

Human Resource Strategic Orientation, Organizational Commitment and Firm Performance in Large Private Manufacturing Firms in Kenya

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A Thesis Submitted in Fulfillment of the Requirements for the Degree of Doctor of Philosophy in Business Administration of the University of Nairobi

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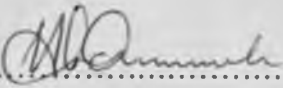
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Declaration

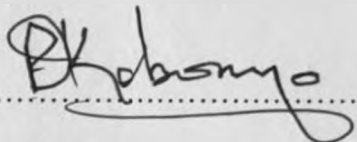
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Dedication

I dedicate this work to my late father, Kipkech Kamuren and my mother Helen Tungo for moulding my future and to Kiptum, Jerotich and Kiplimo for giving me the challenge of moulding theirs

Acknowledgement

I owe the successful completion of this thesis to the exceptional support of many people. First, I would like to express my profound gratitude to my two supervisors: Prof. Peter K'Obonyo and Dr. Martin Ogutu of the School of Business, University of Nairobi for their immense contribution in guiding me from the inception of the first idea and subsequent development of that idea to a PhD research thesis. I am particularly grateful to Professor K'Obonyo for sharing invaluable knowledge in the field of Human Resource Management during the many seminar sessions that laid a strong academic foundation for this piece of work. The supervisors are and will always be my academic mentors. I also thank the University of Nairobi for waiving my fees and for awarding me a research grant that ensured I completed this study without any financial constraints.

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Abstract

Although there is a growing body of evidence demonstrating the linkage between Human Resource (HR) practices and firm performance, there is less evidence on the nature of this linkage. This study sought to fill this gap by firstly, identifying, applying and analyzing in depth the soft and hard typologies of Human Resource Management. Previous studies focused on generic human resource practices as the main independent variables. Secondly, the study introduced organizational commitment and its three components of affective, continuance and normative as an employee outcome and an intermediary variable which has significant implications for firm performance. The aim of this study was to establish the relationship between the soft and hard HR strategic orientations of human resource management, organizational commitment and its components and the moderating effect of four organizational characteristics namely: firm size, firm age, firm ownership and unionization on firm performance.

The study was guided by five specific objectives that sought to establish the relationship between: human resource strategic orientation and firm performance; human resource strategic orientation and organizational commitment; organizational commitment and firm performance; the interaction effect of human resource strategic orientation and organizational commitment on firm performance and the moderating effect of organizational characteristics on the relationship between HR strategic orientation and organizational commitment and that between organizational commitment and firm performance. To achieve these objectives, twenty-six hypotheses were formulated and tested. Correlation and regression analysis techniques were applied. The study was conducted on a sample of 148 large private manufacturing firms in Kenya and a questionnaire return rate of 64 per cent was achieved. The findings indicated that, most of the independent variables have a relationship with firm performance and the variations in the dependent variable can be explained by the independent variables. Soft and hard human resource strategic orientations were found to have a strong and significant positive relationship with firm performance, affective commitment, continuance commitment and overall organization commitment. Out of the four organizational characteristics namely: firm size, firm ownership, firm age and unionization,

only firm size and firm ownership have a consistent and significant moderating effect on the relationship between human resource strategic orientations and organizational commitment and between organizational commitment and firm performance.

These results are significant for theory, policy and practice. It emerged, for example, that contrary to theoretical reasoning, hard human resource practices are positively associated with affective commitment because such practices achieve the desired results and also because people like to be associated with a winning team, they develop positive attitudes and acceptance of the concerned practices. For policy and practical implications, it is concluded that organizations should devise policies that retain employees covering all three areas of commitment, that is, affective, continuance and normative so as to realize business success.

Table of Contents

Declaration.....	(ii)
Copyright.....	(iii)
Dedication.....	(iv)
Acknowledgement.....	(v)
Abstract.....	(vi)
List of Appendices.....	(xi)
List of Tables.....	(xii)
List of Figures.....	(xv)
Abbreviations and Acronyms.....	(xvi)

CHAPTER ONE: INTRODUCTION.....	1
1.1 Background to the study.....	1
1.1.1 Human Resource strategic orientation and organizational commitment.....	3
1.1.2 The status of HRM in Kenya.....	6
1.1.3 Performance in large private manufacturing firms in Kenya.....	8
1.2 The research problem.....	10
1.2.1 Background to the research Problem.....	10
1.2.2 Statement of the research Problem.....	13
1.3 Objectives of the study.....	13
1.4 Significance of the study.....	14
1.5 Overview of the report.....	14

CHAPTER TWO: LITERATURE REVIEW.....	17
2.1 Introduction.....	17
2.2 The development of human resource management.....	17
2.3 Typologies of human resource strategy.....	19
2.3.1 Hard HR strategic orientation.....	24
2.3.2 Soft HR strategic orientation.....	25
2.4 Organizational commitment.....	29
2.5 Measures of organizational commitment.....	34
2.5.1 The Attitudinal approach.....	35
2.5.2 The Behavioural approach.....	38
2.5.3 The Multi-dimensional approach.....	40
2.6 Organizational commitment and human resource strategic orientation.....	45
2.7 HRM practices antecedent to organizational commitment.....	52
2.7.1 Internal career opportunities.....	52
2.7.2 Retention strategies.....	55
2.7.3 Training and development.....	58
2.7.4 Performance appraisals.....	61
2.7.5 Reward strategies.....	63
2.7.6 Employee relations.....	67
2.8 Firm performance.....	71

2.9 Moderating effect of organizational characteristics.....	74
2.10 Conceptual framework and hypotheses.....	76
2.11 Chapter summary.....	82
CHAPTER THREE: RESEARCH METHODOLOGY.....	84
3.1 Introduction.....	84
3.2 Research design.....	84
3.3 Population.....	85
3.4 Sampling design.....	86
3.5 Data collection method	88
3.5.1 Questionnaire construction.....	89
3.5.2 Reliability test.....	89
3.5.3 Questionnaire administration.....	90
3.6 Operational definition of research variables.....	91
3.7 Data analysis.....	94
3.7.1 Scales for DV and IV.....	94
3.7.2 Tests of hypotheses.....	95
3.8 Chapter summary.....	97
CHAPTER FOUR: DESCRIPTIVE DATA ANALYSIS AND PRESENTATION.....	99
4.1 Introduction.....	99
4.2 Survey questionnaire responses	99
4.3 Profiles of respondents.....	99
4.4 Profiles of organizations.....	101
4.5 Human resource strategic orientation.....	105
4.5.1 Description of soft HR measurement items.....	106
4.5.2 Description of hard HR measurement items.....	109
4.6 Firm performance.....	114
4.7 Organizational commitment.....	116
4.8 Results of correlation analysis.....	120
4.9 Chapter summary.....	125
CHAPTER FIVE: TESTS OF HYPOTHESES.....	126
5.1 Introduction.....	126
5.2 HR strategic orientation and firm performance.....	126
5.3 HR strategic orientation and organizational commitment.....	129
5.3.1 Soft HR strategic orientation and overall organizational commitment.....	129
5.3.2 Hard HR strategic orientation and overall organizational commitment.....	130
5.3.3 Soft HR strategic orientation and affective organizational commitment.....	131
5.3.4 Soft HR strategic orientation and continuance commitment.....	133
5.3.5 Soft HR strategic orientation and normative	

	commitment.....	134
5.3.6	Hard HR strategic orientation and affective commitment.....	136
5.3.7	Hard HR strategic orientation and continuance commitment.....	137
5.3.8	Hard HR strategic orientation and normative commitment.....	139
5.4	Organizational commitment and firm performance.....	140
5.4.1	Overall organizational commitment and firm performance.....	141
5.4.2	Affective commitment and firm performance.....	142
5.4.3	Continuance commitment and firm performance.....	143
5.4.4	Normative commitment and firm performance.....	144
5.5	Combined effect of strategic HR orientation and organizational commitment on firm performance.....	145
5.6	Moderating effect of firm characteristics.....	146
5.6.1	Effect of firm characteristics on relationship between HR strategic orientation and organizational commitment.....	147
5.6.2	Effect of firm characteristics on relationship between HR strategic orientation and affective commitment...	152
5.6.3	Effect of firm characteristics on the relationship between overall organizational commitment and firm performance	155
5.7	Chapter summary	158

CHAPTER SIX: SUMMARY, DISCUSSIONS AND CONCLUSIONS..... 159

6.1	Introduction.....	159
6.2	Summary of findings.....	159
6.3	Discussion of findings.....	163
6.3.1	HR strategic orientation and firm performance.....	163
6.3.2	HR strategic orientation and organizational commitment....	163
6.3.3	Organizational commitment and firm performance.....	172
6.3.4	HR strategic orientation, organizational commitment and firm performance.....	174
6.3.5	The moderating effect of organizational characteristics.....	176
6.4	Contribution to knowledge.....	179
6.5	Policy and practical implications for firms.....	181
6.6	Limitations of the study.....	191
6.7	Areas for further research.....	193
6.8	Conclusion and recommendations.....	194
6.9	Chapter summary.....	196

REFERENCES..... 197

List of Appendices

Appendix A:	Spearman's Rank Order Correlation Matrix for Ordinal and Nominal Scales.....	215
Appendix B:	Pearson's Product Moment Correlation Matrix for Interval Scale.....	216
Appendix C:	Cronbach Alpha Reliability Coefficients.....	217
Appendix D:	Sampling Frame.....	219
Appendix E:	Letter of Introduction to Firms.....	224
Appendix F:	Survey questionnaire.....	225

List of Tables

Table 2.1: Categorization of firm performance measures.....	73
Table 3.1: Sampling matrix for large private manufacturing firms in Kenya	87
Table 3.2: Operational definition of study variables.....	91
Table 3.3: Scales for the dependent and the independent variables.....	94
Table 3.4: Summary of tests of hypotheses and related objectives.....	95
Table 4.1: Number of years worked in the current organization.....	100
Table 4.2: Educational level.....	100
Table 4.3: Age of respondents.....	100
Table 4.4: Distribution of firms by age.....	101
Table 4.5: Distribution of firms by size.....	102
Table 4.6: Ownership of the firms.....	102
Table 4.7: Unionization.....	104
Table 4.8: Presence of customer care department.....	104
Table 4.9: Presence of customer hot line.....	105
Table 4.10: Means and standard deviations for soft HR strategic orientation items.....	109
Table 4.11: Means and standard deviations for hard HR strategic orientation items.....	113
Table 4.12: Means and standard deviations for firm Performance.....	114
Table 4.13: Means and standard deviations (SD) for affective organizational commitment.....	116

Table 4.14: Means and standard deviations (SD) for continuanace commitment.....	117
Table 4.15: Means and standard deviations (SD) for normative commitment.....	119
Table 4.16: Correlations between HR strategic orientation and firm performance.....	120
Table 4.17: Correlations between HR strategic orientations and organizational commitment components.....	121
Table 4.18: Correlations between organizational commitment and firm performance.....	122
Table 4.19: Correlations between HR strategic orientation and firm characteristics.....	123
Table 4.20: Correlations between organizational commitment and firm characteristics.....	124
Table 4.21: Correlations between firm performance and firm Characteristics.....	124
Table 5.1: Regression results for soft and hard HR strategic orientations and firm performance.....	128
Table 5.2: Regression results for soft HR strategic orientation and overall organizational commitment.....	130
Table 5.3: Regression results for hard HR strategic orientation and overall organizational commitment.....	131
Table 5.4: Regression results for soft HR strategic orientation and affective organizational commitment.....	132
Table 5.5: Regression results for soft HR strategic orientation and continuanace commitment.....	134
Table 5.6: Regression results for soft HR strategic orientation and normative commitment.....	135
Table 5.7: Regression results for hard HR strategic orientation and affective commitment.....	137

Table 5.8: Regression results for hard HR strategic orientation and continuance commitment.....	138
Table 5.9: Regression results for Hard HR strategic orientation and normative commitment.....	140
Table 5.10: Regression results for overall organizational commitment and firm performance.....	141
Table 5.11: Regression results for affective commitment and firm performance.....	143
Table 5.12: Regression results for continuance commitment and firm performance.....	144
Table 5.13: Regression results for normative commitment and firm performance.....	145
Table 5.14: Regression results for affective, continuance, normative, overall organizational commitment, HR strategic orientations and firm performance.....	146
Table 5.15: Chi-square results for affective commitment, soft HR strategic orientation and firm size.....	148
Table 5.16: Chi square results for affective commitment, soft HR strategic orientation and firm age.....	149
Table 5.17: Chi square results for affective commitment, soft HR strategic orientation and firm ownership.....	150
Table 5.18: Chi-square results for affective commitment, soft HR strategic orientation and unionization.....	152
Table 5.19: Chi-square results for hard HR strategic orientation, affective commitment and firm size.....	153
Table 5.20: Chi-square results for hard HR strategic orientation, affective commitment and firm age.....	154
Table 5.21: Chi-square results for hard HR strategic orientation, affective commitment and firm ownership.....	154
Table 5.22: Chi square results for hard HR strategic orientation, affective commitment and unionization.....	155

Table 5.23: Chi-square results for overall organizational commitment, firm Performance and firm size.....	156
Table 5.24: Chi-square results for overall organizational commitment, firm performance and firm age.....	156
Table 5.25: Chi-square results for overall organizational commitment, firm performance and firm ownership.....	157
Table 5.26: Chi-square results for affective commitment, organizational performance and unionisation.....	158
Table 6.1: Summary of results of tests of hypotheses and related objectives.....	160

List of figures

Figure 2.1: Relationship between HRM practices and commitment.....	50
Figure 2.2: Conceptual framework and hypotheses.....	76

Abbreviations and Acronyms

ACS –	Affective Commitment Scale
CCS –	Continuance Commitment Scale
COMESA –	Common Market for East and Southern Africa
EAC –	East African Community
EPZ –	Export Processing Zones
ERS –	Employee Relations Survey
FILMS –	Firms Internal Labour Markets
HHSO –	Hard Human Resource Strategic Orientation
HR –	Human Resource
HRM –	Human Resource Management
KAM –	Kenya Association of Manufacturers
KIRDI –	Kenya Industrial Research and Development Institute
MBA –	Masters in Business Administration
MNC –	Multinational Corporation
NCS –	Normative Commitment Scale
OCQ -	Organizational Commitment Questionnaire
R&D –	Research and Development
ROI -	Return on Investment
SACCO –	Savings and Credit Cooperatives
SAPS –	Structural Adjustment Programmes
SHSO –	Soft Human Resource Strategic Orientation
WTO –	World Trade Organization

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Human Resource Management (HRM) is a distinctive approach to employment management that seeks to achieve competitive advantage through the strategic deployment of people. The central theme is the integration of human resource policies with the organization's strategy (Guest 1989; Storey, 1992; Hendry, 1995). As such, HRM is a managerially derived and driven set of precepts involving not only HR specialists, but line management (Storey, 1992; Towers, 1996). HRM also implies a shift of focus from manager-trade union relationship to management-employee relations and from collectivism to individualism. HRM achieves its aims by implementing measures such as communication, teamwork and participation that seek to gain employee commitment. Thus, under HRM, managers are transformed into empowerers, facilitators and enablers rather than enforcers of rules and regulations (Walton, 1985; Guest, 1989; Storey, 1992)

The term, Human Resource Management was initially used by some American firms before any theory was developed. This is attributed to the ideas proposed by economists such as Gary Becker (1964) about people as human capital. However, the large-scale adoption of HRM titles and practices, first in America and later in the UK, signaled larger ambitions by organizations (Legge 1995a). Hendry (1995) explains that HRM emerged as a response to specific challenges faced by firms such as international competition and declining rates of innovation in industry. These challenges sparked a desire to create a free work situation in which the employer and the employee worked towards the same goal – the success of the organization.

Although HRM scholars are cautious not to describe HRM as a theory, they nevertheless proceed to offer models and typologies that categorize its approaches.

The typologies of soft and hard HRM have gained some credence with scholars who want to bridge theory and practice (Towers, 1996; Truss, 1999; Kane and Crawford, 1999). Although typologies have been criticized as mere classification systems, Doty and Glick (1994) argue that typologies are complex theories that can be subjected to rigorous empirical testing using quantitative models. They cite the popular typologies of Miles and Snow (1978), Porter (1980) and Mintzberg (1979; 1983) as examples that have stimulated a large amount of empirical research. The soft and hard typologies of HRM have been used as appropriate theoretical bases from which to discuss organizational effectiveness (Legge, 1995a; Truss, 1999; Kane and Crawford, 1999)

The underlying assumptions of the soft and hard approaches to HRM are based on two opposing views of human nature. Hard HRM is derived from the strategic management and business policy line of thought. The emphasis in this approach is on treating employees as a means to an end - achieving organizational strategy. Legge (1995a) argues that this approach fosters quantitative, strategic and calculative practices aimed at efficient production. This approach borrows extensively from the ideas of Fredrick Taylor who believed in the use of efficiency-seeking devices such as work measurement, performance pay, incentives and tight controls. Hard HRM assumes that the needs of the firm are paramount and that increasing productivity is management's principal objective. Although this model has been proclaimed as common sense and the only route to business success, others have dismissed it as inhuman (Hendry, 1995).

The soft approach, in contrast to hard HRM, is derived from the human relations school of thought. It is development oriented with a humanistic focus based on explicit statements about the value of employees. Employers see employees as active partners and core assets rather than passive inputs (Storey, 1992; Beardwell and Holden, 1997). Soft HRM gives strong recognition to employee needs such as training and development, communication, career development and job security. This approach concentrates on people's outcomes rather than organizational outcomes and employees are seen as participants in a venture characterized by commitment and collaboration.

An organization practicing soft HRM would be expected to stress the importance of employee commitment, self-regulation and self-control (Pinnington & Edwards, 2000)

1.1.1 Human Resource Strategic Orientation and Organizational Commitment

Recent research in the field of human resource management (HRM) has been concerned with establishing the relationship between human resource strategies and firm performance (Huselid, 1995; Delaney and Huselid, 1996; Youndt *et al*, 1996; Delery and Doty, 1996; Bae and Lawler, 2000, Singh, 2003 and Rodriguez and Ventura, 2003). Although the findings of such studies have supported positive relationships between HR strategies and organizational performance, some scholars have pointed out the omission of employee's outcomes such as commitment, trust and motivation (Boxall and Purcell, 2001; Kamoche, 2001a and Guest, 2001). Mabey and Salaman (1995) argue that while organizations have committed substantial resources to HR strategies, largely encouraged by consultants, there is doubt as to how much of that investment is realized in terms of employee commitment.

Walton (1985) highlighted the importance of commitment to organizations. He observed that performance improves if organizations move away from traditional, control oriented approach to a commitment-oriented approach to managing people. A control-oriented approach relies on establishing order, exercising control and using efficiency-enhancing methods. On the contrary, a commitment strategy enables workers to respond creatively by giving broader responsibilities, encouraging contribution and helping them achieve satisfaction in their work as opposed to when they are tightly controlled by management, placed in narrowly defined jobs and treated like an unwelcome necessity.

Walton's argument has been supported by several studies, which have shown a positive relationship between organizational commitment and desirable employee outcomes such as low turnover, low absenteeism and low tardiness and enhanced job performance (Chiu, 2002; Truss, 2001).

The three-component definition advanced by Meyer and Allen (1991) is used in this study because employees in an organisation may have different types of commitments tying them to the organisation, which may not necessarily be affective or psychological in nature. For instance, due to poor economic performance in Kenya, most organisations over the past decade have carried out restructuring measures, which have resulted in redundancies. This has meant that most employees are not likely to change jobs especially due to the policy of "last in, first out". Employees may therefore choose to remain in the organisation due to a lack of alternative employment or to protect their investments but not necessarily due to affective commitment. From a practical standpoint, it appears therefore that the bonds that form between employees and organisations can range from instrumental to emotional. Identifying the different types of commitments suggest alternative management strategies leading to desired behaviours in the workplace.

A review of previous studies reveal that although the human resource – firm performance linkage has attracted considerable research among scholars, the focus has been limited to the content of HR practices rather than the process through which firm performance is achieved. Pfeffer (1994) for example, identified seven HR practices, which, he argued, contribute to improved firm performance and constitute best practice, but he does not explain how this practices lead to firm performance. Huselid (1995) and Delaney and Huselid (1996) report positive associations between HR practices such as training and staffing selectivity and firm performance but the studies do not explain how this linkage is achieved. Truss (1999), in an attempt to explain the process through which successful companies achieve better performance, concluded that employee feelings and perceptions are an important intermediary but her study did not test any specific perceptions or attitudes that could explain how firm performance is achieved through HR practices. Youndt *et al* (1996) examined the relationship between human capital enhancing HR systems and administrative human resource strategies and concluded that human capital enhancing strategies were positively related to operational performance. Although an attempt is made to study the HR strategic orientations, the process through which this relationship is achieved is not

explained. More recently, Rodriguez and Ventura (2003) used Miles and Snow's make and buy typologies to explain the links between HR practices and firm performance. Although their findings indicate that a make HR system has a positive effect on employee outcomes such as turnover and morale and consequently overall firm performance, they do not explain how this linkage comes about.

Meanwhile other scholars have questioned the validity and reliability of the HRM-performance research, thus opening a new line of debate. Wright *et al.*, (2001) and Rogers and Wright (1998), point out the likely presence of measurement error in HRM due to items, time and raters. They criticize past research for relying on single respondents, usually the specialist HRM manager and ignoring the process issues embedded in the experiences of other organizational stakeholders such as employees who are affected by HR strategy and managers who implement it. In this connection, Kamoche (2001a) and Truss (1999; 2001) suggest the use of a multi-dimensional approach in HRM research designs by triangulating respondents. Guest (2001) examines the practical challenges and problems of operationalizing and measuring HRM outcomes and performance. He observes that HRM practices are not standardized and as such researchers tend to select a set of HRM practices depending on the theoretical perspective used. Other criticisms have been directed at the preoccupation by researchers with quantitative data at the expense of qualitative data (Gratton *et al*, 1999; Guest, 2001 and Kamoche, 2001a). Other scholars (Kamoche, 2001b; 2002; Anakwe; 2002 and Harvey; 2002) have observed that HRM research is biased towards developed and newly developed countries with little attention given to developing countries especially in Africa. As a result, they call for their inclusion in future HRM research.

To this end, this proposed study is an attempt to respond to these deficiencies and calls for further research by analyzing the relationships among the soft and hard aspects of HR strategy, organizational commitment and firm performance with the aim of explaining the process through which firm performance as an output is achieved. The study will extend previous studies by including various components of organizational

commitment namely: affective, continuance and normative. The study will also examine the effect of variables inherent in the organizational context such as size, unionization and ownership. Rogers and Wright, (1998) and Guest, (2001) make a case for controlling for such variables in any HRM research to avoid spurious relationships. Finally, to address the geographical bias in previous studies and to respond to calls by scholars on Africa, specifically, (Blunt and Jones, 1992; McCourt, 2001; Kamoche, 2001b; 2002; Anakwe, 2002 and Harvey 2002), the study will be located in Kenya, an African developing country setting, which has not received significant attention in past HRM research. The study is expected not only to provide an insight into the types of HRM strategic orientations practiced, but explain the process through which firm performance is achieved by studying the role of organizational commitment in this relationship. The study hinges on the broad hypothesis that organizations adopt different HR strategic orientations that elicit different types of commitment to the organization and the nature of those responses have implications for overall organizational performance.

1.1.2 The Status of HRM in Kenya

The practice of human resource management in Kenya is a reflection of global events. Taylor (1992) observes that the development of HRM in developing countries is slower because of a small and ineffective private sector, which, in developed countries served as a model for best practice for other sectors. However, the entrance of multinational corporations into the local economy has hastened the diffusion of human resource management values and concepts into Kenyan organizations.

The international HRM literature provides evidence that multi-national organizations are the channels through which HRM is imported to other countries and once there, diffuses into local organizations (Horwitz *et al* 2002) but whether and how they are practiced is a subject for enquiry. Diffusion is also facilitated by local and international management consultants who sell HRM and other management ideas as prescriptions for survival thus increasing awareness and knowledge of HRM among

organizations. There is no evidence, however, showing their impact probably because HRM practices have no tangible results and are difficult to measure.

Multinational corporations encourage the transfer of parent-country management practices by retaining expatriates in key areas of the organization. Diffusion research, however, has not provided concrete evidence on the extent to which this has been achieved (Horwitz, *et al*, 2002). Diffusion is supported by the convergence theory of the 1960s (Anakwe, 2002), which postulates that as developing countries industrialize and embrace free market capitalism and technology, they will adopt the ideological values of the developed industrialized world. A study of Korean firms (Bae *et al*, 1998) showed a high prevalence of HRM values and practices of country of origin in multinational subsidiaries. This provides some support for the view that multinational firms are the conduits through which foreign practices are transferred across the world including Kenya.

In Kenya, the beginning of the 1990's was marked with unprecedented changes in the macro environment. Donor conditions on economic and political reforms and rapid advances in technology triggered organizational restructuring that led to downsizing and retrenchments. Price decontrols, removal of import tariffs and general liberalization of the economy threw organizations into a survival mode. In addition, the withholding of donor aid, massive misappropriation of public funds and political uncertainties associated with the multi-party elections of 1992 and 1997 slowly led the country into an economic recession that is persisting to date. Economic growth rates declined from 3 percent in the mid 1990's to 1.8 percent in 1998; 1.5 percent in 1999 and -0.2 percent in 2000. In 2001 and 2002 the growth rates were 1.2 percent and 1.1 percent respectively (Economic Survey, 2003). While the entry of Kenya into regional markets such as COMESA and EAC and the signing of international trade treaties such as WTO increased market opportunities, it also brought challenges to local producers through cheap imports. The effects included a need to improve the quality of products and reduce costs of production in order to be more competitive. In addition, the removal of employment protection through the introduction of the

Financial Bill of 1994 by the government, gave more freedom to organizations to layoff employees faster as a cost reduction measure. This policy change opened the doors for organizations to regulate their workforce not only numerically but also financially and functionally. Rising unemployment at 25 percent in urban areas (Economic Survey, 2003) and hostility by employers towards union organizing increased the employers' prerogative and power to treat employees in a more calculative and instrumental manner. These conditions are significant because of their similarity to those that ushered in HRM in America in 1980-82 and later in Europe in 1985-86 (Hendry, 1995 and Pinnington & Edwards, 2000).

The sum total of these changes had profound consequences for human resource management in particular. These events led organizations to adopt different strategic orientations in the management of their workforce. While some chose to be more calculative in their approach by adopting efficiency enhancing practices and tight controls, others adopted collaborative strategies such as intensive training, development and commitment enhancing practices. This study is an attempt to establish the relationship between the orientation used, commitment and performance of the firm.

1.1.3 Performance in Large Private Manufacturing Firms in Kenya

The manufacturing sector in Kenya contributes approximately 13.3 percent to GDP and this has remained largely unchanged since 1995. Despite the stagnation, it is considered the largest manufacturing sector in East and Central Africa. Its products are exported mainly to the East African Community and COMESA countries. The proportion of the private manufacturing sector is 18.8 percent of the total private sector and it employs 13.5 percent of the country's total labour force.

According to the Kenya Association of Manufacturers, 20 percent of companies with a sales turnover exceeding 440 million Kenya Shillings per annum are considered very large and are mainly multinational corporations. About 80 percent have a sales

turnover of between 55 million and 440 million per year and these are mainly Asian owned and are considered large. Another 20 percent have less than 55 million turnover per year and are mainly owned by indigenous Kenyans and these are considered small. Most manufacturing companies are located in large urban areas due to availability of infrastructure. Out of the total population of manufacturers in Kenya, 68 percent are in the agro food processing sector and the rest are in chemical, motor vehicle assembly, metal, engineering and construction.

The manufacturing sector in Kenya has been faced with many challenges including competition as a result of liberalization, poor infrastructure; bad weather conditions which affected the supply of raw materials, unfavourable government policies, high cost of money, and increasing crime and insecurity. The net effect of these problems has been shrinking of manufacturing activities, restructuring and introduction of stringent measures by companies to control costs. These measures have had significant effect on the way human resources are managed within Kenya's manufacturing sector.

Past management studies on the manufacturing sector show that because of their sensitivity to overhead costs and competition, they tend to be strategic oriented in their management. Large private manufacturing firms in Kenya have been found to use strategic planning (Aosa, 1992; Bae and Lawler, 1998) and would be best for studying other management functions such as HRM. Although the focus of attention in performance has been mainly on financial measures, some scholars have proposed a broader performance construct of 'business performance' or firm performance to incorporate non-financial measures such as market share, customer satisfaction and new products among others.

Dyer and Reeves (1995) proposed four possible types of measurement for organizational performance namely: HR-related outcomes (turnover, absenteeism, job satisfaction); organizational-related outcomes (productivity, quality, service, efficiency); financial accounting outcomes (return on assets, profitability, sales and Tobin's q) and capital market outcomes (stock price, growth, returns). The idea behind

this model is that outcomes are hierarchical in that, outcomes at one level impact on those at the next level. In this particular case, HR practices would have their most direct impact on HR-related outcomes, which in turn contribute to organizational performance. Other scholars have recognized the difficulty in obtaining objective measures of performance in organizations (see Youndt *et a*, 1996). They point out that standardization is not possible when dealing with organizations in different sectors, and asking managers to assess their own firm's performance relative to others in the same industry or sector is an acceptable option. To minimize the effects of random errors, they suggest the use of multiple items and multiple respondents to assess performance. In this study, perceptual measures of firm performance were used due to the difficulty of obtaining quantitative data such as profit and sales revenue. The use of perceptual measures is not unique in HRM studies and findings have shown little difference between objective and subjective data (Huselid, 1996; Guest, 1997; Meyer and Smith, 2000; Rodriguez and Ventura, 2003).

1.2 The Research Problem

The research problem is presented in two sections: the background to the research problem and the statement of the problem.

1.2.1 Background to the Research Problem

Until recently, Kenyan organizations both in the public and private sectors were seen as largely inefficient, ineffective and lacking in strategic focus due to legacy of colonial administration, lack of alternative best personnel practice and the continuing need for administrative controls fueled by corruption (Waweru, 1984; Taylor, 1992 and Kamoche, 2001a). However, challenges related to economic liberalization in the early 1990's, donor pressure on the government and the demand for better services by an increasingly well-informed population, challenged organizations to adopt performance-oriented practices. The private sector in particular faced competition in their local market through better quality and cheaper imported products. As a result

they were forced to adopt a range of tight financial regimes and monitoring of employee performance. The introduction of performance contracts, first in the private sector and more recently in the public sector is an indicator that performance is an issue of concern and human resources are the key to achieving it.

Recent research in the field of HRM has focused on the relationship between HR practices and firm performance (Rodrigues and Ventura, 2003; Gould-Williams, 2003). However, these studies have failed to consider the different types of HR strategic choices adopted by organizations. From HRM theory, the choices revolve around two major approaches, namely: soft and hard HR strategic orientations both of which reflect different approaches to human nature. While the soft approach is characterized by collaboration, cooperation, advancement, participation and partnership, the hard approach is calculative, instrumental and uses efficiency-seeking and control devices and achievement of strategic goals is paramount. It is theorized that each of these HR strategic orientations has different implications for organizational commitment and firm performance. While these approaches have been studied separately as typologies of HR practices (Bae & Lawler, 2000) they have not been studied jointly with organizational commitment and more specifically with the affective, continuance and normative components of organizational commitment. A review of the literature revealed a lack of empirical studies on organisational commitment in Sub-Saharan Africa and Kenya in particular. This study, therefore, proposes to extend Meyer and Allen's (1991) multidimensional conceptualisation of organisational commitment to a non-western context.

In addition, the moderating effect of organizational characteristics such as firm size, age, ownership and unionization on the HR-organizational commitment-performance linkage will be examined as previous studies have not considered the moderating effect of these factors.

Previous studies (Pfeffer, 1994; Huselid, 1995) reveal that, although the human resource-firm performance linkage has attracted considerable research among

scholars, the focus has been limited to the content of HR practices rather than the process through which firm performance is achieved. Pfeffer (1994) for example identified seven HR practices, which, he argued, contribute to improved firm performance and constitute best practices, but he does not explain how these practices lead to firm performance. Huselid (1995) and Delaney and Huselid (1996) found positive associations between HR practices such as training and staffing selectivity and firm performance but the studies do not explain how this linkage is achieved. Truss (1999) in an attempt to explain the process through which HR practices of a successful company led to firm performance, concluded that employee feelings and perceptions are an important intermediary in this relationship, but her study did not test any specific perceptions or attitudes that could explain how firm performance is achieved through HR practices. Youndt *et al* (1996) examined the relationship between human capital enhancing HR systems – similar to soft HRM and administrative human resource strategies – similar to hard HRM and concluded that human capital enhancing strategies were positively related to operational performance. The study, however, ignored the role of intermediary factors related to the employees themselves. Bae and Lawler (2000) studied the HR – performance linkage using the typologies of high involvement and traditional HR strategies, similar to the soft and hard perspectives of HR orientations. Although the study established a positive relationship between high involvement HR strategies and organizational effectiveness, employee outcomes such as commitment are left out.

More recently, Rodriguez and Ventura (2003) used Miles and Snow's make and buy typologies to explain the links between HR practices and firm performance. Although their findings indicate that a make HR system has a positive effect on employee outcomes such as turnover and morale and consequently overall firm performance they do not explain how this linkage comes about. Gould-Williams (2003) assessed the impact of HR bundles on workplace trust and perceived organizational performance with the objective of explaining the process through which HR practices lead to firm performance. His study however, is limited to the generic HR practices

without regard for their strategic orientations and while commitment as an outcome of trust is included among the variables, only the affective component is measured.

It appears therefore, that while scholars have devoted much attention to examining the linkage between HR practices and firm performance, they have not adequately explained the process through which this occurs. The present study departs from previous studies by introducing the construct of organizational commitment and the concepts of soft and hard HR strategic orientations into the HR – performance relationship to explain the process through which firm performance is achieved.

1.2.2 Statement of the Research Problem

This study therefore is an attempt to answer the question: what is the nature of the relationship between human resource strategic orientation, organizational commitment and firm performance in large private manufacturing firms in Kenya? This question is addressed by examining the relationships among the soft and hard orientations of human resource management, three components of organizational commitment namely: affective, continuance and normative commitment and firm performance. The moderating effect of organizational characteristics such as firm size, age, ownership and unionization are also examined.

1.3 Objectives of the Study

This study was guided by the following objectives:

- i) To determine the relationship between human resource strategic orientation and firm performance
- ii) To establish the relationship between human resource strategic orientation and organizational commitment.
- iii) To establish the relationship between organizational commitment and firm performance.

- iv) To determine the interaction effect of human resource strategic orientation and organizational commitment on firm performance.
- v) To establish the moderating effect of organizational characteristics on the relationship between HR strategic orientation and organizational commitment and that between organizational commitment and firm performance.

1.4 Significance of the Study

The findings of this study have both academic and practical usefulness. It has enhanced our knowledge of the human resource practices used by organizations in Kenya and especially those in the manufacturing sector. Understanding the relationships among the various variables studied could enable firms to adopt HR practices that will maximize performance. The findings have also contributed to increased stock of theoretical and empirical knowledge especially in the African context thus forming the basis for further research and teaching. Although it is generally claimed that HR systems in Kenya and in Africa generally are underdeveloped, the private sector is considered relatively more efficient in comparison to the public sector. The present findings point to some of the best practice human resource management practices, which can be applied usefully in both public and private sector organizations.

1.5 Overview of the Thesis Report

This thesis is presented in six chapters. Chapter one sets the scene for the remainder of the study by outlining the main themes of investigation. In this section, the background to the study is discussed by presenting the historical development of the human resource management (HRM) practice. This is followed by a discussion of the current trends of HRM research, the status of HRM in Kenya and the manufacturing sector in Kenya where this study is located. The statement of the problem, study objectives and justification for the study are also outlined.

Chapter two reviews both empirical and theoretical literature on the key variables of the study. The chapter begins by highlighting the meaning and development of Human Resource Management (HRM) with specific focus on the elements of soft and hard HRM and how these aspects relate to the variables of organizational commitment, organizational characteristics and firm performance. Secondly, literature on the definitions, development and the different approaches to the measurement of organizational commitment are reviewed. Thirdly a review of literature on firm performance including its meaning and measurement are reviewed. Finally, a conceptual framework is developed from which several hypotheses are derived for testing.

Chapter three discusses the research methodology used to accomplish the study objectives. The research design, population, sampling procedure, data collection methods, operationalization of the research variables, description of the questionnaire construction and administration, the operational definition of the study variables, reliability of the measurement scales and data analysis techniques are presented.

Chapter four presents the descriptive data analysis using frequency tables, percentages, means, standard deviations, Cronbach alpha coefficients of reliability and correlation coefficients. The profiles of respondents and organizations that formed the sample are presented. This is followed by a description of the responses for each variable. The individual measurement items are also described.

Chapter five presents the results of tests of hypotheses and interpretations of the relationships among the various variables of the study. The first section focuses on testing the relationships between each of the human resource strategic orientations and firm performance; human resource strategic orientation, the three components of organizational commitment and overall organizational commitment; the relationship between each of the three components of organizational commitment, overall organizational commitment and firm performance and the interaction effect of human

resource strategic orientation and organizational commitment on firm performance. Parametric statistical techniques namely: Pearson's product moment correlation and multiple regression analysis were used to test these relationships.

The second section presents results for the moderating effect of firm characteristics on the relationship between human resource strategic orientation and organizational commitment and between organizational commitment and firm performance. The Spearman's rank order correlation and chi-square test, which are non-parametric statistics, were used.

Chapter six presents the summary and conclusions of the study. The central theme of this study was to examine the relationships between firm performance in large private manufacturing firms in Kenya, human resource strategic orientation, organizational commitment and the moderating effect of firm characteristics. This chapter summarizes the research problem and discusses the broader implications of the findings for theory, practice, policy and further research in the field of Human Resource Management. The structure of the chapter is guided by the research objectives and hypotheses. The rationale of the chapter is to show why the findings are the way they are and to what extent they are consistent with or contrary to past empirical findings and theoretical arguments.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Chapter two reviews both empirical and theoretical literature on the key variables of the study. The chapter begins by highlighting the meaning and development of Human Resource Management (HRM) with specific focus on the elements of soft and hard HRM and how these aspects relate to the variables of organizational commitment, organizational characteristics and firm performance. Secondly, literature on the definitions, development and the different approaches to the measurement of organizational commitment are reviewed. Thirdly a review of literature on firm performance including its meaning and measurement are presented. Finally, a conceptual framework is developed from which several hypotheses are derived for testing.

2.2 The Development of Human Resource Management

The management of human resources in organisations has made a transition over the last two decades from a status of insignificance to one of strategic importance (Schuler, *et al* 1993). This has been associated in the literature with the history of economic development, expansion and sophistication. Up until the early 1970s, organisations operated in a relatively stable environment with distinct domestic markets and minimal complexities. The late 1970s to the present has been characterised by a dynamic global economy with cutthroat competition, information technological advances and the upsurge of emerging economies (Schuler *et al.*, 1993; Anakwe, 2002). Therefore, as organisations continue to face a myriad of challenges, their survival will depend upon how effectively they manage their human resources and implement their human resource practices (Anakwe, 2002).

The importance of human resources management (HRM) practices on organisational outcomes such as organisational commitment and enhanced performance has become an important topic for researchers. Researchers have stressed the benefits to organisations of a loyal and committed workforce and the central role HRM practices may play in creating and maintaining commitment (Iles *et al.*, 1990; Meyer and Smith, 2000; Iverson and Buttigieg, 1999; Gould-Williams, 2004). According to Meyer and Smith (2000) unless employees believe they have been treated fairly, they will not be committed to the organisation.

Although there appears to be a general consensus among scholars on the origins of Human Resource Management (HRM) and its driving forces, there is less agreement on its theoretical and practical orientations. As such, scholars are not agreed on whether HRM is a prescriptive model that is concerned with instructing practitioners on how to manage people or a descriptive model that reports on actual developments in the field of human resource management or a conceptual model (Storey, 1992). Some have questioned if it is a practice, a philosophy or a theory (Legge, 1995a).

However, while scholars appear cautious not to describe HRM as a theory, they nevertheless proceed to offer various models and typologies that describe and categorize its approaches. While some of these are normative (e.g. Legge, 1991, 1995a); others are theoretical and derived from the literature (e.g. Guest, 1989, 1991; Beardwell and Holden, 1997); and others are empirically derived (e.g. Storey, 1992; Storey and Sisson, 1993; Storey, 1995; Truss, 1997). However, they have all been described as failing to achieve the status of a fully-fledged theory due to complexities in terminology; lack of generalizability; inherent contradictions and failure to provide any predictive capability (Truss, 1999). As such, the search for a unifying theory is continuing.

Although HRM may not have attained the status of a theory, the two frequently cited typologies of 'soft' and 'hard' HRM have gained some credence with researchers who have made attempts to bridge theory and practice (Towers, 1996). Although typologies

have been criticized as being classification systems rather than theories, Doty and Glick (1994), on the contrary, support typologies. They argue that when typologies are properly developed and fully specified, they are complex theories that can be subjected to rigorous empirical testing using quantitative models. The scholars point out that, typologies have generated a large volume of empirical research because of their ability to provide a parsimonious framework for describing complex organizational structures. They refer to popular typologies such as Mintzberg's (1979, 1983), Porter's (1980), and Miles and Snow's (1984) that have stimulated a large amount of empirical research. Miles and Snow (1984) in particular developed a theoretical framework in which two philosophies or alternative orientations of human resource management are described. These are the 'buy' or market type orientation, which corresponds to the hard HRM and the 'make' or internal orientation, which corresponds to the soft HRM orientation.

Based on the above arguments, the soft and hard approaches to HRM would serve as an appropriate theoretical basis from which to discuss the relationship between HRM strategic orientation, organizational commitment and firm performance.

