EFFECT OF COMPETITIVE STRATEGIES ON THE RELATIONSHIP BETWEEN STRATEGIC HUMAN RESOURCE MANAGEMENT AND FIRM PERFORMANCE OF KENYA'S CORPORATE ORGANIZATIONS

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Effect of Competitive Strategies on the Relationship between Strategic Human Resource Management and Firm Performance of Kenya's Corporate Organizations

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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DEDICATION

This thesis is dedicated to my beloved daughter, Jessica Njeri.

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LIST OF ABBREVIATIONS

CHRS	Cost led Human Resource Strategy
HR	Human Resource
HRM	Human Resource Management
IHRS	Innovation led Human Resource Management
KAM	Kenya Association of Manufacturers
MMR	Moderated Multiple Regression
QHRS	Quality led Human Resource Management
SHRM	Strategic Human Resource Management
SPSS	Statistical Package for Social Sciences
UNIDO	United Nations Industrial Development organizations

DEFINITION OF TERMS

Human resource: Sum total of all inherent abilities, knowledge and skills represented by attitudes, amplitudes and talents of an organizations workforce (Armstrong, 2009).

Human resource management: Is a strategic and coherent approach to the management of an organization's most valued assets or the employees who individually and collectively contribute to the achievement of its goals and objectives (Armstrong, 2009).

Strategic human resource management: An approach to making decisions on the intentions and plans of the organization in the shape of policies,programmes and practicesconcerningtheemploymentrelationship,resourcing,learning and development, performance management, reward and employee relations(Cole,2004).

Strategy: Overall direction an organization wishes to pursue in order to achieve its objectives through HR .It is the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources for carrying out these goals (Beardwell, 2004).

Competitive advantage:	A set of capabilities or resources that allow an organization to differentiate its product or service from those of its competitors to increase market share (Wiggins & Ruefli, 2002).

ABSTRACT

Rapid environmental changes, competition to provide innovative products and services, changing customer and investor demands and globalization have become the standard backdrop for firms. To compete effectively, organizations must constantly improve their performance by reducing costs, enhancing quality, and differentiating their products and services. Sustained competitive advantage could be generated from a firm's human capital by designing strategic human resource management (SHRM) to diagnose a firm's strategic needs which is required to implement a competitive strategy and achieve operational goals.

This study sought to determine the moderating effect of competitive strategies on SHRM-performance in Kenya as firms must increase their accesses to markets and knowledge by reading correctly changes in external market. Specifically, it sought to determine whether SHRM influences organizational performance, and the moderating effect of cost led, quality led and innovation led HR strategies on the relationship between SHRM and firm performance of corporate organizations in Kenya.

The study adopted survey research design and the target population were the corporate organizations in Kenya in the manufacturing sector. Data was collected using questionnaires and interviews and analyzed using SPSS and Microsoft Excel. Inferential data analysis was carried out by the use of factor analysis and correlation analysis. Regression models were fitted and hypothesis testing carried using multiple regression analysis and standard F and t tests.

The findings of this study from the multiple regression analysis indicated that firm performance was positively influenced by selective resourcing, extensive training, sharing information and incentives. Correlation analysis results indicated that the use of teams and decentralization had a strong and positive association with firm performance. The results of this research also revealed that a cost led HR strategy had no significant moderating effect on the relationship between SHRM and firm performance of the manufacturing organizations in Kenya. However, the findings showed that a quality led HR strategy moderated the relationship between SHRM and firm performance.

Based on the results of this study, it could, therefore, be concluded that SHRM influenced firm performance of corporate organizations in Kenya, and that this relationship was moderated by quality led and innovation led HR strategies. The findings of this research indicating the lack of an interaction term between a cost led HR strategy and SHRM could be concluded that majority of the manufacturing organizations in Kenya laid more emphasis on other aspects of their products but not the price and that irrespective of whether a cost led HR strategy was being pursued or not, the HRM practices remained significant in influencing firm performance. The study recommends that organizations should focus on the use of SHRM as its involvement is necessary to ensure that HR supports its mission. The research also recommends that organizations should diagnose their strategic needs and develop practical solutions for achieving business goals by effectively fitting their competitive strategies to the HRM practices present.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Firm performance is positively impacted by the presence of Strategic Human Resource Management(SHRM) practices which tend to create a significant contribution on organizational competencies, and this in turn becomes a great boost for further enhancing innovativeness (Noe *et al*.2003 ; Youndt *et al*. 2004). According to Horngren (2000) and Anantharaman (2003), organizations link the maximization of performance with SHRM practices. As a result of intensive competition, shorter product life cycles, volatile product and market environments, firms constantly search for newer sources of competitive advantage, one of the most important being SHRM,that has the potential to improve and determine an organization's fate (Kelliher & Perrett,2001).

Organizations today have increasingly become aware of the importance of SHRM. This awareness in a system is a critical dimension in the performance of organizations (Rees, 2006). The real life experiences substantiate the assumption that no matter how sophisticated and modern the business activities of the organization may become, it will be extremely difficult to sustain its growth and effectiveness unless there are strategies that complement its operations.

Business competitiveness is a recurring theme examined by academicians, consultants and practitioners. The frequent and uncertain changes, greater competition between firms,

the need for continuous innovations, quality enhancement and cost reduction force companies to face the challenge of improving their competitiveness and consequently their performance. This realization has propelled SHRM as a major field of study and Wright (2005) asserts that the renewed interest has facilitated the development of newer approaches in managing organizations and Human Resource (HR).

According to Armstrong (2009), strategic Human Resource Management (HRM) emphasizes the need for the HR plans and strategies to be formulated within the context of overall organizational strategies and objectives and to be responsive to the changing nature of the organization's external environment. It is an approach which requires interpretation and adaptation by practitioners to ensure the most suitable fit between HR business strategies and plans. Thus, the overall themes of SHRM are the integration of all HRM functions, adherence to broad organization goals and responsiveness to the external environment (Armstrong, 2009).

There are a number of studies (Appelbaum, 2000; Huselid, 2005; Wright, 2005; Schuler and Jackson, 2001) focusing on the main competitive factors of business organizations because of their contribution in the global economy. The quest for competitive advantage has long been a central tenet of the field of strategic management (Armstrong, 2009). Within this field, the configurational theory has emerged as a promising new framework for analyzing the sources and sustainability of competitive advantage. In SHRM, internal fit and external fit are the two main research streams. Scholars (Iravo *et al.* 2011; Njuguna 2008; Purcell, 2002; Storey, 2005) have held that in addition to internal

organization characteristics, environmental characteristics also significantly influence firm performance. External environmental characteristics represent customer demands and nature of market competition which are important determinants of firm performance.

Corporate organizations in the manufacturing sector in Kenya contribute about 10% of GDP. In addition, the sector contributes 14% to wage employment in food processing, beverages, textile, garments, wood processing, furniture and fabricated metal. According to the Productivity Policy report (2010), the sector's contribution has stagnated at 10-12% for the last decade. This stagnation partly stems from concentration on a few commodities, namely the processing of food commodities and refining of petroleum products. Further, there's lack of industrial transformation from these traditional commodities to machinery and technology products. As highlighted in vision 2030, the sector faces costly raw materials, rising labour costs and unreliable and expensive energy and poor infrastructure. UNIDO's Competitive Industrial Performance Index rankings for Kenya indicate that the country still lags behind in the ability to produce manufactured goods competitively. They are also faced with major challenges of constantly improving their performance by reducing costs, enhancing quality and differentiating their products and services.

According to Kenya Economic Development report (2004), corporate organizations in Kenya the sector is among the largest employers in Kenya in addition to the tax opportunities it presents. According to this report, the economies of most successful countries in the world originated from their successful business organizations which drive

the economy of the country. These organizations need to respond to greater global imperatives and challenges to compete effectively in local and global markets.

This study focused on the fitness of SHRM and the cost reduction, quality enhancement and innovation led HR strategies of Kenya's corporate organizations. To better present the idea of environmental characteristics, this study adopted competitive strategies as the research variable since it reflects customer needs and market nature, organizations generally develop their competitive strategies(cost reduction, quality enhancement and innovation led HR strategies) based on their understanding of the external market.

The strategic fit between an organization's HR practices and its choice of competitive strategy is argued to influence organizational outcomes. Schuler (2001) argued that SHRM is a better approach for modern business and that the traditional concerns and orientations of the HR function do not respond adequately to fundamental environmental challenges particularly in product market conditions under different product market strategy and thus firms should adjust their HRM approach to facilitate the reaching of specific goals.

1.2 Statement of the Problem

According to Armstrong and Baron (2004), the practices of SHRM are concerned with how people are employed and managed in organizations so as to achieve competitive advantage through the strategic deployment of a highly committed and capable workforce. Effective HRM strategy systematically organizes all individual HRM measures to directly influence employee attitude and behavior in a way that leads

business to achieve its competitive strategy (Huang, 2001). In view of the fact that the goals and the necessities of each of the competitive strategy types are different, the management of HR of the firm should be aligned with the overall corporate strategy. The firm can thus obtain a competitive advantage and thus achieve superior performance (Kelliher & Perret, 2001). In most firms today, it is the employees' skills and commitment that create competitive advantage for an organization. It is, therefore, important that organizations truly leverage on the workforce as a competitive weapon to develop a competitive advantage.

There has been a debate by numerous researchers whether SHRM should always be positively related to firm performance Although most of the studies speak of SHRM practices leading to performance, such a one-way line of causation is unsatisfied (Edwards & Wright, 2001).The usual key critique of SHRM and organizational performance is that sound theoretical development that explains how such HR practices operate is absent ((Becker & Gerhart, 1996). In an effort to address such theoretical developments in this area, researchers have proposed further studies to consider intermediate linkages between SHRM and organizational performance (Ferris *et al*. 1998). Accordingly, a better understanding of the role of SHRM in creating and sustaining organizational performance and competitive advantage should be achieved through further theoretical development and empirical evidence.

Most studies examining the relationship between SHRM practices and organization's performance have been conducted mostly in developed countries like United States and

United Kingdom, (Katou and Budhwar, 2006), and that only a few researchers have measured the mediators and addressed their importance. In addition, the majority of this work in SHRM according to Paauwe and Boselie (2002) adopts the resource-based view perspective which tends to ignore contextual variables, particularly competitive strategies, which influence organizational performance.

According to the Productivity Policy report (2010), the market environment in the country has been extremely turbulent during the past decade, and to maintain continuous success in the face of global competition, organizations must identify and analyze environmental characteristics and develop strategies to meet changing market needs. Firms should, therefore, increase their accesses to markets and knowledge by reading correctly changes in external market. Reviews of past studies conducted in Kenya on organizational performance indicate that the researchers examined other contextual issues that influenced performance but not competitive HR strategies. Iravo *et al.* (2011) investigated the role of conflict management in organizational performance in Kenya. Njuguna (2008) carried out a study that examined the interactive relationship between organizational learning, competitive advantage and firm performance in Kenya's manufacturing sector. Dimba and K'Obonyo (2009) investigated the moderating role of employee cultural orientations on the relationship between SHRM practices and firm performance of manufacturing multinational companies in Kenya. It is against this background that this study was undertaken to address the research gap, and also provide a better understanding through empirical evidence of the role of HRM practices and the

effect of competitive strategies on SHRM-performance link from a Kenyan context. This study may, therefore, be valuable to researchers and academicians in providing more knowledge on contributions of competitive strategies to organization's performance. The corporate organizations have a great potential for improvement of quality, profits, innovation and competitiveness.

1.3 Objectives of the Study

1.3.1 General Objective

This study sought to investigate the effect of competitive strategies on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

1.3.2 Specific Objectives

1. To determine the influence of strategic human resource management on firm performance of corporate organizations in Kenya.

2. To establish the moderating effect of a cost led human resource strategy on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

3. To determine the moderating effect of a quality led human resource strategy on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

4. To establish the moderating effect of an innovation led human resource strategy on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

1.4 Research Questions

1. How much does strategic human resource management influence firm performance of corporate organizations in Kenya?

2. Does a cost led human resource strategy moderate the relationship between strategic human resource management and firm performance of corporate organizations in Kenya?

3. Does a quality led human resource strategy moderate the relationship between strategic human resource management and firm performance of corporate organizations in Kenya?

4. Does an innovation led human resource strategy moderate the relationship between strategic human resource management and firm performance of corporate organizations in Kenya?

1.5 Hypotheses

A hypothesis is a logical conjectured relationship between two or more variables expressed in the form of testable statements. The researcher came up with four hypotheses for this study:

Hypothesis 1:

H_{01}: Strategic human resource management has no significant influence on firm performance of corporate organizations in Kenya.

H_{a1}: Strategic human resource management has significant influence on firm performance of corporate organizations in Kenya.

Hypothesis 2:

H_{02}: A cost led human resource strategy has no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

H_{a2}: A cost led human resource strategy has significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

Hypothesis 3:

H_{03}: A quality led human resource strategy has no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

H_{a3}: A quality led human resource strategy has significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

Hypothesis 4:

H_{04}: An innovation led human resource strategy has no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

H_{a4}: An innovation led human resource strategy has significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

1.6 Significance of the Study

The findings of this study that both a quality led and an innovation led HR strategies influenced firm performance would assist organizations to evaluate the role of competitive strategies in enhancing organizational performance. Not all corporate organizations have high growth potential; therefore, research and policy makers seek potential sources of growth with notions of competitive advantage, competitiveness, productivity and structural changes. It would also open up new opportunities for

increasing the performance of other organizations which have not embraced SHRM. The study aims at giving an insight into the role of SHRM in enhancing performance of organizations.

