HUMAN RESOURCE MANAGEMENT PRACTICES AND PERFORMANCE OF FIRMS LISTED ON THE NAIROBI SECURITIES EXCHANGE

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DECLARATION

This thesis is my original work and has not been submitted for the award of a degree in any other university.

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DEDICATION

To my dear family members Beryl Minayo, Jan Sagwa, Dan Kisame Sasha Ayuma, dear wife Hilder Alivitsa, my late father Dishon Sagwa, my mother Fanice Libese, my late sister Truphena Alusa, Late brother Washington Luvaha, sisters Betty Mmbone, Hellen Vihenda and brothers Edward Changilwa, Philip Ndeda and John Vuluku and the rest of the family members.

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ABBREVIATIONS AND ACRONYMS

CMA	**:** Capital Markets Authority
CS	**:** Competitive Strategy
EI	**:** Emotional Intelligence
EO	**:** Employee Outcome
FP	**:** Firm Performance
GoK	**:** Government of Kenya
HCT	**:** Human Capital Theory
HPWS	**:** High Performance Work Systems
HR	**:** Human Resource
HRM	**:** Human Resource Management
HRMP	**:** Human Resource Management Practices
KM	**:** Knowledge Management
NCST	**:** National Council for Science and Technology
NSE	**:** Nairobi Securities Exchange
OL	**:** Organizational Learning
RBV	**:** Resource Based View
SHRM	**:** Strategic Human Resource Management
VRIN	**:** Valuable, Rare, In-imitable and Non-substitutable

ABSTRACT

Most research demonstrating the link between HRMP and firm performance has focused on the private sector, yet understanding this relationship in publicly listed firms, in the Developing World setting is equally important. The role of organizational learning, employee outcomes and competitive strategy on HRMP–firm performance relationship- has not been established with the selected set of variables, yet theory has demonstrated that these variables can have an effect on firm performance. This study was motivated by the desire to fill these gaps in knowledge. The study objectives were: to establish the relationship between HRMP and firm performance; to assess the relationship between HRMP and employee outcomes; to assess the relationship between employee outcomes and firm performance; to assess the moderating effect of organizational learning in the relationship between HRMP and employee outcomes; to assess the moderating effect of competitive strategy on the relationship between employee outcomes and firm performance; to determine whether the effect of HRMP on firm performance is mediated by employee outcomes, and; to establish whether the joint effect of HRMP, employee outcomes, organizational learning and competitive strategy on firm performance is greater than the independent effect of HRMP, employee outcomes, organizational learning and competitive strategy on firm performance. The research design was cross sectional descriptive survey. Data was collected using a self-administered questionnaire, from a population of 60 NSE listed firms. The response rate was 60%. Descriptive statistics, correlation and regression techniques were used to analyze the data. The results of the study show a statistically significant relationship between HRMP and firm performance. The results also show that HRMP have a significant effect on employee outcomes. The results further show that employee outcomes do not affect firm performance. The results show that relationship between HRMP and employee outcomes is not moderated by organizational learning. The results indicate that competitive strategy moderates the relationship between employee outcomes and firm performance. The results show that the relationship between HRMP and firm performance is not mediated by employee outcomes. There was empirical evidence that the joint effect of HRMP, employee outcomes, organizational learning and competitive strategy on firm performance was greater than the independent effect of HRMP, employee outcomes, organizational learning and competitive strategy on firm performance. This study contributes to understanding of the link between HRMP and firm performance, while at the same time confirms the findings of previous studies that have found a significant link between HRMP and firm performance. The finding that employee outcomes do not mediate in the relationship between HRMP and firm performance was surprising. It was contrary to expectation and even contrary to previous studies. The study has empirically confirmed that competitive strategy moderates the relationship between employee outcomes and firm performance. The study also established that the combined effect of predictor variables on firm performance was greater than the independent effects. It was recommended that firms have to ensure that they synergistically combine various variables that they choose to use in order to attain and sustain a superior competitive advantage in their operations.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

There has been a considerable amount of empirical research on the relationship between certain Human Resource Management Practices (HRMP) and business performance. According to Pfeffer & Viega (1999) there are seven specific HRMP, these are; employment security, targeted selection, workplace teams and decentralization, high pay contingent on organizational performance, employee training, reduction of status differentials and business information sharing with employees, which collectively lead to higher revenue, profits, market value and even organizational survival rates. Employees play a crucial role in an organization Lawler (1994) posits that, for organizations to be sustainable in the medium to long term, employees must be motivated to care about the work they do, to acquire knowledge related skills and to perform the work to the best of their abilities. The type of HRMP that are adopted in an organization matter, (Ichniowski et al., 1997; Huselid et al., 1997; MacDuffie, 1995; Huselid, 1995a) have prescribed to the view that high involvement HRMP are positively associated with such business performance measures as market value, rate of return on capital employed, revenue growth, revenue per employee, capital utilization, productivity, product and service quality. Knowledge and intellectual capital, according to Wright et al., (1994) are becoming increasingly important if firms are to be successful in highly competitive global markets.

Past studies have pointed to the increasing link of HRMP and performance of firms. HRMP-firm performance relationship has been the subject of significant empirical examination (Khatri, 2000; Arthur, 1994; Huselid, 1995a; Gerhart & Milkovich, 1990; Pffefer, 1994; Dimba & K'Obonyo, 2009). Studies indicate that those firms that adopt certain HRMP in the implementation of the HR practices, policies and practices tend to achieve superior results compared to their competitors (K'Obonyo, Busienei, & Ogutu, 2013; Kidombo, 2007; Truss, 1999; Guest, 1987). Firms may implement and manifest elements of HRMP which impact on employee behavior, commitment and work attitudes as employee outcomes that affect firm performance (Huselid, 1995b). Some scholars have argued that more effective bundles of HRMP can transform a firm's human resources into a strategic asset, as a result of the potential for complementarities between HR practices and firm resources (Barney, 1995; McDuffie, 1995; Ulrich & Lake, 1990).

Firms listed on the Nairobi Securities Exchange (NSE) have encountered challenges in regard to their performance contrary to the expectations of the stakeholders who span across shareholders, employees, consumers, and government among others. These firms are expected to increase their sales growth rates, expand their market share, increase productivity and profitability, which have not been realized by some of the firms. Underpinning factors that influence firm performance may be attributed to HRMP adopted by the firms, level of organizational learning, employee outcomes and competitive strategy adopted by the firms. Hence the focus of this study that set out to shade some light on grey areas and perspectives that had hitherto not been included in previous firm performance empirical studies.

1.1.1 Human Resource Management Practices

An organization can adopt a set of HRMP that suit its operational requirements. According to Pfeffer (1998) there are seven HRMP that influence firm performance. These HRMP are; employment security, targeted selection, workplace teams and decentralization, high pay contingent on organizational performance, employee training, reduction of status differentials and business information sharing with employees. Faced with intensive and complex competitive pressure, firms closely examine their organizational structures, especially how they organize employment. This change of focus to the human side of the business has necessitated the implementation of continuous improvement HR programs (Esther, Elegwa, & James, 2012; Longenecker et al., 1998). Firms have moved towards Strategic Human Resource Management (SHRM) for adopting tactical patterns or choices that are associated with the management of employment relations. This explains a firm's ability to manage human resources more effectively for better outcomes (Boxall & Purcell, 2003).

Globally competitive organizations depend on the uniqueness of their human resources and the systems for managing human resources effectively to gain competitive advantage (Pfeffer, 1994; Barney & Wright, 1998). Human resources are not only the drivers and principal value creators of the output of the knowledge industry, but they are also the intellectual capital or the infrastructure investment. Therefore, attracting, training, retaining and motivating employees are the critical success determinants for any knowledge-based organization. A firm that aspires to perform well has to ensure that its HRM practices are synergistic and consistent with its organizational strategy (Nzuve, 2007), like its competitive strategy in order to spur both individual and organizational performance (Schuler & Jackson, 1987).

There has been much research that attempts to establish a positive link between HRM practices and firm performance. According to Ulrich (1997) HR practices seem to matter and survey findings confirm it, though direct relationships between investments and attention to HR practices are often fuzzy, and tend to vary according to the population sampled and the measures used. Other scholars like (Purcell et al., 2003) have cast doubts on the validity of some of the attempts through research to make the connection. In the current study, employment security, selective hiring, self-managed teams, performance related pay, workforce training, status differentials and sharing information were used as indicators of human resource management practices.

According to Ahmad and Schroeder (2003) sophisticated technologies and innovative manufacturing practices alone can do very little to enhance operational performance unless there are requisite human resource management practices that can be used to form a consistent socio-technical system in a workplace. It has been realized by firms that the human resource function, policies and practices are crucial for the realization of organizational goals.

1.1.2 Organizational Learning

Organizational learning is concerned with how learning takes place in organizations. Each and every employee has knowledge, skills, abilities and attitudes that they use in carrying out their duties. Organizational learning has been defined by Marsick (1994) as a process of coordinated systems change, with mechanisms built in for individuals and groups to access, build and use organizational memory, structure and culture to develop long term organizational capacity. Organizational learning according to Dale (1994) is characterized by intricate three stage process that consists of knowledge acquisition, dissemination and shared implementation. Knowledge may be acquired from direct experience, the experience of others or organizational memory. Organizations can create conditions which facilitate learning as employees work and perform their tasks in the workplace (Nzomo, 2003). Organizational learning takes place within the wide institutional context of inter-organizational relationships (K'Obonyo & Dimba, 2007; Geppert, 1996). The workers as individuals and collectively, perform the actions that produce the learning (Argyis, 1992). As employees work together, they share experiences and develop new knowledge or insights that have the potential to influence behaviour.

Organizational learning is a social process, involving interactions among many individuals leading to well-informed decision making in an organization. Thus, a culture of learning and adaptation as part of everyday working practices is essential. Reuse must equal or exceed reinvent as a desirable behavior. Adapting an idea must be rewarded along with its initial creation (Senge, 1990). Sharing to empower the organization must supersede controlling to empower an individual. Clearly, shifting from individual to organizational learning involves a non-linear transformation. Once someone learns something, it is available for their immediate use (Argyris & Schon, 1996). In contrast, organizations need to create, capture, transfer, and mobilize knowledge before it can be used. Although technology supports the latter, these are primarily social processes within a cultural environment, and cultural change, however necessary, is a particularly challenging undertaking.

Through proper institutionalization of organizational learning a given firm can be able to build a unique pool of human resources that can make the entity attain high productivity levels. Deliberate measures have to be taken in organizations to ensure that effective processes and systems linking individual and organizational learning are put in place (Agyris & Schon, 1996). When firms institutionalize knowledge management structures, they can be able to harness both explicit and tacit knowledge with a view of using human resource abilities, knowledge, and skills as a means of generating productive capital.

Knowledge management, explicit knowledge and tacit knowledge will be used in the proposed study as criterion for organizational learning. Modern organizations are operating in a knowledge economy where they are expected to learn and unlearn very fast, manage the knowledge that drive their operations, create ways of sharing this information and inspire their employees to utilize the explicit and tacit knowledge. This helps firms to achieve and sustain a competitive advantage by using human resources that are unique and non-imitable by their competitors.

1.1.3 Employee Outcomes

Employee outcomes are exhibited in an organization through the competence, commitment and empowerment of employees in the operations that take place in an entity. The human factor plays a crucial role among key resources that an organization has. These resources are, money, man, machine, land and information. The human factor is the only animate of these resources. According to Guest (1997) the distinctive feature about HR is that improved performance is achieved through people in the organization. When the competence of employees is enhanced, their commitment is reinforced, they are empowered and facilitated in decision making; higher output can be realized in the workplace.

Employee outcomes which comprise of competence, commitment and empowerment can have an effect on how employees in an organization work, relate with colleagues and other stakeholders that an organization may deal with. This may in turn affect firm performance. It has often been said that people are the most important asset that any organization can ever have. Employees who have the requisite knowledge, understanding and experience regarding their work are expected to be more effective and efficient. They can be able to take decisions quickly, are easily adaptable to change, such employees have immense ability to serve both internal and external customers. Employee commitment is an outcome that can be enhanced by reconciliation of organizational and employee goals. This helps employees to identify with an organization, with such employees acting in the best interests of the greater good for the organization.

Empowerment of employees in the workplace is an issue that has attracted a lot of concern in all spheres of influence. It may take various forms with the management allowing and facilitating employees to discuss matters that affect them, and involving them in decision making to influence the management of the entity through formal employee-employer machinery.

1.1.4 Competitive Strategy

The business strategy that is adopted by a firm has to be supported so as to achieve the goals and targets that are set. An organization usually makes a choice of adopting a competitive strategy among three options (Porter, 1985), these options are cost leadership, differentiation and focus strategies. For a firm to adopt a cost leadership strategy for instance, its production processes are expected to be efficient and effective to deliver goods or services to customers at competitive prices. This can be achieved through highly skilled and motivated staff that may be on performance related pay. An appropriate competitive strategy should be put in place so that these efforts are aligned to such a strategy for effective competition in the market place (Awino, 2010).

Firms have to choose from three generic competitive approaches (Hirayappa, 2006). These approaches are cost leadership (low cost), differentiation and focus generic strategies. These strategies are known as generic because all businesses or industries can pursue them regardless of whether they are manufacturing, service or not for profit organizations. Firms adopt generic competitive strategies as a foundation of business level strategy (Porter, 1985). Each of the generic strategies results from a firm making consistent choices on product, market and distinctive competencies. These distinctive competencies can be achieved and sustained through the human resources employed and retained in an organization.

1.1.5 Firm Performance

Firm performance can be measured in various ways. These may include but not limited to sales growth rate, market share, productivity and profitability (Ichniowski et al., 1997). Sales growth rate is a ratio that measures the rate of change in sales from time to time or a specified period of time. The utilization of historical growth rates is one of the methods of estimating future growth. Market share is the percentage of a market, which may be defined in terms of either units or revenue, accounted for by a specific entity. Market share is a key indicator of market competitiveness, that is, how well a firm is doing against its competitors.

Productivity is a measure of organizational competence and can be viewed as a measure of the efficiency and effectiveness with which resources are used to produce the output of goods and services of the quality needed by consumers and society in the long run. Labour productivity is one of the partial measures of productivity, with the others being materials, energy or capital productivity. Profitability is measured with income and expenses, income is money generated from the activities of the business. Increasing profitability is one of the most important tasks of business managers because a profitable business has the ability to survive and reward its owners.

1.1.6 Firms Listed on the Nairobi Securities Exchange

The firms that are listed on the Nairobi Securities Exchange play a major role in promoting a culture of thrift or saving in the economy. The firms are expected to maintain high standards of accounting, resource management and transparency in the management of business. They are also expected to adhere to strict guidelines in all their dealings and operations as they compete in a dynamic business environment that affects their performance while meeting and exceeding the expectations of their stakeholders. This includes but is not limited to the payment of dividends, expansion of their sales volume, enhancement of their market share, higher levels of productivity and profitability.

The government of Kenya is aims to achieve and sustain an annual economic growth rate of 10 % for it to realize the Kenya Vision 2030. This has made the government to strengthen the NSE so that it can enhance its role as a robust securities market. The NSE on its part expects the listed firms to enhance their efficiency and competitiveness. The listed firms have to formulate and implement sound practices, including HRMP that would make them to not only attract, but retain, motivate, sustain and make optimum use of a workforce that can make the firms build a sound human resource base. It should be noted that the firms listed on the NSE compete for the same customers, more so for those listed in the same categories.

1.2 Research Problem

In the current business environment, organizations are striving for ways and means of attaining and sustaining a competitive advantage over their competitors through the uniqueness of their human resources and systems. The HRMP that are adopted by a firm can affect its performance, which can be manifested in terms of sales growth rate, market share, productivity and profitability attained by the firm. Organizational learning provides an opportunity for firms to manage both explicit and tacit knowledge that is unique to their operations. Employee outcomes as exhibited by the level of employee competence, commitment and empowerment in a firm are expected to have an effect on firm performance. The competitive strategies that an organization adopts usually provide a direction to organization efforts. These may take the form of cost leadership, differentiation or focus strategy to compete in the market.

The firms listed on the NSE compete in a dynamic business environment that affects their performance. The firms have to formulate and implement sound HRM Practices in order to make optimum use of a workforce that can make the firms build a sound human resource base. This can be used to build an inimitable human resource that can assist a firm provide goods and services that cannot be easily imitated by competitors. Due to the liberalization of the market in Kenya, the firms are encountering challenges and are unable to operate effectively due to micro and macro-economic factors that are adversely affecting business. The NSE listed firms are grappling with reduced sales volumes, declining market share, low levels of productivity and reduced profitability. These challenges can be traced to the kind of HRMP adopted by firms, the pace and opportunities of organizational learning, the employee outcomes and the competitive strategies adopted by the firms, hence the need for the current study.

Much research has attempted to establish a positive link between HRMP and firm performance (Wan-Jing & Tung, 2005; Pfeffer, 1994; Ulrich, 1997), though doubts have been cast on the validity of the findings. Most of the empirical studies (Delery & Doty, 1996; Guthrie, 2001; Huselid et al., 1997) have shown a positive relationship in the HRMP and firm performance link. The question that is still unanswered is how HRMP affects firm performance. Most of the empirical studies (Youndt et al., 1996; Huselid, 1995b; Delaney & Huselid, 1996) have shown a positive relationship between HRMP and firm performance. Literature suggests that using HRMP, organizational learning, employee outcomes and competitive strategy makes a contribution to firm performance, yet the variables have not been used in any single study known to the researcher. The researcher used the variables in an attempt to explain their influence in the HRMP – firm performance link. Previous studies (Ahmad & Shroeder, 2003; Ichniowski et al., 1997) have been conducted in the West in Europe and America and Asia with no known study in Kenya. Besides examining the relationship between HRMP and firm performance, the intervening, moderating and joint effects of the variables on this relationship was also examined which had hitherto not been done in one study. Hence the need for the current study which set out to answer the question, what is the role of organizational learning, employee outcomes, competitive strategy in the relationship between HRMP and firm performance.

1.3 Research Objectives

The general objective of this study was to establish the role of employee outcomes, organizational learning and competitive strategy on the relationship between human resource management practices and firm performance.

This research study sought to achieve the following specific objectives:

i) To establish the relationship between human resource management practices and firm performance.

ii) To assess the relationship between human resource management practices and employee outcomes.

iii) To determine the relationship between employee outcomes and firm performance.

iv) To assess the moderating effect of organizational learning on the relationship between HRMP and employee outcomes.

v) To assess the moderating effect of competitive strategy on the relationship between employee outcomes and firm performance.

vi) To determine whether the effect of human resource management practices on firm performance is mediated by employee outcomes.

vii) To establish whether the joint effect of HRMP, employee outcomes, organizational learning and competitive strategy on firm performance is greater than the individual independent effect of the predictor variables on firm performance.

1.4 Value of the Study

This study intended to provide insights into knowledge about different HRMP needed to make firms perform successfully. The study proposed to contribute towards filling the gap in the body of knowledge in the practices of HRM in the NSE listed firms in Kenya. The study intended to establish a link between HRMP and firm performance, namely sales growth rate, market share, productivity and profitability. This should not only ensure that the investors who put their capital in listed firms continue to reap the benefits of their investment, but also boost the confidence of other investors to commit their capital in the Nairobi Securities Exchange listed firms.

This study also intended to assess whether organizational learning, competitive strategy moderate, and employee outcomes intervene in the relationship between HRMP and firm performance. The study sought to contribute further to existing empirical studies made in the area of HRMP and also generate a new framework for further research relating to the link between HRMP and firm performance. The researcher envisaged utilizing HRMP, organizational learning, employee outcomes, corporate strategy and firm performance variables which had hitherto not been utilized in a single study.

The findings of the current research study will appeal to human resource management practitioners and decision makers in firms when formulating and implementing HRMP with an intention to improving and sustaining the competitive advantage of their firms through their employees or workers. This should in turn make organizations create operational environments that are conducive to make them achieve superior results.

1.5 Scope of the Study

The study was carried out in Kenya. The Nairobi Securities Exchange is made up of ten (10) trading categories. The study was a census of the ten NSE trading categories comprising 60 firms. The categories are: the Agricultural, Commercial and Services, Telecommunication and Allied, Automobiles and Accessories, Banking, Insurance, Investment, Manufacturing and Allied, Construction and Allied, and Energy and Allied. The NSE listed firms operate in a competitive market that is dynamic. The firms have to adopt progressive practices that can enable them realize their objectives.

1.6 Definition of Terms

Human Resource Management Practices: This refers to a combination of a set or bundle of practices or systems that firms may adopt to manage how the organization handles its most important asset – people, to attain and sustain and inimitable competitive advantage to achieve superior performance.

Organizational Learning: This is the efficient procedure that is used to process, interpret and respond to both internal and external information of a predominantly explicit nature. The focus of organizational learning is on developing organizational capability to assist firms achieve their set goals and targets. According to Ehrenberg and Smith (1994), the knowledge and skills a worker has come from education and training, including the training that experience brings, this helps in generating productive capital.

Employee Outcomes: These are immediate behaviours and work attitudes that result from the management policies and practices of any given firm. Examples of such employee outcomes are competence, employee commitment and empowerment which have an effect on how employees work in an organization. Employees do not bring these key work attitudes and behaviors on entry into a firm. They acquire them in the workplace, through a process of the interaction relationships. Appropriate HRMP, policies, processes and procedures enhance employee outcomes (Luthans, 2008). For this study, competence, commitment and empowerment are conceived as determined by HRMP and predictors of firm performance.

Competitive Strategy: These are strategies that are primarily concerned with coordinating and integrating unit activities so that they conform to organizational strategies to (achieve synergy); develop distinctive competencies and competitive advantage in each unit; Identify product or service-market niches and developing structures for competing in each; and monitoring product or service markets so that strategies conform to the needs of the prevailing stage of evolution.

Firm Performance: The term firm performance is used interchangeably with organizational or corporate performance in this research. Firm performance relates to an assessment of an organization in terms of its ability to achieve its stated objectives over a given period of time. Firm performance is broad and has to be studied with reference to its indicators. A firm that is able to meet its objectives is considered as successful. For this study, firm performance was measured in terms of: sales growth rate; market share; productivity; **p**rofitability.

1.7 Organization of the Thesis

The thesis consists of five chapters. Chapter One presents the introduction and background of the study variables, namely: Human Resource Management Practices (HRMP), organizational learning, employee outcomes, competitive strategy and firm performance. The chapter provides a subsection on Nairobi Securities Exchange (NSE) listed firms, which highlights the role that NSE listed firms play in the Kenyan economy and the dynamic operational environment they operate in the context stakeholder expectations, and how these aspects reinforce the need for HRM practices that can help the firms attain and sustain the much needed competitive advantage for enhanced firm performance. This is followed by the statement of the research problem, study objectives, justification of the study.

Chapter Two presents a theoretical exposition of the framework on which the study its pegged. It reviews theoretical and empirical literature relating to linkages among major variables of the study, focusing on the direct link between HRMP and firm performance; HRMP and employee outcomes; and between employee outcomes and firm performance. The chapter also reviews literature on the intervening effect of employee outcomes on the relationship between HRMP and firm performance. The chapter also reviews literature on the moderating effect of competitive strategy on the link between employee outcomes and firm performance. The chapter also reviews literature on the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. The review points out the existing gaps in knowledge in both the direct and indirect linkages, which the current study has attempted to fill. Finally, the chapter sets out a conceptual model and conceptual hypotheses.

Chapter Three identifies and discusses the philosophical orientation of the study, the research design and the methodology adopted for the study. It also covers the target population of the study, the data collection method and tools, and it highlights the operationalization of research variables and the analytical data models.

Chapter Four has three major sections. The first section presents the results of the general data analysis, starting with test of validity and reliability, followed by the descriptive statistics using frequency tables, percentages, means, standard deviations, and Cronbach's Alpha coefficients of reliability. The profiles of respondents and firms that participated in the study are also presented, followed by results of the measures for each variable of the study. The second section presents the results of the test of hypotheses and interpretation. The first three hypotheses test and present the results of the direct link between HRMP and firm performance; HRMP and employee outcomes; and between employee outcomes and firm performance. The forth hypothesis tests and present results of the strength of organizational learning on the relationship between HRMP and employee outcomes. The fifth hypothesis tests and presents results of the strength of competitive strategy on the relationship between employee outcomes on firm performance. The sixth hypothesis tests and presents results of the intervening effect of employee outcomes on the relationship between HRMP and firm performance. The last hypothesis tests and presents the results of the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance, as well as the individual effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. Simple linear and multiple regression analysis parametric statistical techniques were used. The third section is a discussion of the findings.