2.3 Typologies of HR Strategy

According to Truss (1997; 1999), the underlying ideas and assumptions of HRM are based on two opposing views of human nature. These are the human relations movements of the early twentieth century and the more recent strategic management and business policy line of thought that gave rise to what Guest (1987; 1989) referred to as the 'soft' and 'hard' models of HRM respectively. Similarly, other researchers have pursued related theoretical paradigms such as best practice, advocated by Pfeffer (1994; 1998) and best fit, suggested by Baird and Meshoulam (1988). More recently the high performance, high involvement and high commitment models have captured the attention of some researchers. While the high performance work practices are derived from the strategic HRM school of Fombrun *et al* (1984) and aligned to hard

HRM, high involvement and high commitment models are derived from the Harvard framework of Beer *et al* (1985) and aligned to soft HRM.

Other scholars have adopted the terms 'traditional' and 'progressive' as typologies of HRM. Traditional HRM is derived from the scientific management school of thought and its core features are cost-minimization, tight controls and opposition to unions. Progressive HRM in contrast, implies soft HRM. Kamoche (2000b) explains that while progressive HRM values people and invests in personal development leading to high levels of trust, participation, communication and caring, hard HRM, reflected in the traditional model, is concerned with cost minimization, tight controls and union suppression with low levels of trust and commitment.

Bae *et al* (1998) use the term high involvement HRM strategy on the one hand to denote systems characterized by high employee participation, extensive training programmes and broad job designs, which have connotations of soft HRM. On the other hand, traditional HRM strategy is used to denote hard HRM, which is characterized by low participation, limited training and highly specialized jobs. Lepak and Snell (1999), cited in Bae *et al* (1998) proposed the typologies of internal development and acquisition architectures similar to make-HRM and buy-HRM strategies developed by Miles and Snow (1984) and adopted by Bae, *et al* (1998) to determine the variations in human resource management orientations between multi-national and host country firms in Asian countries. Similarly, Rodriguez and Ventura (2003) used the same typologies to study the relationship between human resource management systems and organizational performance among manufacturing firms in Spain. Both studies observe that while the 'make' internal development strategies similar to soft HRM have been linked to positive employee outcomes and organizational performance, some organizations choose a 'buy' acquisition strategy, similar to hard HRM, for cost reduction and numerical flexibility.

Although some findings have shown that hard and soft HR strategic orientations are not mutually exclusive as firms tend to utilize multiple strategies (Truss, 1999; Bae &

Lawler, 2000), other evidence suggests that there are more benefits in adopting one model connected to the primary business strategy of the firm (Delaney & Huselid, 1996; Truss, 2001).

The model of soft HRM presented by Beer *et al.*, (1985) has proposed that HRM practices and policies cannot be formed in a vacuum but are influenced by a wide range of situational factors and stakeholder interests, which will have an impact on both employee behaviour and organisational performance. These situational factors include the organisation's business strategy, labour market conditions and government legislation, while stakeholder interests include both management and employees. They further elaborate that employees can be dealt with within four categories of human resource practices, namely: a) employee-influence, which relates to the amount of authority, responsibility and power voluntarily delegated by management; b) human resource flow, which refers to the organisation's decisions on the recruitment, selection, promotion, exit, job security, career development, advancement and fair treatment of its employees; c) reward systems, which are concerned with both intrinsic and extrinsic rewards such as the work itself, sense of purpose, achievement and challenge, pay, bonuses, pensions, holidays, health insurance and flexible working hours; and d) work systems, which deal with the arrangement of people, information activities and technology.

They further elaborate that HRM effectiveness is measured by four key HR outcomes namely: commitment, competence, congruence and cost effectiveness. Finally, Beer *et al.*, (1985) conclude that the long-term consequences of HRM policy choices will be determined on three levels: organisational effectiveness, employee well-being, and societal well being. In justifying the importance of employee commitment in relation to the organisation's performance, Beer *et al.*, (1985) state that "increased commitment can result not only in more loyalty and better performance for the organisation but also in self-worth, dignity, psychological involvement and identity for the individual" (p. 20).

Guest (1987) proposed a second model of 'soft' HRM in which commitment played a central role. Guest identified several HR practices through which the organisation can achieve high performance. Through these HR practices, the organisation is able to achieve high employee commitment to the organisation, strategic integration, high workforce flexibility and adaptability, and high quality workforce. These HR outcomes are expected to lead to high job performance, stronger problem solving skills, greater change consistent with strategic goals, improved cost-effectiveness, reduced turnover, absences and grievances. Guest (1997) sees high employee commitment as a vital HRM outcome, concerned with the goals of binding employees to the organisation and obtaining behaviour outcomes of increased effort, cooperation, involvement and organisational citizenship. In addition, Guest (1992) who introduced the concept of leadership/culture/strategy to the original model in Guest (1987) state that these factors represent "the cement that binds the HR system together and ensures that it is taken seriously within a given organisation" (p. 128). The 'soft' HRM approach advanced by Beer *et al.*, (1984) and Guest (1987, 1997) recognises the employee as the core asset in the organisation and also emphasises the importance of commitment in enhancing the organisation's performance.

The 'hard' approach to HRM, on the other hand, emphasises the "quantitative, calculative and business-strategic aspects of managing the headcount resource in as 'rational' a way as for any other economic factor" (Armstrong, 2003, p. 8). Fombrun, *et al* (1984) presented a model of hard HRM also referred to as the Michigan School model. This approach adopts a business-oriented philosophy which focuses on the need to manage people in ways that will adopt added value from them and thus achieve competitive advantage for the organisation. Fombrun *et al's* model of HRM assumes that organisational needs come first with an aim of accomplishing a mission or achieve certain objectives. The model is based on three key assumptions: mission and strategy of the organisation; fit among organisational structures; and human resource requirements, tasks and systems. In addition, the model assumes that HRM will respond to the external and internal environment with the aim of increasing competitive advantage. This approach puts emphasis on the term 'resource', implying

that people are viewed as any other factor of production to be used rationally and deployed in a calculative and instrumental way for economic gain (Storey, 1992). This approach has also been associated with the work of Douglas McGregor's Theory X which depicted man as perpetually disliking work, leading to tighter managerial control through close supervision (Truss *et al.*, 1997). The practices that have been associated with this approach include assessment of human resources, rewards and performance-related pay, and performance appraisals.

However, these two perspectives of HRM have not been without conflict. Studies by Guest (1987) have been criticised for incorporating the two approaches in the same model despite their distinctiveness. For instance, Guest draws on both hard and soft dimensions in constructing his 'theory' of HRM which contains reference to four HRM 'policy goals', including 'strategic integration', which is clearly associated with his interpretation of the hard model, and 'commitment' which is associated with his view of the soft model (Truss *et al.*, 1997, p. 55). Truss and colleagues further note that the soft model assumes that employees will work best to attain organisational effectiveness as long as they are committed to the organisation, are trusted, trained and developed and allowed to work autonomously. However, Bassett (1994) cited by Truss *et al.*, noted that the assumption that committed workers were necessarily more productive had never been proven. Iles *et al.*, (1990) argue that organisational commitment may not necessarily be a benefit, either for the employee or for the organisation. Instead, it may result in stress for the individual and the neglect of other areas of life. For the organisation, it may result in lower flexibility, less creativity and diversity, and resistance to change.

Legge (1995) also notes that there is confusion surrounding the notion of commitment and that it is unclear as to whether the desired form of commitment is to the organisation, work group, immediate supervisor, union or occupation. Hard HRM, on the other hand, has been dismissed by some researchers as being inhuman, while others have claimed that it was the only route to business success (Hendry, 1995). Legge (1995) argued that hard HRM has been used to strengthen management

prerogative and legitimise the worst employee relations excesses of the enterprise culture. In a study of eight UK organisations, Truss *et al.*, (1997) found that no single organisation adopted either a pure soft or hard approach to HRM. The study revealed that although most of the organisations embraced the tenets of the soft version (e.g. training, development and commitment), the underlying principle was restricted to the improvement of bottom-line performance.

2.3.1 Hard HR Strategic Orientation

Hard HRM, also equated with strategic HRM (Legge, 1995), was proposed by Fombrun, *et al.*, (1984). This model was inspired by Alfred Chandler's concept of 'structure follows strategy'. The emphasis of the hard HRM model is on treating employees as a means to achieving the organization's strategy. Guest (1989), Storey (1992), Hendry (1995) and Beardwell and Holden (1997), explain that the hard version of HRM is rooted in the corporate strategy and business policy line of thought which emphasizes environmental scanning and integration of the business plan with human resource strategy. It is claimed that hard HRM orientation fosters the quantitative, strategic and calculative approach to HRM aimed at efficient production (Legge 1995a and Gooderham *et al.*, (1999). The emphasis in this approach is on the term 'resource', which implies that people are viewed as any other factor of production to be used rationally and deployed in a calculative and instrumental way for economic gain (Storey, 1992).

The hard HRM model is associated with efficiency-seeking devices such as assessment of human resources, rewards, individual performance appraisals, and performance pay. It reflects the application of Fredrick Taylor's ideas on the use of management practices that enhance productivity such as work measurement and incentives (Sisson, 1994). Organizations that practice this model, monitor investment in employee training and development to ensure it fits in with the firm's business strategy. Collective entities are discouraged with collective bargaining and trade unions taking backstage (Morris *et al.* 2000). Hard HRM assumes that the needs of the

firm are paramount and that increasing productivity is the management's principal reason for improving the effectiveness of HRM.

In their model, Fombrun *et al* (1984) propose a framework for strategic HRM that assumes that organizational needs come first. Their view is that, organizations exist to accomplish a mission or achieve objectives. Hence, the model hinges on three issues: mission and strategy of the organization; fit among organizational structures and human resource requirements and tasks and systems. The model assumes that HRM will respond to the external and internal environment appropriately. It also assumes a contingency approach to HRM. This model is therefore consistent with the practices of hard HRM because it is based on strategic control, organizational structure and systems for managing people. Although it acknowledges the importance of motivating and rewarding people, it concentrates mostly on managing human assets to achieve strategic goals (Pinnington and Edwards, 2000).

Some scholars have dismissed this model as inhuman, while others proclaim it as common sense and the only route to business success (Hendry, 1995; Morris *et al* 2000). Others have argued that hard HRM has been used to strengthen management prerogative and legitimize the worst employee-relations excesses of the enterprise culture (Legge, 1995b). Findings by Gooderham *et al* (1999) indicate that managerial autonomy with less regulative pressure from rules and regulations encouraged organizations to adopt the hard HRM calculative orientation.

2.3.2 Soft HR Strategic Orientation

Although studies on 'soft' HRM have been credited to Beer, *et al.* (1985) who presented the Harvard Model of HRM, Walton, (1985) and Guest, (1987) and Truss *et al.*, (1997), trace it back to the human relations movement and McGregor's Theory Y perspective on individuals. The model proposes that people can be dealt with within four human resource categories: employee-influence, which refers to the amount of authority, responsibility and power voluntarily delegated by management; human

resource flow, which refers to decisions on recruitment, selection, promotion, exit, job security, career development, advancement and fair treatment; reward systems, which are concerned with both intrinsic and extrinsic rewards such as the work itself, sense of purpose, achievement and challenge, pay, bonuses, pensions, holidays, health insurance and flexible working hours; and work systems, which deal with the arrangement of people, information activities and technology. In addition, this model also recommends four human resource outcomes – commitment, competence, congruence and cost-effectiveness. It also considers the environment in which HRM operates. The model concludes with a list of long-term consequences of human resource outcomes: individual well-being; societal well-being and organizational effectiveness. By concentrating on people's outcomes rather than organizational outcomes and business performance the model can be said to be aligned to soft HRM. Organizations adopting this model ensure that employees are involved in work, have opportunities for advancement and participate in decision-making. Any HRM policies would be developed with employee's need for influence in mind but within the limitations of having to be consistent with the overall business strategy and management philosophy.

The soft HRM approach is seen as more development oriented with a humanistic focus based on explicit statements about the value of employees to the firm and ethical matters related to the employment relationship (Storey, 1992; Beardwell and Holden 1997). This view has recently been emphasized by the works of Daniel Goleman on emotional intelligence and other popular writers such as Stephen Covey.

In this model, employees are seen as active partners rather than passive inputs and as core assets especially in creativity and innovation. In addition, employees are viewed as participants in a venture premised on commitment, communication and collaboration. The collaborative emphasis is characterized by efforts to create and communicate a culture of partnership between the employer and employees and among employees. An organization practicing a soft approach to managing its human resources would be expected to stress the importance of employee commitment, self-

regulation and a broad degree of self- control (Pinnington & Edwards, 2000). The focus in this model is on individual development, lifetime training and individual freedom.

While the two typologies of soft and hard HRM have received some attention from researchers they have yielded contrasting results. Truss (1999), for example, by contrasting the hard and soft HRM, found evidence to suggest that women's career opportunities are influenced by the HRM regime practiced by an organization. While women's chances for progress are improved with soft HRM, it is not easy to draw clear boundaries between the two models as the rhetoric may be soft but the reality is hard. External factors such as increased competition, cost reduction needs and internal factors such as leadership and administrative heritage were found to influence the form of careers offered to both men and women and the nature of HRM approach practiced by an organization.

Gooderham *et al* (1999) tested the effect of micro level variables on HRM practices and found that, while institutional determinants such as firm size have a strong effect on the application of both the soft (collaborative HRM) and hard (calculative HRM), managerial autonomy, with less regulative pressure from rules and regulations, was associated more with the hard, calculative orientation rather than the soft, collaborative orientation. They concluded that, the stronger the management autonomy in firms, the more they will adopt hard calculative HRM practices. Likewise, the presence of strong regulations and rules tend to favour soft approaches as management has less power to introduce organizational changes to fit the organizational strategy. These findings appear to generally support the HRM practices described in the prescriptive literature.

Morris *et al* (2000), in contrasting Japanese personnel systems and the hard and soft HRM models, found that the Japanese personnel system is qualitatively different from the HRM model in its orientation. While the personnel system was linked to a production strategy, the HRM model was linked to business strategy, both of which

portray elements of tight control, specific training and unitarist values. The similarities, therefore, lie in the hard version of HRM.

Kane and Crawford (1999) studied the extent to which firms exhibited soft or hard approaches to HRM in relation to perceived overall HRM effectiveness. They concluded that HRM must meet the criteria of strategic and developmental needs where both are integrated with the organization's strategy and objectives. Contrary to the findings from other studies where the hard and soft aspects of HRM are not usually implemented in practice, they found little evidence of conflict or incompatibility between the two theoretical perspectives. On the barriers to implementation of effective HRM, the results of a factor analysis yielded management attitudes, knowledge deficiencies of HRM staff and the current state of the HRM concept as the major factors affecting HRM. The researchers conclude that HRM effectiveness can be achieved through both hard and soft HRM since this effectiveness is related to both organizational strategy and objectives (hard aspect) and employee motivation and development (soft aspect).

Heery (1997) examined the compatibility of industrial relations and performance related pay (PRP), an HRM practice that is increasingly being adopted. His findings indicated that PRP is applied both where soft or hard aspects of HRM are practiced, but where it formed part of soft HRM, unions were more likely to secure a representative role than under hard HRM.

The soft and hard HRM models described above have helped to advance researchers' theoretical understanding of the linkages between human resource management strategic orientations, employee outcomes and firm performance. The next section is a review of literature on organizational commitment.

2.4 Organizational Commitment

Unlike other concepts, organizational commitment has survived as a viable construct due to focused research carried out in the fields of psychology and organizational behaviour (Mowday *et al.*, 1979, 1982; Meyer and Allen, 1990, 1991) hence a viable construct for studying the relationship between HR strategic orientation and firm performance. It is argued that the absence of organizational commitment leads to low rates of employee participation, psychological withdrawal, manifested in lower degrees of personal investment and poor risk-taking behaviour (Walton, 1985 and Guest, 1987). As such, soft and hard HR practices can be seen as interventions to increase organizational commitment and consequently firm performance.

Organizational commitment has recently received a lot of attention from researchers and managers due to its importance in enhancing organisational effectiveness. According to Buchanan (1975), commitment is important to organisations because people who are committed are less likely to change jobs while the costs to the organisation associated with high turnover, such as locating and selecting suitable replacements or recapturing lost momentum are reduced greatly. Committed employees are likely to exhibit better attendance (Angle and Perry, 1981; Mowday *et al.*, 1979; Steers, 1977; Camilleri, 2005), exert greater effort on the job, which may lead to increased job performance (Steers, 1977) and also demonstrate superior levels of retention and tenure in the organisation (Angle and Perry, 1981; Mowday, Porter and Steers, 1979; Steers, 1977; Porter, *et al.* 1974).

Walton (1985) highlighted the importance of commitment to organizations. He observed that performance improves if organizations move away from traditional, control oriented approach to a commitment-oriented approach to managing people. A control-oriented approach relies on establishing order, exercising control and using efficiency-enhancing methods. On the contrary, a commitment strategy enables workers to respond creatively by giving broader responsibilities, encouraging contribution and helping them achieve satisfaction in their work as opposed to when

they are tightly controlled by management, placed in narrowly defined jobs and treated like an unwelcome necessity.

Walton's argument has been supported by several studies, which have shown a positive relationship between organizational commitment and desirable employee outcomes such as low turnover, low absenteeism and low tardiness and enhanced job performance (Chiu, 2002; Truss, 2001).

This section will highlight the development of organisational commitment; the definitions of organisational commitment and various conceptual approaches to understanding organisational commitment such as behavioural, attitudinal and multidimensional approaches.

Organisational commitment as a concept began to gain increasing prominence over the past 30 years. At the start of the 20th century, the main focus for industrialists on the management of their employees was to maximise productivity and profits using scientific management as advocated by Frederick Taylor. Although Taylor's method resulted in increased productivity and higher pay, the workers and the labour unions opposed the approach because it resulted in high stress levels and job losses because employees were expected to surpass their normal work targets (Stoner *et al.*, 1995). Following the outcomes of the Hawthorne studies in the 1930s, led by Elton Mayo, managers realised employees increased production due to the personal attention they received even when the working conditions were poor. As a result of this outcome, organisational and social psychologists began to take a keen interest in employee behaviour resulting in several theories of employee motivation and satisfaction such as Maslow's Hierarchy of Needs, Herzberg's Two-Factor theory and McGregor's Theory X and Theory Y among others.

From the early 1970s, interest in the study of organisational commitment gained momentum especially in America. This was spurred by a decline in productivity, a demoralised workforce and stiff competition that American industries were facing

from foreign investors, especially Japanese (Lincoln and Kalleberg, 1990). Interest in the study of organisational commitment was spurred by successful Japanese management practises where employee commitment was seen as a central driver for organisational success. According to Coopey and Hartley (1991), the market continues to experience labour shortages due to demographic changes and as such employers will have to put less emphasis on recruitment and more on successful retention and development of staff. In addition, Guest (1987) further attributes the popularity of organisational commitment to its central position in the design of human resource management policies, which should aim to maximise organisational integration, employee commitment, flexibility and quality of work.

Although numerous articles have been produced on the subject of organisational commitment, there has been a lack of consensus on its definition (Meyer and Allen, 1991; Jaros, *et al* 1993; Coopey and Hartley, 1991). Reichers (1985) notes that commitment has been variably and extensively defined measured and researched and as a result, has been criticised for lack of precision. She further notes that this lack of precise definition has given rise to inconsistent results from various studies. Mowday *et al.*, (1982) also observes that as the area of organisational commitment grows and develops, researchers from various disciplines ascribe their own meanings to the topic, thereby increasing the difficulty involved in understanding the construct. The dimensionality of organisational commitment has also added to the confusion surrounding the definitions and conceptualisation of organisational commitment (Meyer and Herscovitch, 2001). Some studies have reflected it as being one-dimensional (Porter *et al.*, 1974; Wiener, 1982; Becker, 1960), while others perceive it as being multi-dimensional (Allen and Meyer, 1990; O'Reilly and Chatman, 1986).

Scholars have defined organisational commitment in various ways, for example: Becker, (1960:32) suggested that commitment comes into being when a person, by making a side-bet, links extraneous interests with a consistent line of activity. Kanter, (1968:466) defined it as the willingness of social actors to give their energy and loyalty to social systems and the attachment of personality systems to social relations

which are seen as self-expressive. According to Salancik, (1977:62), commitment is a state of being in which an individual becomes bound by his actions and through these actions to beliefs that sustain the activities of his involvement. O'Reilly and Chatman, (1986:493)

“... the psychological attachment felt by the person for the organization; it will reflect the degree to which the individual internalizes or adopts characteristics or perspectives of the organization.”

The above definitions indicate a lack of consensus over the definition of the organisational commitment concept. Morrow (1983) noted that there are over 25 commitment-related concepts and measures. She points out that the growth in commitment-related concepts has not been accompanied by a careful segmentation of commitment's theoretical domain in terms of intended meaning of each concept.

O'Reilly and Chatman (1986) also note that different terminologies have been used to describe the same basic phenomenon, such as identification with the organisation's goals and values; involvement or loyalty to the organisation; affective or psychological attachment and attachment to one's investment or "side-bets". They further attribute the lack of consensus to a failure by researchers to differentiate among the antecedents and consequences of organisational commitment, on the one hand, and the basis of attachment on the other. Coopey and Hartley (1991) also note that further difficulties in defining commitment has resulted from concept redundancy, referring to the extent to which job, career, work, organisational and professional commitment has been fused into one concept. They note that the trend by researchers is therefore to assume that the organisation's goals are acceptable to all members of the organisation.

Other researchers, for example, (Stevens *et al.*, 1978; Coopey and Hartley, 1991) report that this confusion is attributed to the existence of at least two approaches to defining commitment, i.e. a “psychological approach” and an “exchange approach” or what Scholl (1981) refers to as the attitudinal and behavioural schools of thought respectively.

Meyer and Allen (1991), in response to the confusion over the definitions and dimensionality of the construct, proposed a three-component conceptualisation of organisational commitment in which they defined commitment to reflect a desire, a need and/or an obligation to maintain membership in an organisation. This is unlike Porter *et al's* (1974) definition which restricted commitment to a psychological attachment to the organisation's goals and values. This observation is supported by Mowday (1998) who argued that commitment is a one-dimensional construct focusing only on affective attachment. According to Mowday, this was confirmed by early factor analysis which found that the 15 items of the Organisational Commitment Questionnaire (OCQ) loaded on a single factor only. This is contrary to Meyer and Allen's argument that it is a multi-dimensional construct with three components.

Meyer and Allen (1991:67) have therefore, defined organisational commitment as a construct made up of three factors namely: affective, continuance and normative. Affective commitment refers to the extent to which an individual feels a sense of identification, involvement and emotional attachment to an organization. Continuance commitment concerns an individual's need to continue working for the organization based on the perceived costs associated with leaving the organization. Such costs are those related to personal sacrifice such as loss of advancement, promotion, training or limited job opportunities in the labour market. Normative commitment refers to commitment that is influenced by society's norms about the extent to which people ought to be committed to an organization. Put simply, therefore, people stay with organizations for three reasons: because they want to (affective commitment); because they need to (continuance commitment) and because they feel they ought to (normative commitment).

The three-component definition advanced by Meyer and Allen (1991) is used in this study because employees in an organisation may have different types of commitments tying them to the organisation, which may not necessarily be affective or psychological in nature. For instance, due to poor economic performance in Kenya, most organisations over the past decade have carried

out restructuring measures, which have resulted in redundancies. This has meant that most employees are not likely to change jobs especially due to the policy of "last in, first out". Employees may therefore choose to remain in the organisation due to a lack of alternative employment or to protect their investments but not necessarily due to affective commitment. From a practical standpoint, it appears therefore that the bonds that form between employees and organisations can range from instrumental to emotional. Identifying the different types of commitments suggest alternative management strategies leading to desired behaviours in the workplace.

2.5 Measures of Organizational Commitment

Organisational commitment has been studied from different perspectives by various researchers. It has been viewed as either an attitudinal concept or a behavioural concept. Some researchers, however, have claimed that organisational commitment cannot be studied without considering its multidimensional nature (Reichers, 1985). These three approaches to the study of organisational commitment will be discussed below.

The typologies of organisational commitment as defined by Staw (1977) and Salancik (1977) as cited by Mowday *et al.*, (1982) have led to the most significant development in the understanding of the organisational commitment construct. Staw and Salancik differentiated between commitment as perceived by organisational behaviour researchers and commitment as seen by social psychologists. Organisational behaviour researchers use the term attitudinal commitment to describe the process by which employees come to identify with the goals and values of the organisation and therefore become willing to maintain membership in the organisation. On the other hand, social psychologists use the term behavioural commitment to describe the process by which an individual's past behaviour serves to bind him/her to the organisation.

2.5.1 The Attitudinal Approach

In this approach, commitment is perceived as an individual's psychological attachment to the organisation. This enables the individual to maintain membership in an organisation so as to contribute to the organisation's well being. In their definition, Mowday *et al.*, (1982) observe that attitudinal commitment focuses on the process by which people come to think about their relationship with the organisation. In many ways, it can be thought of as a mindset in which their own values and goals are congruent with those of the organisation. This is consistent with the unitarist values and philosophy of human resource management (Armstrong, 2003).

The attitudinal approach, now commonly referred to as affective commitment, has dominated most of organisational commitment research for more than three decades. This has been initiated by the works of Buchanan (1974) and Porter *et al.*, (1974). Buchanan (1974:533) defined commitment as a partisan, affective attachment to the goals and values of an organisation, to one's role in relation to the goals and values and to the organisation for its own sake, apart from its purely instrumental worth. However, the most widely used definition of attitudinal commitment is by Porter *et al.*, (1974) who defined it as:

“..... the relative strength of an individual's identification with and involvement in a particular organisation. Such commitment can be characterised by at least three factors; (i) a strong belief in, and acceptance of the organisation's goals and values; (ii) a willingness to exert considerable effort on behalf of the organisation; and (iii) a strong desire to maintain membership in the organisation (p.27).

This definition views organisational commitment as involving some form of psychological bond between the employees and the organisation. The resulting outcomes are increased work performance, reduced absenteeism and reduced turnover (Scholl, 1981). Other more recent definitions of affective commitment include Meyer and Allen (1991:67) who defined it as an employee's emotional attachment to, identification with, and involvement in the organisation. The measurement of this type of commitment has been the Organisational Commitment Questionnaire (OCQ).

Kanter (1968) defined commitment as “the willingness of social actors to give energy and loyalty to the organisation” and also as “the attachment of an individual’s fund of affectivity to the group” (p.53). Additionally, Brown (1996) described it as a “set of strong, positive attitudes towards the organisation manifested by dedication to goals and shared sense of values” (p.231). All these definitions have a common theme which expresses an employee’s affective attachment to the organisation’s goals and values as well as loyalty to the organisation.

Some researchers (Angle and Perry, 1981; Steers, 1977; Mowday *et al.*, 1982) have used the exchange theory to explain attitudinal commitment. The exchange theory assumes that employees exchange their identification, loyalty and attachment to the organisation in return for incentives from the organisation. This implies that an individual’s decision to become and remain a member of an organisation is determined by their perception of the “fairness” of the balance of organisational inducements and employee contribution. Mowday *et al.*, (1979:225) observes that this type of commitment encompasses an exchange relationship in which individuals attach themselves to the organisation in return for certain rewards or payments. This approach therefore assumes that the employee develops affective commitment when they perceive that their expectations are being met by the organisation.

Another dimension in explaining attitudinal commitment has been proposed by Wiener (1982). Wiener (1982) argues that the exchange theory is not sufficient in explaining an individual’s work behaviour in the organisation. Instead, it could be as a result of internalised normative pressures such as personal moral standards, and not rewards or punishments. Wiener (1982:421) defines commitment as the totality of normative pressures to act in a way, which meets organizational goals and interests.

Marsh and Mannari (1977:59) describes the employee with ‘lifetime commitment’ as one who “considers it morally right to stay in the company, regardless of how much status enhancement or satisfaction the firm gives him over the years”. Allen and Meyer (1996:253) refer to it as “commitment based on a sense of obligation to the

organisation". Employees with strong normative commitment remain in the organisation because they feel they ought to do so. According to this approach, an employee willingly maintains membership purely for the sake of the organisation without asking for anything in return unlike continuance commitment. Wiener (1982) states that employees exhibit these positive behaviours because "they believe it is the 'right' and moral thing to do" (p. 421). He further suggests that the feeling of obligation to remain with an organisation may result from the internalisation of normative pressures exerted on an individual prior to entry into an organisation (that is, familial or cultural socialisation) or following entry into the organisation (that is, organisational socialisation) and not through rewards or inducements.

Wiener's proposal, which stresses identification and loyalty to the organisation, has added a new dimension to the understanding of attitudinal commitment. Whereas in affective commitment an individual is attached to the organisation's goals and values, normative commitment arises from the congruency of the individual's and the organisation's goals and values, which aim to make the individual to be obligated to the organisation (Suliman and Iles, 2000). Wiener (1982) further notes that commitment increases when the internalised beliefs of an employee are consistent with the organisation's mission, goals, policies and style of operation. Studies that have used Meyer and Allen's (1991) affective and normative commitment scales have also revealed that the two approaches have an inherent psychological overlap. Allen and Meyer (1996) have argued that it may not be possible to feel a strong obligation to an organisation without also developing positive emotional feelings for it.

The attitudinal and behavioural approaches to commitment represent what is commonly referred to as affective and continuance commitment in the contemporary commitment literature. The attitudinal approach describes commitment as an emotional attachment, involvement and identification of the employee to the organisation while behavioural commitment relates to an employee's evaluation of the costs likely to be incurred by leaving the organisation. Most of the commitment literature has advocated for attitudinal (affective) commitment, which inculcates

desirable work attitudes in the employees. Such employees are predicted to be high performers, register less absenteeism and turnover less (Meyer and Allen, 1997). On the other hand, behavioural (continuance) commitment has been criticised for failing to lead to positive work attitudes since the employee only retains membership with the organisation to safeguard their side bets (Suliman and Iles, 2000; Meyer and Allen, 1997).

Past research on organisational commitment has been criticised for being one-dimensional (Reichers, 1985; Allen and Meyer, 1990). Although most studies have viewed organizational commitment as an affective attitude or a psychological attachment to the organisation, a review of the literature reveals that organisational commitment is multidimensional in nature (O'Reilly and Chatman, 1986; Allen and Meyer, 1990; Meyer and Allen, 1997).

2.5.2 The Behavioural Approach

As noted in the previous section, while some researchers have viewed employees' commitment to the organisation as psychological or emotional attachment (Sheldon, 1971; Mowday *et al.*, 1982), others have perceived it as purely instrumental (Becker, 1960; Stevens *et al.*, 1978). The assumption of the behavioural commitment approach is that employees maintain their membership with an organisation because the perceived cost of leaving is likely to be high. Mowday *et al.*, (1982) has defined behavioural commitment as the "process by which individuals become locked into an organisation and how they deal with this problem" (p. 26).

This approach was developed mainly from Howard Becker's studies in 1960 following his realisation that previous authors had made little attempt to formally analyse or offer explanations on the concept of commitment. Becker (1960:32) states by way of definition that commitment comes into being when a person, by making a side bet, links extraneous interests with a consistent line of activity. Kanter (1968:504) also defined commitment as 'profit' associated with continued participation and 'cost'

associated with leaving. According to these definitions, commitment results from the accumulation of some investments or side-bets tying the individual to a specific organisation, which would otherwise be lost if the activity or membership to the organisation were discontinued.

Becker (1960) further argues that over a certain period of time, certain costs accrue which make it more difficult for the person to disengage from a course of activity such as working for a particular organisation or pursuing a certain occupational career. The greater the costs and investments which accrue, the more difficult disengagement becomes. He termed these costs as 'side-bets'. Becker (1964:50) states that:

...if a person refuses to change jobs, even though the new job would offer him a higher salary and better working conditions, we should suspect that his decision is as a result of commitment, that other sets of rewards other than income and working conditions have become attached to his present job so that it would be too painful for him to change...

These 'side-bets' or investments may include one's education, marital status, promotion, length of service on a job, pension funds, organisation-specific skills, friendship in the workplace, the location of the organisation and other factors that may be perceived as rewards or 'sunk' costs in the particular organisation, hence rendering other job opportunities unacceptable.

According to this approach, individuals may also be unwilling to quit their organisation lest they be perceived as "job hoppers". Employees therefore make side bets by staking their reputation for stability on the decision to remain in the organisation (Reichers, 1985). Organisations could also make side bets for employees using practices that lock them into continued membership in the organisation through rapid promotion, non-investment pension plans or organisation-specific training. However, Meyer, *et al.* (1989) caution that these tactics may not instil in employees the desire to contribute to organisational effectiveness, instead, some employees may find themselves in a position in which they have little desire to remain with the organization but cannot afford to do otherwise. Such employees therefore may be motivated to do little more than perform at the minimum level required to maintain the

job they have become dependent on. Meyer *et al.*, (1989) advises companies to foster affective commitment in their employees rather than continuance commitment since employees who value their association with the organisation will not only remain in the organisation but work towards its success.

Stevens *et al.*, (1978) refers to commitment as being exchange-based. The exchange theory posits that commitment develops as a result of an employee's satisfaction with the rewards and inducements the organisation offers, rewards that must be sacrificed if the employee leaves the organisation (Morris and Sherman, 1981; Jaros *et al.*, 1993). The employee, therefore, feels compelled to commit to the organisation because the monetary, social, psychological and other costs associated with leaving are high. This is consistent with Becker's argument that attachments and commitment to the organisation are influenced strongly by side-bets or accrued extrinsic benefits that would be lost if membership to the organisation was terminated. Employee's commitment will therefore increase as the exchange or inducements/rewards increase, resulting in decreased desire to leave the organisation (Scholl, 1981; Iverson and Buttigieg, 1999). In the current management literature, the behavioural approach is now referred to as continuance commitment.

2.5.3 Multi-dimensional Approach

Interest in the study of the multidimensionality of organisational commitment has been as a result of two factors. Firstly, previous studies on organisational commitment have been criticised for failing to investigate commitment as a construct that is distinct from other psychological concepts (O'Reilly and Chatman, 1986). These studies have often measured commitment as a combination of beliefs in an organisation's goals and values, willingness to exert considerable effort on behalf of the organisation and a desire to maintain organisational membership (Porter *et al.*, 1974). However, other studies have shown that one's commitment to an organisation can result from value congruence, financial investments, effective reward and control systems or a simple lack of opportunities (Becker, 1960; Wiener, 1982).

Secondly, organisational commitment had earlier been conceptualised as either attitudinal (Porter *et al.*, 1974; Buchanan, 1974; Mowday *et al.*, 1982) or behavioural (Becker, 1960; Hrebiniak and Alutto, 1972). However, although these approaches explain different concepts of commitment (i.e. psychological attachment and costs attached to leaving the organisation), Mowday *et al.* (1982) suggest that the two approaches are not mutually exclusive but are interrelated.

Mathieu and Zajac (1990) also note that the two approaches are not entirely distinguishable concepts and that the measurement of each contains the elements of the other. For instance, an employee may be drawn into the organization for exchange reasons (calculative commitment), but later develop attitudes consistent with maintaining membership (attitudinal commitment). Alternatively, a person might join an organisation because of attitudinal commitment but continues to stay because of accumulated side-bets resulting in calculative organisational commitment (Cooper-Hakim and Viswesvaran, 2005). Meyer and Allen (1991) also advocate for the inter-relationship of attitudinal and behavioural commitment. They argue that unlike Mowday *et al.*, (1982) who restricted commitment to be reflected only as a psychological state, they were incorporating both the attitudinal and behavioural approach and their complementary relationship, but this psychological state can reflect a desire, a need and an obligation to maintain membership in the organisation.

Although studies on the multidimensionality of organisational commitment began to gain prominence from the early 1990s, its roots date back to work done by Kelman (1958) on attitude change. Kelman argues that an individual can accept influence in three different ways. Firstly, is compliance, which occurs when an individual accepts influence because he hopes to achieve a favourable reaction from another person or group. In this case, the individual adopts the behaviour in order to gain specific rewards or approval but not necessarily because he/she shares in the goals or beliefs of the organisation. This is similar to continuance commitment. Secondly, is through identification, which occurs when an individual accepts influence because he wants to

establish or maintain a satisfying self-defining relationship to another person or group. This means that an individual may feel proud to be a part of a group, respecting its values and accomplishments. This is similar to affective commitment. The third dimension is internalisation, which occurs when an individual accepts influence because the content of the induced behaviour, that is the ideas and actions are intrinsically rewarding. He adopts the induced behaviour because it is congruent with his value system. The individual accepts the influence because it is similar to his/her own values. This is similar to normative commitment. Although Kelman's research generated interesting ideas on employees' behaviour, researchers did not follow up on this line of thought until three decades later.

The first studies that explored the multidimensionality of organisational commitment were carried out by Reichers (1985). In a review of 32 studies, she found that there was no consistent definition of commitment. From these definitions, Reichers (1985: p.468) classified commitment into three categories namely: side-bets which imply that commitment is a function of the rewards and costs associated with organisational membership. These typically increase as tenure in the organisation increases. The second category is that of attributions, which occur when, individuals attribute an attitude of commitment to themselves after engaging in behaviours that are volitional, explicit and irrevocable. The last category is individual/organisational goal congruence. This is where commitment occurs when individuals identify with and extend effort towards organisational goals and values. The Organisational Commitment Questionnaire (OCQ), developed by Porter and his colleagues, is the primary operationalisation of this definition.

From these observations, therefore, organisational commitment can best be understood as a collection of multiple commitments. Hence, commitment should be reconceptualised to reflect multiple commitments to the goal orientations of multiple work groups that constitute the organisation. This approach may represent the next step in the natural development of the construct from a general to a more specific orientation.

O'Reilly and Chatman (1986) who used Kelman's (1958) work argued that although commitment reflects the psychological bond that ties the employee to the organisation, the nature of this bond differs. They examined the relationship between measures of compliance, identification and internalisation with several outcomes such as pro-social behaviour, intent to stay and turnover. They concluded that commitment based on identification and internalisation (similar to affective and normative commitment) are strongly related to pro-social behaviours that require the expenditure of personal time and effort on behalf of the organisation unlike compliance (similar to continuance commitment) which is only related to turnover.

The current development of multidimensional commitment has been as a result of studies carried out by Allen and Meyer in 1990. Allen and Meyer (1990) noted that there was a lack of consensus in the construct definition or dimensionality of organisational commitment. From reviews of several definitions of organisational commitment, they concluded that it had at least three general themes: affective attachment to the organisation; perceived costs associated with leaving the organisation and obligation to remain with the organisation. These themes became known as affective, continuance and normative commitment respectively. According to Allen and Meyer, the 'net sum' of a person's commitment to the organisation, therefore, reflects each of these separable psychological states since an employee can experience each of these psychological states with varying degrees, for instance, a strong need and obligation to remain in the organisation but no desire to do so.

Allen and Meyer (1990) carried out two studies in order to develop the commitment measure and to measure the antecedents of commitment. From the first study they developed a 24-item scale to measure the three components of commitment (eight items for each) and the reliability for each was as follows: Affective Commitment Scales (ACS): 0.87; Continuance Commitment Scales (CCS): 0.75; and Normative Commitment Scales (NCS): 0.79. The results of the study showed CCS to be independent of ACS and NCS while ACS and NCS were significantly related. From

Study 2, they concluded that the link between commitment and on-the-job behaviour such as turnover may vary depending on each form of commitment. They concluded that this will enable organisations to predict which of their employees are likely to remain in the organisation and contribute effectively to its success and those who are likely to remain and contribute little.

Since the development of the multidimensional commitment construct by Allen and Meyer (1990), various studies have been carried out using the three commitment measures. However, most of the researchers have not utilised all the three commitment measures in their studies. Allen and Meyer (1996) in a review of 40 commitment studies that have used the Allen and Meyer measures, found that only 17 studies had used all the three measures (ACS, CCS and NCS), 39 studies had used ACS, 33 studies had used CCS and only 18 used the NCS. Most of these studies that have tested the three-component conceptualisation of organisational commitment have been used on American and Western country samples. It is therefore the aim of this study to test the multidimensional construct in a developing, multicultural country.

Several other studies have also been carried out to identify and measure different forms of commitment (Angle and Perry, 1981; Jaros *et al.*, 1993). For instance, Jaros *et al.*, (1993) referred to the three dimensions of commitment as affective, moral and continuance commitment, while Mathieu and Zajac (1990) referred to two dimensions of commitment as attitudinal and calculative commitment.

Because of these inconsistencies, Meyer and Allen (1997) have advised researchers to be aware of the differences in the conceptualisation and measurement of organisational commitment. For instance, different labels have been used by different researchers to describe similar constructs (e.g. calculative commitment and continuance commitment), thereby creating a potential source of confusion. Meyer and Allen (1997) have also noted that the use of different measuring instruments to measure these concepts is likely to produce inconsistent results.

2.6 Organizational Commitment and Human Resource Strategic Orientation

Most HRM researchers in recent years have focused on identification of HR practices that enhance employee commitment. Much of the debate has been based on the distinction between two perspectives referred to as “best practice” and “best fit” (Kinnie *et al.*, 2005). The best practice view identifies a set of HR policies that is associated with improved performance in all types of organisation and, by implication, all types of employees (Pfeffer, 1994). The best-fit approach argues that performance is maximised when the HR policies adopted are consistent with the business strategy (Schuler and Jackson, 1987). Whereas an identifiable set of practices have been found to have a positive effect on organisational performance, individual policies or practices such as compensation or selection have limited ability to generate competitive advantage in isolation (Becker and Gerhart, (1996:784).

Commitment emerges from a process of social exchange between an organization and an individual. People acquire the commitment attitude from their experience of the exchange relationship but they do not necessarily bring it on entry (Luthans, 1998). The concept of commitment appears to play an important role in the human resource management philosophy. While most of the organizational commitment literature has focused on the nature and outcomes of commitment, limited studies have focused exclusively on its relationship with human resource practices and firm performance and specifically the soft and hard orientations of HRM.