The growth in competition, liberalization of the economy and the environmental changes put additional challenges to organizations. As such, they need to respond to greater market imperatives and challenges. There is lack of a theoretically grounded understanding of the strategies underlying organization's success or failure in general (Coplin, 2002). The question posited is how a model can be created to the established organizations or those entering the market to perform well, succeed or produce a sustainable competitive advantage.

The findings of this study may be valuable to researchers and academicians in providing more knowledge on contributions of competitive strategies to organization's performance. Theories of SHRM were generated relying on western organizations but not in all parts of the world (Grant, 2008), and many writings on SHRM describe the application of competitive strategies mostly in theoretical context in western developed countries. It is, therefore, important to extend research to different parts of the world. This study would provide an opportunity for empirically testing the theories in developing countries, especially in Africa.

1.7 Scope of the Study

The study was conducted in 210 corporate organizations registered with the KAM 2011 directory, and distributed across the 12 key industrial subsectors of the manufacturing sector in Kenya as indicated in the KAM directory.

1.8 Limitations of the Study

Firstly, this study relied on self reported measures of firm performance from the respondents owing to the difficulty in obtaining public financial data and there were no formal mechanisms to verify the financial data given as it is held in confidence by the organizations. It has been demonstrated and reported by researchers (Bamberger and Meshoulam, 2000; Powell,1992; Dess and Robinson,1984) that self-reporting measures constitute an acceptable substitute and are equally reliable. Research has also demonstrated that self-reported firm performance measures are positively related to objective firm performance measures.

Secondly, this research adopted cross sectional survey design, and research of this nature would give clearer understanding of the relationship between SHRM, competitive strategies and firm performance if longitudinal analysis were applied. The findings of this study indicated that significant interaction existed between the competitive strategies (quality and innovation led HR strategies) but as Wright *et al*.(2001) argue, without conducting a longitudinal study, the performance contribution cannot be ruled out as a result of causal ambiguity. However, based on numerous empirical supports of previous studies (Hartog and Verburg,2004 ; Wan *et al*.2002; Gratton and Hope,1999; Delery and

Doty,1996 ; Schuler and Jackson,1995: Baird and Meshoulam,1988; Schuler and MacMillan,1984),SHRM positively impacts firm performance, and therefore any causality that may be argued to arise in this study should be more accepted.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

Firms must compete in a complex and challenging context in the twenty-first century business landscape that is being transformed by many factors ranging from globalization, technological advancement, changes in customer tastes and preferences, to rapid environmental changes. This new landscape requires firms to search for better competitive approach for modern business as the traditional concerns and orientations of the HR function do not respond adequately to fundamental environmental changes particularly in product market conditions. This chapter attempted to integrate SHRM, competitive strategies and the configurational theory in order to provide a theoretical and conceptual framework that can be a source of sustainable competitive advantage in the twenty-first century. It provides an overview of related literature and also looks at related past studies in this area and the gaps inherent in organizations in terms of SHRM implementation and their performance.

2.2 Theoretical Framework

In an attempt to explain the relationship between SHRM and firm performance, the researcher focused on four competing normative theories as debated by numerous researchers: universalistic, contingency, resource based value and configurational theories. Universalistic scholars argue that there is a set of superior HRM practices which

if adopted by a firm, would lead to enhanced organizational performance. A different point of view is held by the contingency scholars who argue that there is no universal prescription of HRM practices; it is all contingent on an organization's context, culture and business strategy. Resource based value theory focuses on satisfying the human capital requirements of the organization. The configurational theory emphasizes on the importance of achieving both internal and external fit in the organization.

a) Universalistic theory

It is also referred to as the best practice model, which is based on the assumption that there is a set of superior/best HRM practices, and that adopting them will inevitably lead to superior organizational performance (Luthans & Summer, 2005). The notion of best practice was identified initially in the early US models of HRM, many of which mooted the idea that the adoption of certain 'best' human resource practices would result in enhanced organizational performance, manifested in improved employee attitudes and behaviors, lower levels of absenteeism and turnover, higher levels of skills and therefore higher productivity, enhanced quality and efficiency and of course increased profitability (Marchington & Wilkinson, 2008). Hence, it is argued that all organizations will benefit and see improvements in organizational performance if they can identify, gain commitment to and implement a set of best HRM practices. Thus, universalistic perspective maintains that firms will see performance gains by identifying and implementing best practice irrespective of the product market situation, industry or location of the firm (Pfeffer, 2001).

There is growing empirical evidence suggesting that people are the pre-eminent organizational resource and the key to achieving outstanding performance. Progressive HRM practices' including selectivity in staffing, training and incentive compensation are positively related to perceptual measures of organizational performance and has contributed to performance of firm (Scholes & Johnson, 2007; Stavron & Braster, 2005).The universalistic scholars consider SHRM to positively influence firm performance and assume that SHRM can help firms improve their HR cost benefits, promote operating efficiency, increase innovation and revolution ability, and increase organizational performance benefits (Dyer, 2003). Support for universalistic theory comes from several other studies. For example, Huselid (2005) notes that all else being equal, the use of high performance work practices and good internal fit should lead to positive outcomes for all types of firms. Delery and Doty (2000) find relatively strong support for the universalistic argument and suggest that some HR practices like profit-sharing, results-oriented appraisals and employment security always have a positive effect on performances.

Human resource activities are frequently acknowledged to play a central role in linking employee capabilities with the performance requirements of a firm. Huselid (2005) in his research observed that investment in human resource activities such as incentive compensation, selective staffing techniques and employee participation result in lower turnover, greater productivity and increased organizational performance through their impact on employee skill development and motivation. Pfeffer (2001) from his study has made a case that organizations wishing to succeed in today's global environment must

make appropriate HR investments to acquire and build employees who possess better skills and capabilities than their competitors. Therefore, one key aspect of the best practice HRM literature is that the approach is capable of being used in any organization, irrespective of product market situation, industry and workforce.

However, the notion of a single set of best HRM practices has been overstated. There are examples in every industry of firms that have very distinctive management practices, distinctive human resources practices which shape the core competences that determine how firms compete. What works well in one organization will not necessary work well in another because it may not fit its strategy, technology or working practices. According to Becker *et al.* (2001), organizational high performance work systems are highly idiosyncratic and must be tailored carefully to each firm's individual situation and specific context in order to provide maximum performance. These high performance work practices will only have a strategic impact therefore, if they are aligned and integrated with each other and if the total HRM system supports key business priorities. This approach therefore ignores potentially significant differences between organizations, industries, sectors and countries.

The idea of best practice might be more appropriate for identifying the choices of practices as opposed to the practices themselves. The good practices that do well in one successful environment should not be ignored altogether. Benchmarking is a valuable way of identifying areas of innovation and development that are practiced to good effect elsewhere by leading companies. But it is up to the firm to decide what may be relevant

in general terms and what lessons can be learnt that can be adopted to fit its particular strategic and operational requirements.

Lists of best practices vary intensely in their constitution and in their relationship to organizational performance. This results in confusion about which particular HR practices constitute high-commitment, and a lack of empirical evidence and theoretical rigour (Guest, 2001) to support their universal application. Capelli and Crocker-Hefter (2000) argue that it is distinctive HR practices that help create unique competencies that differentiate products and in turn drive competencies.

b) Contingency theory

For the contingency theory, otherwise known as best fit HRM, there are no universal prescription of HR policies and practices. It is all contingent on the organization's context, culture and its business strategy (Wright & Snell, 2005). Contingency scholars have argued that HR strategy would be more effective only when appropriately integrated with a specific organizational and environmental context. The best fit theory emphasizes the importance of ensuring that HR strategies are appropriate to the circumstances of the organization, including the culture, operational processes and external environment. HR strategies have to take account of the particular needs of both the organization and its people. It explores the close link between strategic management and HRM by assessing the extent to which there is vertical integration between an organization's business strategy and its HRM policies and practices (Schuler & Jackson, 1987; Dyer, 2005; Mahoney & Decktop, 2006).

Wright, McMahan and McWilliams (2004) state that vertical integration between business strategies or the objective of the business and individual behavior and ultimately individual, team and organizational performance is at the fore of core models of SHRM. Inherent in most treatments of fit is the premise that organizations are more efficient and/or effective when they achieve fit relative to when a lack of fit exists (Legge, 2005). This vertical integration or 'fit' where 'leverage' is gained through procedures, policies and processes is widely acknowledged to be a crucial part of any strategic approach to the management of people (Dyer, 2005).The best fit therefore ensures an explicit link or relationship between internal people processes and policies and the external market in business strategy, and thereby ensures that competences are created which have a potential to be a key source of competitive advantage (Wright, Gardner & Allen, 2005).

According to the contingency approach, SHRM is not the ultimate factor that contributes to improved firm performance; it has to be integrated with other factors and the impact of HR practices in firm performance is conditioned by an organization's strategic posture. A firm's approach to competition depends on, or makes use of the talents and capabilities of employees, then HR practices would be more likely to have an impact on performance; otherwise the connection between HR and performance might be minimal.

One criticism often leveled at the contingency model is that it tends to over-simplify organizational reality. In attempting to relate one dominant variable to the organization (for example, compete on innovation, quality or cost) to another internal variable, they tend to assume a linear, non-problematic relationship.

According to Purcell (2001), this theory is limited by the impossibility of modeling all the contingent variables, the difficult of showing their interconnection, and the way in which changes in one variable have an impact on others. Boxall and Purcell (2003) further emphasize the complexity of matching HR and business strategy by stating the need to keep up with ongoing environmental change. They bring attention to a model by Wright (2005) asserting that SHRM should simultaneously promote fit and flexibility to cope with the future. However, responding to those external demands may undermine the possibility of achieving internal fit (Legge, 2005). Models of external fit fail to recognize the needs of employees. More evident in highly competitive markets, businesses cannot survive without balancing the pressures from social norms, labour laws and critical employee interests. Conclusively, an alignment of business and employee needs is needed. The best fit school also lacks emphasis on the internal context of individual businesses within the same sector and the unique characteristics and practices that may provide its main source of sustainable competitive advantage.

c) Resource based value theory

This theory suggests that HR practices can directly influence firm performance. It stresses that the basis of competitive advantage is on the valuable resources and competencies the firm possesses. To sustain a competitive advantage, an organization uses its own resources and capabilities, incapable of being rapidly developed elsewhere and firmly attached to the organization that deploys or uses them. In today's competitive environment, to sustain a competitive advantage, firms need to provide value to

customers. This value can either be cost advantage, services or differentiated strategies. Resource based value theory focuses on the relationship between a firm's internal resource stability and the ability to stay competitive through its strategy formulation (Delery & Doty, 2000).

Proponents of the resource-based view of the firm (Penrose, 1959; Wernerfelt, 1984; Amit and Shoemaker, 1993) argue that it is the range and manipulation of an organization's resources, including HR, that give an organization its uniqueness and source of sustainable advantage. People posses skills, knowledge and abilities that provide economic value to firms-since firm investments to increase employee skills, knowledge and abilities carry both out-of-pocket and opportunity costs, they are only justified if they produce future returns via increased productivity. The higher the potential for employee contribution in a firm, the more likely it is that the firm will invest in human capital via HRM activities, and that these investments will lead to higher individual productivity and firm performance (Becker *et al*. 2001).

According to Hamel and Prahad (1998), the firm is an administrative organ and a collection of product resources. Competitive advantage is obtained if a firm can develop HR that enables it to learn faster and apply its learning more effectively than its rivals. Sustained competitive advantage stems from the acquisition and effective use of bundles of distinctive resources that competitors cannot imitate. The value and the HR policies of an organization constitute an important non-imitable resource (Purcell, 2003) which is achieved by ensuring that the firm has high skilled people than its competitors.

The aim of a resource-based approach is to improve resource capability by achieving strategic fit between resources and opportunities and obtaining added value from effective development of resources. In line with human capital theory, this theory emphasizes that investment in people adds value to the firm. It can develop strategic capability and produce human resource advantage (Boxall & Purcell, 2003). According to the resource-based view, the firm could develop sustained competitive advantage through creating value in a manner that is rare and difficult for competitors to imitate. Traditional sources of competitive advantage such as natural resources, technology and economics of scale have become increasingly easy to imitate (Barney, 2001). HR is an invisible asset that creates value when it is embedded in the operational system in a manner that enhances firm ability to deal with a turbulent environment.

Recent theoretical works in business strategy have indicated that a firm's competitive advantage could be generated from a firms HR. According to Boxall and Purcell (2003), the work of the proponents of the resource based value theory has resulted in interest in this perspective, particularly in seeking ways to build and develop unique bundles of HR and technical resources that will lead to enhanced organizational performance and sustainable competitive advantage. However, this theory focuses on the internal resources of the organization rather than analyzing performance in terms of the external context.

d) Configurational theory

A strategy's success turns on combining external fit and internal fit. A firm with bundles of HR practices should have a high level of performance, provided it also achieves high

levels of fit with its competitive strategy (Richard & Thompson, 1999). Emphasis is given to the importance of bundling SHRM practices and competitive strategy so that they are interrelated and therefore complement and reinforce each other. Implicit in is the idea that practices within bundles are interrelated and internally consistent, and has an impact on performance because of multiple practices. Employee performance is a function of both ability and motivation. Thus; there are several ways in which employees can acquire needed skills (such as careful selection and training) and multiple incentives to enhance motivation (different forms of financial and non-financial rewards.)