Chapter Five presents the summary of findings; the conclusion; the implications of the study, the limitations of the study, and the recommendations for further research. The structure of the chapter is guided by specific objectives of the study, such that for every objective, the researcher presents a summary and explanation of the findings in light of previous empirical findings and theoretical explanations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides the theoretical foundation of the study, reviews selected conceptual and empirical literature relating to key variables with the aim of highlighting the research study gaps. A summary highlighting research and knowledge gaps is provided which indicated the need of conducting the current study. Finally, the study conceptual framework map and hypotheses are outlined**.**

2.2 Theoretical Foundations of the Study

2.2.1 Human Capital Theory

The human elements of an organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization. The Human Capital Theory (HCT) according to Schultz (1961) provides a perspective that value addition by people within an organization can contribute to better firm performance. Human capital theory regards people as assets and not a cost within an organization. Human capital, according to Bontis et al., (1998), represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinct character. The HCT emphasizes the added value that people can contribute to an organization. Boxall (1996) refers to this situation as one that confers 'human capital advantage.'

Human capital is an intangible asset – it is not owned by the firm that employs it. Individuals arrive at their conventional workplace, work and when they leave at the end of a working session, they take most of their knowledge and relationships with them. Human capital when viewed from a time perspective consumes time in its key activities; knowledge (activities involving one employee); collaboration (activities involving more than one employee); processes (activities specifically focused on the knowledge and collaborative activities generated by organizational structure – such as silo impacts, internal politics, etc.); and absence (annual leave, sick leave, holidays, etc.). Despite the lack of formal ownership of human capital, firms can and do gain from high levels of training, in part because they create a corporate culture or vocabulary terms to create cohesion.

In recent economic writings the concept of firm-specific human capital, which includes those social relationships, individual instincts, and instructional details that are of value within one firm (but not in general), appears by way of explaining some labour mobility issues and such phenomena as golden handcuffs. Workers can be more valuable where they are simply for having acquired this knowledge, these skills and these instincts. Accordingly the firm gains from their unwillingness to leave and market talents elsewhere.

2.2.2 Resource Based View

This study was anchored in the Resource Based View (RBV) of the firm. There is strong evidence that supports the RBV (Crook et al., 2008) which indicates that firms compete in an ever changing and dynamic business environment. Organizations can attain and achieve a sustained competitive advantage through their employees according to Barney (1991). This can be realized when a firm has a human resource pool that cannot be imitated or substituted by its rivals or competitors. The RBV as a basis of competitive advantage lies primarily in the application of the bundle of valuable resources at the disposal of the firm. The firm has to identify the key potential resources which should fulfill the criteria of being valuable, rare, in-imitable and non-substitutable by the firms' competitors (Galbreath, 2005) in the area in which the firm operates.

In strategy literature, the resource based view of the firm (Barney, 1991) provides a key element that if HRM systems are to create sustained competitive advantage, they must be difficult to imitate, valuable, rare and non-substitutable. Collis and Montgomery (1995) describe two features of a strategic resource that enhance inimitability and that characterize High Performance Work Systems (HPWS), these are, path dependency and causal ambiguity. Path dependency characterizes resources that are developed over time such that learning and experience provide cumulative “first mover” advantage. A competitor cannot simply purchase an equivalent resource from the market and “catch up” with a rival firm. Causal ambiguity describes resources whose content and essential ingredients are so subtle and difficult to fully comprehend that observers outside the firm are not able to reproduce in their own organizations. The causal ambiguity of an appropriately aligned HPWS that embeds effective strategy implementation throughout the firm is a good illustration (Lado &Wilson, 1994; Lengnick-Hall, 1988). This is what helps a firm to create a competitive advantage through its unique human resource.

The key points of the RBV theory are that firms have to identify their key potential resources and evaluate whether these resources fulfill the following criteria referred to as Valuable, Rare, In-imitable and Non-substitutable (VRIN). A resource must be valuable to enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses (Barney, 1991; Amit & Schoemaker, 1993). Relevant in this perspective is the argument that the transaction costs associated with the investment in the resource cannot be higher than the discounted future rents that flow out of the value-creating strategy (Mahoney & Pandian, 1992; Conner, 1992). Rare – to be of value, a resource must be rare by definition. In a perfectly competitive strategic factor market for a resource, the price of the resource will be a reflection of the expected discounted future above-average returns (Barney, 1986a; Dierickx and Cool, 1989). In-imitable – if a valuable resource is controlled by only one firm it could be a source of a competitive advantage (Barney, 1991). This advantage could be sustainable in the long run if competitors are not able to duplicate this strategic asset perfectly (Peteraf, 1993; Barney, 1986b,). The term ‘isolating mechanism’ according to Rumelt (1984) explains why firms might not be able to imitate a resource to the degree that they are able to compete with the firm having the valuable resource (Peteraf, 1993; Mahoney & Pandian, 1992). An important underlying factor of inimitability is causal ambiguity, which occurs if the source from which a firm’s competitive advantage stems is unknown (Peteraf, 1993; Lippman and Rumelt, 1982). If the resource in question is knowledge-based or socially complex, causal ambiguity is more likely to occur as these types of resources are more likely to be idiosyncratic to the firm in which it resides (Peteraf, 1993; Mahoney & Pandian, 1992; Barney, 1991). Non-substitutable – even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability (Dierickx & Cool, 1989; Barney, 1991). If the competitors of a firm are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents (Barney, 1986a), resulting in zero economic profits. Firms have to provide care for and protection of resources that possess these evaluations, because doing so can improve organizational performance (Crook, Ketchen, Combs, & Todd, 2008).

The VRIN characteristics mentioned are individually necessary, but not sufficient conditions for a sustained competitive advantage (Dierickx & Cool, 1989; Priem & Butler, 2001). Within the framework of the resource-based view it should be noted that, the chain is as strong as its weakest link and therefore requires the resource to display each of the four characteristics to be a possible source of a sustainable competitive advantage (Barney, 1991). A subsequent distinction, made by Amit & Schoemaker (1993) is that the encompassing construct previously called "resources" can be divided into resources and capabilities. In this respect, resources are tradable and non-specific to the firm, while capabilities are firm-specific, generic and are used to engage the resources within the firm, such as implicit processes to transfer knowledge within the firm (Makadok, 2001; Hoopes, Madsen and Walker, 2003). This distinction has been widely adopted throughout the resource-based view literature (Conner & Prahalad, 1996; Makadok, 2001). There has to be a distinction between capabilities and resources by defining capabilities as a special type of resource, specifically an organizationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm (Barney, 1991). Resources are stocks of available factors that are owned or controlled by the firm, and capabilities are an organization's capacity to deploy resources. Essentially, it is the bundling of the resources that builds capabilities.

A competitive advantage can be attained if the current strategy in a firm is value-creating, and not currently being implemented by present or possible future competitors (Barney, 1991). Although a competitive advantage has the ability to become sustained, this is not necessarily the case. A competing firm can enter the market with a resource that has the ability to invalidate the prior firm's competitive advantage, which results in reduced (normal) rents (Barney, 1986b). Sustainability in the context of a sustainable competitive advantage is independent with regard to the time frame. Rather, a competitive advantage is sustainable when the efforts by competitors to render the competitive advantage redundant have ceased (Rumelt, 1984). When the imitative actions have come to an end without disrupting the firm's competitive advantage, the firm's strategy can be called sustainable.

The Resource Based View (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Wernerfelt, 1984; Rumelt, 1984; Penrose, 1959). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Peteraf, 1993). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991). If these conditions hold, the bundle of resources can sustain the firm's above average returns.

The resource based view has been of common interest for management researchers and numerous writings can be found for same. A resource-based view of a firm explains a firm's ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Barney, 1991). RBV explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney & Wright, 1998; Makadok, 2001). A firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm while being rare. It also highlights the fact that not all resources of a firm may contribute to a firm's sustainable competitive advantage. Varying performance between firms is a result of heterogeneity of assets (Peteraf, 2003) and RBV is focused on the factors that cause these differences to prevail (Grant 1991; Mahoney & Pandian, 1992).

Resources are the inputs or the factors available to a company which helps to perform its operations or carry out its activities. Resources, if considered as isolated factors do not result in productivity; hence, coordination of resources is important. The ways a firm can create a barrier to imitation are known as 'isolating mechanisms,' and are reflected in the aspects of corporate culture, managerial capabilities, information asymmetries and property rights (Barney, 1991).

King (2007) notes that inter-firm causal ambiguity may result in sustainable competitive advantage for some firms. Causal ambiguity is the continuum that describes the degree to which decision makers understand the relationship between organizational inputs and outputs (King, 2007). The inability of competitors to understand what causes the superior performance of another firm (inter-firm causal ambiguity), helps the competitor to reach a sustainable competitive advantage for the one that is presently performing at a superior level. The social context of certain resource conditions act as an element to create isolating mechanisms. According to Wernerfelt (1986), tacitness (accumulated skill-based resources acquired through learning by doing), complexity (large number of inter-related resources being used) and specificity (dedication of certain resources to specific activities) and ultimately, these three characteristics will result in a competitive barrier.

The RBV reflects a unique feature, namely, that sustainable competitive advantage is achieved in an environment where competition does not exist. According to the characteristics of the RBV, rival firms may not perform at a level that could be identified as considerable competition for the incumbents of the market, since they do not possess the required resources to perform at a level that creates a threat and competition. Through barriers to imitation, incumbents ensure that rival firms do not reach a level at which they may perform in a similar manner to the former. In other words, the sustainability of the winning edge is determined by the strength of not letting other firms compete at the same level (Barney, 1995). The moment competition becomes active, competitive advantage becomes ineffective, since two or more firms begin to perform at a superior level, evading the possibility of single-firm dominance; hence, no firm will enjoy a competitive advantage.

An organization should exploit existing business opportunities using the present resources while generating and developing a new set of resources to sustain its competitiveness in the future market environments; hence, an organization should be engaged in resource management and resource development. In order to sustain the competitive advantage, it is crucial to develop resources that will strengthen the firm's ability to continue the superior performance. K'Obonyo et al., (2013) agree that any industry or market reflects high uncertainty and, in order to survive and stay ahead of competition, new resources become highly necessary. They state that the need to update resources is a major management task since all business environments reflect highly unpredictable market and environmental conditions.

2.3 Human Resource Management Practices and Firm Performance

The changing competitive realities have provided the HRM function with unprecedented opportunities to create significant shareholder value, through effective and efficient management of the firm's HRM system. The importance of the global or overall HRM system is emphasized because it is believed to be systematic and interrelated influence of HRM policies and practices that provide their inimitability, and therefore provides a strategic lever for the firm that is internally consistent and externally aligned (with the competitive strategy). Work systems are generally thought to include rigorous recruitment and selection procedures, performance contingent incentive compensation systems, management development and training activities linked to the needs of the business, and significant commitment to employee involvement (Arthur, 1994; Huselid, 1995a; Ichniowski, Shaw, & Prennushi, 1997; Jackson and Schuler, 1995; MacDuffie, 1995; Pfeffer, 1994).

Pfeffer (1998) regards employment security as fundamentally underpinning the other six HR practices, principally because it is regarded as unrealistic to ask employees to offer their ideas, hard work and commitment without some expectation of employment security and concern for their future careers. Positive psychological contracts lead to open and trusting employment relationships and mutuality, which is seen as a key component in partnership agreements.

There are obviously limits to how much employment security can be guaranteed. It does not mean that employees are necessarily able to stay in the same job for life, nor does it prevent the dismissal of employees who fail to perform to the required level (Huselid, 1995a). Similarly, a major collapse in the product market that necessitates reductions in the labour force should not be seen as undermining this principle. The most significant point about including employment security as one of the high commitment HR practices is that it asserts that job reductions will be avoided wherever possible, and that employees should expect to maintain their employment with the organization – if appropriate through internal transfers. Employment security can be enhanced by well-devised and forward-looking systems of human resource planning and an understanding of how organizations may be structured to achieve flexibility. It is perhaps best summed up by the view that workers should be treated not as a variable cost but as a critical asset in the long-term viability and success of the organization. Indeed, there is also a business case for employment security. According to Pfeffer (1998), laying people off 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.

Pfeffer (1998) reckons that compulsory lay-offs and downsizing undermine employment security, and sees the following as alternatives: (1) proportionately reducing working hours to 'spread the pain' of reduced employment costs across the entire workforce; (2) reducing wages to reduce the labour costs; (3) freezing recruitment to prevent overstaffing; and (4) putting production workers into sales to build up demand. This is some way short of full-blown employment security, and it is clear that employment security is not expected to reduce corporate profits. The employer's financial flexibility is maintained by increasing employee workloads and by ensuring that salaries are related to organizational performance in the event of a downturn in demand.

Recruiting and retaining outstanding people and ‘capturing a stock of exceptional human talent’ (Boxall, 1996) is seen as an effective way to achieve sustained competitive advantage. Even though employers have always wanted to recruit the best people available, this is nowadays more likely to be systematized through the use of sophisticated selection techniques and taking greater care when hiring. Increasingly, employers are looking for applicants who possess a range of social, interpersonal and team working skills in addition to technical ability. For example, Wood and de Menezes (1998) asked about the importance of social and team working skills as selection criteria, and Wood and Albanese (1995) found that two of the major facets sought by employers were trainability and commitment. Hoque’s (1999) study of large hotels also identified trainability as a major selection criterion. According to Guest et al., (2003) employers feel that they can provide technical training for people so long as they have the ‘right’ social skills, attitudes and commitment. The proxies used to measure ‘selective hiring’ vary widely. They include the following: the number of applicants per position (Delaney and Huselid 1996) or as many good; applicants as the organization needs (Guest et al., 2003); the proportion administered an employment test prior to hiring (Huselid, 1995b; Guest et al 2003); the sophistication of selection processes, such as the use of psychometric tests (Patterson et al 1997) and realistic job previews (Hoque 1999; Guest et al., 2000b).

The concept of team work enables a group of workers or people to share their knowledge, experiences, skill, judgment and ideas in order to build synergy for better results. workplace teams and decentralization, according to Pfeffer (1998), self-managed teams or team working provides several advantages, like, teams depend on peer based working pattern rather than hierarchy; facilitates the flow of ideas amongst team members; and can be cost effective as opposed to hiring external service providers or consultants. Teamwork has been identified by many employers as a fundamental component of organizational success. The ability to work in teams is also one of the key attributes that employers look for in new recruits and something asked for in references. Teamwork is typically seen as leading to better decision making and the achievement of more creative solutions (Pfeffer, 1998). Evidence suggests that employees who work in teams generally report higher levels of satisfaction than their counterparts working under more 'traditional' regimes, although they also report working hard as well (Batt, 2004).

The range of measures used by researchers to assess team working has been rather narrower than those used to assess many of the other 'best practices'. Generally, it refers to the proportion of workers in teams (MacDuffie, 1995; Guest et al., 2003), the use of formal teams (Patterson et al., 1997; Guest et al., 2000a) or the deliberate design of jobs to make use of workers' abilities (Hoque, 1999). However, such measures cannot tell us whether or not these teams actually are self-managed or act as autonomous groups, and much depends upon decisions concerning, inter alia, the choice of team leader, responsibility for organizing work schedules, and control over quality. A distinction is also made between off-line teams – such as quality circles – and on-line teams where workers are involved in daily decisions about work organization (Batt, 2004). Regarding the latter, on-line teams could actually be categorized as autonomous groups where team members have responsibility for managing their own time and appoint their own leaders. The negative impact of team working may be especially problematic for lower skilled workers.

Progressive organizations are increasingly adopting high pay contingent on performance of an employee which impacts on firm performance, there are three kinds of compensation plans, base compensation, pay incentives and indirect compensation, (Gomez-Mejia, et al., 1992). Firms strive to provide compensation and rewards that help not only in the attraction, retain and motivate employees to work effectively which can assist a firm to attain and sustain a competitive advantage through its workers. An organizations policy and practice on staff compensation is important in attracting and retaining highly talented employees (Pfeffer, 1998). According to Pfeffer (1998), there are two elements to this practice – higher than average compensation and performance-related reward – both send a signal to employees that they deserve to be rewarded for superior contributions. To be effective, this needs to be at a level in excess of that for comparable workers in other organizations so as to attract and retain high quality labour. In addition, according to this scenario, rewards should reflect different levels of worker contribution, perhaps being paid as a regular bonus or through profit sharing schemes. Despite the extensive criticisms of performance-related pay, it is included in most lists of ‘best practice’, particularly those conducted in the USA. Given that research in the UK is much more critical about the value of incentive pay. Huselid (1995b) included two measures for compensation: the proportion of the workforce who have access to company incentive schemes and the proportion whose performance appraisals are used to determine their compensation. MacDuffie (1995) refers to contingent compensation. Wood and de Menezes (1998) enquired about merit pay and profit sharing, Guest et al (2000a) included performance related pay for non-managerial staff, whereas Hoque (1999) asked about merit pay and appraisal schemes for all staff and Guest et al., (2003) focused on appraisal as the key factor.

The aim of training is to enhance the competencies of the employee through job rotation, task assignment and cross functional exchange of employees (Ulrich, 1998). According to Schuler and Jackson (1987), coaching, mentoring and job instruction are crucial aspects of training. Having recruited ‘outstanding human talent’, employers need to ensure that these people remain at the forefront of their field, not only in terms of professional expertise and product knowledge but also through working in teams or in interpersonal relations.

It is widely acknowledged that most workers are over-qualified for the jobs they do (Grugulis, 2003), and as such extra training may add little to organizational performance or worker skills. Even where training opportunities are provided, there is often ‘no explicit aim within the training of increasing the individuals’ skill base or broadening their experience’ (Truss et al., 1997). Similarly, questions need to be asked about whether or not longer term budget safeguards are established so as to protect training provision (Wood & Albanese 1995) or if training is tied in to ‘increased promotability within the organization’ (Delery & Doty, 1996). The quality of training, both in terms of its focus and its delivery, is clearly more important than a simple count of the amount provided.

Pfeffer (1998) argues that ‘employee ownership, effectively implemented, can align the interests of employees with those of shareholders by making employees shareholders too’. Firms with high shareholder returns also often have some form of employee ownership. The proxies used for harmonization and the reduction of status differentials are also wide and variable. For example, Wood and de Menezes (1998) ask whether or not any employees have to ‘clock in’ to work, and about the existence of employee share schemes and welfare facilities/fringe benefits. Hoque’s (1999) questions relate very broadly to harmonization and single status. Guest et al., (2003) questions vary between the highly specific (harmonized holiday entitlements for all staff) through to whether or not the organization has a formal commitment to achieving single status.

There are a number of reasons why Emotional Intelligence (EI) is an essential component of the high commitment paradigm (Guest, 2003). First, open communications about financial performance, strategy and operational matters not only ensures workers are informed about organizational issues, it also conveys a symbolic and substantive message that they are to be trusted and treated in an open and positive manner. Second, for team work to be successful workers require information in order to provide a basis from which to offer their suggestions and contribute to improvements in organizational performance. Third, participation can provide management with some legitimacy for its actions on the grounds that ideas have been put forward by workers and/or at least considered by them before decisions are ultimately made. Even if management has more power at its disposal than workers do, the employment relationship is not complete and legally defined in detail but open to interpretation and disagreement over how it is enforced on a daily basis. Of course there are also arguments that workers have a moral right to participation and involvement. Information sharing or EI appears in just about every description of, or prescription for, ‘best practice’ or high commitment HRM. EI can include downward communications, upward problem-solving groups and project teams, all of which are designed to increase the involvement of individual employees in their workplace. The precise mix of EI techniques depends upon the circumstances, but the range of measures used and the ‘flexible’ definition of involvement are potentially confusing. Many of the studies restrict this to downward communications from management to employees which measure the frequency of information disclosure (Patterson et al., 1997), the regularity of team briefing or quality circles (Wood & Albanese 1995) or the extent to which workers are informed or consulted about business operations or performance (Guest et al., 2003).

The regularity of attitude surveys also features strongly in many of the studies (Huselid, 1995b; Hoque, 1999; Guest et al., 2000a). Some go further and enquire about the percentage of employees who receive training in group problem-solving (Arthur 1994) or the level at which a range of decisions is made (Delaney & Huselid 1996). The range of proxies used is so wide that it is difficult to compare results across these studies and arrive at any firm conclusions about the importance of information sharing and EI to high commitment HRM.

Much of the work in the area of HRM-firm performance area is organized around several themes and research approaches that set it apart from conventional research in the field of HRM. Perhaps the most important of these differences is that systems of HRMP, rather than individual practices and policies in isolation, have been the level of analysis in much of the recent work. HRM systems are the most appropriate level of analysis because they more accurately reflect the multiple paths through which HRM policies will influence successful strategy implementation, (Huselid, 1997). Alignment also becomes important in this context: both internal to the HRM system (among HRM policies) and externally (with other organizational policies and goals), such that the entire system is appropriate for the firms' competitive strategy and helps to achieve the firm's operational goals.

The focus on alignment necessarily involves the possibilities for complementarities or synergies within an appropriately aligned system. These complementarities can be positive, where the "whole is greater than the sum of the parts," or negative, where elements of the system conflict (internally or externally) and actually destroy rather than create value (Guest et al., 2003). The more subtle the alignment requirements and more idiosyncratic to the particular firm, the more the HRM system can provide an inimitable strategic asset. Unless the HRM-firm performance relationship is to be largely driven by a more efficient management of a firm's HR, and the consequent contribution to lower operating costs, the notion of HRM as a strategic asset must be able to address the question of inimitability. This is the reason as to why organizations have to focus on HRM systems. It presents a departure from the traditional view of HRM that emphasizes "best practices" and "benchmarking" as the foundation for their contribution to firm success.

Thinking about the strategic role of an HRM system is a considerably different perspective for both the academics and practitioners who have largely focused on individual HRM policies and practices within narrow functional silos (staffing, compensation, training and development and such others. For academics; it means an interdisciplinary research perspective incorporating HR, strategy, organizational economics and finance. For HR managers and HR function, it means new competencies and perhaps competing roles, requiring both value creation and cost containment.

Human resource management practices can affect the performance of an organization. According to Pfeffer (1994), a particular set of HR best practices can increase company profits and the impact is more pronounced when HR practices are integrated and used together. Such a conclusion holds good for all companies and industries irrespective of their context. Firms need to build long-term commitment to retaining their work force. This can be achieved through more rigorous recruitment and selection and greater investment by firms in training and developing their work force. Many organizations need to change their philosophy to regarding people as assets rather than costs (Fruin, 2000).

Employment security policies need to reflect more careful staff selection and leaner hiring. Leaner staffing can result to a more productive work force with fewer people doing the work, increased flexibility and employees working closer to the customer. People are often happy to be more productive if they know they have a secure long-term job with a career. More importantly, firms need to take a long-term strategic view to human resources rather than a short-term operational cost cutting approach (Fisher & Dowling 1999). Instead of management devoting time and energy to controlling the workforce directly, workers control themselves (Batt, 1996). Peer control is frequently more effective than hierarchical supervision because in team-based organizations, people feel more accountable and responsible for the operation and success of the enterprise, not just to people in senior positions.

Benson and Lawler (2003) note that 'research at the work unit level confirms the importance of viewing practices as complementary' and that the high commitment model (in general) out-performed more traditional control-oriented work systems despite the fact that the exact combination of practices is uncertain and may be industry-specific. There is certainly theoretical support for the notion that HR practices should operate more effectively when combined together. For example, it could be argued that extensive training is essential for self-managed teams to run effectively, or that higher than average rewards are likely to have a positive impact on numbers of applications for jobs. An employer may feel more inclined to promise employment security if selective hiring has taken place, self-managed teams are extensive throughout the organization, and rewards are contingent upon performance. Wood and de Menezes (1998) found an identifiable pattern to the use of high commitment HR practices' and confirm that these practices are being used in conjunction with each other.

Guest (1997) categorizes previous attempts to examine internal fit across HR practices into three distinct groups. First, there are criterion-specific studies, such as that by (Pfeffer, 1998), which outline a number of 'best practices' and suggest that the closer organizations get to this list the better their performance is likely to be. The danger with such universalistic approaches is that they ignore potentially significant differences between organizations, sectors and countries, and posit a particular model – in this case, the US model – as the one to be followed. With this approach, the principal job is to detect the bundle that seems to work and then get all organizations to apply this without deviation. Second, there are two sets of criterion-free categories, 'fit as gestalt' and 'fit as bundles'. In the case of the former, it is assumed that the synergies are achievable only with the adoption of all these practices, and that if one is missing the whole effect will be lost. These approaches are termed 'multiplicative', and it is assumed that the whole is greater than the sum of its parts. In this scenario, an organization that adopted a majority of the practices would be no better off than one that adopted none of them because the chain tying together the different elements of HRM would be broken.

One of the many advantages of self-managed teams, according to Pfeffer (1998), is that they can remove a supervisory level from the hierarchy: ‘eliminating layers of management by instituting self-managing teams saves money. Self-managed teams can also take on tasks previously done by specialized staff, thus eliminating excess personnel.’ It is not self-evident that the personnel who are ‘eliminated’ are actually found other jobs, so the implementation of self-managed teams – even if it does empower certain groups of workers – may result in others losing their employment security. There are further potential contradictions between the different practices. For example, team working may be undermined by the use of individual performance-related pay or by the HR practices of other firms in a network that cut across internal organizational coherence. While there is strong support for bundling – in one form or another – it is also clear contradictions and tensions may arise between the different HR practices in the bundle. Indeed, Boxall and Purcell (2003) do not see this as surprising as any notion of organizational coherence inevitably ‘over simplifies the paradoxical elements involved in managing people.’

