

**STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES
AND PERFORMANCE OF SUGAR MANUFACTURING FIRMS IN
WESTERN KENYA**

RABAH, SUSAN ADHIAMBO

**A Research Project Presented in Partial Fulfillment of the
Requirements for the Award of the Degree of Master of Business
Administration (MBA), School of Business, University of Nairobi.**

2011

DECLARATION

This management research project is my own original work and has not been submitted previously in its entirety or in part at any other university or college for any academic award.

Signed Date

Susan Adhiambo Rabah
D61/73738/2009

This management Research project has been submitted for examination with my approval as the University supervisor.

Signed..... Date

Professor Peter O.K' Obonyo
School of Business
University of Nairobi

DEDICATION

It is with gratitude that I dedicate this project to you my children-Wendy, Robert, Britney and George. Your smiles, presence and unwavering understanding have given me the impetus to pursue high academic standards despite numerous challenges in life.

TABLE OF CONTENT

DECLARATION.....	ii
DEDICATION	iii
LIST OF TABLES	vi
LIST OF FIGURES	vii
ACKNOWLEDGEMENT	viii
ABSTRACT	ix
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background	1
1.1.1 Strategic Human Resource Management Practices	1
1.1.2 Firm Performance.....	3
1.1.3 Strategic Human Resource Management Practices and Firm Performance.....	4
1.1.4 Sugar Manufacturing Firms in Western Kenya.....	6
1.2 Statement of the problem	8
1.3 Objective of the study	10
1.4 Value of the Study	10
CHAPTER TWO: LITERATURE REVIEW	11
2.1 Introduction	11
2.2 Strategic Human Resource Management Practices	11
2.3 Firm Performance	14
2.4 Strategic Human Resource Management Practices and Firm Performance.....	15
2.5 Conceptual Framework.....	19
CHAPTER THREE: RESEARCH METHODOLOGY	21
3.1 Research Design	21
3.2 Population of study	21
3.3 Data collection.....	21
3.5 Data analysis.....	22

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS	23
4.1 Introduction	23
4.2 Descriptive statistics	23
4.2.1 Organizations' Workforce	23
4.2.2 The extent of firms' engagement in Strategic Human Resource Management Practices	24
4.2.3 Information flow between human resource department and other departments in the organization	26
4.2.4 The Extent to which Human Resource Department is treated as a specialized function	28
4.3 Organization Performance	29
4.3.1 Relationship between Strategic Human Resource Management Practices and Organization Performance.....	32
CHAPTER FIVE:DISCUSSIONS, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	34
5.1 Introduction	34
5.2 Discussions and summary of findings	34
5.3 Summary.....	37
5.4 Conclusions	36
5.5 Recommendations.....	36
5.6 Suggestion for further study	37
5.7 Limitation of the study.....	37
REFERENCES	38
APPENDICES	45
APPENDIX I: INTRODUCTION LETTER	45
APPENDIX II: QUESTIONNAIRE	46
APPENDIX 111: Table of Research Findings.....	51
APPENDIX IV: LIST OF SUGAR COMPANIES IN WESTERN KENYA	62

LIST OF TABLES

Table 4.1: Distribution of the Organizations' Workforce.....	34
Table 4.2: Strategic Human Resource Management practices	36
Table 4.3: Performance of the organizations.....	38
Table 4.4: Reasons for information flow.....	40
Table 4.5: Correlation between strategic human resource management practices and firm performance	42

LIST OF FIGURES

Figure 2.1: Conceptual framework on the relation between strategic human resource management practices and firm performance.....	30
Figure 4.1: Information flow between the human resource departments and other departments.....	37
Figure 4.2: Extent to which the human resource department is treated as a specialized function	39

ACKNOWLEDGEMENT

I am grateful to the Almighty God for His provisions. His grace and favor for me are forever sufficient. My special gratitude goes to my supervisor, Prof P. O. K'Obonyo for his patience and guidance throughout this project. I appreciate the knowledge and skills that all my other lecturers have impacted in me through class work. The MBA class of 2009-2010, you are great! I may not be in a position to mention all of you by name; however, you really shaped my life in a significant way. In particular I am grateful to my classmates Professor Makawiti, Airo, Nyawara and Judy Outa for their constant encouragement. My appreciation also goes to the human resource department of the sugar manufacturing companies for responding to my research and ensuring that my study gets a 100% response rate.

To my dear friends, Juliet, Nancy, Julian and Rhoda, how I thank you for your support and encouragement during my studies. Hilda Imbo and Jack K. you are friends indeed. I cannot forget my house help, Mama Ruth, you have shown a lot of care and concern for the family and without you I could not have managed. Finally, am grateful to my family, especially my late dad, Mr Rabah and mum, Mrs D. Rabah, for taking me to school and implanting in me a desire to learn more; my brothers and sisters for constantly supporting and encouraging me during my lowest moments.

ABSTRACT

The purpose of the study was to determine the relationship between Strategic Human Resource Management practices and Firm Performance. To achieve the objective, the study used a cross-section descriptive survey design in which 8 human resource managers in 8 sugar manufacturing firms in Western Kenya were investigated. They included Mumias Sugar Company, Nzoia Sugar Company, South Nyanza Sugar Company, West Kenya Sugar Company, Muhoroni Sugar Company, Kibos Sugar Company and Butali Sugar Company. The collected data in the study was analyzed and interpreted in line with the objective of the study. Strategic human resource management practices were based on the key functions namely recruitment and selection, training and development, training effectiveness and evaluation, performance-based compensation, flexible benefits, employee relations practices, consultative performance appraisal and human resource planning. Performance on the other hand was conceptualized through performance indicators such as quality of products, services or programmes and development of new products, services or programmes, efficiency of operations, profitability, sales growth,. The primary data was collected using questionnaires and analyzed using tables, means, percentage standard deviation and Pearson product moment correlation technique. Response rate was 100%. The study revealed that most of the firms had 500-1000 employees. The extent of information flow between human resource department and other departments was very great at 37.5%. The extent to which human resource department was treated as a specialized function was great at 50%. The study findings also revealed that strategic human resource management practices based on the key functions were practiced in all the firms under study. However the extent varied amongst the firms. The study examined the performance of the firms based on performance indicators such as quality of products, services or programmes and development of new products, services or programmes, efficiency in operations, profitability and sales growth. The sugar manufacturing firm's performance in comparison to other firms in the same industry was generally above average. The study analyzed the relationship between strategic human resource management practices and firm performance using Pearson product moment correlation technique. The results revealed positive correlations ranging between 0.4 and 0.7 meaning that with improvement in Strategic Human Resource Management Practices, Firm Performance also increased. Thus the findings support the universalistic perspective. The study recommends that the firms should undertake efforts to improve the strategic human resource management practices to have improved performance. The study had two limitations which were that the study only captured views from one respondent in every organization. This made it difficult to compare the finding of the respondent with other respondents in an organization which is usually important in spotting bias in a respondent's response. The other limitation was that some respondents may have feared giving information that their organization was not profitable, or had low sales. The study suggests that future researchers should do the same study in purely public or private organizations. The study recommends that future researchers should do a regression analysis study to establish the extent to which the strategic human resource management practices influence firm performance. This is because this study focused on establishing the relationship between human resource strategic practices and firm performance and not the extent to which the human resource strategic practices relate with performance.

CHAPTER ONE: INTRODUCTION

1.1 Background

The current business environment is faced with rapid changes such as globalization, liberalization, technological innovation, competition to provide innovative products and services and changing customer and investor demands (Ansoff, 1991). To survive and overcome the challenges posed by the changes, organizations need to transform from an indigenous, costly and sub-optimal operations to performance-based systems (Porter, 1985). Organizations require the utilization of complex array of resources to achieve their ultimate objectives (Armstrong, 1999). They must mobilize their human, financial and material resources in the right mix in order to achieve a competitive advantage (Storey, 1992).

Of the resources needed by firms, the human resource is the most potent and central in contributing to the corporate bottom-line and effectiveness. Manufacturing organizations invest heavily in production innovations such as advanced technology, computer-controlled machine tools and statistics process control. All these require the human capital. Strategic human resource management, the backbone of management of human capital, if properly configured, provides a direct and economically significant contribution to a firm's performance (Kandula, 2006).

1.1.1 Strategic Human Resource Management Practices

Traditionally, the field of human resource management was focused on staff matters. With the changing business environment, Human Resource Management is currently focused on linking people as organizational asset with the business strategy of the firm

(Ulrich, 1997). To compete effectively, every business must make a strategic choice to overcome its weaknesses and to take advantage of the opportunities offered by its environment. Strategies are broad statements that a firm develops to determine its business direction. They are patterns of actions, decisions and policies that guide an organization towards a vision or goals. According to Inyang (2002), strategy refers to the pattern of organizational moves and managerial techniques or approaches used to attain organizational objectives and pursue organizational goals. Strategies are geared towards delivering improvement in the performance of the organization. Strategic human resource management is the general approach to the strategic management of the human resource in relation to the future direction the firm wants to take.

Strategic human resource management is a framework that is concerned with all organizational activities which affect the behavior of individuals in their effort to formulate and implement planned strategies that influence the organizational performance (Armstrong, 2006; Schuler, 1992). It is a complex process which is constantly evolving. Strategic human resource management integrates human resource activities with other physical, financial, and technological resources in the setting of goals and solving complex organizational problems (Legnick-Hall and Legnick- Hall, 1988). It emphasizes the implementation of a set of policies and practices that will improve employee pool of skills, knowledge, and abilities that are relevant to organizational goals. Human resources are unique and when properly managed, motivated and deployed will shape the organizations business strategy and lead to sustained competitive advantage.