A key theme that emerges in relation to best-practice HRM is that individual practices cannot be implemented effectively in isolation (Storey, 2007) but rather combining them into integrated and complementary bundles is crucial. MacDuffie (2005) argues that a 'bundle' creates the multiple, reinforcing conditions that support employee motivation, given that employees have the necessary knowledge and skills to perform their work effectively (Stavrou & Brewster, 2005). In the configuration school, cohesion is thought likely to create synergistic benefits which in turn enable the organization's strategic goals to be met.

The aim of bundling is to achieve coherence which exists when a mutually reinforcing set of HR practices have been developed that jointly contribute to the attainment of the organization's strategies for matching resources to organization needs, improving performance and quality and achieving competitive advantage in commercial enterprises. The approach of bundling is holistic as it is concerned with the organization as a total

entity and addresses what needs to be done as a whole in order to enable it to achieve its corporate strategic objectives.

The notion of a link between business strategy and the performance of every individual in the organization is central to ‘fit’ or vertical integration. Internal fit advocates bundles of practice, to ensure that organizations gain benefits from implementing a number of complementary practices rather than only a single practice (MacDuffie, 2005).Most models of best fit focus on ways to achieve external fit. The most influential model of external fit is that from Schuler and Jackson (1987) which argues that business performance will improve if their HR practices support their choice of competitive strategy: cost leadership, quality enhancement and innovation. Under this model, organizations need to work out the required employee behaviors to implement a chosen competitive strategy and devise supporting HR practices to enable those behaviors to be encouraged in the workforce. Vertical integration can be explicitly demonstrated through the linking of a business goal to individual objective setting, to the measurement and rewarding of attainment of that business goal.

Schuler and Jackson (1987) defined the appropriate HR policies and practices to ‘fit’ the generic strategies of cost reduction, quality enhancement and innovation. The significant difference between the contingency and configurational approach is that these configurations represent non-linear synergistic effects and high-order interactions that can result in maximum performance (Delery & Doty, 2000).

Wilkinson (2002) note that the key point about configurational perspective is that it seeks to derive an internally consistent set of HR practices that maximize horizontal integration and then link these to alternative strategic configurations in order to maximize vertical integration and therefore organizational performance. Thus put simply, SHRM according to configuration theorists requires an organization to develop a HR system that achieves both horizontal and vertical integration. The configuration approach contributes to the SHRM debate in recognizing the need for organizations to achieve both vertical and horizontal fit through their HR practices, so as to contribute to an organization's competitive advantage and therefore be deemed strategic. The use of performance management practices and competency frameworks are typically adopted to provide for coherence across a range of HR activities.

2.3 Conceptual framework

A conceptual framework is the diagrammatic presentation of variables, showing the relationship between the independent variable, moderating variables and the dependent variables. The configurational theory guided the development of the conceptual framework of this study that that was diagrammatically presented. Strategic HRM was the independent variable in this study, whereas firm performance was the dependent variable. A moderating variable has a strong contingent effect on the independent-dependent variable relationship. The competitive strategies of cost led HR strategy, quality led HR strategy and innovation led HR strategies were expected to moderate the relationship between SHRM and firm performance in this study (see Figure 2.1).

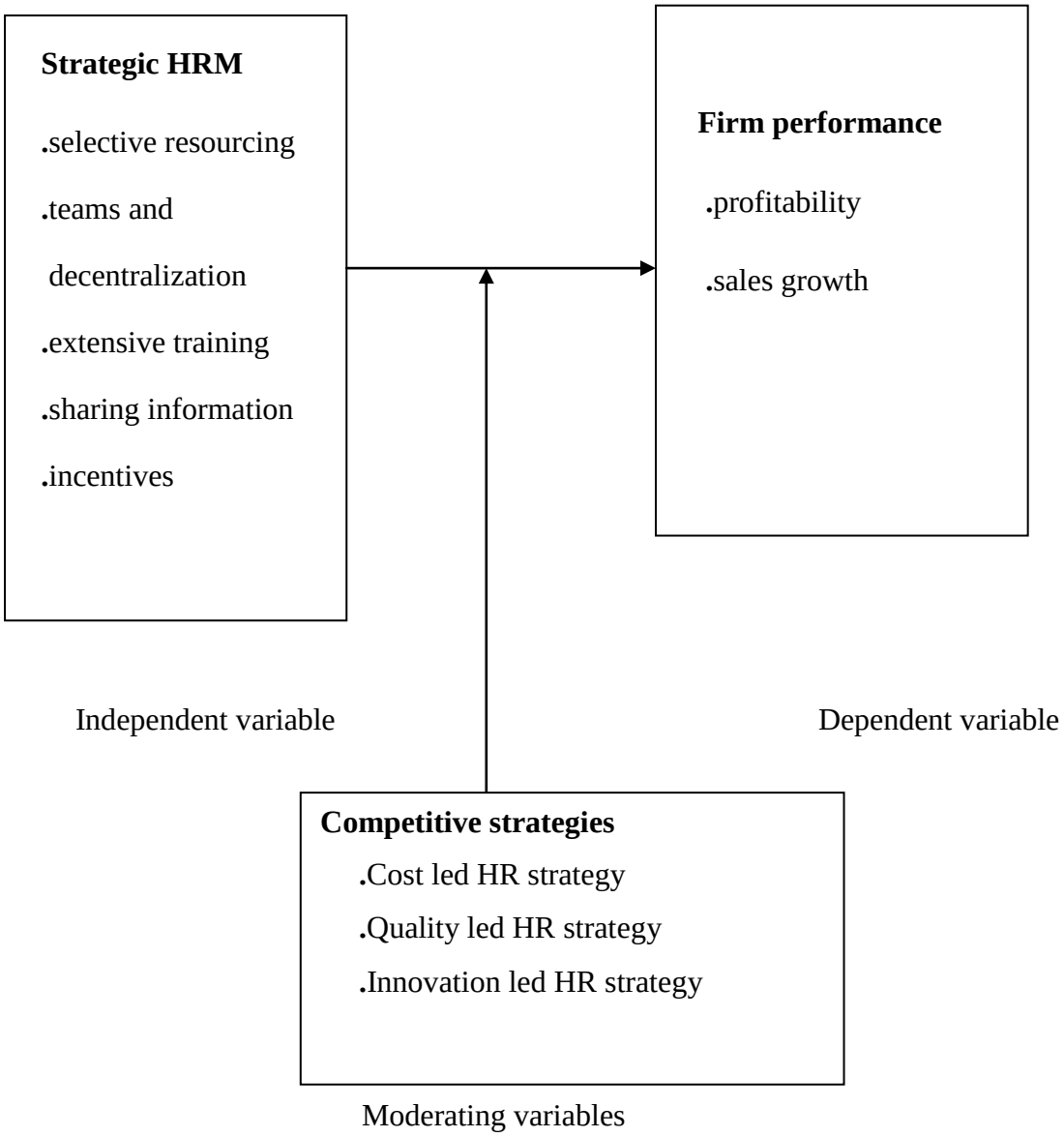


Figure 2.1: Conceptual Framework on SHRM, Competitive Strategies and Firm Performance

(Adopted from Ahmad and Schroeder, 2003; Schuler and Jackson, 1987)

2.4 Review of Related Theoretical Literature

2.4.1 Strategic HRM

According to Werbel and DeMarie (2005), HRM practices create procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique organizational competencies which support competitive advantage. SHRM is a new paradigm in managing HR in the modern organization which is hinged on the understanding that the most critical resource that any organization must provide itself of is HR, since it is the HR that is responsible for coordinating other factors of production to spur corporate performance. Schuler *et al*.(2001) described the evolution of SHRM from personnel management in terms of a two-phased transformation, first from personnel management to traditional HRM (THRM), and then from THRM to SHRM. To improve firm performance and create competitive advantage, a firm's HR must focus on a new set of priorities which are more business and strategic oriented and less oriented to traditional HR functions such as staffing, training, appraisal and compensation. Strategic priorities include team-based job designs, flexible workforces, quality improvement practices, employee empowerment and incentive compensation.

Strategic HRM aims to achieve strategic fit. It produces HR strategies that are integrated vertically with the business strategy and are ideally an integral part of that strategy. Vertical integration is necessary to provide congruence between business and HR strategy so that the latter supports the accomplishment of the business strategy and helps to define it. SHRM is also about horizontal integration which aims to ensure that the

different elements of the HR strategy fit together and are mutually supportive (Armstrong, 2008). It enables strategic decisions to be made that have a major and long-term impact on the behavior and success of the organization by ensuring that the organization has the skilled, committed and well-motivated employees it needs to achieve competitive advantage.

Cooke *et al.* (2005) asserted that SHRM is an efficient function that copes with environmental changes. It directly and indirectly benefits companies because it changes passivity into initiative, transmits organizational goals clearly and encourages the involvement of line managers. Marchington (2008) argue that SHRM positively influences firm performance because it generates structural cohesion, an employee-generated synergy that propels a company forward, enabling the firm to respond to its environment while still moving forward. Cooke *et al.* (2005) investigated the HRM practices of firms in declining industries. They found that most high performance firms adopted SHRM measures. Conversely, low performance firms tended to employ conventional methods. Various researchers (Appelbaum *et al.* 2000; Guest *et al*. 2000; West *et al*. 2002; Purcell *et al*. 2007) have found a positive relation between HRM practices and firm financial performance. They found that the strategic orientation of HR in high productivity firms differed obviously from that in low productivity firms.

Developments in SHRM thinking are thus explored through the best-fit, best-practice and configurational approaches which have a profound impact in the understanding of the contribution SHRM can enhance organizational performance, through increased

competitive advantage and added value. Indeed, it becomes clear that whether the focus of SHRM is on alignment with the external context or on the internal context of the firm, the meaning of SHRM can only be really understood in the context of organizational performance, whether that be in terms of economic value added and increased shareholder value; customer value added and increased market share or people added value through increased employee commitment and reservoirs of employee skills, knowledge and talent. According to Guest (2001), theoretical research shows that SHRM practices are not standardized and as such researchers tend to select a set of SHRM practices depending on the theoretical perspective used. Regarding which HR practices are relevant, the literature often focuses on bundles of HR practices as determinants of firm performance (Lepak *et al*. 2005). The distinctive HRM practices for this study was adopted from the study by Ahmad and Schroeder (2003) and included: selective resourcing, extensive training, use of teams and decentralization, sharing information and incentives on performance.

2.4.2 Competitive strategies

Competitive advantage model argues that employers have three basic strategic options in order to gain competitive advantages: cost reduction, quality enhancement, innovation (Schuler & Jackson, 1987). Among the key business issues that may impact on HR strategies include proposals on increasing competitive advantage through innovation leading to product/service differentiation, productivity gains, improved quality and cost reduction (Armstrong, 2009). Business strategies may be influenced by HR strategies which are concerned with making business strategies work. Wright and Snell (2005)

suggest that seeking fit requires knowledge of the HRM practices necessary to elicit those skills and behavior, and the ability to quickly implement the desired system of HRM practices.

The competitive strategies tend to apply Porter's (1985) ideas on strategic choice. Porter identified three key basis of competitive advantage: cost leadership, differentiation through quality and service and focus on 'niche' markets. Schuler and Jackson (1987) used this as their model of SHRM where they defined the appropriate HR practices and policies to fit the generic strategies of cost reduction, quality enhancement and innovation. They argued that business performance will improve when HR practices mutually reinforce the organization's choice of competitive strategy. Thus, in Schuler and Jackson's model, the organization's mission and values are expressed through their desired competitive strategy. This in turn leads to a set of required employee behaviors, which would be reinforced by an appropriate set of HR practices. The outcome of this would be desired employee behavior that is aligned with the corporate goals, thus demonstrating the achievement of vertical integration.

Recent conceptual work has argued that complementaries or synergies, both among a firm's SHRM practices and between a firm's SHRM practices and its competitive strategy, can have an additional and positive effect in a firm's performance (Marchington & Wilkinson, 2008). Thus a firm's performance may not be directly linked to SHRM.

The study used the strategic typology by Schuler and Jackson (1987) which they derived from Porter's (1985) model. The typology has three types of strategy: cost-reduction led

HR strategy, quality-enhancement led HR strategy and innovation led HR strategy. All these three strategies can be deemed 'strategic' in linking HR policies and practices to the goals of the business and the external context of the firm.

a) Cost led HR strategy

Business success built on cost reduction led HR strategy requires the business to be able to provide its product or service at a cost below what its competitors can achieve. And it must be sustainable cost advantage (Robinson *et al*. 2008). The cost reduction employer seeks to produce goods and services cheaper than the competition, with no frills and an emphasis on minimizing costs at all stages in the process -including people management. The firm thus sets to become low cost producer in its industry. The firm has a broad scope and serves many industry segments, and may even operate on many industries. The sources of cost advantage are varied and depend on the structure of the industry. If a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average. At equivalent or lower prices than its rivals, a cost leader's low-cost position translates to higher returns (Marchington *et al*. 2005).

Low cost producers usually excel at cost reductions and efficiencies. They maximize economies of scale, implement cost-cutting technologies, stress reductions in overhead and in administrative expenses, and use volume sales techniques to propel themselves up in the earning curve (Storey *et al*. 2000). A low cost leader is therefore able to use its cost advantage to charge lower prices, or to enjoy higher profit margins. By so doing, the firm

effectively can defend itself in price wars, attack competitors on price to gain market share, or if already dominant in the industry, simply benefit from exceptional returns.

