

**RELATIONSHIP BETWEEN HUMAN RESOURCE PLANNING AND LABOUR
TURNOVER AMONG MICRO FINANCE INSTITUTIONS IN KENYA**

BY

WINNIE WANJIRU MWANGI

D61/7333/2006

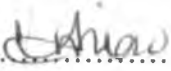
**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENT FOR THE DEGREE OF MASTERS OF BUSINESS
ADMINISTRATION (MBA)**

UNIVERSITY OF NAIROBI

2009

DECLARATION

This Research Project is my original work and has not been presented for a degree in any other university.

Signed... 

Date... 5/11/2009

Winnie Wanjiru Mwangi

.....

This Research Project has been submitted for examination with my approval as the University Supervisor.

Signed... 

Date... 05/11/2009

Prof. Peter O. K'obonyo

Lecturer, School of Business

University of Nairobi

DEDICATION

To Allan, Amos and Lewis for their Charming inspiration,
Determined spirits and
Joyful company.

I love you.

ACKNOWLEDGEMENTS

I wish to thank God for making it possible for me to pursue the MBA program.

I also wish to thank all the people who assisted me both directly or indirectly in the entire programme.

I particularly wish to register my great appreciation to my supervisor Prof. K'obonyo who patiently and relentlessly guided me through out my research work.

Special thanks go to my family members, especially my husband for their encouragement, moral support and understanding without which this study would have been most difficult and to my mother for teaching me the important things in life, I am forever grateful.

I am also grateful to all my friends and colleagues for their valuable contributions and support that they gave me during my study. And to Jennifer for her help in typing and editing this report. To you all, Thank you and May the Almighty God bless you.

TABLE OF CONTENTS

DECLARATION	i
DEDICATION	ii
ACKNOWLEDGEMENTS	iii
ABREVIATIONS	vi
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABSTRACT	ix
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background	1
1.1.1 Human resource planning.....	2
1.1.2 Labour Turnover	4
1.1.3 Human resource planning and labour turnover	4
1.1.4 Micro Finance Sector in Kenya.....	6
1.2 Statement of the Problem	8
1.3 Objective of the study	9
1.4 Importance of the study.....	9
CHAPTER TWO	11
LITERATURE REVIEW	11
2.1 Introduction	11
2.2 The concept of human resource planning	13
2.3 Steps in human resource planning.....	14
2.3.1 Demand forecasting.....	15
2.3.2 Supply forecasting.....	16
2.3.3 Action planning.....	17
2.4 Aims of human resource planning	18
2.5 Labour turnover.....	18
2.6 Labour Turnover analysis.....	21
2.6.1 Labour turnover index	21
2.6.2 Labour stability index.....	22
2.6.3 Length of service analysis	22
2.6.4 Survival rate	22
2.6.5 Half life index.....	23
2.7 Causes of labour turnover	23
CHAPTER THREE	24
RESEARCH METHODOLOGY	24
3.1 Research design.....	24
3.2 Population.....	24
3.3 Data collection.....	24
3.4 Data analysis	24

CHAPTER FOUR	25
DATA ANALYSIS AND FINDINGS	25
4.1 Introduction	25
4.2 Demographic profile of the respondents	25
4.3 Human Resource Planning	28
4.3.1 Human Resource Planning Mission and Vision.....	28
4.3.2 Human Resource Planning Objectives	29
4.3.3 Percentage of MFIs that have HR strategies	30
4.3.4 Implementation of HR plan.....	31
4.3.5 Monitoring and evaluation of human resource plans	31
4.3.6 Human resource department contribution to the MFIs strategic plan.....	32
4.3.7 Recruitment and selection	33
4.3.8 Retention programs	33
CHAPTER FIVE	36
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	36
5.1 Summary	36
5.2 Conclusions	37
5.3 Recommendations	37
REFERENCES	39
APPENDICES	44
APPENDIX 1	44
APPENDIX 2	45
APPENDIX 3	49

ABBREVIATIONS

MFI – Micro finance institutions

SME – Small and Medium Enterprises

HRP – Human Resource Planning

HR – Human Resource

AMFI – Association of Micro finance institutions

CEO – Chief executive officer

NGO – Non Governmental Organizations

LIST OF TABLES

Table 1: Possible positive and negative consequences of labour turnover.....	20
Table 2: Academic qualifications of the respondents.....	26
Table 3: Extent of written human resource plan.....	28
Table 4: Extent of monitoring and evaluation measures.....	32
Table 5: Rate of labour turnover in the MFIs over the last five years.....	34
Table 6: Pearson's product moment correlation for HR planning and labour turnover.....	35

LIST OF FIGURES

Figure 1: Distribution of the respondents by Gender.....	26
Figure 2: Number of years worked in MFI.....	27
Figure 3: Period organization has been in operation (years).....	27
Figure 4: Extent of stated mission of human resource plan.....	29
Figure 5: Extent of stated vision of human resource plan.....	29
Figure 6: Human resource planning objectives.....	30
Figure 7: Extent of developed strategies for human resource plan.....	30
Figure 8: Extent of human resource plan implementation.....	31
Figure 9: HR department contribution to the MFI strategic plan.....	32
Figure 10: Extent of plans/programs for staff recruitment and selection.....	33
Figure 11: Extent of programs to retain or maintain competent staff.....	34

ABSTRACT

The Micro Finance Institutions (MFIs) operating in Kenya have a huge role to play towards poverty alleviation through credit accessibility to Small and Micro Enterprises (SMEs). These micro finance institutions have had to develop strategic responses as a part of competitive strategies and this has meant addressing the issue of human resource planning along side other strategic plan.

The objective of this study was to establish the relationship between human resource planning and labour turnover among micro finance institutions in Kenya. 32 micro finance institutions were used in the study. A census survey method was used to collect data because the micro finance institutions registered with the Association of Micro Finance Institutions (AMFI) was essentially small. The study primarily used data collected through a structured questionnaire with the sole aim of establishing whether in deed there exists any relationship between human resource planning and labour turnover in the microfinance sector.

The results of the study revealed that most micro finance institutions have human resource planning and the labour turnover ranged from moderate to very low. There was however no significant relationship between human resource planning and labour turnover. However, despite the lack of a significant relationship between human resource planning and labour turnover, it was evident that there exists an inverse relationship implying that human resource planning increase employee retention. It is recommended that the micro finance institutions consider developing human resource plans as this will give them a strategic advantage.

CHAPTER ONE

INTRODUCTION

1.1 Background

Human resource management is defined as a strategic and coherent approach to the management of an organization's most valued assets (Armstrong, 2006). The people working in an organization individually and collectively contribute to the achievement of its objectives. In this era of rapid and continuous change, human resource management is one of the organizational domains that can provide support for employees during internal change processes and help managers and leader identify and implement processes for change (Ulrich, 1997). The efficient and effective management of human resource is an essential component of a high performing and successful workforce.

Human resource is one of the most significant strategies used by organizations when responding to changes in the environment. This is so because it is the people who carry out the activities in an organization that produces the end results of profitability and sustainability. Therefore the success or failure of an organization depends on human effort, personality, desires and ambition of the individual employees who will significantly determine the standing of the particular organization. Human resource strategies enable employees to give in the best results thus making a firm have a competitive edge over its competitors.

The term micro finance refers to financial transactions in very small amounts typically with clients from the poorer parts of the population. Micro finance services are directed at individuals and households of the lower income strata. Amongst the clients of micro finance institutions are predominantly small traders as well as small and medium sized entrepreneurs. Often, these clients are part of the informal sector that is they do not pay taxes. Some micro finance institutions concentrate on female clients, as they perceive women as being more reliable loan clients (Mahinda, 2003)

Micro credit systems have been developed in response to the needs of small scale entrepreneurs who otherwise do not have access to finance. Without money it is not possible to purchase inputs that are required to establish business and improve productivity. Therefore those people who operate with the least amount surplus income to finance their businesses are in need of this external credit and are considered to be least credit worthy (Khandker 1995).

The Grameen bank in Bangladesh pioneered micro credit through lending to members of groups. Group members provided security and due to peer pressure within group members encouraged each other to ensure prompt payment of the loans. The main objectives of MFIs is mainly to provide financial assistance through establishing saving schemes, offering loan products to the general public and the small and medium enterprises (SMEs). The key function of MFIs is to provide a way to transfer economic resources through time, across borders and among individuals. MFIs can take the form of government institutions and non governmental organizations (NGOs) (Yunus, 1998).

1.1.1 Human resource planning

According to (Nzuve and Singh, 1992) planning is a management function which determines in advance what should be done and how it should be done. In personnel management human resource planning should precede all the other functions. The process is continuous because conditions in either the external or internal environments can change any time. The changes normally require modifications in forecasts and planning can enable managers to anticipate and prepare for changes. A good man power planning can help management in decision making in areas such as: Recruitment, Training and developing programs, Industrial and labour relations, Pay structure, Retirement and pension schemes as well as Labour turnover.

Human resource planning determines the human resources required by the organization to achieve its strategic goals. As defined by Bulla and Scott (1994) it is the process of ensuring that the human resource requirements of an organization are identified and plans are made for satisfying those requirements. Human Resource Planning is based on the belief that people are an organization most important strategic resource (Armstrong 2006).

It is generally concerned with matching resources to business needs both in the shorter and longer term.

Armstrong (2006) continues to say that Human resource planning, in broad terms, is one of the fundamental strategic roles of the human resource function. It takes into account the vision and mission of an organization in order to project its human resource needs. Apart from projecting the number and caliber of human resource required in an organization, Human Resource Planning (HRP) also looks at broader issues concerning recruitment and selection of employees and how they are developed in order to improve organizational effectiveness.