The results from the survey by Patterson et al., (1997) put forward evidence for the importance of HRM as a driver of, and contributor to, improved performance. The research was based on longitudinal studies of 67 UK manufacturing that were predominantly single site and single product operations. It has been claimed – on the basis of this research– that HRM had a greater impact on productivity and profits than a range of other factors including strategy, R&D and quality. For example, it was argued that 17 per cent of the variation in company profitability could be explained by HRM practices and job design, as opposed to just 8 per cent from research and development, 2 per cent from strategy and 1 per cent from both quality and technology. Similar results were indicated for productivity from studies undertaken in the United Kingdom by Guest et al., (2000a, and 2000b); Guest et al., (2003) and Purcell et al., (2003) that focused on the HRM–performance link. On the basis of these studies some forceful claims have been made about the impact of high commitment HRM on performance. It is argued that senior personnel practitioners now agree that the case for HRM impacting on organizational performance is not in dispute, the key question is how to make it happen.

From a US perspective, Pfeffer (1998) agrees that best practice HRM has the potential to have a positive impact on all organizations, irrespective of sector, size or country. Organizations only need leaders possessing both insight and courage to generate the large economic returns that are available from high commitment HRM.

2.4 Human Resource Management Practices and Employee Outcomes

It is widely recognized that the type of human resource management practices that are adopted by firms may influence employee outcomes in the organization. According to Pfeffer (1998) few firms are able to elicit the hidden power of human resources and bring them into use to become market leaders in their markets. The human resource management practices that are adopted by an organization influence employee outcomes. Where an organization adopts a rigorous recruitment and selection exercise for both internal and external sources of employees, based on competence and merit the employees who are hired are expected to strongly identify themselves with the organization.

A firm that encourages team work and provides employees with discretion and resources to make decisions while allowing employees to discuss with the management matters that affect them is bound to achieve its set targets. Employees who are continuously trained and developed are able to develop their capacity to work and take action independently, (Ahmad & Schroeder, 2003; Youndt & Snell, 2004). This helps in reducing work performance cycle times and minimizes the need for employee supervision in the workplace.

There is a growing recognition of the importance of individual and organizational learning as a source of sustained competitive advantage as employers introduce more skills specific forms of training and experience continuing skills shortages in some areas. Wright & Gardner (2003) note this is one of the most widely quoted and important elements of high commitment HRM. The use of the word ‘learning’ is crucial as it demonstrates employer willingness to encourage and facilitate employee development rather than just providing specific training to cover short-term crises. Different types of measure have been used here: fully fledged ‘learning companies’ (Hoque, 1999), employee development and assessment programmes or task-based and interpersonal skills training. The time and effort devoted to learning opportunities is also important.

2.5 Employee Outcomes and Firm Performance

Although empirical and theoretical literature indicate that employee outcomes are an intermediate product of HRMP and antecedents of firm performance (Purcell et al., 2003; Huselid, 1995b), other scholars argue that employee outcomes provide a mechanism through which HRMP and other moderating variables affect firm performance (Oloko, 2008; Kidombo, 2007; Coopers & Schindler, 2006). Most of the research demonstrating the link between employee outcomes and firm performance has been conducted in the private sector and are mixed in nature (Oloko, 2008; Kidombo, 2007; Gould-Williams, 2003). Most HRM research has focused on identifying HRMP that enhance employee commitment and firm performance (Kidombo, 2007; Gould-Williams, 2003; Pfeffer, 1994; Arthur, 1994). The assumption behind the best practice is that a particular set of HR practices enhances employee work attitude and behaviours that guarantee superior outcomes (Guthrie, 2001). Arthur (1994) for example, found that commitment HRM practices were associated with higher productivity, lower scrap level rates and lower employee turnover. Employee outcomes are expected to influence firm performance in an organization through the competence, commitment and empowerment of employees in the workplace. (Boxall & Purcell, 2003) opine that there is a complex relationship between human resource management and the achievement of organizational outcomes. Firm performance can be evaluated through the sales growth rate, market share achieved, level of productivity attained and the profitability of a given organization.

Where employees possess the knowledge, understanding and have the expertise to carry out their work effectively, they can be more productive. An organization that synchronizes its goals mutually with those of its employees is likely to elicit commitment from its employees. This approach can go a long way in making the organization to achieve its set targets like profitability given that employees buy into the set systems like the use of productivity linked pay structures.

2.6 Human Resource Management Practices, Employee Outcomes and Firm Performance

The HRMP that are adopted by firms do not directly influence firm performance. There are variables like employee outcomes which tend to affect performance of firms. **(**Boxall & Purcell, 2003) argue that there is a complex relationship between HRM and the achievement of organizational outcomes and that HR strategy is strongly influenced by national, sector and organizational factors. Employee outcomes like the competence, commitment and empowerment of employees to some extent affect firm performance.

Many organizations are looking at how to improve their productivity and competitive advantage through their people (Delery & Doty, 1996), especially when it is considered that people management is an underpinning and essential aspect to the competitiveness of business organization. Firms are enhancing efforts to invest in individual and organizational learning as a source of sustained competitive advantage as employers introduce more skills specific forms of training and experience continuing skills shortages in some areas. Guest et al., (2003) opine that this is one of the most widely quoted and important elements of high commitment human resource management.

The use of the terminology ‘learning’ is crucial in this context as it demonstrates employer willingness to encourage and facilitate employee development rather than just providing specific training to cover short-term crises. Different types of measures have been used here: fully fledged ‘learning companies’ (Hoque, 1999), employee development and assessment programmes or task-based and interpersonal skills training. The duration and effort that is set aside for acquisition of knowledge and skills should be sufficient to facilitate effective learning.

2.7 Organizational Learning, Human Resource Management Practices and Employee Outcomes

Organizational learning helps a firm to build its knowledge base, (Ehrenberg & smith, 1994) have observed that the knowledge and skills that a worker has, which comes from education and training, including the training that experience brings helps in generating productive capital. In the relationship between HRMP and firm performance, organizational learning can contribute to the development of a firm's resource based capability. When the knowledge and skills of employees are enhanced, employees are expected to perform their jobs and tasks more efficiently and effectively. This coupled with other variables in the workplace like employee empowerment, sharing of information in the organization and adoption of an appropriate competitive strategy, a firm can enhance its performance. Organizational learning outcomes contribute to the development of a firm's resource based capability. Employee empowerment is in line with the basic principle of human resource management which indicates that it is necessary to invest in people so as to develop intellectual capital. This is necessary for organizations to enable them increase their stock of knowledge and skills for superior performance.

According to Ulrich (1998) knowledge has become a direct competitive advantage for companies. The implication of this according to Argyris (1992) is that the firms that develop a sound base for organizational learning are more likely to compete effectively, gain and sustain a competitive advantage against their competitors in the market. According to Garvin (1993), learning is an essential ingredient if organizations are to survive; that learning at operational, policy and strategic levels need to be conscious, continuous and integrated; and that management is responsible for creating an emotional climate in which all staff can learn continuously. Knowledge Management (KM) is the process of capturing, developing, sharing, and effectively using organizational knowledge (Davenport, 1994). It refers to a multi-disciplined approach to achieving organizational objectives by making the best use of knowledge.

Many large companies, public institutions and non-profit organizations have resources dedicated to internal KM efforts, often as a part of their business strategy, information technology, or human resource management departments (Addicot et al, 2006). Several consulting companies provide strategy and advice regarding KM to these organizations. Knowledge management efforts typically focus on organizational objectives such as improved performance, competitive advantage, innovation, the sharing of lessons learned, integration and continuous improvement of the organization. KM efforts overlap with organizational learning and may be distinguished from that by a greater focus on the management of knowledge as a strategic asset and a focus on encouraging the sharing of knowledge (Gupta & Sharma, 2004; Sanchez, 1996). It is seen as an enabler of organizational learning and a more concrete mechanism than the previous abstract research.

Senge (1990), who proposed the term learning organization, described a learning organization as one where people continually expand their capacity to create results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together. Provision of educational and training experiences tailored to the specific needs of an organization. Employees have to constantly engage with learning. Employees can be involved in designing training and development courses. Employees have to learn continuously. Employees should transfer knowledge quickly. An organization can focus on collective problem solving within an organization and utilize team learning. Using 'soft systems' approach whereby all the possible causes of a problem are considered in order to isolate those that can be solved from those which cannot be solved. Managers need to develop learning abilities as individuals, and work and learn as teams.

2.8 Competitive Strategy, Employee Outcomes and Firm Performance

The competitive strategy that a firm adopts can to some extent have an effect on the performance of the entity. Most of the empirical studies (David & Chieri, 2004: Evans & Davis, 2005; Paauwe & Boselie, 2005) that have been conducted tend to show a link between HRMP and firm performance. The resultant relationship between HRMP and firm performance may be moderated by the competitive strategy adopted by the organization. An organization that utilizes a cost leadership competitive strategy strives to reduce its operational costs to a level that makes it possible for the firm to compete effectively in the market by charging low prices in comparison to its competitors (Kibera, 1996). This in turn calls for distinct staff competencies that make employees operate effectively minimizing wastes and reducing overall production costs to drive competitiveness (GoK, 2007). Sustainable competitive performance in today's turbulent environment is widely thought to depend on the quality of leadership and strategy. Different competitive strategies influence firm performance. Human resource management practices can help to create a source of sustained competitive advantage especially when they are aligned with a firm's competitive strategy (Begin, 1991; Butler, Ferris, & Napier, 1991; Wright & McMahan, 1992)

A consensus seems to have emerged amongst scholars and practitioners that the business environment has become more competitive today, than in the previous days due to the concept of globalization (Becker & Gerhart, 1996). As a result of this, firms have to enhance their competitive advantage through the human resources that they have to compete effectively in the market. According to Kotler (2000), the firms that tend to properly analyze the environment they operate in are more likely to succeed than those that do not. On the other hand, it can be a major mistake for a firm to assume that environmental conditions will not change; this is very likely to seriously harm the firm (Johnson & Scholes, 2000). Superior profitability is based on achieving competitiveness in the form of unique skills and resources that allow a firm to implement business strategies superior to those of their competitors. In their study of telecommunications, Batt et al., (2002) regarded direct participation and union representation as 'complementary vehicles for employee voice at work.' Internally consistent and coherent HRM system that is focused on soling operational problems and implementing the firm's competitive strategy is the basis of acquisition, motivation, and development of the underlying intellectual assets that can be a source of sustained competitive advantage.

2.9 Summary of the Studies and Knowledge Gaps

The various sources of literature that have been analyzed above indicate the different studies and their area of focus in the effect of HRMP on firm performance. These studies arrived at findings that have brought out research gaps which have informed the current study. The current study focused on these gaps with a view to making a contribution to the effect of HRMP on firm performance relationship debate by scholars and researchers. A summary of the some of the studies reviewed is provided in Table 2.1 which shows the focus of the studies, findings research gaps and the focus of the current study.

Table 2.1 Summary of the Studies and Gaps in Knowledge

Study	Focus	Findings	Research Gaps	Focus of Current Study
Esther, Elegwa, & James, (2012)	Strategic HRM and firm performance	SHRM affect firm performance	Study does not show how SHRM influences performance	Study tested the effect of employee outcomes on firm performance
Purcell & Hutchinsons (2007)	Frontline managers and performance	Frontline managers are agents in the HRM performance link	Frontline managers are generalists and lack know how in handling HR issues	Study used HR managers as informants
Evans & Davis (2005)	High performance work systems-firm performance	Internal social systems mediate in the relationship	Study does not show how work systems affect firm performance	Study tested the intevening effect of employee outcomes on firm peformance
Galbreath (2005)	Resources and firm success	Human resoucres matter in firm success	Study did not show how human resource lead to firm success	Moderating and intervening variables were used to test the HRMP firm performance link
Wang-Jing & Tung (2005)	Strategic HRM	Strategic HRM influences firm performance	Does not show how SHRM influence performance	Study tested how HRMP influence firm performance
Wright, Snell & Dyer (2005)	Models of strategic HRM	The kind of strategic HRM adopted affects firm performance	Does not measure the strength of the strategic HRM Models on firm performance	Study measured the strength of the variables on firm performance

Youndt & Snell (2004)	HR configurations	HR configu-rations and intellectual capital affect organizational perfromance	Does not show how HR configuration influence organizational performance	Study tested the impact of organizational learning on firm performance
Gould-Williams (2003)	Direct link between HR practices, workplace trust and organizational commitment and firm performance	HR practices, workplace trust and organizational commitment and firm performance	The study does not indicate how the study variables impact of firm performance in the public sector in the United Kingdom	The current tested the impirical combiations of HRMP, organizational learning, employee outcomes and competitive strategy on the performance of NSE listed firms
Guest, et al., (2003)	Productivity and quality	HR practices affect firm productivity and quality	Does not show how HR Practices influence productivity and quality	Study used an intervening variable to test the effect of HRMP- firm performance
Purcell,. Kinnie, Hutchinson & Stewart (2003)	People and performance	The way people are managed impacts on organizational performance	Does not indicate how management styles affect firm performance	Study tested how HRMP influence firm performance
Batt (2002)	Sales growth and turnover	HR practices affect firm sales growth	Does not show how HR Practices affect sales growth	Study tested the effect of HR practices on sales growth
Guthrie (2001)	High involvement work practices	High involvement work practices impact on productivity	Study does not show how high involvement work practices affect productivity	Study tested the effect of HRMP on firm performance

Truss C (2001)	HRM and organizational outcomes	HRM affects organizational outcomes	There are complexities and controversies in the HRM – organizational outcomes link	Study tested the moderating and intervening effects in the HRM – Performance link
Pfeffer & Viega (1999)	Firm performance	HR practices collectively affect firm performance	Does not show how HR Practices collectively lead to higher firm performance	Study tested the collective effect of the variables on firm performance
Pfeffer (1998)	Direct link between HRMP and firm performance	HR practices have an effect on firm performance	The study adopted the traditional approach of identifying effects of individual HRM practices on firm performance, but did not test the impact of systems of HRM practices on firm performance	Current study sought to fill the identified knowledge gap by testing and explaining how different HRMP relate to firm performance and employee outcomes among the NSE listed firms
Huselid (1997)	Perceived performance	HRMP on firm performance	Suggested the use of other variables	Different variables were used in the current study
Ichniowski, et al., (1997)	HRM systems	Effect of HRM systems on firm performance	HRM systems affect quality and productivity	Study tested how HRMP affect firm performance

Delaney & Huselid (1996)	Perceived performance	HR practices perceived to influence firm performance	Recommended future studies find out whether firms implement HRMP effectively	Study sought to find out the perception regarding implementation of HRMP
Delery & Doty (1996)	Profitability	HR practices lead to profitability	Does not show intervening effect in HRMP and profitability	Study included an intervening variable
Youndt et al (1996)	Plant performance	Perceived HRMP on firm performance	Study was based on manufacturing plants	Study will use cross cutting sectors/industries
McDuffie (1995)	Human resource bundles	Use of HR bundles has an effect on firm performance	Study used manufacturing firms only	Current study used firms across industries

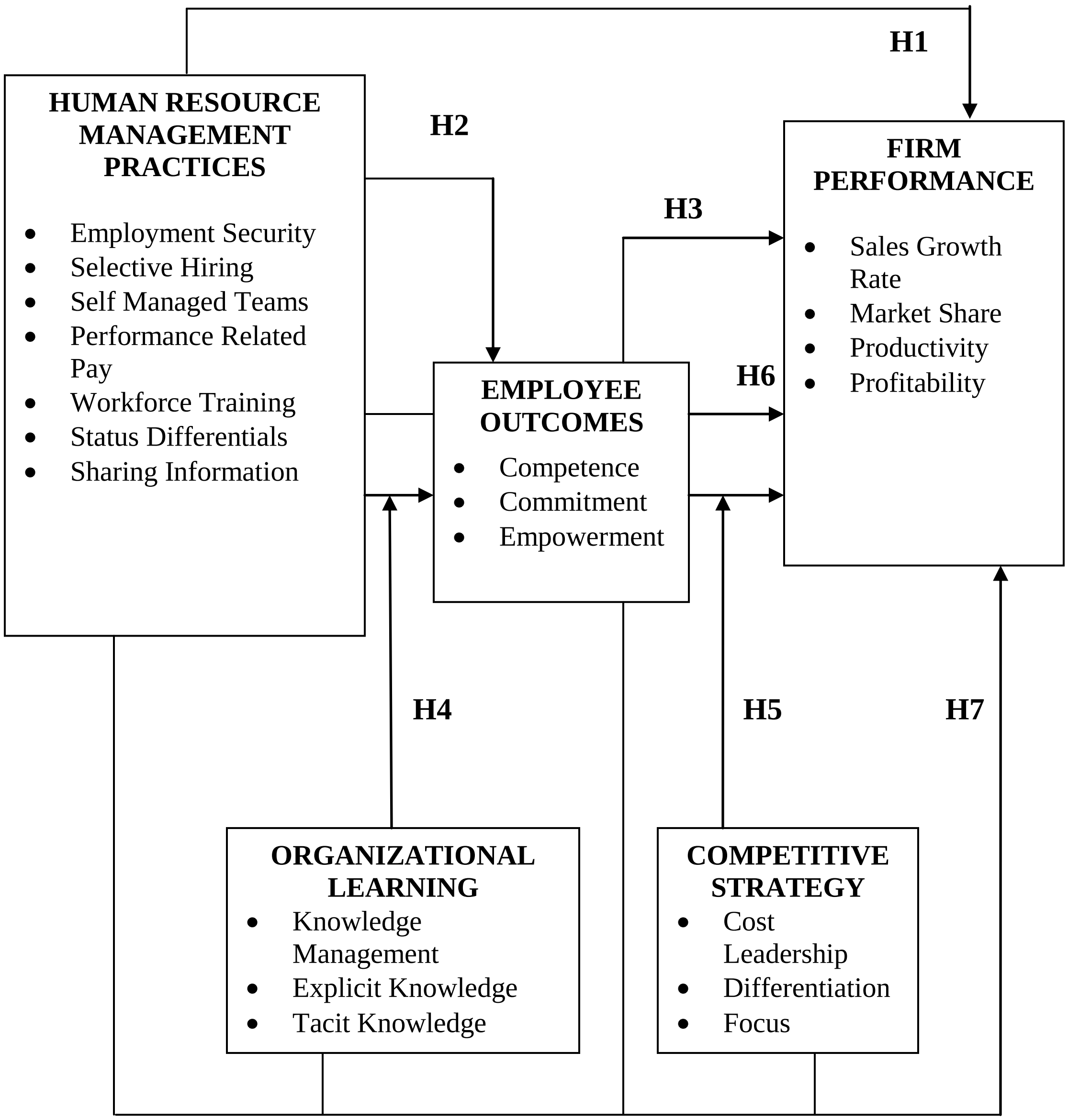
Source: Researcher (2014)

The studies surveyed in the literature have used various perceived indicators of firm performance like, sales growth rate, profitability, productivity and quality. The studies have mainly used moderating variables and obtained results that lean towards indicating that HRMP adopted by organizations contribute towards positive firm performance. However, the studies have not yielded consistent results and do not actually demonstrate how the HRMP actually influence firm performance.

2.10 Conceptual Framework

The conceptual model Figure 2.1 presents a schematic picture of the researcher's presumed perception of existing relationship among the various variables of the study. The schematic diagram captures the linkages in the literature. The model suggests an interrelationship among five groups of the study namely: Human resource management practices – as independent variable; Organizational learning and competitive strategy as moderating variables; Employee outcomes as independent/mediating or intervening/dependent variables; Firm performance as dependent variable that may be influenced by the other variables. Seven hypotheses were developed and tested accordingly in chapter four of this thesis report. The arrows for hypotheses (H_6) and (H_7) are shown in Figure 2.1. The arrows are explained as combining the following variables: human resource management practices; firm performance and employee outcomes for hypothesis 6 and human resource management practices; employee outcomes; organizational learning; competitive strategy and; firm performance hypothesis 7 respectively.

Figure 2.1: A Conceptual Model Showing Human Resource Management Practices, Organizational Learning, Employee Outcomes, Competitive Strategy and Firm Performance



Source: Researcher (2014)

As shown in Figure 2.1 human resource management practices have influence on firm performance. However, different organizations tend to have different HRMP like the mode of employee recruitment and selection, employees training and development and compensation management which in turn tend to have different implications for firm performance. Organization learning which as per the conceptual framework entails the knowledge management measures that may be put in place by an entity, the explicit and tacit knowledge that employees of possess. Given that current organizations operate in a knowledge economy, this knowledge tends to moderate the effect of HRMP on employee outcomes. As indicated on Figure 2.1 competitive strategy which encompasses cost leadership, differentiation and focus tends to moderate the effect of employee outcomes on firm performance. The relationship between HRMP and firm performance was under study to shade light on the aspects that underpin the HRMP – firm performance link.

2.11 Conceptual Hypotheses

The conceptual model Figure 2.1 suggests that firm performance is influenced directly or indirectly by HRMP, organizational learning, employee outcomes, and competitive strategy. Several empirical studies have been conducted in the past on these linkages, most of which have examined either the direct effect of some of these variables on firm performance, or the joint and interactive effects of several of these variables on firm performance. The results of these studies inform the hypothesized linkages.

In a study of large private manufacturing firms in Kenya, Kidombo (2007) found positive and significant relationship between HR strategic orientation and organizational performance. Rodriquez and Ventura's (2003) study focused on direct and interactive effects of systems of HRM practices and strategy on performance. The study established that systems of HRM practices that were adopted in organizations impacted on performance of firms in Spain. These observations lead to the following hypothesis consistent with objective 1.

H_1 There is a relationship between human resource management practices and firm performance.

Theoretical work supports the assertion that the desire of every firm is to possess not just competent workforce, but satisfied and committed employees as well. Employee commitment, competence and empowerment constitute immediate outcome of HRMP (Guthrie, 2001; Guest, 1997). However, employees do not bring these crucial work attitudes and outcomes on entry, they acquire them in the workplace, these accrue from an exchange process that is enabled trough appropriate HRM practices, policies and processes of the firm (Lin & Chang, 2005).

In studies to assess the impact of bundles HRM practices on employee outcomes, (Youndt et al., 1996; McDuffie, 1994; Appelbaum et al., 2000; Arthur, 1994; Pfeffer, 1994; Huselid, 1995b; Guest, 1997; Ferris et al., 1999; Collins & Smith, 2006) found that HRMP are powerful predictors of employee outcomes – trust and organizational commitment. Kidombo (2007) found positive and significant relationship between strategic orientation and different dimensions of organizational commitment. These findings inform the following hypothesis, which is consistent with objective 2.

H_2 There is a relationship between human resource management practices and employee outcomes.

In a study to establish the linkage between HRMP and employee outcomes, Huselid (1995b) found that appropriate systems of HRM practices can affect individual employee work attitude, commitment and behavior, and subsequently firm performance, through their influence over employee's skills and motivation and through organizational structures that allow employees to improve on how their jobs are undertaken or performed. Conversely, the level of employee commitment, competence and involvement within firms has important implications for firm performance.

In a study of private manufacturing firms in Kenya, Kidombo (2007) found positive and significant relationship between different dimensions of organizational commitment and firm performance. Hence the following hypothesis which is consistent with objective three was formulated for testing.

H_3 There is a relationship between employee outcomes and firm performance.

A number of researchers have argued that there is a constant interaction among several firm factors (Dyer and Reeves, 2005; Huselid, 1995b: Jackson & Schuler, 1995; Wright & McMahan, 1992). Peter Senge (1990) indicated that organizational learning A learning organization does not rely on passive or ad hoc process in the hope that organizational learning will take place through serendipity or as a by-product of normal work. A learning organization actively promotes, facilitates, and rewards collective learning. Organizational learning may moderate the relationship between HRMP and employee outcomes. Based on these on these observations the following hypothesis consistent with objective four was formulated for testing.

H_4 The relationship between human resource management practices and employee outcomes is moderated by organizational learning.

Theoretical literature supports the assertion that competitive strategy on the relationship between employee outcomes and firm performance. Employee outcomes like competence, empowerment and commitment can have a significant effect on firm performance especially when they are aligned with the firm's competitive strategy on aspects like cost leadership, differentiation and focus strategies. Indeed, several works on the resource based view have suggested the importance of developing rare and in-imitable human resources that can be aligned to a firm's strategy that are specific to an entity (Barney, 1995; Porter, 1985). Employee outcomes can enhance a firm's competitive advantage especially when they are aligned with a firm's competitive strategy (Porter, 1985; Schuler, 1992; Wright & McMahan, 1992). The following hypothesis consistent with objective five was crafted for testing.

H_5 The relationship between employee outcomes and firm performance is moderated by competitive strategy.

Another dimension of the model was to establish the intervening effect of employee outcomes in the relationship between human resource management practices and firm performance. Huselid (1995b) found that employee outcomes could affect firm performance. Employee commitment, empowerment and attention to their tasks can to a considerable extent enhance employee productivity, which can in turn influence HRM-firm performance. Based on these observations the following hypothesis consistent with objective six was crafted for testing.