The essence of an organization's competitive strategy to be a low cost leader will use various HR strategies to support its low cost strategy. Therefore, the HR implications for the cost reduction led HR strategy, according to Storey and Sisson (2000); Kelliher and Perrett (2001) are: recruitment and selection is likely to be ad hoc, especially for low-grade tasks, and the employer may well use agencies or subcontractors to perform much of the work. Training is likely to be poor or non-existent, with no recognition that employees should be provided with opportunities for learning and development. Pay levels are unlikely to be much above the minimum wage, and could be less if the employer can get away with it, and this may be typical of firms who use migrant labour and provide very basic conditions all around. There are likely to be minimum health and safety standards, tight performance monitoring, limited employee involvement and communications, and little empathy with staff experiencing problems. It is evident that the cost reduction led HR strategy is likely to focus in the delivery of efficiency through mainly hard HR techniques. The cost reduction led HR strategy therefore stresses efficient scales, minimizing expenses and supplying a standard for reducing costs to support the organization's low cost strategy.

b) Quality led HR strategy

The quality enhancement led HR strategy refers to the production or delivery of the highest possible quality of goods and services. Quality is a significant aspect of the total

process (Miller *et al*. 2001). Continuous quality improvement is a philosophy and attitude for analyzing capabilities and processes and improving them repeatedly to achieve the objective of customer satisfaction. It is an ongoing improvement of products, services or processes through incremental and breakthrough improvements (Schuler, 2001). Quality enhancement strategy is a model for reducing defects in a system that affects an output of quality.

According to Marchington and Wilkinson (2008), a firm adopting the quality enhancement led HR strategy operates with a set of HR practices that are the exact opposite of the cost reducer because the goal is to produce goods and services of the highest quality possible to differentiate itself from the competition. HRM in this situation is likely to resonate with the best practice model. This includes: systematic recruitment, selection and induction, empowerment and high discretion jobs, extensive and continuous training and development, work-life balance, highly competitive pay and benefits packages and a key role for performance appraisal. The HR function is likely to be well staffed and be highly proactive in helping to shape organizational cultures and change programmes. Close cooperation between HR and line managers is likely to improve the chances that intended HR policies and are implemented in accordance with expectations.

Many large organizations are likely to aspire to this strategy, and offer this sort of employment package, if only to attract and retain key staff at times of labour market shortage. Some organizations are able to maintain a quality enhancement approach for the staff they employ through a process of differentiation and tightly specified business

contracts on suppliers that gives the latter little option but to impose inferior terms and conditions on their workers (Marchington *et al*. 2005). Thus, quality strategy focus on continually improving a firm's processes to increase product reliability and customer satisfaction. In such a strategic context, output is more sensitive to variations in human skills, knowledge and attitudes and to mental effort rather than physical effort. Skill acquisition and development lie at the heart of a successful quality strategy.

c) Innovation led HR strategy

Innovation is a grand strategy that seeks to reap the premium margins associated with creation and customer acceptance of a new product or service. It is the initial commercialization of invention by producing and selling a new product, service, or process. Innovation is turning ideas into profits (Robinson *et al*. 2008). Miller *et al*. (2001) refers to innovation strategy as the design and production of complex and rapidly changing products or services that differ from those of competitors.

The innovation led HR strategy category of the Schuler framework is likely to be the least widespread of the three strategies. Under this strategy, it is assumed that groups of highly trained specialists work closely together to design and produce complex and rapidly changing/adaptable products and services. The consequences for HR policy are similar in many respects to the quality enhancement strategy but there is much greater emphasis on informality, problem-solving groups, a commitment to broadly defined goals, and flexibility. In innovative organizations, people are typically the major source

of value creation, and knowing how to manage HRM in these situations is a complex issue (Frenkel, 2006).

Introducing a significant technological innovation can allow a firm to lower cost and enhance differentiation at the same time, and perhaps achieve both strategies. In many industries, it has become increasingly risky not to innovate. Both consumer and industrial markets have come to expect periodic changes and improvements in the products offered. As a result, some firms find it profitable to make innovation their grand strategy. They seek to reap the initially high profits associated with customer acceptance of a new or greatly improved product. Then, rather than face stiffening competition as the basis of profitability shifts from innovation to production or marketing competence, they search for other original or novel ideas (Robinson *et al*. 2008). Examples are: use cutting edge production technology and product features to maintain a distinct image and actual product, develop programs to ensure technical competence of sales staff and a marketing orientation of service personnel and develop comprehensive, personalized database to build knowledge of groups of customers and individual buyers to be used in 'customizing' how products are sold, serviced and replaced. When the firm's strengths are in creative product design or unique production technologies, sales can be stimulated by accelerating perceived obsolescence. It therefore requires that the business has sustainable advantages that allow it to provide buyers with something uniquely valuable to them. The underlying rationale of innovation strategy is to create a new product life cycle thereby make similar existing products obsolete.

2.4.3 Firm Performance

The measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity, growth, social responsibility and ability to adapt to the ever changing environment among other objectives. Although performance has been traditionally conceptualized in terms of financial measures, some scholars have proposed a broader performance construct that incorporates non-financial measures including among others market share, product quality, and company image.

Extant research findings have shown that perceived measures of performance can be a reasonable substitute of objective measures of performance (Wan-Jing and Tung, 2005) and have a significant correlation with objective measures of financial performance. Additionally, cross-industry organizational performance is influenced by external economic factors (Bamberger and Meshoulam, 2000), hence subjective evaluations may be even more appropriate than objective measures in this study. Studies by Youndt *et al*. (1996) recognize the difficulty in obtaining objective measures of performance and suggest asking managers to assess their own firm's performance relative to others in the same industry or sector. To minimize the effects of random errors, researchers have suggested the use of multiple items to assess performance. Given this scenario, the researcher in this study opted to use multiple items in order to assess the performance of the organizations that were studied. These items related to profitability and sales growth.

2.5 Empirical Review

Guest *et al*. (2000) analyzed data on links between SHRM/employment relations and performance. The broad theoretical framework guiding the analysis constituted a path model linking together business and HR strategies on one hand and performance outcomes on the other. The latter included measures like financial performance, quality and productivity. The overall framework was glued together by a number of HR practices such as recruitment and selection, training and development, pay and rewards and HR function. A key finding was that a large proportion of organizations used a wide range of the HR practices outlined, and thus had an influence on the performance.

Some research undertaken on Spanish firms by Sanz-valle *et al*. (2000) provides support for the link between cost reductions, quality enhancement and innovation led HR strategies and the HR practices that were used. For example, cost reducers tended to provide lower levels of training, team working and pay than the other categories, whereas the innovators were more inclined to invest in teamwork, make more use of internal labor markets and pay higher rates (Sanz-Valle *et al.* 2000).

Research by West *et al.* (2002) investigating the links between specific HR business strategies and performance found that particular HR strategies had a very strong influence on performance. One of the measures of performance in that study included financial outcomes. The analysis revealed a strong relationship between HRM practices and performance. Roche (1999) in his study on Irish organizations noted that organizations

with a relatively high degree of integration of HR strategy into business strategy are much more likely to adopt commitment-oriented bundles of HRM practices.

Results from a research conducted on Taiwanese firms by Wan-Jing and Tung (2005) failed to support the universalistic perspective. Only the interaction between an innovative led HR strategy and SHRM exerted a significant effect on firm performance, supporting the argument of the moderating effect of competitive strategies.

Wright *et al*. (2005) carried out a study and found that organizations exhibited higher performance when they recruited and acquired employees possessing competencies consistent with the organization's current strategies. They also found that organizations exhibited higher performance when they sought out a strategy that matched their current employees' competencies, meaning that besides SHRM, other strategies have to be embraced with it to enhance firm performance. This study confirmed a relationship between SHRM and performance but supported the view that this is iterative because HR strategies and practices tend to be fairly unchanging over time and could therefore be linked both to past and future performance.

A study done by Ernest (2003) using objective and subjective performance measures and cross-sectional and longitudinal data confirmed an association between SHRM and performance. This implies then that unless SHRM works in association with other strategies, then a firm may not register enhanced performance for embracing SHRM.

A study by Dyer and Reeves (1995) of various models listing HR practices which create a link between HRM and business performance found that the activities appearing in

most of the models were involvement, careful selection, extensive training and contingent pay. These were bundled with the business strategy adopted by the firm.

2.6 Critique of the Existing Literature Relevant to the Study

A review of the literature linking HR practices to business strategy shows conflicting perspectives in SHRM. The universalistic perspective suggests that there is a universal set of best practices that any business can adopt to improve organizational performance. Conversely, the contingency perspective suggests that business performance improves when there is fit between business strategy and HR policies. Redman (2006) identifies both methodological and theoretical problems with the universalistic approach. Methodologically, the degree and direction of causation can be questioned. Adopting best practice may just be of one the several factors that improve business performance. Furthermore, it may only be successful firms who can afford to adopt these practices thus reversing the perceived direction of causation.

Research suggests that best practices models are only seen in higher value added sectors. A lot of businesses have proven to be successful without using best practices, as confirmed by Wood and DeMenezes (2005).From a theoretical position, the wide range of models and lists of best practices creates a problem. It is the unique context of each business that matters when developing a HR strategy. In addition, the intention of best practice should benefit both shareholders and workers. But as with most models of best practice, there is little reference to the role of unions or the differing and objectives each group has in the workforce. For example, Marchington and Grugulis (2000) suggest that

Pfeffer (2001) takes a unitary view and doesn't take into account the complexities of managing a diverse and differentiated workforce. The best practice approaches are also not culturally sensitive. Models that tend to reflect the individualist values of the USA will not be suitable for more collectivist cultures such as Germany or Japan. National context and the differing labour laws of each country play a fundamental role in SHRM. This severely implicates the usefulness of best practice model.

Boxall and Purcell (2003) make a valid point about the notion of internal fit. It tends to be discussed in such a way that over-simplifies the paradoxical elements in managing people. This can also apply to external fit because business strategies are rarely straight forward; the reality of business is complicated and often unpredictable. The simplistic models of matching HRM and strategies imply a top down deterministic strategy planning process. But in reality, many strategies tend to evolve from the input of numerous stakeholders as a multi-level, multi-stage, incremental and political process (Legge, 2005). Moreover, many businesses take/avoid a unified strategy as they operate in many different business or geographic markets with a different strategy for each market. This makes it difficult to match HRM with one particular competitive strategy. This criticism is partly answered by the configurational theory, which recognizes the prevalence of hybrid strategies and the need for HR to respond accordingly.

Purcell (2003) points out the inconsistency between a belief in best practice and the resource based view which focuses on the intangible assets, including HR, which allows the firms to do better than its competitors. He questions how the universalism of best

practices can be squared with the view that only some resources and routines are important and valuable by being rare and perfectly imitable. The danger is that of mechanistically matching strategy with HRM policies and practices.

Taking the changing external environment into consideration, Redman (2006) questions whether firms can actually keep changing their HR policies to match the market situation. The bounded rationality of managers clearly limits the number of contingencies they can identify when assessing the market situation. This can often lead to an inappropriate selection of HR policies which would be disadvantageous to the business. Another issue is what happens to HRM when two quite different types of firms merge or is acquired through a hostile takeover (Edwards & Rees, 2006). Applying the best fit models is difficult in such circumstances without a consideration of other factors, and in the period following the change of ownership, there is often so much turbulence in the system that it is hard to identify a dominant HR style.

Criticisms such as the above indicate that it is not sufficient to focus on one particular factor -say, competitive strategy and ignore the effect of others in shaping HR practice. This is not to say that contingency and universalistic approaches are unimportant, but that the principal factors may vary in importance over time. Additionally, it is the mix of factors that is important. On the other hand, these models are useful if they are used as a tool for guidance rather than a prescriptive technique. First, each model attempts to predict appropriate HR strategies from an analysis of business strategies. At the polar extremes, this may fit quite well. It is easy to see how the HR activities of new firms can

be aligned with start up or innovation business strategies. In short, it causes us to question the assertion that all employers should adopt ‘best practice’ HRM policies irrespective of their business strategies. Secondly, these kinds of analysis should encourage HR practitioners to think more carefully about how HRM relates to organizational characteristics and how they can contribute to business goals. The case for a new HR initiative might have a better chance of success if it is seen to ‘fit’ with wider organizational strategy and can be justified through a business case, albeit one that also takes into account employee needs (Boxall & Purcell, 2008).

2.7 Research Gaps

Studies by universalistic scholars have argued a direct linkage between SHRM and firm performance. Contingency scholars argue that SHRM does not lead directly to firm performance but is influenced by contingencies among them competitive strategies, which ultimately influence performance. Hence, the focus has mainly been limited to the linkage between SHRM and organizational performance. In this regard, the universalistic perspective posits the best practice bundle of HR practices. This is a concern because it seems unlikely that one set of SHRM practices will work equally well no matter what context and strategy. Consequently, there is need for additional robust and quantitative evidence to support the SHRM performance link and investigations from different contexts with different strategies.

Literature reviewed has revealed that most studies examining the relationship between SHRM and organization’s performance have been conducted mostly in a few developed

countries like US and UK, and that only a few researchers have measured the mediators and addressed their importance. The question still left unanswered is the influence of competitive strategies on SHRM and consequently organizational performance. To fill this gap and to further examine the existence of such a relationship, it is important to conduct research in developing countries specifically in Kenya.

Majority of work in SHRM adopts the resource based view perspective which emphasizes the gaining of competitive advantage by means of utilization of the resources of the organization through the employees. However, HRM studies based on resource based value theory tend to ignore contextual and strategic variables which moderate SHRM-firm performance relationship. Central to this study is an attempt to determine if competitive strategies moderate the relationship between SHRM and performance of Kenya's corporate organizations, and consequently to their success.