Human Resource manager has to think outside traditional organizational box and develop a radical approach in managing the human capital that creates a fit between human

resource and business strategy formulation and implementation. Thus, the human resource professional has a more challenging role to play in ensuring value addition to firm performance, the backdrop of Strategic human resource management (Becker and Huselid, 2006). To successfully play the role, he/she needs to understand the company's business direction and its competitive position. He needs competencies in strategy formulation and implementation. He/she also needs ability to contribute to organizational design and change management. The human resource professional must perform the role of administrative excellence, employee champion, strategic partner and change agent (Ulrich, 1997). Human resource must constantly be innovative in enhancing corporate performance that result in competitive advantage.

1.1.2 Firm Performance

The dramatic changes in the business environment over the last four decades have forced organizations to respond in a strategic manner in order to survive and progress. Every strategic response made by the organization presupposes the involvement of people. People have a role to play in the implementation of strategic responses for they impact significantly on firm performance (Kandula, 2006). The chief goal of a business is to achieve financial or maximization of wealth for the shareholders (Becker and Huselid, 1998). Firm performance can be defined in financial and non-financial terms (Kaplan and Norton, 1992). These include measures that impact on effectiveness, efficiency, development, satisfaction, innovation, product quality, profitability and sales growth.

According to Schuler and Jackson (1995), drawing on behavioral psychology perspective, organizational performance can be observed in terms of its sales growth, profit growth, improved quality, global response to competition, and global business performance and

success. One of the key determinants of a firm's efficiency, cost structure and profitability is an employee's productivity. Productive manufacturing employees lead to reduced cost of production, increased sales revenue, increase return on investment, flexibility, innovation, enhanced quality, superior performance, high productivity, differentiated products and services and personal customer services (Porter, 1985). Thus companies which place their employees at the core of their strength produce higher long-term returns to shareholders.

1.1.3 Strategic Human Resource Management Practices and Firm Performance

Human resource processes and activities are frequently acknowledged to play a central role in providing a direct and economically significant contribution to a firm's performance (Pfeffer, 1994). Studies show that firms that engage in strategic human resource management practices are flexible and able to react swiftly to the changing global business environment (Huselid, 1995).

The key to sustaining competitive advantage is building core competencies. Strategic human resource management has been instrumental in helping organizations discover their core competencies. According to studies conducted on High Performance Work Practices, there is a positive relationship between strategic human resource management practices and critical outcome measures of firm performance such as corporate financial performance, productivity, product and service quality and cost control (Ramsay et al, 2006). Effective design of human resource practices result in employees' skills, competencies and productivity that make them to be a reliable source of competitive advantage (Russel et al, 1995). Studies on high performance work practices indicate that validated selection and promotion are related to high productivity and reduced costs. And

that better training and development programs and team- based work configurations improve performance. The fair treatment of employees results in higher job satisfaction and which in turn facilitates higher performance and reduced costs. For performance to be realized, frontline human resource managers must be involved in decision making and work practices of the organization. For successful performance, strategic human resource management must be lined vertically and horizontally in the levels of organization.

Three perspectives: the universal, contingency and configurational approaches have been used to describe the link between human resource management and firm performance. According to the universal approach, bundles of human resource practices, when effectively managed, have a direct influence on firm performance (Arthur, 1994; Huselid, 1995). On the other hand, contingency approach indicates that, human resource practices, matched with competitive requirements of a firm, can enhance performance. And according to configurational approach, an organization must develop a human resource system that achieves both horizontal and vertical fit.

Over the years, studies conducted within and across organizations have demonstrated that enormous returns on investments are obtained through the implementation of high involvement, high performance or high commitment management practices. For instance, high commitment work practices have a significant correlation with firm performance (Pfeffer, 1994). Given the positive linkage between strategic human resource management and firm performance evidenced from recent studies, there is a need for organizations to take advantage of strategic human resource management processes and practices. Organizations should develop highly effective human resource strategies that result in sustained competitive advantage.

1.1.4 Sugar Manufacturing Firms in Western Kenya

As a commodity, sugar can economically be derived from two products, namely sugarcane and sugar beet. Sugarcane is cultivated in the tropical countries while sugar beet is cultivated in the temperate world. Seventy percent of world sugar is produced from cane with the biggest world producers being Brazil, India and the European Union. The aim of sugar cultivation is to produce sucrose. Apart from the core function of producing sugar, there are other by-products that are derived from sugarcane such as sugar crystals, sugar syrup, molasses, bagasse and filter scum. These form raw materials for other industries hence sugar is a strategic and multinational product (Kenya Sugar Board, 2007).

Commercial sugar plantation was introduced in Africa during the colonial period. Currently, Kenya has eight operational sugar factories in Western Kenya region: Muhoroni, Chemelili, Mumias, Nzoia, West Kenya Millers, Butali, Kibos and South Nyanza Sugar Company. Unfortunately, Miwani collapsed. The eight form the main sugar factories in Kenya. The Government of Kenya active involvement in the expansion of the sugar subsector, particularly after independence, was among others to ensure self-sufficiency with exportable surplus in sugar production. Thus the sugar industry is one of the oldest industries in Africa and has generated considerable benefits for the respective national economies in several ways (Kenya Sugar Board, 2009).

The Government of Kenya established the Kenya Sugar Board (KSB) under the ministry of Trade and Industry which provides policy and regulatory guidance, forward planning and monitors project pre-feasibility. It is also mandated to regulate, provide and promote a competitive environment in the sugar sectors, encourage research and development as well as quality assurance among others. Initially the objectives of the sugar industry were

to increase the country's GDP through export, open rural industrialization development, curb rural-urban migration and increase employment, create socio-economic enhancement, improve rural infrastructure and communication system as well as attain self-sufficiency in sugar production. At that time, the objectives had more of social than economic orientation. With global trend, the latter has been given more prominence.

Sugar manufacturing firms in Western Kenya have realized a number of achievements in terms of improved factory performance and reduced cost of production. They are credited for being the largest direct employers in the region given that they are labour intensive. They have provided socio-economic boost to communities in the region. The factories are involved in contributions towards social corporate responsibility, health facilities, infrastructure and environmental conservation through agro-forestry and re-forestation. Most of the factories have improved in their targets such as payment to farmers within 30 days upon delivery. There has also been a marked improvement in the sugarcane yield per hectare. Over the last ten years, production of sugar in the country has achieved 23 percent growth, that is, in 2001, 377, 438 tons was produced while in 2010 it was 523, 052 (Kenya Sugar Board, 2009).

However between 1998 and 2001, Kenya suffered from what was perceived to be the biggest crisis when the sugar sector was characterized by near collapse as most factories were in financial crisis. The sugar companies in Western Kenya are facing major challenges such as high cost of production compared to other sugar companies in countries in the COMESA region. Other challenges include low adoption of technology and low product base. The Kenya Government has carried far-reaching policy reforms and yet challenges still exist in the sugar industry. The government indicates that it has

done all it could to address the major problems and the rest of the challenge would now require a stakeholder sector- wide approach. It is against this background that strategic human resource management can be adopted by the sugar factories to help in overcoming the challenges brought about by the changing business environment in the sugar sector (Report of Task force on sugar recovery, 2002).

1.2 Statement of the problem

A firm that operates in a competitive environment needs to engage in strategic human resource management to improve its performance (Barney, 1995). Strategic human resource management involves the design and implementation of a set of internally consistent policies and practices that ensure that firm human capital contribute to the success of the firm (Jackson and Schuler, 1993). Strategic human resource management practices can help a firm attain competitive advantage by lowering costs, adjusting quickly to changes, meeting customer demand and achieving efficiency. Strategic human resource management practices center on human resource management functions such as training and development, compensation and benefits, performance appraisals, selection and recruitment and human resource planning. A number of studies carried out in the past provide evidence that strategic human resource management practices have a positive relationship with firm performance (Huselid, 1995)

The sugar manufacturing firms in Western Kenya play a major role in the economy of Kenya. For instance, domestic production of sugar saves the country in excess of US\$250 million in foreign exchange annually (KSB, Year Book of Statistics). Despite the efforts undertaken by the sugar firms to increase their competitiveness regionally and globally, the performance continues to face challenges such as high cost of production, inadequate

research, low technology adaptation and low product base. These challenges can be overcome by the firms if they adopt strategic human resource practices. The practices can impact positively on quality, innovation, efficiency, sales and profit for the firms. Perhaps the dilemma that the firms have been facing is how to configure the practices in order to achieve success.

Most studies that centre on the linkage between strategic human resource management practices and firm performance have been conducted in the United States and United Kingdom (Gerhart, 2005; Ericksen and Dyer, 2005). Previous studies done in Kenya are limited and hence a need for more evidence from the Sugar Industry to support the link between strategic human resource management practices and firm performance. Furthermore, with exception of some studies such as those conducted by Huselid and his colleagues (Huselid, 1995; Huselid et al, 1997), much of the past research has looked at a single or a few practices at a time (Becker and Gerhart, 1996). However, this approach is relevant in the exploratory phase but deficient or inappropriate considering that a single or a few human resource practices may show a spurious significant relationship with the performance. Therefore, the natural research progression taken in this study examined many strategic human resource management practices simultaneously so that their joint effect can be understood better. A study done by Lunguli (2010) on the relationship between long-term financial sources of capital and firm performance on the sugar industry focused on financial solution to the challenges facing the firms. In contrast this study focuses on non- financial measure, that is, strategic human resource management practices, to create performance. Omore (2008) also established that strategic human resource management practices impact on firm performance in the banking sector.

