Objectives (MBO) and 360-degree feedback. The human resource management should formulate and implement an active reward policy linked to the overall banks strategy, commercial banks should establish an active training and development policy formulated for its employees.

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ACRONYMS

ATM	Automated Teller Machine
CBK	Central Bank of Kenya
COTU – K	Central Organization of Trade Union of Kenya
EI	Emotional Intelligence
HRM	Human Resource Management
KCB	Kenya Commercial Bank
MBA	Master of Business Administration
NBK	National Bank of Kenya
NSE	Nairobi Stock Exchange
ROA	Return on Assets
ROE	Return on Investment
US	United States

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Human Resource Management (HRM) has made a transition from a state of insignificance to one of strategic importance academically and business wise (Schuler et al. 1993; Teagarden and Von Glinow 1997).As firms are entering into a more dynamic world of international business and as the globalization of world markets continues apace, comparative human resource management issues appear to be gaining momentum. Both practitioners and academics in the field of human resource management are increasingly aware of the need to examine and understand the human resource management systems suitable to different sectors of the economy. They are interested in finding relevant human resource management policies and practices for different types of organizations, for example, public/private sector, manufacturing/service sector. Human resource management practices are central to improve the quality of services offered by organizations. In the words of Pfeffer (1994), 'having good human resource management is likely to generate much loyalty, commitment or willingness to expend extra effort for the organizations' objectives'. Moreover, Stone (1998) remarks that 'human resource management is either part of the problem or part of the solution in gaining the productive contribution of people. The above quotes suggest that organizations need to effectively manage their human resources if they are to get maximum contribution of their employees and in turn return on their investment.

In economic downturns, all employees are expected to be high performers and focused on what matters most. As organizations try to execute business strategies, focus employees on work that matters hold people accountable, pay for performance and measure the return on their intangible assets, human resource management practices continue to be revisited and revamped. Without doubt, human resource management is one of the company functions that have experienced significant changes over the last few decades. Since the beginning of the 1980s, a vast literature has been developed calling for a more strategic role for human resources (Guest1987; Armstrong

1991). The increasing interest in human resources is due to the assumption that employees and the way they are managed is critical to the success of organization and can be a source of sustainable competitive advantage (Lado and Wilson 1994; Wright et al.1994).

The growing importance attached to HRM as a pre requisite for business survival has fuelled studies into different fields namely International HRM, Comparative HRM, Micro HRM and Strategic HRM, which covers a vast array of styles and features of the concept. However, some writers, Guest (1987) regard HRM as a cosmetic measure in the sense that an organization having a Human Resource department does not necessarily guarantee a change in the management of their people as an asset which the concept prescribes. This issue, which is worth assessing in totality through the exploration and description of the HRM concept in practice and their influence on performance, forms the bases for this study. Moreover, although literature in the field of human resource management is abundant, most focuses upon developed economies to the neglect of developing economies. As most developed countries are collaborating with developing countries in business developments there is the need to adopt a new dimension to the study of HRM. Studies need to factor in the perspective of other economies, especially those in Africa since others in Asia and Latin America have been given ample attention.

Over recent years there has been an increasing interest in the field of human resource Management. Currently, the literature encourages the consideration of human resource as strategic factors, not only because they play important role in strategy implementation, also because they are beginning to be reckoned as sources of sustainable competitive advantage. Relationships between human resource management and productivity have been studied from different perspectives. Organizations in general face continuous challenges ranging from heightened national consciousness, employment and labour law requirements not to mention the need to ensure maximum utilization of their resources to their own advantage, a necessity for organizational survival. Since both indigenous and foreign companies operate in the same competitive and volatile environment in Kenya both are bound to readjust their management practices to boost their performance. The current disposition of HRM is largely associated with the drastic expansion of businesses globally, technological innovations and fierce competition that characterizes the environment in which businesses operate today and the Kenyan business environment is no exception to this global development. Kenya has recently developed into one of the fastest growing economies on the African continent and is gradually developing into the financial hub of East Africa. It is therefore a step in the right direction to view HRM practices in the Kenyan competitive commercial banking sector and how they impact organizational performance. This study is an attempt to investigate the influence of Human Resource Practices on performance of the Commercial Bank in Nairobi, Kenya.

1.1.1 Human Resource Management Practices

Human resource management concerns the human side of the management of enterprises and employees' relations with their firms. Its purpose is to ensure that the employees of a company are used in such a way that the employer obtains the greatest possible benefit from the abilities and the employees obtain both material and psychological rewards from their work (Graham& Bennett 1998).Human resource management is sometimes referred to as a "soft" management skill, effective practice within an organization which requires a strategic focus to ensure that people resources facilitate the achievement of organizational goals.

HRM is a specialist function of management which has the prime responsibility for the following: formulating, proposing and gaining acceptance for the personnel policies and strategies of the organization; advising and guiding the organization's managers on the implementation of personnel policies and strategies; providing personnel services for the organization to facilitate the recruitment, motivation and development of sufficient and suitable employees at all levels; advising the organization's managers of the human consequences of change. There are several elements that constitute HRM. They include: human resource planning, recruitment and selection, performance management, reward systems, training & development, career planning and employee relations (Cole 2004).

1.1.2 Organizational Performance

Performance measurement is the process whereby an organization establishes the parameters within which programs, investments, and acquisitions are reaching the desired results(Graham& Bennett 1998).Controlling performance is also critical in measuring the organizational performance. Controlling ensures that the organization know how well they are progressing along the route, how correct their map is, and what deviations, if any they need to make to stay on course. The basic elements of control are as follows: establish standards of performance; measure performance; compare actual results against standards; take corrective action when required(Cole 2005).Managers have tended to be judged on their performance in one of the three principal ways: in terms of business outcomes (turnover, profits, return on investment, etc), in cases where they are directors or senior managers; in terms of their agreed departmental/unit objectives, as agreed under some system of management by objectives – an approach especially favored for middle management levels; in terms of how they have performed generally in carrying out their responsibilities, as stated or implied in their job descriptions, and where performance is assessed as much on the individual manager's input into the job as on any outcomes he or she has achieved (Cole 2005).

An organization will subsequently look at its capabilities and finally assess its performance. To measure an organization performance we need to be able to establish its core capabilities together with those of its competition. Grant (1998) defines organizational performance as the firms' capabilities of undertaking a particular productive activity. The words capability and competence can be used interchangeably. Selznick (1975) used distinctive competence to describe the things an organization can do exceptionally well relative to its competitors and Asnoff (1990) used the same to analyse the basis of the firms growth strategies.

The Balanced Scorecard method by Kaplan & Norton (1993) is defined as a strategic approach and performance management system that enables organizations to translate a company's vision and strategy into application working with four perspectives. These are; financial perspective, business process perspective, learning perspective and growth perspective. Kaplan & Norton (1993) do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority. This perspective takes a view on how the organization must and should appear to shareholders.

1.1.3 HRM Practices and Organizational Performance

The linkage between HRM and firm performance has dominated much of the debate within the HRM literature since the mid-1990s. Such Research conducted within the' best practices' paradigm to uncover a generic set of high-performance or high commitment work practices (Huselid 1995; Arthur1994) and 'best fit' studies that focus on aligning HRM strategies to organizational strategies and contextual conditions to create superior firm performance (Wright, 1998; Gratton and Truss2003).

Huselid (1995) used several human resource management practices in his study which are; personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment, labour management participation, recruitment efforts, employee training and promotion criteria. His study, 'The Impact of Human Resource Management Practices on turnover, productivity and corporate financial performance', the study comprehensively evaluated the links between the systems of High Performance Work Practices and firm performance. Results based on a national sample of nearly one thousand firms indicated that these practices have an economically and statistically significant impact on both intermediate employee outcomes (turnover and productivity) and short and long term measure of corporate financial performance. Support for the prediction that the impact of high performance work practices on firm performance is in part contingent on their interrelationships and links with competitive strategy was limited. Tuitoek (2008) studied performance appraisal among media houses and found that performance appraisals are used to enhance performance and career progression. Kiboi (2006) conducted a study of management perception of performance contracting in state corporations. Oresi (2005) studied on employees' performance management practices for the court registry staff.

1.1.4 Commercial Banks in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the CBK Act and various prudential guidelines issued by the CBK. The Banking Act (2004) defines a bank as a company which carries on, or proposes to carry on banking business in Kenya and includes Co-operative Bank of Kenya but does not include the Central Bank of Kenya. As per the listing of the Central Bank of Kenya, there were 43 licenced commercial banks in Kenya, (CBK 2011). All these commercial banks are based in Nairobi with branches in other parts of the country and outside the country. Most of them are categorized as small to medium sized locally owned. The industry is however dominated by large banks most of which are foreign owned though some are partially locally owned.

Kenya has a long history of commercial banks, with the predecessors of the three major commercial banks set up before 1920s. By independence in 1963, Kenya had 10 commercial banks with the 'big three' – National and Grindlays Bank, Barclays Bank and Standard Bank. Three banks were established by 1970 namely; The Co-operative Bank of Kenya, National Bank of Kenya (NBK) and Kenya Commercial Bank (KCB). The latter took over National and Grindlays Bank to become the biggest bank in the country. By the early 1970s, the structure of the commercial banks in Kenya had been transformed with two public - KCB and NBK accounting for 35% of paid and assigned capital and Barclays Bank and Standard Bank accounting for 22% each. The Kenya commercial banking system continued to grow in the 1970s and 80s so that by the onset of financial reforms in the mid-1980s, the number of licensed commercial banks had doubled to 24 with about 15 foreign-owned, 3 state banks and 6 locally-owned private banks, www.centralbank.go.ke.

Although the newly developing capital markets are able to compete with the banking sector in Kenya, banks are still dominant in the financial system, just as in other sub-Saharan Africa's financial system. The dominance of commercial banks in the sub-Saharan financial system can be explained by Leland and Pyle's (1977) theory on the existence of banks. They view financial markets as being characterized by imperfect information so that banks become insiders into firm's investment decision. In this way banks' willingness to lend to a firm gives investors (depositors) information about the quality of the firm. Thus, by granting loans to the firm, banks demonstrate their commitment to the portfolio and signal the value of the underlying assets. This accords with Diamond (1991) result that relatively new borrowers without established reputation have the most to gain from bank monitoring and hence choose bank loans instead of equity to finance investment. Most bankers have the objective of attaining increased productivity and thus utilizing resources including human resource in an efficient and effective manner is primary prerequisite to reaching their goal of successful banking.

1.2 Statement of the Problem

Literature abounds with models purporting to explain how HRM practices impact on employee behaviour and performance and hence affect bottom-line organizational objective (Guest 1997; Paauwe 2004).Schuler (1994) asserts that effective firms in highly competitive environments in the future will have world –class HRM departments. He notes that world-class HRM departments are heavily involved in linking HRM practices to the strategic goals of the business. Relationships between human resource management practices and performance has been studied from different perspectives which emphasize the important role played by the human component in the competitiveness and response capacity of organizations, and this is reflected in numerous publications and research studies that have appeared in recent years (Barney 1991; Barney and Wright 1998; Wright et al., 1994). According to this view, human capital is proposed as one of the key resources on which companies build their competitive advantage (Becker and Gerhart 1996; Boxall 1996; Tyson 1995).Hansen–Thompson (2007), on 'HRM Practices in the Ghanaian banking sector', highlights in her findings that organizations are likely to adopt more strategic HRM practices in the face of intense competition, the study also advocates for more further studies to be carried out on HRM practices in Ghana and Africaas a whole to serve as a framework for potential investors seeking to do business in Africa.

In the mid-1980s, Paul Romer (1986) developed a new paradigmin the literature which is now commonly known as “endogenous growth models”,by broadening the concept of organizational capital to include human capital. What this means is that if the firm which invests in capital also employs educated and skilled workers who are also healthy, then not only will the labour be productive but it will also be able to use the capital and technology more efficiently. This will lead to increasing rather than decreasing returns to investments. In other words, technology and human capital are both “endogenous” to the system. Central Bank of Kenya’s 2011 listing indicates that there were 43 licensed commercial banks in Kenya, (CBK 2011). These banks are categorized as small, medium and large depending on their kind of operations. They operate in a competitive market and rely heavily on their human capital to deliver their intended services to their clients. Kenyan banks offer the following services to account holders at their specified branches; cheque facility, trade services, phone banking facility, internet banking facility, credit card, debit/ATM card, mobile banking and Real Time Gross Settlement (RTGS). All these services are facilitated by the human capital in the banks.