There is also a need to question the veracity of the link between HRM and performance. Analysis of data relating to the question of a link between SHRM and performance reveals there is uncertainty as to the direction of the link. Guest *et al.* (2003) study confirms an association between SHRM and performance but fails to show a causal relationship between SHRM and performance. Purcell *et al.* (2003) have noted that while some of the studies have been able to show an association between SHRM, competitive strategies and firm performance, they have not clearly explained when, why and how this association existed and to identify the inter-connections.

Much of the research on SHRM and performance places an emphasis or assumes that each organization is pursuing an integrated set of business objectives and HR practices. This is in contrast with recent developments as firstly; it is seemingly at odds with the move towards more flexible internal structures and strategies, such as strategic alliances, business networks, joint ventures and linkages. Secondly, the approach does not also consider the trend towards outsourcing and inter-organizational contracting and the influence of multi employers and customers in the shaping of performance. The researchers' discussion about organizational performance is conducted as though organizations are homogeneous entities with clearly defined boundaries and similar contexts and characteristics. Hence the need to extend research in Kenya's organizations given the increasing importance of SHRM in creating firm competitive advantage. Addressing these research gaps can help more researchers beyond overly simplistic models of SHRM towards a much fuller understanding of the role of SHRM in organizations.

2.8 Summary

This chapter reviewed the relevant literature and the considerable discussion and deconstruction of SHRM, various elements of competitive strategies and the links between these elements. The researcher examined the way in which HR policies and practices may be used to provide coherent and comprehensive HR bundles. This led to suggestions that there is a way in which HRM should be delivered and moreover that this has a positive impact on organizational performance. Review examining how HR strategies can be aligned with wider organizational goals was also been examined. Best

fit HRM is the idea that HR practice should and does vary between organizations depending on business strategy or product market circumstances. This approach is useful not only for countering the more simplistic versions to reflect organizational reality-at least at a broad level. The approaches view HR as having an important role in supporting organizational strategy and still play an important role in developing SHRM. Generic HR processes can benefit from best practice theories while best fit should be applied when context matters to align management and employee interests. Competitive strategies are deemed strategic in linking HR policies and practices to the goals of the business and the external context of the firm, and are therefore contributing in different ways to performance. Increasingly, many firms are pursuing competitive strategies aimed at cost reduction, quality improvement and innovation with the goal of gaining competitive advantage through HR. Conclusively, the contribution that SHRM may make to an organization's performance and effectiveness is closely linked to the changes in different business environment including macro and micro contexts, thus the bundling of these practices with the competitive strategy of the firm.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a systematic description of the methodology used to conduct the research. It comprises sections on research design, population, sampling frame, sample and sampling technique,instruments,data collection procedure, pilot test, data processing and measurement variables.

3.2 Research Design

A research design is a framework that guides the collection and analysis of the data and is a detailed plan for how research study is conducted according to the data required in order to investigate the research questions in an economical manner. It is a presentation of the plan, the structure and strategy of investigation, which seeks to obtain or answer various questions.

The study adopted survey research design using both quantitative and qualitative approaches. Quantitative approach emphasizes measurement and data is analyzed in a numerical form to give precise description. According to Mugenda and Mugenda (2003), quantitative approach also known as the scientific method has traditionally been considered as the traditional mode of inquiry in both research and evaluation. That this mode of inquiry follows several logical and distinct steps from identifying and stating research problem to making appropriate conclusions and inferences to the population.

Quantitative approach places emphasis on methodology, procedure and statistical measures to test hypothesis and make predictions. According to Berg (2001), qualitative research helps in analyzing information in a systematic way in order to come to some useful conclusions and recommendations on the social settings and the individuals who portray those characteristics.

The research adopted quantitative approach because the data collected through questionnaires from respondents was analyzable using the standard statistical tools. Quantitative research approach includes designs, techniques and measures that produce numerical or quantifiable data. It relies on the principles of verifiability, that is, confirmation, prove, or substantiation, using appropriate measurement of study variables. Qualitative approach was also o adopted by the in this study because qualitative data is more in depth and provides detailed answers. It provides information about the phenomenon being studied, and established patterns, trends and relationships from the information gathered. The qualitative research provides greater depth to response and understanding which forms a link with the respondents. Qualitative research is typically rich with detail and insights into participants ‘experiences of the world and thus more meaningful .It helps in gaining new perspectives on things about which much is already known (Hoepfl,1997).

Corbetta (2003) describes survey research design as a technique of gathering information by questioning those individuals who are the object of the research and belonging to a representative sample, through a standardized questioning procedure with the aim of

studying the relationship among the variables. A survey is a scientific investigation which entails the study of a sample drawn from the population of interest through probability sampling procedures. According to Mugenda and Mugenda (2003), a survey has the strength of measurements being taken at a point in time and of creating room for exploratory and descriptive data which will be essential in understanding the moderating effects of competitive strategies on performance.

Surveys are an efficient way of obtaining information about peoples' thoughts, opinions and feelings. According to Kothari (2007), surveys are conducted in case of descriptive research and are concerned with describing, recording, analyzing and interpreting conditions that either exist or existed. Surveys are also concerned with opinions that are held, processes that are going on, effects that are evident or trends that are developing. This research design also reduces systematic error through careful planning of the questions, and a questionnaire is the main data collection tool in surveys.

3.3 Target Population

Target population refers to the larger population to which the researcher ultimately would like to generalize the results of the study (Berg, 2001). It is thus the entire group of individuals, events or objects having a common observable characteristic. The target population for this study were all the 590 corporate organizations in Kenya's manufacturing sector classified into 12 key industrial sub sectors and by the type of raw materials companies import or the products they manufacture, in addition to service sector and affiliate associations (KAM, 2011). According to the Economic Recovery

Strategy for Employment and Wealth Creation report, (2011), aggregately, the value contribution of the corporate organizations in the manufacturing sector in Kenyan income has steadily increased from 13 % in 2002 to 15.7 % in 2007 and has attracted a large number of investors who now thrive in these subsectors and the sector is a major source of growth, has a greater potential for investment and improvement of quality, profits, innovation and competitiveness. The sector is a good indicator of economic activity.

3.4 Sampling Frame

A sampling frame is a list of all items where a representative sample is drawn for the purpose of research. In this study, the sampling frame was a list of all the corporate organizations in the 12 key industrial subsectors of the manufacturing sector in Kenya. These subsectors are: Building, Construction and Mining; Chemical and Allied; Energy, Electrical and Electronics; Food and Beverage; Leather and Footwear; Metal and Allied; Motor Vehicle and Accessories; Paper and Board; Pharmaceutical and Medical Equipment; Plastic and Rubber; Textiles and Apparels; Timber, Wood and Furniture. The sampling frame was obtained from the directory of Kenya Association of Manufacturers (KAM, 2011) which is a premier representative organization for manufacturing value-added industries. It has the mandate of promoting competitive local manufacturing in liberalized markets, representing a cross section of the entire corporate organizations in the manufacturing sector in Kenya. KAM provides demand-driven-value-added services to facilitate firm-level interventions and continuous improvements aimed at enhancing

industry's performance and profitability, with the intention to deepen Kenya's industrial sectors and improve competitiveness.

3.5 Sample and Sampling Technique

A sample is a portion or part of the population of interest. The purpose of sampling is to gain an understanding about some features or attributes of the whole population based on the characteristics of the sample. The study used stratified random sampling where the subjects are selected in such a way that the existing subgroups in the population are more or less reproduced in the sample (Mugenda & Mugenda, 2003). Using the sampling frame, it was established that there were 12 key industrial subsectors of the 590 corporate organizations in the manufacturing sector, in addition to service sector and affiliate associations. The organizations were divided into 12 groups/ strata (see Table 3.1), each key subsector forming a stratum. Stratified random sampling technique guarantees that each stratum is represented in the sample and is more accurate in reflecting the characteristics of the population. According to Kothari (2004), a population is stratified based on different features of the population and a random sample is picked from each stratum. In this sampling method, sampling error is considerably reduced. The sample size determination formula by Mugenda and Mugenda (2003) was adopted to determine the sample size and calculated according to the following formula:

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

Where: n= Sample size

z=Confidence level at 95% (standard value of 1.96)

p=Proportion in the target population estimated to have the characteristics being measured

q=1-p

d=level of statistical significance (=0.05)

The study estimated that around 70% of the corporate organizations in the manufacturing sector had embraced HRM practices. The sample size determination formula was used to select 210 firms for intensive study, representing 36% of the corporate organizations in the manufacturing sector. The calculations of the sample size determination are shown in Appendix 21. This sample size represented more than the 10 % of the accessible population that is generally recommended by social researchers who generally recommend that 10 % of the accessible population is enough, and at least 30 cases are required for statistical data analysis (Mugenda & Mugenda, 2003; Alreck, 2004). Orodho (2005) states that most social researchers recommend at least 100 cases.

Table 3.1: Number chosen for a stratified random sample

Subsector	Population Total	No.Sampled	Percentage
Building, Construction and Mining	16	11	5.2
Chemical and Allied	68	24	11.4
Energy, Electrical and Electronics	35	10	4.8
Food and Beverage	150	66	31.4
Leather and Footwear	6	3	1.4
Metal and Allied	63	22	10.5
Motor Vehicle and Accessories	26	9	4.3
Paper and Board	66	20	9.6
Pharmaceutical & Medical Equipment	22	8	3.6
Plastic and Rubber	67	16	7.7
Textiles and Apparels	54	16	7.7
Timber, Wood and Furniture	17	5	2.4
Total	590	210	100

3.6 Instruments

A standardized questionnaire was developed that captured the various variables under study, and for the independent variables, a modified questionnaire of Ahmed and Schroeder (2003) study was adopted (see Appendix I). A questionnaire is a research

instrument that gathers data over a large sample and its objective is to translate the research objectives into specific questions, and answers for each question provide the data for hypothesis testing. The advantages of a questionnaire over other instruments include: information can be collected from large samples, no opportunity for bias since it is presented in paper form and confidentiality is upheld. The questionnaire is divided into two sections. Part A was the identification section where the respondents identified themselves; job title and the number of years they had worked for the company. Part B asked the respondents to provide information concerning the major areas of this study and also classification information such as age, size. The questionnaire contained both closed and open ended questions. The closed ended questions were aimed at giving precise information which minimized information bias and facilitated data analysis, while the open ended questions gave respondents freedom to express themselves.

Interviews were also conducted using a structured interview guide (appendix II) which helped achieve personal in-depth information which was appropriate to generate more and higher quality ideas on a personal response basis and enabled the study to probe deeper the issues that arose. Interviews give the opportunity for eliciting information and to observe both the subject and the total situation to which he/she is responding to (Mugenda & Mugenda, 2003). Secondary data was collected through evaluation of reports, organizational journals, publications and review of information from the websites of the various corporate organizations in as far as they provided relevant and up-to-date information.

3.7 Data Collection Procedure

Questionnaires were self-administered and three research assistants were recruited and trained so that they were able to get quality results. The target participants were the HR managers who filled in the questionnaires. These target participants were easy to identify, have adequate knowledge about the firm's strategic situation and relevant insights into the business, considering their crucial role in top management involvement. Organizations were first contacted and the intention to drop the questionnaires and the request to do so explained to the HR managers. The questionnaires were then delivered to the respondents and were waited for to fill them. Respondents who were not in a position to fill that day were given a week after which the research assistants went back to collect the questionnaires. The number of questionnaires that were utilized to collect data for this study was 210, since the firm was the unit of analysis and the sample size was 210 corporate organizations. Interviews were also conducted at the workplace/offices of the respondents and detailed notes were taken during the interviews. The informants of this study during the interviews were also the HR managers. One informant was interviewed per day to make it easier to transcribe the information obtained immediately after each interview session to verify accuracy and completeness of the notes taken.

3.8 Pilot Test

The questionnaire was pretested to ensure clarity and content validity prior to them being administered. Reliability analysis for testing reliability and the internal consistency of the data items was conducted using the Cronbach's alpha. The questionnaire and interview

guide were pilot tested on 20 corporate organizations that were part of the target population but not in the sample, and HR managers filled in the questionnaire. This represented 10 % of the accessible population (sample size) that is generally recommended by social researchers, according to Mugenda and Mugenda (2003).In choosing the 20 organizations for pilot testing, the researcher used simple random sampling. According to Orodho (2005), simple random sampling ensures that each unit has an equal probability of being chosen, and the random sample is the most representative of the entire population and least likely to result in bias. It has statistical properties that allow the researcher to make inferences about the population, based on the results obtained from the sample. After pilot testing, the questionnaire and interview guide were revised to incorporate the feedback that was provided.

Data reliability which is a measure of internal consistency and average correlation was measured using Cronbach's alpha coefficient which ranges between 0 and 1 (Kipkebut, 2010). Higher alpha coefficient values means that scales are more reliable. As a rule of thumb, acceptable alpha should be at least 0.70 or above. Cronbach's alpha is a general form of the Kunder- Richardson (K – R) 20 formula.

The formula is as follows:

$$\mathbf{KR_{20}} = \frac{\mathbf{(K)\ (S^2 - \sum_S{}^2)}}{\mathbf{(S^2)\ (K - 1)}}$$

KR_{20} = Reliability coefficient of internal consistency

K = Number of items used to measure the concept

S^2 = Variance of all scores

s^2 = Variance of individual items

3.9 Data Processing and Analysis

According to Sekaran (2003) as cited by Njuguna (2008), there are three objectives in data analysis: getting a feel for the data, testing the goodness of the data and testing hypothesis developed for the research. A feel for the data gives the researcher a good idea of how well the respondent have reacted to the items in the questionnaire and how good the items and measures are. This includes descriptive statistics such as the response rate, mean and standard deviations of the observed variables. Establishing the goodness of the data lends credibility to all subsequent analysis and findings because it measures the reliability and validity of the measures used in the study. Once the data is ready for analysis, the researcher is ready to test the hypothesis already developed using appropriate statistical tests.