H_6 The effect of human resource management practices on firm performance is mediated by employee outcomes.

Theoretical literature supports the value of potential complementary and supportive organizational resource capabilities working together to cause greater outcomes.

Implicitly, the combined effect of the four variables namely, human resource management practices, organizational learning, employee outcomes and competitive strategy on firm performance can be significantly different from the individual independent effect of the each of the variables on firm performance. Indeed several works on synergy, configurations and contingent factors suggest the importance of complimentary resources, and the notion that independent factors working in isolation have limited abilities, but in combination can realize better outcomes (Barney, 1995; MacDuffie, 1995). Firms can achieve excellent outcomes when organizational capabilities are working harmoniously together. The following hypothesis was crafted consistent with objective seven of the study.

H_7 The joint effect of human resource management practices, organizational learning, employee outcomes and competitive strategy on firm performance is greater than the individual independent effect of the predictor variables on firm performance.

2.12 Chapter Summary

The chapter reviewed the literature on the mediating role of employee outcomes on the relationship between HRMP and firm performance, as well as the moderating role of organizational learning on the relationship between HRMP and employee outcomes. The chapter also reviewed the direct link between firm performance, HRMP, and employee outcomes. The moderation effect of organizational learning in the relationship between HRMP and employee outcomes was also reviewed. The review anticipated a relationship between the variables of the study, and that firms have to create opportunities for organizational learning to strengthen employee outcomes in order to build superior human resource capacity. It was evident from the review that in addition appropriate HRMP, firms need an appropriate combination or bundles of HR practices, aligned with organizational learning, inspire employee outcomes in the context of competitive strategies to make firms achieve levels of sustained competitive advantage that cannot be easily imitated by competitors. The chapter presents and explains the conceptual model that guided the study and how it was conceptualized by the researcher. Arising from the model, seven hypotheses were developed based on the objectives of the study, for which empirical data was collected from 36 NSE listed and analyzed.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was utilized in the study. It discusses the philosophical orientation, the research design, target population of the study, data collection procedure. Also discussed is validity and reliability of the instrument, operationalization of research variables, data analysis and techniques.

3.2 Philosophical Orientation

The two philosophical traditions that guide research in social science are Positivism and Social Phenomenology (Saunders, Lewis & Thornhill, 2007). The two philosophical traditions were examined and positivism was considered the more appropriate tradition for the study. The roots of positivism tradition are grounded in empiricism (Kerlinger 2002). That is to say, all factual knowledge is based on positive information gained from observable experience, and only analytic statements are allowed to be known through reason alone. Positivist-guided research seeks empirical regularities, which are correlations between variables. This search allows laws to be defined and predictions to be made, and seeks measurement and analysis that are easily replicable by other users, including researchers. Positivism is, therefore, based on quantitative research, which uses numbers and statistical methods. The study of the relationship between HRMP, organizational learning, employee outcomes, competitive strategy and firm performance sought to establish possible relationship among these variables, and whether organizational learning and competitive strategy play a moderating role and employee outcomes play a mediating role in this relationship.

Further, positivist-oriented research attempts to be highly objective by advocating for the method of natural sciences, neutrality, measurement and validity of results; maintaining independent position; seeking real facts of social phenomena that are objective, neutral and predictable, with little regard for the subjectivity of individuals; and only phenomena, which are observable and hence measurable, can be regarded as knowledge. Researchers move from known to unknown, through reduction and deterministic measures, without consideration of differences such as social, and economic (Easter-Smith, Thorpe & Lowe 2000). They look for causality and fundamental laws; and humans are considered a part of the natural world and may be measured like other natural elements.

As opposed to the phenomenological approach, which does not begin from established theoretical perspectives but instead proceeds to collect data, analyze it, and make conclusions regarding the nature and strength of the relationship among variables of study, the design of this study assumed the empirical approach. The scientific process was followed, among other aspects establishing theoretical underpinnings; deducing the objectives and hypotheses; collecting data to either confirm or falsify the hypotheses, and subsequently confirming in whole or part, or refuting existing theories. Also, the study verified the propositions through empirical tests by operationalizing variables in the conceptual framework, to allow for measurement for the purposes of generalizing the findings within the Nairobi Securities Exchange listed firms. The positivist approach effectively rendered itself to this study.

3.3 Research Design

After considering the various research designs described by research experts such as, Coopers & Schindler (2006), Muganda (2010) and Mugenda & Mugenda (1999), as well as the purpose of the study, the philosophical tradition adopted, the topical scope, researcher involvement, time period over which the data was collected, the nature of the data and type of data analysis, the research design adopted for this study was a cross-sectional descriptive survey of all firms listed in Nairobi Securities Exchange.

Using the descriptive survey design, the researcher was able to describe the variables of study and derive predictive regression models for predicting changes in the dependent variables. Most importantly, the descriptive design was the most appropriate for the study because it allowed the researcher to describe HRMP adopted by firms, and make specific predictions on how much change was caused by predictor variable(s) and whether the effect was significant. This was achieved through simple and multiple regression tools. The study was cross-sectional because the data was collected at one point in time across

60 firms. This is to say, each respondent filled one questionnaire, once during the entire data collection period.

3.4 Population of the Study

The population of the study comprised all the 60 firms that are listed on the NSE (Appendix II) as at 10/10/2012. This was a census study which involved obtaining information from every member of the population. The NSE listed firms are divided into ten categories namely, agricultural; commercial and Services; telecommunication & technology; automobiles and accessories; banking; insurance; investment; manufacturing and allied; construction and allied; and energy and allied.

3.5 Data Collection

Quantitative data was collected to enable the researcher conduct an in-depth study. Primary data was collected by the researcher using a structured self administered survey questionnaire (Appendix I). The questionnaire was designed to capture data relating to all research objectives. The researcher delivered each questionnaire personally or emailed for the human resource manager or the manager responsible for the human resource function in the respective firm to complete. The researcher collected the completed questionnaires or received them back through email. The researcher made a follow in person, making mobile phone calls or emailing to confirm that the questionnaires were received, collect or confirm progress of completion of the questionnaires. In a few instances the researcher was requested to provide another questionnaire. Data was collected from informants of the study comprising human resource managers or those handling HR function of the NSE listed firms, because they were expected to be more knowledgeable in the implementation processes of HRMP at their operational areas. The researcher sought approval from the University of Nairobi and authority from the National Council for Science and Technology (NCST) to collect data. The researcher administered the data collection instruments mainly through drop and pick method.

The self-administered questionnaire was preferred because the respondents were expected to be highly literate. The instrument accorded the researcher a chance to collect data from a diverse population at the same point in time. Given that the study was seeking for perceived opinion of the respondents regarding the effect of the variables on firm performance, the tool was the most suitable for the purpose. One human resource manager or an equivalent employee completed one set of the survey questionnaire in each organization. Part A of the questionnaire was designed to capture the general information from the respective organizations. Part B of the questionnaire focused on the human resource management practices items, these were, employment security, selective hiring, self-managed teams, and performance related pay, workforce training, status differentials and sharing of information. Pfeffer (1998) and Chan Sang (2005) used similar test items in their studies of manufacturing firms. This study adopted the questionnaire with appropriate changes to suit the study.

Part C of the survey questionnaire was designed to obtain the respondents rating of organizational learning based on knowledge management, explicit knowledge and tacit knowledge. Part D of the questionnaire focused on obtaining responses from the respondents on their perception employee outcomes regarding employee competence, commitment and empowerment. Part E of the questionnaire focused on obtaining respondents rating on competitive strategy of the NSE listed firms based on cost leadership strategy, differentiation strategy and focus strategy. Part F of the survey questionnaire was designed to obtain the respondents rating of the performance of NSE listed firms. This was based on four perceptual measures namely, sales growth rate, market share, productivity and profitability. The self reported perceptual measures are acceptable especially when objective data is not available (Delaney & Huselid, 1996).

3.6 Tests of Validity and Reliability

The key indicators of the quality of a data collection instrument are the validity and reliability of the measures. Instrument validation was achieved in several ways. A pre-test was done by administering the instrument to sixteen conveniently selected human resource managers to fill. The sixteen human resource managers were requested to evaluate the statement items for relevance, meaning and clarity. On the basis of their response, the instrument was adjusted appropriately. Validity indicates whether the instrument is testing what it should. Content validity involved the examination of content to determine whether it covered a representative sample of the measurement items. Validity can be assessed using expert opinion and informed judgment (Kerlinger, 2002).

The Cronbach Alpha was calculated to test for reliability. The Cronbach's Alpha coefficient was used to measure the internal consistency of measurement scales. This is a scale measurement tool, which is commonly used in social sciences to establish the internal consistency of items or factors within and among variables of study. Nunnally (1967) argues that an alpha coefficient of .700 or above is an acceptable measure. The Cronbach Alpha for the main variables in the conceptual framework were reliable registering a score of 0.761 to 0.891 as shown in Table 3.1. This indicates that the data collected using the above mentioned instruments was reliable for analysis. The tests were conducted using SPSS.

Table 3.1: Summary of Cronbach's Alpha Reliability Coefficients for Major Variables of the Study

Constructs/Variable	Number of Statements	Cronbach Alpha	Comment
Human Resource Management Practices	22	0.891	Reliable
Organizational Learning	11	0.831	Reliable
Employee Outcomes	10	0.765	Reliable
Competitive Strategy	9	0.761	Reliable
Firm Performance	4	0.835	Reliable

Source: Researcher (2014)

Human resource management practices followed by firm performance showed the highest levels of reliability at 0.891 and 0.835 respectively. Organizational learning showed a reliability of 0.831; employee outcomes 0.765; and competitive strategy showed the lowest level of 0.761 which was above the 0.700 measure that is recommended as evidence that the measurement items have a high measure of internal consistency for underlying constructs (Nunnally, 1967).

3.7 Check for Multicollinearity

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model, and poses a problem only for multiple regressions and not for simple regression analysis (Field, 2009). Multicollinearity poses several problems such as increases in standard errors of the β coefficients, meaning that the βs have relatively higher variability across samples and less likely to represent the population. The second problem is limiting the size of *R*, the measure of the multiple correlation between the predictors and the outcome, and $R,^2$ the variance of the outcome for which the predictors account, making the second predictor to account for very little of the remaining variance. The other problem posed by multicollinearity is that it reduces the importance of predictors, making it difficult to assess the individual importance of a predictor. Results in table 3.2 shows that there is no multicollinearity since the highest correlation between variable was 0.656 which is below 0.75.

Table 3.2 Results of Multicollinearity Test

		Firm Performance r	Human Resource Management Practices r	Organizational Learning r	Employee Outcomes r	Competitive Strategy r
Pearson Correlation	**Firm Performance**	1.000	.346	.295	.254	.449
	Human Resource Management Practices	.346	1.000	.474	.656	.246
	Organizational Learning	.295	.474	1.000	.522	.553
	Employee Outcomes	.254	.656	.522	1.000	.448
	Competitive Strategy	.449	.246	.553	.448	1.000

Source: Research Data (2014)

3.8 Operationalization of Research Variables

All variables were operationalized as continuous, and measured perceptually on a scale of 1-5. HRMP was measured using 22 human resource management practices items, rated on a continuum scale. Organizational learning was measured using 11 items capturing three main indicators of performance, namely: knowledge management, explicit knowledge and tacit knowledge. Employee outcomes had 10 items with three indicators, specifically: competence, commitment and empowerment. Competitive strategy factors of cost leadership strategy, differentiation strategy and focus strategy had 9 items, which were operationalized as continuous variables, and measured perceptually on a continuum scale of 1-5: and firm performance had 4 factors, namely, sales growth rate, market share, productivity and profitability which were operationalized as continuous variables, and measured perceptually on a continuum scale of 1-5. The indicators of the variables of study are described in Table 3.3.

Table 3.3: Research Variables, their Operational Indicators and Measures

Variable	Operationalization (Indicators)	Measure	Question Number
HRMP Independent Variable	**Indicators**	**5–Point Likert Type Scale**	**Questions 7.0-13.0**
	Employment Security - Employees can expect a life-long employment, - It is easy to terminate or dismiss employees, -Job security is almost guaranteed to employees	5–point Likert type scale	Question 7.0
	Selective Hiring - A rigorous recruitment and selection process is applied in hiring - The emphasis in hiring is competence - The emphasis in hiring is merit	5–point Likert type scale	Question 8.0
	Self Managed Teams - The views of teams are sought before decisions are made - Teams are usually formed to solve problems - Teams/departments are provided with discretion and resources to make decisions	5–point Likert type scale	Question 9.0

	Performance Related Pay - My organization provides high compensation contingent to performance - Compensation is aimed at encouraging employees to achieve organizational goals - My organization's compensation recognizes employees who contribute most to the company	5–point Likert type scale	Question 10.0
	Workforce Training - Executive training programmes are provided to employees - Employees usually undergo training every year - Newly hired employees are provided with formal training - Employees who are promoted are provided with formal training	5–point Likert type scale	Question 11.0
	Status Differentials - All employees wear ties - All employees wear uniforms indicating different positions - Every employee has an individual office	5–point Likert type scale	Question 12.0
	Sharing Information - Information is made available to all employees - My organization maintains and implements an open door policy - Employees are encouraged to make suggestions about their jobs	5–point Likert type scale	Question 13.0
Organizational Learning Moderating Variable	**Indicators**	**Measure**	**Questions 14.0-16.0**
	Knowledge Management - Opportunities are created for employees to learn - Employees are encouraged to acquire new skills - There is a resource centre facility where employees can acquire knowledge	5–point Likert type scale	Question 14.0
	Explicit Knowledge - Knowledge is recorded and held in databases - Knowledge is readily available to employees - Intranets are made available to all employees - Intellectual property portfolios are maintained	5–point Likert type scale	Question 15.0

	Tacit Knowledge - Employees have technological expertise - Employees have a high operational know-how - Employees have great insights about the industry - Employees are able to make sound business judgments	5–point Likert type scale	Question 16.0
Employee Outcomes Intervening Variable	**Indicators**	**Measure**	**Questions 17.0-19.0**
	Competence - Employees possess the knowledge, understanding and expertise required to carry their work effectively - Employees have the capacity to take action independently - Employees have the ability to manage and accept change - Employees have the ability to exercise unceasing care for both internal and external customers to meet and exceed their expectations	5–point Likert type scale	Question 17.0
	Commitment - Mutual goals for employees and the organization exist - Employees have a strong identification with the organization - Employees act with flexibility in the interest of the organization	5–point Likert type scale	Question 18.0
	Empowerment - The management allows employees to discuss with it matters that affect workers - Employees are given an opportunity to influence the management decisions - There is a formal employee-employer machinery	5–point Likert type scale	Question 19.0
Competitive Strategy Moderating Variable	**Indicators**	**Measure**	**Questions 20.0-22.0**
	Cost Leadership - My organization pursues a low cost strategy - My organization has developed distinct staff competencies - Efficient materials management techniques are adopted	5–point Likert type scale	Question 20.0

	Differentiation - We serve a niche market - A high rate of innovation is adopted - High levels of technology are adopted	5–point Likert type scale	Question 21.0
	Focus - Our focus is on a specific market segment - We focus on a small range of products/services - We focus on customer responsiveness	5–point Likert type scale	Question 22.0
Firm Performance Dependant Variable	**Indicators**	**Measure**	**Questions 23.0-26.0**
	Sales Growth Rate - Compared to your competitors in the previous year, what is your organization's sales growth rate	5–point Likert type scale	Question 23.0
	Market Share - Compared to your competitors in the previous year, what is your organization's market share percentage	5–point Likert type scale	Question 24.0
	Productivity - Compared to the previous year, what is the level of employee productivity in your organization	5–point Likert type scale	Question 25.0
	Profitability - Compared to the previous year, what is the level of profitability of your organization	5–point Likert type scale	Question 26.0

Source: Researcher (2014)

3.9 Data Analysis and Presentation

The study used both descriptive and inferential statistics to analyzed data from the questionnaires. Simple linear regression (for H_1, H_2, and H_3) and multiple regression (for H_4, H_5, H_6, and H_7) analyses were used to establish the nature and magnitude of the relationship between variables and to test hypothesized relationships (see Table 3.4). Descriptive statistics such as frequencies and percentages were computed for organizational data and multiple choice questions in order to describe the main characteristics of the variables of interest for the study. Mean scores were computed for likert type questions. Data is presented in the form of tables.

The value of coefficient of determination R^2 shows the degree or amount of variation in the dependent variable(s) attributed to the predictor variable(s). The Beta values show the amount of change in the dependent variable attributable to the amount of change in the predictor variable, and the F ratio measures the model fit, or simply it is a measure of how well the equation line developed fits with observed data. The statistical significance of each hypothesized relationship was interpreted based on R^2, F, t, β and p values. The linear and multiple regression models used are presented as below:

Dependent Variables (Firm performance and Employee outcomes) represented as $\mathbf{Y_1}$, $\mathbf{Y_2}$,
Independent Variables (HRMP and Employee outcomes) represented as $\mathbf{X_1}$, $\mathbf{X_3}$
Moderator variable (Organizational learning) represented as $\mathbf{X_2}$
Intervening variable (Employee outcomes) represented as $\mathbf{X_3}$
Moderator variable (Competitive strategy) represented as $\mathbf{X_4}$
β_0 =Constant term
$\beta_1, \beta_2\ldots$ = Beta coefficient – slope or change in **Y**, given 1 unit change in $\mathbf{X_1}$, $\mathbf{X_2}$.......
E = Error term

Model 1 (H_1)

Firm performance = f_1 (Human Resource Management Practice)

$$\mathbf{Y_1 = \beta_0 + \beta_1 X_1 + \varepsilon}$$
$\mathbf{Y_1}$= Firm performance (Dependent Variable)
β_0 = Intercept
β_1 = Coefficient
$\mathbf{X_1}$ = Human Resource Management Practices (Independent Variable)
ε = Error term

Model 2 (H_2)

Employee outcomes = f_2 (Human Resource Management Practice)

$$\mathbf{Y_2 = \beta_0 + \beta_1 X_1 + \varepsilon}$$
$\mathbf{Y_2}$= Employee Outcomes (Dependent Variable)

$\boldsymbol{\beta_0}$ = Intercept

$\boldsymbol{\beta_1}$ = Coefficient

$\mathbf{X_1}$ = Human Resource Management Practices (Independent Variable)

ε = Error term

Model 3 (H_3)

Firm performance = f_3 (Employee Outcomes)

$$\mathbf{Y_1 = \boldsymbol{\beta_0} + \boldsymbol{\beta_1} X_3 + \varepsilon}$$

Where,

$\mathbf{Y_1}$= Firm performance (Dependent Variable)

$\boldsymbol{\beta_0}$ = Intercept

$\boldsymbol{\beta_3}$ = Coefficient

$\mathbf{X_3}$ = Employee Outcomes (Independent Variable)

ε = Error term

The models for moderated and mediated multiple regression equations are follows:

Model 4 (H_4)

Employee Outcomes **=** f_4 (HRMP, Organizational Learning)

$$\mathbf{Y_2 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1 X_2 + \varepsilon}$$

Where,

$\mathbf{X_1}$= Human Resource Management Practices (Independent Variable)

$\boldsymbol{\beta_0}$ = Intercept

$\boldsymbol{\beta_1}$, $\boldsymbol{\beta_2}$, $\boldsymbol{\beta_3}$ = Coefficients

$\mathbf{X_2}$ = Organizational Learning (Moderator variable)

$\mathbf{X_1X_2}$ = Interaction term

$\mathbf{Y_2}$ = Dependent variable (Employee Outcomes)

ε = Error term

Model 5 (H_5)

Firm Performance = f_5 (Employee Outcomes, Competitive Strategy)

$$\mathbf{Y_1 = \beta_0 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_3 X_4 + \varepsilon}$$

Where,

$\boldsymbol{\beta_0}$ = Intercept

$\boldsymbol{\beta_3}$, $\boldsymbol{\beta_4}$, $\boldsymbol{\beta_5}$ = Coefficients

$\mathbf{X_3}$ = Employee Outcomes (Independent Variable)

$\mathbf{X_4}$ = Competitive Strategy (Moderator Variable)

$\mathbf{X_3X_4}$= Interaction term

$\mathbf{Y_1}$= Dependent variable (Firm Performance)

$\boldsymbol{\varepsilon}$ = Error term

Model 6 (H_6)

Firm performance = f_6 (HRMP, EO)

$\mathbf{Y_1 = \beta_0 + \beta_1 X_1 + \beta_3 X_3 + \varepsilon}$

$\boldsymbol{\beta_0}$ = Intercept
$\mathbf{X_1}$ **=** HRMP (Independent Variable)
$\mathbf{X_3}$ **=** Employee Outcomes (Intervening Variable)
$\boldsymbol{\beta_1}$, $\boldsymbol{\beta_3}$ **=** Coefficients

$\boldsymbol{\varepsilon}$ = Error term

$\mathbf{Y_1}$= Dependent variable (Firm Performance)

Model 7 (H_7)

Firm performance = f_7 (HRMP, OL, EO, CS)

$\mathbf{Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$

$\boldsymbol{\beta_0}$ = Intercept

$\mathbf{X_1}$ **=** HRMP

$\mathbf{X_2}$ **=** Organizational Learning

$\mathbf{X_3}$ **=** Employee Outcomes

$\mathbf{X_4}$ **=** Competitive Strategy

$\boldsymbol{\beta_{1\text{-}4}}$ **=** Coefficients

$\boldsymbol{\varepsilon}$ = Error term

$\mathbf{Y_1}$ = Dependent variable (Firm Performance)

3.10 Test of Hypotheses

Table 3.3 gives a summary of the objectives and hypotheses of the study, the type of data analysis and suggested interpretation of the results.

Table 3.4: Summary of Objectives, Hypotheses, Type of Results Analyses

Objectives	Hypotheses	Type of Analysis and Interpretation of Results
To establish the relationship between HRMP and Firm Performance (FP)	**H_1:** There is a relationship between HRMP and firm performance	Simple Linear regression analysis R^2, F, t, β and P values
To assess the relationship between HRMP and EO	**H_2:** There is a relationship between HRMP and employee outcomes	Simple Linear regression analysis R^2, F, t, β and P values
To assess the relationship between EO and FP	**H_3:** There is a relationship between employee outcomes and FP	Simple Linear regression analysis R^2, F, t, β and P values
To assess the moderating effect of organizational learning (OL)in the relationship between HRMP and EO	**H_4:** The relationship between HRMP and employee outcomes is moderated by organizational learning	Stepwise Regression Analysis R^2, F, t, β and P values
To assess the moderating effect of Competitive Strategy on the relationship between EO and FP	**H_5:** The relationship between employee outcomes and firm performance is moderated by competitive strategy	Stepwise Regression Analysis R^2, F, t, β and P values
To determine whether the effect of HRMP on FP is mediated by EO	**H_6:** The effect of HRMP on firm performance is mediated by employee outcomes	Stepwise Regression Analysis R^2, F, t, β and P values
To establish whether the joint effect of HRMP, EO, OL and CS on FP is greater than the individual independent effect of the variables on FP	**H_7:** The joint effect of HRMP, EO, OL and CS on FP is greater than the individual independent effect of the variables on FP	Simple Linear Regression (for individual effect) and Multiple Regression Analysis (for joint effect) R^2, F, t, β and P values

Source: Researcher (2014)

3.11 Chapter Summary

Chapter Three has discussed and provided a general overview of the research methodology used to accomplish the study objective, thereby answering the question of the how of the study. The chapter has further discussed the philosophy guiding the study; the research design; the population of the study; data collection; operational definitions and operationalization of research variables; the description of the survey instrument used; data analysis and interpretation of statistics as well as test of hypotheses.

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings and discussion of the findings. It is divided into three major sections. Section one presents descriptive statistics featuring the survey response rate; demographic profiles of the respondent firms and respondents who took part in the study; the confirmatory factor analysis; and the description of the variables. The percentages, means, frequencies, standard deviations, Crobach's Alpha coefficients or reliability and correlations are also computed and presented.

Section two presents the results of the test of hypotheses and discussion of research findings. Parametric statistical techniques namely; simple linear regression and multiple regression techniques were used to test the relationships. The choice and use of these parametric statistical methods was informed by the measurement scales used and the purpose of the study. The descriptive data presented in section one forms the basis for hypotheses testing and further inferences. Attempts are made 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. The discussion of the findings is guided by objectives of the study.

4.2 Descriptive Statistics

4.2.1 Survey Response Rate

The study targeted the 60 firms listed on the Nairobi Securities Exchange. A total of 36 firms responded, a response rate of 60 percent. This response rate was considered to be appropriate, compared to previous studies done in the same area abroad. In earlier studies, Youndt et al., (1996) had 26% and Pfeffer (1998). According to Mugenda & Mugenda (2003), a response rate of 50% or more is considered adequate.

4.2.2 Demographic Profile of Respondents

The study sought to find out about the designation of the respondents. Study findings in table 4.2 indicate that majority 52.8% were human resource manager while 47.2% were from other departments. This indicates that a majority of the respondents were designated as human resource managers to handle the human resource function. Such managers would be expected to have a wealth of knowledge in handling human resource issues.