Kenya is a growing economy, which plays a critical role in the economy of East Africa. The financial sector of Kenya just like any other country is the backbone of the economy and all other sectors depend on its financial system for their survival. For example, the late-2000s financial crisis (often called the Credit Crunch or the Global Financial Crisis) is considered by many economists to be the worst financial crisis since the Great Depression of the 1930s. It resulted in the collapse of large financial institutions, the bailout of banks by national governments, and downturns in stock markets around the world. In many areas, the housing market had also suffered, resulting in numerous evictions, foreclosures and prolonged vacancies. It contributed to the failure of key businesses, declines in consumer wealth estimated in the trillions of U.S. dollars, and a significant decline in economic activity, leading to a severe global economic recession in 2008.The financial crisis was triggered by a liquidity shortfall in the United States banking system in 2008. Economies worldwide slowed during this period, as credit tightened and international trade declined.

In prior studies done in Kenya on related topics, Njagi (2003) in his study on Performance Principles in the Banking Sector stated that firms need to embrace performance management principles as part and parcel of their systems due to competition in the global economy. Amimo (2003) cited little knowledge about performance management in the Kenya situation and insisted on the need for studies to be done in this area. Korir (2006) cited positive impact of performance contracting in the state corporations. Omolo (2009) studied on Practice of the Learning Organization and its Relationship to Performance among Kenyan Commercial Banks found out that there is indeed a relationship between the practice of learning organization and organizational performance. It was found that there is an inverse relationship between these two variables. Oimbo (2009) studied on Competitive Positioning and Performance of Commercial Banks in Kenya found that competitive positioning only mildly affects performance of Commercial Banks in Kenya meaning that there are other factors which influence performance which were outside the scope of his study.

The financial/banking sector is human capital intensive since it relies heavily on its human resource capital to offer services to its clients. This implies that the human capital plays a critical role in order for the banks to meet their goals and thus it is important to explore and study the HRM practices which impact on the human capital and banks' performance.
Whereas studies have been done on topics relating to performance and HRM practices, none has been done to establish the influence HRM practices on financial performance of commercial banks in Kenya. Therefore, the current study aims to test empirically the influence of human resource management practices on the financial performance of commercial banks in Kenya.

1.3 Research Objective

To determine the influence of Human Resource Management Practices on the Financial Performance of Commercial Banks in Kenya.

1.4 Significance of the Study

This study is going to be of importance to different stakeholders in the following ways: The results of this study will be kept in the university library and will be used as reference material for those students and researchers who might have an interest in doing a research in the same or related area. The banks will be able to identify the human resources practices that are key in contributing to the banks performance and aim to adopt them for competitive advantage and formulation of appropriate management practices. The findings will be used as a training tool for expatriate managers and human resource specialists who are in charge of articulating the human resource function in organizations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Recently, the dominant focus on Human Resource Management literature has been to demonstrate the importance of effectively managing human resources of organizations. Management scholars and practitioners alike have become increasingly interested in learning more about human resource practices to enhance employee and organization performance (Boselie et al. 2001; (Den Harrtog and Verburg 2004; Pfeffer 1994). In particular, the last ten years have an increasing research interest in the human resource management - performance relationship, although the focus of the research is in the developed world as well as manufacturing industry.

The increased probability of having to manage in an international situation demands the conduct of more comparative human resource management research (Boxall 1995; Budhwar and Debrah, 2001; Budhwar and Sparrow 2002). Firms can develop strategic capability and for attaining this, the strategic goal will be to create firms, which are more intelligent and flexible than their competitors. The human resource management function has emerged as one of the most important areas of organizational practice. It has not been developed in isolation but rather in the context of industrial change and economic development. The uniqueness of human resource requires a totally different type of attention from management. The human resource function has the characteristics that provide the greatest challenges as well as opportunities.

2.2 Human Resource Management Practices

There are a number of HRM practices that could be tested in connection with employee performance. Teseema & Soeters (2006) have studied eight HRM practices and their relationship with perceived employee performance. These eight practices include recruitment and selection, placement, training, compensation, employee evaluation, promotion, grievance procedure and pension or social security. Various human resource practices, which are perceived to affect the organizational performance in terms of employee productivity have been identified and selected on the basis of their relevance to the banking sector. This study examines the relationship between seven human resource practices and Organizational performance. These are: human resource planning, recruitment and selection, performance management, reward systems, training & development, career planning and employee relations.

2.2.1 Human Resource Planning

Human resource planning may be defined as an attempt to forecast how many and what kind of employees will be required in the future, and to what extent this demand is likely to be met, (Graham & Bennett 1998). It involves the comparison of an organization's current human resources with likely future needs and, consequently, the establishment of programs for hiring, training, redeploying and possibly discarding employees. Effective human resource planning should result in the right people doing the right things in the right place at precisely the right time. Human resource planning can help management in making decisions in the following areas: recruitment, avoidance of redundancies, training, management development, estimates of labour costs, productivity bargaining, accommodation requirements. Company human resource planning needs continuous readjustment because the goals of an organization are unstable and its environment uncertain. It is also complex because it involves so many independent variables – invention, population changes, resistance to change, consumer demand, government intervention, foreign competition and above all domestic competition. It must include feedback because if the plan cannot be fulfilled the objectives of the company may have to be modified so that they are feasible in human resources terms (Graham & Bennett 1998).

2.2.2 Recruitment & Selection

Recruitment is the first part of the process of filling a vacancy; it includes the examination of the vacancy, the consideration of sources of suitable candidates, making contact with those candidates and attracting applications from them(Graham&Bennett1998). Selection is the process of assessing the candidates by various means, and making a choice followed by an offer or employment. Recruitment is concerned with assembling the raw materials, and selection is concerned with producing the right blend for the organization, at a particular point in time (Cole 2004). If a vacancy is additional to the present workforce, then in all probability the need for the new employee has been established and a job specification compiled. The majority of vacancies however occur as a replacement for people who have left the company or as the final event in a chain of transfers and promotions following reorganization. In these cases considerations are given to the following points: it may be possible to fill the vacancy from within the organization, it may be filled by a different kind of employee, the job and personnel specifications may need to be revised Cole (2004). The advantages of filling the vacancy internally rather than externally are: better motivation of employees because their capabilities are considered and opportunities offered for promotion, better utilization of employees, because the company can often make better use of their abilities in different job, it is more reliable than external recruitment because a present employee is known more thoroughly than an external candidate, a present employee is more likely to stay with the company than an external candidate and internal recruitment is quicker and cheaper than external(Graham & Bennett 1998).

Very many vacancies are filled from external sources; even when an internal candidate is transferred or promoted the final result is usually a vacancy elsewhere in the company which has to be filled from outside. External recruitment can be time-consuming, expensive and uncertain, though it is possible to reduce these disadvantages to some extent by forethought and planning. External sources may be divided into two classes: those which are comparatively inexpensive but offer a limited choice, for example, unsolicited applications, job centres, direct links with schools and colleges, and those which are comparatively expensive but give the employer access to a wider range of candidates, such as advertising and use of private agencies. Even when unemployment is high certain categories of employee who possess scarce skills are difficult to find and the employer may have to use the more expensive means of recruitment. Other types, for example unskilled workers, can be found easily using inexpensive means; the problem then lies in selecting the suitable candidate from among a very large number of applicants. Very senior managers are sometimes recruited by a process known as 'executive search' or 'headhunting'. Its advocates believe that the best candidates are not those who reply to advertisements or look for new jobs in other ways, but those who are successful in their present jobs and are not thinking of moving elsewhere (Cole 2004; Graham & Bennett 1998).

2.2.3 Performance Management

Performance management involves an on-going dialogue between a supervisor and an employee that links expectations, on-going feedback, coaching, performance evaluation, development planning, and a follow up Daley (1985). Using objectives defined by senior management, supervisors define expectations for every position in their department. These expectations in combination with the organization's performance measurement standards are communicated to the new employees and are typically reviewed at least once a year with all employees. Expectations for each position can include purpose of the position, key responsibilities, tasks and duties, expectations for conduct, and performance standards, as well as specific measures such as quality, quantity, timeliness, initiative, and teamwork for each key responsibility. The development and improvement of an employee's behavioral competencies demonstrates, in measurable terms, how the employee is living up to the expectations (Athey & Orth 1999). Performance appraisal, also known as employee appraisal in the most common way of performance management. This is a method by which the job performance of an employee is evaluated generally in terms of quality, quantity, cost and time. The aims of performance appraisal are to: give feedback on performance to employees, identify employee training needs, document criteria used to allocate organizational rewards, forms basis for personnel decisions, provide opportunity for organizational diagnosis and development, facilitate communication between employee and administration. The most popular methods that are used for performance appraisal process are: management by objectives, 360 degree appraisal, behavioral observation scale and behaviorally anchored rating scale (Graham & Bennett 1998).

Performance appraisal represents, in part, a formalized process of worker monitoring and is intended to be a management tool to improve the performance and productivity of workers', (Brown and Heywood 2005). Employee commitment and productivity can be improved with performance appraisal systems (Brown and Benson 2003). Appropriate explanation and supervision of performance lead to higher job satisfaction and professional commitment amongst teachers. This is also true when performance appraisal is low. Commitment to teaching is a function of teacher's attitude towards performance appraisal system (Rahman 2006). Possibility of performance appraisal is enhanced by complementary human resource management practices like formal training and incentive pay and performance appraisal leads to greater influence on productivity (Brown and Heywood 2005).

2.2.4 Reward System

Reward or compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes; assisting in recruitment, job performance and job satisfaction. Compensation is a tool used by management for a variety of purposes to further the existence of the company. Compensation may be adjusted according to the business needs, goals and availability of resources. Compensation may be used to: recruit and retain qualified staff, increase and maintain the morale of staff, reward and encourage peak performance, achieve internal and external equity, reduce turnover and encourage company loyalty, modify through negotiations practices of unions(Cole 2004; Graham & Bennett 1998).

Frye (2004) examined the relationship between equity based compensation and firm performance and found positive relationship between the two. He argued that for the human capital intensive firms compensation plays a crucial role in 'attracting and retaining highly skilled employees'. As banks are capital intensive organizations, compensation practices of a bank can be of great help in hiring and keeping hold of highly skilled and competent bankers. Incentive pay plans positively and substantially affect performance of workers if combined with innovative work practices like, flexible job design, employee participation in problem-solving teams, training, extensive screening and communication and employment security (Ichniowski et al., 1997). High Performance work practices (including compensation) have a statistically significant relationship with employee outcomes and corporate financial performance (Huselid 1995). Significantly, positive correlation has been reported between compensation practices and perceived employee performance (Taseema & Soeters 2006).

2.2.5 Training & Development

Training and development are processes that attempt to provide an employee with information, skills and understanding of the organizations and its goals. Training and development is designed to help a person continue to make positive contribution in the form of good performance. Training is defined as any attempt to improve employee's performance on a currently held job or one related to it. This usually means changes in specific knowledge, skills, attitudes or behavior. It is the method used to give new or present employees the skills they need to perform their job. It may mean job orientation, showing employees how to use new equipment or showing a sales person how to sell. It is a systematic process of altering the behavior of employees in a direction that will achieve organizational goals. Development refers to learning opportunities designed to help employees grow. Such opportunities do not have to be limited to improving employee's performance on their current job. The focus on development is on the long term to help employees prepare for future work demand while training often focuses on the immediate period to help fit any current deficit in employees' skills (Cole 2004; Graham & Bennett 1998).