In this study, the quantitative data collected was analyzed by calculating response rate with descriptive statistics such as mean, median, standard deviation and proportions using Statistical Package for Social Sciences (SPSS) version 17 and Microsoft Excel. Inferential data analysis was carried out by the use of factor analysis and correlation analysis to determine the strength and the direction of the relationship between the dependent variable and the independent variables. Regression models were fitted and hypothesis testing carried using multiple regression analysis and standard F tests and t tests.

Qualitative data was collected using a structured interview guide, and that involved taking down field notes when interviewing the informants. From these field notes, keywords/phrases that kept on re-occurring were identified and manual themes developed which became the basis of the codes. The code categories were based on the research questions of the study and were entered into a computer that developed pattern codes to group the summaries of data into a smaller number of sets, themes or constructs, and using Microsoft Excel, the researcher analyzed the frequencies of the emerging themes; usually the frequency of appearance of a particular idea is obtained as a measure of content (Krishnaswamy *et al*. 2006). Data was presented in graphs, tables and pie charts.

3.9.1 Statistical measurement models

According to Mugenda and Mugenda (2003), multiple regression analysis attempts to determine whether a group of variables together predict a given dependent variable and in this way, attempt to increase the accuracy of the estimate. The general multiple regression model for this study was:

$$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_5X_5 + \beta_zZ + \beta_{1z} X_1Z+ \beta_{2z} X_2Z+ \beta_{3z} X_3Z+ \beta_{4z} X_4Z + \beta_{5z} X_5Z + \varepsilon$$

Where; Y=firm performance β_0=constant

β_i is the coefficient for X_i (i=1, 2,3,4,5)

X_1=selective resourcing

X_2=teams and decentralization

X_3=extensive training

X_4=sharing information

X_5=incentives

Z= Competitive strategies (moderator)

ε = error term

X_iZ= Product term / interaction term of the competitive strategies with each of the independent variables(x_1,x_2x_3,x_4,x_5)

3.10 Measurement of Variables

Strategic HRM: Successful firms create a bundle of employee practices to reinforce the organizations strategic position. The bundle of HRM practices for this study was adopted from the study by Ahmad and Schroeder (2003) and included: selective resourcing, extensive training, use of teams and decentralization, sharing information and incentives on performance. A five-point likert scale (5 = strongly agree, to 1= strongly disagree) was used for each of the statements corresponding to the various parameters of SHRM practices.

Competitive strategies: Based on the typology of competitive HR strategy of Schuler and Jackson (1987), the respondents were asked to choose the significant competitive strategy pursued by their organization. A five-point likert scale (5 = very important, to 1= very unimportant) was also used for each of the statements corresponding to the various dimensions under competitive strategies.

Firm performance: In this study, firm performance was measured by objective and subjective measures of perceived profitability, sales growth, and profitability ratio.

Perceived Profitability was measured as the degree of satisfaction with the firms' profitability, sales growth was measured as the annual percentage growth in total sales, while profitability ratio was measured as (Profit ratio = Profit/Capital x 100) during the past three years (2009, 2010, and 2011) to control for any fluctuations. Similar indirect measure of firm performance (perceived profitability) have been used in prior research when financial statement data are unavailable or when they do not allow for accurate comparisons among firms (Dess, 2000; Powell, 2002). Profits were assessed over a 3 year period, 31st December being considered end of financial year, and 2009 as the base year. The researcher used a five point response scale (with 5 =very satisfying, to 1= very dissatisfying).

Control variables: The main control variables in this study were firm size and firm age to prevent potential bias in profit forecasting .Older firms may have an experience and knowledge advantage on their understanding of the external market and may have penetrated and stabilized in the market, while younger firms are likely to focus on a new set of priorities which are more business and strategic oriented .The size of the firm on the other hand influences SHRM implementation and relationship outcomes where larger ventures may have more resources to devote to any competitive model. Firm size was measured as number of full time employees and age was measured in terms of the number of years of operation of the company in Kenya.

CHAPTER FOUR

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

The general objective of this research was to determine the effect of competitive strategies on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya. The specific objectives were to determine the influence of SHRM on firm performance and establish the moderating effect of a cost led /quality led and innovation led HR strategies on the relationship between SHRM and firm performance of corporate organizations in Kenya. The hypotheses of this study were stated as: SHRM had no significant effect on firm performance, and a cost led /quality led /innovation led HR strategies had no significant moderating effect on the relationship between SHRM and firm performance of corporate organizations in Kenya. In an attempt to address the specific objectives of the study, this chapter provides a detailed description of descriptive and inferential statistics and the research findings and discussions, clearly outlining how each of the hypothesis as stated in chapter one was tested.

4.2 General Characteristics of the Study Sample

4.2.1 Subsectors' response rate

Data for this study was collected from 210 organizations distributed across the 12 key industrial subsectors in the manufacturing sector (see Table 4.2). These were: Building, Construction and Mining; Chemical and Allied; Energy, Electrical and Electronics; Food

and Beverage; Leather and Footwear; Metal and Allied; Motor Vehicle and Accessories; Paper and Board; Pharmaceutical and Medical Equipment; Plastic and Rubber; Textiles and Apparels; Timber, Wood and Furniture. Food and Beverage subsector had the majority of the organizations (31.4 %) participating in the study. Metal and Allied subsector had 10.5 %, Chemical and Allied subsector 11.4 %, Paper and Board subsector, 9.6 % while Building and Construction subsector had 5.2 %. Leather and Footwear subsector only had a response rate of 1.4 %, while Plastic and Rubber and Textile and Apparels subsectors both had a response rate of 7.7 %. Table 4.2 provides an illustration of the response rate by subsector.

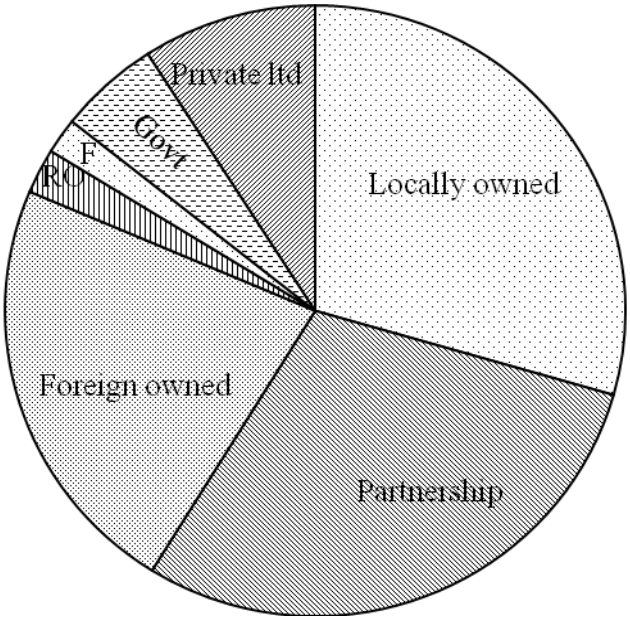
Table 4.2: Subsectors' response rate

Subsector	Number Sampled	Percentage
Building, Construction and Mining	11	5.2
Chemical and Allied	24	11.4
Energy, Electrical and Electronics	10	4.8
Food and Beverage	66	31.4
Leather and Footwear	3	1.4
Metal and Allied	22	10.5
Motor Vehicle and Accessories	9	4.3
Paper and Board	20	9.6
Pharmaceutical and Medical Equipment	8	3.6
Plastic and Rubber	16	7.7
Textiles and Apparels	16	7.7
Timber, Wood and Furniture	5	2.4
Total	210	100

4.2.2 Ownership status of the study sample

The majority of these organizations (122) representing a valid percentage of 29.6% and 29.5% of the total sampled were owned locally and by partnership respectively. Foreign owned organizations were 47 representing a valid percentage of 22.7% of the organizations sampled in this study, and 2.4% were locally owned by religious

organizations and other groups. The valid percentage of the ownership status of the others was: Family owned 1.9 %, Government owned 5.3 %, and Private Limited companies 9.1 % .Their frequencies were: 4, 11, and 19 respectively of the total sampled as indicated in Figure 4.2.



Key*: F-family owned; RO-religious organizations and other groups*

Govt-Government

Figure 4.2: Ownership status of the study sample

4.2.3 Age of the study sample

The age of the organizations that participated in this study was measured as the number of years an organization has been operating in the country. The majority of the organizations that participated in this study as indicated in Figure 4.3 were over 17 years

old representing 47.5% of the sampled firms, 9.3% were between 13 to 17 years old, 16.2% were between 9 to 12 years old, 20.6% had been in operation for between 4 to 8 years with only 6.4 % of the sampled organizations being less than 4 years old.

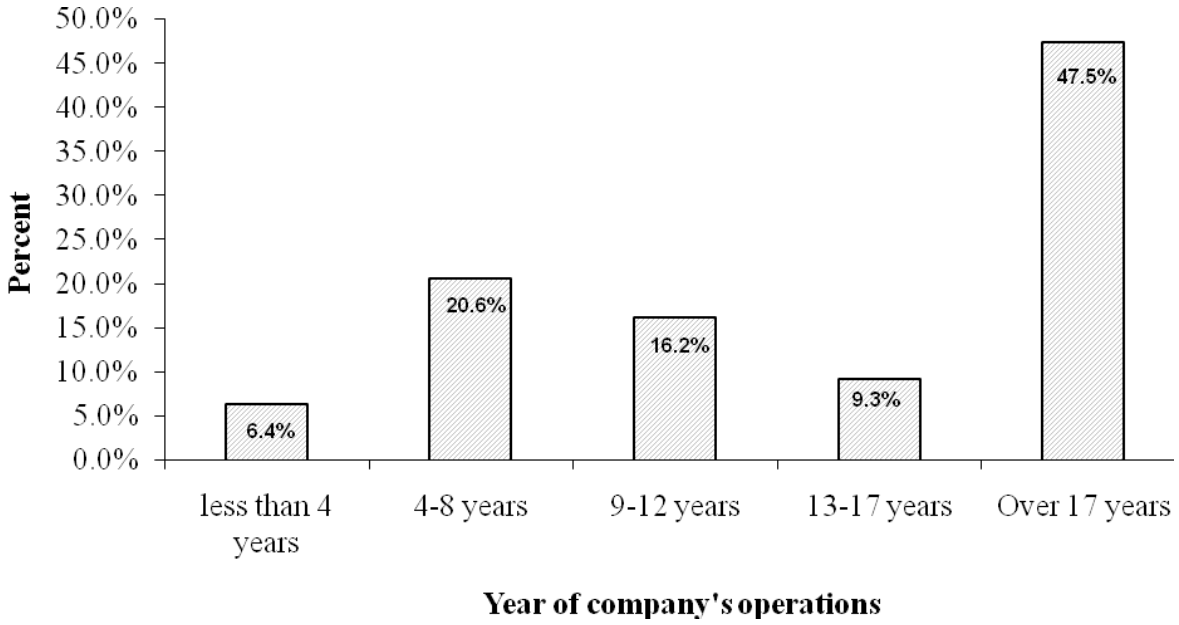


Figure 4.3: Age of the sampled organizations

4.2.4 Size of the study sample

The size of the participating organizations was measured as the number of full time employees working in the organizations. The findings of this study (see Table 4.3) indicated that the majority of the organizations (55.8%) employed over 100 full time employees, with 10.7 % employing between 71-100 employees. Only 5.3% representing 11 of the organizations sampled had less than 20 full time employees.

Table 4.3: Size of the study sample

Number of full time employees	frequency	Percentage %
Less than 20	11	5.3
20-50	37	18.0
51-70	21	10.2
71-100	22	10.7
Over 100	115	55.8

4.3 Descriptive Statistics

The purpose of this study was to investigate the effect of competitive strategies on the relationship between SHRM and firm performance of Kenya's corporate organizations. The researcher analyzed descriptive statistics for the following observed variables: selective resourcing, use of teams and decentralization, extensive training, sharing information, incentives on performance, cost led HR strategy, quality led HR strategy, innovation led HR strategy, sales growth, and perceived profitability.

4.3.1 Selective resourcing and firm Performance

The majority of the respondents (70.8%) agreed that attitude or desire to work was always used as a criterion in employee selection, and 66.5% also agreed that problem solving aptitude was always used as a criterion in employee selection. Only a small percentage of 25.7 % of the respondents disagreed that their organizations usually

considered those who could provide ideas to improve the manufacturing process. An overwhelming majority of 90.7% agreed that work values and behavior attitude were often used as criteria in employee selection as indicated on Table 4.4.

Table 4.4: Selective resourcing and firm Performance

Opinion statements	SD %	D %	N %	A %	SA %	Total %
Attitude/desire to work always used as a criteria in employee selection	11.2	12.6	5.3	45.6	25.2	100.0
Problem solving aptitude always used as a criteria in employee selection	10.2	15.5	7.8	45.1	21.4	100.0
In selection of employees, you usually consider those who can provide ideas to improve the manufacturing process	0.5	3.4	8.9	63.7	26.5	100.0
Work values and behavior attitude often used as criteria in employee selection	0	5.4	3.9	61.6	29.1	100.0

SD =strongly disagree: D = disagree: N= neutral: A =agree: SA =strongly agree

The HR managers interviewed indicated that they usually considered work values and behavior attitude as a criterion during selection of new employees as well as those who can provide innovative ideas to improve the products of their organizations.