Table 4.1: Designation of the Respondents

Designation	Frequency	Percent
Human Resource Manager	19	52.8
Others	17	47.2
Total	**36**	**100**

Source: Research Data (2014)

4.2.3 Demographic Profiles of Firms

The study sought to establish the distribution of employees in the firms. Each manager was asked to indicate the total number of employees the firm had as at the time of the study. Table 4.3 shows that 2.8% of the firms have employee population of up to 100 employees; 2.8% of the employee population ranging between101 – 200; 11.1% of the employees ranging between 201 – 300; 11.1% of the employee between 301 – 400; while 72.2% of the firms employ more than 400 employees. These findings imply that most of listed firms (over 83.3%) have employee population ranging between 301 and above 400. Such large firms would be expected to formulate and implement HRMP for the effective utilization of its human resources as drivers of the activities in the firms.

Table 4.2: Distribution of Firms by Number of Employees

Number of Employees	Frequency	Percent
Up to 100	1	2.8
101 to 200	1	2.8
201 to 300	4	11.1
301 to 400	4	11.1
Above 400	26	72.2
Total	**36**	**100**

Source: Research Data (2014)

The study sought to establish the classification of the company. Majority 88.9 % were Kenyans while 8.3% were foreign and another 2.8% were others. The findings imply that ownership of a listed company may have an influence on human resource management practices and firm performance.

Table 4.3: Distribution of Firms by Ownership

Classification	Frequency	Percent
Kenyan	32	88.9
Foreign	3	8.3
Other	1	2.8
Total	**36**	**100**

Source: Research Data (2014)

The respondents were asked to indicate the number of years their firms had operated. The number of years of operation was used to measure age. The results in Table 4.5 show that 2.8% of the firms had operated for less than 10 years; 8.3% had operated for 11-20 years; 2.8% had operated for 21-30 years; 13.9% had operated for 31-40 years; while 72.2% had operated for 40 and above years. Thus, most of the NSE listed firms (97.2%) are well established, having operated for more than 11 years and must have developed appropriate human resource management practices to support management of employment relationship and hence had knowledge about the issues that the researcher was looking for.

Table 4.4: Distribution of Firm by Age

Years of Operation	Frequency	Percent
Up to 10 Years	1	2.8
11 to 20	3	8.3
21 to 30	1	2.8
31 to 40	5	13.9
Above 40 Years	26	72.2
Total	**36**	**100**

Source: Research Data (2014)

The findings in Table 4.6 show the distribution of firms according to their listing category on the Nairobi Securities Exchange. Out of the 36 firms that participated in the study, 13.9% were in the Agricultural sector; 8.3% were in the Commercial and Services sector; 5.6% were in the Telecommunication & Technology sector; 8.3% were in the Automobiles and Accessories sector; 22.2 % were in the Banking sector; 2.8% were in the Insurance sector; 2.8% were in the Investment sector; 25% were in the Manufacturing and Allied sector; 2.8% were in the Construction and Allied sector; and 8.3% were in the Energy and Allied sector. Thus, most of the NSE listed firms in Kenya (over 61%) are agricultural, automobiles and accessories, and the manufacturing and allied sectors. These sectors play a crucial role in the Kenyan economy and are major employers in the Kenyan labour market.

Table 4.5: Distribution of Firm by Nairobi Securities Exchange Listing

Listing Category	Frequency	Percent
Agricultural	5	13.9
Commercial and Services	3	8.3
Telecommunication & Technology	2	5.6
Automobiles and Accessories	3	8.3
Banking	8	22.2
Insurance	1	2.8
Investment	1	2.8
Manufacturing and Allied	9	25
Construction and Allied	1	2.8
Energy and Allied	3	8.3
Total	**36**	**100**

Source: Research Data (2014)

4.2.4 Confirmation of Structure of Variables

Confirmatory factor extraction was carried out to confirm the structures for the five variables of the study namely, HRMP, organizational learning, employee outcomes, competitive strategy and firm performance. The factor extraction method used was principal component analysis, and the rotation method was Varimax with Kaiser Normalization. For HRMP, the confirmatory factor analysis resulted in seven factors and twenty two measurement items; this is explained in section 4.2.5. For organizational learning, the confirmatory factor analysis resulted in three that were labeled knowledge management, explicit knowledge and tacit knowledge respectively. Knowledge management consisted of three measurement items; explicit knowledge factor consisted of four measurement items, while the tacit knowledge factor consisted four measurement items. The translation of scores into knowledge management, explicit and tacit dimensions of organizational learning is explained in section 4.2.6.

For employee outcomes, the confirmatory analysis resulted in three factors: competence, commitment and empowerment. Competence consisted four measurement items; the commitment factor consisted of three factors, while the empowerment factor consisted of three measurement items respectively. The translation of scores into competence, commitment and empowerment is explained in section 4.2.7. For competitive strategy, the confirmatory factor analysis resulted in three factor structures labeled cost leadership strategy, differentiation strategy and focus strategy respectively. Cost leadership strategy consisted of three measurement items, differentiation strategy consisted of three measurement items, while focus strategy consisted of three measurement items, whose translation scores are explained in section 4.2.8. For firm performance, confirmatory factor analysis resulted in a four factor structure: sales growth rate, market share, productivity and profitability. Each factor consisted of one measurement item. The translation of scores into sales growth rate, market share, productivity and profitability is explained in section 4.2.9.

Table 4.6: Confirmatory Factor Analysis

Variable and Factor Statistics			
Variable	**Dimension/ Structure/Factor**	**No. of Items**	**Scale Mean Items**
HRMP	Overall HRMP	22	3.70
	Employment Security	3	3.59
	Selective Hiring Practices	3	4.30
	Self-Managed Teams	3	3.80
	Performance Related Pay	3	4.07
	Employee Training	4	4.07
	Status Differentials	3	1.99
	Sharing Information	3	4.11
Organizational Learning	Overall organizational Learning	11	4.02
	Knowledge Management	3	4.12
	Explicit Knowledge	4	3.73
	Tacit Knowledge	4	4.20
Employee Outcomes	Overall Employee Outcomes	10	3.92
	Competence	4	4.01
	Commitment	3	3.99
	Empowerment	3	3.76
Competitive Strategy	Overall Competitive Strategy	9	3.80
	Cost Leadership	3	3.80
	Differentiation Strategy	3	3.80
	Focus Strategy	3	4.18
Firm Performance	Overall Firm Performance	4	3.85
	Sales Growth Rate	1	3.75
	Market Share	1	3.81
	Employee Productivity	1	4.00
	Profitability	1	3.83

Source: Research Data (2014)

4.2.5 Analysis of the Measures of Human Resource Management Practices

The independent variable – Human Resource Management Practices (HRMP) – comprised twenty two (22) HRM practice items, which form a continuum of human resource management practices. From the literature review, the HRMP adopted in any firm have to be generic to the needs of the firm and need to best fit to support the operations of the firm. The HRMP variable was measured using twenty two HRM practices across seven main human resource management practice areas. These are employment security, selective hiring practices, self-managed teams, and performance related pay, employee training, status differentials and sharing information. In measuring the variable, a five point continuum Likert scale was used, where 1 represented 'strongly disagree' and 5 represented 'strongly agree'. The main objective was to determine the extent to which particular human resource management practices are used in firms listed on the Nairobi Securities Exchange. Confirmatory factor extraction as indicated in Table 4.7 was carried out to determine the structure of HRMP items making up the practices. The selection of measurement items for the dimensions was informed by theoretical considerations and descriptions of human resource management practices as articulated in the HRM literature which is discussed in chapter two of this study.

The HRMP item in the measurement scale had a range from 1 representing 'strongly disagree' to 5 representing 'strongly agree.' A rating of less than 3 was to denote a less favorable response, while a rating above 3 was to denote a more favorable response. Though the HRMP measurement scale had twenty two measurement items distributed across seven factors, HRMP was considered and analyzed as a single variable. The overall mean score of HRMP as indicated in Table 4.7 was 3.70, with a Cronbach's Alpha coefficient of 0.891, since the reliability value was above 0.700 it represented a reliable measure of HRMP. The data was further aggregated into mean scores for further analysis. The results in Table 4.7 show that the highest rated items under the human resource management practices variable respective means and standard deviations (in parentheses) HRM practices and policies that support emphasis in hiring of employees based on competence 4.47(0.61); HRM policies and processes that encourage and support rigorous recruitment and selection criteria in employee hiring 4.36(3.59); HRM policies and procedures that provide employment security that make employees to expect life-long employment 4.25(0.81); HRM practices that encourage sharing of information where firms maintain and implement an open door policy 4.25(0.87); HRM practices and procedures that allow for workforce training where newly hired employees are provided with formal training 4.19(0.52); HRM practices, procedures and practices that provide performance related pay, where firms pay performance related compensation aimed at encouraging employees to achieve organizational goals 4.17(0.77); and HRM performance related payment practices that recognize employees who contribute the most to the company 4.17(0.88). The low rated and therefore least practiced HRM items include, the ease of termination of employment or dismissal of employees 2.39(0.96); all employees wear ties 2.39(1.46); all employees wear uniforms that indicate different positions 2.03(1.32); and every employee is allocated an individual office 1.56(0.69)

4.2.5.1 Employment Security Practices

The results in Table 4.7 show that HRMP measurement items 7.1, 7.2 and 7.3 in part B of the questionnaire sought to establish the extent to which employment security practices are extended to employees in the NSE listed firms. The questions sought to establish the extent to which employees can expect lifelong employment; it is easy to terminate or dismiss employees; and the guarantee of job security to employees. The following respective means and standard deviations (in parentheses) were obtained 4.25(0.81), 2.39(0.96) and 4.14(0.83), implying that most respondents agree to a greater extent with the statements. Low scores below 3 imply that the firms apply these practices but to a lower extent.

The study sought to establish the employment security practices adopted by organizations being studied. Results revealed that the majority agreed with the statement that employees can expect a life-long employment. This was supported by a mean score of 4.25 and a standard deviation of 0.81.The standard deviation of less than 1 indicates that there was consensus among respondents about how to rate this statement.

The findings are consistent with those of Fisher & Dowling (1999) who asserted that employment security policies need to reflect more careful staff selection and leaner hiring. Leaner staffing can result to a more productive work force with fewer people doing the work, increased flexibility and employees working closer to the customer. People are often happy to be more productive if they know they have a secure long-term job with a career. More importantly, firms need to take a long-term strategic view to human resources rather than a short-term operational cost cutting approach (Fisher & Dowling 1999). Instead of management devoting time and energy to controlling the workforce directly, workers control themselves (Batt, 1996). Peer control is frequently more effective than hierarchical supervision because, in team-based organizations, people feel more accountable and responsible for the operation and success of the enterprise, not just to people in senior positions.

4.2.5.2 Selective Hiring Practices

The extent to which selective hiring practices are adopted in the firms listed on the Nairobi Securities Exchange is exhibited in rigorous recruitment and selection processes; emphasis on hiring is on competence: and emphasis in hiring is merit, were measured using items 8.1, 8.2 and 8.3. The following means and standard deviations (in parentheses) 4.36(0.59), 4.47(0.61) and 4.08(0.84), show a high agreement level among most respondents that the NSE listed firms use rigorous selective employee practices.

The findings agree with those of Fruin (2000) who found out that the human resource management practices that are adopted by an organization influence employee outcomes. Where an organization adopts a rigorous recruitment and selection exercise for both internal and external sources of employees, based on competence and merit the employees who are hired are expected to strongly identify themselves with the organization.

4.2.5.3 Self-Managed Teams

In the same questionnaire, items 9.1, 9.2 and 9.3 were used to measure the extent to which self-managed teams are to seek views of teams before decisions are made; teams are usually formed to solve problems; and teams or departments are provided with discretion to make decisions.

The following respective means and standard deviations (in parentheses) 3.72(0.78), 3.78(0.80) and 3.97(0.70) imply favorable agreement among most respondents that the NSE listed firms utilize self-managed teams in their operations.

The findings are consistent with those of Ahmad & Schroeder (2003) who argued that a firm that encourages team work and provides employees with discretion and resources to make decisions while allowing employees to discuss with the management matters that affect them is bound to achieve its set targets. Employees who are continuously trained and developed are able to develop their capacity to work and take action independently (Youndt & Snell 2004). This helps in reducing work performance cycle times and minimizes the need for employee supervision in the workplace

4.2.5.4 Performance Related Pay

The extent to which performance related pay human resource practice is used to provide high compensation contingent to performance; compensation is used to encourage employees to achieve organizational goals; and compensation is used to recognize employees who contribute most to the company, were measured using items 10.1, 10.2 and 10.3. The following respective means and standard deviations (in parentheses) 3.86(0.93), 4.17(0.77) and 4.17(0.88) imply agreement among most respondents that the NSE listed firms apply performance related pay systems.

The findings agree with those of Wang-jing & Tung (2005) who focused on Strategic HRM practices and one of the indicators was compensation. Employees who are compensated and are recognized in their organizations tend to put extra efforts hence achieving the organizations goal.

4.2.5.5 Workforce Training

Items 11.1, 11.2, 11.3 and 11.4 in the same questionnaire were used to measure the extent to which executive training programmes are provided to employees; employees usually undergo training every year; newly hired employees are provided with formal training; and employees who are promoted are provided with formal training. The following respective means and standard deviations (in parentheses) 4.11(0.85), 4.11(0.75), 4.19(0.52) and 3.86(0.83) imply a favorable agreement among most respondents as regards the application of these workforce training human resource practices in the NSE listed firms.

The findings are consistent with those of Pfeffer & Viega (1999) who found out that human resources are not only the drivers and principal value creators of the output of the knowledge industry, but they are also the intellectual capital or the infrastructure investment. Therefore, attracting, training, retaining and motivating employees are the critical success determinants for any knowledge-based organization. A firm that aspires to perform well has to ensure that its HRM practices are synergistic and consistent with its organizational strategy (Pfeffer & Viega, 1999)

4.2.5.6 Status Differentials

The extent to which status differential is handled; all employees wear ties; all employees wear uniforms to indicate different positions; and every employee has an individual office, were measured using items 12.1, 12.2 and 12.3. The following respective means and standard deviations (in parentheses) 2.39(1.46), 2.03(1.32) and 1.56(0.69) imply a disagreement among most respondents that NSE listed firms do not practice status differentials. The low scores below the mean of 3 imply that most firms apply these practices but to a lesser extent.

The findings are consistent with those of Wright. & Dyer (2005) who focused on Models of strategic HRM and noted that the kind of strategic HRM adopted affects firm performance.it was to strategize the employees ought to be promoted and allocation of different duties to emphasize the individuals work with motive of achieving organization goals.

4.2.5.7 Sharing Information

The extent to which information in the NSE listed firms is made available to all employees; the firms maintain and implement an open door policy; and employees are encouraged to make suggestions about their jobs, was measured using item 13.1, 13.2 and 13.3 of the questionnaire. The following respective means and standard deviations (in parentheses) 4.00(0.79), 4.25(0.87) and 4.08(0.77) imply agreement among most respondents that information sharing is encouraged as a human resource practice in the NSE listed firms.

Table 4.7: Means and Standard Deviations for Ratings of HRMP

No.	Human Resource Management Practices	N	Mean	SD
7.0	**Employment Security Practices**			
7.1	Employees can expect a life-long employment	36	4.25	0.81
7.2	It is easy to terminate or dismiss employees	36	2.39	0.96
7.3	Job security is almost guaranteed to employees	36	4.14	0.83
8.0	**Selective Hiring Practices**			
8.1	A rigorous recruitment and selection process is applied in hiring	36	4.36	0.59
8.2	The emphasis in hiring is competence	36	4.47	0.61
8.3	The emphasis in hiring is merit	36	4.08	0.84
9.0	**Self Managed Teams**			
9.1	The views of teams are sought before decisions are made	36	3.72	0.78
9.2	Teams are usually formed to solve problems	36	3.78	0.80
9.3	Teams/departments are provided with discretion and resources to make decisions	36	3.97	0.70
10.0	**Performance Related Pay**			
10.1	My organization provides high compensation contingent to performance	36	3.86	0.93
10.2	Compensation is aimed at encouraging employees to achieve organizational goals	36	4.17	0.77
10.3	My organization's compensation recognizes employees who contribute most to the company	36	4.17	0.88
11.0	**Workforce Training**			
11.1	Executive training programmes are provided to employees	36	4.11	0.85
11.2	Employees usually undergo training every year	36	4.11	0.75
11.3	Newly hired employees are provided with formal training	36	4.19	0.52
11.4	Employees who are promoted are provided with formal training	36	3.86	0.83
12.0	**Status Differentials**			
12.1	All employees wear ties	36	2.39	1.46
12.2	All employees wear uniforms indicating different positions	36	2.03	1.32
12.3	Every employee has an individual office	36	1.56	0.69
13.0	**Sharing Information**			
13.1	Information is made available to all employees	36	4.00	0.79
13.2	My organization maintains and implements an open door policy	36	4.25	0.87
13.3	Employees are encouraged to make suggestions about their jobs	36	4.08	0.77
	Overall HRMP Mean=3.70; Overall Cronbach's Alpha=0.891 Mean of Employment Security Practices=3.59;CronbachAlpha=0.284 Mean of Selective Hiring Practices=4.30;Cronbach's Alpha=0.571 Mean of Self-Managed Teams=3.82; Cronbach's Alpha=0.481 Mean of Performance Related Pay=4.07; Cronbach's Alpha=0.824 Mean of Workforce Training=4.07; Cronbach's Alpha=0.607 Mean of Status Differentials=1.99; Cronbach's Alpha=0.315 Mean of Sharing Information=4.11; Cronbach's Alpha=0.786			

Source: Research Data (2014)

4.2.6 Analysis of the Measures of Organizational Learning

Organizational learning was measured using eleven items based on three factors namely knowledge management, explicit knowledge and tacit knowledge. These organizational learning aspects have been theorized to support and reinforce organizational learning to result in human capital development, for building resource based capacity to achieve and sustain a competitive organizational advantage through non-imitable human resource skills for a firm. As shown in Table 4.8 and survey questionnaire (Appendix I, Part C), the respondents rated the perceived extent to which the questionnaire items regarding learning were applied. A 5 – point Likert type scale was used to collect the responses, where 5 indicated 'strongly agree' and 1 indicated 'strongly disagree,' while 3 was taken as the midpoint. A mean of 3 and above represented agreement or favorable response with the given statement, and a mean of less than 3 denoted less favorable. The overall mean score for organizational learning as indicated in Table 4.8 by the respondents was 4.02 with Cronbach's Alpha of 0.831.

4.2.6.1 Knowledge Management

Knowledge management was measured using three items. The survey questionnaire required the respondents to rate the extent to which organizational learning was enhanced through knowledge management practices against itemized statements. Knowledge management items 14.1, 14.2 and 14.3 sought to determine the extent to which knowledge management practices are instituted to create opportunities for employees to learn; encourage employees to acquire new skills; and the availability of a resource centre where employees can acquire knowledge. The following means and standard deviations (in parenthesis) 4.17(0.61), 4.39(0.64) and 3.81(1.17) imply that most of the respondents agreed with the statements.

The findings are consistent with those of Ulrich (1998) who noted that knowledge has become a direct competitive advantage for companies. The implication of this is that the firms that develop a sound base for organizational learning are more likely to compete effectively, gain and sustain a competitive advantage against their competitors in the market.

4.2.6.2 Explicit Knowledge

Explicit knowledge items 15.1, 15.2 15.3 and 15.4 sought to establish the extent to which the firms are perceived to deal with explicit knowledge through recording knowledge and holding it in databases; readily availing the knowledge to employees; availing intranets to all employees; and maintenance of intellectual property portfolios. The respective means and standard deviations (in parentheses) 3.64(1.15), 3.94(0.95), 3.86(1.25) and 3.44(1.23) show that respondents agreed with the statements.

The findings agree with those of Ehrenberg & Smith (1994) who asserts that organizational learning helps a firm to build its knowledge base, have observed that the knowledge and skills that a worker has, which comes from education and training, including the training that experience brings helps in generating productive capital.

4.2.6.3 Tacit Knowledge

Tacit knowledge items 16.1, 16.2 and 16.4 sought to establish the extent to which employees in the firms that took place in the study were perceived by the respondents to possess technological expertise; have high operational know-how; possess great insights about the industry; and have the ability to make sound business judgments. The respective means and standard deviations (in parentheses) 4.25(0.55), 4.14(0.49), 4.25(0.73) and 4.14(0.64) show that most respondents agreed with the statements to a great extent. These results imply that most respondents felt that employees in the NSE listed firms appreciate tacit knowledge and utilize it in enhancement of their knowledge, operational activities and decision making.

The findings agree with those of Ehrenberg & Smith (1994) who asserts that organizational learning helps a firm to build its knowledge base. They have also observed that the knowledge and skills that a worker has, which comes from education and training, including the training that experience brings helps in generating productive capital.

Table 4.8: Means and Standard Deviations for Ratings of Organizational Learning

14.0	**Organizational Learning**	**M**	**Mean**	**SD**
14.1	**Knowledge Management**			
14.2	Opportunities are created for employees to learn	36	4.17	0.61
14.3	Employees are encouraged to acquire new skills	36	4.39	0.64
14.4	There is a resource centre facility where employees can acquire knowledge	36	3.81	1.17
15.0	**Explicit Knowledge**			
15.1	Knowledge is recorded and held in databases	36	3.64	1.15
15.2	Knowledge is readily available to employees	36	3.94	0.95
15.3	Intranets are made available to all employees	36	3.86	1.25
15.4	Intellectual property portfolios are maintained	36	3.44	1.23
16.0	**Tacit Knowledge**			
16.1	Employees have technological expertise	36	4.25	0.55
16.2	Employees have a high operational know-how	36	4.14	0.49
16.3	Employees have great insights about the industry	36	4.25	0.73
16.4	Employees are able to make sound business judgments	36	4.14	0.64
	Overall mean= 4.02; Overall Cronbach's Alpha= 0.831 Mean of Knowledge Management=4.12;Cronbach's Alpha=0.530 Mean of Explicit Knowledge=3.73; Cronbach's Alpha=0.877 Mean of Tacit Knowledge=4,20; Cronbach's Alpha=0.746			

Source: Research Data (2014)

4.2.7 Analysis of the Measures of Employee Outcome

Employee outcomes were measured using ten items based on three factors namely competence, commitment and empowerment. As shown in Table 4.9 and survey questionnaire (Appendix I, Part D), the respondents rated the perceived extent to which the questionnaire items regarding employee outcomes were applied. A 5 – point Likert type scale was used to collect the responses, where 1indicated 'strongly disagree' and 5 indicated 'strongly agree,' while 3 was taken as the midpoint 'neither agree nor disagree.' The overall mean score for employee outcomes as shown in Table 4.8 by the respondents was 3.92 with Cronbach's Alpha of 0.765.

4.2.7.1 Employee Competence

Items 17.1, 17.2, 17.3 and 17.4 sought to establish to what extent the employee outcomes in the NSE listed firms enhance firm performance through possession of knowledge, understanding and expertise required to carry out their work effectively; possess capacity to take action independently; possess ability to manage and accept change; and engrained ability to exercise unceasing care for both internal and external customers to meet and exceed their expectations. The respective means and standard deviations (in parentheses) 4.28(0.61), 3.97(0.77), 3.86(0.72) and 3.94(0.67) show that most respondents agreed with the statement to a great extent. These results imply that most respondents felt that employees in the firms possess competence that is valuable to the performance of their work.

The findings are consistent with those of Pfeffer (1998) who found out that distinct staff competencies make employees operate effectively minimizing wastes and reducing overall production costs to drive competitiveness.

4.2.7.2 Employee Commitment

Items 18.1, 18.2, and 18.3 sought to establish the extent to which mutual goals for employees and organization exist; employees have a strong identification with the organization; and employees action with flexibility in the interest of the organization. The following respective means and standard deviations (in parentheses) 4.06(0.63), 4.08(0.65), and 3.83(0.74) imply a favorable agreement among most respondents that employees in the NSE listed firms possess competence that is valuable to the performance of their work.

The findings are consistent with those of Delery & Doty(1996) who noted that many organizations are looking at how to improve their productivity and competitive advantage through their people, especially when it is considered that people management is an underpinning and essential aspect to the competitiveness of business organization.

4.2.7.3 Employee Empowerment

Items 19.1, 19.2, and 19.3 sought to establish the extent to which the management in the NSE listed firms allows employees to discuss with them matters that affect workers; employees are accorded an opportunity to influence the decisions made by the firms; and there are formal employee-employer machinery. The following respective means and standard deviations (in parentheses) 4.00(0.63), 3.47(1.05), and 3.81(1.01) show that most respondents agreed with the statements to a favorably great extent. These results imply that most respondents felt that the firms apply employee empowerment but to a lesser extent.