Training is designed to provide learners with the knowledge and skills needed for their present job (Fitzgerald 1992) because few people come to the job with the complete knowledge and experience necessary to perform their assigned job. Becker (1962) provides a systematic explanation of investment in human capital and associated productivity, wages, and mobility of workers. Such investment not only creates competitive advantages for an organization (Salas & Cannon-Bowers 2001), but also provides innovations and opportunities to learn new technologies and improve employee skills, knowledge and firm performance. In fact, there is an increasing awareness in organizations that the investment in training could improve organizational performance in terms of increased sales and productivity, enhanced quality and market share, reduced turnover, absence and conflict (Huselid 1995, Martocchio & Baldwin 1997, Salas & Cannon-Bowers 2000). In contrast, training has been criticised as faddish, or too expensive (Salas & Cannon-Bowers 2000, Kraiger, McLinden & Casper 2004), and there is an increasing skepticism about the practice and theoretical underpinning of linking training with firm performance (Alliger, et al. 1997, Wright & Geroy 2001).

2.2.6 Career Planning

A career is defined as a person's progress within an occupation or series of occupations. It is more than just a job, working, or ones occupation. It also includes ones progress through life, growth and development in vocational areas of life. It is a sequence of work related positions occupied throughout a person's life. Filippo (1984) defines a career as a sequence of separate but related work activities that provide continuity, order, and meaning in a person's life. A career is an individual concept and an employee can have a career with one enterprise or many. In career development, the enterprise helps a person plan the employee's future in the enterprise. Individuals plan their careers for themselves too. Career planning enables an organization to balance the supply and demand parameters of its human capital requirements by employing the make or buy decision criteria. According to Schein (1978) an individual career choices are guided by certain attitudinal syndromes that are formed early in life. According to him these syndromes are composed of combinations of needs, values and talents, which anchor a person to one or a few related types of careers.

2.2.7 Employee Relations

Employee Relations is a subject that covers 'industrial' relations, employee participation in management decisions communications, plus policies for improving co-operation between management and workers, the control of employee grievances and minimization of conflict, (Graham & Bennett1998). Industrial Relations (RI)may be regarded as all the rules, practices and conventions governing interactions between managements and their workforces, normally involving collective employee representation and bargaining. The rules for RI define procedures for settling wages and conditions of work, for resolving disputes and dealing with conflicts, and for implementing a wide range of grievance and disciplinary process. Rules may be written or verbally agreed; internally formulated or externally imposed, e.g. through government legislation (Graham & Bennett 1998). A trade union is an association of workers formed to protect their interests in employment situations. Unions have very specific objectives; they seek better wages and working conditions for their members, greater job security, and improved welfare benefits. Hence unions wish to negotiate with managements on many issues, and may also have wider social aims: higher social security provisions, employment protection legislation, more employee participation in management, and so on(Graham & Bennett 1998).

Central Union of Trade Unions of Kenya (COTU- K).) is the sole national trade union centre in Kenya. COTU (K) was founded in 1965 upon dissolution of the Kenya Federation of Labour and the African Workers' Congress. COTU (K) is registered and operates within the provisions of the Trade Unions Act (Chapter 233). As per the Industrial Relations Charter COTU-K affiliates exist on the basis of the industrial sectors of the economy. Therefore the unions are industrial based and the industries involved are:- Commercial, banking, metal works, bakeries and confectionaries, port workers, pilots, building and construction, chemical, engineering, game and hunting, local government, fishermen, petrol and oil, plantations and agriculture, railway workers, scientific research, shipping and clearing, domestic and hotels, entertainment, betting, journalism, printing and publishing, sugar plantations, seamen, tailoring and textile, transport, post and telecommunications, (Trade Unions Act, Cap 233, Laws of Kenya).Employers within a certain industry usually form an association, partly for trade and information purposes and partly to negotiate on industrial relations matters for the industry. For example, in Kenya we have the Kenya Banker's Association, Association of Microfinance Institutions of Kenya, Kenya Association of Tours Operators, Kenya Association of Manufacturers, Association of Kenya Insurers, Bar Association of Kenya, etc.

Management that do not wish to deal with trade unions sometimes set up company staff associations. Staff association representatives acquire experience of negotiation and dispute procedures at the firm's expenses. Formation of a staff association itself draws attention to the need for collective staff representation, and in so doing may strengthen the demand for a bona-fide trade union. Nevertheless, staff associations have proliferated over the last 20 years, particularly in white-collar service trades. There are perhaps two sets of reasons for this. First, managements often greatly prefer to deal with a staff association than with a union – even if the association behaves aggressively towards management at times. Management perceive staff associations as representing 'their' people rather than interested groups beyond the firm. Recognition of trade a union raises the possibility of third-party intervention in what management regards as its private internal affairs. Trade unions are obstructive and unhelpful; staff associations are reasonable, moderate, and easy to appease. Second, employees themselves might oppose a union's attempt to enter a firm. Staff feel they ought to be represented, but not by a trade union. Staff associations offer an attractive solution to this dilemma (Graham & Bennett 1998; Cole 2004).

2.3 Organizational Performance

An organization's revenue is the return it makes from investments, and this income comes from interest or asset appreciation on investments, such as stocks or real estate. Banks must also consider the cost of the funds used to make these investments. Profits are ultimately made from the spread between the amount banks pay for the investments and the amount they receive from borrowers (Pizzey 1990). Financial ratios provide a quick and relatively simple means of assessing the financial performance of an organization. A ratio simply relates one figure appearing in the financial statements to some other figure appearing (for example, net profit in relation to capital employed) or, perhaps to some resource of the business (for example net profit per employee, sales revenue per square metre of counter space and so on), (Atrill & Mclaney 2006). The process of measuring performance often requires the use of statistical evidence to determine progress toward specific defined organizational objectives. Banks may use the following categories of ratios to determine their performance: profitability ratios, efficiency ratios, liquidity ratios, financial gearing ratios and investment ratios. The information to calculate these ratios is derived from the banks financial statements.

Businesses generally exist with the primary purpose of creating wealth for their owners. Profitability ratios provide an insight to the degree of success in achieving this purpose. They express the profits made (or figures bearing on profit, such as overheads) in relation to other key figures in the financial statements or to some business resource. Efficiency ratios may be used to measure the efficiency with which particular resources have been used within the business. These ratios are also referred to as activity ratios. It is vital to the survival of a business for there to be sufficient liquid resources available to meet maturing obligations (that is, debt that must be paid in the relatively near future). Some liquidity ratios examine the relationship between liquidity resources held and payables (creditors) due to payment in the near future. Financial gearing is the relationship between the contribution to financing the business made by the owners of the business and the amount contributed by others, in forms of loans. The level of gearing has an important effect on the degree of risk associated with the business. Gearing is, therefore something that managers must consider when making financial decisions. Gearing ratios tend to highlight the extent to which the business uses loan finance. Investment ratios are concerned with assessing the returns and performance of shares held in a particular business from the perspective of shareholders who are not involved with the management of the business (Atrill & Mclaney 2006; Pizzey 1990). Organizations use the following financial ratios among others to determine their financial performance/profitability:

2.3.1 Return on Equity – ROE

Also known as "return on net worth" (RONW), this is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested (Atrill & Mclaney2006; Pizzey 1990).

ROE is expressed as a percentage and calculated as: = Net Income/Shareholder's Equity

Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock). Shareholder's equity does not include preferred shares.

Banks are increasingly using Return on Equity (ROE) = (Net Income/Shareholder's Equity) as the ultimate financial performance scorecard. The adoption of risk-adjusted capital adequacy guidelines, successive years of poor profitability and the conceptual and practical failings of previously used measures, such as asset growth, have led management to focus on return on equity (ROE). They are measuring the ROE's of each of the bank's component parts, such as sectors, lines of business and products. This shareholder value-oriented framework has spawned considerable changes not only in the way that performance is measured, but in the management processes used to plan, operate and control the bank (Atrill & Mclaney 2006).

2.3.2 Return on Assets - ROA

This is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment"(Atrill & Mclaney 2006; Pizzey 1990).

The formula for return on assets is:

$$= \frac{\text{Net Income}}{\text{Total Assets}}$$

Note: Some investors add interest expense back into net income when performing this calculation because they'd like to use operating returns before cost of borrowing.

2.4 HRM Practices and Organizational Performance

A critical review of literature including various studies conducted related indirectly to the topic of the study and this facilitated the identification and selection of various human resource practices in their contribution to organizational performance. Hailey et al (2005) in her study ‘the HR department’s role in organizational performance’ conducted in High Street Retail Bank (Successbank), UK, her findings suggested the need to reconceptualise the way the relationship between HRM and firm performance is modeled. First, what should be measured in trying to understand the ‘black box’ issue in research between HRM and firm performance? By simply assessing the bundles of HRM policies and practices in place, Success bank could have been perceived as a good employer just at a time when employee commitment was declining. The study showed that there was need to extend the design of the conceptual model of the HRM-performance linkage by bringing employee voice into the equation, observing the processes implemented for creating opportunities for two-way communication and employee support (Truss 2001).Secondly, the case also revealed that the best of HRM policies may be designed but that does not mean that they are implemented within the workplace. A stark example of this was the excellent provision of open learning centers within the branches. Yet, the reality was that reduction in headcount made access to these centers impossible. There needs to be a clear distinction in research between intended and implemented HRM practices.

Thirdly, the case showed that more than financial indicators are required to measure firm performance. By tracking share price alongside employee commitment and organizational climate levels, the contradictory results showed low staff commitment and sizeable dissatisfaction alongside outstanding financial business success. In the short term, Success bank could afford to live with low staff commitment, but high firm performance was not sustainable in the long term. This attention to creating discretionary human behavior beyond the design of innovative HRM policies through appropriate implementation of these practices is central to the discussion surrounding the development of a firm's human capital to achieve sustained competitive advantage (Wright et al, 1994).

Finally, there is need to measure HRM and firm performance over time in order to assess the impact of time-lag on the outcomes of HRM practices. Success bank's HRM strategy supported a cost-reduction strategy, but once this business strategy was no longer a viable option the organisation seems to have been unable to pull on other capabilities to find a new source of competitive advantage. The bank had not focused on the essential characteristics of its human capital to achieve sustainable competitive advantage (Barney 1991).Lessons for the HR department's role in affecting firm performance also emerged. In line with other recent studies, Guest and King(2004), the case questioned the wisdom of focusing on the strategic partnering role. It shows how the HR department may become more important strategically, but the human factor of people's everyday work experience may deteriorate. Thus, the strategic role does not necessarily enhance the value of the firm's human capital, and in the long term this has a negative effect on the sustainability of high firm performance. Employees felt increasingly estranged from the HR department, and HR professionals recognized this role conflict (Caldwell 2003).There is also need to recognize the business strategy and the primacy of shareholder concerns. Certain business strategies, such as cost-reduction, may neglect the people orientated HR roles of change agent and employee champion, while cloaking this neglect with an emphasis on process: establishing an efficient administrative expert structure and playing an active strategic partner role. This supports (Caldwell 2003) analysis of the potential conflict and ambiguity between the different roles prescribed in the Ulrich (1997) typology.

Shahzard et al (2010) study that focused on the impact of Emotional Intelligence (EI) on employee's performance among telecom employees in Pakistan. The paper examined the impact of four significant aspects of EI that is self-awareness, self-management, social awareness and relationship management. The objective of the study was to explore the underlying mechanism that links EI and employees performance at work place. This study has a number of implications for telecom sector. Firstly the week correlation and regression between self-awareness and self-management and employee’s performance needs prompt attention. If such self-directed and motivated persons will not be given preference over unaware and unmanaged persons then the retention level and quality of work will keep on diminishing day by day. Telecom sector needs to outsource their hiring against call centre agents due to their huge strength and processing. This may become part of usual management if such aspects of EI (self-awareness and management) will be given priority during hiring of individuals.