In recent years, the main theme within the Human Resource Management (HRM) literature has been the identification of ‘best practices’ that enhance both organisational performance and employee commitment (Pfeffer, 1994; Delaney and Huselid, 1996; Marchington and Grugulis, 2000; Gould-Williams, 2004; Whitener, 2001; Kinnie, *et al.* 2005). ‘Best practice’ HRM has been variously referred to as ‘high performance’ work systems (Marchington and Wilkinson, 2005), ‘high commitment’ HRM (Walton, 1985; Guest, 2001; Guest, *et al* 2001), ‘high involvement’ HRM (Wood, 1999; Guthrie, 2001) or high commitment management (Wood and de

Menzes, 1998). Whatever the terminology, 'best practice' is based on the assumption that a particular set or bundle of HR practices have the potential to bring about enhanced performance for the organisation and improved employee work attitudes and behaviours (Guthrie, 2001). Continued research in this area has been driven by efforts to find links between these practices and firm level outcomes, such as higher productivity, lower turnover, lower rates of absenteeism and higher levels of financial performance and customer satisfaction (Arthur, 1994; Huselid, 1995).

Although various studies have been carried out over the last two decades to determine how employees' commitment to an organisation develops, limited research has been carried out on the potential impact of human resource management (HRM) practices on commitment (Meyer and Smith, 2000). Iles *et al.*, (1990) note that most of the variables selected by researchers as predictors of organisational commitment have been carried over from job satisfaction studies and include predictors such as personal/demographic variables, task identity, role conflict, role ambiguity, organisational characteristics, work experiences and leadership among others, while variables related to HRM practices have been neglected. This is despite research evidence showing that organisational commitment is more strongly influenced by employee perceptions of HRM practices such as fairness of promotion practices and the accuracy of the merit system than by task, role or supervisory behaviour variables (Oglivie, 1986; Meyer and Smith, 2000).

The importance of employee commitment within HRM has been advanced by Walton (1985) who presents two models of HRM namely, 'control' and 'commitment' also referred to as 'cost reducers' and 'commitment maximisers' or 'soft' and 'hard' HRM (Arthur, 1992; 1994; Walton, 1985; Whitener, 2003). Webster and Wood (2005) in their study of HRM in Mozambique have referred to these strategies as 'high road' and 'low road' HRM practices. Guest (1987) and Storey (1992) in their definition of soft-hard models of HRM view the key distinctions as being whether the emphasis is placed on the 'human' or the 'resource' (Truss *et al.*, 1997). The goal of control/low road/hard human resource systems is to reduce direct labour costs and improve efficiency, by enforcing compliance with specified rules and procedures, basing

employee rewards on some measurable output criteria, and seeking advantage over competitors through cost-cutting measures such as downsizing, a reduction in security of tenure, reduced investment in training and a greater use of sub-contracted labour (Arthur, 1994; Webster and Wood, 2005). Guthrie (2001) further notes that control-oriented approach to management tends to emphasise narrow, well-defined jobs, centralised decision-making, lower skill demands, little training and less interdependence among others. Guthrie observes that workers are more commodity-like and more replaceable. In contrast, commitment/high road/progressive/soft human resource systems shape desired employee behaviours and attitudes by forging psychological links between organisational and employee goals, and is also characterised by high levels of investment in training and development, job security and innovative reward systems (Walton, 1985; Arthur, 1994; Guthrie, 2001; Webster and Wood, 2005).

Pfeffer (1998) states that firms that pursue high commitment, high involvement, high performance and high commitment management practices produce superior economic returns over time and are also a source of achieving competitive advantage. Pfeffer (1998) who had originally identified 16 HR practices recommends seven such practices, which he believes, will lead to positive HR outcomes such as higher quality employees, higher flexibility and higher levels of commitment. These practices are: employment security; selective hiring and selection; extensive training, learning and development; employee involvement, information sharing; self-managed teams and decentralisation of decision making; high compensation contingent on performance; and reduced status differentiation. Similarly, Delery and Doty (1996) identified seven such HR practices as: internal career opportunities; formal training systems; results-based performance appraisals; profit sharing; employment security; employee voice; and broadly defined jobs.

Meyer and Smith (2000) observe that the potential impact of HRM practices on commitment has received far less attention than it deserves. The results of the studies that have been conducted provide evidence to suggest that organisations can influence

employees' commitment through their HRM practices. According to Gould-Williams (2004:63), this supports the common sense belief that improving the way people are managed inevitably leads to enhanced firm performance.

Researchers have begun to focus their attention on the links between HRM practices and employee commitment (Oglivie, 1986; Gaertner and Nollen, 1989; Meyer and Smith, 2000; McElroy, 2001). These studies suggest that particular HRM practices will elicit various forms of commitment towards specific targets within the organisation. For example, Oglivie (1986) conducted interviews with 67 managers from an agricultural production company to determine their assessment of level of pay, accuracy of the merit rating system, fairness of promotions, and comparability of fringe benefits. From the study, three of the four ratings, that is, level of pay, accuracy of merit rating and fairness of promotion, were found to contribute over and above personal and work characteristics (e.g. work and supervision) in explaining differences in commitment levels.

Gaertner and Nollen (1989) found that perceptions of the organisation's adherence to career-oriented employment practices, including internal promotion, training and development, and employment security, were related to commitment among employees in a Fortune 100 manufacturing firm. Gaertner and Nollen found that perceptions of HRM practices contributed over and above factors such as supervisor relations, participation in decision-making and communication in explaining differences in commitment. The actual promotion rate and length of service were also found to be positively related to commitment. On the basis of these findings, Gaertner and Nollen concluded that:

“Psychological commitment is higher among employees who believe they are being treated as resources to be developed rather than commodities to buy and sell” (p.987).

In a study to establish the relationship between commitment and employees' perception of HRM practices, Meyer and Smith (2000) found that affective commitment and normative commitment correlated significantly with all the HRM

practices (i.e. performance appraisal, benefits, training and career development) while continuance commitment had a negative correlation with the same HRM variables. Wood and Albanese (1995) in their study of 135 manufacturing plants in the UK found the most popular high commitment management practices on the shop floor to be centred on the use of selection for trainability and commitment, team working and group problem-solving rather than one rooted on performance-related pay or performance management. In a study of 164 New Zealand business firms, Guthrie (2001) found that employee retention is associated with increases in productivity when the use of high-involvement work practices is high, while productivity reduces when the use of these practices is low. In addition, Guthrie found that in firms that were more control-oriented, increase in employee retention was associated with a decrease in productivity.

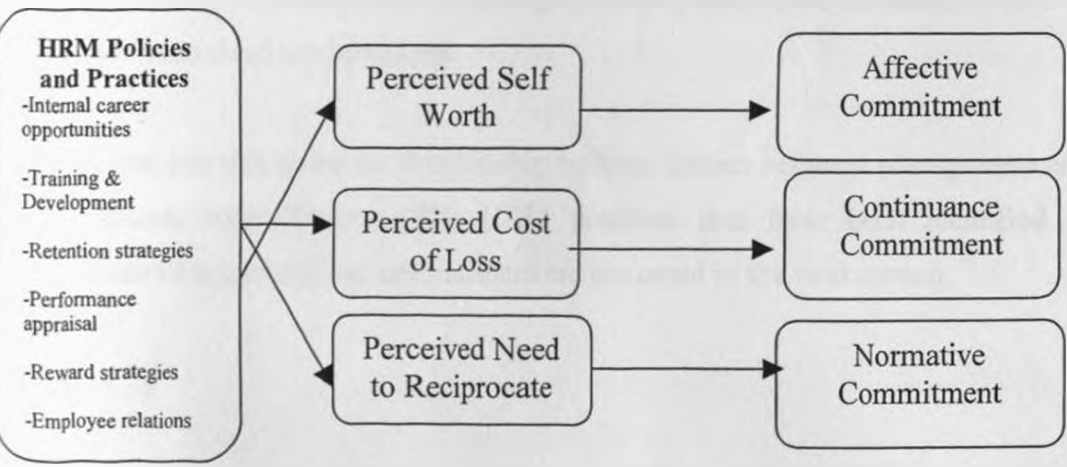
Cully *et al.*, (1999), found that certain high commitment management practices were more widespread in UK organisations such as procedures for dispute resolution, briefing meetings, performance appraisals, single status, and family friendly policies. Other practices found to be less evident included employee share ownership, personality tests during recruitment, profit-related pay and guaranteed job security. Huselid (1995) in a study of 968 US organisations found that the simultaneous use of certain high performance work practices relating to employee skills, organisational structures and employee motivation, was significantly related to lower employee turnover, and greater productivity and financial performance.

In a study of steel mini-mills in the US, Arthur (1994) found that commitment-type HR systems were associated with higher productivity, lower scrap rates and lower employee turnover than control-type systems. In addition, Arthur found a strong negative correlation between turnover and manufacturing performance in commitment systems as compared to control systems. Ichniowski *et al.*, (1997) in a study investigating steel production lines identified seven innovative work practices areas which included incentive compensation plans, teamwork, job flexibility, employment

security, training, extensive recruiting and selection and labour-management communication.

Meyer and Allen (1997) have suggested that various human resource practices can influence and produce different forms of organisational commitment depending on how they are perceived by the employee. For instance, a particular HR practice, such as training, might lead to different forms of commitment. Employees who receive training, especially if it is intended to provide them with the opportunity for advancement, might perceive the organisation as valuing them as individuals thus bolstering a sense of self-worth, therefore developing strong affective commitment. The same HR practice could lead to the development of continuance commitment if the employee perceives the newly acquired skills as being organisation-specific, thus of value to the employing organisation only. In addition, if the training was paid for by the organisation, normative commitment will develop as the employee will feel a sense of obligation to stay in the organisation for the period of time sufficient for them to reciprocate. In this regard, Meyer and Allen have presented a simplified model of the relationship between HR practices and organisational commitment, which represent these relationships, as shown below.

Figure 2.1: Relationship between HRM practices and commitment



Source: Adapted from Meyer & Allen (1997) p. 69 – HRM practice and commitment: A simplified model

Although some research studies have been carried out to examine the influence of one or a small number of HR practices on commitment (e.g. Gaertner & Nollen, 1989; Taormina, 1989), it has been suggested that these approach may produce biased estimates of their effects (Delaney and Huselid, 1996). Few empirical studies have examined those HR practices associated with the high commitment model and consequently, employee commitment (Meyer and Allen, 1997). In addition, Meyer and Allen (1997) have noted that most of the previous studies concerning the influence of management practices on employees' commitment have focused mainly on affective commitment, thus creating a gap in the literature.

Studies have revealed existing disparities as to what constitutes a high performance HR strategy. In their review of the literature on high performance work systems, Becker and Gerhart (1996:784) conclude that studies of the so-called high performance work systems vary significantly as to the practices included and sometimes even as to whether a practice is likely to be positively or negatively related to high performance. For instance, Arthur (1994) placed a low emphasis on variable pay, whereas Huselid (1995) and MacDuffie (1995) placed a strong emphasis on it. While Huselid (1995) described HR strategies that rely on internal promotion and provide access to employee grievance procedures as significant, Arthur (1994) described them as elements of a more rigid HRM system often associated with less productive unionised environments.

This section has discussed the relationship between human resource management and organisational commitment. The HRM practices that have been identified as antecedents of organisational commitment are discussed in the next section.

2.7 Human Resource Practices Antecedent to Organizational commitment

This section reviews literature on human resource management practices that have been identified as antecedents of organisational commitment namely: internal career opportunities; employee retention; training and development; performance appraisal; reward strategy; employee relations and overall human resource strategy.

2.7.1 Internal Career Opportunities

Perceived opportunities for internal mobility such as advancement and lateral job change have been shown to have major implications for work motivation and attitudes. McElroy *et al* 1996) observe that employees will only work hard to get promoted if they perceive that positions are available and awarded on the basis of work performance.

The increasing global competition in the business environment and rapid advances in technology has meant that organisations have had to restructure, delayer, and go through merger and acquisition programmes which have in effect removed the notion of “career-for-life” and introduced the rhetoric of the “new” career (Sturges, *et al* 2000). Studies show that organisational careers are dying from the traditional full-time jobs, which had clearly chartered career development programmes (Sturges *et al.*, 2000; Cappelli, 1999). Cappelli (1999) notes that “career jobs” have been affected by the economic hardships that organisations are facing. As a result, careers are no longer “bounded” by organisations but instead have become “portable” and “boundaryless” (Sturges *et al.*, 2003).

Some studies have also found that promotion procedures and the presence of promotional opportunities or career paths have a positive relationship with organisational commitment (Grusky, 1966; Iles *et al.*, 1990; Snell & Dean, 1992; Kalleberg and Mastekaase, 1994). In a study of 1649 managers of large business companies, Grusky (1966) found positive statistically significant correlations between

career mobility and organisational commitment. They found that managers with moderate abilities were less committed to the organisation than managers who were most mobile during their careers.

Perceptions of few or unfair promotional opportunities have been found to result in negative attitudes towards work or the organisation. Unfair promotional practices may include promotion based on gender, race, ethnicity and criteria used rather than merit. Iles *et al.*, (1990) have suggested that perceptions of the fairness of the promotion procedures of an organisation can alienate employees who were passed over especially if they perceive the procedures to have been unfair. Schwarzwald, *et al* (1992) found that employees who received a promotion not only reported lower levels of feelings of inequity regarding their treatment in the organisation but also reported higher levels of organisational commitment. Studies have shown that perceived inequity in promotion systems have resulted in reduced job satisfaction, work attendance and organisational commitment (Chacko, 1982).

McElroy *et al.*, (1996), in a study of 1029 respondents from a US state agency, found that mobility practices were associated with work-related practices and therefore underscored the need to more carefully manage the internal reassignment of employees and to assist employees in setting realistic internal mobility expectations. McElroy and colleagues observed that meeting both mobility expectations and making sure that employees perceive the reason for denying their promotion request to be fair, had a positive effect on the employees work attitudes. In a study of 64 employees in a US public service department, Young *et al.*, (1998) found a strong positive correlation between satisfaction with promotion opportunities and organisational commitment. Iverson and Buttigieg (1999) also found that promotional opportunities had a positive effect on affective commitment. Meyer *et al.*, (1989) found that continuance commitment was higher among employees who had been rated as less promotable by their superiors.

Kalleberg and Mastekaasaz (1994), have referred to HR practices dealing with promotions or internal career opportunities as firm internal labour markets (FILMs). FILMs are characterised by the presence of job ladders with entry being at the bottom of the ladder and movement up the ladder, which is associated with the progressive development of skills and knowledge. The availability of mobility opportunities, along with skill acquisition and development, are central to the idea of promotion and FILMs policies. According to Kalleberg and Mastekaasaz, FILMs have been found to create a closer psychological bond between the employee and the 'organisation's culture'. In this regard, employees who identify with and are loyal to the organisation can be expected to work hard and remain with the organisation even if this action does not result in greater expected life earnings and other job rewards. Therefore, employees who work in organisations with FILM are expected to exhibit greater loyalty and attachment to the organisation while absence or blockage of opportunities for advancement is expected to lower organisational commitment and be associated with other negative work attitudes and behaviours.

In a study of 313 Eritrean civil servants, Tessema and Soeters (2006) found that promotion practices were negatively correlated to employee work attitudes. They noted that respondents with better performance records perceived that promotional practices were not based on written, formal policies but rather on merit and seniority, which, could be influenced by other, mainly political considerations.

Rajan (1997) further notes the arrival of 'lean production' programmes requiring fewer staff, performance-related pay, fewer management layers, outsourcing of non-core activities among others, has undermined employee job security and career progression. Therefore, whereas in the past employees had clearly defined career paths and jobs-for-life, the trend now emphasises on employability, self-development and individual responsibility for career development. Employees are therefore expected to manage their own careers, even if this takes them outside the organisation (Sturges *et al.*, 2000; Rajan, 1997). According to Rajan (1997) the criteria for promotion is changing, whereby qualifications and seniority matter less than performance.

Studies adopting Allen and Meyer's (1990) multidimensional view of commitment suggest that career development is related to different commitment components. Taormina (1999) and Meyer and Smith (2000) found that career development was one of the most powerful predictors of both affective and normative commitment. Taormina (1999) found that 'future prospects' had a strong positive relationship with normative and affective commitment indicating that employees who felt that there were good career opportunities in their organisation were more likely to not only feel an obligation to their employing organisation but to also develop a strong emotional attachment to the organisation.

Meyer and Smith (2000) found that career development practices were best predictors of affective and normative commitment because they were critical in preparing employees' future in the organisation. They note that organisations that take an active role in helping employees to prepare for advancement in the organisation in a way that creates perception of support might foster a stronger bond to the organisation among employees than those that do not. Morris *et al.*, (1993) found that perceptions of career prospects grew in importance as the number of years in employment grew irrespective of whether the respondents were stayers or leavers. Paul and Anatharaman (2003) found that career development had a direct influence on an employee's commitment to the organisation, which in turn affects employee retention and employee productivity. If the organisation has a programme for career growth, employees will feel attached to the organisation and remain longer and contribute towards organisational success (Paul and Anatharaman, 2003, 2004).

2.7.2 Retention Strategies

Retention strategies aim at ensuring that key people stay with the organization and turnover is reduced. However, Capelli (2000) points out that the market and not the company will ultimately determine the movement of employees as it is difficult to shield employees from attractive opportunities and aggressive recruiters. Bevan *et al*

(1997) suggests that organizations can aim at influencing who leaves and when through risk analysis. Retention plans address key HR areas such as rewards, job design, opportunities for development and growth, career development and promotion from within. They further enhance commitment by explaining organizational vision, mission and values and communicating with all employees on issues that affect them, encourage involvement and participation; teamwork and quality management and supervision by selecting managers with well-developed leadership qualities in conflict resolution and grievance handling (Armstrong, 2001).

A changing work environment that no longer guarantees long-term job security has recently challenged planning for retention. An employee is considered to enjoy job security when he/she remains employed with the same organisation without a reduction of seniority, pay, pension benefits and other benefits (Yousef, 1998). However, since the late 1970s, economic recessions, industrial restructuring, technological changes and intensified global competition have dramatically changed the nature of work (Buitendach and De Witte, 2005). These changes have forced organisations to improve organisational effectiveness and streamline operations through downsizing, outsourcing and rationalisation thus bringing to an end the promise of job security, life long employment and defined career paths. For many employees, these changes in working life cause feelings of insecurity regarding the nature and future existence of their jobs. This may result in negative employee work attitudes, increased job dissatisfaction, decreased organisational commitment and employees engaging in work withdrawal behaviour (Buitendach and De Witte, 2005; Cully *et al.*, 1999). Therefore, the provision of employment security under these conditions can be perceived as a commitment by the employer to its employees (Pfeffer, 1994; McElroy, 2001).

Hallier and Lyon (1996) suggest that if employees perceive a threat to their employment, their commitment to the organisation would decline. Employees who are assured of employment security may develop commitment because of the longevity of the employment relationship (Gaertner and Nollen, 1989). Pfeffer and

Cohen (1984) note that both the employee and the firm benefit from work arrangements that have “good continuity properties” (p. 533). Employees with more tenure may develop stronger identification with the values and goals of the organisation and more willingness to use pro-social behaviour on behalf of the organisation (O’Reilly and Chatman, 1986).

High commitment HR practices advocate the reduction of job losses where possible and that workers should be treated not as a variable cost but as a critical asset (Marchington and Wilkinson, 2005). Pfeffer (1998) points out that laying off people too readily:

“Constitutes a cost for firms that have done a good job selecting, training and developing their workforce ... layoffs put important strategic assets on the street for the competition to employ” (p. 66).

Delaney and Huselid (1996) have argued that the provision of job security encourages employees to work harder. Ichniowski *et al.*, (1994) cited by Delaney and Huselid (1996:951) point out that workers will only expend extra effort if they expect a lower probability of future layoffs.

There is evidence to suggest that employees who are provided with high employment security are more committed to the organisation (Gaertner and Nollen, 1989; Iverson and Buttigieg, 1999). Iverson and Buttigieg (1999) found that job security was a significant predictor of both affective and continuance commitment. In a study of 447 respondents from several organisations in the United Arab Emirates, Yousef (1998) found a statistically significant correlation between satisfaction with job security and organisational commitment.

According to McElroy (2001) employment security may induce several forms of commitment. Continued employment may enhance affective levels of commitment by virtue of the fact that an employee may get to like his/her environment after a while. In addition, continued membership with an organisation may result in increased belief in organisational values and therefore, a willingness to exert effort on behalf of the

organisation. Normative commitment may develop if the employee feels obliged to return the loyalty exhibited by the organisation. Finally, the provision of secure employment might induce continuance commitment due to the fact that leaving the organisation would result in the loss of a secure employment relationship or result in unemployment due to the lack of alternative opportunities elsewhere.

Following the implementation of the Structural Adjustment Programmes (SAPs) and the Financial Bill of 1994 that deregulated the labour market in Kenya thousands of employees were retrenched. This study, therefore, sought to investigate the extent to which employees still harbour perceptions of job insecurity and to what extent it has affected their commitment to the organisation.

2.7.3 Training and Development

Training and development represents an area within HR practices that can have a significant impact on employee commitment to the organisation. Although training and development programmes may act as inducements, they may also be viewed as investments in the relationship between organisations and individuals which can contribute to employees' organisational commitment (Farrell and Rusbult, 1981). Recent research suggests that 'high commitment' human resource practices, such as employee development affect organisational outcomes by shaping employee behaviours and attitudes (Whitener, 2001; Arthur, 1994; Huselid, 1995; Wood and de Menezes, 1998). Kamoche (2000) points out that:

“the extent to which an organisation is prepared to invest in training its employees by way of developing them, is indicative of whether employees are seen as a cost to be rationalised or a resource that has the potential to contribute meaningfully to the organisation” (p. 107).

Training and development activities may be interpreted by employees as an indication of the organisation's commitment to its human resources thus, resulting in a strong psychological bonding with the organisation and therefore, a willingness to work hard to increase the organisation's effectiveness (Gaertner and Nollen, 1989; Arthur, 1994;

Wood and de Menezes, 1998). These employees may develop a positive self-concept and a sense of competence resulting from the employment relationship, leading to a greater identity with the organisation (Morris and Sherman, 1981). A positive outcome of training activities is that organisations are likely to have a cadre of highly skilled employees. According to Tannenbaum *et al.*, (1991) effective training programmes, especially those that meet participants' expectations and desires, may indicate willingness on the part of the organisation to invest in the employees, thus enhancing employees' commitment to the organisation.

McElroy (2001) observes that organisations that extensively train their employees create a reputation for valuing and developing employees. He further adds that this provides a vehicle through which they can attract the right kind of employees. Thus, people who are high achievers would be attracted to organisations known to value their employees. McElroy (2001) further suggests that increased self-worth and importance could be the mechanism through which training is predicted to increase organisational commitment. He argues that organisations that invest in training send a clear message to their employees that the organisation is committed to the development of its people. The employees in return can form closer psychological attachment to the organisation and its goals (affective commitment) or a moral obligation to give the organisation its money's worth (normative commitment) if the organisation funded the training.

Studies have shown that training that involves company-specific skills are likely to induce continuance commitment rather than affective commitment because the training makes employees more valuable to their existing employers than to potential employers (McElroy, 2001; Gaertner and Nollen, 1989). Such skills constitute sunken costs in terms of time and effort that an employee stands to lose if he/she leaves the organisation. Taormina (1999) found that training was a significant predictor of affective, normative and continuance commitment. Randall and O'Driscoll (1997) found that agreement with training policies was associated with higher levels of affective commitment among employees in New Zealand but not Irish employees. A

study conducted by Saks (1995) on a sample of new entry-level accountants indicated that affective commitment increased following training.

Allen and Meyer (1990) suggest that employees who invest considerable time and energy mastering a skill that may not be easily transferred to another organisation are 'betting' that the time and energy invested will pay off with continued employment in that organisation. Lee and Bruvold (2003) in a study of nurses from USA and Singapore, found that perceived investment in employee development had a strong positive correlation with affective commitment and a weaker correlation with continuance commitment. They suggest that employees expressed a higher level of affective commitment to an employer when they are in an over-investment (by the employer) relationship than when they are in an under-investment relationship. Failure by organisations to provide adequate training and development opportunities are likely to result in low morale, decreased commitment and high turnover rates in the long-term. In addition, employees who decide to leave the organisation take with them important knowledge which has taken years to develop. This scenario is made worse if the skills are scarce in the market, for Information Technologists (IT) workers who are costly and highly sought after. A survey in the USA by Deloitte and Touche in 1998 revealed a turnover rate of 30 percent, which is higher than the industry rate of 20 percent (Fenner and Renn, (2002).

One of the problems arising from organisational training is identifying the quality and relevance of the training being provided. Marchington and Wilkinson (2005) point out that most organisations are only concerned with the quantitative aspects of training, i.e. in terms of money and time invested, thus resulting in workers who are overqualified for the jobs they do, hence leading to poor motivation and low morale. Truss *et al.*, (1997:61) further point out that even where training opportunities are provided by the organisation, there is often no explicit aim within the training of increasing the individual's skill base or broadening their experience.

Another disadvantage in relation to training opportunities is that these activities are often regarded as representing a significant cost for organisations rather than investments. According to Kamoche, *et al* (2004), training in organisations in Kenya is mainly treated as a cost and the economic situation facing the country has made it even more difficult for managers to view training as an investment. Where training exists, these are usually limited to equipping the employees with narrowly defined firm-specific skills that facilitate the attainment of short-term objectives. Kamoche *et al.*, (2004) point out that in order for organisations to develop and raise the level of productivity, there is need to transform the way they develop people by nurturing cultures that value the contribution from their employees and undertake cost-effective training activities that are geared towards enhancing labour productivity and product quality.

2.7.4 Performance Appraisals

Performance appraisal is among the most important HR practices because of its ability to assess employees and develop their competence, enhance their performance and distribute rewards (Kuvaas, 2006). Therefore, being an integral part of HRM, this should be carried out regularly (Taylor *et al.*, 1995). Performance appraisals have been used as a means of directing and motivating employee behaviour by assessing individual or work group performance and linking these appraisals with incentive compensation systems (Huselid, 1995). Some of the performance management practices include regularly planned team briefings and formal assessment on an annual or bi-annual basis.

Appraisal systems can provide valuable performance information to a number of HR activities such as allocation of rewards, promotion and feedback on development and assessment of training needs (Taylor *et al.*, 1995). Some of the characteristics of performance-related practices that have been associated with employee commitment include the perceived accuracy of merit assessments and feedback concerning performance objectives (Oglivie, 1986). In a study of 593 employees from 64 banks

in Norway, Kuvaas (2006) found that satisfaction with performance appraisal was positively related with affective commitment and negatively related to turnover intentions.

Paul and Anantharaman (2003) found that performance appraisal was a significant predictor of organisational commitment. Organisational commitment will not be met if performance appraisal is carried out merely to attain organisational objectives. In addition, employee participation in the appraisal process, perceptions of equity, fairness and justice will influence organisational commitment.

Despite the importance of performance appraisals to organisations, concerns have been raised about the challenges that they continue to pose to managers and the employees who use them. Banks and Murphy (1985) cited by Taylor *et al.*, (1995) noted that:

“Organisations continue to express disappointment in performance appraisal systems despite advances in appraisal technology. Appraisal reliability and validity still remain major problems in most appraisal systems and new (and presumably improved) appraisal systems are often met with substantial resistance. In essence, effective performance appraisal in organisations continues to be compelling but an unrealised goal” (p. 495).

Other problems that afflict performance appraisal data include intentional as well as inadvertent bias (Field and Holley, 1982). Therefore, since performance assessments often play a role in decisions related to training and career development, promotions, rewards and redundancy programmes, perceptions of fairness must be a necessary consideration. Managers, therefore, must not be seen to deliberately omit potentially important performance criteria during assessment or include irrelevant factors which might result in resentment leading to low commitment or high turnover. According to Allan (1994) a systematic performance appraisal programme should be objective, free of biases and custom-designed to fit the specific needs of the organisation.

Kamoche *et al.*, (2004) report that cultural and social issues have complicated performance appraisals in organisations in Kenya. For instance, employees who know

influential people in the organisation who can protect them, tend to be spared when performance appraisals are used to select workers for redundancy, thus placing politics and interpersonal relationships above organisational goal-oriented performance. Nyamberega (2002) notes that ethnicity and kinship affiliation plays a significant role in performance appraisal. Supervisors have also abused appraisals when they have a grudge against an employee or to pursue a personal vendetta against appraisees. The high level of job insecurity and unemployment in Kenya has further politicised performance appraisal. Arthur, *et al* (1995) in a study of 38 organisations in Ghana and 128 organisations from Nigeria, found that there were no set performance goals and that the performance criteria were vaguely defined. This vagueness in performance criteria encourages subjectivity in the performance appraisal process. Aryee (2004) argues that African cultural norms are likely to have a negative impact on the appraisal process. For example, the tendency to avoid confrontation makes critical or negative face-to-face feedback an unpleasant task for managers. Limited studies have been carried out to find out the extent to which performance appraisals affect organisational commitment. As Meyer and Allen (1997) have pointed out 'little or no research has been carried out to examine how performance appraisals affect commitment per se' (p. 110).

2.7.5 Reward Strategies

Employment represents an exchange relationship between an employer and employee (Singh, *et al*, 2004). Studies have shown that rewards are an important determinant of organisational commitment (Gaertner & Nollen, 1989; Mottaz, 1988; Mowday *et al.*, 1982; Steers, 1977). Mottaz (1988) proposes that employees offer commitment in exchange for rewards received from the organisation. Others propose that rewards lead to high commitment because they denote organisational support and dependability (Gaertner and Nollen, 1989; Levine, 1993). Kamoche *et al.*, (2004) have pointed out that employees should be valued for the knowledge they possess and be rewarded according to how they apply this knowledge and competencies to productive activities that are consistent with the organisation's objectives.

In pure economic terms, monetary compensation has been perceived as fundamental to the exchange relationship between employers and employees. According to Singh *et al.*, (2004) this is because money is an important reward in organisations and compared to other outcomes, pay can be measured more objectively. Through monetary rewards, employees are able to evaluate their perceptions of equity or justice in the organisational context. The equity theory posits that people evaluate fairness by comparing the inputs they contribute such as skills and efforts and the outcomes they receive such as pay to the inputs and outcomes of referent groups within the organisation and in the external market (Adams, 1965). For example, people may compare their own inputs and outcomes to those of others and assess the differences in their own wages within that context. A state of equity will be attained if the perceived ratio of outcomes to inputs favourably compares to the outcome-input ratio of relevant others (Singh *et al.*, 2004).

Levine (1993) suggests that where inequity exists, employees may attempt to reduce their distress by changing the perceptions of either their own or reference group's inputs and outcomes, altering their inputs such as their effort or their outcomes, for example, by getting a pay raise, forming/joining a union or quitting the organisation. Levine further notes that, whereas underpayment is more likely to result in lower effort, dissatisfaction and low commitment, perceptions of overpayment will result in employees raising the evaluation of their own inputs to restore perceived equity. Levine has also noted that as a result of strong bargaining powers because of unions, threat of unionisation or threats of collective resistance to management goals, some employers have been forced to pay higher wages even though workers of similar quality are available for lower wages.

Rewards are also related to organisational justice, which reflects an individual employee's perceptions of fairness and one's evaluation as to the appropriateness of one's outcomes. According to Greenberg (1990), organisational justice constitutes of two factors namely; procedural justice and distributive justice. Procedural justice

comprises processes and procedures used to determine the compensation an employee receives, while distributive justice focuses on the employee's satisfaction with pay, regardless of the method of its determination.

According to McElroy (2001), providing high compensation could lead to higher affective organisational commitment through a variety of mechanisms. First, it allows the organisation to attract a large pool of applications from which to selectively recruit. Second, high compensation serves as an indication of how much an organisation values its people, thereby enhancing their self worth and feelings of importance. Third, linking individual rewards directly to the future of the organisation makes compensation dependent on performance. This makes the individual to exert more effort on behalf of the organisation. Finally, tying compensation to organisational performance makes comparison among employees more equitable, thus enhancing perceptions of fairness within the organisation. Therefore, high compensation that is tied to organisational performance is predicted to lead to increased levels of affective commitment.

McElroy (2001) however, does not expect the tying of compensation to performance to create the norm of reciprocity associated with normative commitment. Since compensation is earned by the employee's performance and not given, the employee may not feel any obligation to the organisation. In this regard, McElroy (2001) argues that there would be no association between compensation and normative commitment. He suggests that high compensation, however, might affect continuance commitment. He speculates that if employees are paid high salaries, they may perceive a loss of control over their high compensation should they decide to leave the organisation. This might induce in the employee a desire to remain where the high compensation is guaranteed. On the other hand, Meyer and Smith (2000) have found that although procedural justice and organisational support mediated the positive relationship between affective commitment and benefits, the case was not the same for normative commitment. According to Meyer and Smith, the provision of benefits is likely to be perceived by employees as part of the psychological contract, thus creating an

obligation on the part of the employee to reciprocate. In this case, provision of benefits was likely to be strongly associated with normative commitment.

Various research studies have shown a link between rewards and benefits and organisational outcomes. Pfeffer (1994, 1998) argues that reward systems such as higher salary base, gain-sharing, bonuses and employee stock options, act as incentives for employees to be committed and motivated to achieve organisational goals. In a study of 250 employees of a manufacturing firm, Oliver (1990) found a positive correlation between work rewards and commitment but a negative correlation with intentions to leave the organisation within 1 year and intentions to leave within 5 years. Singh *et al.*, (2004) found that Nursing home administrators had a higher degree of satisfaction with their pay when the organisation provided adequate opportunities for growth and when compensation practices included bonus as a percentage of salary. In addition, organisational commitment, skill compatibility and opportunities for career advancement, were found to be positively related to monetary satisfaction.

In Mathieu and Zajac's (1990) meta-analysis, salary was found to have a low positive correlation with organisational commitment. Although salary is generally considered as a "side-bet" and thereby likely to be more related to calculative (continuance) commitment, it can also be related to attitudinal (affective) commitment in terms of the self-esteem that the employee derives from it (Mathieu and Zajac, 1990). Morris *et al.*, (1993) found that employee' perceptions of pay or salary influenced 'stayers' commitment just after they started work but had "worn" off as they progressed into their employment. Monetary rewards in this context seemed to have had little impact on organisational commitment. Guthrie (2001) found a positive correlation between market pay level and employee retention rate.

Iverson and Buttigieg (1999) found a positive relationship between pay and low perceived alternatives and high personal sacrifice but a negative relationship with affective and normative commitment. This means that employees become tied to the

organisation because of high pay. Iverson and Buttigieg point out that merely introducing higher wages will increase an individual's perception of low alternatives but has no effect on improving the alignment of employee goals with those of the organisation. Levine (1993) found that in both Japan and USA, workers with higher wages reported lower intentions to look for another job, had high pay satisfaction, were more committed and were more likely to recommend the job to a friend. Taormina (1999) found that although employees with more education were more satisfied with their pay, opportunities for career advancement (future prospects) were found to induce employees to feel more satisfied with their pay. O'Driscoll and Randall (1999) found that both intrinsic and extrinsic rewards were positively correlated to both affective commitment and job involvement and negatively correlated to continuance commitment.

Mulinge (2001) found a negative correlation between pay and intent to stay. Whereas ordinarily pay is expected to increase employee intent to stay with the employing organisation, Mulinge points out that since the mandatory retirement age in Kenya is 55 years, most employees perceive self-employment as the 'smart' way to a financially secure old age. Therefore, higher pay allows employees to save enough to desire to exit their work organisations to become self-employed and become financially secure after retirement. Employee's perception of equity and fairness in the remuneration procedure and its impact on organisational commitment is still a contentious issue in the HRM literature. Meyer and Allen (1997, p. 79), for example, point out that limited research has examined the impact of employee rewards on commitment.

2.7.6 Employee Relations

Employee relations consist of all those areas of HRM that involve relationships with employees either directly or indirectly through collective agreements where trade unions are recognized. It also covers the processes of employee involvement, participation and communication. Beer *et al.*, (1984) who considers the employee as a

primary stakeholder within the organisation, have suggested that employee interest should be recognised and therefore be given the opportunity to influence or shape the organisations HRM policies. This influence can be through participation in decision making, employee involvement practices or information sharing. Participation in decision-making is the act of sharing decision making with others to achieve organisational objectives (Scott-Ladd and Marshall, 2004).

Participation can offer employees various levels of influence in the decision making process which can range from formally established consultative committees through to development of good relations with managers or supervisors at an informal level. Marchington *et al.*, (1992) cited by Cully *et al.*, (1999) define 'employee involvement' as practices "initiated principally by management, and are designed to increase employee information about, and commitment to, the organisation" (p. 64). Townley (1994) suggests that if information provided to employees is narrow in scope, restricted to the task at hand or disjointed and unrelated, it will not assist in the promotion of commitment to the organisation. However, communication which is open, interactive, persuasive, co-ordinated, and integrated with other personnel policies, is much more likely to promote identification with and commitment to the organisation (Thornhill, *et al* 1996).

The HR practices associated with high commitment in the literature emphasise extensive information sharing and participation (e.g. Arthur, 1994; Pfeffer and Veiga, 1999) and regular briefings with employees (Wood, 1996). According to Pfeffer and Veiga (1999), organisations that share information on matters such as financial performance, strategy and operational measures conveys to its employees that they are trusted. Furthermore, employees cannot enhance organisational performance if they are lacking vital information and training on how to use and interpret the information.

McElroy (2001) has pointed out that participation can increase affective commitment when employees are involved in decision-making and the organisation is decentralised. Organisations that give their employees more responsibility and

autonomy are perceived to show trust in their employees thus creating a sense of obligation on the part of the employee (McElroy, 2001). This may result in increased levels of normative commitment especially if the employee perceives that he or she may have to give up his or her self-determination should they leave the organisation.

A number of research studies have found that participation in decision-making is linked to commitment (Allen and Meyer, 1990; Iverson and Buttigieg, 1999). The extent to which management is perceived to be receptive to employee ideas has been positively associated with affective and normative commitment (Allen and Meyer, 1990; Iverson and Buttigieg, 1999) and negatively associated with continuance commitment (Iverson & Buttigieg, 1999). Scott-Ladd and Marshall (2004) found that participation in decision-making strongly correlated with job satisfaction, affective commitment, autonomy, task variety and task identity. However, they also note that although employees' contribution to decisions affecting their work improved their ability to be effective, it also added to their workload.

Studies have shown that employees are likely to be satisfied with performance outcomes if they can influence the decisions that impact on them (Scott-Ladd and Marshall, 2004). Cotton *et al.*, (1988) found that the highest satisfaction, commitment and performance outcomes was derived from participation "... associated with forms that are direct, long-term and/or of high access" (p. 17) whereby employees have a "voice" or "say" in decisions that affect them at the work place. According to Meyer and Allen (1997) organisations that change from a system of hierarchical control to one in which employees are encouraged to demonstrate initiative clearly shows that the organisation is supportive of its employees and values their contributions.

The importance of communication systems within the organisation has been heightened in recent years due to a realisation that commitment to the goals of the organisation is important for organisational effectiveness (Pfeffer, 1994; Walton, 1985). Cully *et al.*, (1999) found that managers in the UK communicated with their employees through various means. From a study of 1,905 managers, they found that

the most commonly used methods to directly communicate with employees are: team briefings (61 percent), the 'cascading' of information down the management chain (60 percent), staff newsletters (50 percent) and workplace meetings with all employees (48 percent). Only one in ten managers used other forms of communication such as e-mails and notice boards.

In a study of 439 respondents from a British higher education institution, Thornhill *et al.*, (1996) found that, of the employees who believed that management made a positive effort to keep staff well informed, 68 percent indicated that they felt part of the institution, 88 percent said it was a good place to work and 85 percent indicated that it had a bright future. However, employees who did not feel that management made a positive effort to keep the employees informed were less committed.

Studies by Guest and Conway (1997) revealed that employees who were satisfied with their level of influence in the organisation had a more positive psychological contract. Guest and Conway found that 72 percent of the respondents were encouraged to forward suggestions while 45 percent of the managers reported having in place formal employee involvement mechanisms such as quality and performance improvement programmes. 56 percent of the respondents confirmed taking part in the involvement programmes and 48 percent were satisfied that the management took their suggestions seriously. However, 29 percent of the respondents reported being dissatisfied with their level of influence on company decisions that affected both their jobs and work life.

Young *et al.*, (1998) found a positive relationship between communication and job satisfaction and commitment. Employees were found to be more satisfied with their jobs when they had inputs in terms of complaints and suggestions and when they were kept informed of organisational plans, policies and developments that affected their jobs.

In a study of 1211 agricultural technicians in Kenya, Mulinge (2001) found no significant effects of participation in decision making on organisational commitment. Mulinge notes that in Kenya employees have little power and therefore enter employment with little expectations. In addition, despite the westernisation of the work culture in Kenya, “politics” is still known to play a major role in decision making in the work environment, especially in the public sector. This practice makes the more innovative employees vulnerable because they can be penalised for decisions their superiors were not happy with. In this regard, decision-making actually places employees in a position of accountability that makes them vulnerable to reprisals and criticisms.

A review of the literature on employee relations has highlighted the importance of adequate communication and participation in decision-making by employees and the relationship between trade unions and management. It is noted that minimal research has been carried out on the impact of employee involvement and participation in decision-making on affective, normative and continuance commitment, especially in the Kenyan context.

2.8 Firm Performance

This section of the literature review is concerned with overall performance of organizations rather than that of individuals or groups. The organizational performance construct is probably the most widely used dependent variable in organizational research yet it remains vague and loosely defined (Rogers and Wright, 1998). Hersey and Blanchard (1988) argue that performance has multiple meanings. For example management scientists define performance as the degree to which actual results have met the expected standards and taking corrective measures if not. Marketers view performance in quantitative and qualitative terms. Sales revenue and inventory turnover are regarded as quantitative measures while qualitative measures include skills and perceived share market.

While accountants judge performance by how well a firm is achieving set standards in terms of profitability, production and operation managers view performance in terms of minimizing production costs through wastage, idle time, average job lateness, average number of jobs waiting and average completion time (Adam and Ebert, 1987).