However, no known research has been focused on the relationship between strategic human resource management practices and firm performance in the sugar manufacturing industry in Western Kenya. This provides a knowledge gap. This industry has been evidenced to be important to the economy and cannot be overlooked. Therefore, the research question to be addressed in this study is: What is the relationship between strategic human resource management practices and firm performance of sugar manufacturing firms in Western Kenya?

1.3 Objective of the study

The objective of the study was to determine the relationship between Strategic Human Resource Management practices and Firm Performance.

1.4 Value of the Study

The findings of study are of great importance in providing insight into the various strategic human resource management practices needed to successfully perform in the manufacturing sector in Kenya. In particular, this study proposes to fill the gap in the body of knowledge in the practices of strategic human resource practices in the Kenya Sugar manufacturing Industry. The study will enable the management of the companies to appreciate the significant role played by human resource hence support it in improving firm performance. The Human resource manager will integrate the findings of this study in their strategic planning. The study findings will also provide the employees of the sugar companies with an insight in the need to improve on their capability. Finally, the findings of the study will provide Kenya Sugar Board with information on how to develop and promote the Kenya Sugar Industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Changes in the current business environment are taking place at a rapid pace. To achieve its objectives in this situation, a firm should have ability to understand the opportunities presented to it and the constraints imposed by its environment (RangaRajan, 1994). The field of strategic management posits that firms can counter the dynamic environmental forces by creating a fit with its environment. A number of approaches are suggested to achieve this match. However, most approaches to creating the fit have been biased in favour of economics hence predominant on the industry determinants of organizational performance (Lado and Wilson 1994, Pfeffer, 1995). There is a need for firms to refocus on their internal strength and weakness to correct this bias (Barney, 1995).

Wright and Macmahon (1992) have argued that the biases in the mainstream strategic management literature can be overcome by stressing the importance of firm specific resources that can provide competitive advantage to an organization on a sustained basis. The assumption is that competitive advantage lies in processing, acquiring and utilizing internal resources in making the firm have an edge over its competitors. This approach is referred to as resource-based view. It is firm-focused and links strategy, internal resources of the firm and performance. Scholars in this area argue that human resource is a key resource since it satisfies the four conditions necessary to achieve sustained competitive advantage. The four conditions are predicted on the fact that human resource is valuable, rare, imperfectly imitable and has no substitutes.

2.2 Strategic Human Resource Management Practices

Chandler (1962) posited that the word strategy means determination of the basic long term goals and objectives of an enterprise and the adoption of action and the allocation of

resources necessary for carrying out these goals. Thus a firm should make a strategic choice that lead to resource optimization in order to achieve competitive advantage. Recent studies indicate that firm competitive advantage could be generated from firm human resource. According to resource- based view (Barney 1986), the firm could develop sustained competitive advantage through creating value in a manner that is rare and difficult for competitors to imitate.

Integrating human resource to the business strategy of the firm forms the backdrop of strategic human resource management. The desirability of a close relationship between a firm's business strategy and human resource management has been well established (Schuler and Jackson, 1992). Despite the increasing attention paid to strategic human resource management, the term remains unclear. Scholars view the term differently. Some view it as a process; others as an outcome while some consider it as both an outcome and a process.

Wright and MacMahan, (1992) contend that strategic human resource management is an outcome and that it is a pattern of planned human resource deployment and activities intended to enable a firm to achieve its goals. On the other hand, Wright and Snell (1991) considered strategic human resource management to be organizational systems designed to achieve sustainable competitive advantage through people. As a process, Ulrich and Lake (1990) described strategic human resource management as a process of linking human resource practices to business strategy. Others view strategic human resource management as a competency- based approach to personnel management and focuses on the development of durable, imperfectly imitable and non- tradable people resources (Bamberger and Meshoulam, 2000). Truss and Gratton (1994) considered both process

and outcome together and described strategic human resource management as the linkage of human resource functions with strategic goals and organizational objectives to improve business performance and cultivate an organizational culture that posters innovation and flexibility. However, there is a consensus among scholar that in the absence of a consistent definition, the central feature of strategic human resource management involves designing and implementing a set of internally consistent policies and practices to ensure that a firm human capital contribute to achieving business objectives (Jackson and Schuler, 1993).

Human resource is considered a strategy for various reasons. According to Gerhart and Wright, (2006), human resource professionals play an important part in strategy formulation since they develop policies and procedures to match the business strategy thus influence the development of the business. Human resource also brings critical resources to enhance the department ability to implement human resource practices. Alignment of the human resource (Internal fit) with the operating and strategic goals (external fit) is aimed at impacting on firm performance. Finally, the specificity and formality requirements of human resource management planning and the extent of line manager participation in human resource management activities are potential influences on strategic human resource management (Huang, 1998).

Huselid et al (1997) posit that strategic human resource management practices a reexpected to lead to participation in core decision- making and partnership played by human resource management department in planning and implementation. All these are designed to ensure that firm human capital contributes to achieving firm business goals. Strategic priorities of firm human resource include team-based job designs, flexible

workforces, quality improvement practices, employee empowerment and incentive compensation. These new priorities are more business and strategic oriented and less oriented towards traditional human resource functions such as staffing, training, appraisal and compensation. Strategic human resource management is designed to diagnose firm strategic needs and planned development in order to implement a competitive strategy and achieve firm operational goals.

2.3 Firm Performance

The key strategic goal of every business is higher financial performance or maximization of wealth for the shareholders (Becker and Huselid, 2006). But achievement of the organization's long-term ultimate objective, for example profit, depends on the degree to which its organizational objectives are reached (Delaney and Huselid, 1996; Delery, 1998; Huselid, 1995). Organizations employ various measures of performance as opposed to a single measure.

Kaplan and Norton (1992) developed a comprehensive performance measurement system referred to as the balanced scorecard. The balanced scorecard measures firm performance in both financial and non-financial terms. Financial indicators include profits and returns on investment and sales growth. Customer indicators measure market share, customer retention and loyalty, customer acquisition, customer satisfaction and customer profitability. The internal business perspective applies the internal process that have the greatest impact on customer satisfaction and financial objectives such as innovation, operation and post-sales services. Growth perspective focuses on identifying organizational capabilities aimed at achieving superior internal processes that create value for customers and shareholders.

Others scholars place performance measures into a number of indices. The first index is effectiveness, that is, if the organization meets its objectives (Dyer and Reeves, 1996). The second index is efficiency; if the firm uses the fewest possible resources to meet its objectives (Rogers and Wright, 1998). The third measure is development, and that is, if the organization is developing in its capacity to meet future opportunities and challenges (Phillips, 1996). The fourth index is satisfaction: of all participants, stakeholders, employees and customers (Delaney and Huselid, 1996). Innovation is the fifth index and applies to both products and processes (Guest, 2001). Quality, the last index, focuses on percentage of products of high quality (Delaney and Huselid, 1996).

2.4 Strategic Human Resource Management Practices and Firm Performance

Over the years, studies carried out in the fields of Human Resource Management and Industrial Relation show evidence that human resource management practices impact positively on firm performance (Pfeffer, 1994; McDuffie, 1995). Studies conducted both within specific industries and across industries have demonstrated that enormous economic returns were obtained through the implementation of high involvement, high performance or high commitment management practices (Huselid, 1997); Arthur, 1994; Huselid and Becker, 1996, Pfeffer, 1994). The link between strategic human resource management and firm performance has been examined by use of three approaches: Universalistic, contingency and configurational (Delary and Doty, 1996).

Scholars in the universalistic approach are micro-analytical in nature and they posit that some human resource practices are always better than others and that all organizations should adopt these practices to improve their firm performance. The scholars argue that many human resource practices are consistently better than comparative practices. They

also claim that these so-called “best practices” are applicable in all organizations regardless of size, industry, or business strategy (Arthur, 1994; Delery and Doty, 1996). Such theories suggest that implementation of a specified set of human resource practices, termed “best practices” will always result in superior results irrespective of the accompanying circumstance. (Claus, 2003; Huselid, 1995, Pfeffer, 1994).

The scholars emphasize that “internal fit” or “horizontal fit” or an “alignment of human resource practices” helps to produce a significant improvement of an organization’s performance. Scholars such as Pfeffer (1994, 1998) and Huselid (1996) who are the proponents of universalistic model have highlighted a number of lists of “best practices” that constitute the “best practice bundles” or “high performance work systems that accompany firm performance. Initially Pfeffer (1994) came up with 16 practices. More recently, these 16 practices have been summarized into seven practices: including employment security, selective hiring, self-managed teams, provision of high pay contingent on company performance, extensive training, reduction of status differences and sharing of information (Pfeffer, 1995). The strategic human resource management practices are assumed to help a firm improve its human resources cost benefits, promote operating efficiency, increase innovation and revolution ability and organizational performance (Dyer, 1985).

Contingency scholars hold a different view and argue that in order to be effective, an organization’s human resource practices must be consistent with other aspects of the organization. A common contingency factor that has been identified is business strategy. And the underlying assumptions on the strategy- performance link are applicable only under high external fit conditions, termed the “best fit” school (Boxall and Purcell,

2003). The contingency perspective identified by Delery and Doty (1996) comprises those scholars that argue that the success of strategic human resource management policies is contingent upon the achievement of a match between human resource policies and other aspects of the organization. For example, researchers adopting this perspective have demonstrated that different human resource policies may be required at different stages in an organization's life cycle for improvement in performance to be realized (Grundy, 1997).