According to Boyd (2008) strategic HRP practices ensures that the organization have the required number of employees with the right qualifications to undertake organization job task functions and lack of regular undertaking of HRP practices hinders organization ability to maintain enough and competent employees for undertaking the organization job task functions hence leading to low the level of organization performance. Cotten (2007) found out that lack of linking of HRP practices with organization corporate strategy hinders influences implementation of weak human resource plans that fails to support in meeting the organization goal of maintaining adequate staff with competitive skills to carry out organization job task functions at all times

Management at telecom sector should focus more towards in built abilities of individual during performance management rather than artificial abilities developed by the influence of experience of others. As far as social awareness and relationship management is concerned, it creates direct impact on employee’s performance. EI should be a major criterion when it comes to promotion, performance and hiring of individuals. Therefore EI should be given high priority when it comes to hiring and development of employees in Telecom sector. Being an under developed country Pakistan should focus on EI by inculcating it in its education system. Importance of EI should be recognized especially in higher education not just as a usual subject for students, not just for students’ employers but for the sake of the general public.

A study by Hansen-Thompson(2007), 'HR practices in the Ghanaian Banking Sector' whose purpose was to provide an in depth and empirical analysis of the evidence of the concept as practiced in the Ghanaian Banking Sector, with emphasis on external and internal factors that come together in shaping HRM to serve organizational interests and purpose. Using two leading banks in Ghana, the study provides findings that support certain underlying assumptions of HRM and at the same time provides evidence that calls for reassessment of the concept as practiced without preconceptions. The findings have several implications, first of all the diverse HRM practices founding the same sector in Ghana implies that the concept has different meanings to organizations but in the end the essence of employees as assets is achieved albeit though differently. Again, the findings imply that organizations do give in to institutional pressures but in the end companies' interest remains a top priority in decision making as predicted by Smith and Meiksins (1995). Institutional factors help organizations make informed decisions rather than restrict them. Another implication is that organizations are likely to adopt more strategic HRM practices in the face of intense competition. Finally, smaller organizations are likely to have their HR department strategically placed than large organizations.

From all indication HRM is gradually gaining grounds in Ghana however, there is the need to reposition the concept to realize maximum gains from its practice. First and foremost HRM has to be placed strategically in the organization. HR departments must be empowered and have full knowledge of the companies' business strategy, needs and objectives and should be in the position to take initiatives and make contributions to organizational progress. The department must have a member on the board of directors that will ensure organizational interest is aligned with employee interest in management decisions. Again, HR has to be more proactive in finding departmental needs and deliberately plan solutions to them before they escalate into major problems. Finally a company's HR department has to be filled with people who have professional knowledge of the concept in relation to business orientation so as to realize maximum utilization of the concept for organizational success (Nieuwoudt 2007).HRM is likely to continue dominating management literature for years to come. This is because of the diversity it presents, the realization that people will remain an organizations inimitable asset and a good source of competitive advantage necessary for organizational success in the volatile environments in which businesses operate today. Hansen-Thompson (2007) concluded that there is the need for further studies in Ghana and Africa as a whole on HR practices to serve as framework for potential investors seeking to do business in Africa. There is also a need for further studies on assessing performance against company value. Finally future studies should concentrate on other sectors such as education and mining which has received little attention in Ghanaian management studies.

Nginyo (2010) study on Employee Performance Management practices among Insurance Companies in Kenya, found out that training and development is an important aspect in managing performance as it enables to transfer the acquired knowledge to their jobs. On the job training is the method used by most insurance companies in Kenya to conduct training for its staff. Organizations also conduct training needs analysis to arrive at staff training decisions. Organizations ought to identify talent from employees and develop them accordingly. Most HR managers were fairly comfortable with the performance management practices that their organizations employed. There was a general dissatisfaction on the level of applications of the various performance management practices studied. They also lacked proper integration of performance management practice with organizational objective thereby posing a danger of organization under performance. The study recommends that in order for insurance companies to remain highly competitive, they should consider integrating performance management practices with the organizational objective. The study recommended that organizations to strongly embrace performance management practices in order to remain focused on their objective. Nginyo (2010) suggested that further studies be done on other industries so as to augment the findings of this study. This is because different industries have unique characteristics and critical factors affecting sustainable employee performance.

Mwangi (2010) in his study, Strategic Human Resource Management Practices adopted by Mobile Phone Service Providers in Kenya, concluded that the mobile phone sector has implemented the strategic HR practices which range from strategic selection and recruitment methods where they are able to fetch the best work force through the use of modern media like internet and newspaper advertisement. They have also formulated a performance management process which they use to organize, train and give feedback to their employees on the performance ratings. However, mobile phone companies need to invest more in training where employees should be sponsored to attend trainings and workshops out of the organizations. Team based incentives should be utilized more to encourage team work. The research recommends that, the companies should focus on other forms of rewards especially non-monetary ones which will motivate the employees more. Contractual and casual employees should also benefit from these rewards as they were reported to be earning a fixed pay without performance contracts. Promotions should not be used as forms of reward based on performance alone as those who perform and do not get promoted will not be motivated. The study suggested that studies be carried out to establish the challenges facing implementation of the strategies within this sector. This will enable company's management to improve on their competitiveness by offering the best practices to their employees.

Guest (2007) developed a theoretical framework to show how HRM policies can affect human resources and organizational outcomes. The strength of Guest's model is it is a valuable analytical framework for studying the relationship between HRM policies and organizational performance, because it is expresses pathways for more careful, clear and ease of empirical testing. He saw commitment as a vital outcome, concerned with the goals linking employees with firm performance as the goal of quality is important to ensure the high quality of products and services. Therefore, training and development policy play an importance role in HRM and contribute to improved strategic integration, employee commitment, flexibility and quality. HRM outcomes can then lead to high job performance, high problem solving activity, high cost effectiveness, and low turnover, reduced absences and fewer grievances.

Ulrich (2007) noted that working environment characterized with poor employees' relations influences application of poor leadership styles that negatively affects realization of organization performance. Horton (2007) noted that organizations with effective reward systems like transactional and relational rewards improves the level of employees' motivation and this supports realization of increased organization performance. According to Mills (2005) lack of effective reward systems for compensating the employees work efforts negatively lowers the level of employees work morale and these impacts negatively on organization productivity. Barrington (2006) found out that application of training programs that do not contribute towards realization of increased employees' productivity negatively affects realization of organization performance goals.

A model developed by Nkomo (2006) provides a useful reference in conceptualizing this systems approach. The strategic focus of the framework signifies the unique place of human resource planning, recognizing that the nature of human beings and their innate flexibility means that they cannot be planned and managed in a fashion similar to that for other resources. Furthermore, planning for the human resource involves creating a relationship between the organization as a whole and the environment, which gives some continuing and satisfactory balance of benefits and risks for the organization. It is pertinent also that a longer term perspective (at least three years and extending perhaps to five years for some types of occupation) is adopted within the model since this length of period is required to produce new skills, to upgrade existing ones and to engage in organizational transformation (Skinner, 2006). The adoption of such a perspective is necessary to manage uncertainties and risks created by major changes in environmental factors in the medium to long term.

Bartram, (2005) identified that human resource planning objectives should be both short term and long term. Another key factor that hindered effective achievement of human resource planning objectives was failure to incorporate human resource environment scanning process into the human resource planning process. This would include the demographic analysis to identify current and future human resource needs, including the number, knowledge, skills, and competencies needed to meet the goals of the organization.

Spencer (2001) noted that human resource plans linked with the overall organization strategy influences application of human resource management functions that support achievement of organization mission and vision. Christine (2003) affirmed that recruitment policies linked with the overall organization strategy enables the organization to obtain the right number of people it needs who improves the hiring standard i.e. the selection of appropriate job candidates. It reduces the cost of training and supervision in the organization e.g. by obtaining people with the right qualifications. It also helps the organization to maintain consistent wages and salary structures (Christine 2003). Gupta (2008) asserted that organizations that lack effective performance management systems find it challenging to improve on employees' performance standards and this influences realization of declined organization performance as measures for supporting realization of organization performance goals are not implemented.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the overall approaches that were employed in the study. These include description of the research design, population, sample and sampling techniques, data and data collection procedures and analysis.

3.2 Research Design

The study used the descriptive research design involving a survey. A descriptive survey is appropriate for this study because data was collected from several organizations. In addition, comparative data analysis was used.

3.3 The population of the study

The population of study comprised of all the 43 licensed commercial banks in Kenya, (CBK 2011). See Appendix 1 on the Directory of Commercial Banks.

3.4 Data collection

Both primary and secondary data was used. Primary data was collected using a semi-structured questionnaire. The questionnaire was divided into two parts. Part one collected data on the profile of the banks and the respondents. Part two focused on HR practices of the banks. The respondents were the heads of HR function at the banks. The questionnaires were administered through the ‘drop and pick’ later method or via e-mail. Secondary data consisted of financial performance reports of the banks available at the Central Bank of Kenya or the respective banks.

3.6 Data analysis and presentation

Data was analyzed using descriptive statistics such as frequency distribution, mean scores, standard deviation and percentages. Pearson’s correlation technique was used to establish the relationship between HR Practices and financial performance of Commercial Banks. The research findings were presented using tables.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter explains the processes, techniques and procedures adopted to analyze, present and interpret data gathered using the questionnaires. The chapter elaborates quantitative data analysis, cross tabulation tables, percentages and means scores on the influence of Human Resource Management Practices on the Financial Performance of Commercial Banks in Kenya.

4.2 Response Rate

To establish the total number of the respondents who actively participated in the study by answering and submitting the questionnaires for data analysis, an analysis of the response rate was carried out and presented in Table 4.1. The table indicates that the total response rate comprised 39 respondents who were 91% of the total sample size. The non- response rate comprised 4 respondents who were 9% of the total sample size. The response rate of 90% gave the study a high degree of representativeness that could be relied upon to generalize the respondents' views on the influence of Human Resource Management Practices on the Financial Performance of Commercial Banks in Kenya to the entire industry and beyond. This was in tandem with Cooper & Schindler (2003) who argued that response rate exceeding 30% of the total sample size provides enough data that can be used to generalize the characteristics of a study problem as expressed by the opinions of few respondents in the target population. This indicated that the data gathered from the 39 respondents demonstrated the true nature and characteristics of the influence of Human Resource Management Practices on the Financial Performance of Commercial Banks in Kenya.

Table 4.1 Response Rate

Response rate	Frequency	Percentage
Response	39	91%
Non Response	4	9%
Total	**43**	**100%**

4.3 Reliability Analysis

Reliability of the measurement instruments was analysed using a Cronbach's alpha coefficient. This helped to determine the level of accuracy and reliability of the obtained data from the pilot study. Cronbach's alpha was considered appropriate since according to Zinbarg (2005), Cronbach's alpha is a coefficient of reliability that gives an estimation of data generalization without any bias. Table 4.2 indicates that the data was reliable since a coefficient value of between 0.760 to 0.844 was obtained on all the research variables. This was above 0.75 and an alpha coefficient higher than 0.75 signifies that the gathered data has a relatively high internal consistency and could be generalized to reflect the respondents' opinions on the study problem.

Table 4.2 Reliability Analysis

Variables	Cronbach's Alpha Results
Human resource planning	.840
Recruitment and selection	.792
Performance management	.844
Reward systems	.842
Training and development	.843
Career planning	.760
Employees relations	.782

4.4 General Information

4.4.1 Number of Years with Current Employer

Table 4.1 presents that majority (41%) of the respondents had been working with the bank for 2-6 years, 33% over 6 years and 26% for 0-2 years. This demonstrated that most human resource managers had good working experience with their respective bank and were very conversant with the influence of Human Resource Management Practices on the Financial Performance of Commercial Banks in Kenya.

Table 4.3 Number of Years with Current Employer

Response rate	Frequency	Percentage
0-2 years	10	26
2-6 years	16	41
Over 6 years	13	33
Total	**39**	**100**

4.4.2 Ownership

Table 4.4 shows that majority (59%) of the respondents reported commercial banks in Kenya were jointly foreign and local owned,26% stated that the banks were wholly local owned and 15% indicated that the banks were foreign owned.