Economists look at performance in terms of efficiency. They argue that efficiency of a competitive market results in efficient production due to free entry and exit of firms thus, prices will equal average cost at the minimum point on the long-run average cost curve of each firm. They also regard sales growth, productivity, employment, and capacity utilization and export performance as proxy for performance.

Performance may be measured objectively or subjectively (Cohen, 1983). An objective evaluation is essentially quantitative and is based on such things like sales, net income, cash flow and return on investment (ROI). A subjective evaluation is qualitative and therefore judgmental and usually based on perception of the respondent. The objective and subjective approaches can also be differentiated in terms of ends and means. Objective measures focus on end results while subjective measures focus on the process or means by which the end results are achieved.

The focus of attention in performance has been mainly on financial measures but some scholars have proposed a broader performance construct of 'business performance' to incorporate non-financial measures such as market share, customer satisfaction and new products among others. Dyer and Reeves (1995) proposed four possible types of measurement for organizational performance namely: HR-related outcomes (turnover, absenteeism, job satisfaction); organizational-related outcomes (productivity, quality, service, efficiency); financial accounting outcomes (return on assets, profitability, sales and Tobin's q) and capital market outcomes (stock price, growth, returns). The idea behind this model is that outcomes are hierarchical in that, outcomes at one level impact on those at the next level. In this particular case, HR practices would have their most direct impact on HR-related outcomes, which in turn contribute to organizational performance.

According to Boselie *et al* (2005), financial measures were used in half of the articles they reviewed. Profit is the most common followed by various measures of sales. Pauwe and Boselie (2005) point out that financial indicators are problematic because a wide range of both internal and external factors that have nothing to do with employees influences them. Kanfer (1994) and Guest (1997) note that the distance between some performance indicators such as profits and HR interventions are wide and potentially subject to other business interventions such as research and development or smart marketing strategies but with nothing to do with HR practices. Financial indicators emphasize a shareholder approach to the concept of performance

According to Fry *et al* (1998), the success of an organization is gauged from several indicators both qualitative and quantitative. These include: financial performance, meeting customer needs, building quality products and services, encouraging innovation and creativity and gaining employee commitment. The extent to which an organization succeeds in these areas determines its performance. Performance measures are cost oriented or non-cost oriented and can also be internal or external. These are summarized in Table 2.1 below.

Table 2.1: Categorization of Firm Performance Measures

Cost – oriented measures	Non cost- oriented measures
Expenditure on research and development	Percentage of market share
Net profit	Number of customer complaints
Growth in profit	Response to customer needs e.g. 'hot lines'
Return on equity	Timeliness, speed
Earnings per share	Reliability of product and durability
Cash flow	Length of time taken to introduce new product
Net worth	Number of patents held
Annual sales turnover	Number of new products introduced per year
Capacity utilization	Levels of absenteeism
Scrap minimization	Rates of employee turnover
Production lead time	Image
	Competitor performance

Youndt *et al* (1996) recognize the difficulty in obtaining objective measures of performance in organizations. They also point out that when dealing with organizations in different sectors, standardization is not possible and asking managers to assess their own firm's performance relative to others in the same industry or sector is an acceptable option. To minimize the effects of random errors, researchers have suggested the use of multiple items and multiple respondents to assess performance.

2.9 Moderating Effect of Organizational Characteristics

The relationship between the HRM orientations practiced by firms and other outcomes such as employee and organizational outcomes can be moderated by variables such as size, ownership, unionization, market competition and management attitudes. Size for example is a proxy for other factors such as resources, nature of the workforce and culture. As such, large organizations are more likely to adopt practices that enhance employee development and participation and which apply mostly to managerial employees, thus a soft HRM orientation (Kamoche, 2000). Hard HRM practices imply control, cost reduction and tightly aligning employees' skills with organizational strategy. In most developing countries, small organizations are mostly locally owned, enjoy less economies of scale, have a small market share and use less sophisticated management techniques. As such, they are more likely to adopt traditional cost reduction strategies, hence a hard HRM orientation (Bae, *et al* 1998). In contrast, large organizations are mostly MNCs and they tend to have a larger capital base, a higher sales turnover, and employ a well-trained workforce with a high proportion of management. As such foreign owned organizations are more likely to practice soft HRM.

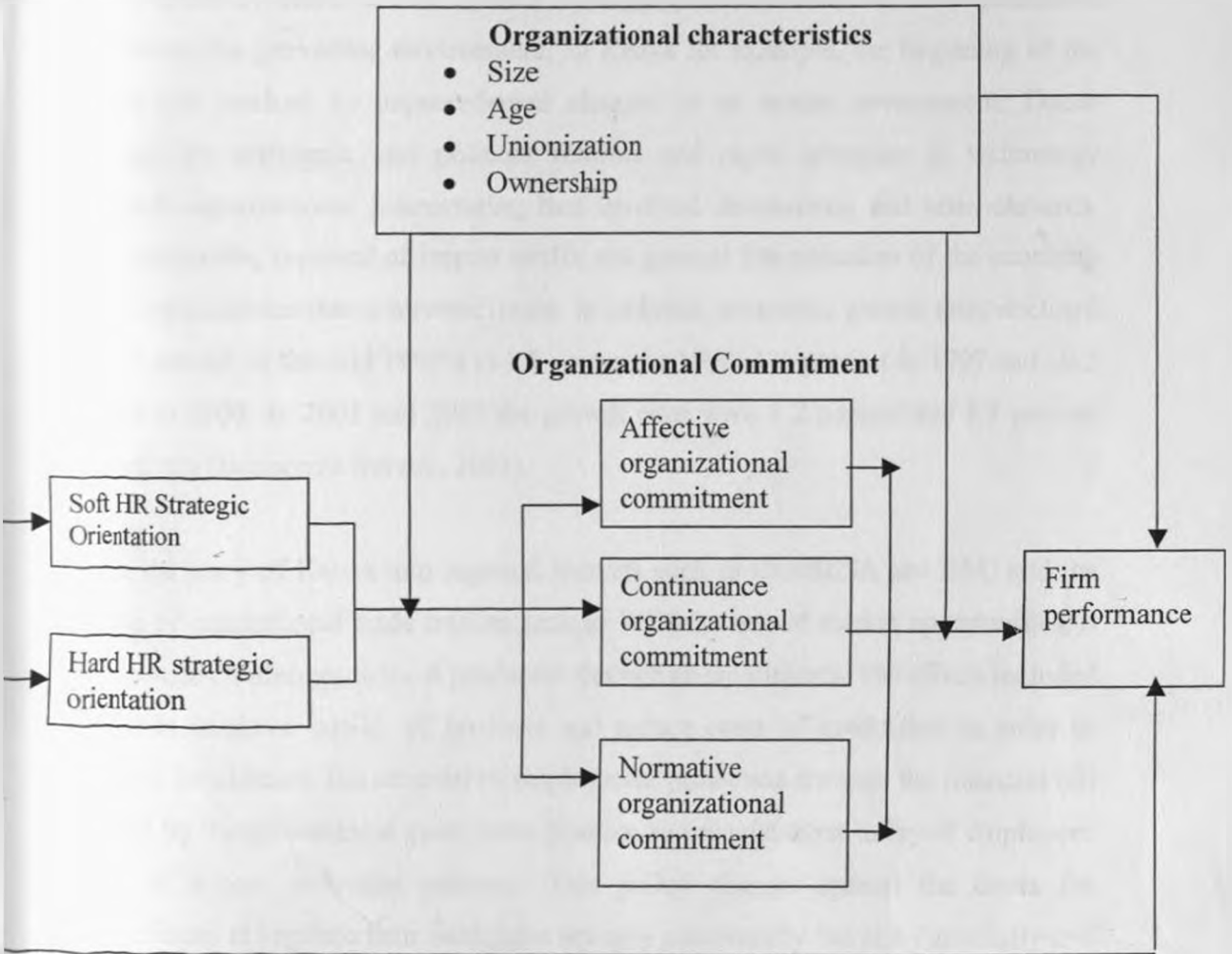
Studies in HRM strategy have found a strong link between ownership and adoption of HRM. In developing countries, MNCs are more likely to use HRM strategy than local firms because they import practices from their parent countries. Although they may

not be necessarily large, they tend to have a larger base of resources in terms of capital, finances and technology. In the case of unions, some organizations do not actively discourage employees from joining unions, but instead practice union substitution. Kamoche, (2000) observes that by demonstrating consistency, fairness, justice and paying employees at or above the market rate, management can reduce the desire for unions by employees. Guest (1995) similarly suggests that while the notion of high quality management espoused in soft HRM enhances employee commitment to the organization, it also diminishes commitment to unions among employees. It appears therefore that under soft HRM, organizations are more likely to adopt progressive and proactive HRM practices designed to reduce the need for a union as a protective device while under hard HRM practices organizations are more likely to introduce a variety of legal and illegal opposition tactics to suppress union organizing (Anthony *et al*, 1996).

2.10: Conceptual Framework and Hypotheses

From the literature reviewed above, the conceptual framework in Figure 2 below was developed to guide the study.

Figure 2.2: A Conceptual Model of the Relationships among HR Strategic Orientation, Organizational Characteristics, Organizational Commitment and Firm Performance



The conceptual framework in Figure 2 is a diagrammatic explanation of the relationships among the various variables of the study. The framework suggests an interrelationship among four groups of variables: soft and hard HR strategic orientations, affective, continuance and normative organizational commitment, firm

performance and organizational characteristics. It is conceptualized that firms depict two types of HR strategic orientations depending on the HR practices chosen. From research theory, the choices revolve around two major approaches: soft and hard orientations. Each orientation has different implications for organizational commitment and firm performance.

The adoption of either a soft or hard strategic HR orientation by an organization depends on the prevailing environment. In Kenya for example, the beginning of the 1990's was marked by unprecedented changes in its macro environment. Donor agitation for economic and political reforms and rapid advances in technology triggered organizational restructuring that involved downsizing and retrenchments. Price decontrols, removal of import tariffs and general liberalization of the economy threw organizations into a survival mode. In addition, economic growth rates declined from 3 percent in the mid 1990's to 1.8 percent in 1998; 1.5 percent in 1999 and -0.2 percent in 2000. In 2001 and 2002 the growth rates were 1.2 percent and 1.1 percent respectively (Economic Survey, 2003).

While the entry of Kenya into regional markets such as COMESA and EAC and the signing of international trade treaties such as WTO increased market opportunities, it also brought challenges to local producers through cheap imports. The effects included a need to improve quality of products and reduce costs of production in order to compete. In addition, the removal of employment protection through the financial bill of 1994 by the government gave more freedom to organizations to layoff employees faster as a cost reduction measure. This policy change opened the doors for organizations to regulate their workforce not only numerically but also financially and functionally. Rising unemployment at 25 percent in urban areas (Economic Survey, 2003) and hostility by employers towards union organizing increased employers' prerogative and power to treat employees in a more calculative and instrumental manner. These conditions are significant because of their similarity to those that ushered in HRM in America in 1980-82 and later in Europe in 1985-86 (Hendry, 1995 and Pinnington and Edwards, 2001).

The sum total of these changes had profound consequences for human resource management in particular. These events led organizations to adopt different strategic orientations in the management of their workforce. While some chose to be more calculative in their approach by adopting efficiency enhancing practices and tight controls, others adopted collaborative strategies such as intensive training, development and commitment enhancing practices. The above observations lead to the following hypothesis consistent with objective 1:

H1: There is no difference in performance between firms that practice soft HR strategic orientation and those that practice hard HR strategic orientation

Empirical and theoretical work supports the assertion that committed and satisfied employees will put in extra effort to help the organization succeed (Walton 1985). A committed workforce influences all spheres of work life including those behaviours directly related to profit making by the organization. The soft HRM approach is seen as more development oriented with a humanistic focus based on explicit statements about the value of employees to the firm and ethical matters related to the employment relationship (Storey, 1992; Beardwell and Holden 1997). Soft HRM gives a strong recognition to employee needs such as training and development, job satisfaction and job security. It would be expected therefore, that soft HR practices would elicit emotional attachment to the organization, such that individuals identify with, are involved in and enjoy membership in the organization (Mowday 1979; 1982). Continuance commitment refers to the type of commitment that is induced by perceived costs of leaving the organization. The costs are those associated with loss of financial benefits or image or lack of employment opportunities. The commitment comes from a need to stay with the organization (Allen and Meyer, 1990; 1991). It can be argued that soft HR practices can induce continuance commitment if a loss is associated with leaving.

In contrast, normative commitment refers to the commitment that comes from the feeling of an obligation to stay with an organization because it is the right and ethical

thing to do. This type of commitment comes from one's background and socialization processes where certain values and beliefs are instilled at an early age by parents or society. In normative commitment, individuals feel that they ought to stay with the organization because it is the right and moral thing to do. Their behaviours therefore would include loyalty, making sacrifices on behalf of the organization and supporting the organization. While these behaviours are likely to lead to improved firm performance, they will not be significantly related to either soft or hard HR strategic orientations. This line of argument leads to the following hypotheses consistent with objective 2:

- H2a: There is a positive relationship between soft HR strategic orientation and overall organizational commitment
- H2b: There is a negative relationship between hard HR strategic orientation and overall organizational commitment
- H2c: There is a positive relationship between a soft HR strategic orientation and affective organizational commitment
- H2d: There is a positive relationship between soft HR strategic orientation and continuance commitment
- H2e: There is no relationship between soft HR strategic orientation and normative commitment
- H2f: There is a negative relationship between hard HR strategic orientation and affective Commitment
- H2g: There is a relationship between hard HR strategic orientation and continuance commitment
- H2h: There is no relationship between hard HR strategic orientation and normative commitment

While soft HR is based on collaborative and developmental practices, hard HR is associated with HR practices that emphasize cost reduction, tight controls, tight fit with business strategy, numerical flexibility and retrenchment strategies. Under this orientation, employees are likely to feel threatened with job insecurity, are under pressure to perform and do not participate in decisions that affect them. The HR climate is one that generates commitment that is based on a need to stay rather than wanting to stay. This type of commitment becomes even more necessary where job

alternatives in other organizations are few. Individuals who are driven by a need to stay committed to a particular organization would not want to engage in behaviours that can jeopardize their membership. Becker (1960) observed that individuals engage in a consistent line of activity based on the recognition of the lost side bets associated with discontinuing the activity. In contrast, the outcomes of a soft HR strategic orientation are translated into improved organizational performance by reducing labour turnover, absenteeism, increasing employee participation, reducing psychological withdrawal and enhancing risk-taking behaviour. Soft HR practices act as interventions to increase affective commitment and consequently firm performance. This line of argument leads to the following hypotheses consistent with objective 3 and 4:

- H3a: There is a relationship between overall organizational commitment and firm performance
- H3b: There is a relationship between affective organizational commitment and firm performance
- H3c: There is a relationship between continuance commitment and firm performance
- H3d: There is no relationship between normative commitment and firm Performance
- H4: The five independent variables of soft HR, Hard HR, affective, continuance and normative commitment are not predictors of firm performance.

Firms have different characteristics that influence their HR practices and performance. These include size and age of the firm, unionization and ownership. Bae *et al* (1998) found that multinational firms are more likely to elicit affective commitment because, being larger in size, they have more resources and tend to transfer more sophisticated and innovative HR practices from the host country. In contrast, indigenous firms tend to be smaller, have fewer resources and are more likely to use less sophisticated HR practices. As a result they tend to use hard HR approaches, hence inducing continuance commitment among their employees. Chiu (2002) studied the relationship between ownership and commitment and concluded that private sector employees tend to experience more affective commitment than public sector employees whose commitment is mainly continuance. It would also be expected that

older firms because of their experience, stability and well-developed systems are more likely to use soft HR systems than newer firms whose unit costs of production are likely to be higher. An older firm is also likely to elicit both affective and continuance commitment among employees because of use of soft HR practices and perceived loss of benefits by employees such as image and prestige. Huselid (1996) and Gooderham et al (1999) found positive relationships between firm size, age and unionization. Theoretically, committed employees are more productive and contribute to better organizational performance. Based on these observations, the following hypotheses consistent with objective 5 were advanced for testing:

H5a: Firm size, age, ownership and unionization will each positively moderate the relationship between soft HR strategic orientation and overall organizational commitment

(i): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm size

(ii): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm age

(iii): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm ownership

(iv): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on whether or not the firm is unionized

H5b: Firm size, age, ownership and unionization will positively moderate the relationship between hard HR strategic orientation and overall organizational commitment.

(i): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm size

(ii): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm age.

(iii): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm ownership.

(iv): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on whether or not the firm is unionized.

H5c: Firm size, age, ownership and unionization will positively moderate the relationship between overall organizational commitment and firm performance

(i): The strength of the relationship between overall organizational commitment and firm performance depends on firm size

(ii): The strength of the relationship between overall organizational commitment and firm performance depends on firm age

(iii): The strength relationship between overall organizational commitment and firm performance depends on firm ownership

(iv): The strength of the relationship between overall organizational commitment and firm performance depends on whether the firm is unionized or not

2.11 Chapter Summary

This chapter has discussed the relationship between human resource practices and organisational commitment. Two models of human resource management, that is, “soft” and “hard” strategic HR orientations have been discussed. It was noted that researchers have proposed “soft” HRM as desirable in promoting employee commitment to the organisation (Beer *et al.*, 1984; Guest, 1987) while “hard” HRM’s main concern is to reduce direct labour costs and improve firm performance (Fombrun *et al.*, 1984; Armstrong, 2003). However, studies have also shown that despite the distinctness of these two models, most organisations practice a mixture of the two approaches (Truss *et al.*, 1997).

The different ways in which organisational commitment is defined have also been presented. A lack of consensus on the meaning or dimensionality of the construct was observed. Different researchers have presented it as either a psychological attachment to the organization or the accumulation of investments and the cost associated with leaving the organisation. Despite many attempts to explain organisational commitment as either a psychological approach (attitudinal commitment) or as an exchange approach (behavioural commitment), there is still confusion in understanding it. Each of these approaches on their own cannot give a clear picture of

the nature of employees' commitment to the organisation. In this regard, multidimensional approach has been presented as an alternative conceptualisation of organisational commitment. However, although the multidimensional approach is gaining prominence amongst researchers, Meyer and Allen (1997), have cautioned that the classification and measurement of different forms of commitment may result in inconsistent results. This study was therefore carried out based on Meyer and Allen's (1991) definition of organisational commitment and their measurement scales (i.e. Affective, continuance and normative). Following Coopey and Hartley (1991) suggestion that all the approaches could be integrated into a single approach which recognises that commitment can develop either through affect or through behaviour and that each may reinforce the other, the three components were combined to create an overall organizational commitment (OOC) which was correlated with the other variables of the study.

This literature review revealed that most of the studies have been carried out using samples from America, UK and emerging economies such as China, South Korea and Thailand with limited studies in Africa and Kenya in particular. This analysis was useful as it helped to determine the extent to which large private manufacturing firms in Kenya are control or commitment-oriented and the effect of these approaches on organizational commitment and firm performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology of the study. The research design, the population and the sampling design are described. This is followed by the description of the questionnaire construction and administration, the operational definition of the study variables, reliability of the measurement scales and data analysis techniques.

3.2 Research Design

The research design chosen for this study was guided by the purpose of the study, the type of investigation, the extent of researcher involvement, the stage of knowledge in the field, the time period over which the data is to be collected and the type of analysis. The philosophical traditions that guide social science research, that is, positivism and social constructionism were examined and the most appropriate research design chosen for this study falls within the positivist school. It was noted that the key ideas in positivism as opposed to social constructionism are that: the observer is independent from what is being observed; the choice of what to study is determined by objective criteria rather than human beliefs; science proceeds through a period of hypothesizing fundamental laws then making deductions on what kind of observations demonstrate the truth or falsity of these hypotheses; concepts need to be operationalized in a way which enables quantitative measurement of facts and selection of samples to enable generalizations to be made. This study was therefore guided by the above criteria.

The type of investigation was correlation because the main interest of the study was to identify and isolate important relationships in the study. A correlation study helps determine the extent to which one variable is related to another and in what direction.

Researcher interference was minimal as the variables of interest were studied in their natural environment and the data was cross-sectional as it was gathered once over a period of four months.

3.3 Population

The target population was all large private manufacturing firms in Kenya. For this study, the population of large private manufacturing organizations in Kenya was defined as all those firms that employ more than one hundred employees. Although previous categorizations have placed large manufacturing firms as those employing more than fifty employees, for example Aosa (1992), a recent report by the World Bank (Project Appraisal in Kenya, June 2004) categorized large manufacturing firms in Kenya as those employing more than one hundred employees.

While it is noted that size is not only number of employees but also the type and level of technology used, size of capital investment and capacity utilization, for private sector firms, the number of employees is a good indicator of size because being profit making, employees can be taken as a proxy for sales turnover, profits, capacity utilization and market share.

In HRM research, large private firms with more than 100 employees are an appropriate population because they are more likely to have well-developed HR systems and specialists compared to smaller firms. Previous studies such as those by Huselid (1995), Guthrie *et al* (2002) and Rodriquez and Ventura (2003) have used large private firms with more than 100 employees.

The sampling frame was drawn from the third edition of the directory of Kenya Industrial Development Institute (KIRDI) of 1997 (see Appendix D). Although this directory had not been revised, it was comprehensive and almost accurate especially because it was classified according to manufacturing sectors and geographical regions. However, to ensure that the sampling frame is complete and up to date, the directory

of Kenya Association of Manufacturers (2002), the Nation Business Directory (2004), the register of employers compiled by the Federation of Kenya Employers and the register of firms that pay training levy to the Directorate of Industrial Training were used to cross examine organizations that may have gone out of business after 1997 and those that might have emerged.

An initial isolation of large firms employing more than 100 employees using the KIRDI (1997) directory yielded 287 firms. However, after updating using the other directories mentioned above, many firms were found to have either gone out of business, merged or relocated in the last ten years, while only a few had entered the market or expanded. As such, 251 firms formed the final sampling frame.

3.4 Sampling Design

The sample size for this study was obtained through the formula suggested by several scholars, for example, Kaewsonthi and Harding (1992); Saunders et al, (2003); Cooper and Emory (1995) and Sekaran (1992), which is as follows:

$$n = \frac{z^2 \times pq}{d^2}$$

Where

n = the desired sample size (if the target population is greater than 10,000)

z = the degree of confidence which in this case is 95 percent confidence interval

p = stands for the population having the characteristic to be measured (there being no reasonable estimate of p, 50 percent or p = 0.5 is adopted to maximize the expected variance and ensure that the sample is large enough)

q = 1 – p (this stands for the population not having the characteristic which in this case is 0.5)

d = stands for the degree of accuracy required (in this case it is set at 5 percent)

Since the target population for this study is less than 10,000, then a smaller sample size can be used without affecting the accuracy and this requires that an adjusted minimum sample size be calculated as follows:

$$n' = n$$

$$\frac{n}{1 + [n/N]}$$

where

n' = the adjusted minimum sample size

n = is the minimum sample size already calculated above

N = is the total population

Using these formulae, a sample of 148 firms was obtained.

Having decided on the sample size of 148 firms, a stratified random sampling technique was used to ensure sector and geographical representation. This is shown in Table 3.1 below.

Table 3.1: Sampling matrix for large private manufacturing firms in Kenya

Manufacturing sub-sector Geographical Region	Agro-based firms		Engineering & construction firms		Chemical & mineral firms		Total	
	Target population	Sample size	Target population	Sample size	Target population	Sample size	Total target population	Total sample size
Nairobi	55	27	22	14	38	24	115	65
Coast & North Eastern	18	10	7	6	7	6	32	22
Rift Valley	38	18	0	0	4	4	42	22
Western & Nyanza	11	10	0	0	1	1	12	11
Eastern & Central (including Thika and Athi River towns)	38	18	5	5	5	5	50	28
Total	165	83	34	25	55	40	251	148
Percentages	63%	56%	14%	17%	23%	27%	100%	100%

After the initial calculation of the required sample size from a population of 251 large private manufacturing firms in Kenya in which 148 firms were selected, a disproportionate stratified sampling technique was applied. This sampling method was appropriate because the sampling frame was already stratified according to manufacturing sub-sectors and geographical regions. However, some regions and sectors had few firms and in such cases either all or a larger proportion was selected.

Table 3.1 shows the total population of firms per sub-sector in each geographical region of the country and the corresponding sample sizes. Due to the small number of large private manufacturing firms in certain regions, some regions were combined, for example Nyanza and Western provinces; Eastern and Central provinces and Coast and North Eastern provinces.

To select the individual firms for study, a simple random sampling method was used where each case was assigned a unique number and using a table of random numbers, the firms were selected. This was considered the best method for reducing sampling bias and achieving a high level of representation (Saunders *et al*, 2003; Cooper and Emory, 1995 and Sekaran, 1992).

The organization was the unit of analysis and the respondent was the specialist HR manager. The basis for this choice of respondent is that HR managers are well placed to answer questions on the HR strategic practices of the organization.

3.5 Data Collection Method

In this study, the data collection instrument was the survey questionnaire. This tool was chosen, firstly, because of the nature of the respondents and size of the sample. Because of the nature of respondents who were managers, the questionnaire was more efficient due to the high levels of literacy among this cadre of employees. Previous studies in HRM, for example, Truss (1999); Kane and Crawford (1999); Bae and Lawler (2001) have also favoured the use of questionnaires.

3.5.1 Questionnaire Construction

The questionnaire was divided into five sections: Part A asked the respondents to give personal information such as age, gender, job title and educational qualifications. Part B asked them about the organization's characteristics such as name, sub-sector, number of employees, unionization and target market. Part C was designed as a series of statements measuring the soft and hard orientations of HR strategy on a scale of 1-5. The respondents were asked to rate the extent to which the organization uses certain HR practices. Similar scales used to measure HR systems by Bae *et al* (1998) found reliability coefficients of 0.70 in four areas of HR practices that is staffing, training, participation and rewards, while Delaney and Huselid (1996) report alpha coefficients of between 0.70 and 0.91 for different HR practices.

Part D asked the respondents to rate the performance of their organization based on a number of measures such as product quality, customer satisfaction, image, frequency of new product development, rate of labour turnover and speed of decision-making. This is a perceptual measure of firm performance and previous scales used by Huselid (1995) and Delaney and Huselid (1996) have shown reliability coefficients of between 0.75 and 0.88. Part E was an attitude scale of 1 to 7 which measured the level of an individual's commitment to the organization. This was adopted from Allen and Meyer (1991) and has been ascertained to have a reliability coefficient of more than 0.80 on the three components of affective, continuance and normative organizational commitment.

3.5.2 Reliability Tests

A pilot study was carried out to establish the reliability and clarity of the survey questionnaire. A group of 52 MBA students, who were also practicing managers, were given questionnaires to complete. Of this number, 45 were returned out of which only those who carried out HR functions from manufacturing firms with at least 100 employees were selected for analysis. Those selected using these criteria were 26.

The respondents were informed that the questionnaires were to be used as a pilot for a larger study. A short questionnaire was attached at the end in which they were asked to indicate the length of time it took to complete the questionnaire, questions that they found ambiguous, those questions they were uncomfortable with and to make any other comments that could improve the questionnaire. The respondents indicated that it took them between 20 and 40 minutes to complete the questionnaire. Questions that were indicated as ambiguous or uncomfortable were rephrased.

The measurement scales were also tested for reliability using the Cronbach alpha coefficient. The HR strategic orientation scale had a reliability coefficient of 0.5567 while the firm performance scale with nine items had 0.8190, affective commitment had 0.7786, continuance commitment had 0.6567 and normative commitment had 0.3389. As normative commitment had a very low reliability some questions were removed. The data was also analyzed using correlation and regression techniques to gauge the appropriateness of the analytical techniques.

3.5.3 Questionnaire Administration

The survey questionnaire was administered to the respondents through the drop and pick method. The respondents were also first alerted by telephone to expect a questionnaire. The purpose and importance of the study was briefly explained to them. This method led to a 64 percent completed return rate, which is higher than that obtained by similar studies in the past. A letter of introduction accompanied the questionnaire. It explained that the data being collected is for academic purposes and that their contribution as human resource professionals is essential, as the study would enhance knowledge in the practice and study of human resource management. The respondents were assured that the identity of their firms would be kept confidential and they would be given a summary of the findings if they provided their addresses. Two research assistants were briefed on how to approach the firms, whom to ask for and even how to present themselves so as to gain access to the concerned managers.

This approach had better advantages than mail or electronic questionnaires that have been found to have very low return rates.

3.6 Operational Definition of the Study Variables

Variables were measured using both objective and perceptual indicators. The use of perceptual measures is not unique in HRM studies and findings have shown little difference between objective and subjective data (Huselid, 1996; Guest, 1997; Meyer and Smith, 2000; Rodriguez and Ventura, 2003). The dependent variable is firm performance which is measured using a perceptual scale of 9 items, while the independent variables are soft and hard HR strategic orientation, firm size, firm age, firm ownership, unionization and three components of organizational commitment: affective, continuance and normative. The indicators of the variables of the study are described in Table 3.2 below.

Table 3.2: Operational Definition of Study Variables

STRATEGIC PRACTICES	HR	INDICATORS	
		Soft HRM	Hard HRM
Internal career opportunities	<ul style="list-style-type: none"> - Heavy recruitment at entry level - Vacant managerial and higher technical positions are exclusively filled from within - Extensive use of well-defined career ladders - Emphasis is on career development 	<ul style="list-style-type: none"> - Little recruitment at entry level - Higher technical and managerial positions are exclusively filled from outside the organization - Very little use of internal career ladders - Emphasis is on job performance 	
Retention	<ul style="list-style-type: none"> - jobs are designed to maximize skill variety, autonomy and learning - many opportunities for growth and development - job security is assured - Leadership style is both people and production oriented - Rewards are tied to competency - Work environment is pleasant - Rewards are better compared to competitors 	<ul style="list-style-type: none"> - Jobs are designed to maximize performance - Few opportunities for growth and development - There is no job security - Leadership style is mainly production oriented - Rewards are tied to performance - Work environment is unpleasant - Rewards are not competitive 	

Table 3.2: Continued

Appraisal systems	<ul style="list-style-type: none"> - performance is measured by behaviour-oriented measures - Feedback is mainly for developmental purposes - The appraisal process is participative, open and transparent 	<ul style="list-style-type: none"> - performance is measured by quantifiable output or result-oriented measures - Feedback is mainly for rewarding purposes - Appraisal is aimed at weeding out poor performers - The appraisal process is not participative
Management development	<ul style="list-style-type: none"> - Extensive formal training - Great amount of socialization for new employees - Management development is linked to both individual and organizational needs - Job specific and general training are supported - Extensive use of innovative management development methods such as stress management and adventure training - Managers are encouraged to multi-skill - Management development is aimed at managerial succession 	<ul style="list-style-type: none"> - Training efforts are limited and informal - Little socialization of new employees - Management development efforts target only specific training needs - Innovative management development programmes such as stress management and adventure training are limited - Limited cross-training and multi-skilling - Management development is aimed at short-term needs
Reward strategy	<ul style="list-style-type: none"> - Fair pay practices based on ability or performance - Extensive use of in-company or group based incentive plans such as profit-sharing - Use of employee stock ownership plans - Wide variety of rewards, both cash and non-cash e.g. insurance schemes, retirement benefits or holidays - Regular conduct of salary surveys 	<ul style="list-style-type: none"> - Pay practices are based on quantifiable results - Limited use of non-cash incentives such as profit sharing - Little use of salary surveys
Employee Relations	<ul style="list-style-type: none"> - Communication is open and transparent - Collaborative and cooperative relations between union and management exist - Management style is participatory and consultative - Management practices are fair and just 	<ul style="list-style-type: none"> - Limited formal information sharing programmes such as newsletters - Union – management relations are antagonistic - Low participation of employees in decision making - Management practices are unfair and unjust - High use of controls - rules and regulations

Table 3.2: Continued

<p>Overall HR strategies</p>	<ul style="list-style-type: none"> - Long-term perspective of HR policies and practices - HR policies and practices help employees to develop to their maximum potential - HR policies and practices treat all employees fairly and equitably - HR policies and practices support the overall organizational strategy and objectives 	<ul style="list-style-type: none"> - Short-term perspective of HR policies and strategies - HR policies and practices treat employees unfairly - HR policies and practices are aimed at cost reduction strategies - Top management has a short-term view because of financial problems
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NB: positive scores indicate a soft HR orientation while negative scores indicate hard HR orientation

ORGANIZATIONAL COMMITMENT	INDICATORS
<p>Affective Commitment</p>	<ul style="list-style-type: none"> - Extent to which employees want to stay with the organization - extent to which employees identify with, are involved in and feel a sense of belonging to the organization
<p>Continuance Commitment</p>	<ul style="list-style-type: none"> - extent to which employees feel that they need to stay with the organization
<p>Normative commitment</p>	<ul style="list-style-type: none"> - extent to which employees feel they ought to stay with their organization

FIRM PERFORMANCE	SUBJECTIVE INDICATORS	OBJECTIVE INDICATORS
<p>Product quality</p>	<ul style="list-style-type: none"> - extent to which organization's product (s) is/are perceived to be of superior quality when compared with those of competitors 	
<p>Financial performance</p>		<ul style="list-style-type: none"> - annual percentage growth in total sales for the last five years - Profitability ratio (ROA)
<p>Customer care</p>	<ul style="list-style-type: none"> - extent to which organization cares for its customers 	<ul style="list-style-type: none"> - presence of customer 'hot line' - presence of a customer service department
<p>Image</p>	<ul style="list-style-type: none"> - perception of organization's image compared to competitors 	<ul style="list-style-type: none"> - rate of labour turnover in the last five years
<p>Market share</p>		<ul style="list-style-type: none"> - size of local market share in percentage - size of export market share in percentage
<p>New product development</p>	<ul style="list-style-type: none"> - Perception of top management support for research and development 	<ul style="list-style-type: none"> - number of new products developed in the last five years R & D budget relative to other expenditures
ORGANIZATIONAL ATTRIBUTES		OBJECTIVE INDICATORS
<p>Size</p>		<ul style="list-style-type: none"> - number of permanent employees
<p>Age</p>		<ul style="list-style-type: none"> - Number of years a firm has been in operation in Kenya
<p>Ownership</p>		<ul style="list-style-type: none"> - Foreign, local or joint venture
<p>Unionized</p>		<ul style="list-style-type: none"> - Whether it is unionized or not

3.7 Data Analysis

The data was analyzed using both descriptive and inferential statistics. Descriptive statistics were computed to obtain a general understanding of the firm and respondent's characteristics such as age, tenure of service, gender and education and the firm's age, ownership, size and unionization. These are presented in chapter four of this thesis. Inferential statistics were computed as stage two of the analysis. The purpose here was to test a number of hypothesized relationships so as to make generalizations of the findings from the sample to a larger population. Both parametric and non-parametric tests have been used depending on the type of measurement scales. The statistical techniques included the Pearson's product moment correlation, both simple and multiple regression and chi-square tests.

The variables in this study fall within three measurement scales: nominal, ordinal and interval. These are outlined in Table 3.3 below. In this study unionization and firm ownership are nominal, while firm size and firm age are ordinal. They were tested using two non-parametric statistics: Spearman's Rank Order Correlation and Chi-square Test. The measurement scales for human resource strategic orientation, organizational commitment and firm performance are interval and the Pearson's Product Moment Correlation and Regression Analysis which are parametric statistical methods were used.

Table 3.3: Scales for the Dependent and Independent Variables

Dependent Variable	Scale
Firm performance	Interval
Independent Variables	Scale
Size of the firm	Ordinal
Age of the firm	Ordinal
Ownership of the firm	nominal
Unionization	nominal
Soft Hr strategic orientation	Interval
Hard HR strategic orientation	Interval
Affective commitment	Interval
Continuance commitment	Interval
Normative commitment	Interval
Overall organizational commitment	Interval

3.7.1 Tests of Hypotheses

hypotheses were developed to test relationships between various variables. These are listed in Table 3.4 below.

Table 3.4: Summary of Tests of Hypotheses and Related Objectives

Objective	Hypotheses	Type of analysis
Objective 1: determine the relationship between strategic orientation and firm performance	H1: There is no significant difference in performance between firms that practice soft HR strategic orientation and those that practice hard HR strategic orientation	<ul style="list-style-type: none"> - Pearson's product moment correlation - Multiple regression Analysis
Objective 2: establish the relationship between human resource strategic orientation and organizational commitment.	H2a: There is a significant relationship between soft HR strategic orientation and overall organizational commitment	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression analysis
	H2b: There is a significant relationship between hard HR strategic orientation and overall organizational commitment	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression analysis
	H2c: There is a significant relationship between soft HR strategic orientation and affective commitment	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression analysis
	H2d: There is a significant relationship between soft HR strategic orientation and continuance commitment	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression analysis
	H2e: There is no significant relationship between soft HR strategic orientation and normative commitment	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression analysis
	H2f: There is no significant relationship between hard HR strategic orientation and affective commitment	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression
	H2g: There is a significant relationship between hard HR strategic orientation and continuance commitment	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression
	H2h: There is no significant relationship between hard HR strategic orientation and normative commitment	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression

Table 3.4 Continued.....

<p>Objective 3: To establish the relationship between organizational commitment and firm performance</p>	<p>H3a: There is a relationship between overall organizational commitment and firm performance</p>	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression
	<p>H3b: There is a relationship between affective commitment and firm performance</p>	<p>Multiple regression analysis</p>
	<p>H3c: There is a relationship between continuance commitment and firm performance</p>	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression
	<p>H3d: There is no relationship between normative commitment and firm performance</p>	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression
<p>Objective 4: To determine the interaction effect of human resource strategic orientation and organizational commitment on firm performance.</p>	<p>H4: HR strategic orientation and organizational commitment have a joint relationship with firm performance</p>	<ul style="list-style-type: none"> - Pearson's product moment correlation - Simple linear regression - Multiple regression analysis
<p>Objective 5: To establish the moderating effect of organizational characteristics on the relationship between HR strategic orientation and organizational commitment and that between organizational commitment and firm performance.</p>	<p>H5a (i): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm size</p> <p>H5a (ii): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm age</p> <p>H5a (iii): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm ownership</p> <p>H5a (iv): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on whether or not the firm is unionized</p>	<p>Chi-square test</p>

Table 3.4 Continued.....

	<p>H5b (i): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm size</p> <p>H5b (ii): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm age.</p> <p>H5b (iii): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm ownership.</p> <p>H5b (iv): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on whether or not the firm is unionized.</p>	<p>Chi-square test</p>
	<p>H5c (i): The strength of the relationship between overall organizational commitment and firm performance depends on firm size</p> <p>H5c (ii): The strength of the relationship between overall organizational commitment and firm performance depends on firm age</p> <p>H5c (iii): The strength relationship between overall organizational commitment and firm performance depends on firm ownership</p> <p>H5c (iv): The strength of the relationship between overall organizational commitment and firm performance depends on whether the firm is unionized or not</p>	<p>Chi-square test</p>

3.8 Chapter Summary

Chapter three discussed the research methodology used to accomplish the study objectives. The research design, population, sampling procedure, data collection methods, operationalization of the research variables, description of the questionnaire

construction and administration, the operational definition of the study variables, reliability of the measurement scales and data analysis techniques were presented.

CHAPTER FOUR

DESCRIPTIVE DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the profiles of the respondents and the organizations that formed the sample of the study. The means, frequencies, standard deviations, Cronbach alpha coefficients of reliability and correlations among the study variables are presented as background information and basis for further inferences. These are presented in the subsequent chapters.

4.2 Survey Questionnaire Response Rate

Out of a population of 251 large private manufacturing firms, a sample of 148 firms was drawn using a disproportionate random sampling technique. Of the 148 firms, 64 percent of the questionnaires were returned all of which were analyzed. This is a high response rate compared to previous studies; for example, Youndt *et al* (1996) had 26 percent; Rodriquez and Ventura (2003) obtained 5.39 percent and Paul & Anantharaman (2003) achieved 75.5 percent, while Green *et al* (2006) managed 15.4 percent. The use of the drop and pick method improved the response rate. Another measure taken to ensure a high rate of response was personalized letter to the respondents explaining the purpose of the study and its usefulness to the HR profession. This was supplemented with telephone calls to the respondents. Anonymity was assured and an executive summary offered to the respondents. These measures were taken as past studies have shown that low response rates are experienced when questionnaires are mailed to respondents.

4.3 Profiles of the Respondents

The survey questionnaire was administered to the HR specialist in the sampled organizations. They went by different titles such as personnel manager, Human

Resource Manager or HR Director. Table 4.1 below shows the distribution of the respondents according to the number of years worked in the current firm. 20 percent indicated they had worked with their firms for less than three years, 52.6 percent for between 11 and 20 years and only 3.2 percent for more than 21 years. The majority, therefore, that is 71.6 percent, had worked for less than 10 years with their respective firms.

Table 4.1: Number of years worked in the current organization

Number of years worked	Frequency	Percent
1 – 3	18	18.9
4 – 10	50	52.6
11 – 20	24	25.3
Over 21	3	3.2
Total	95	100.0

Tables 4.2 and 4.3 below, shows that educational levels of the respondents ranged from Diploma level to Masters Degree level. 40 percent had Diplomas, while 58.9 percent had a first degree and above. Of those who had diplomas, 19 percent were above the age of 45. Those who had at least an undergraduate degree were all below the age of 45 years. Thus, the majority of the respondents was below 45 years and had at least a first degree. This reflects a younger and more educated workforce consistent with labour force composition in developing countries.

Table 4.2: Educational level

Educational Levels	Frequency	Percent
Diploma	38	40.0
Degree	31	32.6
Masters Degree	25	26.3
Others	1	1.1
Total	95	100.0

Table 4.3: Age of respondents

Age range	Frequency	Percent
26 – 34	26	27.4
35 – 44	52	54.7
45 – 54	12	12.6
Above 55	5	5.3
Total	95	100.0

The gender distribution of the respondents was biased towards males who numbered at 81.1 percent, while females were only 16.8 percent. This appears to be a reflection of the technical nature of skills required by manufacturing firms that tend to favour men at least at the entry level.