4.3.2 Use of Teams and decentralization and firm Performance

The majority of the respondents (70 %) agreed that their organizations usually select employees who are able to work in small groups, with 87.7% agreeing that they always make an effort to get all team members opinions and ideas before making a decision. Many of the respondents (78.7%) agreed that in the past three years, many problems had been solved using small group sessions.

However, only 11.8% of the respondents agreed that problem solving teams have not always helped to improve performance, and 87.7 % and 88.2% agreed that the supervisors often encouraged persons to work as a team and frequently hold group meetings where people discuss things together, respectively (see Table 4.5). A large number of the informants in the interviews indicated that their organizations embrace use of team activities and team work and that the members' opinions counts before reaching a decision during problem solving sessions. As HR managers, the interviewees agreed that they encourage their employees to work as a team and they frequently hold staff meetings weekly to brief the employees and also give them a chance to voice their opinions.

Table 4.5: Use of Teams and decentralization and Firm Performance

Opinion statements	SD %	D %	N %	A %	SD %	Total %
Usually select employees who are able to work in small groups	1.5	12.1	16.2	50.0	20.2	100.0
During problem solving sessions, you always make an effort to get all team members opinions and ideas before making a decision	0	5.4	6.9	48.3	39.4	100.0
In the past 3 years, many problems have been solved using small group sessions	2.5	7.4	11.4	52.5	26.2	100.0
Problem solving teams have not always helped to improve performance	49.5	31.4	7.4	10.8	1.0	100.0
Supervisors often encourage persons to work as a team	.5	4.4	7.4	47.8	39.9	100.0
Supervisors frequently hold group meetings where people discuss things together	1.0	6.9	3.9	46.8	41.4	100.0

SD =strongly disagree: D = disagree: N= neutral: A =agree: SA =strongly agree

4.3.3 Extensive training and Firm performance

A high percentage of the respondents (87.1%) disagreed that their organizations had a low skill level compared to the industry, with 85.3% also disagreeing that their employees usually lack important skills (See Table 4.6). However, 82.8% of the respondents agreed that the employees always have skills that are above average in the industry, with 93.1% agreeing that management usually believes that continual training and upgrading of employees skills is important. Also, the majority of the respondents who were 88.8 % agreed that employees receive training and development in workplace skills on a regular basis and only 5.4 % disagreed with that statement.

This was corroborated by the themes that emerged from the interviews with all the informants interviewed indicating that extensive training is provided for by their organizations. The interviews revealed that many of the manufacturing organizations in Kenya conducted regular in house and external trainings. Many of the sampled organizations offered training on job skills and on multiple functions to all cadres of staff as the interviews established.

Table 4.6: Extensive training and Firm performance

Opinion statements	SD %	D %	N %	A %	SA %	Total %
Company always has a low skill level compared to the industry	46.3	40.8	4.5	5.5	3.0	100
Employees usually lack important Skills	46.6	38.7	7.4	4.4	2.9	100
Employees always have skills that are above average in the industry	1.0	6.3	9.9	68.1	14.7	100
Management usually believes that continual training and upgrading of employees skills is important	0	3.4	3.4	59.0	34.1	100
Employees receive training and development in workplace skills on a regular basis	0	5.4	5.9	57.6	31.2	100

SD =strongly disagree: D = disagree: N= neutral: A =agree: SA =strongly agree

4.3.4 Sharing information and Firm Performance

The research observed that 90.3% of the respondents in this study agreed that goals, objectives and strategies were usually communicated to them, with only 9.3% disagreeing that they always understood the long run competitive strategy of their organizations (See Table 4.7). Many of the respondents in this study (84.3%) agreed that strategies and goals are usually communicated primarily to managers. In addition, 82.6% of the respondents agreed that information on productivity is readily available to employees and 87.2 % disagreed that their manager never comments about the quality of their work.

Table 4.7: Sharing information and Firm Performance

Opinion statements	SD %	D %	N %	A %	SA %	Total %
Goals, objectives and strategies are a usually communicated to you	0	4.4	5.4	57.6	32.7	100.0
You always understand the long run competitive strategy	0	5.4	3.9	54.6	36.1	100.0
Strategies and goals are usually communicated primarily to managers	1.5	4.9	9.4	49.8	34.5	100.0
Information on productivity is readily available to employees	0.5	6.5	10.4	49.3	33.3	100.0
Your manager never comments about the quality of your work	52.7	34.5	6.4	4.9	1.5	100.0

SD =strongly disagree: D = disagree: N= neutral: A =agree: SA =strongly agree

This information was corroborated by the responses from the interviews where on average; the informants indicated that they have an open communication policy where all the information on the goals and strategies of the organizations and in providing performance feedback is shared with the employees.

4.3.5 Incentives and Firm Performance

The results of the study indicated that 84.4% of the respondents agreed that incentive system of their organizations encourages them to vigorously pursue its objectives, with 83.4% agreeing that

incentive system was always fair at rewarding employees who accomplished company objectives (See Table 4.8) Moreover, the majority of the respondents at 82.4% agreed that the reward system usually recognized the employees who contributed the most to the company. Many of the respondents interviewed stated that a wide range of incentives were offered to employees to enhance achievement of the company's objectives and to earn their commitment to remain loyal to the organizations.

Table 4.8: Incentives and Firm Performance

Opinion statements	SD %	D %	N %	A %	SA %	Total %
Incentive system of your company encourages you to vigorously pursue its objectives	1.5	4.9	9.3	57.1	27.3	100.0
Incentive system is always fair at rewarding employees who accomplish company objectives	1.0	3.4	12.3	56.4	27.0	100.0
Reward system usually recognizes the employees who contribute the most to the company	1.5	6.9	9.3	53.9	28.4	100.0

SD =strongly disagree: D = disagree: N= neutral: A =agree: SA =strongly agree

4.3.6 Competitive HR strategies and Firm Performance

The study specifically sought to determine the effect of competitive HR strategies on the relationship between SHRM and firm performance. The strategies that were considered for this study were: cost led HR strategy, quality led HR strategy and innovation led HR strategy. The majority of the organizations (74.9 %) indicated that they pursued a quality led HR strategy, representing 155 organizations out of the 210 total organizations sampled. Organizations adopting a quality led HR strategy also indicated that they continuously improved the quality of their products, produced goods of the highest quality possible to differentiate from their competitors and placed an emphasis on skill acquisition and development of employees. Only 10.1 % representing 21 of organizations indicated that they pursued a cost led HR strategy by producing products at a cost below what the competitors could achieve with no frills and placed an emphasis on minimizing costs at all stages in the manufacturing process including management of employees. The rest of the 33 organizations (15.9 %) indicated that they produced and sold rapidly changing products that differed from those of competitors designed by highly trained specialists, a characteristic of an innovation led HR strategy (see Table 4.9).

Informants were interviewed on the significant competitive strategies pursued by their organizations by asking them on the importance of cost, quality and innovation of their products in the target market. An overwhelming majority of the informants ranked quality as the most important aspect, and emphasized that it is the employees who deliver this quality through their knowledge, skills, attitudes and abilities and the organization plays the role of facilitating training to extend the employees knowledge and skills and provision of updated technology in the manufacturing process.

Majority of the organizations were also ISO certified and they continuously sought to improve the quality of their products. This corroborated with the information provided in the questionnaires.

Table 4.9: Competitive HR strategies

	Freq.	No	Yes	Total %
Provide products at a cost below what your competitors can achieve, with no frills and placing an emphasis on minimizing costs at all stages in the process including management of employees.	21	89.9	10.1	100.0
Continuously improve the quality of your products, produce goods of the highest quality possible to differentiate yourself from the competition, placing an emphasis on skill acquisition and development of employees.	155	25.1	74.9	100.0
Produce and sell rapidly changing products that differ from those of competitors designed by Highly trained specialists.	33	84.1	15.9	100.0

Freq.=frequency

4.3.7 Perceived Profitability and Firm Performance

The majority of the respondents who participated in this study (84.9 %) indicated that they felt that they were slightly satisfied with their company's profitability in 2009, with

90.7% indicating that they were also satisfied in 2010 while 93.9% were also satisfied with the profitability of their companies in 2011 (see Table 4.10).

Table 4.10: Perceived Profitability and Firm Performance

YEAR	VD %	D %	N %	SS %	VS %	Total %
2009	2.1	5.2	7.8	66.8	18.1	100.0
2010	1.5	5.2	2.6	69.6	21.1	100.0
2011	1.5	2.0	2.6	40.8	53.1	100.0

VD=very dissatisfying: D= dissatisfying: N= neutral: SS =slightly satisfying: VS= very satisfying

According to the results of the interviews, the majority of the HR managers interviewed were of the opinion that they were satisfied with their organizations' performance in the last three years but still felt that there was room for growth to enhance on that performance. Only a few of the informants indicated that they were dissatisfied with the performance of their organizations in the past three years.

With regard to firm performance, the researcher interviewed the informants participating in the interview on the indicators that they use to measure performance. The dimension of profitability was reflected as the highest one, with the majority of the respondents indicating that they use it to measure performance. Similarly, a large number of the

informants also revealed that they use sales growth as a parameter of firm performance, with only a small number responding that they use production level and market share as aspects of their organizational performance.

4.3.8 Aggregate of the Independent variables

Five HRM practices (selective resourcing, teams and decentralization, extensive training, sharing information and incentives on performance) were considered as the dimensions/components of the independent variable of this study which was SHRM. With regard to selective resourcing, the majority of the HR managers who were the respondents of the study indicated that they agreed that this aspect was considered by their organizations, with some of them strongly agreeing. However, none of the respondents strongly disagreed that behavior and attitude as well as manufacturing and HR fit which are sub dimensions of selective resourcing are considered in their organizations during recruitment and selection as indicated in Table 4.11, since the minimum of the scale was 2; disagreed.

Table 4.11: Summary of Means and Standard deviations of SHRM Practices

HRM practice	Mean	Std. dev	Min	Max
Selective resourcing	3.8418	.77111	2.00	5.00
Teams & decentralization	4.0699	.68645	1.00	5.00
Extensive training	4.1430	.59044	2.00	5.00
Sharing information	4.1806	.58698	2.00	5.00
Incentives on performance	4.0325	.73210	1.00	5.00

Ranked on a scale: 1 - 1.8 (strongly disagree): 1.8 - 2.6 (disagree): 2.6 - 3.4 (neutral) : 3.4 - 4.2 (agree): 4.2 - 5.0 (strongly agree)

On average, the respondents agreed that their organizations facilitated the use of teams and decentralization, and these were also the majority of the sampled organizations. However, a few of the respondents strongly disagreed that their organizations provided for the use of teams and decentralization by allowing employees to work in teams and with supervisors frequently holding group meetings to discuss and solve organizational problems.

With regard to extensive training, both training on multiple functions and training on skills were captured as sub components of this dimension. On average, the respondents in the sample agreed that extensive training was provided with employees having skills that

are above the average in the industry and receiving training and development skills in work place on a regular basis with majority strongly agreeing. Only a few of the organizations agreed that their employees lack important skills and have a low skill level compared to the industry.

The study considered sharing company information as a dimension of SHRM with two sub components; communication of company strategy and feedback on performance. On average, the respondents of the organizations agreed that the goals, objectives, strategies of the organizations were communicated to the employees who always understood the long run competitive strategy. The majority of the HR managers also agreed that information on productivity was readily available to employees with the managers commenting about the quality of their work. Only 22% of the sampled organizations disagreed that they provided for sharing the company information.

Incentives are provided for by organizations to employees with the aim of enhancing their performance. On average, the respondents agreed that their incentive system encouraged employees to vigorously pursue its objectives, which was also fair at rewarding employees who accomplish company objectives. Many of these organizations also agreed that their reward system usually recognized the employees who contributed the most to the company, with some of the respondents strongly disagreeing that their organizations provided for incentives to meet company's objectives.

Sharing information was rated highest on average with a mean of 4.1806, with responses deviating from the mean by a standard margin of 0.58698. On average, all the

respondents agreed that the five HRM practices were used in their organizations to a great extent.

4.4 Measurement Models for the Independent, Moderating and Dependent Variables

4.4.1 Measurement model for the independent variables

a) First-order model for SHRM

Strategic human resource management was the independent variable in this study and five HRM practices were considered as the dimensions of SHRM in this study. The five HRM practices were: selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives on performance. Selective resourcing was measured using two subcomponents; behavior and attitude (BA) as well as manufacturing and HR fit (MHRF), with each sub component having two items. BA_1, $BA_{2:}$ $MHRF_1$, $MHRF_2$ (See Appendix 19). Use of teams and decentralization was measured using four items for team activities sub dimension ($TA_{1,}$ $TA_{2,}$ TA_3 ,TA_4) and two items for interaction facilitation sub dimension (IF_1, $IF_{2)}$. The dimension of extensive training had two subcomponents; training on multiple functions (TMF) with three items: $TMF_{1,}$ $TMF_{2,}$ TMF_3 and training on job skills (TOS) with two items; TOS_1 TOS_2 .Each of the two sub dimensions of sharing information; communication of strategy (CS) and Feedback on performance (FP) was measured using three and two items respectively: $CS_{1,}$ $CS_{2,}$ $CS_{3,}$ $FP_{1,}$ $FP_{2.}$ The last component of SHRM which was incentives on performance (IP) was measured using three items: $IP_{1,}$ $IP_{2,}$ $IP_{3.}$. (See Appendix 19). The research used

extraction method of the principal components for the factor analysis for all the above items to assess the SHRM scale and the findings are indicated on Table 4.12.