Storey (1992), observed that firms can gain competitive advantage in many ways and one way often overlooked is through human resource practices. He says competing using human resource practices is the most potent weapon because it is often difficult for competitors to copy. Through human resource planning it is possible for an organization to forecast on projected turnover as a result of resignations and terminations as well as on the quality and skills of the employees required and develops strategies on how to motivate and retain the work force.

Organizations whether in public or private sector, regardless of their size or strategy, function in uncertain and changing environment. Thoughtful planning has become essential for any organization that hopes to prosper. All managerial planning activities including those involving human resources must be carefully coordinated. Human resource planning must take place at every level including strategic planning; it must also consider the number of people and types of skills necessary to support the productivity of an organization. Human resource planning explicitly considers the levels and type of human resources necessary to ensure the success of the company's strategic plan. It includes the estimation of how many qualified people are necessary to carry out the assigned activity (demand) and how many people will be available (supply) (Mungumi, 2002).

1.1.2 Labour Turnover

Every organization needs a source of labour to function. This therefore makes the issue of labour turnover be central to many current policy related debate in economics public policy and more so in human resource management (Alogoskoufis, 1995). According to Flippo, (1984) turnover in broad sense refers to movement into and out of an organization by the work force. This movement is therefore an index of the stability of that force. Labour turnover has also been defined as movement of people in and out of the firm on assumption that the leavers are eventually replaced by new employees (Sission, 1994).

Labour turnover takes two forms namely: voluntary and involuntary turnover. Involuntary turnover may occur either for reasons which are independent of the affected employees such as a perceived need to cut costs, restructure, and downsizing or may occur for reasons associated with individual such as poor performance. Voluntary turnover on the other hand, represents exercise of choice and decisions process. It is caused by factors such as dissatisfaction with pay, dissatisfaction with intrinsic nature of work and availability of more attractive job alternatives. Voluntary turnover thus is directly related to job attitudes; however, if labour market conditions are exceptionally favourable to job seekers, the turnover may result more from this condition than job dissatisfaction (Yoder et al, 1982).

When an employee leaves an organization, this can have variety of effects that not only impact on organization but also the individual employee and the wider society (Mobley, 1982). These can be positive or negative (Hom and Griffeth, 1995) and a greater understanding of the process of labour turnover can increase the degree to which organizations can influence these effects (Dalton, Krackhardt and Porter, 1981, Dalton, Tudor and Krackhardt, 1982)

1.1.3 Human resource planning and labour turnover

The phenomenon of turnover is of interest to organizations and theorists because it is significant (Price, 1977), potentially costly (Mobley, 1982) and relatively clear cut (Porter and Steers, 1973). Thus no employer can ignore the issue of labour turnover within organization since the cost of labour makes up the largest proportion of operation costs of businesses and organizations. This makes manpower planning imperative. This is because

there is great cost if highly qualified, experienced and trained employees, whom you have spent money training leave and they are hard to replace.

By reviewing and monitoring turnover rates and the factors influencing the separation of employees, the management can be in a position to improve training programmes, renew pay and review working conditions among other possible mitigation actions so as to retain its employees. The greatest challenge of human resource planners especially in the current competitive labour market is to attract the right candidates for the jobs, motivate them to make them to stay with organization and discharge them in a socially responsible manner (Mungumi, 2002).

Besides attracting and retaining the right labour force, the manpower planner has to focus the firm's future needs in terms of demand and supply (Bowey, 1975). Diligent manpower planning and labour turnover analysis will reveal patterns of labour turnover/ wastage, characteristics of those employees who are likely to leave the organization, the most significant factors contributing to labour turnover, and possible plans to manage turnover. By carrying out this analysis, the human resource department will be in a position to plan the recruitment, selection, induction, motivation, control programs, succession plans and discharge program within the organization (Mungumi, 2002).

Human resources are considered the most valuable, yet the most volatile and potentially unpredictable resources which an organization utilizes. If an organization fails to place and direct human resources in the right areas of the business at the right time and at the right cost (Oroni, 2006), serious inefficiencies are likely to arise creating considerable operational difficulties and likely business failures.

The monitoring of flows of employees in and out of the organization is crucial for the survival of any organization. Excessive labour turnover has been found among other things to reduce the employees' morale and productivity and increases the propensity of current employees to leave the organization, to reduce the organizations ability to retain a stable group of experienced personnel and increases labour cost related to turnover (Klein and Weiss, 1991).

1.1.4 Micro Finance Sector in Kenya

Micro finance, the provision of financial services to poor people, holds enormous potential to support economic activities and thus contribute to the alleviation of poverty, widespread experiences and research have particularly shown the importance of saving facilities for the poor which is offered by the micro finance companies (Ndiritu, 2006). In Kenya, the idea of micro credit can be traced back to before independence. The colonial government did not provide credit facilities to the African people, and hence informal credit groups such as merry go round were formed within the societies in rural areas and clan levels. During the 1970's government agencies were set up and their main responsibility was focused to provide credit to those who had no previous access to credit facilities (Dondo, 1999).

The traditional micro finance schemes are credit led with the most typical product being small and short term loans. These loans are repaid in a series of small, regular and frequent amounts (usually) weekly. Successful repayment of one loan leads to the immediate disbursement of the next and clients are required or expected to borrow continuously and invest their loans in businesses. The cash flow generated is expected to provide the repayments (Kwagara, 2006). Due to this nature of the business, micro finance must always have regular staff that can monitor the activities of the groups and individuals to ensure that their loans are repaid.

Until the end of the 1990's micro finance sector in Kenya had largely been dominated by poorly performing credit led micro finance NGOs and government initiatives that historically operated their services in a non-commercial basis with substantial subsidized grants and credit from government agencies and donor (Dondo, 1999). Many of these micro finance NGOs and initiatives simultaneously operated social mobilization (pre-micro credit) effort and business development (post micro-credit) services or credit plan activities that clouded their financial performance and hindered their ability to become financially viable.(Mutugi, 2006).

This lack of focus on financial self sufficiently led to a reduction in the number of small and medium sized MFI-NGOs, as donor got tired funding unsustainable institutions and competition set in. This meant that the MFIs that remained in the market had to work hard

to become self sufficient as well as brave the intensive competition. These micro finance institutions have had to develop strategic responses as a part of competitive strategies and this has meant addressing the issue of human resource planning along side other strategic plan. Management, including that of micro finance institutions, entails developing sustainable competitive strategies and ultimately to efficiently and effectively plan and organize business activities and control use of resources, in order to achieve desired objectives. (Kwagara, 2006)

According to Alok (2006), an MFI which has reached a considerable size must follow a systematic approach to HR planning. He says that a good HR planning system should be able to answer the questions such as, what should be the size of workforce required depending on the planned outreach of the MFI. What would be the major functional areas for which personnel would be required, what would be characteristics of personnel depending on the skills required on the basis of the anticipated job descriptions? Where would the MFI find its appropriate people depending on each category of personnel, what kind of training and inductions systems should be there for the staff as well as how to retain the experienced staff.

Employee retention is increasingly becoming an issue with the MFIs as competition in the market is increasing. MFIs will have to prepare a strategy for retention of its staff. This would be a combination of the reward structure, career progression matrix and other employee development initiatives which are offered by the other financial institutions (Alok, 2006). Microfinance is a complicated business that requires professionals for various reasons. There are a number of very small transactions that one needs to keep meticulous records for. The margins are thin and there is pressure to maintain portfolio quality. One need to keep track of estimated and actual repayments on daily basis, there is high amount of risk due to cash transactions and there are large numbers of units (field staff, branches, regions) whose performances have to be managed.

The analysis of the numbers of people leaving the micro finance institutions provides data for use in supply forecasting, so that calculations can be made on the number of people lost who may have to be replaced. More importantly, the analysis of the numbers of leavers and

the reasons why they leave provides information that will indicate whether any action is required to improve retention rates (Armstrong, 2006).

The success or failure of micro finance institutions depends to a large extent on their ability to attract qualified and experienced personnel and to retain them. However, an organization's ability to retain its employees is a function of many factors. These factors determine whether its employees will remain with the organization or will quit. Separation and consequent replacement costs can be very high especially when the employees leaving and those subsequently recruited as a replacement are more specialized, more difficult to find and require more training (Kimosop, 2007).

1.2 Statement of the Problem

In the prevailing dynamic labour market and competitive business environment, there is need for a strategic human resource plan which enables an organization synchronize human resource practices with business objectives and strategies. Human resource planning, impacts on recruitment, retention, motivation, training as well as movement and distribution of employees. Micro finance business involves a lot of risk (Mahinda, 2003) and the success of awarding credit that will be eventually paid depends on the methodology applied to evaluate the risk conditions of the lending as well as the characteristics of the borrower. This whole process calls for a work force with ability and dedication.

The concept of human resource planning has become of necessity for many organizations and especially micro finance institutions in Kenya where competition has become very stiff particularly after many commercial banks which initially targeted big customers changed their focus and designed products that appeal to the market that was a preserve for MFIs. Thus, there is need for these institutions to carefully forecast their manpower by knowing the right number and quality of employees that will be required in the future and the numbers likely to leave the organization in the future. This process is facilitated by human resource planning.

Not many studies have been done on human resource planning in Kenya. Githua (2006) studied human resource planning in private hospitals in Nairobi, and found that human resource planning was necessary for the hospitals to be in a position to formulate their programmes for recruiting, retaining, and maintaining a highly motivated and competent work force. Adewa (1983) also carried out a study on manpower planning in Nairobi City Commission and found that it did not have any man power planning. On the other hand, Kimosop (2007) studied labour turnover in private security firms in Kenya. Abuti (2006) studied factors that are associated with staff turnover in broadcast media houses in Kenya, while Oroni (2006) conducted a case study of labour turnover at the Kenya Wildlife Services.