Table 4.4 Ownership

Response rate	Frequency	Percentage
Wholly foreign owned	6	15
Wholly local owned	10	26
Jointly foreign and local owned	23	59
Total	**39**	**100**

4.5 Human Resource Practices

4.5.1 Human Resource Planning

The data analyzed and presented in subsequent tables was obtained using likert scale of (1)-Not at all, (2)-To a less extent, (3)-To a moderate extent, (4)-To a large extent and (5)-To a very large extent. Table 4.5 shows how the respondents rated various human resource planning issues in the organization. The table shows that a mean of 2.66 was obtained on the statement that the bank has been undertaking strategic HRM planning for more than 10 years; this indicates that respondents agreed to a less extent that the bank had been undertaking strategic HRM planning for more than 10 years. A mean of 2.07 was obtained on the statement that the banks' human resource plans are linked to the overall bank's strategy, implying that respondents agreed to a less extent that the bank's human resource plans are linked to the overall banks' strategy. A mean of 2.23 was obtained on the statement that the human resource plans implemented by the bank are able to serve and meet the banks ultimate goal of adequate staff at all times to meet the demand of work to be undertaken. This clearly indicated that respondents agreed to a less extent on the statement.

Table 4.5 further shows that a low STD deviation of 0.70 to .74 was obtained on all the HRP practices which suggests that the difference between the respondent's answers was very narrow and there was no error during the analysis. A variance of .49 to .55 was also obtained indicating that the variability of the respondent's answers was very narrow and hence the answers given were accurate and reliable.

The respondents affirmed continuous undertaking strategic human resource planning ensured that the organization had in place the required number of employees with the right qualifications and competency to undertake organization job task functions. Lack of regular undertaking of human resource planning hindered retention of enough employees to carry out the organization job task functions and this negatively affected the level of organization financial performance since low level of employees' productivity was realized. These findings concurred with Boyd (2008) that strategic HRP practices ensures that the organization has the required number of employees with the right qualifications to undertake organization job task functions and lack of regular undertaking of HRP practices hinders organization ability to maintain enough and competent employees for undertaking the organization job functions, hence leading to low level of organization performance.

The above indicates that lack of clear human resource planning objectives created challenges in linking the human resource plans with the overall banks' strategy and this make it difficult for the implemented banks human resource plans to serve and meet the banks ultimate goals of adequate staff at all times to meet the demand of work to be undertaken. These findings supported Cotton's (2007) conclusion that lack of linking of HRP practices with organization corporate strategy influences implementation of weak human resource plans that fail to support organization goal of maintaining adequate staff with competitive skills to carry out organization job task functions at all times.

Table 4.5: Mean scores for Human Resource Planning Practices

HRP Practices	N	Mean	Std. Deviation	Variance
My bank has been undertaking strategic HRM planning for more than 10 years.	39	2.66	.70	.49
My banks' human resource plans are linked to the overall banks' strategy.	39	2.08	.74	.55
The human resource plans implemented by our bank are able to serve and meet the banks ultimate goal of adequate staff at all times to meet the demand of work to be undertaken.	39	2.23	.74	.55
Valid N (listwise)	**39**			

4.5.2 Recruitment and Selection

Table 4.6 shows the extent to which the respondents agreed on recruitment and selection issues in the organization. The table presents that a mean of 3.02 on the statement that the bank had formulated an active recruitment and selection policy and this indicated respondents agreed to a moderate extent that the bank had formulated an active recruitment and selection policy. A mean of 2.74 was obtained on the statement that the bank links its recruitment and selection policy to the overall bank's strategy. This demonstrated that respondents agreed to a less extent that the bank linked its recruitment and selection policy to the overall bank's strategy. A mean of 2.00 was obtained on the statement that the bank adheres to the recruitment and selection policy all the time it hires employees, indicating that respondents agreed to a less extent that the bank adheres to the recruitment and selection policy all the time it hired employees.

Table 4.6 also demonstrates that all the recruitment and selection issues recorded a standard deviation of between .53 and .64 and a variance of between .28 and .42, a clear indication that the differences between the respondents answers was very narrow and hence all the recruitment and selection issues affected banks performance in almost the same way.

The an indication that formulation of recruitment policy that failed to link banks recruitment and selection policy with the overall bank strategy hindered recruitment of competitive staffs who helped the bank to achieve its financial performance goals. This further affirms that the banks did not adhere to the recruitment and selection policy in many cases during hiring of new employees and this discouraged recruitment of qualified and very competitive staff. These findings were in agreement with findings by Stewart (2010) that organizations that fail to link its their recruitment and selection policy with the overall corporate strategy often ends up recruiting non-competitive staff who affects realization of the organization performance goals. The study therefore deduced that linking employees' recruitment and selection policy and adherence to the policy guidelines during employees' recruitment process is a major human resource management practice that contributes towards realization of better organization performance.

Table 4.6: Mean scores for Recruitment and selection

Recruitment and Selection	N	Mean	Std. Deviation	Variance
The bank has formulated an active recruitment and selection policy.	39	3.02	.53	.28
The bank links its recruitment and selection policy to the overall bank's strategy.	39	2.74	.63	.40
The bank adheres to the recruitment and selection policy all the time it hires employees.	39	2.00	.64	.42
Valid N (listwise)	39			

4.5.3 Performance Management

Table 4.7 shows how the respondents agreed on the extent of the effect of performance management issues on banks financial performance. The table demonstrates that a mean of 2.94 was obtained on the statement that the bank carries out periodic performance appraisal of its employees and this indicated that respondents agreed to a moderate extent that the bank carried out periodic performance appraisal of its employees. A mean of 2.69 indicates that respondents agreed to a less extent that performance appraisal techniques practiced by the banks were linked to the overall bank's strategy. A mean of 1.71 indicates that respondents did not agree to any extent that from the results of the periodic staff appraisal carried out there was an indication that staff were able to meet the set standards and goals set by management.

Table 4.7 further shows that a low STD deviation of between .60 to .89 was obtained on all the performance management issues and this indicated that the difference between the respondent's answers was very narrow and the respondents gave almost similar responses. A variance of.366 to .798 was also obtained and this showed that the variability of the respondent's answers was very close and hence the answers given were accurate and reliable and all the stated performance management issues affected the banks financial performance in the same way.

This indicates that lack of linking periodic performance appraisal with the overall banks strategy make it difficult for the bank to determine the level of employees' performance standards in comparison to the bank performance goals and this hindered identification of employees' performance weaknesses hence leading to declined organization performance. These findings concurred with findings by Gary (2009) that organization that fails to link performance appraisal goals with the organization overall strategy find it challenging to identify if the level of employee performance standards is in tandem with the organization performance goals hence leading to realization of declined organization performance as employees performance weaknesses are not improved.

Table 4.7: Mean scores for Performance Management

Performance Management	N	Mean	Std. Deviation	Variance
This bank carries out periodic performance appraisal of its employees.	39	2.94	.72	.52
The performance appraisal techniques practiced by this bank are linked to the overall bank's strategy.	39	2.69	.89	.79

From the results of the periodic staff appraisal carried out there is indication that staff are able to meet the set standards and goals set by management.	39	1.71	.60	.36
Valid N (listwise)	39			

4.5.4 Reward System

Table 4.8 shows that a mean score of 3.15 was obtained on the statement that the bank has an active reward policy formulated and is used for staff compensation hence indicating that respondents agreed to a moderate extent that banks had an active reward policy formulated and was used for staff compensation. A mean score of 2.71 was obtained on the statement that the reward policy is linked to the overall strategy of the bank and this indicated that respondents agreed to a less extent that banks reward policies were linked to the overall strategy of the bank. A mean score of 1.61 was obtained on the statement that the bank employees were happy with reward system being undertaken by the bank and this indicated that respondents did not agree to any extent that the bank employees were happy with reward system being undertaken by the bank.

The table further shows that a low STD deviation of between .59 to .97 was obtained on all the reward system issues, indicating that the difference between the respondent's answers was very narrow and the respondents rated all the reward system issues in the same way. A variance of.34 to .94 was also obtained suggesting that the variability of the respondents' answers was very close and hence the answers given were accurate and reliable and all the stated reward management issues affected the banks financial performance in the same way.

This indicates that lack of implementation of effective reward management systems that compensated the employees' efforts with better remuneration and various transaction and relation rewards lowered the level of employees work morale and this resulted to declined level of individual employees' performance that impacted negatively on the overall organization financial performance. The findings were in tandem with findings by Drunker & Geoff (2007) that implementation of effective reward management systems that leads to compensation of employees work efforts with increased remuneration packages, transactional rewards and relation rewards helps in improving the level of employees work morale leading to realization of individual employees productivity that supports realization of the overall organization performance. The study concluded that execution of reward management functions is a core human resource practice that greatly influences the Financial Performance of Commercial Banks in Kenya.

Table 4.8: Mean scores for Reward System

Reward System	N	Mean	Std. Deviation	Variance
This bank has an active reward policy formulated and is used for staff compensation.	39	3.15	.67	.44
The reward policy is linked to the overall strategy of the bank.	39	2.71	.97	.94
The bank employees are happy with reward system being undertaken by the	39	1.61	.59	.34

bank	
Valid N (listwise)	39

4.5.5 Training and development

Table 4.9 presents that a mean score of 3.17 which indicates that respondents agreed to a moderate extent that the bank had established an active training and development policy formulated for its employees, a mean of 2.94 indicates that respondents agreed to a less extent that the training and development policy of the bank was linked to the overall bank strategy, a mean of 2.61 indicates that respondents agreed to a less extent that the training programs undertaken by the bank had been able to yield positive results in terms of increased productivity from the employees.

Table 4.9 further indicates that a low STD deviation of between .55 to .78 was obtained on all the training and development issues and this indicated that the difference between the respondent's answers was very narrow and the respondents rated all the training and development issues affected the banks performance in the same way. A variance of.31 to .61 was also obtained and this showed that the variability of the respondent's answers was very close and hence the answers given were accurate and reliable and all the stated training and development issues affected the banks financial performance in the same way.

The foregoing affirms that lack of effective training and development policy that addressed the banks corporate strategy hindered the bank from yielding positive results in terms of increased level of employees' performance and this affected realization of increased banks financial performance. These findings supported findings by John & Steven (2006) that application of employees training and development programs without consideration of the organization corporate strategy negatively affects realization of increased organization performance as the training given to the employees is normally insufficient towards addressing the employees' competency and skills gap in the organization. The study hence deduced that training and development is a major human resource management practice that if linked with the overall banks corporate strategy greatly contributes towards realization of increased banks financial performance.

Table 4.9: Mean scores for Training and Development

Training and Development	N	Mean	Std. Deviation	Variance
The bank has established an active training and development policy formulated for its employees	39	3.17	.64	.41
The training and development policy of this bank is linked to the overall bank strategy	39	2.94	.55	.31
The training programs undertaken have been able to yield positive results in terms of increased productivity from the employees	39	2.61	.78	.61
Valid N (listwise)	39			

4.5.6 Career Planning

Table 4.10 presents a mean score of 2.94 which indicates that respondents agreed to a moderate extent that banks had an active career planning policy for its staff, a mean score of 2.20 indicates that respondents agreed to a less extent that banks career plans were linked to the overall human resource plans, a mean score of 2.69 indicates that respondents also agreed to a less extent that the bank was able to retain an appropriate number of desired and qualified staff at all times.

Table 4.10 further indicates that a low STD deviation of between .64 to .73 was obtained on all the career planning issues which means that the difference between the respondents' answers was very narrow, implying that respondents rated all the career planning issues affected the banks performance in the same way. A variance of .41 to .53 was also obtained and this showed that the variability of the respondent's answers was very close and hence the answers given were accurate and reliable and all the stated career planning issues affected the banks financial performance in the same way.

The above results indicates that lack of active career plans for the banks staff hindered the banks employees from developing their careers and this contributed to increased level of staff turnover as most staff left the bank in search of career development opportunities. This resulted to loss skilled manpower that was considered vital for the achievement of the banks performance goals. These finding support with findings by George (2008) that lack of career plans denies employees an opportunity to develop their careers and this influences increased rate of employees' turnover hence leading to loss of skilled workforce. The study therefore affirmed that career planning is major human resource practice that greatly determines the level of banks financial performance since career development opportunities discourages high level of staff turnover and this encourages the banks to build and retain competent workforce that contributes towards realization of banks financial performance goals.