On the other hand, the configurational perspective is concerned with how the pattern of multiple independent variables relate to a dependent variable and not with how individual independent variables relate to the dependent variable. The configuration scholars claim that in order to be effective, an organization must develop a simultaneous internal and external fit between its external environment, business strategy and human resource strategy. This implies that business strategies and human resource management policies need to interact according to organizational context in determining firm performance (Arthur, 1994).

Guest (1997) noted that there is empirical support for the three perspectives although there is a consistently stronger support for the internal fit model. That is, if it is continued and improved. Universalistic perspective is termed as internal fit and describes strategic human resource management as an ideal set of practices. Contingency perspective is termed as an external fit. That is, strategic human resource management is seen as a strategic integration. And configuration fit describe human resource management as bundles. McDuffie (1995) while arguing in favour of "bundles" of human resource

practices added that the influence of human resource practices on firm performance are multiplicative and not additive as assumed in earlier research.

Conceptual work done by various scholars support that a causal relationship exist between strategic human resource management policies and firm performance (Huselid and Becker, 1998; Delery and Doty, 1996; Becker and Gerhart, 1996).The studies indicate that comprehensive selection and training activities are frequently correlated with both productivity and firm performance (Kandula, 2006).

Studies on compensation indicate that designing compensation system that reinforces the organizations business strategy can make the organization more competitive and increase its effectiveness. To create a high performance, compensation philosophy must reinforce and reflect organization culture, external environment and business strategy (Gomez-Mejia and Balkin, 1992). Organizations need to manage career development activities and their employees so as to tap their creative potential. According to Pfeffer (1994), high commitment work practices such as employment security, high wages, employee ownership, information sharing, participation and empowerment; cross-training and redesign of jobs, are all forms of work organizations that have a significant correlation with firm performance. Finally the organization should have effective industrial relation system that leads to fewer grievances, disciplinary actions and lower absenteeism as these impacts on firm performance (Katz et, al, 1985). Drucker (1967), commenting on how organization should be run, concluded that “the great potential hidden in human capital of an organization could be a solution to most of the organization problems if it is exploited through appropriate strategic human resource management practice.

2.5 Conceptual Framework

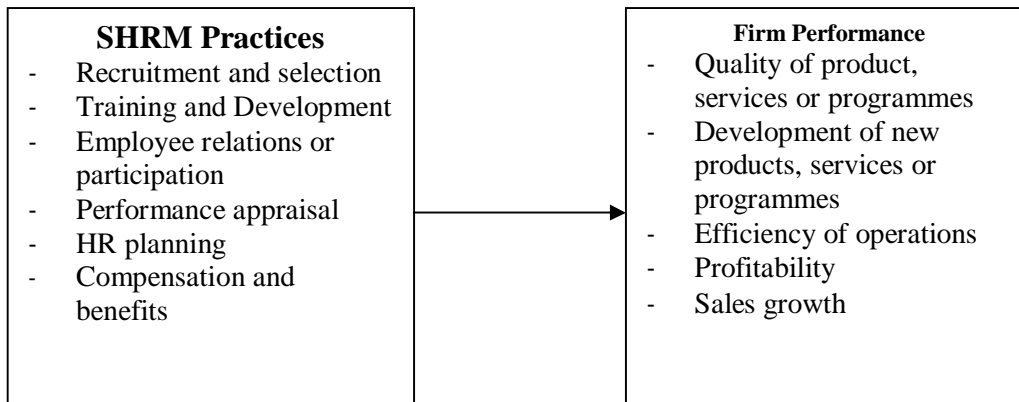


Figure 2.1: Relationship between strategic human resource management practices and firm performance

Conceptual work by scholars supports the fact that strategic human resource management practices impact positively on firm performance. In this study, operational model on strategic human resource management practices was based on the major functions of human resource management. The model in figure 2.1 is applicable in this study. Strategic human resource practices based on major functions of HRM such as recruitment and selection, training and development, performance appraisals and compensation and benefits are included in this study. Relevant strategic human resource management practices that are considered to impact on firm performance such as employee relations, or participation and human resource planning are also added to functional areas. Strategic human resource practices based on the functional areas have been demonstrated, theoretically or empirically to affect firm performance positively in previous studies (Becker and Huselid, 1996).

In this study, an examination of alternative dependent variables was done to provide important confirmatory information on the association between strategic human resource

management practices and firm performance. The various practices may have differing effect on different measures of performance. In this study, two financial indicators, that is percentage growth in sales labeled 'sales growth' and percentage profit, labeled 'profitability' are used. In addition, firm performance was also be examined in terms of three non-financial indicators: quality of products, services or programmes, development of new products, services or programmes and efficiency of operations (see figure 1). Thus strategic human resource management practices form the independent variable while firm performance forms the dependable variable.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a cross-sectional descriptive survey design where data was collected from all members of the population. A descriptive study is concerned with description of the phenomenon, discovery of association among different variables and characteristics associated with the subject population (Cooper and Schindler, 2003). Census study is feasible when the population is small and variable.

3.2 Population of study

Population of the study comprised all the eight sugar companies in Western Kenya, registered by the Kenya Sugar Board. The list of the sugar companies is presented in appendix III.

3.3 Data collection

Data was collected from both primary and secondary sources. The primary data was obtained from the sugar companies through the administration of self-completion questionnaire. The questionnaire was administered through “drop and pick later” method. The questionnaire comprised both closed and open-ended questions. The questionnaire was divided into three sections: I, II and III. Part I was designed to collect data on the organization; part II, adopted from Khatri (2000), was used to collect data on strategic human resource management practices and part III, adopted from Delaney and Huselid, (1996) collected information on firm performance. The data was obtained from head of

human resource department in each sugar company because they deal with issues of human resource management in the organizations.

Secondary data was used to supplement primary data. Secondary data was collected on company performance based on financial and non-financial measures. These measures included quality of products, services or programmes, development of new products, services or programmes, efficiency, profitability, and sales growth. Information obtained from Kenya Sugar Board Strategic plans, Sugar year books of statistics and other latest publications of Kenya Sugar Board were used to verify response to performance measures.

3.5 Data analysis

Before analysis, the collected data was checked for completeness and consistency. The data was analysed using SPSS. Analysis was done using descriptive statistics such as the mean, standard deviation, frequency distribution and percentages. Pearson Correlation statistical tool was used to establish the strength and significance of the relationship between strategic human resource management practices and firm performance. Presentation of data was done using pie-charts, percentages and tables.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter covers the findings of the research and data analysis. The study had eight respondents who were human resource managers of the eight sugar manufacturing firms in Western Kenya. The firms were Chemelil Sugar Company, Mumias Sugar Company, Nzoia Sugar Company, South Nyanza Sugar Company, West Kenya Sugar Company, Muhoroni Sugar Company, Kibos Sugar Company and Butali Sugar Company. The collected data in the study was analyzed and interpreted in line with the objective of the study which was to determine the relationship between Strategic Human Resource Management practices and Firm Performance.

4.2 Descriptive statistics

4.2.1 Organizations' Workforce

The organizations' workforce as per each category is as shown in Table 4.1 below.

Table 4.1: Distribution of the organizations by workforce

Category	No. of firms	% Response
Below 500 employees	0	0
501—1000 employees	4	50
1001—1500 employees	1	12.5
Above 1500 employees	3	37.5
Total	8	100

Table 4.1 shows that all the sugar firms had over 500 employees. 50% of the firms had between 500 and 1000 employees. 12.5% of the firms had 1001-1500 employees while 37.7% had over 1500 employees.

4.2.2 The extent of firms' engagement in Strategic Human Resource Management Practices

The questionnaire had statements on the strategic human resource management practices. These were conceptualized into 8 themes namely recruitment and selection, training and development, training effectiveness and evaluation, performance based compensation, .practices, consultative performance appraisal and human resource planning. The extent of engagement of the practices in the respective organizations was investigated using a set of questions presented to the respondents using a five-point Likert scale: Very great extent was given a score of 5, great extent was given a score of 4, moderately was given a score of 3, less extent was given a score of 2 and not at all was given a score of 1. For each of the five questions, the scores for each respondent was summed up and divided by the total number of respondents to give a mean for the response. The standard deviation of the response was also computed to give the standard error of the response. Table 4.2 below shows the means and standard deviations of the results

Table 4.2 Strategic Human Resource Management Practices

Statement	Mean score	Standard deviation
Recruitment and selection	3.5	1.024
Training and Development	3.8	0.975
Training Evaluation	3.7	0.939
Performance-based Compensation	2.8	1.168
Flexible Benefits	3.1	0.947
Employee Relations Practices	3.5	0.014
Consultative Performance Appraisal	4.4	0.750
Human Resource Planning	4.5	0.780
Overall Mean and Standard Deviation	3.7	0.825

Table 4.2 gives a summary of the results obtained based on the major functions of human resource management. Specifically, recruitment and selection practices had an overall mean score of 3.5. This is above the midpoint of 3.0. This means that recruitment and selection are practiced in the organizations to a great extent.

Most of the organizations practiced training and development to a great extent as shown by a mean score of 3.8 out of a possible maximum mean score of 5.0. Training evaluation was practiced to a great extent by most sugar manufacturing firms. This is shown by a mean of 3.7 out of a possible maximum of 5.0.

Performance- based compensation practiced to an average extent by many of the organizations studied. This was shown by a mean of 2.8 out of a possible maximum of

5.0. The firms practiced flexible benefits to a moderate extent as shown by a mean score of 3.1.

Employee relations practices were carried out to a great extent. This was shown by a mean score of 3.5 which was above the midpoint of 3.0.