While a number of studies have been done on both human resource planning and labour turnover, none of them has focused on the relationship between the two. Arising from the above, the researcher found it necessary to find out whether in deed there exists any relationship between the two variables. Considering that both human resource planning and labour turnover are issues that are close to the heart of human resource practioners, it is important to establish the relationship between them. Literature suggests that proper human resource planning may impact turnover due to the fact that during planning organizations take time to address the issues that cause turnover by endeavoring to among other things analyse reasons why some employees terminate their services. This study will seek to answer the question: what is the link, if any, between human resource planning and labour turnover?

1.3 Objective of the study

To determine the relationship between human resource planning and labour turnover among Micro Finance Institutions in Kenya

1.4 Importance of the study

The findings of this study will be of use to micro finance managers who will benefit from knowing the practices especially those associated with successful institutions in the sector.

Micro finance institutions (MFIs) and human resource managers are faced with the challenges of ensuring that their organizations are always prepared to deal with changes in the sectors especially those that affect the stability of their employees.

Academicians and researchers will find the results of this study useful in identifying the areas of further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Human resource planning is the process for identifying an organization's current and future human resource requirements, developing and implementing plans to meet these requirements and monitoring their overall effectiveness (Beardwell et al, 2004). It should be an integral part of business planning and it should define projected changes in the scale and types of activities carried out by an organization. Human resource planning should identify the core competences the organization needs to achieve its goals and therefore the skill requirements. There are however, limitations to the extent to which such plans are made and indeed the clarity of the plans usually restricts the feasibility of developed integrated human resource plans that flow from these plans. (Armstrong 2006).

Dessler (2005) argues that Human resource planning is the process of deciding what positions the firm will have to fill, and how to fill them. It covers all the firms' future positions, from maintenance clerk to CEO. However, most firms use succession planning to refer to its process of deciding how to fill the company's most important executive jobs. According to Hackett (1998) effective human resource planning enables one to identify the areas where a shortage or excess of human resource is likely to occur in the future or where there is inefficient use of people. Armed with this information, one can take steps to deal with the situation before it becomes a crisis.

Hackett (1998) continued to observe that, human resource planning helps in determining recruitment levels, thus avoiding extensive and unsatisfactory panic measures when one suddenly realizes that there is shortage of staff and the frustration of losing business through lack of trained staff to handle it, to anticipate redundancies and, if possible, find ways of preventing them and their attendant human and financial costs, to monitor the ratio of employment to other costs, in order to assist decision regarding the best use of financial resources, to provide a basis for training and development programmes geared to meet the needs of the business and related to company succession plans and to identify

future accommodation requirements in the form of working space, canteen or recreational facilities .

According to Quinn (1983) human resource planning is a decision making process that combines three important activities. These activities are; identifying and acquiring the right number of people with the proper skills, motivating them to achieve high performance and creating interactive links between business objectives and people planning activities. However in situations where a clear business strategy does not exist, human resource planning may have to rely more on making broad assumptions about the need for people in the future based on some form of scenario planning.

For one to derive maximum benefit from the process of human resource planning he/she must; Identify the future demand for people, Identify what internal resource one will have to meet the demand, compare the demand and the internal supply and then take steps to reduce a surplus or to assess state of the labour market on which one is depending for future recruits. Choosing between the two depends on the outcome of the comparison between the future demand and the internal supply. Finally one must be ready to cope with a number of problems which tend to make the planning of a resource as unpredictable as people difficult but not impossible (Hackett, 1998).

Human resource planning allows the department to staff the organization at the right time with the right people. Effective HRP improves a department's ability to respond proactively and in a socially responsible manner to the challenges it faces. Short and long range business plans are carried out by people. If the organization is not properly staffed with the right number and types of people, corporate plans may fail. More and more executives are realizing however that well conceived human resource plans are key cornerstone because qualified people make plans of any sort easier to accomplish.

For example, the decisions of high technology firms like Motorola and IBM to develop new products and enter new markets often depend on the availability of qualified technical and support people. Without sufficient engineering talents market opportunities can be lost to more appropriately staffed competitors (William et al, 1993).

2.2 The concept of human resource planning

According to Rahmen and Eldridge (1998) modern human resource planning dates back from the 1940s when it was used to allocate staff and to develop career structures in conditions of acute shortage of skills. They point out that the status of human resource planning as a discipline with a strong conceptual base was established with Bartholomew's 1967 work on stochastic models for social processes. This stage of conceptual development was further reinforced by the emergence of the corporate view of human resource planning in the mid 1970s (Bowey, 1975; Braham, 1975), according to which human resource planning flows from and is complementary to organizational strategy.

Scholars have varied views of what constitutes human resource planning. Bowey's conceptual framework involves the subdivision of human resource planning into three broad categories of activity. First there is an assessment of future labour requirements which presumably ought to be derived from projected business expectations. Second, is the assessment of the firm's ability to retain its existing (current) workforce, and any replacement that may be necessary. Finally, there are predictions that have to be made about the ability to the firm to attract or acquire different kinds of staff from the external labour market (Githua, 2006).

Braham (1975) views human resource planning as comprising four main activities: – investigating, forecasting, planning and utilizing. Investigating entails analysis of the external environment, a review of the external labour market, and an audit of the internal labour market. Forecasting refers to future and projected requirements and the potential supply of that labour from within and outside the organization. Planning involves turning forecasts into personal and development of policies for recruitment, training and development, absence control, motivation and reward. The final activity, utilization, requires the human resources plans to be compared against defined and important measures of organizational success such as customer satisfaction and product quality.

In general the approaches to forecasting human resource demand in a firm can either be subjective or objective. The objective approach relies upon its projection of past trends and needs to take into account shifts about changes in technology and organizational goals.

Simple projections from the past to indicate its amount or type of labour required in the future, can be related to resources from work study exercises or ratios of customers to staff. These approaches often use techniques such as extrapolation, regression, work or productivity measures, or econometrics. On the other hand, the subjective approach, in its basic term, takes the form of managerial judgment about future needs and, as Marchington and Wilkinson (1996) emphasize, in some cases it can be an excuse for speculation and even guesses based on limited amounts of data.

Walker (1992) suggests that there are two fundamental types of approaches to forecasting internal supply of human resources to meet the future demands of the staff. There are the supply 'push' and demand 'pull' models, although there are certain variations between the two the models rely on mathematical modeling techniques and the probability that history will repeat itself. There are a number of factors that influence the supply of external staff to a firm both at national and local levels. These factors are largely economic, social and legal in nature. Labour market supply analysis is used to identify the skills available in the market. It provides general indications that will call for, further interpretation by each firm for relevance of implications (Castley, 1996).

Khoong (1996) suggested an integrated system for human resource planning. He claims that all the learning activities, which he calls perspectives, can interact with one another in intricate ways. However, few insights have been, according to him, reported on such interactions and the impact of these interactions on the resultant human plans. Khoong maintains that the key human resource activities include:- establishment requirement planning, career progression planning, staff movement planning, personnel assignment, posting projection, succession planning and Recruitment, retention, staff promotions, postings and training as the basic operational human resource activities that support human resource plans.

2.3 Steps in human resource planning.

Human resource planning consists of three clear steps: Forecasting future people needs (demand forecasting). Forecasting the future availability of people (supply forecasting) and drawing up plans to match supply and demand (Armstrong, 2006).

2.3.1 Demand forecasting

Demand forecasting is the process of estimating the future numbers of people required and the likely skills and competences they will need. The ideal basis of the forecast is annual and longer term business plan, translating into activity levels for each function and department or decisions on downsizing. Details are required for any plans or projects that would result in demands for additional employees or different skills: for example setting up a new regional organization, creating a new sales department, carrying out a major project or developing new products and services (Armstrong 2006).

Dessler (2006) states that, the usual process of forecasting is to forecast revenues first. Then estimate the size of the staff required to achieve this volume. In addition, to expected demand, staffing plans may reflect: Projected turnover as a result of resignations or terminations, Quality and skills of the employees in relation to what the organization sees as its changing needs, Strategic decisions to upgrade the quality of products or services or enter into new markets. Technological and other changes resulting in increased productivity and the financial resources available to particular department. Some of the methods of carrying out demand forecasting includes; trend analysis, ratio analysis, managerial or expert judgment and computerized forecast

Trend analysis means studying variations in the firm employment level for the last few years to predict future needs. One might compute the number of employees in the firm at the end of each of the last five years and perhaps the number in each function like sales, production, secretarial, and administrative people at the end of each of those years. The purpose is to identify trends that might continue into the future (Dessler, 2006).

Ratio analysis means making forecasts based on the ratio between (a) some casual factors (like sales volume) and (2) the number of employees required, for instance number of sales people (Dessler, 2006).

Managerial or expert judgment is the most typical method of forecasting and may be linked to some form of scenario planning. It simply requires managers or specialists to sit down, think about future workloads, and decide how many people are needed. This can be

no more than guesswork unless there is reliable evidence available of forecast increases in activity level or new demands for skills (Armstrong, 2006).

Employers also use software programs in computerized forecast to forecast human resource requirements. Typical data needed include direct labour hours required to produce all unit of product (a measure of productivity) and three sales productions, minimum, maximum and probable – for the product size in question. Based on what date, a typical program generates figures on average staff levels required to meet product demands (Dessler 2006).

2.3.2 Supply forecasting

Supply forecasting measures the number of people likely to be available from within and outside the orgnaizaiton, having allowed attrition (labour wastage and retirement) absenteeism, internal movements and promotion, and changes in hours and other conditions of work.

Not every future opening can be filled with the present employees. Some jobs simply lack replacements; other jobs are entry level positions. That is they are begging jobs that are filled with people who do not presently work for the organization. When there are no replacements or when the opening is for an entry level job, there is a need for external supplies of human resources (Armstrong, 2006).