4.4 Profiles of the Organizations

This section presents the characteristics of the firms that participated in the study. The respondents were asked to indicate the number of years their firm has been in operation. Years of operation were used as a proxy for firm age. The frequency distributions are shown in Table 4.4 below. 8.4 percent have been in operation for less than ten years, 24.2 percent for between 11-20 years and 67.4 percent for more than 21 years. This shows that the majority of large private manufacturing firms in Kenya are old and well established in their business. Distribution by manufacturing sub-sectors indicated that 46 percent of the firms are agro-based; 22 percent are engineering and 32 percent are chemical.

Table 4.4: Distribution of firms by age (years)

Number of years in operation	Frequency	Percent
1 – 10	8	8.4
11 – 20	23	24.2
Above 20	64	67.4
Total	95	100.0

Table 4.5 below, provides information on size of the firms measured in number of employees. 58.9 percent had less than 250 employees; 25.3 percent had between 251-450 employees, while 14.7 percent had more than 450 employees. The large firms were mainly agro-based manufacturers, plantations and construction companies. This is possibly because their operations tend to be labour intensive and require large numbers of employees. The smallest firms were in the chemical and engineering sector. This is likely to be due to the capital-intensive nature of their operations where a large component of activities are automated. The concentration of firms in the less

than 250 employee category could be attributed to the need to achieve lean and flat structures as a way of enhancing efficiency. Almost all the firms indicated they had recently downsized or are in the process of doing so.

Table 4.5: Distribution of firms by size

Number of employees	Frequency	Percent
100-250	56	58.9
251 – 450	24	25.3
Above 450	14	14.7
Total	94	98.9
Total	95	100.0

Data was sought on two levels of ownership, foreign and local. Table 4.6 below provides the frequency distributions. 69.5 percent of the firms are locally owned, while 29.5 percent are foreign owned. Informal information obtained during the questionnaire administration showed that the majority of the local firms in Kenya are Asian owned. This is consistent with the Kenya Association of Manufacturers Report (2002), which shows that 80 percent of all local manufacturing firms are Asian owned. The foreign owned firms are mainly subsidiaries of multi national firms. A few others, however, have taken advantage of friendly government tax regimes designed to encourage investment in the export processing zones. The small percentage of foreign owned firms could be due to the declining number of foreign direct investments in the Kenyan economy and relocation of others to neighbouring countries due to what has been claimed as a hostile investment environment.

Table 4.6: Ownership of the firms

Firm ownership	Frequency	Percent
Foreign owned	28	29.5
Locally owned	66	69.5
Total	94	98.9
Total	95	100.0

Regarding their target markets, 69.5 percent cited the local market as their largest customer base while 29.5 percent said they targeted both the local and export markets.

On market share, 13.7 percent have less than 25 percent, 70.5 percent have between 25-75 percent and only 19.5 percent said they command more than 75 percent of the market for their primary product.

The respondents were also asked to state the total expenditure on research and development (R&D), by their firms. 66 firms responded to this question. Those that did not respond probably found the question sensitive or do not invest in research and development. The question was intended to gauge the effort that firms put on innovativeness. Theoretically, firms with good performance try to stay ahead of the competition by being innovative. Of the 66 firms that responded, 86.3 percent spend less than 5 percent, while the remaining 13.6 percent spend between 5 percent and 10 percent on research and development.

The firms were also asked to state how much they spend on training and development as a percentage of total expenditure. Firms that have good performance tend to spend more on training their employees because they have the resources and at the same time they want to continuously improve the quality of their employees to compete more favourably in their industries. Training also tends to motivate employees and reduce labour turnover. 69 firms responded to this question, out of which 72.4 percent said they spend less than 5 percent and 27.5 percent spend between 5 percent and 10 percent.

To gauge the employee retention capability of the firms, the respondents were also asked to indicate the rate of labour turnover per year. 23.8 percent had less than 10 percent, 21.3 percent experienced between 10-20 percent, 32.5 percent had between 20-40 percent, while 22.5 percent had more than 40 percent. 55 percent, therefore, had more than 20 percent turnover rate. This apparently high turnover rate in the last one year was attributed to involuntary retrenchment and downsizing by the manufacturing firms due to unfavourable economic conditions and need for enhancing efficiency.

Table 4.7 presents results on unionization. When asked whether their firms are unionized or not, 72.6 percent indicated they are unionized, while 27.4 percent said they are not. Some firms, especially the small newer firms were uncomfortable with this question because they are not unionized and thus feared that the information might reach union officials who are always out to sensitize and recruit new members.

Table 4.7: Unionization

Unionization	Frequency	Percent
Yes	69	72.6
No	26	27.4
Total	95	100.0

The respondents were also asked to state if their firms had a customer care department and a customer hotline. The presence of a customer care department is an indicator that a firm is keen on sustaining its customer base and by extension its performance by meeting customer needs. Tables 4.8 and 4.9 below show the frequency distributions pertaining to these services. 81.1 percent indicated they had such a department, while 18.9 percent said they did not have. The firms that had none tended to be small and rural based. On the issue of a customer hotline, 27.4 percent said they had, while 72.6 percent did not have such a facility. However, those that had were mainly large firms with a frequency of 80.8 percent. Organizational structures of large firms tend to be more sophisticated and they have greater access to effective communication infrastructure. Such firms were found to be mainly based in large urban centers like Nairobi and Mombasa.

Table 4.8: Presence of customer care department

Customer care dept.	Frequency	Percent
Yes	77	81.1
No	18	18.9
Total	95	100.0

Table 4.9: Presence of customer hot line

Customer hotline	Frequency	Percent
Yes	26	27.4
No	69	72.6
Total	95	100.0

4.5 Human Resource Strategic Orientation

The human resource strategic orientation consists of two variables: soft HR and hard HR. These variables were measured using thirty-eight items developed across seven HR practices namely: internal career opportunities; retention plans; appraisal; training and development; reward strategies; employee relations and overall HR strategies. A five point Likert scale was used to measure the variables. 1 represented 'not at all' and 5 'to a great extent'. The objective was to measure the extent to which certain HR practices are used by large private manufacturing firms in Kenya. Of the thirty eight items, seventeen items measured the hard HR strategic orientation, while twenty one items measured the soft HR strategic orientation. The selection of the measurement items for each variable was informed by both theoretical considerations and descriptions of various typologies of human resource orientations found in the literature. The items in the scale were worded positively while a few others were reversed to minimize the tendency by respondents to mechanically circle the points toward one end of the scale. It was assumed that respondents are more likely to stay alert if both negative and positive questions are interspersed.

Items in the scale measuring soft HR strategy were expected to elicit positive responses thus a rate of 4 or 5 denoted a soft HR strategic orientation, while a rating of either 1 or 2 representing a negative response denoted a hard HR strategic orientation. A rating of 3 was neutral. Questions that were worded negatively were reversed before computation. To confirm the pattern of the scores, a ranking of the mean scores for all the items showed that items initially categorized as soft HR had means above 3.5 while those categorized as hard HR had means below 3.5. The cut off point between

the two variables was then placed at 3.5. Of the thirty-eight items, twenty-one had positive responses above 3.5 and this represented the sub-scale for soft HR orientation as shown in Table 4.10. The mean score was 3.83 and the Cronbach alpha coefficient was 0.82. The remaining seventeen items had mean scores of less than 3.5 and this represented the sub-scale for hard HR strategic orientation shown in Table 4.11. The mean score for the sub-scale was 2.94 and the Cronbach alpha coefficient was 0.85. Since the alpha values were above the threshold of 0.60, the scales represented a stable measure of the variables of interest.

Aggregation of the data into mean scores for both soft HR and hard HR was carried out to obtain statistics for further analysis. This method of data aggregation is consistent with past studies involving typologies of human resource practices; for example, Arthur, (1994); Bae and Lawler, (2001) and Rodriques and Ventura, (2003).

4.5.1 Description of Soft HR Measurement Items

Table 4.10 shows the results for the measurement scale for soft HR strategic orientation. Theoretical understanding and empirical findings suggest that a soft HR approach is implemented through practices that support the developmental and human aspects of people. Twenty-one items related to these aspects were developed to measure this variable. Item 22.1, for example, sought to find out the extent to which recruitment occurs at the job entry level. The mean score was 4.13 with a standard deviation of 0.959. This result indicates that the majority of the firms preferred to recruit at the job entry level so that they can train and develop their own employees. Thus a 'make' approach to recruitment is prevalent.

Item 22.7 asked respondents to indicate the extent to which leadership style is people oriented resulting in a mean score of 4.01. This shows that the majority of firms use leadership styles that are perceived to be people friendly.

Item 22.8 with a mean score of 4.35 asked respondents to indicate the extent to which work environment is considered pleasant. This indicates that the majority of employees are satisfied with their work environment. Item 22.15 had a mean score of 4.07. It sought to find out the extent to which management development is linked to managerial succession. This result shows that management supports homegrown managers through management development, hence providing support for the 'make' approach to recruitment. Item 22.16 sought to establish the extent to which feedback is used mainly for developmental purposes and a mean score of 4.01 was achieved. This shows that feedback is highly linked to employee development.

Item 22.5 sought to find out the extent to which opportunities for growth and development exist and a mean score of 3.96. This shows that most firms recognize the need for employee growth and development and provide the opportunities to achieve it. This is consistent with the philosophy of soft HR practices.

Item 22.4 sought to find out the extent to which jobs are designed to maximize skill variety, autonomy and learning. A mean score of 3.64, just above the threshold of 3.5 was obtained. This indicates that employees find their jobs interesting, challenging and provide them with opportunities for learning. Item 22.33 asked respondents to indicate the extent to which HR policies and practices help them to develop to their maximum potential. A mean score of 3.61 that is slightly above the cut off point of 3.5 was obtained. This result shows that employee development is entrenched in the firms' policies and practices to a moderate extent, indicating the use of soft HR practices.

Item 22.21 and 22.29 had a mean of 4.07 and 4.05 respectively. The two items intended to find out the extent to which fairness and justice in pay and management practices are perceived. From the high mean scores, majority of the respondents indicated that the principle of equity is upheld in the firms. Item 22.35 with a mean score of 4.30 asked the respondents to indicate the extent to which HR policies and practices support the overall organizational strategy. This indicates that HR policies

and practices are seen as supporting the overall organizational strategy and objectives to a large extent.

The extent to which communication is perceived to be open and transparent was measured using item 22.26. A mean score of 3.6 was obtained. Since this is slightly above the cut off mean of 3.5, it is apparent that open communication is only moderately practiced. The extent, to which management styles are perceived as participatory and consultative, measured by item 22.28, yielded a mean score of 3.95. These results confirm that open communication and participative management styles are integral to the collaborative and soft HR approach to management of people.

Table 4.10: Means and standard deviations for soft HR strategic orientation items

Item no.	Item	Mean	Standard Deviation	n
22.1	Recruitment occurs at job entry level	4.13	0.959	95
22.4	Jobs are designed to maximize skill variety, autonomy and learning	3.64	1.172	94
22.5	Opportunities for growth and development exist	3.96	1.169	93
22.7	Leadership style is people oriented	4.01	1.011	90
22.8	Work environment is pleasant	4.35	1.055	94
22.12	Management development is linked to both individual and organizational needs	3.79	1.172	94
22.15	Management development is linked to managerial succession	4.07	1.178	95
22.16	Feedback is mainly for developmental purpose	4.01	1.043	92
22.19	Appraisal is aimed at weeding out poor performers (R)	3.91	1.186	93
22.20	The appraisal process is not participative (R)	3.82	1.352	94
22.21	Pay practices are based on ability and performance	4.07	1.205	95
22.24	Pay practices are based on quantifiable results only (R)	3.60	1.326	92
22.25	Limited use of non-cash incentives such as profit sharing, insurance schemes or paid holidays (R)	3.57	1.485	95
22.26	Communication is open and transparent	3.60	1.298	94
22.28	Management style is participatory and consultative	3.95	1.164	93
22.29	Management practices are fair and just	4.05	1.025	93
22.32	HR policies and practices have a long term perspective	3.84	1.273	94
22.33	HR policies and practices help employees to develop to their maximum potential	3.61	1.315	95
22.34	HR policies and practices treat all employees fairly and equitably	3.69	1.247	95
22.35	HR policies and practices support the overall organizational strategy and objectives	4.30	1.046	94
22.38	Top management gives low priority to HR issues (R)	3.51	1.352	95
	<i>Alpha Coefficient = 0.82</i>			
	<i>Composite mean score for soft HR scale = 3.83</i>			
	<i>(R) Indicates that the item was scored in reverse</i>			

4.5.2 Description of Hard HR Measurement Items

Table 4.11 provides the results for the hard HR strategic orientation measurement scale. The items were drawn from theoretical and empirical literature on HR practices that seek to instill controls and efficiency among employees. Hard HR practices are indicated by practices that seek to enhance efficiency and put organizational needs first. Such practices would leave the onus of career development to employees. Job

security is not assured and investments in formal training are not encouraged. The hard HR variable was measured using a seventeen item scale with a composite mean score of 2.94.

Item 22.2, for example, sought to find out the extent to which vacant managerial and higher technical positions are exclusively filled from within. It yielded a mean score of 3.2, implying that firms that practice hard HR prefer a 'buy' recruitment strategy, where experienced people are poached from other organizations to fill higher positions. It also means costs on training are minimized. The extent to which the firms support career development was measured using item 22.3 and a mean score of 3.16 was obtained. This indicates that under hard HR, career development is an employee's responsibility. This is consistent with current practices in strategic HRM. The shift of responsibility from the organization to individuals has been occasioned by the rapid change in technology, working methods and the importance of a multi-skilled workforce.

Item 22.6 sought to find out the extent to which job security is assured. A mean score of 3.14 was obtained. This shows that most firms no longer give jobs for life but rather employ as and when needed. This is consistent with the current trend of a flexible workforce that can be adjusted numerically depending on the organization's requirements at particular times. Shift in employment patterns from permanent and pensionable to short-term contracts is a key feature of hard HRM.

In item 22.9, respondents were asked to indicate the extent to which they perceive the competitiveness of their rewards relative to those offered by other firms in the industry. A mean score of 3.29 was obtained. This means that the majority of the respondents believe that their peers in other firms within the industry are rewarded better than themselves. Item 22.10 sought to find out the extent to which formal training is offered to all employees. A mean score of 2.44 was achieved. This low score shows that most firms do not provide formal training to their employees. This is probably due to the flexible nature of workforce where short-term contracts are

preferred over long-term tenures of service. Firms, therefore, do not find it cost-effective to finance formal training for employees who may not be needed in the long-term. Employers also have an inherent fear of investing in employees who may leave after training for better pay in other organizations. It also indicates the use of a 'buy' approach recruitment strategy. Organizations use this strategy to cut down on training costs and shorten the period of obtaining results from new employees.

Item 22.11 intended to find out the extent to which socialization and induction of new employees is practiced. The mean score was 3.06. This shows that most firms do not have mechanisms for socialization and expect employees to learn on the job. Item 22.13 on the use of innovative management development methods such as stress management and adventure training had a mean score of 2.56. This implies that such methods are rarely used. Those that indicated they use them were large organizations that have a large component of highly educated managers and have also achieved a high profile in their industries as respected companies. Innovative management development methods require both expertise and financial resources and a clear policy on employee development underpinned by some philosophy on how the organization views employees as valuable assets.

Item 22.17 sought to find out the extent to which the appraisal process was seen as participative, open and transparent. The mean score was 3.03. This result implies that the appraisal processes of most firms are not participative, open or transparent. This is a reflection of lack of objectivity in the design of such techniques or inadequate training of the appraisers or lack of clarity on the purpose for which the appraisal was designed. Appraisal systems that are not participative tend to serve a limited purpose of pay increment or to weed out poor performers and are not used for developmental purposes. This is consistent with hard HRM where pay is tied to individual performance.

The extent to which employee stock ownership plans are used was sought using item 22.22 in the questionnaire. A mean score of 1.89 was obtained. This is a very low

mean, which shows that the majority of firms do not offer company stocks to their employees although stock ownership is one way of gaining employee commitment. The use of salary surveys to establish an organizations pay level was also posed to the respondents. Salary surveys are normally conducted to give an indication of how well the firm is paying its employees relative to competitors. A mean score of 2.99 was obtained. This low mean score implies that most firms do not measure their pay levels against those of competitors. As such, employees will always feel their competitors pay better than their organization. This may lead to low morale and intentions to quit.

Item 22.26 asked respondents to rate the extent to which collaborative and cooperative relations exist between unions and management. A mean score of 3.41 was obtained. Since the mean score is below the 3.5 cut off point, it implies that unions and management have an adversarial relationship that is consistent with the unitaristic approach to employee relations under hard HRM. Respondents were also asked to state the extent to which formal information sharing programmes such as newsletters are used. Item 22.30 was used to measure this aspect. A mean of 3.48 was achieved. This implies that it is used only to a limited extent. Hard HR practices focus on performance and quantifiable outputs and information sharing programmes are more likely to be used mainly to communicate performance issues rather than human-interest issues. Item 22.31 sought to establish the extent to which employees are involved in decision-making. A mean score of 3.11 was obtained. This implies that employee participation and involvement in decision-making is low. This is a characteristic of hard HR where employees take rather than make decisions regarding issues that affect them, especially at the strategic levels.

Item 22.37 measured the extent to which HR policies and practices are aimed at cost reduction. A mean score of 2.21 was obtained. This is a reflection of the use of control practices and efficiency-enhancing systems resulting from the concerns for financial constraints that firms may have. Cost reduction is a feature associated with hard HRM. Item 22.36 sought to establish the extent to which HR policies and practices have a short-term view because of financial problems. This item yielded a

mean score of 3.35 implying that management policies are reactive rather than proactive. This is consistent with the practice of hard HRM where organizational needs are paramount and the means justifies the end, hence the use of short term measures to deal with crises for the sake of the bottom-line, which is performance. The use of controls can further be explained by the need to post high profits to meet the expectations of shareholders.

Table 4.11: Means and standard deviations for hard HR strategic orientation items

Item No.	Item	N	Mean	Standard Deviation
22.2	Vacant managerial and higher technical positions are filled exclusively from within	95	3.20	1.419
22.3	Career development is highly supported (R)	92	3.16	1.439
22.6	Job security is assured	93	3.14	1.457
22.9	Rewards are not competitive relative to those offered by other firms in the industry (R)	93	3.29	1.307
22.10	Extensive formal training is offered to all employees	95	2.44	1.471
22.11	Great amount of socialization and induction of new employees is practiced	95	3.06	1.457
22.13	Innovative management development methods such as stress management and adventure training are used	95	2.56	1.427
22.14	Only job specific skills are supported by the organization	94	2.46	1.419
22.17	The appraisal process is participative, open and transparent (R)	94	3.03	1.527
22.18	Performance is measured by quantifiable output (R)	94	2.20	1.178
22.22	Employee stock ownership plans are used	91	1.89	1.090
22.23	Regular conduct of salary surveys	95	2.99	1.341
22.27	Collaborative and cooperative relations between unions and management exist	93	3.41	1.520
22.30	Limited formal information sharing programmes such as newsletters	94	3.48	1.276
		94	3.11	1.477
22.31	Low participation of employees in decision making	94	2.21	1.277
22.36	HR policies and practices are aimed at cost reduction	95	3.35	1.464
22.37	Top management has a short term view because of financial problems			
	<i>Alpha coefficient = 0.85</i>			
	<i>Composite mean score for hard HR scale = 2.94</i>			
	<i>(R) indicates that the item is scored in reverse</i>			

4.6 Firm performance

Table 4.12 below presents the firm performance scale. It consisted of nine items designed to measure the respondents' perception of the firm's performance. The Cronbach Alpha coefficient of the scale was 0.82. The means and standard deviations for each item are presented and described.

Table 4.12: Means and standard deviations for firm performance

No.	Item	N	Mean	S.D
23.1	My organization's products are superior to competitor's products	95	4.24	0.884
23.2	Customers are satisfied with our products	94	4.60	0.515
23.3	My organization has a good image in the industry	95	4.45	0.835
23.4	My organization develops new products frequently	93	2.53	1.486
23.5	This organization invests heavily in research and development	95	2.47	1.320
23.6	Overall performance has been good over the last three years compared to competitors	95	3.80	1.107
23.7	My organization has a very good ability to retain good employees over a long period of time	95	3.89	1.309
23.8	Relations between employees and management in my organization are good	95	4.08	1.136
23.9	The speed of decision making in my organization is fast	95	3.60	1.371
	<i>Alpha coefficient 0.82</i>			
	<i>Composite mean score for firm performance scale = 3.73</i>			

The items in the firm performance scale were rated from 1 to 5. 1 represented 'not at all' while 5 meant the statement applied 'to a great extent'. Item 23.1 asked the respondents to rate the perception of the superiority of their products in relation to those of competitors. A mean score of 4.24 with a standard deviation of 0.88 was obtained. This indicates that most of the respondents feel that their products are superior compared to those of competitors. Item 23.2 sought to establish the extent to which customers are satisfied with the organization's products. The mean for this item was 4.60 with a standard deviation of 0.52. This score shows that the majority of the respondents believe that their customers are satisfied with their products.

Item 23.3 sought to find out the respondents' perception of the organization's image in the industry. A mean score of 4.45 with a standard deviation of 0.84 was obtained. This implies that most respondents believe that their organization has a good image in the industry.

Items 23.4 and 23.5 sought to determine the extent to which organizations develop new products and invest in research and development, respectively. Item 23.4 had a mean score of 2.53 with a standard deviation of 1.49 while item 23.5 had a mean score of 2.47 with a standard deviation of 1.32. Unlike the responses to the other items, development of new products and investment in research and development both had mean scores below the midpoint of 3, thus indicating that most firms rarely develop new products and do not invest heavily in research and development. From practice, when organizations are facing financial constraints, they tend to cut down on development of new products and research and development. These results therefore appear to reflect an unfavourable economic environment where firms are faced with constraints that have reduced investments in new products and innovation.

Items 23.6, 23.7 and 23.9 on overall performance over the last three years, ability to retain good employees and speed at which decisions are made had mean scores of 3.80 with a standard deviation of 1.12, 3.89 with a standard deviation of 1.31 and 3.60 with a standard deviation of 1.37, respectively. Although the mean scores were moderately high, the standard deviations showed a wide dispersion from the midpoint. This shows that the respondents differed widely on these three items.

Item 23.8 measured the extent to which relations between employees and management are perceived as good. A mean score of 4.08 with a standard deviation of 1.14 was obtained. These mean scores show that most organizations believe they have a good image in the industry and relations with employees are good.

4.7 Organizational Commitment

Three components of organizational commitment were measured and the results are presented in Tables 4.13, 4.14 and 4.15. The components are affective, continuance and normative organizational commitments. A 7-point Likert scale was used to collect the responses. 7 indicated “strongly agree” and 1 “strongly disagree”. 3.5 was taken as the midpoint so that mean scores above this point were considered as representing agreement with the given statement. The scale was adopted from Allen and Meyer (1991).

Table 4.13: Means and standard deviations (SD) for affective organizational commitment

SN	Item	N	Mean	S.D.
24.1	I talk about this organization to my friends as a great organization to work for	94	5.18	1.659
24.2	I do not feel like part of the family in my organization (R)	93	4.62	2.111
24.3	I do not feel emotionally attached to this organization (R)	94	4.50	2.015
24.4	This organization has a great deal of personal meaning for me	95	5.24	1.616
24.5	I do not feel a great sense of belonging to this organization	95	5.73	1.511
<i>Composite mean score for affective commitment scale = 5.05</i> <i>Alpha coefficient 0.85</i> <i>(R) Reverse scored</i>				

Allen and Meyer’s affective commitment scale has six items but during the pilot stage of this study the first question appeared to elicit a wide range of interpretations from the respondents and it reduced the reliability coefficient to 0.62. It was omitted in the main study, thus increasing the reliability of the scale to 0.85.

After reversing the scores for the negatively worded items, the mean scores and standard deviations were computed and are shown on Table 4.13 above. All the mean scores are above 4.4 on a scale of 1 to 7, which is above the midpoint of 3.5. The majority of the respondents agree with the statements, hence the level of affective commitment is quite high. The standard deviations range from 1.51 to 2.11.

Item 24.1 sought to find out the extent to which the respondents talk about their organization to their friends. A mean score of 5.18 was obtained implying that the majority has a high regard for their organizations and talk about it to their friends. Item 24.2 was reversed and it read 'I do not feel like part of the family in my organization'. The mean score was 4.62. This implies that most respondents felt accepted and had a sense of affiliation to their organizations. Item 24.3 was another reversed question which sought to find out the extent to which respondents felt emotionally attached to their organization. This yielded a mean score of 4.5 indicating that the majority felt some emotional attachment to their organization. Item 24.4 asked the respondents to state the extent to which their organization had a personal meaning to them. A mean score of 5.24 was obtained implying that the majority agreed with this statement. Item 24.5 measured the extent to which the respondents felt a sense of belonging to their organization. The mean score was 5.73. This indicates that the majority feel a great sense of belonging to their organization.

Table 4.14: Means and standard deviations (SD) for continuance commitment

SN	Item	N	Mean	S.D.
24.6	I would not leave this organization because of scarcity of available job alternatives	95	4.27	2.180
24.7	I am not afraid of what might happen if I quit my job without another one lined up (R)	95	5.45	1.773
24.8	It would be very hard for me to leave my organization right now even if I wanted to	95	4.00	2.016
24.9	Leaving would require considerable personal sacrifice because another organization may not match the benefits here	95	4.94	1.861
24.10	Too much in my life would be disrupted if I decided I wanted to leave my organization now	95	4.71	1.873
24.11	It would not be too costly for me to leave my organization now (R)	94	4.40	1.903
<i>Alpha coefficient = 0.62</i> <i>Composite mean score for continuance commitment scale = 4.63</i> <i>(R) Reverse scored</i>				

The continuance commitment scale contained six items on a 7-point likert scale. The means ranged between 4.00 and 5.45 and standard deviations between 1.861 and 2.18.

The Cronbach alpha coefficient was 0.62. This indicates a moderate reliability. Past studies that have used this scale have reported alpha coefficients above 0.70. However, since 0.60 is considered acceptable, though on the lower end, the results were accepted and used for further analysis.

Item 24.6 asked respondents the extent to which they agreed with the statement 'I would not leave this organization because of scarcity of available job alternatives'. The mean score obtained was 4.27, which is above the threshold of 3.5. This implies that employees value employment security and would not leave one employer without an alternative job. Item 24.7 was stated in reverse as follows: 'I am not afraid of what might happen if I quit my job without another one lined up'. This had a high mean score of 5.45. This means employees have a great fear of quitting a job without another one. This implies organizational commitment borne out of fear of losing a livelihood. Item 24.9 sought to establish the extent to which respondents would sacrifice benefits they get from their organization. A mean of 4.71 was obtained indicating that the majority feels they would not leave their present organization because another may not match the benefits they are receiving presently. Item 24.11 was framed in reverse and it read: 'it would be too costly for me to leave my organization now'. The mean score was 4.4 indicating that many employees agree that it would be costly for them to leave their organization at the moment. The responses therefore indicate a general agreement with all the statements hence a high level of continuance commitment.

Table 4.15: Means and standard deviations (SD) for normative commitment

SN	Item	N	Mean	S.D.
24.12	I think that these days people move from organization to organization too often	94	3.06	2.052
24.13	I do not believe that a person must always be loyal to his or her organization	95	4.97	1.842
24.14	Moving from one organization to another appears unethical to me	93	4.14	1.943
24.15	If I got a better job offer elsewhere I would not feel it was right to leave my organization	95	3.38	1.863
24.16	One of the reasons I continue to work for this organization is that I believe loyalty is important and therefore feel a sense of moral obligation to remain	95	4.83	1.939
24.17	I was taught the value of remaining loyal to one organization	95	4.12	1.934
24.18	I do not think it is sensible to be loyal to one organization anymore	95	4.82	1.676
<i>Alpha coefficient = 0.56</i>				
<i>Composite mean score for normative commitment scale = 4.20</i>				

The normative commitment scale contained seven items. The means ranged from 3.06 to 4.97 with standard deviations between 1.68 and 2.05. This indicates a wide dispersion from the mean. With a reliability coefficient of 0.56, the scale reliability was just moderate. Previous studies have also obtained low reliability coefficients for this scale hence its failure to correlate well with other variables (Clugson *et al* (2000). The results of correlations presented in the next section support the findings from previous studies. Item 24.12 read: 'I think these days people move from organization to organization too often'. The responses yielded a mean score of 3.06, which is below the mid-point of 3.5. This implies that most respondents did not agree that turnover is high. This result is a reflection of the limited employment opportunities in the labour market in Kenya. Item 24.13 sought to find out if the respondents believe that a person must always be loyal to their organization. The mean score was 4.97 indicating that most respondents agree that people must be loyal to their organizations. Likewise in item 24.14 on if it is unethical to move from one organization to another, the response was in agreement with a mean score of 4.14, which is above the mid-point of 3.5. Item 24.16 asked the respondents to indicate if their stay in their organization is out of a sense of moral obligation and the response was affirmative with a mean of 4.83. However, when asked in item 24.15 if they feel it is the right thing to do if they got a better job offer, the majority said they would as reflected by the low mean score of

3.38. This implies that ethical and loyalty issues would be disregarded if better pay was the alternative choice.

4.8 Results of Correlation Analysis

This section presents the correlation analysis of various variables in the study. The Pearson product moment correlation, which is a parametric statistical technique, was used to analyze interval data, while the Spearman's rank-order correlation technique was used to analyze nominal and ordinal data.

The significant variables at $p < 0.01$ and $p < 0.05$ level of significance were isolated and are presented in Tables 4.16, 4.17, 4.18, 4.19, 4.20 and 4.21. Although the 0.05 level of significance is considered a reasonably good gamble because it is neither too high nor too low, Kerlinger (1986) observes that reporting the significance of all results is becoming acceptable by scholars. Following this trend, Browning (2006) and Gould-Williams (2004) report the results for each significant level at 0.05, 0.01 and 0.001 in their studies. Following this trend, results for each significant level are reported.

Table 4.16 below presents results of the correlations between HR strategic orientation and firm performance. Strong and positive relationships are observed between hard HR strategic orientation and firm performance ($r = 0.618$, $p < 0.01$) and between soft HR strategic orientation and firm performance ($r = 0.606$, $p < 0.01$). These results imply that both soft and hard HR strategic orientations are highly and significantly related to firm performance.

Table 4.16: Relationship between HR strategic orientation and firm performance

Variables	Pearson correlation coefficients
Hard HR strategic orientation and firm performance	0.618**
Soft HR strategic orientation and firm performance	0.606**

** Correlation is significant at $p < 0.01$

The Pearson correlation analyses for the relationships between the soft and hard HR strategic orientations and the three components of organizational commitment: affective; continuance and normative are presented in Table 4.17. Strong and positive correlations are observed between hard HR strategic orientation and continuance commitment ($r = 0.706$, $p < 0.01$); soft HR strategic orientation and continuance commitment ($r = 0.598$, $p < 0.01$) and between soft HR strategic orientation and overall organizational commitment ($r = 0.773$, $p < 0.01$). Moderate correlations were found between hard HR strategic orientation and affective commitment ($r = 0.503$, $p < 0.01$); soft HR strategic orientation and affective commitment ($r = 0.472$, $p < 0.01$) and between hard HR strategic orientation and overall organizational commitment ($r = 0.460$, $p < 0.01$). However, a weak, negative but significant relationship was observed between hard HR strategic orientation and normative commitment ($r = -0.225$, $p < 0.05$).

Table 4.17: Relationship between HR strategic orientations and organizational commitment components

Variables	Pearson correlation coefficients
Hard HR strategic orientation and affective commitment	0.503**
Hard HR strategic orientation and continuance commitment	0.709**
Hard HR strategic orientation and normative commitment	-0.225*
Hard HR strategic orientation and overall organizational commitment	0.460**
Soft HR strategic orientation and affective commitment	0.472**
Soft HR strategic orientation and continuance commitment	0.598**
Soft HR strategic orientation and overall organizational commitment	0.773

** Correlation is significant at $p < 0.01$

*Correlation is significant at $p < 0.05$

The results show that most of the relationships are of the anticipated strength and in the right direction. However, two surprising results are worth noting. Firstly, normative commitment was not expected to have any significant relationship with other variables as evidenced from previous empirical studies and from theoretical reasoning. From this result, it appears that as firms adopt and use hard HR practices, employees' obligation to stay diminishes. This means, therefore, that as much as people believe they should be loyal to one employer and ought to stay because it is the

right and moral thing to do, they are also likely to terminate their stay if they feel the organization is too instrumental and puts organizational needs before those of people. There is therefore a limit to normative commitment.

The other surprising finding was that between hard HR strategic orientation and affective commitment. A positive relationship was not expected. However, according to Arthur (2004) when employees are faced with harsh control practices, they rationalize the situation and accept it because they feel they have few alternatives. This leads to a false sense of affection, which is not genuine.

Table 4.18 presents correlations between organizational commitment and firm performance. Affective commitment and firm performance had a correlation of $r = 0.532$, $p < 0.01$, while continuance commitment and firm performance had $r = 0.431$, $p < 0.01$. When firm performance was correlated with overall organizational commitment, the relationship was slightly stronger ($r = 0.485$, $p < 0.01$). The results also show a fairly strong relationship between affective commitment and firm performance than that between continuance commitment and firm performance. This implies that organizations are more likely to experience improved performance when employees feel emotionally attached to the organization rather than if the need to stay is driven by perceived loss of benefits or cost alone.

Table 4.18: Relationship between organizational commitment and firm performance

Variables	Pearson correlation coefficients
Affective commitment and firm performance	0.532**
Continuance commitment and firm performance	0.431**
Overall organizational commitment and firm performance	0.485**

** correlation is significant at $p < 0.01$

Using Spearman's rank order correlation technique, significant relationships were observed between HR strategic orientations and firm characteristics. These results are shown on Table 4.19. When hard HR was correlated with firm characteristics, age of the firm measured in years of operation yielded a low positive relationship ($r = 0.301$, $p < 0.01$); firm size measured in number of employees also had a low relationship ($r =$

0.250, $p < 0.01$), while unionization had a moderate and negative relationship ($r = -0.401$, $p < 0.01$). Firm ownership yielded a very low but significant positive relationship ($r = 0.210$, $p < 0.05$). The strongest relationship was between hard HR strategic orientation and firm size followed by unionization.

Soft HR strategic orientation showed a similar pattern of relationships across the four characteristics. Correlation with firm age was $r = 0.213$, $p < 0.05$; firm size showed $r = 0.368$, $p < 0.01$; unionization was $r = -0.378$, $p < 0.01$ and firm ownership yielded $r = -0.473$, $p < 0.01$. The strongest relationship was between soft HR strategic orientation and firm ownership followed by unionization. These findings imply that soft and hard HR strategic orientations are related to the firm characteristics of age, size, ownership and unionization.

Table 4.19: Relationship between HR strategic orientation and firm characteristics

Variables	Spearman's rho correlation coefficients
Hard HR strategic orientation and firm age	0.301**
Hard HR strategic orientation and firm size	0.250**
Hard HR strategic orientation and unionization	-0.401**
Hard HR strategic orientation and firm ownership	0.210*
Soft HR strategic orientation and firm age	0.215*
Soft HR strategic orientation and firm size	0.368**
Soft HR strategic orientation and unionization	-0.378**
Soft HR strategic orientation and firm ownership	-0.473**

** Correlation is significant at $p < 0.01$ * Correlation is significant at $p < 0.05$

Table 4.20 presents results for the correlations between overall organizational commitment and the components of affective and continuance and firm characteristics. Continuance commitment correlated moderately with three firm characteristics namely: firm size ($r = 0.304$, $p < 0.05$); unionization ($r = -0.355$, $p < 0.01$) and firm ownership ($r = -0.327$, $p < 0.01$) while affective commitment correlated only with one firm characteristic that is firm ownership ($r = -0.295$, $p < 0.05$). There was no significant relationship between normative commitment and any of the firm characteristics. Overall organizational commitment showed significant but negative correlations with firm ownership ($r = -0.399$, $p < 0.01$) and unionization ($r = -0.296$,

p<0.01). These findings imply that except for continuance commitment, the other aspects of organizational commitment have no significant relationship with firm characteristics while overall organizational commitment declines with increased unionization and ownership.

Table 4.20: Relationship between organizational commitment and firm characteristics

Variables	Spearman's rho correlation coefficients
Affective commitment and firm ownership	-0.295**
Continuance commitment and firm size	0.304**
Continuance commitment and unionization	-0.355**
Continuance commitment and firm ownership	-0.327**
Overall organizational commitment and firm ownership	-0.399**
Overall organizational commitment and unionization	-0.296**

** Correlation is significant at p<0.01 * Correlation is significant at p<0.05

The Spearman's rank order correlation coefficients of the relationship between firm performance and firm characteristics are presented in Table 4.21 above. Firm performance and firm size showed a moderate and positive relationship (r = 0.305, p<0.01). However, unionization (r = -0.222, p<0.05) and firm ownership (r = -0.477, p<0.01) had negative relationships with organizational performance. Age of the firm showed no significant relationship. These results imply, for example, that as firms unionize, performance improves.

Table 4.21: Relationship between firm performance and firm characteristics

Variables	Spearman's rho correlation coefficients
Firm performance and firm size	0.305**
Firm performance and unionization	-0.222*
Firm performance and firm ownership	-0.477**

** Correlation is significant at p<0.01 * Correlation is significant at p<0.05

4.9: Chapter Summary

Chapter four presents the descriptive data analysis using frequency tables, percentages, means, standard deviations, Cronbach alpha coefficients of reliability and correlation coefficients. The profiles of respondents and organizations that formed the sample are presented. This is followed by a description of the responses for each variable. The individual measurement items are also described. The descriptive data showed that the survey questionnaire instrument had a high reliability. It captured the data that was needed to answer the research question. The reliability coefficients for the various scales ranged from 0.62 to 0.85, which fall within the acceptable levels. Means and standard deviations of individual items in the scales were computed and presented. The results indicate that data was good and fit for further computation, which can lead to making inferences. The results presented in chapter four therefore form the basis for tests of hypotheses presented in Chapter five.

CHAPTER FIVE

TESTS OF HYPOTHESES

5.1 Introduction

This chapter presents the results of tests of hypotheses and quantitative analyses and interpretations of the relationships among the various variables of the study in two main sections. The first section focuses on testing the relationships between each of the human resource strategic orientations and firm performance; human resource strategic orientation, the three components of organizational commitment and overall organizational commitment; the relationship between each of the three components of organizational commitment, overall organizational commitment and firm performance and the interaction effect of human resource strategic orientation and organizational commitment on firm performance. Parametric statistical techniques namely: Pearson's product moment correlation and multiple regression analysis were used to test these relationships.

The second section presents results for the moderating effect of firm characteristics on the relationship between human resource strategic orientation and organizational commitment and between organizational commitment and firm performance. The Spearman's rank order correlation and chi-square test, which are non-parametric statistics, were used. The choice of these statistical methods was based on the measurement scales, and the purpose of the study, which was to establish the nature and strength of relationships among the variables of the study.

5.2 HR Strategic Orientation and Firm Performance

Objective one of the study was designed to establish the relationship that exists jointly and individually between the HR strategic orientations of soft and hard HR and firm performance. The literature review and theoretical reasoning led to the belief that both a soft and hard HR strategic orientation will be associated with firm performance.

Soft HR strategic orientation refers to those practices aligned to the human relations school of thought. The emphasis is on the use of human capital enhancing strategies such as training, growth and development, intrinsic motivation strategies and collaborative relations with employees. Indications from both the empirical and theoretical literature show that the use of soft HR strategies should lead to a significant and positive relationship with firm performance. In contrast, a hard HR strategic orientation is associated with the use of efficiency-seeking devices such as performance appraisals, performance contracts, performance related pay and specific training. In hard HR, individual contracts are preferred to collective bargaining. The aim is to improve efficiency and increase productivity. In this approach, the needs of the firm are paramount. Although the approach is associated with tight control systems, high performance is achieved. It was anticipated, therefore, that both soft and hard HR strategic orientations would have a strong, positive and significant relationship with firm performance. The following null and alternate hypotheses were tested.

Hypothesis 1:

- H0: There is no difference in performance between firms that adopt a soft HR strategic orientation and those that practice hard HR strategic orientation
- H1: There is a difference in performance between firms that adopt a soft HR strategic orientation and those that practice hard HR strategic orientation

Data used to test this hypothesis were collected using items 22.1 to 22.38 measuring the soft and hard human resource strategic orientations construct and items 23.1 to 23.9 measuring firm performance in the questionnaire (Appendix 6). In the human resource strategic orientation scale, each item consisted of a statement that measured the extent to which an organization used certain HR practices. For example, item 23.1 read as follows: "recruitment of new employees occurs mainly at job entry level" while item 23.33 read "HR policies and practices help employees to develop to their maximum potential". The respondents were asked to indicate the extent to which a

practice was used in their organization on a scale of 1 to 5 where 1 represented 'not at all' and 5 represented 'to a great extent'.

The items measuring firm performance consisted of statements that sought to measure the extent to which it applied to an organization. For example, item 23.1 read as follows: "my organization's products are of superior quality when compared to those of competitors" while item 23.7 stated: "my organization has a very good ability to retain good employees over a long period of time". The respondents were asked to tick an appropriate response on a scale of 1 to 5, where 5 represented 'to a great extent' and 1 represented 'not at all'.

The Pearson's Product Moment Correlation coefficients for both soft and hard human resource strategic orientations showed fairly strong, positive and significant individual relationships with firm performance ($r = 0.606$, $p < 0.01$) and ($r = 0.618$, $p < 0.01$ respectively). Further analysis using multiple regression analysis is presented in Table 5.1. As shown in the table, when the two independent variables are included in the same model they have a strong positive effect on firm performance with a correlation coefficient of $r = 0.69$ and $R^2 = 0.47$, $F = 42$. This implies that 47% of the variance in firm performance is explained by the combined variables of hard and soft HR strategic orientations. The standardized beta coefficients indicate that soft HR strategic orientation makes the greatest unique contribution to the dependent variable (beta = 0.38, $t = 3.23$, $p < 0.01$), while hard HR strategic orientation contributes 0.35, $t = 2.94$, $p < 0.01$. The relationships are positive and statistically significant, hence resulting in failure to reject the null hypothesis.