Consultative performance appraisal practices were carried out to a great extent in most of the organizations as indicated by a mean score of 4.4. Human resource planning practices were also carried out to a great extent as shown by a mean score of 4.5. The overall mean score for all the practices was 3.7 with a standard deviation of 0.825. This means that the organizations studied engage in most aspects of strategic human resource management practices.

4.2.3 Information Flow between Human Resource Department and other Departments in the Organization

The study investigated the information flow between the human resource department and other departments in the sample organizations. The data revealed that the information flow between the human resource department and other departments was largely above average in terms of the extent to which it happens. The results are presented in figure 4.1 below.

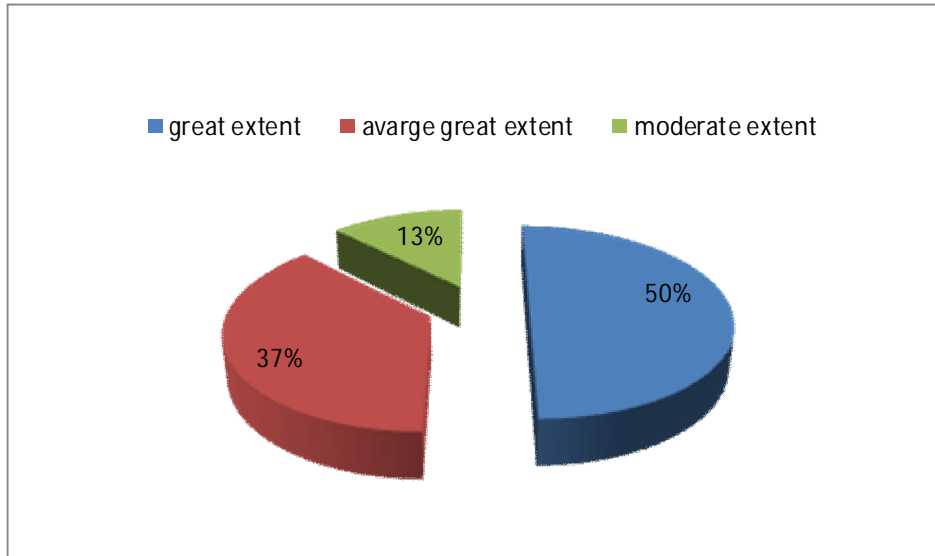


Figure 4.1: Respondents Rating of the Information Flow between the Human Resource Departments and other Departments

In four (50%) of the eight organizations, the information flow between the human resource departments and other departments took place to a great extent. In three (37.5%) organizations the information flow took place very frequently while in one organization, information flow was average. The respondents were further asked to explain their responses. Table 4.3 below presents the findings.

Table 4.3: Reasons for information flow

Reasons for information flow	Frequency	Percentage
Consulting with other departments on the job descriptions required by HRM to establish staff standards and procedures.	4	50
Consultation is undertaken with the relevant departments on recruitment and selection issues.	2	25
Since the human resource is concerned with matters of administration, industrial relations and staff training, it constantly shares information with all the other departments.	2	25

From the results in table 4.3, the human resource department had good information flow with other departments because they were in constant consultation with them on their job

description as indicated by 50% of the respondents. Two (25%) of the respondents said that their human resource department frequently consulted with other departments during the process of staff recruitment, selection and placement. Lastly, two (25%) of the organizations had it that since the human resource is concerned with matters of administration, industrial relations and staff training, it constantly shares information with all the other departments.

4.2.4 The Extent to which Human Resource Department is treated as a Specialized Function

The respondents were asked to indicate the extent to which the human resource department was treated as a specialized department. It emerged that the human resource department was treated as a specialized department in a greater number of the organizations as presented in figure 4.2 below.

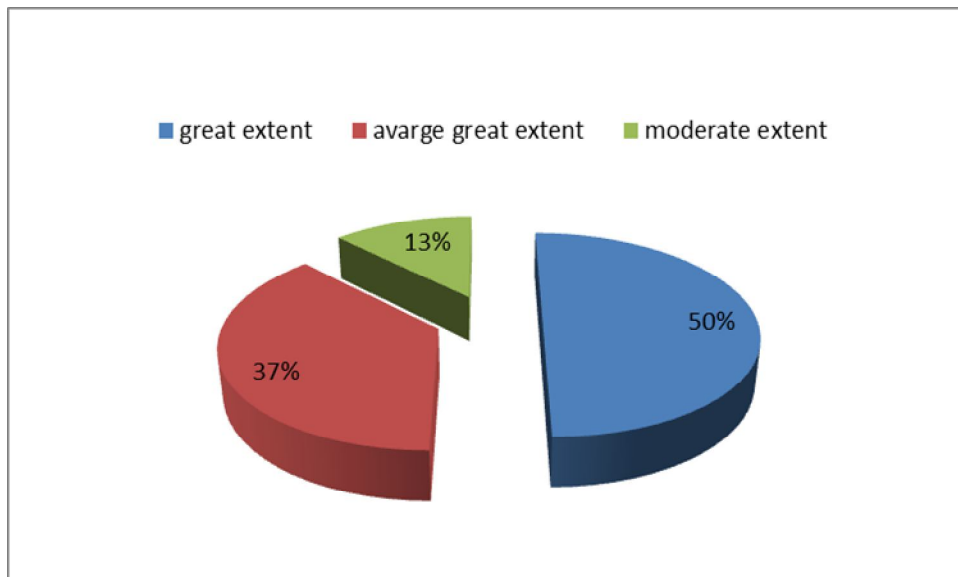


Figure 4.2: Extent to which Human Resource Department is treated as Specialized Function

From figure 4.2, in four (50%) organizations, the human resource department is treated to a very large extent as a specialized department. In three (37.5%) other organizations human resource department is treated as a specialized department and in one (12.5%) organization, human resource management department is treated particularly as a specialized department.

4.3 Organizational Performance

The study had questionnaires that captured the performance of the organizations. Performance indicators included quality of products, services, or programmes, development of new products, services or programmes, efficiency of operations, profitability and sales growth. The respondents were asked to compare the performance of their organizations on these indicators over the past four years to that of other organizations that are in the same kind of business using a five-point Likert scale where 1 indicated poor performance, 2-below average performance, 3-average performance, 4-above average performance and 5 excellent performance. Table 4.4 below presents the mean scores and standard deviations of responses on organizational performance.

Table 4.4: Organization Performance

Performance Indicator	Mean Score	Standard deviation
Quality product, services or programmes	4	0.93
Development of new products, services or programmes	3.3	1.04
Efficiency of operations	3.1	0.83
Profitability	3.5	0.53

Sales growth	3.5	1.19
Overall mean score and standard deviation	3.5	0.904

As shown in table 4.4, the mean score for quality of products, services, or programmes was 4 meaning that on the average, the quality of products, services or programmes offered by the organizations was above industry average. The mean score for development of new products, services or programmes was 3.3. This means that on the average, development of new products, services or programmes in the organizations was also average. The mean score of efficiency of operations was 3.1 meaning that on the average, the efficiency of operations of the organizations was average. An analysis of the mean score for profitability was 3.5, meaning that on average the profitability of the studied organizations was rated above the industry average. The mean score for sales growth was 3.5 implying that on average the sales growth for the organizations was above industry average. In general, the organizations had an overall performance mean score of 3.5 with a standard deviation of 0.904. This means that all the organizations that were studied generally perform above the average.

4.3.1 Relationship between Strategic Human Resource Management Practices and Organizational Performance

Relationship between strategic human resource management practices and performance was tested for strength and significance using Pearson product moment correlation technique.

Variable definitions for performance

X1 = Quality of products, services, or programs

X2 = Development of new products, services or programs

X3 = Efficiency of operations

X4 = Profitability

X5 = Sales growth

The results were presented in table 4.5 below.

Table 4.5: Results of the Correlation analysis for the relationship between Strategic Human Resource Management Practices and Organization Performance

Strategic human resource management practices	Correlation coefficients				
	R	R	R	r	R
	X1	X2	X3	X4	X5
Recruitment and selection	0.616	0.525	0.563	0.680	0.545
Training and development	0.695	0.673	0.505	0.591	0.581
Training effectiveness and evaluation	0.605	0.533	0.488	0.500	0.558
Performance based compensation	0.514	0.687	0.509	0.517	0.582
Flexible benefits	0.461	0.500	0.622	0.510	0.599
Employee relations practices	0.523	0.655	0.456	0.578	0.478
Consultative performance appraisal	0.583	0.672	0.570	0.584	0.524
Human resource planning	0.564	0.512	0.504	0.518	0.635
Overall correlation coefficient	0.570	0.595	0.527	0.567	0.563

Table 4.5 above presents the results of the correlation analysis for the different aspects of strategic human resource management practices and performance. Each aspect of strategic human resource management practice was correlated with different aspects of performance namely quality of products, services, or programmes, development of new products, services or programs, efficiency of operations, profitability and sales growth. Performance aspects that had the highest correlation with aspects of strategic human resource management practices were taken to be the ones highly related to the strategic human resource management practices while those that had the lowest correlation were those that had the least relationship.

The first strategic human resource management practice was recruitment and selection. All its aspects had a positive correlation with profitability. For example, recruitment and selection had the highest correlation with profitability ($r= 0.680$). Recruitment and selection had the lowest correlation with development of new products, services or programmes (0.525).