The supply forecast is based on: An analysis of existing human resource in terms of numbers in each occupation, skills and potential, Forecast losses to existing resources through attrition (the analysis of labour wastage) which is an important aspect of human resource planning because it provides the basis for plans to improve retention rates), Forecast changes to existing resources through internal promotions, Effect of changing conditions of work and absenteeism, Sources of supply from within the organization, Sources of supply from outside the organization in the national and local labour markets and Analyzing demand and supply forecast. The demand and supply forecast can then be analyzed to determine whether there are any deficits or surpluses. This provides the basis for recruitment, retention, and if unavoidable downsizing plans (Armstrong, 2006).

2.3.3 Action planning

Action plans are derived from broad resourcing strategies and more detailed analysis of demand and supply factors. However, the plans often have to be short term and flexible because of the difficulty of making firms predictions about human resource requirements in times of rapid change. Plans need to be prepared in the areas of resourcing, flexibility and downsizing (Armstrong, 2006).

Once the supply and demand of human resources are estimated adjustments may be needed. When the internal supply of workers exceeds the firms demand, a human resource surplus exists. Most employers respond to a surplus with a hiring freeze and present employees are reassigned. Voluntary departure called attrition slowly reduces the surplus. Layoffs are also used in cases of short range surplus. If the surplus is expected to persist into the foreseeable future, employers often encourage early retirement on voluntary basis. Should the surplus still persist, employees are discharged. If the internal supply cannot fill the organization needs, a human resource shortage exists, and the planners in this case have little flexibility in the short run and must rely on the external staffing process to find new employees.

Issue analysis in which broad framework of the organizations operations is reviewed including business needs, external environmental forces, internal staff supply and managerial implications of these forces integrated together, then there is forecasting of the enterprises human resources requirements in terms of staffing levels, staffing mix (qualitative dimension of staff), organization structure and job design, and available or projected human resources in the firm (Armstrong, 2006).

The difference between the projected need and projected supply of human resources yield the net human resource requirements in the organization. The identification of net requirements of staff will then lead to the preparation of action plans (programs) to deliver the human resource needs of the firm. Inevitably this results in staffing authorization, recruitment and selection, promotion and transfers (relocations/movements), organizational changes/ restructuring, training and development, compensation, employee relations and

exit. These responses depend on the level and nature of the human resource requirements (Bennet, 2005).

Scenario planning is described as a formal strategic planning technique but it can also be regarded as an informed approach to thinking about the future in broad terms based upon an analysis of likely changes in its internal and external environment. Armstrong (2006) argues that Scenario planning is simply a more or less formalized process for establishing a view about any changes that can be foreseen to the scale and type of activities in its organization and to its structure, and for identifying any external environment changes that are likely to affect.

The creation of a scenario involves making broad assessments of likely internal developments – the direction in which the organization is going and the implications this has on people. The assessments also have to be made on likely changes in the external environment as it may affect the labour market.

2.4 Aims of human resource planning

The aims of human resource planning according to Armstrong (2006) include: To attract and retain the number of people required with the appropriate skills; expertise and competencies; To anticipate the problems of potential surpluses as deficiencies of people; To develop a well trained and flexible workforce, this contributing to the organization ability to adapt to an uncertain and changing environment; Reduces dependence on external recruitment when key skills are in short supply by formulating retention, as well as employee development strategies; Improve the utilization of people by introducing more flexible systems of work.

2.5 Labour turnover

According to Nzuve (2007) movement of employees into and out of an organization may be at a low or high rate. This movement or frequency with which employees join and leave organizations is called labour turnover. Staff turnover is the movement of member across boundary, of the organization (Price, 1977). It is the cessation of membership in organization by an individual who received monetary compensation from the organization. An analysis of labour mobility is a vital part of the management process. This involves

obtaining and recording the number of people living and why they are leaving. If managers fail to analyze turnover they would be overlooking an important factor (warner, 2005).

Some level of employee turnover is desirable because if all employee stayed and the organization grew steady, most employee would be on top of their salary ranges and the salary expense would be extremely high, turnover is also desirable because new employee bring with them new ideas, approaches, different ability and new attitudes, which keep the organization from stagnation, (Cascio, 1982)

The staff turnover is social process with distinct phases. Most of the employees tend to leave during initial period of employment. This is the period of induction crises, during which labour wastage quickly reaches the peak and then falls as the starter begin to settle down. This is followed by a period of differential transition during which the staff turnover declines. In the third phase is the period of settled connection when those still remaining in the organization become quasi – permanent employee. These phases show the magnitude of the turnover problems (Staw, 1980). Staff turnover varies widely between organizations but generally, the rate goes down as the length of service increases. Managers' awareness of the wastage patterns in their organization is important.

Greater appreciation of the significance of these costs has stimulated considerable managerial interest in the problem of labour turnover. There is no problem with planned and expected entry or exits of employees. The concern is over in unplanned and unexpected exits which may necessitate expenditure during the replacement exercise. Table 1 below shows both the positive and negative consequences of labour turnover.

Table 1: Possible positive and negative consequences of turnover

Positive consequences	Negative consequences
1. Displacement of poor performers	1. Costs of recruiting, hiring and replacement
2. Infusion of new knowledge by new employees	2. Loss in production
3. Stimulates changes in bad policies	3. Loss of high qualified employees
4. Career advancement for those who leave	4. Disruption of organizational plans
5. career opportunity elsewhere for those who leave	5. Loss of severance and related benefits
6. Increased satisfaction for those who stay	6. Increased cost of production
7. Cross breeding between the old and new employees	7. Loss of functionally valued co-workers
8. less stress and better use of skills and renewed interest in work for those who leave	8. Decreased commitment to those employees remaining in the organization

Source: <http://www.sun.ac.za/research>

In order to identify problematic areas which can cause labour turnover in an organization two approaches may be used, namely exit interview and attitude survey.

Exit interviews; These may help highlight problem areas within the organization and in identifying any characteristics, which may be common to early leavers, as well as recording and classifying reasons for delayed leavers. Leavers should be asked why they are leaving and what they think is good and bad about the firm. For example in the job itself, pay and other terms of conditions of work, Working conditions and amenities, supervision and management (Gooch, 1999). However, it is good to note that workers may not always disclose the real reasons for leaving or their true views about the organization. In order to overcome this, the following steps may be taken as remedy. Have interviews carried out by a person other than the immediate manager. Conduct interviews away from

normal place of work. Explain that the interview is will be confidential. Explain fully the reasons for exit interview.

Attitude surveys; A revealing method of finding out what workers like and dislike about their jobs and their organization is attitude survey. Existing workers are asked questions covering a whole range of work related issues such as pay, working conditions, communications, participation, organization image and so on. Attitude surveys can attempt to involve every worker by asking them to complete a written questionnaire. Their success largely depends on good questionnaire design and the level of response. An alternative or complementary method is to select a sample of workers and interview them in – depth following an interview plan similar to a questionnaire but allowing interviews more scope to give their views (Taylor, 1988). In terms of choice of sample in attitude surveys, it is possible to select a sample which is randomly stratified to get proportions of young, old, male female, new and long serving workers that are representative sample of the organization.

2.6 Labour Turnover analysis

It is convenient to measure labour turnover by recording movements out of the firm on the assumption that a leaver is eventually replaced by new employees (Graham and Bennet, 1998). Employee turnover should be analyzed in order to forecast future losses and to identify the reasons for people leaving the organization. Several approaches can be used to measure labour turnover rate.

2.6.1 Labour turnover index

Labour turnover index is the traditional formula for measuring wastage. It expresses the number of leavers during a given period (usually one year) as a percentage of the average number of employees during that period.

$$= \frac{\text{Number of leavers in a specified period (usually 1 year)}}{\text{Average number of employees during that same period}} \times 100$$

(Source: Armstrong, 2006 pp 379)

This method is commonly used because it is easy to calculate and to understand. For human source planning purposes, it is a simple matter to know how many employees

should be recruited to replace the ones leaving in a given period. It is however misleading since recently engaged employees are more likely to leave than long service employees (Armstrong, 2006).

2.6.2 Labour stability index

The stability index is considered to be an improvement of the turnover index and it shows the percentage of the employees who have at least one year service.

$$= \frac{\text{Employees with 1 year's service}}{\text{Number of employees employed one year ago}} \times 100$$

(Source: Armstrong, 2006 pp 379)

This index provides an indication of the tendency for longer service employees to remain with the company, and therefore shows the degree to which there is continuity of employment. This index can be misleading too because the index will not reveal the vastly different situations that exist in a company or department with a high proportion of long serving employees, in comparison with one where the majority of employees are short service.

2.6.3 Length of service analysis

To overcome the shortcomings of the stability index an analysis can be made for the average length of service of people who leave. This analysis is still crude because it deals only with those who leave. A more refined analysis would compare, for each service category, the number leaving with the numbers employed.

2.6.4 Survival rate

This method of analyzing turnover is particularly useful for human resource planners as it shows survival rate. The proportion of employees engaged within a certain period who remain with the organization after so many months or years of service.

2.6.5 Half life index

A simple concept derived from survival rate analysis is the half life index which is defined as the time taken for a group or cohort of starters to half its original size through wastage. Half life index can be compared for different departments, stage groups, in order to show where action may have to be taken to counter undesirable wastage trends (Armstrong, 2006).