Table 4.10: Mean scores for Career planning

Career Planning	N	Mean	Std. Deviation	Variance
This bank has an active career planning policy for its staff.	39	2.94	.64	.41
Are the career plans of this bank linked to the overall human resource plans	39	2.20	.69	.48
This bank is able to retain an appropriate number of desired and qualified staff at all times.	39	2.69	.73	.53
Valid N (listwise)	39			

4.5.7 Employee relations

Table 4.11 shows a mean score of 3.07 which indicates that employees agreed to a moderate extent that the bank employees were allowed to join trade union or staff association of their choice, a mean of 1.79 that indicates that employees did not agree at all that the banks involved employees in making decision regarding the operations of the bank, a mean of 3.84 indicates that respondents agreed to a moderate extent that the bank had experienced employee relations problems in the past.

Table 4.11 also demonstrates that all the employee relations issues recorded a standard deviation of between .57 and .86 and a variance of between .33 and .74 and this was a clear indication that the differences between the respondents answers was very narrow and hence all the employees relations issues affected banks financial performance in almost the same way. This shows that existence of poor employees' relations hindered application of effective decision making that would encourage all employees regardless of their cadre to participate in decision making. This negatively affected participation of all the employees in implementation of the banks strategic objectives that were meant to support achievement of increased bank financial performance. These findings were in agreement with those obtained by Cowling (2009) that lack of good employees' relations with senior management hinders participation of junior staff in decision making process on matters relating to implementation of organisation strategic objectives and this negatively affects realization of increased organisation performance. The study therefore deduced that good employees relations is a core human resource management practice that contributes towards realization of increased banks financial performance since it allows employees to participate in decision making process and implementation of banks financial performance objectives.

Table 4.11: Mean Scores for Employee relations

Employee relations	N	Mean	Std. Deviation	Variance
The employees of this bank are allowed to join a trade union or staff association of their choice.	39	3.07	.57	.33
The management of this Bank involves employees in making decision regarding the operations of the bank.	39	1.79	.86	.74
This bank has experienced employee relations problems in the past.i.e strike, go slow etc.	39	3.84	.70	.50
Valid N (listwise)	39			

4.6 The Link between Human Resource Management Practices and Financial Performance of the Kenyan Commercial Banks

Pearson's product moment correlation technique was used to analyze the relationship between Human Resource Practice in the Kenyan Commercial banking sector. The findings are presented in table 4.12. The table shows that all human resource practices have a strong positive correlation with Financial Performance of Commercial Banks in Kenya ($r=0.0878$, $p < 0.01$). Recruitment and selection was found to have a strong positive correlation with Financial Performance ($r = 0.794$, $p<0.01$). Performance management was also found to have a strong positive correlation with Financial Performance ($r = 0.843$, $p<0.01$)). Reward systems was found to have a strong positive correlation with Financial Performance ($r = 0.665$, $p<0.01$). Training and development was found to have a strong positive correlation with Financial Performance ($r = 0.736$, $p<0.01$). Career planning was also found to have a strong positive correlation with Financial Performance ($r = 0.736$, $p<0.01$)). Finally, employees relations was found to have a strong positive correlation with Financial Performance ($r = 0.665$, $p<0.01$)).

Table 4.12 demonstrates that all the Human Resource Management Practices had a significance influence on the Financial Performance of Commercial Banks in Kenya. Human resource planning, recruitment and selection, performance management, reward systems, training and development, career planning and employees relations are key human resource management practices that should be given much emphasis for commercial banks to improve their financial performance.

Table 4.12 Results of Correlation analysis for the relationship between Human Resource Management Practices and the Performance

Variable		Correlation Results
Financial Performance	Pearson Correlation	1
	Sig. (2-tailed)	
	N	39
HRP	Pearson Correlation	.878**
	Sig. (2-tailed)	.000
	N	39
Recruitment	Pearson Correlation	.794*
	Sig. (2-tailed)	.013
	N	39
Performance	Pearson Correlation	.843**
	Sig. (2-tailed)	.000
	N	39
Reward	Pearson Correlation	.665**
	Sig. (2-tailed)	.000
	N	39
Training	Pearson Correlation	.736**
	Sig. (2-tailed)	.000
	N	39
Career	Pearson Correlation	.794*
	Sig. (2-tailed)	.013
	N	39
Relations	Pearson Correlation	.665**
	Sig. (2-tailed)	.000

	N	39

CHAPTER FIVE

SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the major findings on influence of Human Resource Management Practices on the Financial Performance of Commercial Banks in Kenya.

5.2 Summary

The study aimed to determine the influence of Human Resource Management Practices on the Financial Performance of Commercial Banks in Kenya. The study draws findings on the major human resource management practices that included; human resource planning, recruitment and selection, reward management, training and development, career planning and employees relations.

5.3 Discussion

5.3.1 Human Resource Planning

The study found out that most respondents agreed to a less extent that their respective banks had been undertaking strategic HRM planning for more than 10 years and this was a clear indication that most banks human resource planning programs were not extended to a longer perspective and hence failed to continuously strengthen the organization human resource needs. Application of short term human resource plans hindered realization of increased banks financial performance since human resource planning programs covering a longer period helps to produce new skills, to upgrade existing ones and to engage in organizational transformation, manage uncertainties and risks created by major changes in environmental factors in the medium to long term. These findings concurred with Skinner (2006) that it is pertinent also that a longer term perspective (at least three years and extending perhaps to five years for some types of occupation) is adopted within the model since this length of period is required to produce new skills, to upgrade existing ones and to engage in organizational transformation. The adoption of such a perspective is necessary to manage uncertainties and risks created by major changes in environmental factors in the medium to long term.

It was also identified that the respondents agreed to a less extent that the banks' human resource plans were linked to the overall banks' strategy and this influenced application of human resource management functions that failed to support achievement of banks mission and vision. These contended with Spencer (2001) that human resource plans linked with the overall organization strategy influences application of human resource management functions that support achievement of organization mission and vision. Most banks were found to have different growth and development strategy that required recruitment and retention of competitive marketing staff in order to realize increased sales revenue and increased market share in the competitive banking industry. However, this was found to be hindered by absence of skilled and experienced staff for undertaking banks marketing and various management functions.

It was identified that most banks human resource plans were not in tandem with the banks performance goals and hence the implemented human resource plans failed to serve and meet the banks ultimate performance goal as adequate and competitive staff were not maintained continuously to meet the bank performance demands. The study found out that lack of clear human resource planning objectives hindered linking the human resource plans with the overall banks' strategy and this made it difficult for the banks human resource plans to be in line with the banks performance goals. It was noted that there existed some key underlying factors that contributed to lack of linking banks human resource planning objectives with overall bank strategy. Some of these factors included laying too much emphasis on short term objectives and losing focus on long term objectives and this failed to follow suggestion by Bartram, (2005) that human resource planning objectives should be both short term and long term. Another key factor that hindered effective achievement of human resource planning objectives was failure to incorporate human resource environment scanning process into the human resource planning process. This would include the demographic analysis to identify current and future human resource needs, including the number, knowledge, skills, and competencies needed to meet the goals of the organization.

5.3.2 Recruitment and Selection

The study found out that most respondents agreed to a moderate extent that the bank had formulated an active recruitment and selection policy but also agreed to a less extent that the bank linked its recruitment and selection policy to the overall bank's strategy. This indicated that most banks recruitment policies were not linked with the overall banks strategy and this affected application of efficient recruitment process that enabled banks to obtain the right number of staff, reduce the cost of training and supervision in the organization by obtaining staff with the right qualifications and also help the bank to maintain consistent wages and salary structures hence leading to realization of increased bank financial performance. These findings were in agreement with Christine (2003) that recruitment policies linked with the overall organization strategy enables the organization to obtain the right number of people it needs who improves the hiring standard i.e. the selection of appropriate job candidates. It reduces the cost of training and supervision in the organization e.g. by obtaining people with the right qualifications. It also helps the organization to maintain consistent wages and salary structures. The study noted that the respondents agreed to a less extent that banks adhered to the recruitment and selection policy all the time it hired employees and this was a clear indication that most banks recruitment functions were not in accordance with the banks recruitment and selection guidelines. This hindered recruitment of the right staff in terms of qualification and experience in execution of banks job tasks functions hence hindered the bank from obtaining staff with ability of meeting higher performance standards. This was found to affect contribution of most of the banks staff towards achievement of the aimed banks performance goals.

5.3.3 Performance Management

The study found out that respondents agreed to a moderate extent that the bank carried out periodic performance appraisal of its employees in order to help in determining the employees' performance strengths and weaknesses. However the respondents agreed to a less extent that performance appraisal techniques practiced by the banks were linked to the overall bank's strategy and this demonstrated that banks performance appraisal methods did not address the banks performance needs required for the implementation of banks performance strategy. It was further noted that respondents did not agree to any extent that from the results of the periodic staff appraisal carried out there was an indication that staff were able to meet the set standards and goals set by management. The study hence alluded that many banks lacked effective performance management systems that helped in improvement of the employee's performance standards hence leading to declined organization financial performance as the aimed performance goals were not realized. This was in agreement with findings by Gupta (2008) that organizations that lack effective performance management systems find it challenging to improve on employees' performance standards and this influences realization of declined organization performance as measures for supporting realization of organization performance goals are not implemented.

5.3.4 Reward System

The study found out that reward systems had a major contribution towards realization of increased banks financial performance since application of effective reward strategies helped to improve staff work morale that resulted to improvement of the individual employees' performance and hence overall organization performance. This supported findings by Horton (2007) that organizations with effective reward systems like transactional and relational rewards improves the level of employees motivation and this supports realization of increased organization performance. The study identified that most respondents agreed to a moderate extent that banks had an active reward policy formulated and was used for staff compensation. This indicated that most banks lacked effective reward systems that effectively compensated the employees work efforts and this negatively lowered the level of employees work morale that impacted negatively on organization financial performance. These concurred with Mills (2005) that lack of effective reward systems for compensating the employees work efforts negatively lowers the level of employees work morale and these impacts negatively on organization productivity.

Respondents also agreed to a less extent that banks reward policies were linked to the overall strategy of the bank and respondents did not agree to any extent that the bank employees were happy with reward system being undertaken by the bank. This indicated that most employees were unhappy and less satisfied with the employed reward systems and this lowered the level of employees' commitment and increased the level of staff turnover hence leading to realization of declined level of banks performance as most of the skilled and more experienced staff left the organization in search of job opportunities with better reward packages.

5.3.5 Training and Development

Training and development was found to be a major human resource management practice that remained underdeveloped in many banking institutions. Many respondents agreed to a moderate extent that the bank had established an active training and development policy formulated for its employees and the respondents agreed to a less extent that the training and development policy of the bank was linked to the overall bank strategy. This indicated that many banks lacked effective training and development policy that was linked to bank financial performance strategy hence the employed training and development methods were not in tandem with the requirement of achievement of banks financial performance objectives. This was supported by majority of the respondents who only agreed to a less extent that the training programs undertaken by the bank were able to yield positive results in terms of increased productivity from the employees. These too concurred with Barrington (2006) that application of training programs that do not contribute towards realization of increased employees productivity negatively affects realization of organization performance goals. The study noted that training and development policy play an importance role in HRM and contribute to improved strategic integration, employee commitment, flexibility and quality. HRM outcomes can then lead to high job performance, high problem solving activity, high cost effectiveness, and low turnover, reduced absences and fewer grievances. This was in agreement with Guest (2007) that training and development policy play an importance role in HRM and contribute to improved organization performance through strategic integration, employee commitment, flexibility and quality.

5.3.6 Career Planning

The study found out that most banks lacked employees career planning strategies as few banks were found to have effective employees' career development opportunities. This was found to affect fulfillment of individual employees career development needs and this impacted negatively on achievement of the overall organization human resource needs. Many banks lacked effective career planning techniques such as training, mentoring and career counseling and this hindered improvement of the banks human resource capacity and improvement of the overall banks performance. Most respondents agreed to a moderate extent that banks had an active career planning policy for its staff but agreed to a less extent that banks career plans were linked to the overall human resource plans. This indicated that the employed career planning plans were not integrated with banks human resource plans and this hindered implementation of career development strategies that helped in meeting banks current and future human resource needs.