In the case of training and development the two components of training and development had the highest correlation of 0.695 with quality of products, services, or programs. However, this practice had the lowest correlation of 0.505 with efficiency of operations.

Training effectiveness and evaluation had the highest correlation with quality of products, services or programmes indicated by 0.605. This practice has the lowest correlation with efficiency of operations shown by 0.488.

Performance-based compensation practices had the highest impact on development of new products, services or programmes. This is shown by a correlation coefficient of

0.687. However, these practices have the lowest correlation with efficiency of operations indicated by 0.509.

Flexible benefits had the highest relationship with efficiency of operations with a coefficient of 0.622. This means that companies that have flexible benefits for their employees impact more on efficiency of operations. However flexible benefits had the lowest correlation with quality of products, services or programmes. This is indicated by a correlation coefficient of 0.461.

Employee relations practices had more impact on development of new products, services or programmes. This is shown by a coefficient of 0.655. The same practices had the lowest relationship with efficiency of operations. Consultative performance appraisal had the highest relationship with development of new products, services or programmes as indicated by a correlation of 0.672. However, this practice had the lowest relationship with sales growth as indicated by a correlation of 0.524.

Human resource planning related highly with sales growth with a coefficient of 0.635. However, the practice had the lowest relationship with efficiency of operations as shown by a correlation of 0.504.

In general, strategic human resource practices carried out by the sugar manufacturing companies had a positive relationship with performance as the Pearson correlation coefficient statistic figure was found to be 0.565; $P < 0.05$; $n = 8$.

CHAPTER FIVE: DISCUSSION, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents discussion, summary of the findings, draws conclusions and presents recommendations on the findings of the study. This chapter further gives recommendations for further study.

5.2 Discussion

The human resource management practices that were examined for their effect on performance included: recruitment and selection, training and development, training effectiveness and evaluation, performance based compensation, flexible benefits, employee relations practices, consultative performance appraisal and human resource planning. An examination of their mean scores found that sugar manufacturing firms have adopted strategic human resource management practices to a great extent. Thus the findings of this study are consistent with the stream of research and theory that support the universalistic perspective. Universalistic perspective suggest that strategic human resource management is the best practice and a source of competitive advantage for any organization regardless of size, business strategy, location or industry (Pfeffer, 1994).

The results of this study add to the growing empirical evidence that suggest that strategic human resource management impact on firm performance. However, the findings indicate that direct and interactive effects of the human resource practices vary with the performance measure. For example, recruitment and selection correlation coefficient were positive and significant with all the performance indicators. This means that sugar manufacturing firms focus on these processes in order to capture the right stock of human

talent that will lead to sustained competitive advantage. Recruitment and selection correlates more with profitability and less with development of new products, services and programmes. Study findings also show that strategic human resource practices had a stronger positive relationship with non-financial performance indicators (quality of products, services or programmes and development of new product or programmes) than profitability and sales growth. This finding supports Guest (1997) who argued that the influence of the human resource practices is likely to vary from one performance indicator to the other and that multiple indicators of performance need to be used in strategic human resource studies.

The findings of the study also relates to the importance attached to the role of human resource function. The study shows that human resource function is considered an important function in the sugar manufacturing firms. It is considered an integral part of organizational planning and the human resource manager also participates in strategic planning meetings. The level of interaction between the human resource department and other departments is also taking place to a great extent. The organizations studied have also changed the title of the personnel function to human resource manager. The human resource manager heads an independent department and he or she reports directly to the managing director. Thus the human resource role is gaining importance. The research findings leaves no doubt that firms that want to develop a competitive advantage over the others need to adopt these strategic human resource management practices.

5.3 Summary

From the study findings, it is evidenced that strategic human resource management practices have a positive relationship with firm performance. This shows that a firm that wants to develop a competitive advantage over its rivals should embrace these so called “best practices”.

5.4 Conclusions

The purpose of the study was to determine the relationship between Strategic Human Resource Management practices and Firm Performance. The study found that all the human resource management practices had a positive relationship with performance. This means that with increase in the human resource management practices performance also increased. The correlation between strategic human resource management practices and performance ranged between 0.4 and 0.7 meaning that the different aspects of human resource were averagely related with performance. The relationship was tested at a significant level of 0.05%.

5.5 Recommendations

The sugar manufacturing industry is faced with many challenges due to changes in the business environment. Thus investment in human resource can help improve on their profitability, sales growth, quality of products, development of new products and operating efficiency. However, what is important is knowing the best means to make the impact. Thus, an important implication of this study is that organizational performance depends on correct decision making focusing on human resources as a source of competitive advantage. The firms should also note that the higher the extent of adoption of strategic human resource management practices the better the performance. Besides the implications for the business, the human resource practitioners should continue to adjust their mindset and build professional capabilities

to face the new challenges that are currently faced by the sugar industry. They should spend time diagnosing firm strategic needs and develop practical solutions for achieving business goals. Human resource managers are required to demonstrate higher integrative capacity. This is a valuable and scarce organizational skill

5.6 Suggestion for further study

Research on strategic human resource management practices and firm performance merits further study. The study recommends that future researchers on sugar manufacturing firms should do a regression analysis study to establish the extent to which the strategic human management resource practices influence firm performance. This is because this study focused on establishing the relationship between strategic human resource management practices and firm performance and not the extent to which the strategic human resource management practices relate with performance.

5.7 Limitation of the study

There were two limitations that may have affected the findings of the study. For example, the study only captured views from one respondent in every organization. This makes it difficult to compare the finding of the respondent with other respondents in the same organization which is usually important in spotting bias of a respondent. Some respondents may have feared giving information that their organization was not profitable, or had low sales. This is because all the organizations said that they were profitable while this may not be true since some of the companies have been documented to be having low profits and sales volumes. Some have even been threatened with closure

REFERENCES

- Ansoff, I.H., (1991). ' *Strategic Management in A Historical Perspective; International Review of strategic Management* 2(1), PP 3-69
- Armstrong, M., (1999). *Human Resource Management*, 8th Edition, Prentice Hall London.
- Armstrong, M. (2006). *A Handbook of Human Resource Management Practice*, 10th Edition, Kogan Page, London.
- Arthur, J.B., (1994). ' *Effect of Human Resource systems on Manufacturing Performance and Turnover*', *Academy of Management Journal*, 37(3), PP 670-87.
- Barney, J.B., (1995). ' *Looking inside for Competitive Advantage*; *Academy of Management Executive*, 9(4), AP 49-61.
- Barney, J.B., (1986). ' *Looking inside for Competitive Advantage*; *Academy of Management Executive*,
- Bamberger, P and Meshoulam, I.(2000). *Human resource strategy: Formulation, implementation and impact*. Thousand Oaks, C.A. Saye
- Becker, B.E and Huselid, M.A, (2006). ' *Direct Estimates of S.D and the Implications for utility Analysis*; *Journal of Applied Psychology*, PP 77; PP 227-233.
- Becker, B.E and Gerhart, B., (1996). ' *The Impact of Human Resource Management on Organizational performance: Progress and Prospects*; *Academy of Management Journal*, 39(4) PP 779-801.
- Boxall, P. and Purcell, J. (2003). *Strategic and Human Resource Management*. Hampshire, UK: Polgave- Macmillan

- Cooper, R.D and Schindler, S.P. (2003). *Research methods* 8th Ed, Tata McGraw, Hill, New Delhi
- Chang, W.A. and Huang, T.C., (2005). ' *Relationship between Strategic human resource management and Firm Performance: A Contingency perspective*; International Journal of Manpower, 26(5), PP 434-449
- Claus, L. (2003). *Similarities and differences in human resource management in the European Union*. Thunderbird International Business Review, 45, 729-758
- Delery, J.E and Doty, D.H, (1996), ' *Modes of Therizing in Strategic human resource management*; Academy of Management Journal, 39(4), PP 802-835
- Delaney, J.T and Huselid, M.A, (1996), ' *The Impact of Human Resource Management Practices of Perceptions of Organizational Performance*; Academy of Management Journal, Volume 39(4), PP 949-969
- Drucker, P. (1967). *The Effective Executive*. Heinemann, London
- Dyer, L, (1985). ' *Strategic human resource management and Planning; Personnel and Human Resource Management Journal*, 3(1), PP 30, Greenwich, CT.
- Dyer, L., and Reeves, T.(1996). *Human Resource Strategic and firm performance: What do we know and where do we need to go.*' International Journal of Human Resource Management, 6, 656-670
- Ericksen, J, and Dyer, L. (2005). *Towards a strategic human resource management model of high reliability organization performance*. International journal of Human Resource management, 16, 907-928

- Gerhart, B. (2005). *Human Resources and business performance. Findings, unanswered questions and an alternative approach*. Management Review, 16, 174-185
- Gomez-Mejia, L.R., Balkin, D.B and Cardy, R. (1992). *Managing Human resources* New-York. Prentice- Hall International Inc.
- Government of Kenya, Report on the *Task Force on Recovery of the Sugar Industry*, Nov, 2002
- Grundy, T (1997). *Human Resource management: Strategic Approach*. Long Range planning. 30(4), PP 507-517
- Guest, D.E., (1997), *Human Resource Management and Performance: A Review of the Research Agenda*, International Journal of Human Resource Management, 8(3), PP 263-376
- Guest, D.E, (2001), *Personnel and Human Resource Management: Can You Tell the Difference?* Personnel Management, (21), PP 48.
- Huang, T.C. (1998) *The Strategic Level of Human Resource Management and Organizational performance. An Empirical Investigation: Asia, Pacific* Journal of Human Resources, 36(2)
- Huselid, M.A. and Becker, B.E., (2006). *Strategic human resource management: Where Do We Go From Here?* Journal of Management, (32), PP 898.
- Huselid, M.A. and Becker, B.E., (1996). *Methodological Issues in Cross-Sectional and Panel Estimates of the Human Resource- Firm Performance Link*, Industrial Relations, (35), PP 400-422