2.7 Causes of labour turnover

Job dissatisfaction can be a cause for labour turnover. Labour turnover levels can be very high in organizations with poor working conditions, undesirable jobs, pay inequalities and limited opportunities for advancement. An employee stage in life also determines one's stability in a job. Labour turnover can also be caused by impatience, limited tolerance for frustrations, curiosity, lack of commitment and uncertainty as to what one wants to do. The company (group) one keeps can also be influence. A poor fit between employees' personalities and their jobs will increase the search for alternative jobs. If the group one belongs is cohesive and friendly and there are colleagues who joined their work group at the same time the employees' tendency to consider leaving will be reduced (Nzuve, 2007).

Labour turnover may be desirable where there are poor performers. This allows an organization to replace such employees with skilled and motivated ones. It is also beneficial to the out going employees as it can facilitate their seeking employment elsewhere which may be more suitable to their own personal goals and needs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

The research design for this study was be a descriptive survey. This design is appropriate for this study because of the need to collect data from a cross section of organizations at one point in time.

3.2 Population

The population of this study consisted of all the Micro finance institutions that are registered members of the association of micro finance institutions (AMFI) as at October 2008. The association of micro finance institutions was registered in March 1999 under the societies as an umbrella organization representing micro finance institutions in Kenya. By October 2008, AMFI had 32 micro finance institutions. This will be a census study involving all the registered MFIs.

3.3 Data collection

The major tool for collecting the data was a questionnaire comprising of both 'open' and 'closed' ended questions. The questionnaire was divided into three sections; the first section was on the respondent's background, the second on human resource planning, and the third on labour turnover. The respondents to the questionnaires were human resource managers and officers in charge of human resource department in the different MFIs. They were selected because they are the policy makers in the respective MFIs concerning the human resource plans in their firms. The questionnaires was administered through drop and pick later method.

3.4 Data analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency across respondents. Thereafter, the data was analyzed using descriptive statistics such as of percentages, proportions and frequency tables. The Pearson's product moment correlation was used to establish the strength of the relationship between human resource planning and labour turnover.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The primary objective of this study was to determine the relationship between human resource planning and labour turnover among the micro finance institutions in Kenya. The research was a census survey. The target populations consisted of all 32 Microfinance Institutions operating in the country and are registered with the Association of Micro Finance Institutions (AMFI) as at October 2008.

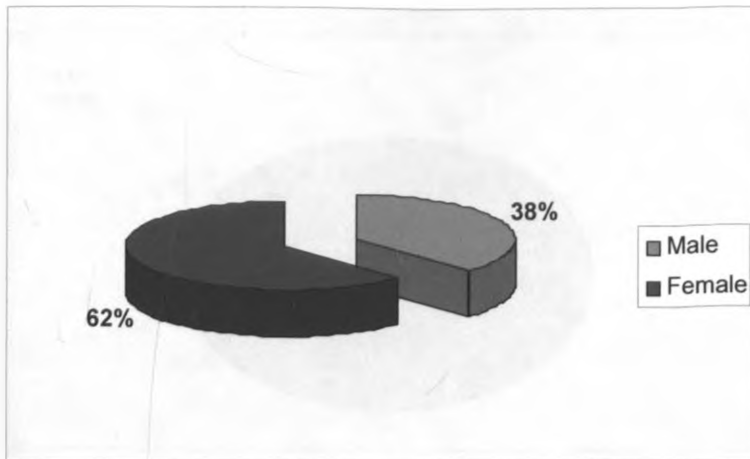
Thirty two questionnaires were sent out, 23 questionnaires were received back representing a 72% response rate. The institutions that did not respond were simply unwilling to participate in the study. The survey was carried out between the months May 2009 and June 2009. The respondents were Human Resource managers / officers of the various MFIs.

For the purposes of data analysis, the respondents who rated different items in the questionnaire like extent of written HR plans, stated mission, vision, HR objectives, HR strategies, recruitment and selection as well as retention programs as very low and low were interpreted as not having these items while those who rated the extent as moderate, high and very high were interpreted as having them. The statistical programme for social sciences SPSS package was used to capture the data, build a database and analyse the data. The results are presented below.

4.2 Demographic profile of the respondents

62% of the respondents were female while 38% were male as shown in figure 1.

Figure 1: Distribution of the respondents by Gender

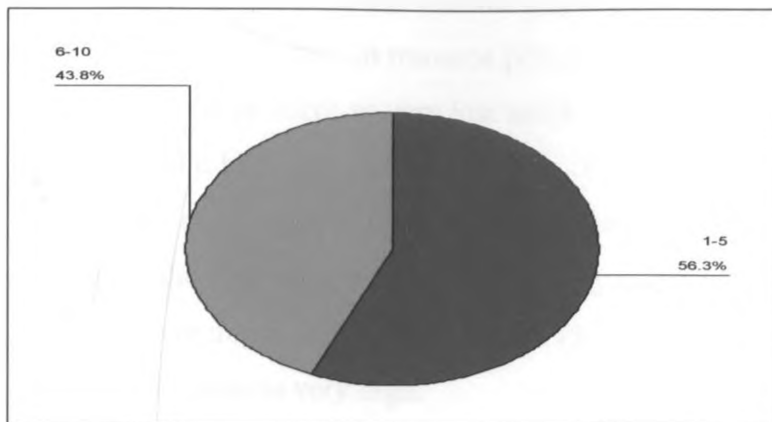


On the academic qualifications 60.9 % of respondents had attained degree while 21.7 % had post graduate degree qualification and 17.4% ordinary diploma as shown in table 2. As shown in figure 2, 56.3% of the respondents reported that they had worked for the organization for between 1-5 years, while 43.8% had worked for the organization for between 6-10 years.

Table 2: Academic qualifications of the respondents

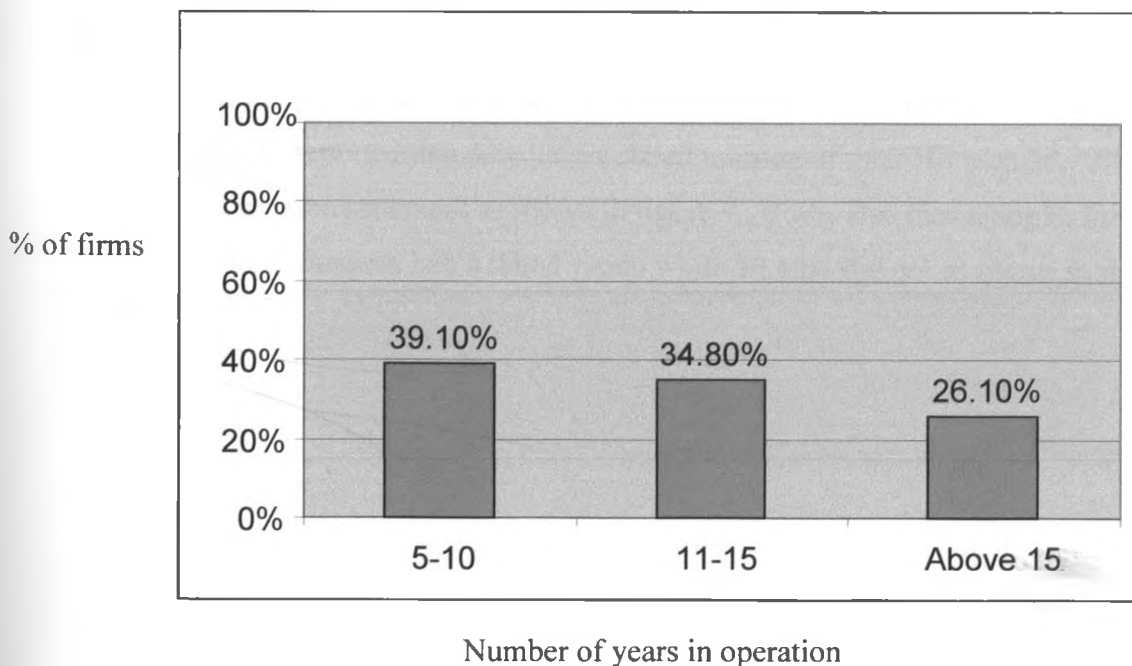
	Frequency	Percent
Diploma	4	17.4
Degree	14	60.9
Post graduate degree	5	21.7
Total	23	100

Figure 2: Number of years worked in MFI



When asked to state how long their firms have been in existence 39.1% of the respondents indicated that their firms have been in operation for duration of between 5-10 years, 34.8% were in firms that had been in operation for between 11-15 years and 26.1% indicated that they have been in operation for over 15 years. These results are presented in figure 3.

Figure 3: Period organization has been in operation (years)



4.3 Human Resource Planning

The study sought to establish whether respondents had consolidated their policies and practices governing human resource policy into a single document. 21.7% rated their written Human resource as very low and 8.7% rated it as low. 39.1% rated it moderate, 17.4% rated it high and 13.1% very high. Thus from the study it is clear that most of the MFIs that participated in the study have written HR plan, though the 21.7% of the MFIs that rated the item as “very low” are unlikely to have the consolidated plan document. It was however impressive to find out that 13.1% of the respondents rated the extent of their written HR plans as very high.

Table 3: Extent of written Human Resource plan

	Frequency	Percent
Very low	5	21.7
Low	2	8.7
Moderate	9	39.1
High	4	17.4
Very high	3	13.1
Total	23	100.0

4.3.1 Human Resource Planning Mission and Vision

It is evident from the study that many MFIs have appreciated the need for HR management and more so the need of HR planning. This is shown by the fact that more than half of the MFIs, at 65.30% reported that they have a stated mission of their HR plan.34.70% reported not having a mission statement as shown in figure 4. It was also interesting to find out that 69.60% of the institutions had a stated vision while 30.40% did not as shown in figure 5.