The findings agree with those of Ehrenberg & Smith (1994) who noted that when the knowledge and skills of employees are enhanced, employees are expected to perform their jobs and tasks more efficiently and effectively. This coupled with other variables in the workplace like employee empowerment, sharing of information in the organization and adoption of an appropriate competitive strategy, a firm can enhance its performance.

Table 4.9: Means and Standard Deviations for Ratings of Employee Outcome

	Employee Outcomes	M	Mean	SD
17.0	**Competence**			
17.1	Employees possess the knowledge, understanding and expertise required to carry their work effectively	36	4.28	0.61
17.2	Employees have the capacity to take action independently	36	3.97	0.77
17.3	Employees have the ability to manage and accept change	36	3.86	0.72
17.4	Employees have the ability to exercise unceasing care for both internal and external customers to meet and exceed their expectations	36	3.94	0.67
18.0	**Commitment**			
18.1	Mutual goals for employees and the organization exist	36	4.06	0.63
18.2	Employees have a strong identification with the organization	36	4.08	0.65
18.3	Employees act with flexibility in the interest of the organization	36	3.83	0.74
19.0	**Empowerment**			
19.1	The management allows employees to discuss with it matters that affect workers	36	4.00	0.63
19.2	Employees are given an opportunity to influence the management decisions	36	3.47	1.08
19.3	There is a formal employee-employer machinery	36	3.81	1.01
	Overall mean= 3.92; Overall Cronbach's Alpha= 0.765 Mean of Competence=4.01; Cronbach's Alpha=0.642 Mean of Commitment=3.99; Cronbach's Alpha=0.731 Mean of Empowerment=3.76; Cronbach's Alpha=0.706			

Source: Research Data (2014)

4.2.8 Analysis of the Measures of Competitive Strategy

Competitive strategy was measured using nine items based on three factors namely cost leadership strategy, differentiation strategy and focus strategy. As shown in Table 4.10 and survey questionnaire (Appendix I, Part E), the respondents rated the perceived extent to which the questionnaire items regarding competitive strategy applied. A 5 – point Likert type scale was used to collect the responses, where 1indicated 'very low' and 5 indicated 'very high,' while 3 was taken as the midpoint 'neither low nor high.' The overall mean score for competitive strategy as shown in Table 4.10 was 3.80 with Cronbach's Alpha of 0.761.

4.2.8.1 Cost Leadership Strategy

Items 20.1, 20.2, and 20.3 sought to establish to what extent NSE listed firms pursue low cost strategies; develop distinct staff competencies; and efficient materials management techniques are adopted. The respective means and standard deviations (in parentheses) 3.58(0.94), 4.06(0.63), and 3.75(0.87) show that most respondents agreed with the statements to a favorably extent. These results imply that most respondents felt that the firms apply cost leadership strategy but to a less extent.

The findings agree with those of (Porter, 1985) which noted that an organization that utilizes a cost leadership competitive strategy strives to reduce its operational costs to a level that makes it possible for the firm to compete effectively in the market by charging low prices in comparison to its competitors.

4.2.8.2 Differentiation Strategy

Items 21.1, 21.2, and 21.3 sought to establish to what extent NSE listed firms adopt a differentiation strategy to serve a niche market; adopt high rates of innovation; and adopt high levels of technology. The respective means and standard deviations (in parentheses) 4.11(0.75), 4.08(0.91), and 4.36(0.59) show that most respondents agreed with the statements to a high extent. These results imply that most respondents felt that the firms apply differentiation strategy to a high extent.

The findings are consistent with those of (Porter, 1985) who noted that firms adopt generic competitive strategies as a foundation of business level strategy. Each of the generic strategies results from a firm making consistent choices on product, market and distinctive competencies. These distinctive competencies can be achieved and sustained through the human resources employed and retained in an organization.

4.2.8.3 Focus Strategy

Items 22.1, 22.2, and 22.3 sought to establish to what extent NSE listed firms adopt a focus strategy and focus on specific market segments; focus on a small range of products/services; and focus on customer responsiveness. The respective means and standard deviations (in parentheses) 3.44(1.16), 2.53(1.25), and 4.33(0.63) show that most respondents agreed with the statements to a low extent. These results imply that most respondents felt that the firms adopt a focus strategy to a high extent.

The findings agree with those of Becker & Gerhart (1996) who asserted that a consensus seems to have emerged amongst scholars and practitioners that the business environment had become more competitive today, than in the previous days due to the concept of globalization. As a result of this, firms have to enhance their competitive advantage through the human resources that they have to compete effectively in the market.

Table 4.10: Means and Standard Deviations for Ratings of Competitive Strategy

	Competitive Strategy	N	Mean	SD
20.0	**Cost Leadership Strategy**			
20.1	My organization pursues a low cost strategy	36	3.58	0.94
20.2	My organization has developed distinct staff competencies	36	4.06	0.63
20.3	Efficient materials management techniques are adopted	36	3.75	0.87
21.0	**Differentiation Strategy**			
21.1	We serve a niche market	36	4.11	0.75
21.2	A high rate of innovation is adopted	36	4.08	0.91
21.3	High levels of technology are adopted	36	4.36	0.59
22.0	**Focus Strategy**			
22.1	Our focus is on a specific market segment	36	3.44	1.16
22.2	We focus on a small range of products/services	36	2.53	1.25
22.3	We focus on customer responsiveness	36	4.33	0.63
	Overall mean= 3.80; Overall Cronbach's Alpha= 0.761 Mean of Cost Leadership Strategy=3.80; Cronbach's Alpha=0.549 Mean of Differentiation Strategy=4.18; Cronbach's Alpha=0.772 Mean of Focus Strategy=3.43; Cronbach's Alpha=0.574			

Source: Research Data (2014)

4.2.9 Analysis of the Measures of Firm Performance

Firm performance was measured using four items based on four factors namely sales growth rate, market share, productivity, and profitability. As shown in Table 4.11 and survey questionnaire (Appendix I, Part F), the respondents rated the perceived extent to which the questionnaire items regarding firm performance applied. A 5 – point Likert type scale was used to collect the responses, where 1indicated 'very low' and 5 indicated 'very high,' while 3 was taken as the midpoint 'neither low nor high.' The overall mean score for competitive strategy as shown in Table 4.11 was 3.85 with Cronbach's Alpha of 0.835, indicating high consistency among the measures.

4.2.9.1 Sales Growth Rate

Sales growth rate is a ratio that measures the rate of change in sales from time to time or a specified period of time. The utilization of historical growth rates is one of the methods of estimating future growth. The sales growth rate factor was measured using one item. The statement item 23.1in part F of the questionnaire sought to establish the perception of the respondents on the extent and of their firms' sales growth rate compared to their competitors in the previous year. The overall mean score and standard deviation (in parenthesis) 3.75(1.08) show that most respondents agreed to a high extent with the statements, this implies that most of the respondents felt that their firms were recording higher sales growth rates compared to their competitors. The Cronbach's Alpha coefficient for this measurement factor was 0.719, representing a fairly stable measure of firm performance.

4.2.9.2 Market Share

Market share is the percentage of a market, which may be defined in terms of either units or revenue, accounted for by a specific entity. Market share is a key indicator of market competitiveness, that is, how well a firm is doing against its competitors. The market share factor was measured using one item. The statement item 24.1 in part F of the questionnaire sought to establish the perception of the respondents on the size of their firms' market share in percentage compared to their competitors in the previous year. The overall mean score and standard deviation (in parenthesis) 3.81(0.79) show that most respondents agreed to a high extent with the statements, this implies that most of the respondents felt that their firms were gaining a higher market share compared to their competitors. The Cronbach's Alpha coefficient for this measurement factor was 0.813, representing a highly stable measure of firm performance.

4.2.9.3 Employee Productivity

Productivity is a measure of organizational competence and can be viewed as a measure of the efficiency and effectiveness with which resources are used to produce the output of goods and services of the quality needed by consumers and society in the long run. The productivity factor was measured using one item. The statement item 25.1in part F of the questionnaire sought to establish the perception of the respondents on the extent of their employee's level of productivity in comparison to the previous year. The overall mean score and standard deviation (in parenthesis) 4.00(0.83) show that a majority of the respondents agreed with the statement that compared their employee's level of productivity to the previous year, this implies most respondents felt that their firms' recorded a higher level of employee productivity compared to the previous year. The Cronbach's Alpha coefficient for this measurement factor was 0.809, representing a stable measure of firm performance.

4.2.9.4 Organizational Profitability

Profitability is measured with income and expenses, income is money generated from the activities of the business. Increasing profitability is one of the most important tasks of business managers because a profitable business has the ability to survive and reward its owners. The profitability factor was measured using one item. The statement item 26.1in part F of the questionnaire sought to establish the perception of the respondents on the extent of their firms' level of profitability in comparison to the previous year. The overall mean score and standard deviation (in parenthesis) 3.83(1.08) show that most of the respondents agreed with the statements that compared their firm's level of profitability to the previous year, this implies most respondents felt that their firms' recorded higher profit levels compared to the previous year. The Cronbach's Alpha coefficient for this measurement factor was 0.807, representing a stable measure of firm performance.

Table 4.11: Means and Standard Deviations for Ratings of Firm Performance

	Firm Performance	N	Mean	SD
23.0	**Sales Growth Rate**			
23.1	Compared to your competitors in the previous year, what is your organization's sales growth rate	36	3.75	1.08
24.0	**Market Share**			
24.1	Compared to your competitors in the previous year, what is your organization's market share percentage	36	3.81	0.79
25.0	**Productivity**			
25.1	Compared to the previous year, what is the level of employee productivity in your organization	36	4.00	0.83
26.0	**Profitability**			
26.0	Compared to the previous year, what is the level of profitability of your organization	36	3.83	1.08
	Overall mean= 3.85; Overall Cronbach's Alpha= 0.835 Mean of Sales Growth Rate=3.75; Cronbach's Alpha=0.719 Mean of Market Share=3.81; Cronbach's Alpha=0.813 Mean of Productivity=4.00; Cronbach's Alpha=0.809 Mean of Profitability=3.83; Cronbach's Alpha=0.807			

Source: Research Data (2014)

4.3 Tests of the Hypotheses

The tests of hypotheses were performed and the results presented on the relationships between HRMP and firm performance; HRMP and employee outcomes; and employee outcomes and firm performance. Also tested and presented are the results of the effect of organizational learning on the relationship between HRMP and employee outcomes; effect of competitive strategy on the relationship between employee outcomes and firm performance; and the effect of employee outcomes on the relationship between HRMP and firm performance. Also tested and presented are the results of individual and the joint effects of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance.

4.3.1 Human Resource Management Practices and Firm Performance

The first objective of the study was to establish the relationship between HRMP and firm performance. Based on this objective data was collected using twenty two HRMP items measuring the human resource management practices, and four items measuring firm performance. The items in the HRMP scale consisted of statements that measured the extent to which organizations use the HRM practices in the seven broad areas that comprise the HRM practices.

The respondents rated the extent to which itemized HRM practices were used in their organizations, on a scale of 1 to 5, where 1 represented ‘Strongly Disagree’ and 5 represented ‘Strongly Agree.’ Similarly, the items measuring firm performance consisted of statements that represented the extent to which they applied to the firm, on a scale of 1 to 5, where 1 represented ‘Very Low’ and 5 represented ‘Very High.’ The following hypothesis was therefore, informed by this objective, the pertinent literature and the conceptual framework.

Hypothesis 1:

H1: There is a relationship between human resource management practices and firm performance.

Hypothesis one (H1) focused on establishing the nature of the relationship between HRMP and firm performance. The hypothesis was tested using linear regression analysis. The results are presented in Table 4.12.

Table 4.12: Regression Results for the Effect of Human Resource Management Practices on Firm Performance

Model Summary						
Model		**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	
1	HRMP	.346	.120	.094	.74236	
ANOVA[b]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	2.547	1	2.547	4.622*	.039
	Residual	18.737	34	.551		
	Total	21.285	35			
Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	1.284	1.199		1.071	.292
	HRMP	.688	.320	.346	2.150*	.039

*p < 0.05

a. Predictors: (Constant), Human Resource Management Practices

b. Dependent Variable: Firm Performance

The regression results presented in Table 4.12 show that the relationship between HRMP and firm performance was significant (R Square = 0.12, F = 4.622, at $p < 0.05$) with 12% of the variation in firm performance being explained by variations in HRMP. The F ratio shows that the regression of HRMP on firm performance is significant at $p < 0.05$, which is evidence of the goodness of fit of the regression model. However, the model did not explain 88 percent of the variations in performance, implying that there are other factors associated with firm performance, which were not explained in the model.

The beta was equally significant (β =.346, t = 2.15, at $p < 0.05$). The beta value implies that for one unit increase in the use of HRM practices, firm performance increase by 0.346 or 35%. From the regression results it is evident that the hypothesis that there is a relationship between HRMP and firm performance was not supported.

4.3.2 Human Resource Management Practices and Employee Outcomes

The second objective of the study addressed the relationship between HRMP and employee outcomes. Conceptual and empirical literature supports a positive relationship between HRMP and employee outcomes. Implicitly, most HRM practices are attractive to employees, and have been found to fulfill human needs of workers. Such needs include personal growth and development; job security; recognition and support at work; safe and pleasant and attractive work environment. Other employee needs that are associated with progressive HRM practices include effective employee communication strategies; and employee participation in decision making. These conditions trigger better mental and physical health and a sense of belonging. These feelings enhance satisfaction among employees and elicit a wish to stay longer in the organization.

From literature review, it was anticipated that HRMP would have a relationship with elements of employee outcomes, namely employee commitment, competence and empowerment. Each respondent to the questionnaire was expected to indicate perceived levels of employee competence, committed and empowerment in their respective organizations. Employee outcomes were measured on a scale ranging from 1 to 5, where 1 represented 'Strongly Disagree' and 5 represented 'Strongly Agree.' On the basis of the foregoing, the following hypothesis was formulated:

Hypothesis 2:

H2: There is a relationship between human resource management practices and employee outcomes.

Hypothesis two (H2) suggested a relationship between HRMP and employee outcomes in the Nairobi Securities Exchange listed firms. This hypothesis was tested using linear regression analysis. The results are presented in table 4.13.

Table 4.13: Regression Results for the Effect of Human Resource Management Practices on Employment Outcomes

Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
1	HRMP	.656	.431	.414	.33338

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.858	1	2.858	25.712*	.000
	Residual	3.779	34	.111		
	Total	6.636	35			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.216	.538		2.259	.030
	HRMP	.729	.144	.656	5.071*	.000

*p < 0.001

a. Predictors: (Constant), Human Resource Management Practices
b. Dependent Variable: Employee Outcomes

The regression results presented in Table 4.13 show that the relationship between HRMP and employee outcomes was positive and significant (R Square = 0.431, F = 25.712, $p < 0.001$). The results show that 43% of the changes in employee outcome are attributed to human resource management practices. The F ratio shows that the regression of employee outcomes on HRMP is significant at $p < 0.001$, which is evidence of the goodness of fit of the regression model. However, the model did not explain 57 percent of the variations in employee outcomes, implying that there are other factors associated with employee outcomes, which were not captured in the regression model.

The beta was significant ($\beta = .656$, $t = 5.071$, at $p < 0.001$). The beta value implies that for one unit increase in the use of HRM practices, employee outcomes increase by .656 or 66%. From the regression results, it is noted that the relationship between HRMP and employee outcomes is positive and statistically significant. The hypothesis that there is a relationship between HRMP and employee outcomes was not supported and therefore is rejected and the alternative hypothesis accepted.

4.3.3 Employee Outcomes on Firm Performance

The third objective of the study was intended to assess the relationship between employee outcomes and firm performance. This objective was based on the assumption that the commitment, competence and empowerment of employees have important implications for firm performance. The theoretical and empirical literature supports the view that employee outcomes have an effect on firm performance. Each respondent completed the questionnaire by indicating perceived levels of employee competence, commitment and empowerment in their organizations. Employee outcomes were measured on a scale ranging from 1 to 5, where 1 represented 'Strongly Disagree' and 5 represented 'Strongly Agree.' On the basis of the foregoing, the following hypothesis was formulated:

Hypothesis 3:

H3: There is a relationship between employee outcomes and firm performance.

Hypothesis three (H3) was concerned with assessing the relationship between employee outcomes and performance of firms listed on the Nairobi Securities Exchange. The hypothesis was tested using linear regression analysis. The results are presented in Table 4.14.

Table 4.14: Regression Results for the Effect of Employee Outcomes on Firm Performance

Model Summary					
Model		**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	Employee Outcomes	.254	.064	.037	.76528

ANOVA[b]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	1.373	1	1.373	2.344	.135
	Residual	19.912	34	.586		
	Total	21.285	35			

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**		
		B	Std. Error	Beta	**t**	**Sig.**
1	(Constant)	2.060	1.175		1.754	.089
	Employee Outcomes	.455	.297	.254	1.531	.135

a. Predictors: (Constant), Employee Outcomes

b. Dependent Variable: Firm Performance

The regression results presented in Table 4.14 show that the relationship between HRMP and firm performance was not significant (R Square = 0.06, F = 2.344, at $p > 0.05$) with 6% of the variation in firm performance being explained by variations in employee outcomes. The F ratio shows that the regression of employee outcomes on firm performance is not significant. The model does not explain 94 per cent of the variations in performance. This suggests that there are other factors associated with firm performance, which were not explained in the model.

The beta coefficient was not significant ($\beta = .254$, $t = 1.531$, $p > 0.05$). The beta value indicates that for one unit increase in employee outcomes level, firm performance increases by .254 or 25 percent. Based on the findings, the hypothesis that employee outcomes influence firm performance is not supported. It can be concluded that there is no relationship between employee outcomes and firm performance of the firms listed on the NSE.

4.3.4 Human Resource Management Practices, Organizational Learning and Employee Outcomes

Objective 4 sought to assess the moderating effect of organizational learning in the relationship between HRMP and employee outcomes. Hypothesis 4 was formulated from the said research objective.

Hypothesis 4:

H4: The relationship between human resource management practices and employee outcomes is moderated by organizational learning.

Hypothesis four (H4) was tested using moderated multiple regression analysis. In the regression model, employee outcomes factor was the dependent variable, HRMP the independent variable and organizational learning the moderating variable. The results are presented in table 4.15.

Table 4.15: Regression Results for the Effect of Organizational Learning on the Relationship between Human Resource Management Practices and Employee Outcomes

Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Est.	Change Statistics				
						R Square Change	F Change	df1	df2	Sig. F Change
1	HRMP	.656	.431	.414	.33338	.431	25.712	1	34	.000
2	HRMP*OL	.699	.488	.457	.32084	.488	15.735	2	33	.000

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.858	1	2.858	25.712**	.000
	Residual	3.779	34	.111		
	Total	6.636	35			
2	Regression	3.239	2	1.620	15.735**	.000
	Residual	3.397	33	.103		
	Total	6.636	35			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.216	.538		2.259	.030
	HRMP	.729	.144	.656	5.071**	.000
2	(Constant)	.885	.546		1.622	.114
	HRMP	.585	.157	.527	3.727*	.001
	Organizational Learning	.216	.112	.272	1.926	.063

*p < 0.05 **<0.001

a. Predictors: (Constant), Human Resource Management

b. Predictors: (Constant), Human Resource Management Practices, Organizational Learning (moderating variable)

Dependent Variable: Employee Outcomes (EO)

Model 1: Human Resource Management Practices and Employee Outcomes without moderator

Model 2: Human Resource Management Practices and Employee Outcomes with moderator

The regression results for model 1 presented in table 4.15 show that the relationship between HRMP and employee outcomes was significant (R Square = 0.431, F = 25.712, $p < 0.001$). The results show that 43% of the changes in employee outcome are attributed to human resource management practices. The F ratio shows that the regression of HRMP and organizational learning on employee outcomes is statistically significant a $p < 0.001$, which is evidence of the goodness of fit of the regression model. However, the model does not explain 57% of the variation in employee outcomes, indicating that there are other factors associated with employee outcomes. The beta was significant ($\beta = .656$, $t = 5.071$, $p < 0.001$). The beta value suggests that for one unit increase in the use of HRM practices, employee outcomes increase by .656 or 66 per cent. From the regression results, it is noted that the relationship between HRMP and employee outcomes is positive and statistically significant.

To establish the moderating effect of organizational learning on the relationship between HRMP and employee outcomes, the moderated multiple regression was used to establish the interaction effect. As shown in Table 4.15, regression results for model 2 show that the combination of the predictors (HRMP and organizational learning) and employee outcomes was positive and significant (R Square = 0.488, F = 15.735, $p < 0.001$). The beta coefficient for HRMP was significant ($\beta = .527$, $t = 3.727$, $p < 0.05$) and the beta coefficient for organizational learning and employee outcomes (dependent variable) was not significant, ($\beta = .272$, $t = 1.926$, $p > 0.05$). The beta coefficients imply that the introduction of organizational learning in the model made the effect of HRMP on employee outcomes not significant.

These results imply that organizational learning does not moderate the relationship between HRMP and employee outcomes. Hence, the hypothesis that the relationship between HRMP and employee outcomes is moderated by organizational learning is not supported.

4.3.5 Employee

Outcomes, Competitive Strategy and Firm Performance

Objective 5 sought to assess the moderating effect of competitive strategy in the relationship between employee outcomes and firm performance. Hypothesis 5 was formulated from the said research objective.

Hypothesis 5:

H5: The relationship between employee outcomes and firm performance depends on competitive strategy.

Hypothesis five (H5) was tested using moderated multiple regression analysis. In the regression model, firm performance factor was the dependent variable, employee outcomes the independent variable and competitive strategy the moderating variable. The results are presented in table 4.16.

Table 4.16: Regression Results for the Effect of Competitive Strategy on the Relationship between Employee Outcomes and Firm Performance

Model Summary										
Model					Std. Error of the Est.	Change Statistics				
		R	R Square	Adjusted R Square		R Square Change	F Change	df	df	Sig. F Change
1	EO	.254	.064	.037	.76528	.064	2.344	1	34	.135
2	EO*CS	.453	.205	.157	.71598	.205	4.260	2	33	.023

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.373	1	1.373	2.344	.135
	Residual	19.912	34	.586		
	Total	21.285	35			
2	Regression	4.368	2	2.184	4.260*	.023
	Residual	16.917	33	.513		
	Total	21.285	35			

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.060	1.175		1.754	.089
	Employee Outcomes	.455	.297	.254	1.531	.135
2	(Constant)	.987	1.185		.833	.411
	Employee Outcomes	.119	.311	.066	.381	.705
	Competitive Strategy	.629	.260	.419	2.417*	.021

*p < 0.05

a. Predictors: (Constant), Employee Outcomes (EO)
b. Predictors: (Constant), Employee Outcomes and Competitive Strategy (CS)
Dependent Variable: Firm Performance

Model 1: Represents regression model with only the independent variable
Model 2: Reflects regression model with both independent and moderating variables (Employee Outcomes * Competitive Strategy)

The regression results for model 1 presented in Table 4.16 show that the relationship between employee outcomes and firm performance was not significant R Square = 0.064, F = 2.344, p > 0.05. The results show that 6% of the changes in firm performance were attributed to employee outcomes. The F ratio shows that the regression of employee outcomes on firm performance was not significant. The model did not explain 94% of the variation in firm performance, implying that there were other factors associated with firm performance. The beta was not significant (β = .254, t = 1.531, p > 0.05). The beta value implies that for one unit increase in the use of employee outcomes, firm performance increase by .254 or 25%.

To establish the moderating effect of competitive strategy on the relationship between employee outcomes and firm performance, the moderated multiple regression was used to establish the interaction effects. As shown in Table 4.16, regression results for model 2, show that the combination of the predictors (employee outcomes and competitive strategy) was positive and significant (R Square = 0.205, F = 4.260, $p < 0.05$). The results show that 21% of the changes in firm performance are attributed to employee outcomes and competitive strategy. The F ratio shows that regression of employee outcomes and competitive strategy on firm performance is significant at $p < 0.05$. However, the model did not explain 79% of the variation in firm performance, implying that there are other factors associated with firm performance that were not captured in the model. Though the beta for employee outcomes was not significant $\beta = .066$, $t = .381$, $p > 0.05$), the beta for competitive strategy was significant ($\beta = .419$, $t = 2.417$, $p < 0.05$). The beta coefficients imply that the introduction of competitive strategy in the model moderates the influence of employee outcomes on firm performance.

These results imply that competitive strategy has a positive and statistically significant moderating effect on the relationship between employee outcomes and firm performance. Hence, the hypothesis stating that the relationship between employee outcomes and firm performance is moderated by competitive strategy was supported.

4.3.6 Mediating Effect of Employee Outcomes on HRMP and Firm Performance

The sixth objective of the study sought to establish whether the influence of HRMP on firm performance is mediated by employee outcomes. Hypothesis 6 was formulated from the said research objective.

Hypothesis 6:

H6: The effect of HRMP on firm performance is mediated by employee outcomes.

The Baron and Kenny approach in testing for mediation was employed for the purpose of this study. For mediation effect to be considered positive, four conditions should be fulfilled:

1. The independent variable is significantly related to the dependent variable in the absence of the mediating variable.

2. The independent variable is significantly related to the mediator variable.

3. The mediator variable is significantly related to the dependent variable.

4. When controlling for the effect of the mediating variable on the dependent variable, the effect of the independent variable on the dependent variable is insignificant in the presence of the mediating variable.