- Huselid, M.A., (1995). *'The Impact of Human Resource Management Practice on Turnover, Productivity and Corporate Financial Performance'*, Academy of Management Journal, 38(3), PP 59-72
- Huselid, M.A., Jackson, S.E and Schuler, R.S., (1997). *'Technical and Strategic human resource management Effectiveness as Determinants of Firm Performance'*, Academy of Management Journal, 40(1), PP 171-188
- Inyang, B.J., (2002). *'Harmonizing HRM practice in the Public and Private sector'*, HRM, 10(7), PP 8-14
- Jackson, S.E and Schuler, R.S., (1995). *'Understanding Human Resource Management in the context of Organization and their Environment'* Annual Review of Psychology, (46), PP 237-264
- Kandula, S.R., (2006). *Strategic Human Resource Development*, Prentice Hall, New Delhi, India- PP 84-85
- Katz, H.C., Kochan T.A and Gobeille (1985). *Industrial relations performance, economic performance, and QWL programmes: An interplant analysis*. Industrial and Labor Relations Review. 37(3), PP 3-17
- Kaplan, R.S and Norton D.P (1992). *The Balanced scorecard. Measure that Drive performance*, Harvard Business Review, January- February PP 71-80
- Kenya Sugar Board, (2009). *'Strategic Plan, 2009-2014,'* KSB Headquarters, Nairobi
- Kenya Sugar Board, (2010). *'Year Book of Statistics;'* KSB Headquarters, Nairobi
- Kenya Sugar Board, (2010), *'Service Charter,* Sukari Plaza, Nairobi

- Khatri, N., (2000). '*Managing Human Resource for competitive Advantage: A study of companies in Singapore*', Journal of Human resource Management, 11(2), PP 336-365
- Lado, A.A. and Wilson MC, (1994), '*Human Resource Systems and Sustainable Competitive Advantage*,' Academy of Management Review, (13), PP 454-470
- Legnick- Hall, C.A and Legnick- Hall, M.L., (1988). '*Strategic human resource management: A Review of Literature and proposed Typology*', Academy of management Review, 13(3), PP 451-470
- Lunguli, M.M, (2010). '*Sources of Long term capital among Sugar Companies for firm performance*', Unpublished MBA Project, University of Nairobi, Nairobi-Kenya
- MacDuffie, J.P., (1995). *Human Resource Bundles and Manufacturing Performance: Organizational Logic and Flexible Production Systems in the World Auto Industry; Industrial and Labour Relations Review*, (48), PP 197-221
- Omor, M.A., (2008). '*Strategic human resource management Practices and Firm Performance*'s A survey of the Banking sector in Nairobi. Unpublished MBA Project, University of Nairobi
- Phillips, J.J., (1996). *Accountability in human resource management*. Houston Tx: Gulf Publishing Company.
- Pfeffer, J., (1994). '*Competitive Advantage through people*, Boston, M.A: Harvard Business School
- Pfeffer, J., (1995). *Producing Sustainable Competitive Advantage through the Effective Management of people*; Academy of Management Executive, 9(1),PP55-72

- Porter, M., (1985). *Competitive Advantage*, New York: The Free Press
- Purcell, J., (2004). *The HRM- Performance Link; Why, How and when does people Management Impact on Organizational Performance?* John Lovett Memorial Lecture, University of Limerick.
- Ramsay, H. Scholarous, D and Harley, B., (2006). *Employees and High Performance Work systems; testing inside the black box*, British Journal of Industrial Relations, (38), PP 501-531
- RangaRajan, C.(1994). Forward. In ArunKamar Jain (Ed), *Managing Global competition: Achieving world class competitions*. Dehradun: Competence Publishing
- Rodgers, E.W, and Wright, P.M. (1998). *Measuring Organizational performance in strategic human resource management: problems prospects and performance information markets*. Human Resource Review, 8, 311-331
- Russel, J.S, Terborg, J.R and Powers, M.I.,(1985). *Organizational performance and Organizational level training and support*; Personnel Psychology, (38), PP 849-863
- Schuler, R.S and Macmillan (1984). *Gaining competitive advantage through human resource management practices*. Human Resource management, 23(1), PP. 241-255
- Schuler, R.S. (1992). "Strategic Human Resource Management: Linking the people with the strategic Business Needs of the Business" Organizational Dynamic, 18-31

- Schuler, R.S., Jackson, S.E. and Storey, J. (2001). *HRM and its Link with strategic Management*, in J Storey (Ed), *Human Resource Management: A critical Text*, 2nd Edition, Thompson Learning
- Storey J. (1992), *Development in the management of Human resources. Managing Human Assets*. Oxford Pitman Publishers London
- Truss, C. and Gratton, L. (1994). 'Strategic Human Resource Management: A Conceptual Approach,' *International Journal of Human Resource Management*, 5(3): 663-686
- Ulrich, D., (1997). *Delivering Results Through People*, Boston, Harvard Business Press
- Ulrich, D and Lake, D, (1990). *Organizational capability*. New York: John Wiley and sons
- Wright, P.M and McMahan, G.C (1992) '*Theoretical perspectives of strategic Human Resource Management*', *Journal of management* 18(2): 295-320
- Wright, P.M, and Snell, S.A.,(1991). *Towards an Integrative view of strategic Human resource management*. *Human Resource Management Review*. 27(1), PP 203-225

APPENDICES

APPENDIX I: INTRODUCTION LETTER

University of Nairobi,
School of Business,
Department of Business Administration
P. O. Box 30197,
Nairobi.

Date _____

Dear Respondents,

RE: REQUEST FOR RESEARCH DATA

I am a Master of Business Administration student at the University of Nairobi specializing in Human Resource Management. In partial fulfilment of the course requirement, am conducting a research study on “Strategic human resource management Practices and firm performance of the Sugar Manufacturing industry in Western Kenya”.

You have been chosen to participate in the study and I will appreciate your input in responding to all the items in the attached questionnaire. The study is purely academic. Kindly note that your responses shall be treated as confidential and anonymous and at no instance will your name be mentioned in the report. A copy of the study report will be availed to your company upon request.

Your assistance will be highly appreciated.

Yours faithfully,

Susan Rabah,
MBA Student,
University of Nairobi.

APPENDIX II: QUESTIONNAIRE

This questionnaire is designed to gather information on the relationship between Strategic human resource management practices and firm performance in the sugar manufacturing companies in Western Kenya

PART I: Profile of Respondents and Organization

1. Respondent's Name (Optional):.....
2. Respondent's designation:
3. Name of the Company:
4. Indicate by ticking the category of your workforce.
 - A. Below 500 Employees
 - B. 501-1000 Employees
 - C. 1001-1500 Employees
 - D. Above 1500 Employees

PART II: Strategic Human Resource Management Practices

The numbers on the measurement will represent the following:

1. Not at all
2. To a less extent
3. Moderately
4. To a great extent
5. To a very great extent

Rate the extent of your agreement or disagreement with each of the following statements by ticking the appropriate cell

Statement	Rating				
	1	2	3	4	5
Recruitment and Selection					
Managerial selection is always done using psychological, personality and practical tests					
Non- managerial selection is always done using psychological, personality and practical tests					
Realistic job preview (i.e. giving recruits both positive and negative information about the organization and job is always used for managerial appointment)					
Realistic job preview (i.e. giving recruits both positive and negative information about the organization and job is always used for non-managerial appointment)					
Employee selection techniques and procedure instruments are always validated before use					
Training and Development					
Amount of Training					
Employees usually go through training programmes every few years					
Formal training programmes are in place to teach new employees the skills they need to perform their job					
Training Effectiveness/ Evaluation					

Systematic analysis is always conducted to determine the needs for training programmes					
Cost benefit analysis is always conducted to determine the effectiveness of training programmes.					
Evaluation of training programmes is always carried out to determine whether training objectives are met					
Performance –based Compensation					
Job performance is very important in determining the earnings of employees					
Promotion is based primarily on seniority					
Flexible Benefits					
Does the company have an elaborate/ comprehensive flexible schemes					
Does the company constantly review and update the range of benefits to meet the needs of employees					
Employee Relations Practices					
Employees are allowed to make many decisions in their jobs					
Employees are often asked by their supervisor to participate in decisions					
Superiors keep open communication with employees in their job					
Consultative performance Appraisal					
Superiors always discuss the performance of their subordinates					

with them					
Performance appraisal include the supervisor setting objectives and goals of subordinates for the period ahead in consultation with them					
Human Resource Planning					
Human resource department is an integral part of the company's strategic planning process					
The formulation and implementation of human resource activities are aligned with corporate strategies					
The human resource department has an explicit statement of its mission and goals					
The human resource management is accorded an important role in the company					
The human resource management has as much say in corporate matters as other departments such as finance, marketing, production among others					
All human resource activities (selection, training, compensation, appraisal and employee relations) are fully integrated with one another					
Does the head of human resource department participate in executive/ steering committee meetings?					

What is the information flow between human resource department and other departments in your organization?

.....
.....

Functions like engineering, marketing, finances and accounting are considered as specialized functions and employees are placed in these functional areas based on their specialized training/ expertise. To what extent is the human resource department in your company treated as a specialized function?