Figure 4: Percentage of MFIs with mission statements

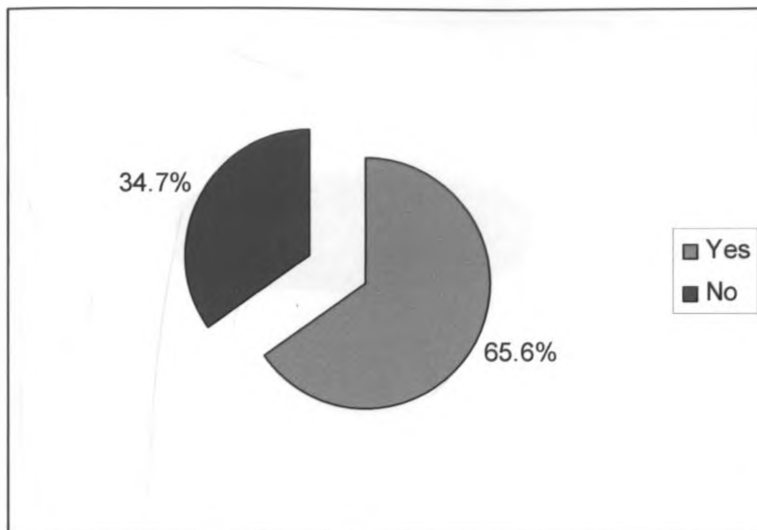
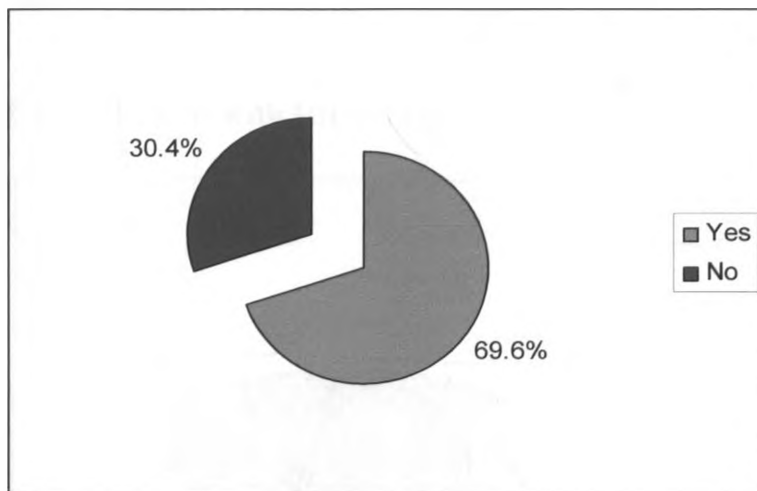


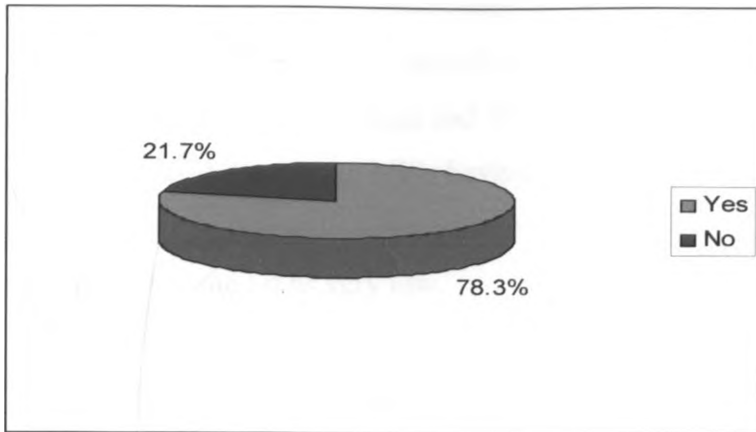
Figure 5: Percentage of MFIs with vision statements



4.3.2 Human Resource Planning Objectives

It is evident from the findings of the study presented in figure 6 that most MFIs have stated objectives in their HR plans. 78.30% of the respondents reported that they have human resource objectives while 21.70% reported that they do not have stated human resource objectives.

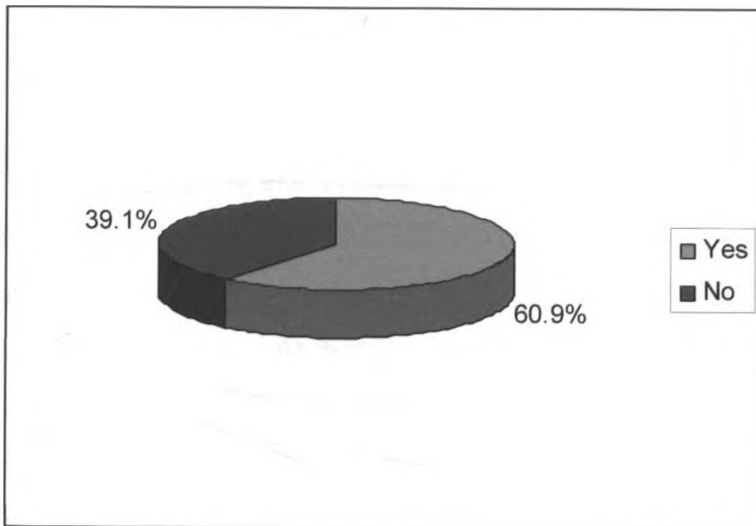
Figure 6: Human Resource planning objectives



4.3.3 Percentage of MFIs that have HR strategies

A number of the respondents reported that the MFIs have developed strategies for each of their objectives. 60.90% of the respondents reported they have HR strategies while 39.10% reported that they do not have HR strategies..

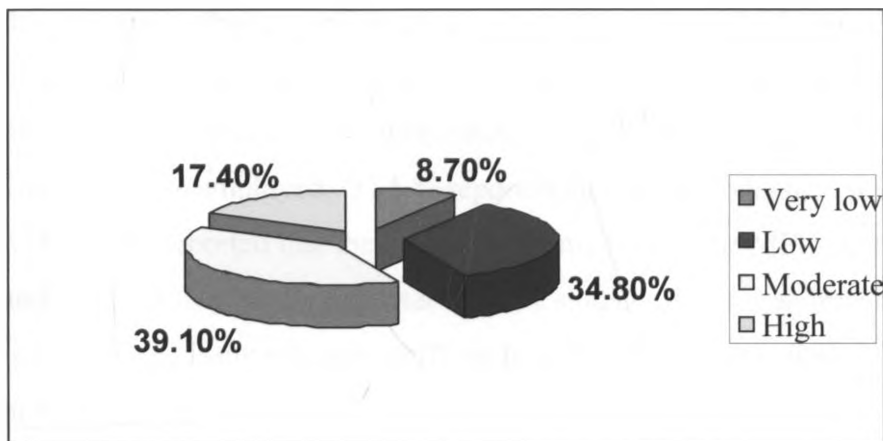
Figure 7: MFIs with HR strategies



4.3.4 Implementation of HR plan

As shown in figure 8, the implementation of the HR plan seems to be a challenge to most MFIs with only 17.40% of the respondents rating the extent to which they have been able to implement the HR plan as high and 39.10% of the respondents rating it moderate. This demonstrates that despite the MFIs having HR plan its implementation is a challenge that needs to be addressed since a high percent of MFIs 34.80% rated their implementation as low and 8.70% rated it as very low.

Figure 8: Extent of Human Resource plan implementation



4.3.5 Monitoring and evaluation of human resource plans

It is evident in the table 4 that a high percentage of MFIs reported the extent of monitoring and evaluation measures as very low 21.7%, and low 21.7%. This makes a total of 43.4% of MFIs without or with scanty monitoring and evaluation system of their HR plan. However, 39.1% rated it very high and 13% rated it as moderate while 4.3% rated it very high which was very impressive. This shows that a good number of MFIs are struggling with monitoring and evaluation of their HR activities; however, some are still excelling though few.

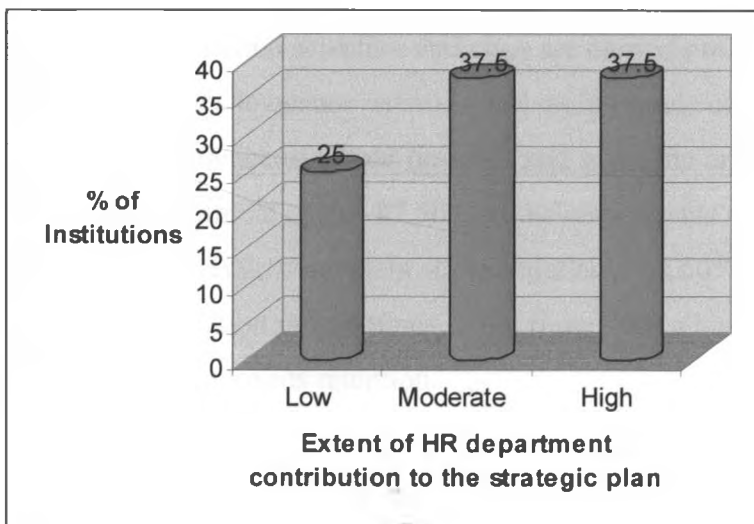
Table 4: Extent of HR plan monitoring and evaluation

	Frequency	Percent
Very low	5	21.7
Low	5	21.7
Moderate	3	13.0
High	9	39.1
Very high	1	4.3
Total	23	100.0

4.3.6 Human resource department contribution to the MFIs strategic plan

It is evident from findings presented in figure 9, that most MFIs involve the HR departments in their overall strategic planning process. 37.5 % reported that they were highly involved meaning that they were called upon to contribute to the strategic planning process by ensuring that the right number of staff with the right skills, experience and knowledge are employed. 37.5 % reported they were moderately involved and 25% of the respondents reported that they were lowly involved in the MFIs strategic planning process and since this represents a quarter of those studied, it raises an important question as to why some MFIs are still not involving their HR departments in their strategic planning process.