The outcome of the regression analyses yielded results are presented in tables 4.17, 4.18 and 4.19.

Table 4.17: Mediating Effect of Employee Outcomes on HRMP and Firm Performance (First Step)

Model Summary						
Model		**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	
1	HRMP	.346	.120	.094	.74236	
ANOVA[b]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	2.547	1	2.547	4.622*	.039
	Residual	18.737	34	.551		
	Total	21.285	35			
Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	1.284	1.199		1.071	.292
	HRMP	.688	.320	.346	2.150*	.039

*p < 0.05
a. Predictors: (Constant), Human Resource Management Practices

b. Dependent Variable: Firm Performance

The results in Table 4.17 show that the influence of HRMP on firm performance is significant (R Square = 0.120, F = 4.622, $p < 0.05$) with 12% of the variation in firm performance being significantly explained by the variation in HRMP. The F ratio shows that the regression of HRMP on firm performance is significant at $p < 0.05$, which is evidence of the goodness of fit of the regression model. The beta was also significant (β = 0.688, t = 2.150, $p < 0.05$). The first mediation condition which states that the independent variable should be significantly related to the dependent variable in the absence of the mediating variable is thus satisfied.

Table 4.18: Mediating Effect of Employee Outcomes on HRMP and Firm Performance (Second Step)

Model Summary						
Model		**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	
1	HRMP	.656	.431	.414	.33338	
ANOVA[b]						
Model		**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.**
1	Regression	2.858	1	2.858	25.712*	.000
	Residual	3.779	34	.111		
	Total	6.636	35			
Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**		
		B	Std. Error	Beta	**t**	**Sig.**
1	(Constant)	1.216	.538		2.259	.030
	HRMP	.729	.144	.656	5.071*	.000

*p < 0.001

a. Predictors: (Constant), Human Resource Management Practices
b. Dependent Variable: Employee Outcomes

The second step as presented in Table 4.18 indicates that the influence of HRMP on employee outcomes was significant (R Square = 0.431, F = 25.712, $p < 0.001$), with 43% of the variation in employee outcomes being significant explained by variation in HRMP. The F ratio shows that the regression of HRMP on employee outcomes is significant at $p < 0.001$, which is evidence of the goodness of fit of the regression model. The beta was also significant ($\beta = 0.729$, $t = 5.071$, $p < 0.001$), thus satisfying the second condition which states that the independent variable should be significantly related to the mediator variable.

Table 4.19: Mediating Effect of Employee Outcomes on HRMP and Firm Performance (Third and Fourth Steps)

Model Summary										
Model						Change Statistics				
		R	R Square	Adjusted R Square	Std. Error of the Est.	R Square Change	F Change	df1	df2	Sig.
1	EO	.254	.064	.037	.76528	.064	2.344	1	34	.135
2	HRMP*EO	.348	.121	.068	.75298	.121	2.270	2	33	.119

ANOVA[b]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.373	1	1.373	2.344	.135
	Residual	19.912	34	.586		
	Total	21.285	35			
2	Regression	2.575	2	1.287	2.270	.119
	Residual	18.710	33	.567		
	Total	21.285	35			

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.060	1.175		1.754	.089
	Employee Outcomes	.455	.297	.254	1.531	.135
2	(Constant)	1.181	1.304		.906	.371
	HRMP	.626	.430	.315	1.456	.155
	Employee Outcomes	.085	.387	.047	.219	.828

a. Predictors: (Constant), Employee Outcomes (EO)
b. Predictors: (Constant), Human Resource Management and Employee Outcomes
   Dependent Variable: Firm Performance

Model 1: Represents regression model with only the independent variable

Model 2: with Mediator Reflects regression model with both independent and mediating variable (HRMP*Employee Outcomes)

The third and forth steps as presented in Table 4.19 were combined during the test. In the third step the influence of employee outcomes on firm performance was not significant (R Square = 0.120, F= 4.622, p > 0.05). The F ratio implies that the regression of employee outcomes on firm performance is insignificant. The β was not significant (β = 0.688, t = 2.150, p > 0.05), thus not satisfying the third condition which states that the mediator variable should be significantly related to the dependent variable. In the fourth step, the influence of the independent variable (HRMP) on the dependent variable (firm performance) was insignificant in the presence of the mediating variable, employee outcomes (R Square = 0.121, F = 2.270, $p > 0.05$). The F ratio shows that the regression of HRMP and employee outcomes on firm performance is insignificant. The beta was also statistically insignificant ($\beta = 0.085$, $t = 0.219$, $p > 0.05$), and thus satisfied the fourth condition which states that the effect of the independent variable on the dependent variable should be insignificant in the presence of the mediating variable.

The mediation test thus did not satisfy all the four conditions that should be met for a mediation relationship to be considered and therefore it can be concluded that employee outcomes do not mediate the influence of HRMP on firm performance. The hypothesis that the effect of HRMP on firm performance is mediated by employee outcomes was not supported.

4.3.7 Joint and Individual Effects of Human Resource Management Practices, Employee Outcomes, Organizational Learning and Competitive Strategy on Firm Performance

The seventh objective of the study was concerned with establishing whether the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance was greater than the individual effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. The following hypothesis was formulated from the said research objective:

Hypothesis 7:

H7: The joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance is greater that the individual effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance.

Hypothesis 7 (H7) was tested using simple linear regression analyses (for individual independent effects) and multiple regression analysis (for joint effect). In the regression model, firm performance was the dependent variable; HRMP, organizational learning, employee outcomes and competitive strategy were predictor variables. To determine the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy were regressed on firm performance. The regression weights for the individual predictors and the beta coefficients and t-values for the joint variables were examined for significance. The results are presented in Table 4.20.

Table 4.20: Regression Results for the Individual and Joint Effects of Human Resource Management Practices, Organizational Learning, Employee Outcomes and Competitive Strategy on Firm Performance

Model Summary

Model		R	R Square	Adjusted R Square	Std. Error of the Est.	Change Statistics				
						R Square Change	F Change	df1	df2	Sig.
1	HRMP	.346	.120	.094	.74236	.120	4.622	1	34	.039
2	OL	.295	.087	.060	.75598	.087	3.244	1	34	.081
3	EO	.254	.064	.037	.76528	.064	2.344	1	34	.135
4	CS	.449	.202	.178	.70693	.202	8.591	1	34	.006
5	HRMP* OL* EO* CS	.526	.276	.183	.70486	.276	2.960	4	31	.035

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.547	1	2.547	4.622*	.039
	Residual	18.737	34	.551		
	Total	21.285	35			
2	Regression	1.854	1	1.854	3.244	.081
	Residual	19.431	34	.572		
	Total	21.285	35			
3	Regression	1.373	1	1.373	2.344	.135
	Residual	19.912	34	.586		
	Total	21.285	35			
4	Regression	4.293	1	4.293	8.591	.006
	Residual	16.991	34	.500		
	Total	21.285	35			
5	Regression	5.883	4	1.471	2.960*	.035
	Residual	15.402	31	.497		
	Total	21.285	35			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.284	1.199		1.071	.292
	HRMP	.688	.320	.346	2.150*	.039
2	(Constant)	2.17	.940		2.308	.027
	Organizational Learning	.419	.233	.295	1.801	.081
3	(Constant)	2.06	1.175		1.754	.089
	Employee Outcomes	.455	.297	.254	1.531	.135
4	(Constant)	1.284	.882		1.456	.155
	Competitive Strategy	.673	.230	.449	2.931*	.006
5	(Constant)	-.039	1.311		-.030	.977
	HRMP	.723	.418	.363	1.729	.094
	Organizational Learning	.061	.290	-.043	-.211	.834
	Employee Outcomes	.299	.398	-.167	-.751	.458
	Competitive Strategy	.678	.286	.458	2.399*	.023

*p<0.05

1. Predictor: (Constant), Individual variable – HRMP
2. Predictor: (Constant), Individual variable – Organizational Learning (OL)
3. Predictor: (Constant), Individual variable – Employee Outcomes (EO)
4. Predictor: (Constant), Individual variable – Competitive Strategy (CS)
5. Predictors: (Constant): Joint Variables – HRMP, OL, EO, and CS

- Dependent Variable: Firm Performance

The regression results presented in Table 4.20 show that in model 1, the influence of HRMP on firm performance was significant (R Square = 0.120, F= 4.622, $p < 0.05$). The F ratio shows that the regression of HRMP on firm performance is significant a $p < 0.001$and the β is also significant (β = 0.346, t = 2.150, $p < 0.05$). in model 2, the influence of organizational learning on firm performance was insignificant (R Square = 0.087, F= 3.244, $p > 0.05$), the F is insignificant, and the β was also statistically insignificant (β = 0.295, t = 1.801, $p > 0.05$). In model 3, the influence of employee outcomes on firm performance was not significant (R Square = 0.064, F= 2.344, $p > 0.05$), F ratio was not significant, and the β was also not significant (β = 0.254, t = 1.531, $p > 0.05$). In model 4, the influence of competitive strategy on firm performance was significant (R Square = 0.202, F= 8.591, $p < 0.05$), the F ratio is significant at $p < 0.05$, and the β was also significant (β = 0.449, t = 2.931, $p < 0.05$).

The regression results in Table 4.20 show that in model 5, the joint influence of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance was significant (R Square = 0.276, F= 2.96, $p < 0.05$). The F ratio shows that the regression of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance is statistically significant at $p < 0.05$. The β was also significant (β = 0.458, t = 2.399, $p < 0.05$). The joint effect was higher and significant compared to the highest individual variable (competitive strategy) effect on firm performance that was significant (R Square = 0.202, F= 8.591, $p < 0.05$), the β was also significant (β = 0.449, t = 2.931, $p < 0.05$). These results imply that the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy when regressed on firm performance was greater than the individual effects of HRMP, organizational learning, employee outcomes and competitive strategy when regressed on firm performance. The hypothesis that the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance is greater than the individual effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance was supported.

4.4 Discussion of the Findings

4.4.1 Human Resource Management Practices and Firm Performance

The first major finding under the first objective of the study is that the relationship between HRMP and firm performance of NSE listed firms was positive and significant. As shown in table 4.12, for every one unit increase in the use of HRMP, firm performance increases by .346 or 35%. In a previous study in the USA, Arthur (1994) found that commitment to HRM practices were associated with higher productivity, lower scrap level rates and lower employee turnover rates. These findings corroborate findings in earlier studies done in Kenya and in the western countries.

In a previous study conducted in the private sector in Kenya, Kidombo (2007) found that soft HR strategic orientation contributed 38 percent of the change in performance. In a study of the manufacturing sector in the US, Youndt et al., (1996) found that capital enhancing HR systems enhanced operational performance (employee productivity, machine efficiency and customer satisfaction), Gould-Williams (2003) equally found a significant predictive effect of systems of HRM practices on performance of public organizations in UK. Pfeffer & Viega (1999) also found out that human resource practices collectively lead to higher firm performance.

These results imply that HRM practices that are directed at enhancing employment practices such as long-term employment relations, performance contingent rewards, supportive and pleasant work environment, investment in employee training and development programmes enhance firm performance. Hitherto, much of the existing literature, which is based on studies done locally and abroad in the private sector, merely provided a positive relationship between HRM practices and firm performance (Rodriquez & Ventura, 2003; Huselid, 1995b; Arthur, 1994)

This research presents some insights in the area of managing the employment relationship, with special emphasis on the Kenyan situation and its contextual needs as a developing country. From human capital theory, it can be argued that people possess skills, knowledge and abilities that provide economic value to firms. The higher the potential for employee contribution in a firm, the more likely it is that the firm will invest in human capital through appropriate human resource management activities and these investments will in turn lead to higher individual productivity and superior firm performance. Therefore, human capital theory maintained that human capital and how it is harnessed is an essential factor in human resource management practices – firm performance link. The results of the current study are thus consistent with the RBV theory by Barney (1991).

4.4.2 Human Resource Management Practices and Employee Outcomes

The second objective of the study focused on the nature of the relationship between HRMP and employee outcomes. The first finding under the objective was that there is a positive and significant relationship between HRMP and employment outcomes for the firms listed in NSE. It is evident from the results that for every one unit increase in the use of HRMP, employee outcomes increased by .656 or 66 percent. This implies that HRMP have a strong effect on employee outcomes. These findings support the findings of the previous studies as explained below.

A study by Gould-Williams (2003) found a significant predictive effect of systems of HRM practices on performance of public organizations in UK. This was particularly true for organizational commitment vis-à-vis firm performance. Theoretical work supports the assertion that the desire of every firm is to possess not just competent workforce, but satisfied and committed employees as well.

These findings imply that NSE listed firms have formulated HRM practices that enhance employee outcomes, particularly employee competence, commitment and empowerment. These findings are in line with the resource based view according to Barney (1995), which places emphasis on the need for organizations to ensure that they utilize supportive HRMP that assist in enhancing employee competencies, commitment and empowerment in an attempt to achieve desirable employee outcomes that differentiate their employees from the firms' competitors for sustained superior firm performance.

4.4.3 Employee Outcomes on Firm Performance

The third objective of the study addressed the nature of the relationship between employee outcomes and firm performance. The first finding was that there was no significant relationship between employee outcomes and performance of firms listed on the Nairobi Securities Exchange. This is contrary to the findings of previous studies. For example previous studies (Kidombo, 2007; Arthur, 1994) established that satisfied and committed employees are less likely to leave the organization, are thought to be more motivated to attend to work, concerned about quality of work, and therefore contribute to enhancing superior performance. Also, organizations achieve enhanced performance if employees extend themselves beyond the written engagement contract.

The insignificant relationship between employee outcomes and firm performance can be attributed to the inability of systems of HR policies, practices, programmes and processes that attend to performance needs of employees. Such HR activities includes, internal promotion, HR policies and practices through which firms fail to offer current employees the prospect of advancing to higher positions within the firms, along with their colleagues, but recruit from external sources. In this way, firms demoralize current employees which impacts adversely on employee outcomes.

Another explanation for the insignificant relationship between employee outcomes and firm performance can be attributed to the dynamic changes that the NSE listed firms are operating in that are constantly changing. Some of the employees may be experiencing difficulties in managing change. Employees in some of the NSE listed firms may also be facing challenges in addressing challenges that they may be encountering, which in turn may adversely be affecting their commitment and empowerment levels which in turn may reduce firm performance.

The current findings of this study that there is an insignificant relationship between employee outcomes and firm performance are not consistent with the resource based view theory (Barney, 1991) which indicated that firms need to enhance their internal capacity for superior performance. The findings tend to suggest that the NSE listed firms might not have institutionalized measures and structures that enhance employee outcomes to spur employee competence, commitment and empowerment.

4.4.4 Human Resource Management Practices, Organizational Learning and Employee Outcomes

Objective 4 of the study was designed to assess the moderating effect of organizational learning on the relationship between HRMP and employee outcomes. The first finding was that organizational learning did not have a significant influence on the relationship between HRMP and employee outcomes. This means that the introduction of organizational learning into the regression model yields insignificant results.

The findings of the current study are not consistent with a previous study by Peter Senge (1990). Literature relating to the link between HRMP and employee outcomes has argued that there are various behavioural factors and activities that support and reinforce employee outcomes in organizations. The surveyed organizations might have lagged behind and failed to institute the needed change with the ever changing demands, by adopting and adapting knowledge management approaches and sharing knowledge that help them create competencies and employee outcomes that make them be ahead of competition.

The inconsistency of this finding with previous studies may also be attributed to the ‘inappropriate’ organizational learning aspects such as tacit and explicit knowledge that has not created firm specific skills and abilities. Hence the lack of knowledge that can influence decisions, policies and practices that can reinforce HRM practices that can change employee behavour and work attitudes, resulting in sustainable superior outcomes (Barney, 1995).

4.4.5 Employee Outcomes, Competitive Strategy and Firm Performance

Objective 5 of the study was designed to assess the moderating effect of competitive strategy relationship between employee outcomes and firm performance. The first finding was that competitive strategy has a positive and statistically significant influence on the relationship between employee outcomes and firm performance. This means that with the introduction of competitive strategy into the regression model, the ability of employee outcomes to predict firm performance increased to (R Square = 0.205, F = 4.260, $p < 0.05$) from (R Square = 0.064, F = 2.344, $p > 0.05$). These findings imply that competitive strategy enhances the influence of employee outcomes on firm performance amongst the NSE listed firms.

Theoretical and empirical literature supports the assertion that competitive strategy moderates the relationship between employee outcomes and firm performance (Porter, 1985). This finding of the current study is consistent with previous studies. Employee outcomes like competence, empowerment and commitment have a significant effect on firm performance especially when they are aligned with the firm's competitive strategy on aspects like cost leadership, differentiation and focus strategies as evidenced in the findings of the current study.

Resource based view has suggested the importance of developing rare and in-imitable human resources that can be aligned to a firm's strategy that are specific to an entity (Barney, 1995). This is in line with the findings of the current study. Employee outcomes can enhance a firm's competitive advantage especially when they are aligned with a firm's competitive strategy.

4.4.6 Mediating Effect of Employee Outcomes on HRMP and Firm Performance

Objective 6 sought to establish whether the influence of HRMP on firm performance is mediated by employee outcomes. The Baron and Kenny approach in testing for mediation was employed for the purpose of this test. The test as indicated in the findings did not satisfy all the four conditions that were to be met for a mediation relationship to be considered and therefore it was concluded that employee outcomes do not mediate the influence of HRMP on firm performance. The hypothesis that the influence of HRMP on firm performance is mediated by employee outcomes was therefore rejected.

There is empirical evidence that the level of employee outcomes depend on the human resource management practices that are adopted in an organization (Pfeffer, 1998). The findings of the current study are not in line with this previous study. This may be attributed to the type of HRMP that are adopted by the NSE listed firms, which may not influence employee outcomes. Employees in the surveyed firms may be less commitment and are not empowered which adversely affects their productivity, which can in turn influence HRM-firm performance.

The findings of study are not consistent with the resource based view (Barney, 1995), which advances a perspective that organizations need to focus on their internal resources like human resource to acquire a competitive advantage in their areas of operation. This can be attributed to lack of efforts by the NSE listed firms towards enhanced of employee outcomes.

4.4.7 Joint and Individual Effects of Human Resource Management Practices, Employee Outcomes, Organizational Learning and Competitive Strategy on Firm Performance

Objective 7 of the study sought to establish whether the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy was greater than the individual effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. HRMP explained 12% of the change in firm performance, which is significant. Organizational learning explained 9% of the change in firm performance, which is not significant. Employee outcomes explained 6% of the change in firm performance which is not significant. Competitive strategy explained 20% of the change in firm performance which is significant. The joint predictor variables: HRMP, organizational learning, employee outcomes and competitive strategy explain 28% of the change in firm performance, which was significant. The results of the current study indicate that the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance is greater than the individual effects of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance.

The findings of this study are in agreement with the human capital theory, which emphasizes the critical importance of internal resources for sustainable competitive advantage. The Human Capital Theory (HCT) according to Schultz (1961) provides a perspective that value addition by people within an organization can contribute to better firm performance. Human capital theory regards people as assets and not a cost within an organization. Human capital according to Bontis et al. (1998) represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinct character. The HCT emphasizes the added value that people can contribute to an organization. Boxall (1996) refers to this situation as one that confers 'human capital advantage.' Human resource management practices that are generic can be adopted in a firm and aligned with the competitive strategy of the firm to for effective competition.

4.5 Chapter Summary

Chapter Four has has presented the results of the study in hree major sections. The first section presents the results of the general data analysis, starting with test of validity and reliability, followed by the descriptive statistics using frequency tables, percentages, means, standard deviations, and Cronbach's Alpha coefficients of reliability. The profiles of respondents and firms that participated in the study are also presented, followed by results of the measures for each variable of the study. The second section has presented the results of the test of hypotheses and interpretation. The third section has presented a discussion of the findings of the study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is a summary of major findings of the study, conclusions and recommendations. The structure of the chapter is guided by the research objectives and hypotheses. Attempt is made to relate the results to the objectives of the study and hypotheses. This is followed by the main limitations of the study and recommendations for further research as well as policy and practice.

5.2 Summary of Findings

The main purpose of this study was to empirically establish factors that moderate and mediate the relationship between human resource management practices and firm performance in firms listed on the Nairobi Securities Exchange. The data for the study was collected from 36 listed firms using a structured self-administered questionnaire with a five-point Likert-type scale questions. The first objective of the study was to establish the relationship between HRMP and firm performance. From this objective, it was hypothesized that there is a relationship between HRMP and firm performance. The results showed a positive and statistically significant influence of HRMP on firm performance. The second objective of the study sought to assess the relationship between HRMP and employee outcomes. From this objective, it was hypothesized that there is a relationship between HRMP and employee outcomes. The results showed a positive and statistically significant relationship between HRMP and employee outcomes.

The third objective sought to assess the relationship between employee outcomes and firm performance. From this objective, it was hypothesized that there is a relationship between employee outcomes and firm performance. The results failed to provide sufficient statistically significant evidence to indicate a relationship between employee outcomes and firm performance. The fourth objective sought to assess the moderating effect of organizational learning in the relationship between HRMP and employee outcomes. Based on this objective, it was hypothesized that the relationship between HRMP and employee outcomes is moderated by organizational learning. The results failed to provide sufficient statistical evidence to indicate a moderating effect of organizational learning in the relationship between HRMP and employee outcomes.

The fifth objective sought to assess the moderating effect of competitive strategy on the relationship between employee outcomes and firm performance. From this objective, it was hypothesized that the relationship between employee outcomes on firm performance is moderated by on competitive strategy. Stepwise regression analysis was used in testing for moderation. The results provided sufficient statistically significant evidence to signify a moderation relationship. The sixth objective sought to determine whether the effect of HRMP on firm performance is mediated by employee outcomes. From this objective, it was hypothesized that the effect of HRMP on firm performance is mediated by employee outcomes. The Baron and Kenny approach of testing for mediation was employed in this evaluation. The results failed to provide sufficient statistical evidence based on the testing model to indicate a mediation relationship.

The seventh objective of the study sought to establish whether the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance was greater than the individual independent effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. From this objective, it was hypothesized that the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance was greater than the individual independent effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. Simple linear regression analyses (for individual independent effect) and multiple regression analysis (for joint effect) were carried out. The influence of HRMP on firm performance indicated that 12% of the variation in firm performance was explained by variation in HRMP. The influence of organizational learning on firm performance indicated that 9% of the variation in firm performance was explained by variation in organizational learning. The influence of employee outcomes on firm performance indicated that 6% of the variation in firm performance was explained by variation in employee outcomes. The influence of competitive strategy on firm performance indicated that 20% of the variation in firm performance was explained by variation in competitive strategy. The joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance explain 28% of the variation in firm performance. The joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance as explained by the model was greater than the individual independent effects of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance.

Table 5.1 outlines the objectives and corresponding hypotheses that guided the study, the results and remarks on hypotheses. Linear and multiple regression analyses statistical tools were used to analyze the data.

Table 5.1: Summary of Tests of Hypotheses and Results

Objectives	Hypotheses	Results	Remarks on Hypotheses
To establish the relationship between HRMP and FP	**H_1:**There is a relationship between HRMP and FP	R=.346; R^2=.120, p<0.05; F=4.622, β= .346, t=2.15, p<0.05	Supported
To assess the relationship between HRMP and EO	**H_2:**There is a relationship between HRMP and EO	R=.656; R^2=.431, p<0.001; F=25.712, β=.656, t=5.071,p<0.05	Supported
To assess the relationship between EO and FP	**H_3:** There is a relationship between EO and FP	R=.254; R^2=.064, F=2.344, p<0.05; β=.254, t=1.531,p>0.05	Not supported
To assess the moderating effect of OL in the relationship between HRMP and EO	**H_4:** The relationship between HRMP and EO is moderated by OL	HRMP*OL: R=.699, R^2=.488, F=15.735, p< .001; HRMP β=.527, t=3.727, p<0.05; OL β=.272, t=1.926, p>.05	Not supported
To assess the moderating effect of CS on the relationship between EO and FP	**H_5:** The relationship between employee outcomes and FP is moderated by CS	EO*CS: R=.453, R^2=.205, F=4.260, p<.05; Employee outcomes β=.066, t=.381, p>.05; CS: β=.419, t=2.417, p<.05	Supported
To determine whether the effect of HRMP on FP is mediated by EO	**H_6:** The effect of HRMP on firm performance is mediated by EO	HRMP*EO: R=.348, R^2=.121; F=2.270, p>.05; HRMP β=.315, t= 1.456, p>.05;EO β=.047, t=.219, p>0.05	Not supported
To establish whether the joint effect of HRMP, EO,OL and CS on FP is greater than the individual independent effect of the variables on FP	**H_7:** The joint effect of HRMP, EO, OL and CS on FP is greater than the individual independent effect of the variables on FP	Combined effects: R=.526, R^2=.576, F=2.96, p<0.05; β=.458, t= 2.399, p<0.05	Supported

5.3 Conclusion

The purpose of this study was to establish the intervening role of employee outcomes and the moderating roles of organizational learning and competitive strategy in the relationship between HRMP and performance of firms listed on the Nairobi Securities Exchange. The first objective of the study was to establish the relationship between HRMP and firm performance. From this objective, it was hypothesized that there is a relationship between HRMP and firm performance. The findings revealed a positive and statistically significant influence of HRMP on firm performance. It can be concluded that there is a positive relationship between HRMP and firm performance.