.....

PART III: Firm Performance

The numbers will represent

1. Poor
2. Below industry average
3. Average
4. Above Industry Average
5. Excellent

How would you compare the organization’s performance on the following attributes over the past four years to that of other organizations that are in the same kind of business?

	1	2	3	4	5
Quality of products, services, or programmes					
Development of new products, services or programmes					
Efficiency of operations					
Profitability					
Sales growth					

APPENDIX III: TABLE OF RESEARCH FINDINGS

Table 1: Strategic Human Resource Management practices

Statements	Very great extent		Great extent		Moderately		Less extent		Not at all		Mean	Standard
	no.	%	no.	%	no.	%	no.	%	no.	%	Score	Error of Mean
Recruitment and selection in the organizations												
Managerial selection is always done using psychological, personality and practical tests	1	12.50	6	75.00	1	12.50	0	0	0	0	4	0.535
Non- managerial selection is always done using psychological, personality and practical tests	3	37.50	3	37.5	1	12.50	0	0	1	12.5	3.875	1.356
Realistic job preview (i.e. giving recruits both positive and negative information about the organization and job is always used for managerial appointment)	0	0	4	50	2	25	0	0	2	25	3	1.309
Realistic job preview (i.e. giving recruits both positive and negative information about the organization and job is always used for non-managerial appointment)	0	0	2	25	4	50	0	0	2	25	2.75	1.165
Employee selection techniques and	2	25	4	50	2	25	0	0	0	0	4	0.756

procedure instruments are always validated before use												
Training and development in the organization												
Employees usually go through training programs every few years	2	25.00	4	50	2	25.00	0	0	0	0	4	0.755
Formal training programs are in place to teach new employees the skills they need to perform their job	2	25	2	25	2	25	2	25	0	0	3.5	1.195
Training effectiveness or evaluation												
Systematic analysis is always conducted to determine the needs for training programs	1	12.50	2	25	3	37.50	1	12.50	1	12.50	3.125	1.246423
Cost benefit analysis is always conducted to determine the effectiveness of training programs.	3	37.50	3	37.50	2	25	0	0	0	0	4.125	.834523
Evaluation of training programs is always carried out to determine whether training objectives are met	2	25.00	2	25.00	4	50.00	0	0	0	0	3.75	.8864053
Performance- based compensation												

Job performance is very important in determining the earnings of employees	0	0	4	50	2	25	2	25	0	0	2.5	1.309307
Promotion is based primarily on seniority	0	0	3	37.5	0	0	3	37.5	2	25	3.25	.8864053
Job performance is very important in determining the earnings of employees	0	0	4	50	2	25	2	25	0	0	2.5	1.309307
Flexible benefits												
Does the company have an elaborate/comprehensive flexible schemes	1	12.50	3	37.50	2	25.00	2	25.00	0	0	3.375	1.06
Does the company constantly review and update the range of benefits to meet the needs of employees	0	0	2	25.00	3	37.50	3	37.50	0	0	2.875	.834523
Employee relations practices												
Employees are allowed to make many decisions in their jobs	2	25.00	1	12.50	2	25.00	3	37.50	0	0	3.25	1.28174
Employees are often asked by their supervisor to participate in decisions	0	0	3	37.50	3	37.50	2	25.00	0	0	3.125	.834523
Superiors keep open communication with employees in their job	3	37.50	2	25.00	3	37.50	0	0	0	0	4	.9258201
Consultative performing appraisal												
Superiors always discuss the	4	50.00	3	37.50	1	12.50	0	0	0	0	4.375	.7440

performance of their subordinates with them												
Performance appraisal include the supervisor setting objectives and goals of subordinates for the period ahead in consultation with them	5	62.50	2	25.00	1	12.50	0	0	0	0	4.5	.7559
Human resource planning												
The human resource department has an explicit statement of its mission and goals	8	100.00	0	0	0	0	0	0	0	0	5	0
Does the head of human resource department participate in executive/ steering committee meetings?	7	87.5	1	12.50	0	0	0	0	0	0	4.875	0.354
The formulation and implementation of human resource activities are aligned with corporate strategies	6	75.00	2	25.00	0	0	0	0	0	0	4.75	0.463
All human resource activities (selection, training, compensation, appraisal and employee relations) are fully integrated with one another	6	75	2	25	0	0	0	0	0	0	4.75	0.463
Human resource department is an integral part of the company's strategic planning process	5	62.50	2	25.00	1	12.50	0	0	0	0	4.5	0.756
The human resource management is accorded an important role in the company	5	62.50	1	12.50	0	0	0	0	2	25	3.875	1.808

The human resource management has as much say in corporate matters as other departments such as finance, marketing, production among others	4	50	2	25	2	25	0	0	0	0	3.75	1.753
---	---	----	---	----	---	----	---	---	---	---	------	-------

Table 2: Organization Performance

Statement	Excellent		Above Average		Average		Below average		Poor		Mean	Standard
	no.	%	no.	%	no.	%	no.	%	no.	%	score	deviation
Quality of products, services, or programmes	3	37.50	2	25	3	37.50	0	0	0	0	4	0.9258201
Development of new products, services or programmes	1	12.5	2	25	3	37.5	2	25	0	0	3.25	1.035098
Efficiency of operations	0	0	3	37.5	3	37.5	2	25	0	0	3.125	0.834523
Profitability	0	0	4	50	4	50	0	0	0	0	3.5	0.5345225
Sales growth	2	25	2	25	2	25	2	25	0	0	3.5	1.195229

Table 3: Correlation analysis results for the relationship between Strategic Human Resource Management Practices and Organization Performance

STATEMENT	Performance				
	X1	X2	X3	X4	X5
Recruitment and Selection					
Managerial selection is always done using psychological, personality and practical tests	0.6508	0.5106	0.516	0.6953	0.5677
Non- managerial selection is always done using psychological, personality and practical tests	0.5773	0.6354	0.5692	0.6573	0.4646
Realistic job preview (i.e. giving recruits both positive and negative information about the organization and job is always used for managerial appointment)	0.649	0.4944	0.6784	0.684	0.5933
Realistic job preview (i.e. giving recruits both positive and negative information about the organization and job is always used for non-managerial appointment)	0.6486	0.4155	0.6279	0.6834	0.4742
Employee selection techniques and procedure instruments are always validated before use	0.5541	0.5696	0.4227	0.6791	0.6258
Training and Development					
	0.6981	0.688	0.4227	0.5303	0.6573

Employees usually go through training programmes every few years					
Formal training programmes are in place to teach new employees the skills they need to perform their job	0.6921	0.6586	0.5867	0.6516	0.5055
Training Effectiveness/ Evaluation					
Systematic analysis is always conducted to determine the needs for training programmes	0.6014	0.4894	0.634	0.5383	0.5502
Cost benefit analysis is always conducted to determine the effectiveness of training programmes.	0.5127	0.4475	0.4012	0.4898	0.4506
Evaluation of training programmes is always carried out to determine whether training objectives are met	0.7	0.6619	0.428	0.4717	0.6728
Performance – based Compensation					
Job performance is very important in determining the earnings of employees	0.4518	0.697	0.4752	0.6052	0.5844
Promotion is based primarily on seniority	0.5752	0.6773	0.5425	0.4282	0.5804
Flexible Benefits					
Does the company have an elaborate/ comprehensive flexible schemes	0.487	0.4163	0.5495	0.5096	0.641
Does the company constantly review and update the range of benefits to meet the needs of employees	0.4341	0.5835	0.6943	0.5106	0.5567

Employee Relations Practices					
Employees are allowed to make many decisions in their jobs	0.4334	0.5958	0.4145	0.619	0.443
Employees are often asked by their supervisor to participate in decisions	0.6471	0.6904	0.5416	0.4755	0.5515
Superiors keep open communication with employees in their job	0.5193	0.6782	0.4115	0.6382	0.4385
Consultative performance Appraisal					
Superiors always discuss the performance of their subordinates with them	0.5163	0.6509	0.4567	0.5005	0.4392
Performance appraisal include the supervisor setting objectives and goals of subordinates for the period ahead in consultation with them	0.6491	0.6935	0.6822	0.6666	0.6083
Human Resource Planning					
Human resource department is an integral part of the company's strategic planning process	0.6305	0.4327	0.4047	0.533	0.6384
The formulation and implementation of human resource activities are aligned with corporate strategies	0.5101	0.5852	0.5497	0.6026	0.6341
The human resource department has an explicit statement of its mission and goals	0.6567	0.4936	0.5526	0.5068	0.6757
The human resource management is accorded an important role in the company	0.5852	0.6022	0.5052	0.4635	0.5783

The human resource management has as much say in corporate matters as other departments such as finance, marketing, production among others	0.4912	0.4853	0.4942	0.584	0.6179
All human resource activities (selection, training, compensation, appraisal and employee relations) are fully integrated with one another	0.4252	0.4714	0.4538	0.4222	0.6062
Does the head of human resource department participate in executive/steering committee meetings?	0.6508	0.5106	0.5677	0.516	0.6953

**APPENDIX IV: LIST OF SUGAR COMPANIES IN WESTERN
KENYA**

1. Chemelil Sugar Company
2. Mumias Sugar Company
3. Nzoia Sugar Company
4. South Nyanza Sugar Company
5. West Kenya Sugar Company
6. Muhoroni Sugar Company
7. Kibos Sugar Company
8. Butali Sugar Company

Source: Kenya Sugar Board, Year Book of Statistics, 2010.