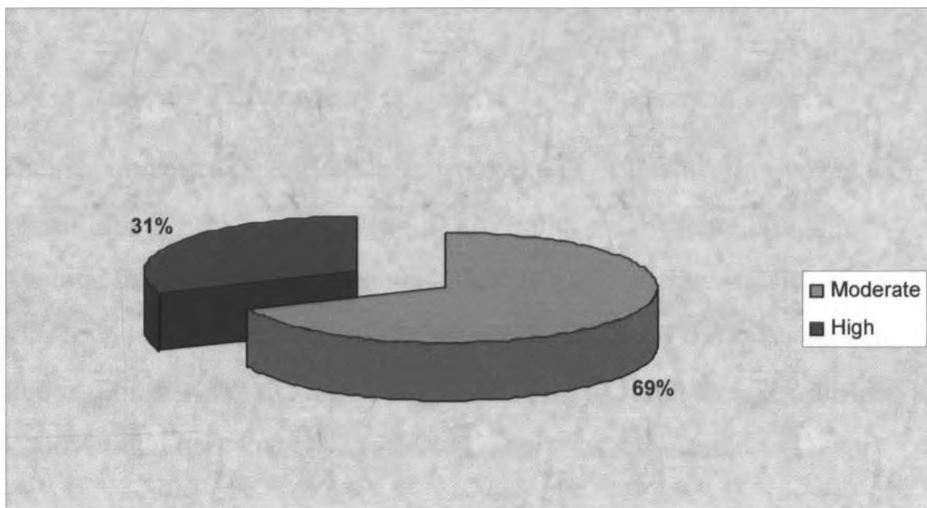
Figure 9: HR Department contribution to the MFI strategic planning



4.3.7 Recruitment and selection

Once a firm has ascertained its manpower requirements, should there be a mis-match between what is available and what is required, it may need to recruit and select the right candidates to bridge the gap. From figure 10, 69% of the respondents reported that their MFIs highly prepare programs for recruitment and staff selection to fill vacant position, while 31 % reported that their MFIs moderately prepare the programmes. It is therefore evident from the study that though the programs may be different MFIs have programmes for recruitment and selection.

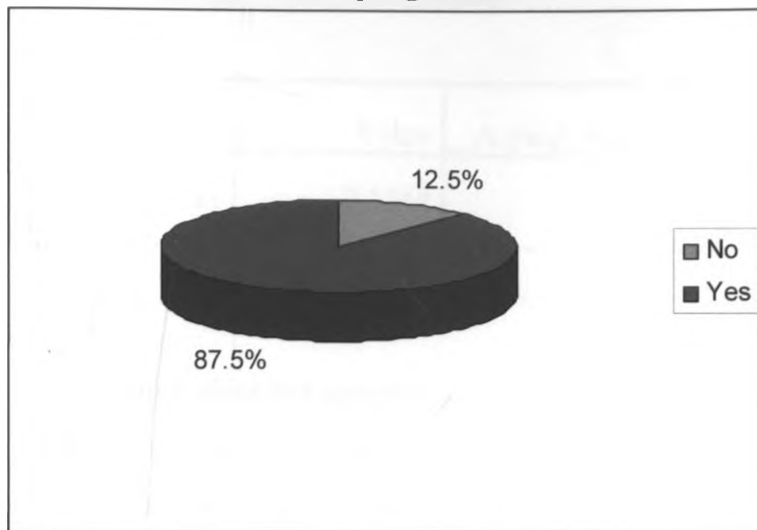
Figure 10: Employee recruitment and selection plans/ programmes



4.3.8 Retention programs

After recruitment and selection exercises are carried out, organizations need to formulate plans and policies to ensure retention and maintenance of competent staff in the firm. This reduces the incidence of labour turnover and saves the organizations from incurring unnecessary recruitment costs. 87.50% of the respondents reported that their MFIs prepare programmes to retain competent staff, while only 12.50% reported that their organizations do not have retention programmes. This shows that a high percentage of MFIs prepare programs for employees retention.

Figure 11: Staff retention programmes



4.4 Labour Turnover

The respondents were asked to rate the extent of labour turnover in their respective institutions for the last five years. The results are presented in table 5. As can be observed, Average labour turnover in the last five years for different MFIs ranged from moderate to very low. It was encouraging to find out that none of the MFIs reported a high or very high labour turnover. An average of 47.50% of MFIs rated their labour turnover as moderate, 35.00% rated it as low while 25.00% rated it as very low.

Table 5: Rate of labour turnover in the MFIs over the last five years

Year	Very low	Low	Moderate
2004	37.5%	37.5%	25.0%
2005	37.5%	25.0%	37.5%
2006	18.75%	56.25%	37.5%
2007	6.25%	31.25%	62.50%
2008	-	25%	75%
Average	25.00%	35.00%	47.50%

Table 6: Pearson's product moment correlation

	Value	Asymp. Std. Error	Approx. T	Approx. Sig.
Pearson's r	-0.154*	0.206	-0.714	0.483

* Pearson's product moment coefficient (r)

The research objective aimed at determining the relationship between human resource planning and labour turnover. Pearson's product moment correlation analysis was done to achieve this objective. The results are presented in table 6. As shown, the results indicate that the relationship between human resource planning and labour turnover ($r = -0.154$, $p < 0.483$) is not significant. However, it is negative, implying that HR planning increases employee retention. In other words, labour turnover decreases as a function of HR planning.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The objective of this study was to determine the relationship between human resource planning and labour turnover among micro finance institutions in Kenya. To achieve this objective, a census survey of the registered micro finance institutions with the association of microfinance institutions (AMFI) was carried out. 23 out of 32 microfinance institutions approached responded and data was analyzed. The results of the study are as follow.

Most of the Micro Finance Institutions studied have written HR plans since 13.1% rated their extent of HR plan as very high, 17.4% high, and 39.1% moderate. However, the 30.4% that rated the extent as low (8.7%) and very low (21.7%) were unlikely to have a written HR plan document.

78.3% of the MFIs have stated objectives which they strive to achieve. 60.9% of the Micro Finance Institutions have developed strategies to achieve their stated objectives. 56.5% of the MFIs have been able to implement their HR plan in that 17.40% rated it as high and 39.10% rated as moderate. A notable 43.50% however felt their implementation was wanting in that 34.80% rated it as low and 8.70% rated it as very low. 56.4% of the MFIs studied have put in place monitoring and evaluation measures. 75% of the Micro Finance Institutions Human Resource departments have been involved in developing the Micro Finance Institutions strategic plan.

All the Micro Finance Institutions studied reported that they prepare plans or programmes for recruitment and selection of staff to fill vacant positions. In order to maintain competent and skilled staff, 87.5% of the MFIs studied had retention programmes. The labour turnover in the Micro Finance Institutions studied over the last five years rated from moderate to very low, with a high percentage of 47.50% rating it as moderate, and 25% rating it as very low.

The Pearson's product moment correlation showed a weak and insignificant relationship between the HR planning and labour turnover.

5.2 Conclusions

On the basis of findings of this study, it is clear that majority of Micro Finance Institutions have established human resource planning process. They have HR objectives and have developed strategies to achieve their HR objectives. There is however a problem when it comes to implementation of this HR plan with 34.8% rating it as low and 8.7% rating it as very low.

Most MFIs have HR departments that are highly involved in developing the organizational strategic plan. There are still however some Micro Finance Institutions without established HR department in which case the HR functions are performed by the administrators who do not have specialized training in HR.

The Pearson's product correlation between HR planning and labour turnover showed a very weak relationship implying that though some MFIs rated their written HR plan as very high 13.1% and some rated it as very low 21.7%, the rate of labour turnover was almost the same. The weak relationship may be explained by the fact that though most MFIs had written HR plans, their implementation seemed a challenge as shown by the findings of question number 11 which asked the respondents to rate the implementation of their HR plans and 43.5% rated as low and very low. Meaning that due to poor implementation of the plans labour turnover may not have been affected.

5.3 Recommendations

From the research findings, the following recommendations are made:

1. That Micro Finance Institutions should consider developing HR plan alongside their organizational strategic plan as this will give them a strategic advantage in being able to prepare programmes that ensure they recruit appropriate staff as well as be able to retain them.
2. That Micro Finance Institutions should invest in training their staff who are working in HR department yet they do not have specialized HR training.

3. Since the current study was limited to the Micro Finance Institutions in Kenya, further research can be conducted in other sectors to find out whether in deed there exists a relationship between HR planning and labour turnover.
4. It was evident from the study that Micro Finance Institutions are struggling with implementation of HR plans. Further research can be conducted to find out what their challenges are as they try to implement their HR plan.
5. The lack of significant correlation between HR planning and labour turnover indicate that the reasons for labour turnover in Micro Finance Institutions lies elsewhere. It is clear that there are other factors other than HR planning that affect labour turnover in micro Finance Institutions. There is need to conduct another study to establish these factors.

REFERENCES

Abuti G. (2006) *A survey of the factors that are associated with staff turnover in broadcast media in homes*. Unpublished MBA project University of Nairobi.

Adewa J. M. (1983) *Manpower planning in an organization, a case study of manpower planning in the Nairobi City Commission*. Unpublished MBA project University of Nairobi.

Alogoskousif (1995) *Unemployment choices for Europe*, CEPR London.

Alok D. (2006) *HR planning, recruitment and deployment*. [www. m2iconsulting.com](http://www.m2iconsulting.com).

Armstrong M. (2006) *A handbook of Human Resource Management Practice* 7th ed. Kogan Page Ltd, London.

Batholomew K. (1967) *Delphi Techniques – An analytical Review*, Journal of Long range planning, February – March, p. 12-17.