The second objective of the study sought to assess the relationship between HRMP and employee outcomes. From this objective, it was hypothesized that there is a relationship between HRMP and employee outcomes. The relationship between HRMP and employee outcomes was found to be positive and statistically significant. It can be concluded that there is a positive relationship between HRMP and employee outcomes.

The third objective sought to assess the relationship between employee outcomes and firm performance. From this objective, it was hypothesized that there is a relationship between employee outcomes and firm performance. The results failed to provide sufficient statistically significant evidence to indicate a relationship between employee outcomes and firm performance. It can be concluded that there is no relationship between employee outcomes and firm performance.

The fourth objective sought to assess the moderating effect of organizational learning in the relationship between HRMP and employee outcomes. Based on this objective, it was hypothesized that the relationship between HRMP and employee outcomes is moderated by organizational learning. The results failed to provide sufficient statistical evidence to indicate a moderating effect of organizational learning in the relationship between HRMP and employee outcomes. We conclude that the relationship between HRMP and employee outcomes is not moderated by organizational learning. The fifth objective sought to assess the moderating effect of competitive strategy on the relationship between employee outcomes and firm performance. From this objective, it was hypothesized that the relationship between employee outcomes on firm performance is moderated by competitive strategy. The results provided sufficient statistically significant evidence to signify a moderation relationship. It can be concluded that the relationship between employee outcomes and firm performance is moderated by competitive strategy.

The sixth objective sought to determine whether the effect of HRMP on firm performance is mediated by employee outcomes. From this objective, it was hypothesized that the effect of HRMP on firm performance is mediated by employee outcomes. The Baron and Kenny approach of testing for mediation was employed in this evaluation. The results failed to provide sufficient statistically significant evidence based on the testing model to indicate a mediation relationship. It can be concluded that the effect of HRMP on firm performance is not mediated by employee outcomes.

The seventh objective of the study sought to establish whether the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance was greater than the individual independent effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. From the objective, it was hypothesized that the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance is greater than the individual independent effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. The results indicate that the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance was greater than the individual independent effects of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. It can be concluded that the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance is greater than the individual independent effects of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance.

5.4 Contribution to Theory

Despite of the growing body of empirical research in human resource management, the human resource management field has been criticized for lacking a sound theoretical foundation. The available modes of theorizing in the human resource management field include contingency and universalistic. However, the differences between these perspectives have not been explicitly acknowledged. This is because some authors have adopted one perspective and agreed on a 'best practice' approach towards human resource management Pfeffer, (1994), Arthur (1994); and Huselid (1995). Theses researchers argue that some HRMP are always better than others and that all organizations should adopt these practices. These HRMP are seven in number and are referred to as 'strategic' and they are related to firm performance regardless of industry or sector. These practices are related to rigorous employment security, selective hiring, self-managed teams, performance related pay, workforce training, status differential and sharing of information.

From the human capital theory, value addition by people within an organization can be attributed to better performance Barney (1991). Human capital theory regards people as assets and not a cost within an organization. Human capital according to Bontis et al (1998) represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinct character. Human capital theory emphasizes the added value that people can contribute to an organization. According to Pfeffer (1994) a firm that aspires to succeed in the current globalized business environment must make appropriate investment to acquire and build the employees who possess better skills and capabilities than their competitors. Better skills, knowledge and capabilities can be enhanced or supported by appropriate human resource management activities and practices.

This study tested empirically indicates that HRMP that are adopted in an organization influenced firm performance. The results of this study help in bolstering the universal perspective on HRMP-firm performance linked among the firms listed on the Nairobi Securities Exchange in the Kenyan context.

5.5 Contribution to Knowledge

The purpose of this study was to establish the intervening role of employee outcomes and the moderating roles of organizational learning and competitive strategy in the relationship between HRMP and performance of firms listed on the Nairobi Securities Exchange. To achieve this objective, the resource based view of the firm and the human capital theory were used to examine and analyze the relationships. Hitherto, little empirical research had been done to investigate these relationships and the outcomes of these constructs. Essentially, this study has helped to fill this knowledge gap, and hence enhance our understanding of the role of HRMP, organizational learning, employee outcomes and competitive strategy on the performance of firms listed on the Nairobi Securities Exchange.

The current study has contributed to knowledge by combining and testing the joint effect of HRMP, organizational learning, employee outcomes and competitive strategy on firm performance. This combination of variables has put to test the interrelationships among the five variables. This combination of variables has hitherto not been used in any other study known to the researcher. This study therefore makes a contributes to knowledge by enhancing our increased understanding that the joint effect of the study variables is greater than the effects of the individual variables on firm performance. This confirms the findings of previous studies that have found a significant link between HRMP and firm performance. Pfeffer (1998) and Pfeffer & Viega (1999) found that the HRMP adopted in a firm influence its performance.

The most significant contribution this study has made to knowledge is that the joint effect of HRMP, employee outcomes, organizational learning and competitive strategy on firm performance is greater than the individual independent effects of HRMP, employee outcomes, organizational learning and competitive strategy on firm performance. Previous literature had merely suggested that HRMP combined with other variables could have greater combined effect on firm performance. These empirical findings are important and represent substantial contribution to literature and theory development for HRMP, organizational learning, employee outcomes, competitive strategy and firm performance.

5.6 Policy Implications

It is recommended that firms should emphasize on appropriate human resource management practices that best fit the requirements of their organizations, this can contribute positively to firm performance. Specifically, the following practices should be emphasized: employment security practices, selective hiring practices, self-managed teams, performance related pay, workforce training, status differentials and sharing information. The mix of practices that should be adopted by a given firm should be generic to the situation obtaining in the entity.

Appropriate human resource practices should be emphasized because they contribute positively to employee outcomes such as competence, commitment and employee empowerment. For instance, superior hiring, compensation and training practices may enhance employee competence, commitment and employee empowerment. Organizations that consistently enhance the knowledge, skills and attitudes of their staff can compete effectively through its people as valuable assets. Human resource managers should take into account the level of employee outcomes and their effect on firm performance. In instances where employee outcomes do not contribute significantly to firm performance gap analysis should be conducted to identify why employee outcomes do not translate to superior firm performance.

Based on the conclusion that the interplay between human resource management practices and organizational learning do not affect employee outcomes, it is recommended that the aspects reducing the effectiveness of human resource management practices should be examined. For instance, information sharing which is an element of human resource management practices is a subset of knowledge management which is a construct in organization learning. Organizations should re-engineer their human resource management practices and create a conducive environment through organizational learning can be instituted. This can be achieved through creation of firm specific data bases that creates opportunities for workers to use explicit and tacit knowledge easily for informed decision making.

Human resource management practitioners need to take note of the significant moderating effect of competitive strategy on the relationship between employee outcomes and firm performance. This may be attributed to the observation that listed firms pursued all generic strategies without noticing that such practices can lead to being "split in the middle". The split in the middle situation occurs when there is lack of strategic fit and alignment. For instance, the emphasis on a cost leadership strategy should be in instances where differentiation strategy is not being emphasized as emphasizing on both may lead to conflicting results.

Policy makers and human resource management practitioners should emphasize on the choice of competitive strategy as it contributes significantly to firm performance. The choice of particular strategy may determine the scope of human resource management practices, organizational learning approaches and employee outcomes. For instance, the choice of cost leadership strategy may lead to a reduced emphasis on performance related pay and selective hiring practices. However, the choice of differential strategy may encourage performance related pay, selective hiring, self-managing team and information sharing system practices. The indication is that there is need for human resource practices and organizational learning approaches to be aligned to the competitive strategy that an organization adopts. This further implies that employee outcomes should be aligned to competitive strategy, for instance, highly competent, committed and empowered employees are best aligned to a differentiation strategy. This can contribute towards the creation of operation structures and systems that assist a firm to attain a high value, in-imitable, rare and non-substitutable institutional and human resource base as a competitive advantage for sustained superior performance.

5.7 Limitations of the Study

During the research process, the researcher experienced a number of limitations, but which did not have any significant interference with the outcome of the study. The first limitation was the geographical spread of the organizations. Given that this was a census study, target firms were spread across the country; this made it difficult for the researcher to access them. Although majority of the firms were in Nairobi County, some firms were located in diverse locations like Mumias, Mombasa, Kilifi, Thika, and Athi River. The researcher had to travel and in some cases send the questionnaires by email; this led to delays in receiving responses. However, the completed questionnaires were received within a reasonable time for analysis.

The second limitation was the nature of the data collection instrument and procedures that were adopted by the researcher. The survey questionnaire was a structured self-report and self-administered instrument that relied upon the integrity of the respondents. Organizational learning, employee outcomes and competitive strategy were a purely based on a survey on the perception of the respondents; hence they were highly subjective in nature. There still remains an issue of whether the respondents presented intended or realized HRMP, organizational learning, employee outcomes, competitive strategy and firm performance indicators. We nevertheless believe that the respondents were realistic in their responses to the survey.

Another limitation is the definition and measurement of human resource management practices. Although a substantial amount of research has been dedicated to the HRM field, little has been done to develop a universally accepted typology of HRMP. No HRMP has been tested for reliability and validity, this implies that the method used to define and measure the HRMP may not be the most appropriate and complete. A related point is that the performance measures used in this study were perceptual. Other studies have used quantitative or financial measures. In this study, the researcher, having focused on all NSE listed firms across the ten categories, found it difficult to narrow down on to objective quantitative measures since the listed firms are in diverse sectors like banking, telecommunications and technology, manufacturing and allied, energy and allied, construction and allied, and commercial and services. Nevertheless, perceptual measures have been used in the past and they have provided reliable outcomes, in the absence of quantifiable data.

5.8 Suggestions for Further Research

The researcher suggests that future research studies should be conducted using a different population that is homogeneous. Future researchers could also consider introducing different variables other than human resource management practices, organizational learning, employee outcomes and competitive strategy in testing for mediation and moderation effect of such variables on the relationship between HRMP and firm performance.

5.9 Chapter Summary

Chapter Five has presented the summary, conclusion and recommendations of the study. The chapter begins with the summary of objectives of the study, which are presented in Table 5.1. Out of the seven hypotheses tested: four hypotheses were accepted and three rejected. The broader implications of the findings for practice and theory, limitations of the study and suggestions for areas of future research are also provided.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear Respondent,

I am a PhD student at the University of Nairobi, School of Business. In order to fulfill one of the requirements for the award of the degree, I am undertaking an academic research on, ***'Human resource management practices and firm performance.'*** I would be grateful if you could spare some of your time to fill the questionnaire and answer the questions as honestly as possible. The information that you will give will be treated with utmost confidentiality and will be solely used for this academic research.

PART A: GENERAL INFORMATION

1. Name of the organization………………………………………

2. Designation

[ ] Human Resource Manager **[ ]** Marketing Manager **[ ]** Finance Manager

[ ] Other Please Specify…………………………

3. Number of employees

[ ] Up to 100

[ ] 101 to 200

[ ] 201 to 300

[ ] 301 to 400

[ ] Above 400

4. Classification of your company

[ ] Kenyan

[ ] Foreign

[ ] Other, Specify…………………………

5. Years of operation in Kenya

[ ] Up to 10 Years

[ ] 11 to 20

[ ] 21 to 30

[ ] 31 to 40

[ ] Above 40 Years

6. Nairobi Securities Exchange listing/category type

[ ] Agricultural

[ ] Commercial and Services

[ ] Telecommunication & Technology

[ ] Automobiles and Accessories

[ ] Banking

[ ] Insurance

[ ] Investment

[ ] Manufacturing and Allied

[ ] Construction and Allied

[ ] Energy and Allied

Please tick the levels of agreement on each of the items below in relation to your organization.

PART B: HUMAN RESOURCE MANAGEMENT PRACTICES						
1 Strongly Disagree 2 Disagree 3 Neither Agree Nor Disagree 4 Agree 5 Strongly Agree						
7.0	**Employment Security**					
7.1	Employees can expect a life-long employment	**1**	**2**	**3**	**4**	**5**
7.2	It is easy to terminate or dismiss employees	**1**	**2**	**3**	**4**	**5**
7.3	Job security is almost guaranteed to employees	**1**	**2**	**3**	**4**	**5**
8.0	**Selective Hiring**					
8.1	A rigorous recruitment and selection process is applied in hiring	**1**	**2**	**3**	**4**	**5**
8.2	The emphasis in hiring is competence	**1**	**2**	**3**	**4**	**5**
8.3	The emphasis in hiring is merit	**1**	**2**	**3**	**4**	**5**
9.0	**Self – Managed Teams**					
9.1	The views of teams are sought before decisions are made	**1**	**2**	**3**	**4**	**5**
9.2	Teams are usually formed to solve problems	**1**	**2**	**3**	**4**	**5**
9.3	Teams/departments are provided with discretion and resources to make decisions	**1**	**2**	**3**	**4**	**5**
10.0	**Performance Related Pay**					
10.1	My organization provides high compensation contingent to performance	**1**	**2**	**3**	**4**	**5**
10.2	Compensation is aimed at encouraging employees to achieve organizational goals	**1**	**2**	**3**	**4**	**5**
10.3	My organization's compensation recognizes employees who contribute most to the company	**1**	**2**	**3**	**4**	**5**
11.0	**Workforce Training**					
11.1	Executive training programmes are provided to employees	**1**	**2**	**3**	**4**	**5**
11.2	Employees usually undergo training every year	**1**	**2**	**3**	**4**	**5**
11.3	Newly hired employees are provided with formal training	**1**	**2**	**3**	**4**	**5**
11.4	Employees who are promoted are provided with formal training	**1**	**2**	**3**	**4**	**5**
12.0	**Status Differentials**					
12.1	All employees wear ties	**1**	**2**	**3**	**4**	**5**
12.2	All employees wear uniforms indicating different positions	**1**	**2**	**3**	**4**	**5**
12.3	Every employee has an individual office	**1**	**2**	**3**	**4**	**5**
13.0	**Sharing Information**					
13.1	Information is made available to all employees	**1**	**2**	**3**	**4**	**5**
13.2	My organization maintains and implements an open door policy	**1**	**2**	**3**	**4**	**5**
13.3	Employees are encouraged to make suggestions about their jobs	**1**	**2**	**3**	**4**	**5**

Part C: ORGANIZATIONAL LEARNING						
1 Strongly Disagree 2 Disagree 3 Neither Agree Nor Disagree 4 Agree 5 Strongly Agree						
14.0	**Knowledge Management**					
14.1	Opportunities are created for employees to learn	**1**	**2**	**3**	**4**	**5**
14.2	Employees are encouraged to acquire new skills	**1**	**2**	**3**	**4**	**5**
14.3	There is a resource centre facility where employees can acquire knowledge	**1**	**2**	**3**	**4**	**5**
15.0	**Explicit Knowledge**					
15.1	Knowledge is recorded and held in databases	**1**	**2**	**3**	**4**	**5**
15.2	Knowledge is readily available to employees	**1**	**2**	**3**	**4**	**5**
15.3	Intranets are made available to all employees	**1**	**2**	**3**	**4**	**5**
15.4	Intellectual property portfolios are maintained	**1**	**2**	**3**	**4**	**5**
16.0	**Tacit Knowledge**					
16.1	Employees have technological expertise	**1**	**2**	**3**	**4**	**5**
16.2	Employees have a high operational know-how	**1**	**2**	**3**	**4**	**5**
16.3	Employees have great insights about the industry	**1**	**2**	**3**	**4**	**5**
16.4	Employees are able to make sound business judgments	**1**	**2**	**3**	**4**	**5**
PART D: EMPLOYEE OUTCOMES						
1 Strongly Disagree 2 Disagree 3 Neither Agree Nor Disagree 4 Agree 5 Strongly Agree						
17.0	**Competence**					
17.1	Employees possess the knowledge, understanding and expertise required to carry their work effectively	**1**	**2**	**3**	**4**	**5**
17.2	Employees have the capacity to take action independently	**1**	**2**	**3**	**4**	**5**
17.3	Employees have the ability to manage and accept change	**1**	**2**	**3**	**4**	**5**
17.4	Employees have the ability to exercise unceasing care for both internal and external customers to meet and exceed their expectations	**1**	**2**	**3**	**4**	**5**
18.0	**Commitment**					
18.1	Mutual goals for employees and the organization exist	**1**	**2**	**3**	**4**	**5**
18.2	Employees have a strong identification with the organization	**1**	**2**	**3**	**4**	**5**
18.3	Employees act with flexibility in the interest of the organization	**1**	**2**	**3**	**4**	**5**
19.0	**Empowerment**					
19.1	The management allows employees to discuss with it matters that affect workers	**1**	**2**	**3**	**4**	**5**
19.2	Employees are given an opportunity to influence the management decisions	**1**	**2**	**3**	**4**	**5**
19.3	There is a formal employee-employer machinery	**1**	**2**	**3**	**4**	**5**

PART E: COMPETITIVE STRATEGY						
1 Very Low 2 Low 3 Neither High Nor Low 4 High 5 Very High						
20.0	**Cost Leadership Strategy**					
20.1	My organization pursues a low cost strategy	**1**	**2**	**3**	**4**	**5**
20.2	My organization has developed distinct staff competencies	**1**	**2**	**3**	**4**	**5**
20.3	Efficient materials management techniques are adopted	**1**	**2**	**3**	**4**	**5**
21.0	**Differentiation Strategy**					
21.1	We serve a niche market	**1**	**2**	**3**	**4**	**5**
21.2	A high rate of innovation is adopted	**1**	**2**	**3**	**4**	**5**
21.3	High levels of technology are adopted	**1**	**2**	**3**	**4**	**5**
22.0	**Focus Strategy**					
22.1	Our focus is on a specific market segment	**1**	**2**	**3**	**4**	**5**
22.2	We focus on a small range of products/services	**1**	**2**	**3**	**4**	**5**
22.3	We focus on customer responsiveness	**1**	**2**	**3**	**4**	**5**
PART F: FIRM PERFORMANCE						
Firm Performance: 1 Very Low 2 Low 3 Neither high nor low 4 High 5 Very High						
23.0	**Sales Growth Rate**					
23.1	Compared to your competitors in the previous year, what is your organization’s sales growth rate	**1**	**2**	**3**	**4**	**5**
24.0	**Market Share**					
24.1	Compared to your competitors in the previous year, what is your organization’s market share in percentage	**1**	**2**	**3**	**4**	**5**
25.0	**Productivity**					
25.1	Compared to the previous year, what is the level of employee productivity in your organization	**1**	**2**	**3**	**4**	**5**
26.0	**Profitability**					
26.1	Compared to the previous year, what is the level of profitability of your organization	**1**	**2**	**3**	**4**	**5**

APPENDIX II: NAIROBI SECURITIES EXCHANGE LISTED FIRMS

	AGRICULTRURAL
1	Eagards
2	Kapchorua Tea
3	Kakuzi
4	Limuru Tea
5	Rea Vipingo Plantations
6	Sasini
7	Williamson Tea Kenya
	COMMERCIAL AND SERVICES
8	Express Kenya Ltd
9	Kenya Airways
10	Nation Media Group
11	Standard Group
12	TPS Eastern Africa (Serena)
13	Scangroup
14	Uchumi Supermarkets
15	Hutchings Biemer
16	Longhorn Kenya
	TELECOMMUNICATION AND ALLIED
17	Access Kenya Group
18	Safaricom
	AUTOMOBILES AND ACCESSORIES
19	Car and General
20	CMC Holdings
21	Sameer Africa
22	Marshalls (EA)
	BANKING
23	Barclays Bank of Kenya
24	CFC Stanbic of Kenya Holdings
25	Diamond Trust Bank Kenya Ltd
26	Housing Finance Co. Kenya Ltd
27	Kenya Commercial Bank
28	National Bank of Kenya
29	NIC Bank
30	Standard Chartered Bank of Kenya
31	Equity Bank
32	Co-operative Bank of Kenya
	INSURANCE
33	Jubilee Holdings
34	Pan Africa Insurance Holdings
35	Kenya Re-Insurance Corporation

36	Liberty Kenya Holdings Ltd
37	BRITAM
38	CIC Insurance Group
	INVESTMENT
39	City Trust
40	Centum Investment Company
41	Olympia Capital Holdings
42	Trans Century
	MANUFACTURING & ALLIED
43	B.O.C Kenya Ltd
44	BAT Kenya Ltd
45	Cabacid Investments
46	East African Breweries Ltd
47	Mumias Sugar
48	Unga Group
49	Eveready East Africa
50	Kenya Orchads
51	A Baumann & Co. Ltd
	CONSTRUCTION & ALLIED
52	Athi River Mining Cement
53	Bamburi Cement
54	Crown Berger Paints
55	E. A. Cables
56	E. A. Portland Cement
	ENERGY AND ALLIED
57	Kenolkobil
58	Total Kenya
59	KenGen
60	Kenya Power and Lighting

Source: www.nse.co.ke 10/10/2012

APPENDIX III: UNIVERSITY OF NAIROBI RESEARCH LETTER

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES AND SOCIAL SCIENCES
SCHOOL OF BUSINESS
DOCTORAL STUDIES PROGRAMME

Telephone: 4184160/1-5 Ext. 204
Email: commerce@uonbi.ca.ke

P.O. Box 30197
Nairobi, Kenya

11th June, 2013

TO WHOM IT MAY CONCERN

RE: SAGWA EVANS VIDIJA: D80/P/7762/2002

This is to certify that, **SAGWA EVANS VIDIJA:D80/P/7762/2002** is a Ph.D student in the School of Business, University of Nairobi. The title of her study is:

The purpose of this letter therefore, is to kindly request you to assist and facilitate in carrying out the research/study in your organization. A questionnaire is herewith attached for your kind consideration and necessary action.

Data and information obtained through this exercise will be used for academic purposes only. Hence, the respondents are requested not to indicate their names anywhere on the questionnaire.

We look forward to your cooperation.

Thank you.

Graduate Studies Co-ordinator
P. O. Box 30197
NAIROBI
Nairobi University Commerce Faculty

PROF. N.D. NZOMO
FOR: ASSOCIATE DEAN
GRADUATE BUSINESS STUDIES
SCHOOL OF BUSINESS

NDN/nwk

APPENDIX IV: NCST RESEARCH AUTHORIZATION LETTER

REPUBLIC OF KENYA

HARAMBEE

NATIONAL COUNCIL FOR SCIENCE AND TECHNOLOGY

Telephone: 254-020-2213471, 2241349, 254-020-2673550
Mobile: 0713 788 787 , 0735 404 245
Fax: 254-020-2213215
When replying please quote
secretary@ncst.go.ke

P.O. Box 30623-00100
NAIROBI-KENYA
Website: www.ncst.go.ke

Our Ref:

NCST/RCD/14/012/1693

Date:

8th January, 2013

Evans Vidija Sagwa
University of Nairobi
P.O.Box 30197-00100
Nairobi.

RE: RESEARCH AUTHORIZATION

Following your application dated ***19th December, 2012*** for authority to carry out research on ***"Human resource management practices, organizational learning, employee outcomes, competitive strategy and performance of firms listed in the Nairobi Securities Exchange,"*** I am pleased to inform you that you have been authorized to undertake research in **selected Districts** for a period ending **31st December, *2013.***

You are advised to report to **the Chief Executive Officers of selected firms** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.

DR M.K. RUGUTT, PhD, HSC.
DEPUTY COUNCIL SECRETARY

Copy to:

The Chief Executive Officers
Selected Firms.

"The National Council for Science and Technology is Committed to the Promotion of Science and Technology for National Development".

APPENDIX V: RESEARCHERS' SURVEY INTRODUCTION LETTER

DEPARTMENT OF
BUSINESS ADMINISTRATION,
SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI,
P.O. BOX 30197-00100
NAIROBI

4th June, 2013

Dear Respondent,

RE: COLLECTION OF RESEARCH DATA

I am a PhD student at the University of Nairobi, School of Business. In order to fulfill one of the requirements for the award of the degree, I am undertaking an academic research on, ***'Human resource management practices, organizational learning, employee outcomes, competitive strategy and performance of Firms Listed on the Nairobi Securities Exchange.'***

You have been selected to form part of this study. I would be grateful if you could spare some of your time to fill the attached questionnaire and answer the questions as honestly as possible. The information that you will give will be treated with utmost confidentiality and will be solely used for this academic research.

In case you may need any clarification pertaining to this research, do not hesitate to call me on mobile 0727801457 or email vidijasagwa@yahoo.com. Any additional information that you might consider necessary for this study will be highly appreciated.

Thank you.

Yours Sincerely,

EVANS VIDIJA SAGWA