The study also identified that respondents agreed that banks were not able to retain an appropriate number of desired and qualified staff at all time since lack of effective career plans linked with banks strategic human resource plans left the banks with less competitive staff in times of high staff turnover rates. These contended with Lawler (2004) that organizations that lacks career plans linked with banks strategic human resource plans experience cases of declined level of performance in times of high staff turnover rates since less competitive staff are left in the organization and organizations lacks ability to effectively replace the employees with competitive staff.

5.3.5 Employees Relations

The study found out that existence of poor employees' relations between the junior staff and the senior management staff in many banks affected participation of junior staff in decision making process and hence only top management staff were allowed to make decisions on how to undertake organization job task functions. This negatively affected realization of increased banks financial performance since most of the skilled and experienced junior staff were not given an opportunity to guide and participate in formulation of key decisions on strategic execution of organization job task functions. The study noted that poor employees' relations influenced application of poor leadership styles that lowered the level of employees' engagement and negatively affected realization of the banks performance goals. These supported findings by Ulrich (2007) that working environment characterized with poor employees' relations influences application of poor leadership styles that negatively affects realization of organization performance. It was identified that poor employees' relations hindered recognition and utilization of employees' talents and this affected effective contribution of the talented staff towards realization of banks financial performance

The study noted that most of the employees agreed to a moderate extent that the bank employees were allowed to join trade union or staff association of their choice. However majority of the employees did not agree to any extent that bank involved employees in making decision regarding the operations of the bank and the respondents agreed to a moderate extent that the bank had experienced employee relations problems in the past. The study noted that existence of poor employees relations negatively affected participation of all the employees in implementation of the banks strategic objectives that were meant to support achievement of increased bank financial performance. These findings were in agreement with findings by Cowling (2009) that lack of good employees' relations with senior management hinders participation of junior staff in decision making process on matters relating to implementation of organization strategic objectives and this negatively affects realization of increased organization performance.

5.4 Conclusions

Human Resource Planning is key HRM practice that ensures commercial banks have the right number and types of staff, at the right places, capable of performing their tasks effectively and efficiently. Undertaking of regular HRP programs helps banks to manage labour risks associated with high staff turnover rates and changes in both internal and external organizational environments. HRP helps banks to achieve its overall financial performance objectives by maintaining an optimum and flexible workforce at all times in the organization. HRP is done at different levels corporate, intermediate, and operations levels and for short-term activities. A proper human resource planning exercise should utilize the inputs of all the departments in the organization and incorporate the organization performance strategy. It must also enjoy the support of the top management which in turn provides the desired policy direction and commits adequate resources to support the set corporate agenda. Commercial banks should link human resource planning with the overall organization performance strategy through undertaking of human resource demand and supply forecasting, human resource planning objectives, design of human resource planning programs and evaluation of human resource planning programs.

Employees' recruitment and selection is a major HRM practice that greatly influences the state of banks performance. Application of ineffective recruitment and selection procedures leads to selection of less competitive staff who lacks the required competencies for executing the banks job task functions. These have an adverse effect on banks financial performance since many costly recruitment exercises are held out regularly and this increases the total cost of recruitment expenditure that lowers the banks profit margin. Lack of effective recruitment and selection policy that addresses the banks strategic issues hinders recruitment of competitive staff and this hamper realization of banks performance goals. It should be noted that the major factors affecting employee recruitment and selection process in banking organizations includes; job analysis, job description, personnel specification and job placement. The process under which the organization manages these factors greatly determines the effectives and the success of the recruitment process towards enhancing realization of increased banks financial performance.

Performance management is core human resource management practice that helps in determining the employee's performance weaknesses and measures that should be put in place to improve on the level of employees' performance. Lack periodic performance appraisal hinders banks management to identify employees' performance weaknesses and strengths and this affects implementation of performance management strategy that is in line with the overall banks performance strategy. Performance appraisal systems should contribute towards improving the employees' performance standards and application of ineffective performance appraisal systems negatively affects identification of employees performance needs hence leading towards realization of declined banks financial performance. Performance Appraisal helps banks human resource managers to chalk out the promotion programs for efficient employees. In this regards, inefficient workers can be dismissed or demoted in case. Performance Appraisal helps in chalking out compensation packages for employees. Merit rating is possible through performance appraisal. Performance Appraisal tries to give worth to a performance. Compensation packages which include bonus, high salary rates, extra benefits, allowances and pre-requisites are dependent on performance appraisal. The criteria should be merit rather than seniority. The systematic procedure of performance appraisal helps the human resource management to frame training policies and programs. It helps to analyze strengths and weaknesses of employees so that new jobs can be designed for efficient employees. It also helps in framing future development program.

Employee reward systems have got a major contribution towards realization of increased banks performance. Employee rewards can be tangible or intangible, and may include financial bonuses, recognition, an increased decision-making role or the opportunity for professional development. Positive recognition in the workplace has several benefits for a company, namely employee retention. Employee reward systems encourage workers to become more motivated to achieve higher levels of performance. Reward systems improve the level of employees work morale and this leads to increased level of employees job satisfaction and engagement in the execution of bank job task functions. Effective rewards systems such as transactional and relational rewards plays a major role towards reducing cases of employees' turnover rates and retention of competent staff to undertake organization job task functions. This leads to improved quality of bank services and achievement of competitive edge in the target market hence leading to increased financial performance as result of increased sales revenue. Effective reward systems are supported by formulation of reward policies that link banks rewards practices with banks overall performance strategy. This helps the bank to offer better rewards such as cash bonuses and job promotions in order to compensate employees work efforts hence leading to increased level of employees job satisfaction.

Training and development is a major human resource management practice that helps in facilitating realization of increased financial performance of commercial banks. However lack of established training and development policy linked with the overall banks performance strategy makes it difficult for the bank human resource management to offer training and development programs that contributes towards realization of increased banks performance. Training and development should equip the banks employees with more knowledge and skills on how to effectively execute various banks job tasks functions and this should yield positive result in terms of increased productivity from the employees. Training implies enhancing the skills and knowledge of the employees for performing a specific job. Training tries to improve employees' performance in current job and prepares them for future job. The crucial consequence of training is learning. Training programs should aim to; prepare employees to meet the varying and challenging needs of the job and organization; provide knowledge and skills to new entrants and to help them to perform their role and job well; coach employees for more complex and higher level jobs and educate employees new and innovative ways and techniques of performing job.

The career planning process involves both the organization and the individual responsibility. Thus, the individuals must identify their aspirations and abilities, and through assessment and counseling to understand their needs of training and development; the organization needs to identify its needs and opportunities, to plan its employees and to ensure its staff the necessary information and appropriate training for career development. Career planning plays a major role towards enhancing realization of increased financial performance of banking institutions. Career planning is the key process in career management, it uses all the information provided by the organization's assessments of requirements, the assessments of performance and potential and the management succession plans, and translates it in the form of individual career development programs and general arrangements for management development, career counseling, mentoring and management training. Career planning procedures are always based on what the organization needs. But they have to recognize that organizational needs will not be satisfied if individual needs are neglected. Career planning has to be concerned with the management of diversity. Career plans must therefore recognize that banks staff should receive recognition as individuals with unique needs, wants, and abilities; individuals are more motivated by an organization that responds to their aspirations and needs; individuals can grow, change and seek new directions if they are given the right opportunities, encouragement and guidance.

Maintaining healthy employee relations in an organization is a pre-requisite for organizational success. Strong employee relations are required for high productivity and human satisfaction. Employee relations generally deal with avoiding and resolving issues concerning individuals which might arise out of or influence the work scenario. Strong employee relation depends upon healthy and safe work environment, cent percent involvement and commitment of all employees, incentives for employee motivation, and effective communication system in the organization. Healthy employee relations lead to more efficient, motivated and productive employees which further lead to increase in sales level. Development and maintenance of good employee relations is a core human resource management practice that supports realization of increased banks financial performance. Good employees relations creates a favorable environment for the application of effective leadership styles like democratic leadership and hence allows all employees irrespective of their cadres to participate in decision making process. This encourages team work and freedom of expression in the organization and this makes employees to feel as being part of the organization but not as outsiders. Employees' relations helps in promotion of good organization culture and this increases the level of employees' motivation hence resulting to increased organization performance. Freedom of joining trade unions or staff association and involvement of employees in decision making process are good indicators of effective employees relation practices that leads to increased level of employees job satisfaction and helps to minimize cases of industrial strikes and various employees conflicts. Banks human resource management should strive towards promotion of better employees' relations in order to create a friendly working environment that leads to increased level of employees' engagement in the execution of banks job task functions hence contributing towards realization of increased banks financial performance

5.5 Recommendations

5.5.1 Human Resource Planning

To ensure that human resource planning helps in improving the financial performance of commercial banks, the human resource management should embrace strategic human resource planning programs that are linked with the overall banks strategy. Human resource plans should cover a longer period of more than 10 years to help to produce new skills, to upgrade existing ones and to engage in organizational transformation, manage uncertainties and risks created by major changes in environmental factors in the medium to long term. The banks should carry out human resource planning by conducting, human resource demand and supply forecasting, human resource planning objectives, design of human resource planning programs and evaluation of human resource planning programs.

To effectively undertake human resource demand and supply forecasting, the results of a human resource environment scanning process should be incorporated into the human resource planning process. This may include demographic analysis which identifies current and future human resource needs, including the number, knowledge, skills, and competencies of staff needed to meet the goals of the ministry. Commercial banks should set out clear HRP objectives. To achieve organizational human resource planning objectives, human resource planning must use employee recruiting, development and retention. It must also analyze the current workforce and consider how it aligns with future employment needs. Attracting, training and retaining quality employees allows human resources to use different types of planning to meet future workforce requirements.

To satisfy the organization's strategic objectives, human resources need to consider what kind of workforce will be needed in the future. Workforce forecasting is a major component of human resource planning, and involves analyzing its current workforce and comparing it to future requirements to discover what gaps and surpluses exist. Achieving strategic objectives through the human resource element should involve attracting and recruiting quality employees. Benefits, compensation, organizational structure and employee growth or advancement should be key elements for finding and hiring good employees. Planning the recruiting process with these elements in mind will assist with future employee selection.

To improve the effectiveness in designing and implementation of human resource planning programs, commercial banks should employ competency based management approach to support the integration of human resources planning with business planning by allowing organizations to assess the current human resource capacity based on their competencies against the capacity needed to achieve the vision, mission and business goals of the organization. The banks human resource management should finally undertake an evaluation of HRP programs through the use of computerized human resource planning processes, evaluation and monitoring systems that collects and reports updated data on progress toward achievement of human resource planning objectives and if human resource planning programs are in line with the banks overall strategy.

5.5.2 Recruitment and Selection

To ensure that recruitment and selection process helps banks to realize increased financial performance. The bank human resource management should design an effective recruitment policy linked to the overall banks strategy. The banks recruitment practices should always be in accordance with the recruitment policy guidelines.

The banks human resource management should identify and implement effective job analysis strategies that strengthen employees' recruitment and selection process. The banks should implement computerized job analysis systems such as Enterprise Resource Planning Systems and other human resource information management systems.

The bank human resource management should effectively define and describe all organization job task functions and measures should be made to ensure that all job task functions are in tandem with the job title. The bank human resource management should undertake thorough personnel specification to ensure that all the employees recruited to various job posts meets all the requirements of every job post in the organization. Finally, the bank human resource management should design and implement effective job placement program to avoid disruption of organization functions during the transition of responsibilities from the leaving staff or old employees to the newly recruited staff .The organization should adopt measures to management job mobility and staff turnover to reduce job placement problems.

5.5.3 Performance Management

To improve on performance management, commercial banks should carry out periodic performance appraisal by embracing performance appraisal systems that are linked with the overall banks strategy. Performance Appraisal should aim to; maintain records in order to determine compensation packages, wage structure, salaries raises; identify the strengths and weaknesses of employees to place right men on right job; maintain and assess the potential present in a person for further growth and development; provide a feedback to employees regarding their performance and related status; provide a feedback to employees regarding their performance and related status; serves as a basis for influencing working habits of the employees and review and retain the promotional and other training programs. The banks human resource management should therefore employ performance appraisal systems such as Merit rating, Management by Objectives (MBO) and 360-degree feedback.