Bowey J. (1975) 'Middle Term Planning Activities' Journal of International Human Resource Management, No. 12 p. 27

Braham (1975) 'Program planning of Human Resource Strategies', Strategic planning review January p. 6-9

Bulla D. N. and Scott P. M. (1994) *Manpower requirements forecasting; a case example, in Human Resource Forecasting and Modelling*, The Human Resource Planning Society, Newyork.

Cascio, F.W. (1982) *Costing human resources; the financial impact of behavior on an organizations*. P.W.S. Kent publishing company.

Castley T. (1996) *Human Resource Planning*, London: Person.

Dalton D. R. et al (1982) *Functions turnover, an empirical assessment*, Journal of applied psychology 66 pp. 716-726.

Dalton D.R. et al (1981) *Turnover reinstated: The functional taxonomy*, Academy of management review, 7, pp. 117-23.

Dessler G. (2005) *Human Resource Management*. Newyork : Prentice Hall.

Dondo, A. C. (1999) *the status of micro finance in Kenya. Paper presented at the Annual conference on New Development*. Finance, 27 September to 1 October 1999. Goethe University of Frankfort.

Flippo. B. (1980) 6th ed. *Personnel Management*. McGraw-Hill Inc.

Flippo E. B. (1984) *personnel management* McGraw- Hill Book Company

Fowler, A. (1996) *Induction*, 3rd edition, Institute of Personnel Development, London.

Githua, C. (2006) *Human Resource Planning process in private hospitals in Nairobi*, Unpublished MBA project, University of Nairobi.

Gooch and Suff (1999) *Staff retention*, IRS management Review, Vol. 13, London.

Graham H. T. and Bennet R (1998) *Human Resource Management*. Essex; Pitman Publishers.

Hackett P. (1998) *Success in managing people* Biddles ltd.

Hom P. & Griffeth R. (1995) *Employee turnover*, south Western Publishing, USA.

<http://www.charleswarnes.us/turnover.html>

- Khandker S. and Schkahidler R. (1995) *Garmeen Bank: Performance and sustainability*. The World Bank. Washington D.C.
- Khoong R. (1996) *Human Resource Planning Process*, New Delhi, Texaco.
- Kimosop D. (2007) *Labour turnover in private security firms in Kenya*. Unpublished MBA project University of Nairobi.
- Klein R. and Weiss (1991) *Factors affecting it output and quite propensity of production workers*, Review of Economic studies, 58 pp. 929-954.
- Koori J. W. (2006) *Outsourcing of HRM services in micro finance institutions in Kenya*. Unpublished MBA project University of Nairobi.
- Kwagara M. P. (2006) *An assessment of credit Risk Management techniques adopted by micro finance institutions un Kenya*. Unpublished MBA project University of Nairobi.
- Mahinda P W. (2005) *An investigation on the use of financial performance indicators by micro finance institutions*. Unpublished MBA project Kenyatta University.
- Marchington W. and Wilkinson V. (1996) 'Framework for Human Resource Planning' Journal of Internal Human Resource Management, No. 17p. 39
- Miner J. (1995) *Human Resource Management; the strategic perspective*. Newyork; Harper Collins college publishers.
- Mobley, W. H. (1982) *Employee turnover: Causes, consequences and control*, Addison Wesley reading.
- Mungumi, R. L. (2002) *Employees perception of factors that influence Labour turnover in Micro finance institutions in Kenya*, unpublished MBA project, University of Nairobi.

- Mutugi S. (2006) *Responses of micro finance institutions in Kenya to the turbulent business environment*. Unpublished MBA project University of Nairobi.
- Ndiritu J. (2006) *Response of micro finance institutions to HIV/AIDS crises in Kenya*. Unpublished MBA project University of Nairobi
- Nzuve S. N. M. (2007) *Management of human resources, a Kenyan perspective*. Star bright services limited
- Nzuve N. M. and Singh K. D. (1992) *Introduction to Manpower planning* Veena Exports (P) Ltd.
- Oroni E. (2007) *Labour turnover in state corporations in Kenya*. Unpublished MBA project University of Nairobi.
- Porter L. W. and Steers R. M. (1973) *Organizational, work and personal factors in employee turnover and absenteeism*, psychological bulletin, 80 pp 151-176.
- Price (1991) *the study of turnover*, Iowa State University Press, Iowa
- Porter L. W. and Steers R. M. (1973) *organizations, work and personal factors in employee turnover and absenteeism*, Psychological Bulletin, 80, Pp. 151-176.
- Price J.L. (1977) *The study of turnover*. Iowa State University Press.
- Quinn M. D. (1983) *Planning with people in mind*, Harvard Business Review, November – December, pp. 97-105.
- Rahmen F. & Eldridge B. (1998), *Estimating Future Human Resources Needs*: Journal of Forecasting Vol. 26p. 34

- Scheles R. S. (1992) '*Linking people with the Strategic Needs of Business,*' organizational Dynamics, Summer 18-32.
- Sission K. (1994) *Personnel Management; A comprehensive guide to theory and practice in Britain.* Blackwell Publishers Ltd, Oxford UK.
- Staw B. N. (1980) *Consequences of turnover.* A journal of occupational behaviour. Issue 1.
- Storey J. (1992) *Development in the management of human resources.* Oxford; Black-hall managing human assets London: Pitman publishers
- Taylor Gill (1988) *Managing absence: A handbook for managers and voluntary organization,* London.
- Ulrich D. (1997) *Human Resource Champions, The next agenda for adding value and delivering results.* Harvard Business School Press, July-August vol 18 pp23-26
- Walker B. (1992) '*Planning perspectives*' – an analytical exposition, Journal of personnel, P. 36
- Wanjiku (2005) *Differentiation strategies used by micro finance institutions in Kenya.* Unpublished MBA project University of Nairobi.
- Warner, C. (2005) *Employee turnover: who is at fault?*
- William B. Werther, JR and Keith D. (1993) 4th ed. *Human resources and personnel management.* R. R. Donnelly and sons company New Caledonia
- Yoder D. and Staudoher P. D. (1982). 7th ed., *Personnel Management and Industrial Relations,* Prentice Hall Inc. New Jersey.
- Yunus Muhammed (1998) *Bank to the poor,* Aurom Press Ltd, London.

APPENDICES

APPENDIX 1

INTRODUCTORY LETTER TO RESPONDENTS

Winnie Mwangi,
School of Bussiness,
University of Nairobi,
P. O. Box 30197,
Nairobi.

Dear Sir / Madam.

RE: Research on the relationship between human resource planning and labour turnover.

I am a student at the University of Nairobi pursuing a Masters of Business Administration (MBA) degree. This study is being carried out for a management project paper as a requirement in partial fulfillment of the stated degree.

You have been selected to participate in this study by providing the required information. Kindly spare some time to fill the attached questionnaire as accurately as possible. This exercise is strictly for academic purposes and any information obtained will be treated with confidentiality.

Thank you in advance.

Yours Faithfully,

Winnie Mwangi,
MBA Student, U.o.N

Prof. Peter K'obonyo,
Supervisor,
School of Business,
University of Nairobi.

APPENDIX 2

QUESTIONNAIRE

This questionnaire has been designed to collect information from the HR managers and officers of micro finance institutions and is meant for academic purposes only. The questionnaire is divided into 3 sections. Please complete each section as instructed. Do not write your name or any other form of identification on the questionnaire. All the information in this questionnaire will be treated in confidence.

Section A

Background information

1. What is your gender (please tick as appropriate)

a) Male

b) Female

2. What is your highest academic qualification?

Form 4 level

Diploma

“A:’ Level

Degree

Post graduate degree

3. For how long have you worked in the organization

Less than one year

1 – 5 years

6– 10 years

10 years and above

4. What is your current position? _____

5. Period your organization has been in operation

Less than 5 years

5 – 10 years

11 – 15 years

15 years and above

Section B

Human resource planning

6. To what extent does your organization have a written human resource plan?

(Tick the appropriate point on the scale below.)

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. To what extent has your organization stated the mission of its human resource plan?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. To what extent has your organization stated the vision of its human resource plan?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. To what extent has your organization stated objectives that it wishes to achieve in its human resource plan?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. To what extent has your organization developed strategies for each of the stated objectives?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. To what extent has your organization been able to implement its human resource plan?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. To what extent has your organization put in place monitoring and evaluation measures to keep check on the success of its human resource plan?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. How would you rate the contribution of your human resource department to the organizations strategic planning process?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14. To what extent does your organization prepare plans or programs for recruitment and selection of staff to fill vacant positions?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. To what extent does your organization prepare programs to retain or maintain competent staff in position?

(1)	(2)	(3)	(4)	(5)
Very low	Low	Moderate	High	Very high
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section C

Labour Turnover

16. Rate the level of labour turnover in your organization over the last five years, from 2004 to 2008. Tick the appropriate point on the scale below.

Year	Very Low (1)	Low (2)	Moderate (3)	High (4)	Very High (5)
2004					
2005					
2006					
2007					
2008					

APPENDIX 3

MEMBERS OF ASSOCIATION OF MICROFINANCE INSTITUTION

AAR Credit services

ADOK TIMO

Aga Khan Foundation

AIG Insurance

Barclays Bank of Kenya Ltd

BIMAS

CIC Insurance

Co-operative Bank

Elite Microfinance

Equity Bank

Faulu Kenya

Fusion Capital Ltd

Jamii Bora

Jitegemee Credit Scheme

Jitegemee Trust

K-rep Bank Ltd

K-rep Development Agency

KADET

Kenya Eclof

Kenya Gatsby Trust

Kenya Post Office Savings Bank

Kenya Women Finance Trust

Micro Kenya Ltd

OIKO CREDIT

Pamoja Women Development Programme

SISDO

SMEP

SUNLINK

Swiss Contact

WEDCO (Opportunity International)

WEEC

Yehu Enterprises Support Services