Table 5.1: Regression results for soft and hard HR strategic orientations and firm performance

			Standardized Coefficients	t	p-value	R	R ²	F
		Std. Error	Beta					
(Constant)	.875	.369		.020	2.374			
Soft HRM	.471	.146	.383	.002	3.233	0.687	0.472	42.00
Hard HRM	.357	.121	.348	.004	2.937			

Dependent Variable: Firm Performance

5.3 HR strategic orientation and organizational commitment

Objective two of the study sought to establish the relationships between each of the two facets of HR strategic orientation and overall organizational commitment as well as its three components namely: affective; continuance and normative. From the empirical and theoretical literature reviewed in chapter two, it was anticipated that relationships that are likely to have important implications for organizational performance exist among the various variables. Eight hypotheses were developed from the conceptual framework presented on page 75 to test the relationships between the two HR strategic orientations- soft and hard and each of the three components of organizational commitment namely: affective, continuance and normative separately and then jointly as overall organizational commitment. The results are presented in the sections below.

5.3.1 Soft HR strategic orientation and overall organizational commitment

From theory and empirical findings, soft HR practices have strong and positive relationships with organizational commitment. HR practices that focus on employee growth and development, participatory management styles and decision making elicit a need and a wish to stay from employees. It would be expected, therefore, that soft HR and overall organizational commitment would have a positive and significant relationship, hence the following hypothesis:

Hypothesis 2a:

H0: There is a relationship between soft HR strategic orientation and overall organizational commitment

H1: There is no relationship between soft HR strategic orientation and overall organizational commitment

The results of the Pearson correlation analysis presented in chapter four show that a positive and significant relationship exists between soft HR strategic orientation and overall organizational commitment ($r = 0.77, p < 0.01$). The regression analysis results presented in Table 5.2 show that, 60 percent of the variation in overall organizational commitment can be explained by soft HR strategic orientation ($R^2 = 0.60, F = 138.2, t = 11.76$).

Table 5.2: Regression results for soft HR strategic orientation and overall organizational commitment

Model				Standardized Coefficient					
			Std. Error	Beta	t	F	R	R ²	p-value
1	(Constant)	.752	.251		2.989				.004
	Soft HRSO	.839	.071	.773	11.76	138.2	.773	.598	.000

Dependent Variable: Overall organizational commitment

5.3.2 Hard HR strategic orientation and overall organizational commitment

From theoretical reasoning, it was anticipated that hard HR strategic orientation and overall organizational commitment would have a positive and significant relationship. The following hypothesis was tested.

Hypothesis 2b:

- H0: There is no relationship between hard HR strategic orientation and overall organizational commitment
- H1: There is a relationship between hard HR strategic orientation and organizational commitment

Results of the Pearson correlations described in chapter four showed a coefficient of $r = 0.46, p < 0.01$. The regression results presented in Table 5.3 below show that 21 percent of the variation in overall organizational commitment could be explained by the use of hard HR practices ($R^2 = 0.21, F = 24.97, t = 7.76, p < 0.01$). The null hypothesis is not substantiated and hence we accept the alternate hypothesis.

Table 5.3: Regression results for hard HR strategic orientation and overall organizational commitment

Model				Standardized Coefficients					
			Std. Error	Beta	t	R	R ²	F	P-value
1	(Constant)	7.025	3.003		6.024				
	Hard HRSO	4.490	.899	.460	7.758	.460	.212	24.97	.000

Dependent Variable: Overall organizational commitment

5.3.3 Soft HR strategic orientation and affective organizational commitment

Theoretical arguments and empirical findings support a positive relationship between a soft HR approach and affective organizational commitment. The reasoning is that soft HR practices are based on human resource practices that appeal to the human needs of people. These may include the need for personal growth and development, recognition for work done, job security, job satisfaction and a pleasant working climate. Such practices in turn trigger affective attachment to the organization so that employees feel a sense of belonging. Based on this argument, supported by previous studies and writings on the subject, the following null and alternate hypotheses were tested:

Hypotheses 2c:

- H0: There is no relationship between a soft HR strategic orientation and affective organizational commitment
- H1: There is a relationship between a soft HR strategic orientation and affective organizational commitment

Data used to test this hypothesis were collected using measurement items 24.1 to 24.6 in the questionnaire (Appendix F). Each item consisted of a statement that measured the degree of emotional attachment or commitment to an organization. For example, item 24.1 reads as follows: "I would be very happy to spend the rest of my career with this organization" The respondents were asked to indicate how strongly they agreed or

disagreed with a statement on a scale of 1 to 7, where 1 represented strongly disagree and 7 strongly agree. The hypothesis was tested using Pearson's Product Moment Correlation and Linear regression. Regression results are presented in table 5.4.

The Pearson's Product Moment Correlation coefficient for soft HR and affective commitment was $r = 0.47$ and was significant at $p < 0.01$). This result leads to rejection of the null hypothesis that there is no relationship between a soft HR strategic orientation and affective organizational commitment and substantiates the alternate hypothesis.

A simple linear regression analysis was also done to establish how much of the variation in the dependent variable, that is affective commitment, can statistically be explained by the independent variable, that is soft HR strategic orientation. The regression results are shown in Table 5.4 below.

Table 5.4: Regression results for soft HR strategic orientation and affective organizational commitment

Model		Standardized Coefficients	t	p-value	R	R ²	F
		Beta					
1	Constant	-.487	-.778	.44			
	Soft HR	.472	5.159	.000	.472	.223	26.62

Dependent Variable: Affective Commitment

The regression model shows that 22% ($R^2 = .22$) of the variation in affective commitment is due to the use of soft HR practices. The beta standardized coefficient of 0.47, $t = 5.16$, $p < 0.01$ indicates that soft HR practices contributes 47% of the variation in affective commitment. We, therefore, reject the null hypothesis and accept the alternate hypothesis, as a significant positive relationship exists between soft HR strategic orientation and affective commitment among large private manufacturing firms in Kenya.

The above finding is consistent with past empirical findings and theoretical understanding. For example, Gould-Williams (2004) reports significant positive

correlations between affective organizational commitment and aspects of soft HR such as training opportunities ($r = .48$), job variety ($r = .31$) and team working ($r = .48$). From a theoretical viewpoint, Walton (1985) argues that HR practices that are perceived by employees as fair and meet their individual needs as well as organizational needs are more likely to elicit feelings of affection for the organization and a long lasting emotional attachment. It appears, therefore, that the presence of affective commitment among employees in large private manufacturing firms in Kenya is attributed to the use of soft HR practices to some extent.

5.3.4 Soft HR Strategic Orientation and Continuance Commitment

In the literature review presented in chapter two, continuance commitment was defined as the commitment that comes out of the need to stay because of real or perceived loss of benefits such as pay, employment or prestige. Soft HR practices are associated with individual benefits such as career, growth and development opportunities, a pleasant working environment and participatory practices. Employees view these practices as a loss if they left the organization because they do not believe another organization would match the same opportunities. As such, their stay is borne out of a need to stay rather than wanting to stay. As such, soft HR practices are expected to have a statistically significant relationship with continuance commitment. The following null and alternate hypotheses were developed to test this relationship.

Hypothesis 2d:

- H0: There is no relationship between a soft HR strategic orientation and continuance commitment
- H1: There is a relationship between a soft HR strategic orientation and continuance commitment

Items 24.7 to 24.12 in the questionnaire (Appendix F) solicited data that were used to test this hypothesis. The results are presented in Table 5.5 below. The statement in each item measured the degree of commitment to the organization arising from the attractiveness of the benefits offered by the organization. For example, item 24.10 had

the following statement: “leaving this organization would require considerable personal sacrifice because another organization may not match the overall benefits I have here”. The respondents were asked to indicate how strongly they agreed or disagreed with each statement on a scale of 1 to 7 where 1 represents strongly disagree and 7 strongly agree. The hypothesis was tested using Pearson’s Product Moment Correlation and simple linear regression analysis.

Table 5.5: Regression results for soft HR strategic orientation and continuance commitment

Model		Standardized Coefficients	t	R	R ²	F	p-value
		Beta					
1	(Constant)		1.385				.000
	Soft HRM	.598	7.187	.598	.357	51.65	.000

Dependent Variable: continuance commitment

The correlation results presented in chapter four show a significant positive relationship between soft HR and continuance commitment ($r = 0.598$, $p < 0.01$). A simple linear regression analysis shows that 36% ($R^2 = 0.357$) of the variation in continuance commitment is explained by the use of soft HR practices (beta = 0.598, $F = 51.65$, $p < 0.01$, $t = 7.187$, $p < 0.01$). Based on this finding, we therefore reject the null hypothesis and accept the alternate hypothesis that a significant positive relationship exists between soft HR strategic orientation and continuance commitment in large private manufacturing firms in Kenya.

5.3.5: Soft HR Strategic Orientation and Normative Commitment

Though normative commitment has not shown any significant relationship with other variables in previous studies, its relationship with soft HR was nevertheless envisaged and tested. Normative commitment arises when employees maintain membership with an organization because they feel an obligation to do so for moral and ethical reasons. From a theoretical point of view, people who stay because they feel they ought to are not likely to respond to changes in management practices. It is envisaged therefore that normative commitment does not have a significant relationship with a soft HR strategic orientation. The null and alternate hypotheses were stated as follows:

Hypothesis 2e:

H0: There is no relationship between soft HR strategic orientations and normative commitment

H1: There is a relationship between a soft HR strategic orientation and normative commitment

Data to test this hypothesis was generated from items 24.13 to 24.19 in the questionnaire (Appendix F). The items consisted of statements that measured the degree of commitment due to moral or ethical reasons. Item 24.17 was stated as follows: “one of the major reasons I continue to work for this organization is that I believe that loyalty is important and therefore feel a sense of moral obligation to remain” The regression analysis results are presented in Table 5.6 below. The respondents were asked to show how strongly they agreed or disagreed with a statement on a scale of 1 to 7, where 1 represents strongly disagree and 7 strongly agree. Pearson’s Product Moment correlation and linear regression analysis were used to test the hypothesis.

Table 5.6: Regression results for soft HR strategic orientation and normative commitment

Model				Standardized Coefficients					
			Std. Error	Beta	t	R	R ²	F	P-value
1	(Constant)	3.405	.568		8.047				.000
	Soft HR Orientation		.161	-.097	-.259	.027	.001	.67	.796

Dependent Variable: Normative Commitment

The correlation coefficients presented in chapter four indicate no significant relationship between soft HR strategic orientation and normative organizational commitment. The regression coefficient presented in Table 5.6 shows no significant relationship (beta = -0.027, t = -.259, p>0.05). This is consistent with past theoretical and empirical studies. Clugston *et al* (2000) found no significant relationships between normative commitment and other HR practices. This finding shows that the type of HR practices an organization uses are not related to the moral or ethical obligations to stay. It appears therefore that employees who stay simply because it is ethical to do so

are indifferent to the type of HR practices adopted and used by an organization. Out of these findings therefore, we do not reject the null hypothesis.

5.3.6 Hard HR Strategic Orientation and Affective Commitment

A hard HR approach is based on efficiency-enhancing practices such as appraisals, cash incentives and performance targets. The style of management under hard HR is instrumental and detached. Commitment under hard HR is more likely to come out of the need to stay rather than affection. Hard HR orientation implies practices that are calculative and performance oriented. It is an approach based on control oriented and efficiency-enhancing HR practices. Under hard HR, employees stay in the organization because they have to and not because they want to. Theoretically, the use of hard HR practices is not expected to induce affective commitment among employees. To this end, the following hypotheses were tested.

Hypothesis 2f:

- H0: There is no relationship between hard HR strategic orientation and affective commitment
- H1: There is a relationship between hard HR strategic orientation and affective organizational commitment

The Pearson's correlation coefficient presented in chapter four shows an unexpected significant and positive relationship between hard HR strategic orientation and affective commitment ($r = 0.503$, $p < 0.01$). As explained above, this finding was not originally anticipated as past studies and theoretical reasoning have not supported a positive relationship. The regression results presented in Table 5.7 show that 24% of the variation in affective commitment in the model is explained by hard HR practices ($R^2 = .242$). The standardized beta coefficient ($\beta = .503$, $t = 5.45$, $p < 0.01$) shows that 50% of the variation in affective commitment can be explained by the adoption of a hard HR strategic orientation. Based on these findings, therefore, we fail to accept the null hypothesis. Table 5.7 below shows the regression results.

Table 5.7: Hard HR strategic orientation and affective commitment

Model			Standardized Coefficients					
			Std. Error	Beta	R	R ²	t	p-value
1	(Constant)	2.396	.411		.503	.242	5.831	.000
	Hard HR	.739	.136	.503			5.446	.000

Dependent Variable: Affective commitment

5.3.7 Hard HR Strategic Orientation and Continuance Commitment

The theoretical and empirical arguments suggest that hard HR practices are associated with the need to stay rather than wanting to. Employees stay because the cost of living is too high, they have too much to lose by quitting, or there is no alternative employment. The anticipated relationship between hard HR strategic orientation and continuance commitment is a positive one. The reasoning is that hard HR practices are designed to ensure that employees achieve set targets under tight controls using efficiency-enhancing methods. Systems under hard HR strategies focus on production rather than people. As such people have no choice but to stay because either they cannot easily get alternative jobs, or they receive benefits that other organizations may not match or their skills are inflexible. Based on this argument, the following hypotheses were tested:

Hypothesis 2g:

- H0: There is no relationship between hard HR strategic orientation and continuance commitment
- H1: There is a relationship between hard HR strategic orientation and continuance commitment

The Pearson Product Moment Correlation coefficients presented in chapter four show a strong positive and significant relationship between hard HR strategic orientation and continuance commitment ($r = 0.71, p < 0.01$). Correlations above 0.70 are considered very strong. Table 5.8 shows the results of a simple linear regression analysis which yielded $R^2 = 0.503$, and beta coefficient of 0.71, $t = 9.70, p < 0.01$. The

model shows that 50 percent of the variation in continuance commitment is explained by the use of hard HR practices and the individual contribution of this factor alone to continuance commitment is 70 percent. Based on this finding, the null hypothesis is not accepted.

Table 5.8: Regression results for hard HR strategic orientation and continuance commitment

Model				Standardized Coefficients				
			Std. Error	Beta	t	R	R ²	p-value
1	(Constant)	.615	.246		2.505	.709	.503	.014
	Hard HRM	.698	.072	.709	9.697			.000

Dependent Variable: Hard HRM

The above findings as measured by the continuance dimension can largely be explained by the lack of alternative employment in the Kenyan economy. Majority of employees would leave their organizations if they could. An analysis of the continuance commitment measurement items indicated that most respondents could not leave because of lack of alternative jobs. The Economic Survey (2005) shows unemployment rates in urban areas stands at 25 percent, while growth in the manufacturing sector has largely stagnated. Employees would therefore not leave a job under difficult prevailing economic conditions. They would prefer to tolerate unpleasant working conditions than leave.

An alternative explanation that has been cited in both the theoretical and empirical literature is the high costs of leaving. This is especially so for employees, who have taken advantage of benefit packages such as subsidized medical cover, mortgage loans and sponsored training. In such cases the employee need not necessarily be satisfied with the benefits. The cost becomes high because they have to pay back the loan at higher interest if they leave or pay the employer training costs if they are bonded.

Another dimension of continuance commitment is the age and gender of the employees. Research has shown that women and senior employees perceive greater costs of leaving than younger men and newer employees (Meyer and Smith, 2001). In this study the demographic data showed that women were 16.8% and men 81.1%

while 72.6 percent were above thirty-five years old. In terms of education, 40% were diploma holders while the rest had university degrees. The number of women and age of the respondents may not have a significant effect on this relationship. However, the high number of diploma holders most of whom are also older may perceive greater competition for similar jobs in the labour market from degree holders. As such they are not likely to risk leaving their present employer. This may partly explain the strong positive relationship between hard HR strategic orientation and continuance commitment.

5.3.8 Hard HR Strategic Orientation and Normative Commitment

Normative commitment comes from an obligation to stay for moral or ethical reasons. It is expected that employees will stay irrespective of the type of HR practices. In the literature review in chapter two, it is noted that normative commitment has no significant relationship with HR practices. The following null and alternate hypotheses were developed and tested:

Hypothesis 2h:

- H0: There is no relationship between hard HR strategic orientation and normative commitment
- H1: There is a relationship between a hard HR strategic orientation and normative commitment

Although previous studies have yielded no relationships between normative commitment and other variables such as culture (Clugson *et al*, 2000), the correlation between hard HR strategic orientation and normative commitment (-0.225, $p < 0.05$) showed an unexpected weak and negative relationship. This finding indicates that as the hard HR strategic orientation intensifies, employees feel less inclined to stay on moral and ethical grounds.

The linear regression results (beta = -0.225, $t = -1.85$, $p < 0.05$) presented in Table 5.9 show that only 5% of the variation in normative commitment is explained by the use

of hard HR strategies ($R^2 = 0.051$). As the use of practices associated with hard HR increase, the obligation to maintain membership in the organization decreases. Earlier findings have shown that both soft and hard HR practices lead to increase in the amount of affective and continuance commitment. In contrast, the present findings show that as the use of hard HR practices increase, the amount of normative commitment decreases. Hence the null hypothesis is not accepted.

Table 5.9: Regression results for Hard HR strategic orientation and normative commitment

Model				Standardized Coefficients		R	R ²	p-value
			Std. Error	Beta	t			
1	(Constant)	3.933	.484		8.131			.000
	Hard HRM	-.356	.160	-.225	-2.230	-.225	0.051	.028

Dependent Variable: Normative Commitment

A possible explanation for these findings is that the obligation to stay in an organization because it is the moral and ethical thing to do is not unconditional. When employees feel controls are too tight resulting in frustration, they may react by rationalizing their exit

5.4 Relationship between Organizational Commitment and Firm Performance

This section focuses on the relationships between overall organizational commitment and each of the components of organizational commitment and firm performance. The purpose was to test the hypothesised relationships among these variables. The literature review indicates that employees contribute positively to firm performance when they feel a sense of belonging (affective), a need to stay (continuance) and a moral obligation to stay (normative). The results of the tests of hypotheses are reported in sections 5.4.1; 5.4.2, 5.4.3 and 5.4.4.

5.4.1 Overall Organizational Commitment and Firm Performance

From the literature review, it is noted that the conceptualization of organizational commitment into affective, continuance and normative as discussed by Meyer and Allen (1990) are not mutually exclusive but interrelated. Mowday (1982) argues that there is a cyclical relationship between the various types of commitments. Coopey and Hartley (1991) suggested that these components could be integrated into a single approach as commitment can develop through each of them and reinforce one another. Following this line of argument, the three components were combined resulting in an overall organizational commitment variable (OOC). The following hypotheses were then developed to test if indeed there it has a relationship with firm performance.

Hypothesis 3a:

H0: There is no relationship between overall organizational commitment and firm performance

H1: There is a relationship between overall organizational commitment and firm performance

The Pearson correlation coefficient for the relationship between overall organizational commitment and firm performance presented in chapter four showed a moderately strong relationship ($r = 0.46, p < 0.01$). Regression analysis established that 24% of the variation in firm performance can be attributed to organizational commitment ($R^2 = 0.24$). These results are presented in Table 5.10 below. From these findings, the null hypothesis is rejected and the alternate is accepted.

Table 5.10: Regression results for overall organizational commitment and firm performance

Model				Standardized	t	R	R ²	F	p-value
			Std. Error	Coefficients Beta					
1	(Constant)	.368	.477		.770				.443
	Overall organizational commitment	.114	.021	.485	5.345	0.485	0.235	28.57	.000

Dependent Variable: Firm Performance

These results imply that there is a moderate positive relationship between overall organizational commitment and firm performance.

5.4.2 Affective Commitment and Firm Performance

Affective commitment refers to the emotional attachment employees develop towards an organization and which result in a desire to maintain membership with the organization for a long period of time. Affective commitment is associated with wanting to identify with the organization, talking positively about it to others and having a sense of belonging or seeing it as part of the family. Theoretically, when people identify and have positive feelings towards an organization, they are likely to put in extra effort and exceed expected standards of performance because they want to. Performance would be expected to relate significantly and positively with affective commitment. The following hypothesis was therefore posed and tested:

Hypothesis 3b:

- H0: There is no relationship between affective commitment and organizational performance
- H1: There is a relationship between affective commitment and firm performance

The results of correlation analysis show that affective commitment and firm performance have a moderately strong and positive relationship ($r = 0.532, p < 0.01$). In the literature review and conceptual framework presented in chapter two, a significant positive relationship was anticipated. This was based on the theoretical reasoning that employees who are emotionally attached to their organization are more likely to exceed performance standards because they are intrinsically motivated and work out of their own volition rather than due to an external force. The quality of the work is also likely to be high. Such employees are more likely to work longer hours, complain less and be more creative and imaginative.

The results of the linear regression analysis presented in Table 5.11 below had a beta coefficient of 0.53, $t = 6.06$, $p < 0.01$ and $R^2 = 0.28$. These results indicate that 28 percent of the variation in organizational performance among large private manufacturing firms in Kenya can be explained by affective organizational commitment. From the beta coefficient we can conclude that affective commitment contributes 53 percent to the model. We, therefore, fail to reject the null hypothesis.

Table 5.11: Regression results for affective commitment and firm performance

Model				Standardized Coefficients					
			Std. Error	Beta	t	R	R ²	F	p-value
1	(Constant)	1.346	.268		5.017				.000
	Affective	.561	.093	.532	6.059	.532	.283	36.72	.000

Dependent Variable: Firm Performance

The implication of these findings in the context of Kenyan manufacturing firms is that when firms employ HR practices that instill a sense of belonging, affiliation and acceptance, employees tend to contribute both qualitatively and quantitatively to the firm's performance. Three items that had the highest mean score on the affective scale were: "talking positively about the organization" ($\bar{X} = 5.18$); "the organization has a great deal of personal meaning" ($\bar{X} = 5.24$) and "feeling a great sense of belonging to the organization" ($\bar{X} = 5.73$).

5.4.3 Continuance Commitment and Firm Performance

As discussed in earlier sections, continuance commitment refers to the need to stay with an organization because it is too costly to leave. People find it costly to leave if they are likely to lose certain benefits that come with being a member of the organization or lack of alternative jobs with similar benefits. Empirical and theoretical literature supports the view that when people find it too costly to leave an organization they will engage only in those behaviours that assure continued membership. This may include achieving set targets and meeting performance standards like quality expectations and timelines. It is expected therefore, that employees who stay with an organization because they find it too costly to leave or lack prospects for alternative

jobs will contribute positively to firm performance in order to retain their positions. As such the following null and alternate hypotheses are stated and tested:

Hypothesis 3c:

- H0: There is no relationship between continuance organizational commitment and firm performance
- H1: There is a relationship between continuance organizational commitment and firm performance

The Pearson correlation results presented in chapter four, show that there is a positive and significant relationship between continuance commitment and firm performance ($r = 0.431$, $p < 0.01$). The results of a linear regression analysis presented in Table 5.12 indicate a beta coefficient of $r = 0.431$, $t = 4.61$, and a p-value of less than 0.01. From the R square value, ($R^2 = 0.186$), we conclude that 19% of the variation in firm performance can be explained by continuance commitment. This finding leads to the rejection of the null hypothesis and acceptance of the alternate hypothesis that there is a relationship between continuance commitment and firm performance.

Table 5.12: Regression results for continuance commitment and firm performance

Model				Standardized	t	R	R ²	F	p-value
		Beta	Std. Error	Coefficients					
1	(Constant)	.666	.487		1.365			21.275	.000
	Continuance commitment	.132	.029	.431	4.613	.431	.186		.000

Dependent Variable: Firm Performance

5.4.4 Normative Commitment and Firm Performance

Normative commitment refers to an individual's obligation to stay with an organization because of the belief that it is the right and moral thing to do. Employees who have this belief prefer not to quit irrespective of the prevailing conditions. Theoretical understanding and empirical findings show no significant relationship between normative organizational commitment and firm performance. The following hypotheses were posed and tested:

Hypothesis 3d:

H0: There is no relationship between normative organizational commitment and firm performance

H1: There is a relationship between normative organizational commitment and firm performance

As shown in Table 5.13, the linear regression analysis results indicate that there is no significant relationship between normative commitment and firm performance ($r = 0.136$, $R^2 = 0.018$, $t = 1.32$, $F = 1.75$, $p > 0.05$). From these results we fail to reject the null hypothesis. From the beta coefficient, normative commitment contributes 14 percent to the model but this is not significant at any of the conventional levels.

Table 5.13: Regression results for normative commitment and firm performance

Model			Standardized Coefficients						
		Std. Error	Beta	t	R	R ²	F	p-value	
(Constant)	28.858	3.627		7.957				.000	
Normative commitment	.152	.115	.136	1.322	.136	.018	1.75	.189	

Dependent Variable: Firm Performance

These results imply that in a situation where employees stay with an organization on moral or ethical grounds, they do not significantly contribute to the performance of the firm. Reasons can be linked to lack of motivation, no future prospects, stagnation and a missionary mentality.

5.5: Combined Effect of HR Strategic Orientation and Organizational Commitment on Firm Performance

The hypotheses tested so far have indicated that the individual variables of HR strategic orientation and organizational commitment have had a significant relationship with firm performance. It can be deduced from these findings that the combined effect of these variables on firm performance will be greater than the individual relationships. To test this supposition, the following hypotheses were developed and tested:

H0: The five independent variables of soft HR, Hard HR, affective, Continuance and normative commitment are not predictors of firm performance

H1: The five independent variables are predictors of firm Performance

The regression results presented in Table 5.14 show that 55 percent of the variation in firm performance can be explained by the combined effect of HR strategic orientations and organizational commitment components ($R = 0.74$, $R^2 = 0.55$, $F = 21.95$). It is noted, however, that continuance commitment and normative commitment did not make a significant contribution to the model.

Table 5.14: Regression results for HR strategic orientations, affective, continuance, normative and firm performance

Model			Standardized Coefficients						
		Std. Error	Beta	t	p-value	R	R ²	F	
(Constant)	-.266	.635		-.418	.677				
Hard HR Orientation	-.678	.276	-.295	-2.456	.016				
Soft HR Orientation	.965	.160	.630	6.023	.000	.743	.552	21.95	
Affective	.269	.088	.256	3.070	.003				
Continuance	.059	.035	.192	1.650	.102				
Normative	.117	.071	.119	1.635	.106				

Dependent Variable: Firm Performance

5.6 The Moderating Effect of Firm Characteristics

This section presents the results for the moderating effect of four firm characteristics namely: firm size, firm age, firm ownership and unionization on the relationship between human resource strategic orientation and organizational commitment and on the relationship between organizational commitment and firm performance. It was anticipated in the conceptual framework presented in chapter two that some hypothesized relationships between the main variables of the study will hold for some categories of the sample and not for others. By searching for moderated relationships,

inferences that imply that a set of findings pertains to the sample as a whole, when in fact, it only applies to a portion of it, have been avoided. Data on firm characteristics was collected using nominal and ordinal scales. The Spearman's rank order correlation and chi-square test were applied. These are non-parametric statistical techniques appropriate for such data. Twelve hypotheses drawn from objective five were tested and the results are presented in the following sections.

5.6.1 Effect of Firm Characteristics on the Relationship Between Soft HR Strategic Orientation and Organizational Commitment

This section presents chi-square test results for the moderating effect of firm size, firm age, firm ownership and unionization on the relationship between soft HR strategic orientation and overall organizational commitment. Based on theoretical and empirical findings, it was anticipated that a relationship between soft HR strategic orientation and overall organizational commitment is more likely to be observed in larger firms than in smaller firms. Large firms are more likely to have more resources and sophisticated systems that can be used to benefit employees. The following hypothesis was, therefore, tested on the strength of this argument.

Hypothesis 5a (i): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm size

Item 8 in the questionnaire was used to collect data on size of the firm. Number of employees was used as a proxy for size. Ranges of less than 250, 251-450 and more than 450 employees were provided and respondents were asked to tick where their organization fell. The data obtained was of an ordinal nature and non-parametric statistical techniques were applied. The relationships between firm size and other variables of the study were analyzed using the Spearman's rank order correlation and the results are presented in chapter four.

Soft HR strategic orientation and overall organizational commitment were correlated with firm size. A significant but weak relationship between soft HR strategic

orientation was obtained ($r = 0.368$, $p < 0.01$), but no significant relationship was found between overall organizational commitment and firm size. The chi-square results are shown in Table 5.15 below. To establish the moderating effect of firm size on the relationship between soft HR strategic orientation and overall organizational commitment, a chi-square test was performed for hypothesis 5a (i) above. The results reveal a significant relationship between soft HR strategic orientation and overall organizational commitment in smaller firms with less than 250 employees and not in larger firms as anticipated ($X^2 = 15.015$, $df = 3$, $p < 0.05$). Hypothesis 5a (i), is substantiated but only for smaller firms.

Table 5.15: Chi-square results for overall organizational commitment, soft HR strategic orientation and firm size

Number of employees	Chi square test	X ² -Value	Df	p-value
Less than 250	Pearson Chi-Square	15.015 (a)	3	.002
251-450	Pearson chi-square	7.467 (b)	3	.058
Above 450	Pearson Chi-square	1.870 (c)	3	.600

The results imply that unlike large firms, small firms are more likely to have downsized at some point. They may also have introduced HR systems that encourage employee commitment, hence creating a sense of belonging and family feeling within the organization. In contrast, large firms are more likely to be bureaucratic with impersonal systems that hinder the growth of a closer relationship among employees. In addition, organizational structures in large organizations tend to be tall and vertical. Communication in such cases is likely to be less efficient. In addition, controls and regulations tend to be pervasive because it is difficult for managers to have one to one relations with employees. The large firms that were included in this study were mainly within the plantation, construction and garment manufacturing. Traditionally, such firms employ a large pool of unskilled and semi-skilled workers hence a sophisticated HR system is not in use. It appears therefore that the significant positive correlation between soft HR and overall organizational commitment is largely due to small firms rather than large firms.

The age of the firm measured in number of years of operation was anticipated to moderate the relationship between a soft HR strategic orientation and overall organizational commitment. Hypothesis 5a(ii) below was posed to test this relationship.

Hypothesis 5a (ii): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm age

Older firms, for example, are expected to have developed sophisticated HR systems over time and to have accumulated resources and experience that would enable them pursue HR strategies that create a sense of belonging and family feeling among employees. They are also more likely to provide benefits that employees would find costly to leave. Young firms would be expected to employ strict and tight measures that treat employees more instrumentally rather than collaboratively. The Spearman's correlation results between soft HR strategic orientation and firm age were $r = 0.213$ and significant at the 0.05 level. However, no significant correlation was found between affective commitment and firm age. The chi-square results reported in Table 5.16 below show that the age of the firm has no significant effect on the relationship between soft HR strategic orientation and affective commitment. The computed chi-square values are not significant for any of the firm age categories; hence hypothesis 5a (ii) is not substantiated.

Table 5.16: Chi square results for overall organizational commitment, soft HR strategic orientation and firm age

Years in operation	Chi-square	X ² -Value	Df	p-value
1 - 10	Pearson chi-square	3.733 (a)	3	.292
11 - 20	Pearson chi-square	6.244 (b)	3	.100
Above 20	Pearson chi-square	7.649 (c)	3	.054

These results imply that age of the firm is not a significant factor in the relationship between affective commitment and firm performance.

Firm ownership was categorised as either locally owned or foreign owned. Item 12 in the questionnaire asked respondents to tick either of the two choices. To test this relationship the hypothesis below was posed.

Hypothesis 5a (iii): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm ownership

The Spearman's rank order correlation results between soft HR strategic orientation and firm ownership and between affective commitment and firm ownership showed significant but negative correlations ($r = -0.386, p < 0.01$) and ($r = -0.295, p < 0.05$) respectively. From theoretical and empirical literature, it was anticipated that a significant relationship between soft HR strategic orientation and affective commitment is more likely to be observed in foreign owned rather than locally firms. This reasoning was based on past research findings and theoretical arguments that foreign owned firms which usually tend to be large multinationals with bases in western industrialized countries have well established sophisticated management systems that meet the human needs of employees. They are also likely to have more resources that can be used to meet the training and developmental needs of employees. Usually investment conditions require that such firms bring only a specified number of experts from the parent country and train the locals to take over after a given period, hence a sizeable training and employee development component.

However, contrary to this expectation, the chi-square results, show that the relationship between soft HR strategic orientation and affective commitment is significant among locally owned firms and not foreign owned firms ($X^2 = 9.99, df = 3, p < 0.05$). These results are presented in Table 5.17 below.

Table 5.17: Chi square results for overall organizational commitment, soft HR strategic orientation and firm ownership

Ownership	Chi-square	X ² -Value	Df	p-value
Foreign owned	Pearson chi-square	3.11 (a)	3	.375
Locally owned	Pearson chi square	9.99 (b)	3	.019

Since this result was unexpected, a further analysis of the data showed that the foreign owned firms formed a small percentage of the sample (29.5%). A number of them are new and they fall within the construction, plantation and the Export Processing Zones (EPZ). They tend to be labour intensive and hence employ a large number of casual unskilled or semi skilled workers. Their motive is purely to maximize profits by reducing costs to a minimum. As such, no extra resources are allocated to the individual needs of employees such as general training, planned growth and development nor long-term HR policies. The working environment is instrumental and calculative hence a limited sense of belonging among employees. Chen and Lawler (2001) reported a similar observation among manufacturing firms in Thailand. While local country firms practiced progressive HR, foreign firms relied upon traditional HR practices derived from scientific management ideas, which are designed to maximize control.

Another implication of this finding is that the image of locally owned firms has improved. Locally owned firms have in the past been associated with the use of exploitative management practices. Export destinations and quality management may have contributed to better management practices by local firms. Entry into markets such as COMESA, EAC and new markets in Europe and US have pushed the firms to take their employees more seriously by introducing systems that elicit greater employee commitment.

An alternative explanation is the sources of Direct Foreign Investments coming into Kenya and Africa in general. This is encouraged by the Government's attempt to relax investment rules to attract more foreign investment without many demands that include how employees are treated. The case of EPZ is an example where unionization was not enforced nor encouraged by the government.

Item 19 in the questionnaire asked respondents to state if their firms were unionized or not and hypothesis 5a (iv) below was posed.

Hypothesis 5a (iv): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on whether the firm is unionized or not

While the Spearman's correlation result for soft HR strategic orientation and unionization was $r = -0.378$, $p < 0.01$, affective commitment and unionization showed no significant relationship. The computed chi square value was not significant for both unionized and non-unionized firms. This implies that unionization has no significant moderating effect on the relationship between affective commitment and soft HR strategic orientation. The results are shown in Table 5.18 below. Hypothesis 4 therefore is not substantiated.

Table 5.18: Chi-square results for overall organizational commitment, soft HR strategic orientation and unionization

Unionization	Chi square	X ² -Value	Df	p-value
Yes	Pearson chi square	25.626 (a)	20	.179
No	Pearson chi square	15.046 (b)	16	.521

5.6.2 Effect of firm characteristics on the relationship between hard HR strategic orientation and overall organizational commitment.

The effect of firm size, age, ownership and unionization on the relationship between hard HR strategic orientation and affective commitment was tested. Hypotheses 5b (i) – (ii) tested the moderating effect of each firm characteristic on the relationship between hard HR strategic orientation and affective organizational commitment and the results are presented below.

Hypothesis 5b (i): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm size

From the literature review, it was anticipated that the relationship between hard HR strategic orientation and affective commitment would not be significant in both small and large firms. While the Spearman's correlation results showed a significant relationship between hard HR strategic orientation and firm size ($r = 0.250$, $p < 0.01$), no significant relationship was observed between affective commitment and firm size. The computed chi square values showed that firm size has a significant moderating

effect in small firms with less than 250 employees and not large firms as anticipated ($X^2 = 35.178$, $df = 21$, $p < 0.05$). As observed in chapter five, a positive significant relationship was not anticipated between hard HR strategic orientation and affective commitment. From the chi-square values, it can be concluded that small firms positively moderate this relationship. The results of the chi square test are shown in Table 5.19 below.

Table 5.19: Chi-square results for hard HR strategic orientation, overall organizational commitment and firm size

Number of employees	Chi square	X ² -Value	Df	p-value
Below 250	Pearson chi square	35.178 (a)	21	.027
251 - 450	Pearson chi square	15.273 (b)	13	.291
Above 420	Pearson chi square	12.333(c)	14	.243

A possible explanation of this result is that because, employees in small firms are survivors of downsizing, they are likely to be grateful to the organization for retaining them especially where unemployment levels in the labour market are high. Small firms are also likely to be producers of specialized products that require retention of specialized employees over a long period of time. Long tenure, even under conditions of hard HR, can lead to affective commitment. This result also implies that as firms increase in size, the intensity of hard HR practices also increases, but as the size decreases, the intensity also decreases tending more towards soft HR practices. The more hard HR is practiced, the less the affective commitment. From this finding therefore, the relationship between affective commitment and hard HR practices is attributed to small firms.

Hypothesis 5b (ii): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm age

The Spearman's correlation results show a significant but weak relationship between firm age, measured in years of operation and hard HR strategic orientation ($r = 0.301$, $p < 0.05$) but no significant relationship was observed with affective commitment. The chi-square test indicated that firm age does not have a significant moderating effect on the relationship between hard HR strategic orientation and affective commitment;

hence hypothesis 5b (ii) is not substantiated. The results are shown in Table 5.20 below.

Table 5.20: Chi-square results for hard HR strategic orientation, overall organizational commitment and firm age

Years of operation	Chi square	X ² -Value	Df	p-value
1 – 10	Pearson chi square	8.00 (a)	6	.238
11 – 20	Pearson chi square	9.29 (b)	12	.678
Above 20	Pearson chi square	27.36 (c)	21	.150

Hypothesis 5b (iii): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm ownership

Initially it was anticipated that firm ownership would have a significant moderating effect on the relationship between hard HR strategic orientation and affective commitment. The Spearman's rank order correlation results show a significant correlation of $r = -.210$, $p < 0.05$, between hard HR strategic orientation and firm ownership and $r = -0.295$, $p < 0.05$ between affective commitment and firm ownership. The chi-square results confirm that locally owned firms have a significant moderating effect on the relationship between hard HR strategic orientation and affective commitment ($X^2 = 12.835$, $df = 3$, $p < 0.01$). Hypothesis 5b (iii) is therefore disapproved. The results are shown in Table 5.21 below.

Table 5.21: Chi-square results for hard HR strategic orientation, overall organizational commitment and firm ownership

Ownership	Chi square	X ² -Value	Df	p-value
Foreign owned	Pearson chi square	4.373 (a)	3	0.242
Locally owned	Pearson chi square	12.835 (b)	3	0.002

The moderating effect of locally owned firms on the relationship between hard HR strategic orientation and affective commitment was not anticipated in the conceptual framework. A possible explanation of this finding is that small manufacturing firms in Kenya have gone through a process of restructuring and downsizing while others have introduced new technologies which have made their systems more efficient. The combination of efficient systems, controls and challenges of high unemployment

levels has possibly contributed to employees' justification of identifying with the organizations.

Hypothesis 5b (iv): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on whether the firm is unionized or not

The moderating effect of unionization was not significant for both unionized and non-unionized firms ($X^2 = 7.066$, $df = 3$, $p > 0.05$) and ($X^2 = 0.615$, $df = 3$, $p > 0.05$) respectively. This results imply that membership and recognition of unions by large private manufacturing in Kenya has no significant effect on the relationship between hard HR strategic orientation and affective organizational commitment. The chi-square results are presented in Table 5.22 below.

Table 5.22: Chi square results for hard HR strategic orientation, affective commitment and unionization

Unionization	Chi square	X ² -Value	Df	p-value
Yes	Pearson chi square	7.066 (a)	3	.070
No	Pearson chi square	.615 (b)	3	0.893

5.6.3 Effect of firm characteristics on the relationship between overall organizational commitment and firm performance

In this section, the moderating effect of firm size, age, ownership and unionization on the relationship between overall organizational commitment and firm performance was tested. Results of hypotheses 5c (i) – 5c (iv) are presented below.

Hypothesis 5c (i): The strength of the relationship between overall organizational commitment and firm performance depends on firm size

The Spearman's rank correlation results for overall organizational commitment and firm size were not significant, while those for firm performance and firm size showed a significant but weak correlation ($r = 0.305$, $p < 0.01$). When firm size was introduced into the relationship, it showed a significant moderating effect on the relationship between overall organizational commitment and firm performance. This was observed in small firms with less than 250 employees and not larger ones as anticipated earlier

($X^2 = 33.080$, $df = 9$, $p < 0.01$). Hypothesis 5c (i) therefore is not substantiated. The chi-square results are shown in Table 5.23 below.

Table 5.23: Chi-square results for overall organizational commitment, firm Performance and firm size

Number of employees	Chi square	X ² -Value	Df	p-value
Below 250	Pearson chi square	33.08 (a)	9	.000
251 – 450	Pearson chi square	11.11 (b)	6	.085
Above 450	Pearson chi square	14.09 (c)	9	.119

Previous studies and theoretical reasoning anticipated a significant relationship in large firms because large firms are thought to have more resources and well established HR systems that support a positive relationship between affective commitment and firm performance. However, the results indicate that this relationship is significant in smaller firms. It appears that small firms within the private manufacturing sector in Kenya are able to elicit greater levels of organizational commitment among their employees than the large firms.

Hypothesis 5c (ii): The strength of the relationship between overall organizational commitment and firm performance depends on firm age

While the Spearman's correlations for both overall organizational commitment and firm age and firm performance and firm age do not show significant relationships at any of the conventional levels, the chi square results for hypothesis 5c (ii) show that the moderating effect of age of the firm is significant for firms that have been in operation for between 11-20 years ($X^2 = 27.740$, $df = 9$, $p < 0.05$) and those above 20 years ($X^2 = 17.054$, $df = 9$, $p < 0.05$). This hypothesis, therefore, is substantiated. The results are shown in Table 5.24 below.