5.5.4 Reward Systems

To ensure that employees reward systems in commercial banks contributes towards realization of increased banks financial performance. The human resource management should formulate and implement an active reward policy is linked to the overall banks strategy. The reward policy should ensure that employees' rewards are matched with the employees' efforts. Employee reward systems should help commercial banks management achieve their organizational goals. However, HRM in commercial banks should first set clear reward objectives before developing tangible and intangible reward systems. Important goals such as employee retention and job satisfaction, performance improvement and employee motivation should be given much emphasis since they are easily achieved by identifying the desired outcome of employee reward programs. The banks management should always align their organizational objectives with employee reward systems in order to experience repeated instances of improved employee performance hence leading to increased banks financial performance. Employee reward systems should not be based on seniority; instead, all levels of workers should be encouraged to participate in reward systems.

5.5.5 Training and Development

To improve on training commercial banks should establish an active training and development policy formulated for its employees. The training and development policy should be linked to the overall bank strategy. The banks human resource management should embrace the following stems in order to improve on training programs. The training needs of each employee should be identified. Programs should be developed that are best suited to their needs. The trainer should clearly identify areas to train the employees on. Time management is required by the trainer. Training should be delivered in such a manner that the trainee should not loose the interest in the job. The trainer should explain the logical sequence of the job. The employees should perform the job systematically and explain the complete job he is performing. Employee mistakes should be rectified and the complex step should be done for him once. When the employees demonstrate that he can do the job in right manner, he is left to himself. Through repetitive practices, the trainee acquires more skill. The employees should be given feedback on how well he performed the job. Employees should be asked to give a feedback on the effectiveness of training program.

5.5.6 Career Planning

To improve on career planning and ensure that commercial banks have effective career development programs, effective career planning policy linked with human resource plans and banks overall strategy should be formulated and implemented The employed career planning programs should facilitate development of the existing human resources to cater current and future banks human resource needs. Career planning programs should use all the information generated by the succession plans, performance, and potential assessments and employees self-assessments to develop programs and procedures which are designed to implement career management policies, achieve succession planning objectives and generally improve motivation, commitment and performance. The procedures used should be those concerned with; personal development planning; training and management development; mentoring and career counseling Career planning procedures should cater for the high performing employees by 'fast tracking' them and accelerating promotion and giving them opportunities to display and enlarge their talents.

5.5.7 Employees Relations

Commercial banks management should treat all employees as individuals and should treat them in a fair manner. Employee biasness should be avoided. The banks management should not make the employees' job monotonous, should keep it interesting and more challenging. This should be done by assigning employees greater responsibilities or indulging them in training programs. The banks senior management should maintain a continuous interaction with the employees; they should them updated about company's policies, procedures and decisions. The management should keep the employees well-informed since informed employees makes sound decisions and remain motivated and productive and feel as a member of organizational family in this manner.

Employees should be rewarded and appreciated for a well-done job or for achieving/over-meeting their targets. This boosts the level of employees' morale and promotes team work in the organization. The banks management should encourage employee feedback. The feedback makes the employers aware of the concerns of employees, and their views. Employees should be given competitive salary; they should be fairly paid for their talents, skills and competencies. The bank management should be friendly but not over-friendly with the employees. Build a good rapport with the employee, the employee should feel comfortable with the manager/supervisor rather than feeling scared.

5.6 Limitations of the Study

The study experienced cases where some of the respondents failed to fill and complete the questions, inadequate responses to questionnaires and unexpected occurrences like respondents going in leave before completing the questionnaire. This was mitigated through constant reminder to the respondents during the period they were having the questionnaire. Descriptive research is flexible in that it requires the initial study (the tools and administration of tools) to remain unchanged throughout data collection (Mugenda and Mugenda, 2003).

The banks confidentiality policy restricted most of the respondents from answering some of the questionnaires since it was considered to be against the banks confidentiality policy to expose the organization confidential matters. The researcher hence presented an introduction letter obtained from the college to the organization management and this helped to avoid suspicion and enabled the organization management to disclose much of the information sought by the study.

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APPENDIX 1: DIRECTORY OF COMMERCIAL BANKS IN KENYA

NO.	NAME OF BANK	POSTAL ADDRESS	LOCATION
1	African Banking Corporation Ltd	46452 00100	Nairobi
2	Bank of Africa (K) Ltd	69562 00100	Nairobi
3	Bank of Baroda (K) Ltd	30033 00100	Nairobi
4	Bank of India	30246 00100	Nairobi
5	Barclays Bank of Kenya	30120 00100	Nairobi
6	CFC Stanbic Bank Ltd	72833 00200	Nairobi
7	Charterhouse Bank Ltd (Under statutory Management)	43252	Nairobi
8	Chase Bank (K) Ltd	66015 00800	Nairobi
9	Citibank N.A. Kenya	30711 00100	Nairobi
10	Commercial Bank of Africa Ltd	30437 00100	Nairobi
11	Consolidated Bank of Kenya Ltd	51133 00100	Nairobi
12	Co-operative Bank of Kenya Ltd	48231 00100	Nairobi
13	Credit Bank Ltd	61064 00200	Nairobi
14	Development Bank of Kenya Ltd	30483 00100	Nairobi

15	Diamond Trust Bank (K) Ltd	61711 00200	Nairobi
16	Dubai Bank Kenya Ltd	11129 00400	Nairobi
17	Eco Bank (K) Ltd	49584 00100	Nairobi
18	Equatorial Commercial Bank Ltd	52467 00200	Nairobi
19	Equity Bank Ltd	75104 00200	Nairobi
20	Family Bank Ltd	74145 00200	Nairobi
21	Fidelity Commercial Bank Ltd	34886 00100	Nairobi
22	Fina Bank Ltd	20613 00200	Nairobi
23	First Community Bank Ltd	26219 00100	Nairobi
24	Giro Commercial Bank Ltd	46739 00200	Nairobi
25	Guardian Bank Ltd	67681 00200	Nairobi
26	Gulf African Bank Ltd	43683 00100	Nairobi
27	Habib Bank A.G. Zurich	30584 00100	Nairobi
28	Habib Bank Ltd	43157 00100	Nairobi
29	Imperial Bank Ltd	44905 00100	Nairobi
30	I & M Bank Ltd	30238 00100	Nairobi
31	Jamii Bora Bank Ltd	22741 00400	Nairobi
32	Kenya Commercial Bank Ltd	48400 00100	Nairobi

33	K-Rep Bank Ltd	25363 00603	Nairobi
34	Middle East Bank (K) Ltd	47387 00100	Nairobi
35	National Bank of Kenya Ltd	72866 00200	Nairobi
36	NIC Bank Ltd	44599 00100	Nairobi
37	Oriental Commercial Bank Ltd	14357 00800	Nairobi
38	Paramount Universal Bank Ltd	14001 00800	Nairobi
39	Prime bank Ltd	43825 00100	Nairobi
40	Standard Chartered Bank Ltd	34353 00100	Nairobi
41	Trans-National Bank Ltd	34353 00100	Nairobi
42	UBA Kenya Bank Ltd	34154 00100	Nairobi
43	Victoria Commercial Bank Ltd	41114 00100	Nairobi

Table 3.1 List of Commercial Banks Source: www.centralbank.go.ke.

APPENDIX 2: QUESTIONNAIRE

PART A

Respondent Profile

1. Position of the respondent……………………………………………………….

2. Name of the bank…..……………………………………………………………….

3. Number of years with current employer

   a) 0-2 years [ ] b) 2-6years [ ] c) over 6years [ ]

Bank Profile

5. What is the size of the bank (No. of employees)……………………………….
6. When was the bank established…………………………………………………
7. Ownership:
   (a) Wholly foreign owned
   (b) Wholly local owned
   (c) Jointly foreign and local owned

PART B

HUMAN RESOURCE PRACTICES

(Please choose as appropriate)

	STATEMENT	SCALE				
		Not at all (1)	**To a less extent (2)**	**To a moderate extent (3)**	**To a large extent (4)**	**To a very large extent (5)**
	Human Resource Planning					
1.	My bank has been undertaking strategic HRM planning for more than 10 years.					
2	My banks' human resource plans are linked to the overall banks' strategy.					
3	The human resource plans implemented by our bank are able to serve and meet the banks ultimate goal of adequate staff at all times to meet the demand of work to be undertaken.					

	Recruitment and Selection					
4	The bank has formulated an active recruitment and selection policy.					
5	The bank links its recruitment and selection policy to the overall bank's strategy.					
6	The bank adheres to the recruitment and selection policy all the time it hires employees.					
	Performance Management					
7	This bank carries out periodic performance appraisal of its employees.					
8	The performance appraisal techniques practiced by this bank are linked to the overall bank's strategy.					

	STATEMENT	SCALE				
		Not at all (1)	**To a less extent** (2)	**To a moderate extent** (3)	**To a large extent** (4)	**To a very large extent** (5)
9	From the results of the periodic staff appraisal carried out there is indication that staff are able to meet the set standards and goals set by management.					
	Reward System					
10	This bank has an active reward policy formulated and is used for staff compensation.					
11	The reward policy is linked to the overall strategy of the bank.					
12	The bank employees are happy with reward system being undertaken by the bank					
	Training and Development					
13	The bank has established an active training and development policy					

	formulated for its employees					
14	The training and development policy of this bank is linked to the overall bank strategy					
15	The training programs undertaken have been able to yield positive results in terms of increased productivity from the employees					
	Career Planning					
16	This bank has an active career planning policy for its staff.					
17	Are the career plans of this band linked to the overall human resource plans					
18	This bank is able to retain an appropriate number of desired and qualified staff at all times.					

	Employee relations					
19	The employees of this bank are allowed to join to join a trade union or staff association of their choice.					
20	The management of this Bank involves employees in making decision regarding the operations of the bank.					
21	This bank has experienced employee relations problems in the past. i.e strike, go slow etc.					

Table 4.12 Results of Correlation Analysis for the relationship between Human Resource Management Practices and Performance

		Financial performance	HRP	Recruitment	Performance	Reward	Training	Career Dvpt.	Emp. Relations
Financial Performance	Pearson Correlation	1	.878**	.794*	.843**	.665**	.736**	.794*	.665**
	Sig. (2-tailed)		.000	.013	.000	.000	.000	.013	.000
	N	39	39	39	39	39	39	39	39
HRP	Pearson Correlation	.878**	1	.669**	.779**	.720**	.689**	.669**	.720**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000
	N	39	39	39	39	39	39	39	39
Recruitment	Pearson Correlation	.794*	.669**	1	.521**	.347*	.784**	.897**	.347*
	Sig. (2-tailed)	.013	.000		.001	.031	.000	.000	.031
	N	39	39	39	39	39	39	39	39
Performance	Pearson Correlation	.843**	.779**	.521**	1	.665**	.536**	.521**	.665**
	Sig. (2-tailed)	.000	.000	.001		.000	.000	.001	.000
	N	39	39	39	39	39	39	39	39

Reward	Pearson Correlation	.665**	.720**	.347*	.665**	1	.503**	.347*	1.000**
	Sig. (2-tailed)	.000	.000	.031	.000		.001	.031	.000
	N	39	39	39	39	39	39	39	39
Training	Pearson Correlation	.736**	.689**	.784**	.536**	.503**	1	.784**	.503**
	Sig. (2-tailed)	.000	.000	.000	.000	.001		.000	.001
	N	39	39	39	39	39	39	39	39
Career	Pearson Correlation	.794*	.669**	.897**	.521**	.347*	.784**	1	.347*
	Sig. (2-tailed)	.013	.000	.000	.001	.031	.000		.031
	N	39	39	39	39	39	39	39	39
Relations	Pearson Correlation	.665**	.720**	.347*	.665**	1.000**	.503**	.347*	1
	Sig. (2-tailed)	.000	.000	.031	.000	.000	.001	.031	
	N	39	39	39	39	39	39	39	39

****. Correlation is significant at the 0.01 level (2-tailed).**