Table 5.24: chi-square results for overall organizational commitment, firm performance and firm age

Years in operation	Chi square	X ² -Value	df	p-value
1 – 10	Pearson chi square	13.000 (a)	9	.163
11 – 20	Pearson chi square	27.740 (b)	9	.001
Above 20	Pearson chi square	17.054 (c)	9	.048

It appears that when firm age is introduced into the affective commitment – firm performance relationship, a significant effect is obtained. This result appears to imply that older firms that have been in operation for more than 11 years have a significant positive relationship between affective commitment and firm performance.

Hypothesis 5c (iii): The strength of the relationship between overall organizational commitment and firm performance depends on firm ownership

Overall organizational commitment and firm ownership have a significant but a weak correlation of $r = -0.295$, $p < 0.01$, while firm performance and firm ownership also show a moderate, negative correlation of $r = -0.477$, $p < 0.01$. When firm ownership as a moderator was introduced into the relationship between overall organizational commitment and firm performance, the effect was significant in locally owned firms and not foreign owned firms ($X^2 = 29.211$, $df = 9$, $p < 0.05$). Hypothesis 5c (iii), therefore, does not hold. The chi-square results are shown in Table 5.25 below.

Table 5.25: Chi-square results for overall organizational commitment, firm performance and firm ownership

Ownership	Chi square	X ² -Value	Df	p-value
Foreign owned	Pearson chi square	4.215 (a)	6	.648
Locally owned	Pearson chi square	29.211 (b)	9	.001

These results imply that the relationship between affective commitment and firm performance is owed to locally owned firms rather than foreign owned firms.

Hypothesis 5c (iv): The strength of the relationship between overall organizational commitment and firm performance depends on whether the firm is unionized or not

The chi-square results are shown in Table 5.26 below. The Spearman’s rank order correlation results for overall organizational commitment and unionisation were $r = -0.296$, $p < 0.01$ and firm performance also showed a significant but weak negative correlation with unionisation ($r = -0.222$, $p < 0.05$). Using the chi-square test, the moderating effect of unionisation was significant for both unionised and non-unionised firms. Results for unionised firms were $X^2 = 24.131$, $df, 9$, $p < 0.01$ while that

of non-unionised firms was $X^2 = 19.992$, df, 9, $p < 0.05$. However, the effect is more significant in unionised firms. Hypothesis 5c (iv) is, therefore, substantiated.

Table 5.26: Chi-square results for overall organizational commitment, firm performance and unionisation

Unionisation	Chi square	X ² -Value	Df	p-value
Yes	Pearson chi square	24.131 (a)	9	.004
No	Pearson chi square	19.992 (b)	9	.018

5.7 Chapter Summary

The objective of Chapter Five was to present the results of tests of hypotheses and quantitative analyses and interpretations of the relationships among the various variables of the study. Both parametric and non-parametric analytical techniques were used. The first set of hypotheses consisted of variables whose measurement scales were interval and the appropriate techniques were the Pearson's Product moment Correlation and regression analysis. The relationships of interest were those between each of the human resource strategic orientations and firm performance; human resource strategic orientation, the three components of organizational commitment and overall organizational commitment; the relationship between each of the three components of organizational commitment, overall organizational commitment and firm performance and the interaction effect of human resource strategic orientation and organizational commitment on firm performance.

The second section presented tested and presented results for the moderating effect of firm characteristics on the relationship between human resource strategic orientation and organizational commitment and between organizational commitment and firm performance. The Spearman's rank order correlation and chi-square test, which are non-parametric statistics, were used. The choice of these statistical methods was based on the measurement scales, and the purpose of the study, which was to establish the nature and strength of relationships among the variables of the study.

CHAPTER SIX

SUMMARY, DISCUSSION AND CONCLUSIONS

6.1 Introduction

The central theme of this study was to examine the relationships between firm performance in large private manufacturing firms in Kenya, human resource strategic orientation, organizational commitment and the moderating effect of firm characteristics. To accomplish the objectives of the study, twenty-six hypotheses were developed and tested and the findings are reported in chapter five. The present chapter summarizes the research problem and discusses the broader implications of the findings for theory, practice, policy and further research in the field of Human Resource Management. The structure of the chapter is guided by the research objectives and hypotheses. The chapter attempts to explain why the findings are the way they are and to what extent they are consistent with or contrary to past empirical findings and theoretical arguments.

6.2 Summary of the Findings

This section provides a summary of the major findings of the study. As discussed under the research problem on page 14, this study sought to fill gaps in previous studies which entailed investigating the nature of the relationship that exists between firm performance and the soft and hard human resource strategic orientations, organizational commitment and the moderating effect of firm characteristics namely: age, size, ownership and unionization. By identifying and outlining gaps in previous studies, this study departed from previous studies by introducing the construct of organizational commitment and the concepts of soft and hard HR strategic orientations into the HR-performance relationship to explain the process through which firm performance is achieved.

To find answers for the problem of the study, the following five objectives were developed.

- (i) To determine the relationship between human resource strategic orientations and firm performance
- (ii) To establish the relationship between human resource strategic orientations and organizational commitment.
- (iii) To establish the relationship between organizational commitment and firm performance.
- (iv) To determine the interaction effect of human resource strategic orientation and organizational commitment on firm performance.
- v) To establish the moderating effect of organizational characteristics on the relationship between HR strategic orientation and organizational commitment and that between organizational commitment and firm performance.

From the above objectives, hypotheses were derived and tested. The results are summarized in Table 6.1 below.

Table 6.1: Summary of results of tests of hypotheses and related objectives

	Hypotheses	Results	Remarks on hypotheses
Objective 1: Determine the relationship between HR strategic orientation and firm performance	H1: There is no difference in firm performance between firms that practice soft HR strategic orientation and those that practice hard HR strategic orientation	Soft HR + firm performance ($r = 0.606$, $p < 0.01$); hard HR + firm performance ($r = 0.618$, $p < 0.01$); $R^2 = 0.472$; soft HR ($\beta = 0.383$, $t = 3.23$, $p < 0.01$); hard HR ($\beta = .348$, $t = 2.94$, $p < 0.01$)	Accepted
Objective 2: Establish the relationship between human resource strategic orientation and organizational commitment.	H2a: There is a relationship between soft HR strategic orientation and overall organizational commitment	$r = .77$, $p < 0.01$; $R^2 = .60$, $t = 11.76$, $F = 138.21$, $p < 0.01$	Accepted

Table 6.1 Continued.....

	H2b: There is no relationship between hard HR strategic orientation and overall organizational commitment	$r = 0.46, p < 0.01; R^2 = .22, F = 24.97, t = 7.76, p < 0.01$	Rejected
	H2c: There is a relationship between soft HR strategic orientation and affective commitment	$r = 0.47, p < 0.01; R^2 = 0.22, t = 5.16, p < 0.01$	Accepted
	H2d: There is a relationship between soft HR strategic orientation and continuance commitment	$r = 0.60, p < 0.01; R^2 = 0.36, t = 7.19, F = 51.65, p < 0.01$	Accepted
	H2e: There is no relationship between soft HR strategic orientation and normative commitment	$r = 0.097, t = -0.26, R^2 = 0.001, F = 0.67, p > 0.05$	Accepted
	H2f: There is no relationship between hard HR strategic orientation and affective commitment	$r = 0.50, p < 0.01, R^2 = 0.24, t = 5.45, p < 0.01$	Rejected
	H2g: There is a relationship between hard HR strategic orientation and continuance commitment	$r = 0.71, p < 0.01, R^2 = 0.50, t = 9.70, p < 0.01$	Accepted
	H2h: There is no relationship between hard HR strategic orientation and normative commitment	$r = -0.225, p < 0.05, R^2 = 0.05, t = 1.85, p < 0.05$	Rejected
Objective 3: to establish the relationship between organizational commitment and firm performance	H3a: There is a relationship between overall organizational commitment and firm performance	$r = 0.49, p < 0.01; R^2 = 0.24, F = 28.57, t = 5.35, p < 0.01$	Accepted
	H3b: There is a relationship between affective commitment and firm performance	$r = 0.53, p < 0.01, R^2 = 0.29, F = 36.72, t = 6.06, p < 0.01$	Accepted
	H3c: There is a relationship between continuance commitment and firm performance	$r = 0.43, p < 0.01, R^2 = 0.20, t = 4.79, p < 0.01$	Accepted
	H3d: There is no relationship between normative commitment and firm performance	$r = 0.14, p > 0.05, R^2 = 0.02, t = 1.32, F = 1.75, p > 0.05$	Accepted

Table 6.1 continued.....

<p>Objective 4: To determine the interaction effect of human resource strategic orientation and organizational commitment on firm performance.</p>	<p>H4: HR strategic orientation and organizational commitment have a joint relationship with firm performance</p>	<p>$R = 0.77$; $R^2 = 0.60$, $p < 0.01$ Affective (beta = 0.28, $t = 3.65$, $p < 0.01$) Continuance (beta = -0.20, $t = -2.71$, $p < 0.01$) Normative (beta = 0.23, $t = 3.40$, $p < 0.01$) Hard HR (beta = 0.39, $t = 3.53$, $p < 0.01$) Soft HR (beta = 0.32, $t = 2.91$, $p < 0.01$)</p>	<p>Accepted</p>
<p>Objective 5: To establish the moderating effect of organizational characteristics on the relationship between HR strategic orientation and overall organizational commitment and that between overall organizational commitment and firm performance.</p>	<p>H5a (i): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm size</p> <p>H5a (ii): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm age</p> <p>H5a (iii): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on firm ownership</p> <p>H5a (iv): The strength of the relationship between soft HR strategic orientation and overall organizational commitment depends on whether or not the firm is unionized</p> <p>H5b (i): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm size</p> <p>H5b (ii): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm age.</p> <p>H5b (iii): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on firm ownership.</p> <p>H5b (iv): The strength of the relationship between hard HR strategic orientation and overall organizational commitment depends on whether or not the firm is unionized.</p>	<p>$X^2 = 15.02$, $df = 3$, $p < 0.05$</p> <p>$p > 0.05$</p> <p>$X^2 = 10$, $df = 3$, $p < 0.05$</p> <p>$p > 0.05$</p> <p>$X^2 = 35.18$, $df = 21$, $p < 0.05$</p> <p>$p > 0.05$</p> <p>$X^2 = 12.84$, $df = 3$, $p < 0.01$</p> <p>$p > 0.05$</p>	<p>Accepted</p> <p>Rejected</p> <p>Accepted</p> <p>Rejected</p> <p>Accepted</p> <p>Rejected</p> <p>Accepted</p> <p>Rejected</p>

Table 6.1 continued.....

H5c (i): The strength of the relationship between overall organizational commitment and firm performance depends on firm size	$X^2 = 33.08, df = 9, p < 0.01$	Accepted
H5c (ii): The strength of the relationship between overall organizational commitment and firm performance depends on firm age	(11- 20 yrs) $X^2 = 27.74, df = 9, p < 0.01$; (above 21 yrs) $X^2 = 17.05, df = 9, p < 0.05$	Accepted
H5c (iii): The strength relationship between overall organizational commitment and firm performance depends on firm ownership	$X^2 = 29.21, df = 9, p < 0.01$	Accepted
H5c (iv): The strength of the relationship between overall organizational commitment and firm performance depends on whether the firm is unionized or not	$X^2 = 24.13, df = 9, p < 0.01$; $X^2 = 20, df = 9, p < 0.05$	Accepted

6.3 Discussion of the Findings

The findings of the study are discussed in this section. The discussion is presented in five sections guided by the objectives of the study.

6.3.1 Human Resource Strategic Orientation and Firm Performance

The first objective of this study was to determine the relationship between the two aspects of HR strategic orientation and firm performance. It was hypothesised that there would be no significant difference in performance between firms that practice hard HR strategic orientation from those that practice soft HR strategic orientation. The findings summarised on Table 6.1 above confirm the hypothesis. Both the soft and hard HR strategic orientations as predicted are positively and significantly related to firm performance. Theoretical and past research evidence lends some support to these findings. From a theoretical point of view, employees behave as desired under systems that control and direct their activities towards set targets. This is in conformity, for example, with McGregor's classification of people in his idea of Theory X and Theory Y. Although these assumptions have not received scientific

support, they nevertheless, provide a general guideline on management attitudes and behaviour towards employees.

Under Theory X, McGregor observes that most people prefer to be directed and are not interested in assuming responsibility but want job security. This philosophy alludes that people are motivated by money, fringe benefits and threat of punishment, which is consistent with practices under a hard HR regime. The positive and significant relationship between hard HR strategic orientation and firm performance is further supported by Edgar Schein's 'rational-economic view' in which people are seen as basically driven by economic incentives, which are controlled by the enterprise. According to Schein, people are essentially passive. They can be manipulated, motivated and controlled by the organization. Managers with this view tend to interact with people on a rational basis and ignore their emotions and the human side of their personalities. This is consistent with the philosophy and values of hard HRM in which organizational objectives are paramount.

The hard HR strategic orientation also appears to derive some support from the scientific school of thought advanced by Fredrick Taylor. The thesis of scientific management is that efficiency is the key to increased productivity and one way of achieving that is using monetary incentives to motivate workers to increase production and reduce the desire to form or join labour unions. Taylor saw the practice of collective bargaining as inefficient and preferred individual incentives. Hard HRM seems to have adapted some of its ideas from scientific management as individual performance contracts, achievement of set targets and limited tolerance for labour unions are its hallmarks. It is notable that while scientific management ideas led to tremendous increases in production, massive layoffs and labour unrest due to work conditions rather than salaries were experienced. The general approach to employee relations under hard HR is unitarist.

From a practical and empirical perspective, firms adopt hard HR practices in response to declining or stagnant product market demand. Sett (2004) found that employers

typically introduce flexibility in labour processes and reduce labour costs by reducing dependence on a permanent labour force. They adopt short-term contract labour and outsource regular production or services, thus a lean workforce.

In the Kenyan private manufacturing sector therefore, adoption of hard HR practices appears to have been driven by an unfavourable economic climate, which began, in the early 1990's. These include high costs of production, shrinking product markets due to international competition occasioned by government liberalization policies and declining aggregate demand due to low consumer incomes. Firms responded to these events by introducing harsh efficiency-enhancing strategies in the management of their business affairs which included performance related pay, numerical flexibility of the workforce and short-term contracts. The objective of these measures was to improve performance of the organization.

The observed positive relationship between soft HR practices and firm performance is supported as well by theoretical and practical arguments. The theoretical arguments in support of a positive relationship between a soft HR strategic orientation and firm performance are derived from the human relations school of thought. McGregor's Theory Y, for example, postulates that work comes naturally to people and given the right conditions, they will be innovative, motivated and creative with little supervision. This assumption is supported by Walton's (1985) argument that performance improves if organizations abandon traditional control-oriented approaches and adopts a commitment-oriented approach to managing people. The philosophy of the soft HRM approach is that people respond as desired when attention is directed at their human needs such as the need for personal growth and advancement, participation in decision making, self-regulation and quality leadership.

The positive relationship between soft HR practices and firm performance in manufacturing firms in Kenya can be explained by several factors. While the increased competition that began in the early 1990's due to liberalization policies led some organizations to adopt stringent cost cutting and control measures consistent with a

hard HR strategic orientation, others chose to direct more attention to employees needs for growth, training, development and participation. This probably came out of the belief that the gateway to achieving competitive advantage is through people. When organizations downsize, jobs are usually merged and employees are encouraged to develop a greater variety of skills through cross training in order to do more. This gives employees a greater sense of empowerment to do their jobs with limited referral to their superiors. Browning (2006), observes that training is also seen as a reward in itself and as such impacts on performance in this capacity.

Heavy training is also undertaken when technology is introduced to replace retrenched employees. Through this type of training employees acquire competencies that give them a sense of empowerment that spurs them to greater performance and hence improved organizational performance. Employees, therefore, view training and development, as a message of commitment, appreciation and acknowledgement of their needs and recognition of their potential to learn. This in turn creates a sense of self-worth and dignity that positively influences their performance.

However, some of the respondents interviewed felt that although the organization's intention was to make their jobs more interesting and challenging, they were being manipulated to do more for less. Some said they feel powerless to make demands on the employer because they have been made to feel as if the employer is doing them a favour by enriching their jobs so that doing more is not only good for the organization but also good for them. This is consistent with the criticisms against soft HRM outlined by Armstrong (2001). He observes that while organizations purport to practice soft HRM they are in reality practicing hard HRM. In other words, the rhetoric is soft but the reality is hard (Quest, 1995). Top management has been accused of constantly exposing employees to management persuasion and propaganda.

The positive link between soft HR practices and firm performance can also be attributed to high quality of leadership and supervision. Other studies provide evidence of the significance of quality of management in improving performance.

Activities such as building a team spirit, improving systems, and problem solving techniques have significant impact on firm performance. Respondents, through, informal discussions reported that the quality of management determined the extent to which employees performed. Participatory management styles were rated highly. This corresponds with Schneider and Bowen's (1995) findings that leadership and supervisory style and behaviour have a significant impact on employee performance and consequently organizational performance.

Pauwe and Richardson (1997) however, point out the possibility of reverse causality when discussing the link between HR practices and firm performance. Organizations with high profitability might have a higher willingness to invest in human resource development schemes such as training and development than those that are less successful financially. Conversely, in lean times such as national or industry economic crisis, organizations might have a tendency to recruit fewer or no employees and restrict spending on training and development. This view is supported by Hartog *et al* (2004) who observe that high performance outcomes such as profits or growth in market share might have a positive effect on employee satisfaction and commitment. Most people enjoy being part of a winning team and high performance signals organizational health and consequently employment security. Some studies, for example, Schneider *et al* (2003) found that profitability and good organizational performance is more likely to cause commitment and job satisfaction rather than job satisfaction and commitment causing profitability.

It is difficult therefore from the findings of this study to conclusively attribute the positive relationship between soft HR practices and firm performance to the actual practices or to the ability of the firm to treat employees well because they can afford to.

6.3.2 HR Strategic Orientation and Organizational Commitment

Objective two of the study set to establish the relationship between human resource strategic orientation and organizational commitment. Eight hypotheses were derived from this objective and tested. The hypotheses tested the relationship between the soft and hard HR strategic orientations and overall organizational commitment and each of the components of organizational commitment namely: affective, continuance and normative.

The results supported the hypothesized relationships except in the case of hard HR strategic orientation and affective commitment. Initially, based on empirical and theoretical reasoning, no relationship was anticipated, but the Pearson correlation yielded an unexpected strong, positive and significant relationship ($r = 0.503, p < 0.01$).

This finding suggests that the use of hard HR practices is positively related to affective commitment. This contradicts most evidence in this area. However, there are several alternate explanations for this. One is related to what Browning (2006) calls self-justification. To diminish feelings of being stuck in a control system, employees rationalize that the system is not as tight as it seems, hence the perceived affective ties are based on rationalization and not genuine affection for the organization. This feeling is exacerbated especially in a situation of limited job opportunities due to unemployment or where the demand for a particular skill is very low.

Another possible explanation is that in situations where alternative jobs are very scarce as is the case in developing countries, employees are only too grateful to be retained by an employer and a commitment, which may have developed as a result of fear of lost benefits, evolves into an emotional attachment. This is likely to be even more possible where the organization has downsized and laid off employees. The survivors compensate by sub-consciously identifying with the organization and verbalizing their gratefulness for being retained.

This finding can also be explained by the nature of the respondents. Managers have responsibilities that include the development and implementation of performance controls and tight targets, which must be achieved by employees. It is possible, therefore, that their perception of hard HR practices is different from that of workers. Managers get rewarded for achieving targets and they enjoy perks that are not available to lower level employees. These usually come in the form of benefits such as training, autonomy in work methods, membership in clubs and other status symbols and benefits that meet high order needs such as status, self-esteem and self actualization. Their relationship with the organization would be one of affection and emotional attachment. The findings would probably have been different if the study had included rank and file employees. It seems, therefore, that different HR orientations elicit different types of commitment from different groups of employees.

From a labour market perspective as in poor economies where unemployment is rampant and organizations are increasingly downsizing their operations, survivors of retrenchment are more likely to feel a sense of gratefulness to their employers for being retained. The initial reaction of fear, uncertainty and violation of the psychological contract may turn to a need to prove their worthiness to the organization. Survivors may react by getting more involved and subconsciously identifying with the organization thus, creating an emotional attachment to the organization that may not necessarily be genuine. In recent years, the Kenyan economy and especially the manufacturing sector has experienced decline due to international competition, shrinking markets, high costs of production and poor infrastructure. This has led organizations to adopt cost reduction measures, which include downsizing and cutting down on number of employees. Under such circumstances and with unemployment levels of up to 25% (Economic survey, 2005) it is possible that surviving employees are only too grateful to have a job and are likely to go the extra mile to show this.

Another plausible explanation is that downsizing raises the profile of HR professionals by providing them with a chance to take a lead role with corporate management teams

and also a platform to address HR issues. This is because HR is a major organizational issue during periods of downsizing. Downsizing and retrenchment appear to present new opportunities for HR managers to entrench themselves and exercise greater power and influence. Exposure to new knowledge and experiences, tend to raise their professional credibility. According to Sahdev *et al.*, (1999), the profile of HR rose from 65% to 70% after downsizing. It is possible that in the process of downsizing, HR managers are also involved in counselling and providing an emotional safe landing for those retrenched. This further enhances their caring role, which may be seen as part of job enrichment. It appears, therefore, that during periods of downsizing and tight controls, HR managers feel a sense of emotional attachment to their organizations because of the role they play.

In addition, since high levels of efficiency and effectiveness usually accompany control systems, managers interpret these outcomes as a direct result of their own individual performance. They feel they have lived up to the task and delivered results. Although employees show resistance in the initial stages of introduction of control systems, they become more positive and accepting once they begin to connect their own achievements and the efficiency of the system. They also develop a sense of pride in the more efficient system especially when they compare their outcomes with those of other organizations. Employees who work for highly efficient and effective organizations feel highly valued in the labour market. They feel confident, competent and competitive. From this line of argument it can be concluded that control systems associated with hard HR practices can also result in affective commitment to the organization

Outcome dependence refers to a state in which an individual's perceived rewards are dependent on the performance of another. His findings showed that supervisors who are paid contingent upon their subordinates' performance were more helpful and did more to try to improve the performance of poorly performing subordinates. Larson (1986) further examined the impact of outcome dependence on subordinate performance and proposed that supervisors who are dependent on their subordinates'

performance tend to hold perceptions of them that are positively biased. Hence, in dealing with subordinates they tend to be helpful and less punitive than those who are less dependent upon their subordinates. From this argument, it appears, therefore, that the extent to which the supervisor's rewards are dependent on the subordinates' performance has implications for their commitment to the organization. Instead of supervisors taking punitive actions towards poor performing subordinates in their sections, they may actively strive to enhance their performance and win their commitment to the organization by taking time to train, reducing workload, giving relevant special assignments, coaching and recommending them for training. Managers working under such a system are therefore not likely to view hard HR practices negatively but rather as a means to achieving their individual objectives.

The above findings as measured by the continuance dimension of commitment can largely be explained by the lack of alternative employment in the Kenyan economy. Majority of employees would leave their organizations if they could. An analysis of the continuance commitment measurement items indicated that most respondents could not leave because of lack of alternative jobs. The Economic Survey (2005) shows unemployment rates in urban areas stands at 25%, while growth in the manufacturing sector has largely stagnated. Employees would therefore not leave a job under difficult prevailing economic conditions. They would prefer to tolerate unpleasant working conditions than leave.

An alternative explanation that has been cited in both the theoretical and empirical literature is the high costs of leaving. This is especially so for employees, who have taken advantage of benefit packages such as subsidized medical cover, mortgage loans and sponsored training. In such cases the employee need not necessarily be satisfied with the benefits. The cost becomes high because they have to pay back the loan at higher interest if they leave or pay the employer training costs if they are bonded.

Another dimension of continuance commitment is the age and gender of the employees. Research has shown that women and senior employees perceive greater

costs of leaving than younger men and newer employees (Meyer and Smith, 2001). In this study the demographic data showed that women were 16.8% and men 81.1% while 72.6% were above thirty-five years old. In terms of education, 40% were diploma holders while the rest had university degrees. The number of women and age of the respondents may not have a significant effect on this relationship. However, the high number of diploma holders most of whom are also older may perceive greater competition for similar jobs in the labour market from degree holders. As such they are not likely to risk leaving their present employer. This may partly explain the strong positive relationship between hard HR strategic orientation and continuance commitment.

Soft HR practices are associated with human capital enhancing strategies that require investments by the organization. According to Becker (1964) any investment on employees including training entails a risk on the part of the employer because there is no guarantee that the employee will maintain membership long enough for the results to be realized. Feur *et al* (1994), however, suggest that investing on certain aspects of employee development, say general training can provide effective insurance for specific training. The same argument can be advanced for the employer investment in soft HR practices. Investment in soft HR practices can act as insurance against turnover and a safeguard for employees continued membership in the organization.

An alternative explanation is that soft HR practices also create a pleasant working climate, which appeals to the human needs of affiliation, acceptance and a sense of belonging. Individuals who would like to quit would first have to consider the opportunity cost involved in leaving such an organization.

6.3.3 Organizational Commitment and Firm Performance

Objective three of the study sought to establish the relationship between organizational commitment and firm performance. Four hypotheses were tested to achieve this objective. It was anticipated that overall organizational commitment and its individual components would have a significant relationship with firm performance. Three

hypotheses were accepted. However, the hypothesis on normative commitment and firm performance was rejected, thus validating the theoretical reasoning and previous empirical findings. These findings are consistent with Walton's (1985) view that organizational performance will be achieved when organizations shift from traditional, control-oriented approaches to flexible, participatory management systems, which encourage people to achieve job satisfaction and be committed to the organization.

The strongest relationship was observed between firm performance and affective commitment ($r = 0.53$, $R^2 = 0.28$); overall organizational commitment ($r = 0.46$, $R^2 = 0.24$) and lastly continuance ($r = 0.43$, $R^2 = 0.19$) with no significant relationship for normative commitment. Results of a multiple regression analysis where all the four factors were regressed on firm performance showed that they have a greater combined effect than individually with $R = 0.65$, $R^2 = 0.42$, $F = 16.39$. This implies that 42% of the variation in firm performance can be explained by affective, continuance, normative and overall organizational commitment. From this model, the greatest contribution is made by affective commitment ($\beta = 0.39$), overall organizational commitment ($\beta = 0.23$) and continuance ($\beta = 0.21$).

Although previous studies have found positive relationships between normative commitment and other organizational variables such as retention and job satisfaction (Buck and Watson, 2002), the present findings indicate that it is not the case for large private manufacturing firms in Kenya. These results imply that in a situation where employees stay with an organization on moral or ethical grounds, they do not significantly contribute to the performance of the firm. Reasons can be linked to lack of motivation, no future prospects, stagnation and a missionary mentality.

These findings are supported by Kochan and Dyer (1995) who observe that commitment is based on mutual trust and employment security ensures this. Osterman (1995) has reviewed evidence to show that organizations that are in the process of restructuring and downsizing have managed to maintain productivity and employee commitment. Although this finding is supportive of the unitarist approach to HRM, it is possible that the level of fear is so high that employees are able to accept a

considerable amount of fear and still co-operate with restructuring and work reforms. In other words the increase in worker commitment is not due to faith in high performance work organization but rather it is connected to an underlying fear that they too might lose their jobs. Iles *et al* (1990) warns that individuals may express commitment to their organizations because they can see few alternatives to their employment or because they perceive considerable costs and sacrifices if they leave. Legge (1995a:206) similarly argues that fears of unemployment may have encouraged resigned behavioural compliance rather commitment.

6.3.4 HR Strategic Orientation, Organizational Commitment and Firm Performance

Objective four of the study sought to establish the effect of HR strategic orientation and organizational commitment on firm performance. It was hypothesized that the independent variables of soft HR strategic orientation, hard HR strategic orientation affective, continuance and normative organizational commitments would have a greater combined effect on the dependent variable of firm performance than when each is correlated separately. With an R square value of 0.62, we conclude that 62 percent of the variation in firm performance can be explained by the interaction of these independent variables. From a theoretical perspective, these findings indicate that HR strategic orientation and organizational commitment are not mutually exclusive but are interrelated. They can be seen as a continuum such that in real practice, organizations use a mix of practices resulting in different types of commitments that are not necessarily independent of each other. This finding is consistent with Kelman's (1958) argument that commitment is multi-dimensional and that the psychological and pro-social behaviours are related and can occur simultaneously. He argues that individuals can accept to be influenced if the induced behaviour is congruent with their value system. Although Allen and Meyer (1990; 1991) have insisted on conceptualizing commitment as a three-component construct, the results confirm Kelman's original idea, which was not followed up until much later.

The results show that both aspects of the HR strategic orientations have a strong combined effect with organizational commitment resulting in high levels of firm performance. Organizations can achieve high commitment and performance through several HR practices such as strategic integration, high workforce flexibility and adaptability, and high quality workforce. These HR outcomes are expected to lead to high job performance, stronger problem solving skills, greater change consistent with strategic goals, improved cost-effectiveness, reduced turnover, absences and grievances. The results show that employee commitment is a vital HRM outcome, concerned with the goals of binding employees to the organisation and obtaining behaviour outcomes of increased effort, cooperation, involvement and organisational citizenship.

The hard HR approach contributes to firm performance by adopting a business-oriented philosophy, which focuses on the need to manage people in ways that will provide added value and thus achieve competitive advantage for the organisation. Fombrun *et al.*'s model of HRM assumes that organisational needs come first with an aim of accomplishing a mission or achieve certain objectives. The model is based on three key assumptions: mission and strategy of the organisation; fit among organisational structures; and human resource requirements, tasks and systems. This approach, which has been associated with the work of McGregor's (1960) Theory X depicts man as perpetually disliking work, leading to tighter managerial control through close supervision (Truss *et al.*, 1997). The practices that have been associated with this approach include assessment of human resources, rewards and performance-related pay, and performance appraisals.

From a theoretical perspective Guest (1987), for example, has been criticised for incorporating the two approaches in the same model despite their distinctiveness. The findings in the present study support Quest's idea of continuum where the two orientations are incorporated. Truss and colleagues further note that the soft model assumes that employees will work best to attain organisational effectiveness as long as they are committed to the organisation, are trusted, trained and developed and allowed

to work autonomously. Although hard HRM, on the other hand, has been dismissed by some researchers as being inhuman, others have claimed that it was the only route to business success (Hendry, 1995) and others have argued that hard HRM has been used to strengthen management prerogative and legitimise the worst employee relations excesses of the enterprise culture (Legge, 1995a). The findings presented here appear to have support from a study of eight UK organisations. Truss *et al.*, (1997) found that no single organisation adopted either a pure soft or hard approach to HRM. The study revealed that although most of the organisations embraced the tenets of the soft version (e.g. training, development and commitment), the underlying principle was restricted to the improvement of bottom-line performance. The relationship between the combined effect of soft and hard HRM strategic orientations and organizational commitment on firm performance are critical in understanding the important variables that organizations should consider in their policies and practices. These findings have also shown the potential impact of human resource management practices on organizational commitment and firm performance.

6.3.5 The Moderating Effect of Organizational Characteristics

Objective five of the study sought to determine the moderating effect of four organizational characteristics namely: firm age, firm size, firm ownership and unionization on three major relationships: the relationship between soft HR strategic orientation and overall organizational commitment; hard HR strategic orientation and overall organizational commitment and overall organizational commitment and firm performance. Chi-square tests were applied because of the ordinal and nominal nature of the data. The Spearman's rank order correlation show that there is no significant relationship between the age of the firm measured in years of operation and other variables notably, continuance and affective commitments and organizational performance. The age of the firm is not significantly related to employees' commitment and performance of the firm. Normative commitment did not also correlate with any other variable in the study. Interestingly, unionization showed a negative but significant relationship with all other variables.

The results imply that unlike large firms, small firms are more likely to have downsized at some point. They may also have introduced HR systems that encourage collaborative relations with employees, hence creating a sense of belonging and family feeling within the organization. In contrast, large firms are more likely to be bureaucratic with impersonal systems that hinder the growth of a closer relationship among employees. In addition, organizational structures in large organizations tend to be tall and vertical. Communication in such cases is likely to be less efficient. In addition, controls and regulations tend to be pervasive because it is difficult for managers to have one to one relations with employees. The large firms that were included in this study were mainly within the plantation, construction and garment manufacturing. Traditionally, such firms employ a large pool of unskilled and semi-skilled workers hence the use of sophisticated HR systems is not in use. It appears therefore, that the significant positive correlation between soft HR and affective commitment is largely due to small firms rather than large firms.

Since this result was unexpected, a further analysis of the data showed that the foreign owned firms formed a small percentage of the sample (29.5 percent). A number of them are new and they fall within the construction, plantation and the Export Processing Zones (EPZ). They tend to be labour intensive and hence employ a large number of casual unskilled or semi skilled workers. Their motive is purely to maximize profits by reducing costs to a minimum. As such, no extra resources are allocated to the individual needs of employees such as general training, planned growth and development nor long-term HR policies. The working environment is instrumental and calculative hence a limited sense of belonging among employees. Chen and Lawler (2001) reported a similar observation among manufacturing firms in Thailand. While local country firms practiced progressive HR, foreign firms relied upon traditional HR practices derived from scientific management ideas, which are designed to maximize control.

Another implication of these findings is that the image of locally owned firms has improved. Locally owned firms have in the past been associated with the use of exploitative management practices but this seems to have changed as employees report good treatment by their employers. Waweru (1984) compared the management practices of local firms as similar to a master-slave relationship. This seems to have changed over the last twenty years, as the workforce is now more educated and more sensitive to how they are treated. It may also mean that the regulating bodies such as Ministry of Labour, Directorate of Industrial Training and Federation of Kenya Employers have forced the firms to adopt better management practices. Market liberalization, export destinations and quality management may have contributed to better management practices by local firms. For example, exports to countries in the European Union and USA do not accept products from companies that are known to exploit their employees. Entry into such markets has pushed firms to take their employees more seriously by introducing management systems that elicit greater employee commitment.

An alternative explanation is the sources of Direct Foreign Investments coming into Kenya and Africa in general. The region has become a favourite destination of investors from Asia who have less sophisticated management systems unlike the Western based firms. This scenario is further encouraged by the Government's attempt to relax investment rules to attract more foreign investment without many demands that include how employees are treated. The case of EPZ is an example where unionization was not enforced nor seems to have been encouraged by the government.

A possible explanation of this result is that because, employees in small firms are survivors of downsizing, they are likely to be grateful to the organization for retaining them especially where unemployment levels in the labour market are high. Small firms are also likely to be producers of specialized products that require retention of specialized employees over a long period of time. This is especially the case if the employer wishes to protect a niche market. Long tenure, even under conditions of hard HR, therefore, can lead to affective commitment. This result also implies that as firms

increase in size, the intensity of hard HR practices also increases, but as the size decreases, the intensity also decreases tending more towards soft HR practices. The more hard HR is practiced, the less the affective commitment. From this finding therefore, the relationship between affective commitment and hard HR practices is attributed to small firms.

6.4 Contribution to Knowledge

This study has contributed to HRM knowledge in several ways. By empirically testing the extent to which the soft and hard HR strategic orientations are associated with organizational commitment and firm performance, the present study adds to academic knowledge by providing empirical evidence pointing towards the significance of use of HR practices that elicit different types of commitment among employees. An interesting finding that adds to knowledge is that a hard HR strategic orientation, contrary to theoretical reasoning, is positively associated with affective commitment. This is because people like to be associated with a winning team. Hence, even if the practices are hostile and tight, and draw a lot of resistance initially, people will eventually come to develop 'the end justifies the means' kind of attitude, so long as the desired results are achieved.

Another important contribution is that hard HR strategic orientation makes a greater individual contribution to firm performance than soft HR. This goes to confirm that control-oriented systems are more effective in achieving results in large private manufacturing firms in Kenya. This can be explained by works of scholars like Hofstede (1980) in which African cultures are categorized as high power distance where less powerful individuals have a high willingness to accept an unequal distribution of power without question and to regard it as normal. Behaviours indicative of high power distance include: unwillingness to make decisions without reference to a senior executive, close supervision and strong centralization of decision-making.

It was hypothesized that large foreign firms elicit greater organizational commitment than small and locally owned firms. The findings, however, disapproved this contention. It appears that the long held notion that large multinational companies (MNC) commit more resources to human resource activities, thus creating a positive impression that their management systems are more sophisticated is no longer true. Small locally owned firms reported higher levels of commitment and performance. It is not clear whether this is due to the relaxation of government policies that have removed some obligations from foreign firms such as training locals and employing a set number of expatriates or local firms have developed and adopted good management practices.

This results have also helped to dispute the long held belief by some African scholars notably Kiggundu (1986) and Waweru (1984) and Western scholars who have relied on their works (Blunt and Jones, 1992; Taylor, 1992) that African organizations are managerially impoverished in terms of narrowly defined jobs, decision making which is limited to senior executives, reactive management indicating lack of planning and lack of intrinsic motivation among African workers. Some of them have claimed that the typical African worker is motivated by material things and generally derive no satisfaction from the content of the job. Contrarily, the present findings show that Kenyan manufacturing firms have well established HR systems that operate on clear policies and are headed by qualified personnel. It is possible that the changed scenario has been fueled by the mass-based freedom struggles that characterized most African countries, culminating in political independence and a democratic framework of governance especially after the wind of change that swept the world culminating in the collapse of communism in the early 1990's. This has led to a new awakening in workers and their representatives through trade unions of a greater consciousness of their rights. The effects of internationalization of trade and globalization have fueled the need for adoption of strategic management practices for survival in a competitive business environment.

6.5 Policy and Practical Implications for Firms

Results reported in the current study have several policy and practical implications for Kenyan manufacturing organizations. By empirically testing the extent to which the soft and hard aspects of human resource strategic orientations are associated with organizational commitment and firm performance, the present study identifies HR practices drawn from the empirical evidence that firms can adopt to improve the performance of their firms. The evidence presented confirms that the human resource strategic orientation adopted by an organization ultimately contributes to the success of the firm.

Management can apply the findings of this study in several areas of human resource management policy and practice. The areas considered as both antecedents and consequences of organizational commitment are: turnover, rewards, employee participation, job security, absenteeism, job design, training and development and performance appraisal. The study suggests that employee retention or continued membership in an organization is dependent upon levels of commitment and the evidence adduced indicates that human resource strategic orientations have a strong potential influence on levels of organizational commitment among employees. Significant relationships were found to exist between HR strategic orientations and overall organizational commitment and its aspects of affective, continuance and normative. From a policy and practical perspective, HR strategic orientations can affect organizational commitment and consequently firm performance.

The strongest predictor of organizational commitment is labour turnover or intention to turnover. Turnover occurs when employees have no commitment to the organization due to job dissatisfaction. However, before a decision to actually turnover is reached, the employee expresses behavioural intentions to leave the organization which includes thinking about quitting the organization, intention to search for alternatives, evaluating the cost of quitting which may include loss of seniority and loss of vested benefits. If the cost of leaving is too high then the employee may

reevaluate the existing job or engage in other forms of withdrawal such as absenteeism. The decision to remain with a firm is largely, therefore, determined by an employees' level of commitment to the firm. Allen and Meyer (1990) observe that an individual's commitment to stay with a firm is influenced by an organization's management practices including HRM. Hence, by controlling undesirable turnover, managers will be able to optimize their time and focus more intently on activities directly related to the objectives of the firm such as quality, profits and customer care. Previous studies have found that dysfunctional turnover correlates with decline in morale and productivity among employees who remain when others leave. This is similar to the survivor syndrome in retrenchment. Employees tend to feel insecure and uncertain and lose trust and confidence in management's ability to manage when they see their colleagues leaving. It normally sends a message that something is wrong with the organization. Turnover also has a negative influence on customer satisfaction. It is associated with high direct and indirect costs of replacing employees, for example, severance pay, recruitment costs and training costs.

Since voluntary employee departures are generally considered undesirable, disruptive and costly for both the organization and its customers, it is imperative that management formulates policies that would make termination of organizational membership costly to employees. This can be achieved by adopting methods in selection that can enhance commitment such as realistic job previews, job and workplace orientation and induction programmes. Retention can also be improved by focusing on the levels of organizational commitment among employees. Organizational commitment has been shown to have significant negative correlation with employee turnover and it appears to be a direct antecedent of employee intent to leave (Tett and Meyer, 1993). The implication for firms, therefore, is to introduce and adopt HRM practices that enhance employee commitment and performance.

Another policy and practical area that these findings can be applied is reward management. Rewards represent an exchange relationship between an employer and an employee. Studies have shown that rewards are an important determinant of

organizational commitment and employees offer commitment in exchange for rewards received from the organization (Mottaz, 1988). Rewards also denote organizational support and dependability (Agarwala, 2003). This occurs when employees believe that the organization is committing resources to activities that affect them. In designing policies that enhance commitment, organizations should include those that value employee's knowledge and reward them according to how they apply this knowledge and competencies to productive activities that are consistent with the organization's objectives. Competence pay, skill based pay and knowledge based pay are examples of practices that can enhance commitment.

Monetary rewards are important and employees evaluate their perceptions of equity or justice by comparing the inputs they contribute such as skills and efforts and the outcomes they receive such as pay to the inputs and outputs of referent groups within the organization and in the external labour market. This view was advanced by Adams (1965). A state of equity will be attained if the perceived ratio of outcomes to inputs favourably compares to the outcome-input ratio of relevant others (Singh *et al*, 2004).

The policy and practical implication for large private manufacturing firms in Kenya is to design reward systems that are perceived to be fair and just. Pay level and pay structure policies should be designed to achieve both external and internal consistency. The frequent use of salary surveys will guide the organizations on what their pay levels are relative to those of others in the industry. Systems that discriminate fairly such as performance related pay, piece rate system and pay on commission are examples of methods that can enhance equity.

The provisions of employee benefits, which are indirect forms of remuneration given in addition to basic pay, have a strong influence on commitment and especially continuance commitment. They include paid time away from work such as coffee breaks, annual leave, sick leave or maternity leave; life and health insurance; retirement income and employee services such as transport, cafeterias, housing, day care, social security, gain/profit sharing, company loans, employee stock ownership,

bank scheme loans, bonus, SACCO contributions and attractive pension schemes. Organizations give benefits to motivate employees and increase their commitment to the organization; provide for actual or perceived needs of employees such as security; housing or company cars; demonstrate that the company cares for the needs of employees and sometimes to provide a tax efficient method of remuneration that reduces the tax burden on employees

The provision of benefits is likely to be perceived by employees as part of the psychological contract, thus creating an obligation on the part of the employee to reciprocate by remaining with the organization. Employee benefits, therefore, have a strong association with organizational commitment and especially normative commitment because normative commitment is associated with reciprocity. The practical implication here is that management should avoid decisions that employees would perceive as violating the psychological contract. Employees are more likely to associate the provision of such benefits with expectations of loyalty and commitment on their part and recognition by the employer. Tsui *et al.*, (1997) conclude from their study on the exchange relationship between the organization and employees that a mutual investment employee-organization relationship approach had the most favourable employee attitudes. Employees demonstrated the highest levels of core task performance and organizational commitment.

While high pay is generally associated with continuance commitment it can also be related to affective commitment due to the self-esteem that employees derive from it. Money is a proxy for other motivational needs such as status and esteem because its power is in what it can buy. It serves as an indication of how much an organization values its people, thus, enhancing their feelings of self-worth and importance. However, some studies have found that while employee's perceptions of pay or salary influenced the commitment of those who stay just after starting work, it 'wore' off as they progressed in employment, thus, having little impact on organizational commitment (Morris *et al.*, 1993). The policy implication here is that organizations should not rely on amount of pay alone when designing their compensation systems.

An alternative policy is to tie compensation to organizational performance. This makes comparison among employees more equitable, thus enhancing perceptions of fairness and justice within the organization. High compensation that is tied to organizational performance leads to increased levels of organizational commitment. However, while it may lead to affective and continuance commitment it may result in normative commitment because employees feel they have earned it through performance and not given as in the case of employee benefits. While they may feel some affection they do not feel they have an obligation to stay. Such employees will only stay for as long as the high pay is guaranteed. The policy and practical implication here, therefore, is that organizations should only give rewards that are sustainable in the long term. The influence of other non-financial intrinsic rewards should be taken into consideration. According to Iverson and Buttigieg (1999), merely introducing higher wages will increase an individual's perception of low alternatives but has no effect on improving the employee's commitment to the organization.

Another lesson for organizations is that organizational commitment can be achieved through participation in decision-making and information sharing practices. Participation offers employees various levels of influence in the decision making process which can range from formally established consultative committees to development of good relations with managers or supervisors at an informal level. Participation is employee involvement practices initiated principally by management and are designed to increase employee information about and commitment to the organization.

From a policy and practical perspective, organizations, therefore, should formulate communication policies that are open, interactive, persuasive, coordinated and integrated with other personnel policies. These are more likely to promote commitment to the organization. It also conveys to the employees that they are trusted. Townley (1994), however, cautions that information provided to employees which is narrow in scope, restricted to the task at hand or disjointed and unrelated will not assist in the promotion of commitment to the organization.

Management can develop a commitment strategy in the organization by ensuring that workforce is informed, involved and sharing in the success of the organization, thus, creating a feeling of ownership among employees. A feeling of ownership occurs only when employees believe that they are genuinely accepted by management as a key part of the organization. Participation and involvement in making decisions facilitates acceptance of the change as it is owned and not imposed by management.

Management can create a feeling of excitement in the job by appealing to the higher level needs of pride, trust and accountability for results and other intrinsic motivators. Commitment can further be created by defining and disseminating the mission and values of the organization; ensuring that everyone understands and participates in the strategies of the organization and getting people to own changes and solutions.

Management can also provide transformational leadership, which can inspire people with a vision for the future and develop processes and an organizational climate that encourages people's growth in terms of skill and higher levels of achievement. The introduction of company wide profit or gain sharing plans encourage people to identify with the organization while the use of induction training programmes ensure new employees form a good impression of the company from the outset. Research into the use of realistic job previews has shown a positive correlation between provision of job information at entry point and reduced turnover. Encouraging teamwork and getting teams to discuss important issues facing the company and acting on any good ideas that emerge encourages commitment to the organization among employees.

Policy areas on information sharing and participation should include financial performance, strategy and operational measures. From a practical perspective this translate into the formation of work teams, decentralization of decision making, consultations, greater autonomy in work methods through job redesign, reduction of hierarchical control and encouraging employees to show initiative. Use of team briefings, cascading of information through the management chain, staff newsletters,

emails through the intranet, notice boards, short message service using mobile telephones and staff meetings are some practical ways of communicating with employees. Management should also be able to receive and use employee ideas and a suggestion scheme would be appropriate practice. While policies on employee participation are expected to have a positive impact on commitment, management should also avoid making employees feel that they are being manipulated to do more for less (Scott-Ladd and Marshall, 2004).

Training and development represents another policy area, which has a significant impact on organizational commitment. Employees tend to interpret training and development activities as an indication of the organization's commitment to its human resources resulting in a strong psychological bonding and a willingness to contribute more to the organizations objectives. Organizations that provide extensive training to their employees create a reputation for valuing and developing employees. Training increases employee's self-concept and sense of importance, which increases organizational commitment. Investment in training, therefore, sends a clear message to employees that the organization is committed to their development.

The policy and practical implications regarding training and development are that organizations should formulate policies that take care of both company specific and general training. The concepts of specific and general training as proposed by Becker (1975), suggest that specific training yields only productivity gains in a specific firm, while the skills from general training can be transferred across firms. This implies that employers are willing to pay for specific training and not general training. McElroy (2001) argues that company-specific skills are likely to induce continuance commitment rather than affective commitment because such skills constitute sunken costs in terms of time and effort that an employee stands to lose if they leave the organization. However, contrary to predictions by the theory, most employers still pay for general training for their employees despite the fact that this training would appear to make employees more attractive in the labour market. This scenario is probably explained by the firm's need for flexibility and the demand for general skills.

Although some firms may see training as an unviable investment because of the danger of poaching by competitors, Tsui *et al* (1997) argues that employees in an over-investment exchange relationship than in an underinvestment relationship experience a higher level of commitment.

Another dimension is provided by Feuer *et al* (1994) who empirically demonstrate that firm financing of general training or education provides effective insurance of specific training investments to employers. From this perspective, Becker's prediction does not necessarily hold if firm specific and general training are provided jointly. They further argue that the firms financing of general training could safeguard shared investments in firm specific human capital more effectively than wage bonuses or other incentives. From this argument, it makes sense for firms to invest in all forms of employee training and development.

Rao (1997) in addition, observes that certain types of investments give more private returns than organizational returns and vice versa. For example, while investments in general management education enhance private returns to managers through better curriculum vitae, job specific skills that have immediate implementation value have more organizational benefits. However, because workers have lower mobility, investments in them have greater organizational returns. In formulating an HRD policy, organizations should consider this fact. Investments should still be given where high private returns result in equally high organizational returns but safeguard them through legal instruments such as bonding. It should be noted, however, that legal mechanisms can have more negative than positive effects because they can retain an unwilling person who spreads his frustration to others resulting in an unquantifiable loss to the organization or a person is busy searching for alternative ways of escaping the bond, thus, wasting organization's time. A better alternative might be to ensure proper utilization of skills by placing people in jobs where they can utilize them. A proper training needs analysis would also be a necessary condition to avoid some of these problems.

Another implication is the development of a training policy to guide all training and development activities such as who to be trained, when, where, how and why. As such, organizations should aim at budgeting for training just as for other organizational functional areas such as marketing or production. However, a disadvantage with training as an organizational function is that it has always been treated as a cost rather than an investment so that when financial constraints occur, it is the first candidate for cost-cutting.

Job security is another policy area that organizations should consider. When employees perceive a threat to their employment, commitment to the organization declines. They develop negative work attitudes, increased job dissatisfaction and they begin to engage in work withdrawal behaviours such as lateness and absenteeism (Buitendach and De Witte, 2005). In contrast, employees who are assured of job security develop commitment because of longevity of the employment relationship. They also develop stronger identification with the values and goals of the organization and more willingness to use pro-social behaviour on behalf of the organization. Pfeffer (1998) argues that laying off people puts important strategic assets on the street for the competition to employ. Provision of job security encourages employees to work harder as they will only be motivated to expend extra effort if they expect a lower probability of future layoffs.

Considering the negative effects of job insecurity, organizations should come up with policies and practices that safeguard employee's tenure in the organization. These may include alternatives to retrenchment such as flexible workers who work shorter hours or from their homes, specific employment contracts stating period of employment or voluntary termination.

Performance appraisal is a significant predictor of organizational commitment. The value of performance appraisals is in their ability to provide information to other HR activities such as rewards, promotion, feedback on development and assessment of training needs. Some studies (Kuvaas, 2006) found that satisfaction with performance

appraisal was positively related with affective commitment. However, the process of performance appraisal determines the extent to which it is related to organizational commitment. Appraisal systems that involve high levels of participation are perceived as fair and just and will have a positive influence on organizational commitment.

Performance appraisal systems are afflicted by many problems including bias. Since they influence decisions related to training, career development, promotions, rewards and redundancy, perceptions of fairness is a necessary condition. The policy and practical implication for management, therefore, is to ensure that this need is met by using methods of appraisal that are seen as fair. The assessment tool must be as objective as possible and tailor-made for the specific needs of the organization. It would be practically useful to include training of the appraisers and awareness by the workers.

Promotion procedures and the presence of promotional opportunities and career paths have a positive relationship with organizational commitment (Snell and Dean, 1992; Iles *et al*, 1990). Employees will only be motivated to work hard to get promoted if they perceive that positions are available and awarded on the basis of work performance. Perceived opportunities for internal mobility have major implications for work attitudes such as commitment. Perceptions of unfair promotional opportunities result in negative attitudes towards work or the organization. However, if employees perceive the reason for denying their promotion request to be fair, their work attitudes will be positive. Previous studies (Young *et al.*, 1998; Iverson and Buttigieg, 1999) found strong positive correlations between satisfaction with promotion opportunities and organizational commitment.

The implication for HRM policy and practice, therefore, is that managers should formulate and disseminate policies on promotion and career paths. Sometimes employees are not even aware of the policies that exist. HR should promote an internal labour market policy, which outlines progression from entry point and development as one acquires skills and knowledge in their working life. Employees who work in

organizations with internal labour market policies are likely to exhibit greater loyalty and attachment to the organization.

Although changes in the business environment have removed the notion of 'career for life' and introduced the rhetoric of the new career, which is 'portable' and 'boundaryless', career development, is still an important predictor of organizational commitment as reported in this study. This is supported by Meyer and Smith (2000) and Paul and Anantharaman (2003). Career development has a direct influence on an employee's commitment to the organization, which in turn affects employee retention and productivity. Organizations, therefore, must reconsider programmes for career growth in order to gain employees' commitment to remain for longer periods.

Another technique is that organizations could make side bets for employees using practices that lock them into continued membership in the organization through strategies such as rapid promotion, non-investment pension plans or organization-specific training. However, Meyer *et al.*, (1989) caution that these tactics may not instil in them the desire to contribute to organizational effectiveness. Instead, some employees may find themselves in the position in which they have little desire to remain with the company but cannot afford to do otherwise. Such employees therefore may be motivated to do little more than perform at the minimum level required to maintain the job they have become dependent on. Meyer *et al.*, (1989) advises companies to foster affective commitment in their employees rather than continuance commitment since employees who value their association with the organization will not only remain in the organization but work towards its success.

6.6 Limitations of the Study

A recognized limitation of this study is the nature of the data collection instruments and procedures. The survey tool was a self-report instrument that relied upon the integrity of the respondents. The organizational commitment instrument used in the study is a pure attitudinal survey and therefore subjective in nature. For example,

though the instrument had received support for reliability and validity in past studies, the responses are to a large extent, based on the respondent's emotional state at the time of filling it out and their cultural background.

Another limitation of the study is the method used to measure and define human resource strategic orientation. Although a substantial amount of research has been dedicated to the development of a universally accepted typology of HR strategy, currently one that has been tested for reliability and validity does not exist. It is possible therefore that the method used to measure and define the hard and soft typologies of HR strategic orientation may not be the most appropriate and complete.

This study collected cross-sectional data. This may not give a clear understanding of the relationships between HR strategic orientation, organizational commitment and firm performance precisely because the reverse could also be true where successful firms possess the slack resources required to invest in soft HR practices. This can only be proven by a longitudinal study.

The firm performance measure used in this study was perceptual. Other studies have used financial measures. In this particular case it was difficult to obtain financial measures such as profits and sales and most of the firms were not listed in the stock exchange. Though perceptual measures have been used in past studies and it has been argued that there is no difference with objective financial measures, future studies should consider using them in the Kenyan context.

Another limitation is that this study lacked the benefit of similar studies done in developing countries and in Africa in particular. It relied mainly on Western industrialized country studies with different cultural orientations and economic environments. This makes it difficult to make useful comparisons. The data analysis was also limited to quantitative methods and the results would probably have been more meaningful if qualitative analysis would have been inbuilt at the point of research design.

6.7 Areas for Further Research

While the objectives of this study were successfully accomplished, several areas remain unclear and require to be addressed by future research. First, this study focused only on the concept of organizational commitment but commitment to an organization may be impossible as employees have different loyalties to different stakeholders within the organization such as their own workgroup, department, supervisor, union, occupation or profession. The concept of multiple and even conflicting commitments is more plausible than the concept of single commitment to the organization. Future research, therefore, should consider the effect of these different commitments on firm performance.

Secondly, the data was collected from a single source that is the HR managers. This is likely to raise concerns about common method bias. It is proposed that future research should be triangulated by incorporating multiple sources such as line managers, workers and other stakeholders.

Thirdly, data collection was limited to a self-administered survey questionnaire. This assumed that the responses were provided honestly and by the target group. Since this is not possible to ascertain, triangulation of data collection instruments should be considered. This study also confined itself to quantitative data collection methods and analysis. Future research should combine both qualitative and quantitative methods to obtain a more robust data set and results.

Fourthly, this study confined itself to the large private manufacturing firms in Kenya. Future research should be extended to other sectors such as the public sector especially now that it is beginning to adopt an enterprise and business culture, which has always been associated with the private sector.

Lastly, this study also used only four firm characteristics as moderators namely: ownership, size, age and unionization. It is possible that other organizational characteristics such as strategy, technology and culture significantly affect the HR – performance relationship as well. In addition, other employee outcomes such as trust, job satisfaction and motivation could be included in future studies as intervening variables. The inclusion of such variables would further enhance our understanding of the HR – performance linkage.

6.8 Conclusions and Recommendations

This study tested a conceptual model based on theories from the field of organizational behaviour and human resource management. Data collected from a cross-section of Human Resource Managers of large private manufacturing firms in Kenya were used to test the conceptual model empirically. The evidence presented shows that relationships exist between the soft and hard strategic orientations of human resource management and the construct of organizational commitment. It also emerged that the combined and individual effects of these variables on the dependent variable of firm performance are significant. The results therefore support the hypotheses posed that superior organizational performance can be achieved through interaction between different types of human resource practices and organizational commitment (Gould-Williams, 2003). This gives credibility to the long held belief that people are an important organizational resource and the key to achieving outstanding performance (Peters and Waterman, 1982; Pfeffer, 1994; 1998).

This study also examined the moderating effect of firm age, firm size, firm ownership and unionization. The findings showed that the results obtained do not always pertain to the whole sample but only to a portion of it. This was useful, as it showed details of differences between the groups within the samples that otherwise would not have been known. The study exposed findings that have important theoretical and practical value to academicians and practicing managers in organizations.

Theoretically, the study has made a clear distinction between the typologies of soft and hard HRM, which past scholars have been skeptical to apply. Though their measures are not yet developed, it is hoped this study is a first step towards developing a measurement scale that can be used for future research. Secondly this study incorporated all the generic HR practices as opposed to previous studies that used a limited or selected areas of HR practices and ignored others.

The results of the hypotheses tested in this study have some practical implications for human resource management practice. The first implication is formulation of HR strategies based on the concept of bundling. When HR practices are treated as a bundle they form a continuum of HR practices ranging from a soft to a hard HR orientation. Bundling refers to the development and implementation of several HR practices together so that they complement and reinforce one another. Complementary HR practices elicit commitment, which can be translated into improved firm performance.

The concept of bundling can be applied to organizational commitment. Organizations should introduce HR practices that retain employees for a long period of time. Different types of practices will lead to different reasons for staying. While practices that involve participation and teamwork may induce affection, accumulated benefits may lead to continuance and ethical values may lead to normative commitment. As the three types of commitment ensure that turnover is minimized and employees get retained for longer periods of time, organizations should strive to introduce a mix of HR practices that achieve all three.

Another conclusion that can be drawn from these findings is that adoption of a policy that ties the manager's rewards to employee performance would encourage managers to put more effort in the training and development needs of their subordinates. In addition, clear and precise human resource management procedures on career progression and promotion would reduce insecurity about position and authority among managers. The existence and enforcement of policies provides real and psychological confidence thus enabling managers to support their subordinates if they

know that their own performance will be judged on the performance of their subordinates. In conclusion, by applying the concepts of soft and hard HRM, organizational commitment can be realized which in turn leads to improved organizational performance.

6.9 Chapter Summary

Chapter six presented the summary, discussion and conclusions of the study. The structure of the chapter is guided by the research objectives and hypotheses. The objective of the chapter is an attempt to explain why the findings are the way they are and to what extent they are consistent with or contrary to past empirical findings and theoretical arguments. It begins with a review of the research problem and objectives of the study. A summary of the hypotheses tested in the study is presented in Table 6.1. Out of the twenty-six hypotheses tested, seven were not rejected and nineteen accepted. In the discussion reasons for these findings are given and comparisons are made with previous findings. The broader implications of the findings for theory, practice, policy and further research in the field of Human Resource Management are also provided. The limitations and areas for future research are also presented.

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Appendix A: Spearman' Rank Order Correlation Matrix for Nominal and Ordinal Scale Variables

	1	2	3	4	5	6	7	8	9	10	11
Firm age	1.000										
	95										
Firm size	.143	1.000									
	.169										
	94	94									
Firm Ownership	-.135	-.215(*)	1.000								
	.194	.037									
	94	94	94								
Unionization											
	.462(**)	.359(**)	.234(*)	1.000							
	.000	.000	.023								
	95	94	94	95							
Affective commitment											
	-.049	.117	.295(**)	-.082	1.000						
	.637	.263	.004	.429							
	95	94	94	95	95						
Normative Commitment											
	.051	-.137	.141	.131	-.114	1.000					
	.624	.187	.174	.205	.270						
	95	94	94	95	95	95					
Firm Performance											
	.069	.305(**)	.477(**)	-.222(*)	.570(**)	.040	1.000				
	.504	.003	.000	.031	.000	.703					
	95	94	94	95	95	95	95				
Continuance commitment											
	.137	.304(**)	.327(**)	.355(**)	.411(**)	-.184	.442(**)	1.000			
	.187	.003	.001	.000	.000	.074	.000				
	95	94	94	95	95	95	95	95			
g commitment											
	.149	.190	.399(**)	.296(**)	.482(**)	-.089	.512(**)	.538(**)	1.000		
	.148	.067	.000	.004	.000	.391	.000	.000			
	95	94	94	95	95	95	95	95	95		
Hard HR Orientation											
	.301(**)	.250(*)	-.210(*)	.401(**)	.325(**)	-.159	.321(**)	.748(**)	.456(**)	1.000	
	.003	.015	.042	.000	.001	.123	.001	.000	.000		
	95	94	94	95	95	95	95	95	95	95	
Soft HR Orientation											
	.215(*)	.368(**)	.473(**)	.378(**)	.548(**)	-.089	.666(**)	.640(**)	.796(**)	.662(**)	1.000
	.036	.000	.000	.000	.000	.391	.000	.000	.000	.000	
	95	94	94	95	95	95	95	95	95	95	95

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

Appendix B: Pearson's Product Moment Correlation matrix for Interval Scale Variables

		Hard HRM	Soft HRM	Affective Commitment	Continuance commitment	Normative Commitment	Overall org commitment	Firm Performance
Hard HRM	Pearson Correlation	1						
	Sig. (2-tailed)							
Soft HRM	N	95						
	Pearson Correlation	.768(**)	1					
Affective Commitment	Sig. (2-tailed)	.000						
	N	95	95					
Continuance commitment	Pearson Correlation	.503(**)	.472(**)	1				
	Sig. (2-tailed)	.000	.000					
Normative Commitment	N	95	95	95				
	Pearson Correlation	.709(**)	.598(**)	.380(**)	1			
Overall org. commitment	Sig. (2-tailed)	.000	.000	.000				
	N	95	95	95	95			
Firm Performance	Pearson Correlation	-.225(*)	-.034	-.137	-.178	1		
	Sig. (2-tailed)	.028	.743	.186	.084			
Hard HRM	N	95	95	95	95	95		
	Pearson Correlation	.460(**)	.773(**)	.369(**)	.486(**)	-.079	1	
Soft HRM	Sig. (2-tailed)	.000	.000	.000	.000	.444		
	N	95	95	95	95	95	95	
Affective Commitment	Pearson Correlation	.618(**)	.606(**)	.532(**)	.431(**)	.089	.485(**)	1
	Sig. (2-tailed)	.000	.000	.000	.000	.389	.000	
Continuance commitment	N	95	95	95	95	95	95	95
	Pearson Correlation							
Normative Commitment	Sig. (2-tailed)							
	N							

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

Appendix C: Cronbach Alpha Reliability Coefficients

1) Reliability coefficient for hard HR strategic orientation scale

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)

Reliability Coefficients

N of Cases = 81.0 N of Items = 17

Alpha = .8510

2) Reliability coefficient for soft HR strategic orientation scale

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)

Reliability Coefficients

N of Cases = 74.0 N of Items = 21

Alpha = .8219

3) Reliability coefficient for HR strategic orientation scale

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)

Reliability Coefficients

N of Cases = 67.0 N of Items = 38

Alpha = .9065

4) Reliability for Firm performance scale

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)

Reliability Coefficients

N of Cases = 92.0 N of Items = 9

Alpha = .8190

Appendix C continued....

5) Reliability coefficient for Affective commitment scale

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)
A)

Reliability Coefficients

N of Cases = 89.0 N of Items = 5

Alpha = .8517

6) Reliability coefficient for Continuance commitment

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)
A)

Reliability Coefficients

N of Cases = 94.0 N of Items = 5

Alpha = .6223

7) Reliability coefficient for normative commitment scale

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)
A)

Reliability Coefficients

N of Cases = 92.0 N of Items = 7

Alpha = .5299

8) Reliability coefficient for overall organizational commitment scale

***** Method 1 (space saver) will be used for this analysis *****

RELIABILITY ANALYSIS - SCALE (ALPHA)
A)

Reliability Coefficients

N of Cases = 94.0 N of Items = 19

Alpha = .7170

Appendix D: Sampling Frame for Large Manufacturing Firms in Kenya

1. Farmers Choice
2. Spin Knit Dairy Ltd
3. Kenya Cooperative Creameries
4. Ilara Dairies Ltd
5. East African Canning Ltd
6. Kenya Orchards Ltd
7. Premier Food Industries Ltd
8. Highland canners
9. Trufoods
10. NAS Food Processing Ltd
11. Kapa Oil Ltd
12. Unga Maize Millers
13. House of Manji
14. Jambo Biscuits
15. Nestle Foods Ltd
16. Kuguru Food Complex
17. Dorman & Company Ltd
18. Kenya Planters Cooperative Union
19. Kenya Tea Development Agency
20. Eastern Produce (K) Ltd
21. East African Coffee Plantation Ltd
22. Wringley (EA) Ltd
23. ABC Food (1970) Ltd
24. Proctor & Allan Ltd
25. UDV Kenya Ltd
26. Unga Ltd
27. Kenya Wine Agencies Ltd
28. East Africa Breweries Ltd
29. Softa Bottling co.
30. Umoja Beverage Manuf. Ltd
31. Umoja Manuf. Ltd
32. Cadbury Scweppes Ltd
33. Coca Cola Co.
34. GlaxoSmithclime Beecham
35. BAT Kenya Ltd
36. Mastermind Tobacco
37. Cut Tobacco Kenya Ltd
38. Eltex EPZ Ltd
39. Birch Investments EPZ Ltd
40. C & C Apparel Ltd
41. First Manufacturing EPZ
42. Kenya Uniforms Ltd
43. Taitung Garments EPZ Ltd
44. Tristar EPZ Ltd
45. Universal Apparel EPZ Ltd
46. Sunflag Textiles and & Knitwear Mills
47. Tigra Knit Ltd
48. United Textile Industries Ltd
49. Bonar EA Ltd
50. Midco Textiles EA Ltd
51. Premier Oil Mills
52. Premier Knitwear Ltd
53. Orbit sports Ltd

Appendix D: Continued.....

54. Tiger Shoes Company Ltd
55. Timsales Ltd
56. East African Cables Ltd
57. Baumann Kenya Ltd
58. Panesar Industries Ltd
59. Project Furniture Ltd
60. Silent Night Ltd
61. Tobina Ltd
62. Vitafoam Ltd
63. Madhupaper International Ltd
64. East African packaging Industries Ltd
65. Amalgamated Industries Ltd
66. East African Packaging industries
67. Printing & Packaging Corporation
68. Tetra Pack Ltd
69. DL Patel Press Ltd
70. English Press Ltd
71. General Printers Ltd
72. Kenya Litho printers
73. Kul Graphics Ltd
74. Nation Newspapers Ltd
75. Taws Ltd
76. The Standard newspapers Ltd
77. The Kenya Times Ltd
78. Twiga Chemical Industries
79. Coates Brothers EA Ltd
80. Laboratory & Allied Ltd
81. Berger -Kenya Paints Ltd (Robbilic)
82. Beta Health Care Products Ltd
83. Cooper Kenya Ltd
84. Macs Pharmaceutical Ltd
85. Twiga Paints Ltd
86. Ramji Haribhai Devani Ltd
87. Cosmos Pharmaceuticals Ltd
88. Colgate Palmolive Industries Ltd
89. Cussons EA Ltd
90. Unilever, Kenya
91. Elephant Soap Industries Ltd
92. Esso Standard Ltd
93. Bayer EA Ltd
94. Carbacid (CO2) Ltd
95. Johnsons Wax EA Ltd
96. Hoechst EA Ltd
97. Norbrook Laboratories Ltd
98. Pfizer Laboratories Ltd
99. Proctor & Gamble Ltd
100. Haco Industries Ltd
101. Diverseylever Ltd
102. Dunlop Ltd
103. Eveready Kenya Ltd
104. Orbit Chemical Industries
105. Shell Chemical Industries
106. BOC Kenya Ltd
107. Elys Chemical Industries
108. Car & General (Tyre & Rubber Division)

Appendix D: continued.....

109. Sameer Africa Ltd
110. Afro plastics Ltd
111. Cosmo Plastics Ltd
112. General Plastics Ltd
113. Kenpoly Manufacturers Ltd
114. Sanpac Ltd
115. Sera Coatings International Ltd
116. Ceramics Manufacturers Ltd
117. Francescon marble & Granite Ltd
118. Athi River Marble & Granite Ltd
119. Clayworks Ltd
120. Emco Steel Works Ltd
121. East African Foundry Works Ltd
122. Morris & Co. Ltd
123. Booth Manufacturing Africa Ltd
124. H. Young Co. Ltd
125. Roll Mill Kenya Ltd
126. Steel structures Ltd
127. Auto Spring Manufacturers Ltd
128. Kenya Grange Vehicle Industries
129. Industrial Plant Ltd
130. Khetshi Dharamshi & Co Ltd
131. Wire products Ltd
132. Cooper Motors Corp. (CMC)
133. Mackenzie Ltd
134. Associated Battery Manuf. Ltd
135. Bhachu Industries Ltd
136. Kehar Singh & Co Ltd
137. Labh Singh Harnam Singh Ltd
138. CMC Aviation Ltd
139. Brush Manufacturers Ltd
140. Megh Cushion Industries
141. Sana Industries Ltd
142. Maizena Millers Ltd
143. Mombasa Maize Millers
144. T.S.S Grain Millers
145. Krystalline salt Ltd
146. Kenya Calcium Products
147. African Cotton Industries
148. Blankets Industries Ltd
149. Mombasa Towel manufacturers
150. Sameh Textile Industries
151. EA Hoisery Manufacturers Ltd
152. Kamyn Industries Ltd
153. Kenya Shirts Manufacturers Ltd
154. Umoja Clothing Factory Ltd
155. Macquin Shoes Ltd
156. Slapper Shoe Industries Ltd
157. Kenya Petroleum Refineries
158. Acme Containers Ltd
159. Kenya Glassworks Ltd
160. Mombasa Bricks & Tiles Ltd
161. Bamburi Portland Cement Co Ltd
162. Cabroworks Ltd
163. Mabati Rolling Mills Ltd

Appendix D: Continued.....

- 164.Narcol Aluminium Rolling Mills
- 165.Kaluworks Ltd
- 166.Kenya United steel Co Ltd
- 167.African Marine & General Eng. Co. Ltd
- 168.K Boat Services Ltd
- 169.Southern Engineering Co. Ltd
- 170.Voi Sisal Estates
- 171.Njoro Canning Factory
- 172.Milling Corporation
- 173.Nakuru Floor Mills
- 174.Brooke Bond (K) Ltd
- 175.Central Packaging Factory
- 176.Changana Tea Factory
- 177.Chebut Tea Factory Co. Ltd
- 178.Chemoni Estates
- 179.Chomogondai Tea Factory
- 180.Jamji Tea Factory
- 181.Kapkoros Tea Co. Ltd
- 182.Kapreoch Tea Factory
- 183.Kapset Tea Factory
- 184.Kapsumbeiwa Factory Co. Ltd
- 185.Kenya Tea Packers Ltd.
- 186.Kericho Tea Factory
- 187.Keriton Ltd
- 188.Kibwari Ltd
- 189.Kimari Tea Factory
- 190.Kitco Tea Factory Ltd
- 191.Kitumbe Tea Factory
- 192.Magogosiek Tea Factory
- 193.Saesa Tea Factory
- 194.Siret Tea Factory
- 195.Tagabi Tea Factory
- 196.Tegat Tea Factory
- 197.Unga Feeds Ltd
- 198.Rift Valley Bottlers
- 199.Londra Ltd
- 200.Ken Knit Ltd
- 201.Spin Knit Dairy Ltd
- 202.Bedi Investments Ltd
- 203.Mea Ltd
- 204.Magadi Soda Co. Ltd
- 205.United Millers Ltd
- 206.Chemilil Sugar Co. Ltd
- 207.Mumias Sugar Co. Ltd
- 208.Nzoia Sugar Co. Ltd
- 209.South Nyanza Sugar Company
- 210.West Kenya Sugar Co. Ltd
- 211.Yala White Sugar Company
- 212.Agro Chemical and Food Co.
- 213.Equator Bottlers
- 214.Panafric papermills
- 215.Homa Lime Co. Ltd
- 216.Uplands bacon factory
- 217.Kenya coop. Creameries
- 218.Brookside Dairies

Appendix D: Continued.....

- 219. Aberdare Creameries
- 220. Delmonte (K) Ltd
- 221. Meru Central Farmers Union
- 222. Mwea Rice Mills
- 223. Bidco Oil Refineries
- 224. Broadway Bakery
- 225. Kenafric Bakery
- 226. Limuru Tea Ltd
- 227. Githingo Tea Factory
- 228. Igoji F.C.S. Ltd
- 229. Imenti Tea Factory
- 230. Kangaita Tea Factory Co. Ltd
- 231. Kanyenyaini Tea Factory
- 232. Kibuburi Tea Factory
- 233. Mabroukie Tea Factory
- 234. Makiria Co-op
- 235. Ragati Tea Factory
- 236. Eastern Kenya Bottlers
- 237. Mt Kenya Bottlers
- 238. Thika Cloth Mills
- 239. Kifaru Textile Mills
- 240. Spinners & Spinners Ltd
- 241. Polysack Ltd
- 242. Bulleys Tanneries Ltd
- 243. Leather Industries of Kenya
- 244. Bata Shoe Co. Ltd
- 245. Kenya Paper Mill Ltd
- 246. Kenya Tanning Extract Co. Ltd
- 247. Kenya Vehicle Manufacturers Ltd
- 248. Packaging Africa Ltd
- 249. Athi River Mining Co. Ltd
- 250. East Africa Portland Cement Ltd
- 251. Naciti Engineering works Ltd

Appendix E: Letter of Introduction to Firms

UNIVERSITY OF NAIROBI
FACULTY OF COMMERCE
DOCTORAL STUDIES PROGRAMME

The Human Resource Manager,

REQUEST FOR DATA

I would be very grateful if you would complete the attached questionnaire for me. I am a doctoral studies student and also a lecturer at the University of Nairobi. I am very interested in the relationships between human resource practices, employee attitudes and organizational performance among Kenyan private manufacturing firms. The questionnaire I am sending to you is designed to study these aspects.

As a HR professional you may have noticed that very little research in the area of human resources has been done in Kenya. Your participation therefore is extremely essential to this study as the findings will enhance our knowledge of human resource contribution to the firm's bottomline – performance.

Your organization was selected to participate in this study through a random sample of large private manufacturing firms in Kenya. You were identified as a respondent because of your professional position as a HR specialist. I request you to respond to the questions frankly and honestly. Your responses and information about your organization will be kept strictly confidential and the findings will be used only for academic purposes. A summary of the results will be sent to you after the data are analyzed.

I shall be most grateful if you can complete the questionnaire within the next one week. Thank you very much for your time and cooperation. I greatly appreciate your help in furthering this research effort.

Yours sincerely,

Harriet Kidombo (Mrs)

Lecturer in Human Resource Management, University of Nairobi

Email: harrietkidombo@yahoo.co.uk

Cell phone: 0722-734058

Office line: 066-33135

Appendix F: Survey Questionnaire

This questionnaire has five sections: Part A, Part B, Part C, Part D and Part E. Instructions are given for each section. It will take you about twenty to thirty minutes to complete.

PART A: ABOUT YOURSELF

Please provide the following information about yourself.

1. Your job title

2. The number of years you have worked for the present organization (please tick)

1 – 3 years []

4 – 10 years []

11 – 20 years []

more than 21 years []

3. Your highest level of education (please tick)

Diploma level []

Bachelors Degree []

Masters Degree []

PhD Degree []

Other (specify) _____

4. Your sex Male [] Female []

5. Your age less than 25 []

26 – 34 []

35 – 44 []

45 – 54 []

More than 55 []

PART B: ABOUT YOUR ORGANIZATION

Please provide the following information regarding your organization.

6. Name of organization _____

7. Number of years the organization has been in operation in Kenya

Less than 10 years []

11 to 20 years []

More than 21 years []

8. In which manufacturing sub-sector does your organization fall?

Agro-based []

Engineering []

Chemical []

Other (specify) _____

Appendix F: Continued.....

✓9. Total number of permanent employees

Less than 250 []

251- 450 []

Above 451 []

✓10. Annual sales turnover for the last three years in KSh.

2002 _____

2003 _____

2004 _____

✓11. Annual net profits for the last three years in KSh.

2002 _____

2003 _____

2004 _____

✓12. Ownership of organization

Foreign owned []

Locally owned []

Other (specify) _____

13. Target market

Mainly export []

Mainly local []

Equally divided between export and local []

✓14. Estimated market share for your primary product(s)

Less than 25% []

25% - 50% []

50% - 75% []

More than 75% []

✓15. Number of new products developed in the last three years

✓16. Percentage of total expenditure allocated to research and development _____

17. Percentage of total expenditure allocated to training and development _____

18. Average rate of labour turnover in the last three years (in percentage)

19. Is your organization unionized

Yes [] No []

20. Does your organization have a customer care department?

Yes [] No []

21. Does your organization have a customer 'hot line' for handling complaints

Yes [] No []

Appendix F: Continued.....

PART C: YOUR HUMAN RESOURCE STRATEGIC PRACTICES

22. The following statements refer to key strategic areas of HRM such as careers, retention, appraisal, training, rewards and employee relations. Based on your experience of HR practices in your organization, please indicate the extent to which your organization uses the following practices by ticking the appropriate response.

	HR STRATEGIC PRACTICES	To a great extent	To some extent	Not sure	To a small extent	Not at all
		5	4	3	2	1
	Internal career opportunities					
22.1	Recruitment of new employees occurs mainly at job entry level					
22.2	Vacant managerial and higher technical positions are exclusively filled from within					
22.3	Career development is highly supported					
	Retention					
22.4	Jobs are designed to maximize skill variety, autonomy and learning					
22.5	Opportunities for growth and development exist					
22.6	Job security is assured					
22.7	Leadership style is people oriented					
22.8	Work environment is unpleasant (R)					
22.9	Rewards are not competitive relative to those offered by other firms in the industry (R)					
	Training and Development					
22.10	Extensive formal training is provided to all employees					
22.11	Great amount of socialization and induction of new employees is practiced					
22.12	Management development is linked to both individual and organizational needs					
22.13	Innovative management development methods such as stress management and adventure training are extensively used					
22.14	Only job specific skills are supported by the organization (R)					
22.15	Management development is aimed at managerial succession					
	Appraisal					
22.16	Feedback is mainly for developmental purpose					

Appendix F: Continued....

	HR STRATEGIC PRACTICES	To a great extent	To some extent	Not sure	To a small extent	Not at all
22.17	The appraisal process is participative, open and transparent					
22.18	Performance is measured by quantifiable output (R)					
22.19	Appraisal is aimed at weeding out poor performers (R)					
22.20	The appraisal process is not participative (R)					
	Reward strategy					
22.21	Pay practices are based on ability and performance					
22.22	Use of employee stock ownership plans					
22.23	Regular conduct of salary surveys					
22.24	Limited use of non-cash incentives such as profit sharing, insurance schemes or paid holidays (R)					
	Employee Relations					
22.25	Communication is open and transparent					
22.26	Collaborative and cooperative relations between union and management exist					
22.27	Management style is participatory and consultative					
22.28	Management practices are fair and just					
22.29	Limited formal information sharing programmes such as newsletters (R)					
22.30	Low participation of employees in decision making (R)					
	Overall HR strategy					
22.31	HR policies and practices have a long term perspective					
22.32	HR policies and practices help employees to develop to their maximum potential					
22.33	HR policies and practices treat all employees fairly and equitably					
22.34	HR policies and practices support the overall organizational strategy and objectives					
22.35	HR policies and strategies and policies have a short term perspective (R)					
22.36	HR policies and practices are aimed at cost reduction strategies (R)					
22.37	Top management has a short-term view because of financial problems (R)					
22.38	Top management gives low priority to human resource issues (R)					

Appendix F: Continued.....

PART D: ABOUT THE PERFORMANCE OF YOUR ORGANIZATION

23. The statements below refer to various indicators of organizational performance. Think about the extent to which each of these statements apply to your organization and tick the most appropriate response.

	STATEMENT	To a great extent	To some extent	Not sure	To a small extent	Not at all
		5	4	3	2	1
23.1	My organization's products are of superior quality when compared to those of competitors					
23.2	Our customers are satisfied with our products					
23.3	My organization has a good image in the industry					
23.4	My organization develops new products frequently					
23.5	This organization invests heavily in research and development					
23.6	Compared to other organizations in the same industry, the overall performance of my organization over the past three years has been very good					
23.7	My organization has a very good ability to retain good employees over a long period of time					
23.8	Relations between employees and management in my organization are good					
23.9	The speed of decision making in my organization is fast					

PART E: HOW YOU FEEL ABOUT YOUR ORGANIZATION

24. The questions below provide descriptions about how people generally feel about their organizations. Think in terms of your experience with your own organization and tick the most appropriate response.

SD – Strongly Disagree; **MD** – Moderately Disagree; **SD** – Slightly Disagree; **N** – Neutral; **SA** – Slightly Agree; **MA** – Moderately Agree; **SA** – Strongly Agree

	STATEMENT	SD	MD	SD	N	SA	MA	SA
		1	2	3	4	5	6	7
	Affective							
24.1	I would be very happy to spend the rest of my career with this organization							
24.2	I talk about this organization to my friends as a great organization to work for							

Appendix F: Continued.....

	STATEMENT	SD	MD	SD	N	SA	MA	SA
		1	2	3	4	5	6	7
24.3	I do not feel like 'part of the family' at my organization (R)							
24.4	I do not feel emotionally attached to this organization (R)							
24.5	This organization has a great deal of personal meaning for me							
24.6	I do not feel a great sense of belonging to this organization (R)							
	Continuance							
24.7	I would not leave this organization even if I wanted because of scarcity of available job alternatives							
24.8	I am not afraid of what might happen if I quit my job without another one lined up (R)							
24.19	It would be very hard for me to leave my organization right now even if I wanted to							
24.10	Leaving would require considerable personal sacrifice because another organization may not match the overall benefits I have here							
24.11	Too much in my life would be disrupted if I decided I wanted to leave my organization now							
24.12	It wouldn't be too costly for me to leave my organization now (R)							
	Normative							
24.13	I think that people these days move from organization to organization too often							
24.14	I do not believe that a person must always be loyal to his or her organization (R)							
24.15	Moving from one organization to another appears unethical to me (R)							
24.16	If I got a better offer for a job elsewhere, I would not feel it was right to leave my organization							
24.17	One of the major reasons I continue to work for this organization is that I believe that loyalty is important and therefore feel a sense of moral obligation to remain							
24.18	I was taught to believe in the value of remaining loyal to one organization							
24.20	I don't think it is sensible to be loyal to one organization anymore (R)							

I sincerely appreciate your time and cooperation in completing this questionnaire. Please provide your email or postal address so that we can send to you a summary of the research findings.