Table 4.12: First-order model for Strategic human resource management

Dimension	Sub dimension	Item	Factor loadings	Reliability
Selective resourcing	Behavior and Attitude	BA_1	0.874	0.717
		BA_2	0.701	
	Manufacturing and HR fit	$MHRF_1$	0.891	
		$MHRF_2$	0.503	
Teams and Decentralization	Team activities	TA_1	0.580	0.819
		TA_2	0.835	
		TA_3	0.618	
		TA_4	0.539	
	Interaction facilitation	IF_1	0.651	
		IF_2	0.761	
Extensive training	Training on multiple functions	TMF_1	0.735	0.752
		TMF_2	0.816	
		TMF_3	0.638	
	Training on job skills	TOS_1	0.696	
		TOS_2	0.664	
Information sharing	Communication of Strategy	CS_1	0.722	0.767
		CS_2	0.663	
		CS_3	0.572	
	Feedback on performance	FP_1	0.651	
		FP_2	0.511	
Incentives on Performance	Incentives to meet objectives	IP_1	0.692	0.849
		IP_2	0.694	
		IP_3	0.687	

$P<0.05$

The results of the factor analysis on Table 4.12 indicated that the model fits the data since all the factor loadings were above 0.5 for the existence of selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives on performance as the five dimensions of SHRM in this study. The findings revealed factor structures with the HRM practices falling into those five distinct dimensions in this study.

Reliability analysis for testing the internal consistency of all the items in each of the dimension of SHRM was conducted in this research. All the items achieved Cronbach alpha of 0.7 or higher (0.717 to 0.849) suggesting that the questionnaire had high reliability (see Table 4.12). The researcher also tested the validity of the questionnaire. According to Anderson and Gerbing (1988) as cited by Njuguna (2008), convergent validity refers to the degree to which a measure converges on the same model with the remaining measure forming part of the concept. Convergent validity was analyzed in this study in order to verify the validity of SHRM scale. Positive coefficients which were significant ($p<0.05$) between the items and factors indicated that there was a strong condition of convergent validity. The factor loadings of the items in the model for SHRM were all positive and significant. This meant that although these items were developed using literature focusing on the contexts of developed countries, the items converged very well to their respective dimensions and were applicable in the Kenyan context.

(b) Confirmatory model for Strategic human resource management

A confirmatory factor analysis was performed for all the sub dimensions of the independent variable. The results of this analysis are illustrated in Table 4.13, and all the

coefficients were above 0.5, positive and significant at the level of $p<0.05$. These findings confirmed that SHRM in this study had five dimensions (selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives on performance and they underlay a single main factor which was SHRM, the independent variable of this study.

Table 4.13: Confirmatory model for Strategic human resource management

Independent Variable	Dimension	Items	Factor Loadings	Reliability
Strategic Human Resource Management	Selective Resourcing	BA MHRF	0.927	0.717
	Teams and decentralization	TA IF	0.897	0.819
	Extensive training	TMF TOS	0.816	0.752
	Information sharing	CS FP	0.863	0.767
	Incentives on performance	IP	0.878	0.849

$P<0.05$

4.4.2 Measurement model for Competitive strategies

The competitive strategies were the moderating variables in this study, and this variable had three dimensions (See Appendix 20): Cost led HR strategy (CHRS), quality led HR strategy (QHRS) and innovation led HR strategy (IHRS). A confirmatory factor analysis by extraction method of the principle components was conducted for all items and the factor loadings were above 0.5 and significant at $p<0.05$, as indicated on Table 4.14. This meant that competitive strategies could be measured using the three dimensions.

The Cronbach alpha reached the threshold of 0.7 (0.808, 0.868, 0.855) indicating strong consistency hence verifying reliability. As indicated on Table 4.14, the coefficients between the items and factors were positive and significant at $p<0.05$ indicating convergent validity. Therefore, cost led HR strategy, quality led HR strategy and innovation led HR strategy converged to the hypothesized model and could be used to measure competitive strategies of Kenya's manufacturing organizations. Each of the three dimensions of competitive strategies was measured using two items (see Table 4.14).

Table 4.14: Measurement Model for Competitive strategies

Dimension	Item	Factor Loadings	Reliability
Cost led HR strategy	$CHRS_1$	0.887	0.808
	$CHRS_2$	0.813	
Quality led HR strategy	$QHRS_1$	0.958	0.868
	$QHRS_2$	0.715	
Innovative led HR strategy	$IHRS_1$	0.904	0.855
	$IHRS_2$	0.727	

P<0.05

4.4.3 Measurement model for Firm Performance

The overall firm performance of Kenya's corporate organizations was measured using three items; sales growth, perceived profitability and profitability ratio. Sales growth (SG) was calculated as the annual sales growth for the past three years (2009, 2010, 2011) while perceived profitability (PP) was measured as the degree of satisfaction with the firms profitability in the same period of three years. Profitability ratio (PR) was calculated as the average of (profit/capital x 100) for the three years prior to this study. For both the objectives and subjective measures of firm performance (sales growth, profitability ratio, and perceived profitability) the study adopted a self-evaluation approach owing to the difficulties in obtaining organizational financial data. According to

Dess and Robinson (1984), in the absence of objective data, self reporting measures constitute on acceptable substitute and are equally reliable. Research has also demonstrated that self-reported firm performance measures are positively related to effective firm performance measures with a correlation of 0.4 (Powell, 1992). Additionally, Bamberger and Meshoulam (2000) state that the comparison of cross industry organizational performance is influenced by external economic factors, subjective evaluations, therefore, could even be more appropriate than objective measures in this study.

Table 4.15 Measurement Model for Firm Performance

Dimension	Item	Factor Loadings	Reliability
Sales growth	SG	0.698	0.928
Perceived profitability	PP	0.616	0.724
Profitability ratio	PR	0.835	0.974

P<0.05

All the coefficients were above 0.5 and positive implying that the three items could measure firm performance in this study and thus confirmed convergent validity of the firm performance scale. The three items also reached the threshold value; Cronbach alpha of 0.7 (0.928, 0.724, 0.974) and thus verified reliability of the questionnaire that was used in this study.

4.5 Correlation Analysis for the linear relationship between SHRM and Firm Performance

The researcher used correlation technique to analyze the degree of relationship between two variables with the Pearson correlation coefficient (r), which yields a statistic that ranges from -1 to 1. According to Mugenda and Mugenda (2003), the correlation coefficient tells the magnitude of the relationship between two variables. The bigger the r (absolute zero), the stronger the association between the two variables. If the correlation coefficient is positive (+), it means that there is a positive relationship between the two variables. A negative relationship (-) means that as one variable decreases, then the other variable increases and this is termed as an inverse relationship. A zero value of r indicates that there is no association between the two variables. The coefficient assumes that there is a linear relationship or correlation between two variables, and that the two variables are causally related; one of the variables is the independent and the other the dependent variable; and a large number of independent causes are operating in both variables so as to produce a normal distribution. Orodho (2005) states that Pearson's coefficient correlation is the most widely used method for measuring the degree of relationship between variables.

The independent variables of this study: selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives on performance were each correlated with perceived profitability, profitability ratio and sales growth; the dimensions of firm performance which was the dependent variable in this study. The researcher used correlation technique to determine if there was any relationship,

association or correlation between the variables, and also establish the magnitude and direction (negative or positive).The results of the correlation analysis are illustrated in Table 4.16: Table 4.17:Table 4.18.

The findings of the correlation analysis indicated that there was a significant and positive relationship between the use of teams and decentralization and selective resourcing, with a Pearson correlation coefficient r=0.319, p-value<0.001 which was significant at 0.000 level of significance. This implies that considering behavior and attitude and manufacturing and human resource fit when sourcing for employees increase the use of team activities and interaction facilitation (an increase in selective resourcing increase the use of teams and decentralization).

Extensive training was positively associated with the use of teams and decentralization, r=0.531, p-value<0.001 significant at 0.000 level of significance as the correlation matrix indicates. As extensive training increases, use of teams and decentralization also increases. Training on multiple functions and on skills increases with an increase on the use of team activities and interaction facilitation.

The results of the correlation analysis revealed that sharing information was positively and significantly associated with selective resourcing, r =0.165, p-value=0.018, significant at 0.05 level of significance, and with the use of teams and decentralization and extensive training (r=0.581, r=0.641) respectively, with corresponding p-values <0.001, significant at 0.000 level of significance in both cases. This meant that these variables could be selected for statistical analysis like regression analysis.

Table 4.16: Correlation Analysis Results between SHRM and Sales Growth

HRM Practices	X_1	X_2	X_3	X_4	X_5	SG
Selective Resourcing (X_1)	1					
Teams and decentralization (X_2)	**.319*****	1				
	.000					
Extensive training (X_3)	.131	**.531*****	1			
	.062	*.000*				
Sharing information (X_4)	**.165***	**.581*****	**.641*****	1		
	.018	*.000*	*.000*			
Incentives (X_5)	**.227****	**.555*****	**.414*****	**.597*****	1	
	.001	*.000*	*.000*	*.000*		
Sales Growth (SG)	**.293****	.005	-.174	-.101	-.148	1
	.002	.957	.064	.285	.115	

***. Correlation is significant at the 0.000 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Only statistically correlation coefficients that were significant were highlighted

Incentives on performance was found to be significantly and positively related with selective resourcing; r=0.227, p-value=0.001, with the use of teams and decentralization; r=0.555, p<0.001, with extensive training; r=0.414, p-value<0.001, and with information sharing: r=0.597, p-value<0.001, all very significant at 0.000 level of significance.

However, sales growth was found to be significantly and positively correlated with only selective resourcing r=0.293, p=0.002, significant at 0.01 level of significant. This implies that increase of the use of selective resourcing increases sales growth.

All the independent variables of this study: selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives on performance were found to be positively and significantly correlated with profitability ratio, all very significant at 0.000 level of significance. Their correlations coefficients as indicated on Table 4.17 were; r=0.248, p-value<0.001; r=0.549, p-value<0.001; r=0.450, p-value<0.001; r=0.575, p-value<0.001; r=0.951, p-value<0.001 respectively. The correlation between incentives on performance and profitability ratio was very strong, r=0.951 at p<0.001.

Table 4.17: Correlation Analysis Results between SHRM and Profitability Ratio

HRM Practices	X_1	X_2	X_3	X_4	X_5	PR
Selective Resourcing (X_1)	1					
Teams and decentralization (X_2)	**.319*****	1				
	.000					
Extensive training (X_3)	.131	**.531*****	1			
	.062	*.000*				
Sharing information (X_4)	**.165***	**.581*****	**.641*****	1		
	.018	*.000*	*.000*			
Incentives (X_5)	**.227****	**.555*****	**.414*****	**.597*****	1	
	.001	*.000*	*.000*	*.000*		
Profitability Ratio (PR)	**.248*****	**.549*****	**.450*****	**.575*****	**.951*****	1
	.000	*.000*	*.000*	*.000*	*.000*	

***. Correlation is significant at the 0.000 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
Only statistically correlation coefficients that were significant were highlighted

When perceived profitability was used, the correlation analysis results on Table 4.18 indicate that it was positively and significantly associated with the use of teams and decentralization r=0.187,p-value=0.09, and also correlated with sharing information r=0.252,p-value<0.001. There was also a positive and significant relationship between perceived profitability and incentives on performance r=0.159, p-value=0.026 significant at 0.05 level of significant.

Table 4.18: Correlation Analysis Results between SHRM and Perceived Profitability

HRM Practices	X_1	X_2	X_3	X_4	X_5	PP
Selective Resourcing (X_1)	1					
Teams and decentralization (X_2)	**.319*****	1				
	.000					
Extensive training (X_3)	.131	**.531*****	1			
	.062	*.000*				
Sharing information (X_4)	**.165***	**.581*****	**.641*****	1		
	.018	*.000*	*.000*			
Incentives (X_5)	**.227****	**.555*****	**.414*****	**.597*****	1	
	.001	*.000*	*.000*	*.000*		
Perceived Profitability (PP)	.085	**.187****	.120	**.252*****	**.159***	1
	.234	*.009*	.094	*.000*	*.026*	

***. Correlation is significant at the 0.000 level (2-tailed).

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

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

4.6 Multiple Regression Analysis for Independent, Moderating and Dependent variables

The research used multiple regression analysis to determine the linear statistical relationship between the independent, moderating and dependent variables of this study. All the four null hypothesis as stated in chapter one of this study were tested using stepwise regression models, where the order in which the variables are entered is based on a statistical decision not a theory.

4.6.1 Test of hypothesis 1

H_{01}: Strategic human resource management has no significant influence on firm performance of corporate organizations in Kenya.

Using stepwise regression analysis, all the five independent variables of this study were entered with each of the measures of firm performance into the regression model.

The general multiple regression model for this hypothesis was:

$$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_5X_5 + \varepsilon$$

Where; Y=firm performance

β_0=constant

β_i is the coefficient for X_i (i=1, 2,3,4,5)

X_1=selective resourcing

X_2=teams and decentralization

X_3=extensive training

X_4=sharing information

X_5=incentives

ε = error term

Regression equations were first obtained using the standard beta coefficients on the line of best fit, and then fitted parsimonious regression models for testing hypothesis 1. The resulting regression equations summarized on Table 4.17 were:

i. $Y_{sg} = 0.333X_1 - 0.231X_4$ where Y_{sg} is sales growth

ii. $Y_{pp} = 0.252X_4$ where Y_{pp} is perceived profitability

iii. $Ypr = 0.923X_5 + 0.068X_3$ where Ypr is profitability ratio

Before the above multiple regression equations were made use of, it was necessary to validate them with a test of significance of the overall regression. The F test was used for this purpose and the regression models were found to be valid and significant as a whole:

i. ($F(2,111) = 8.861$, $p<0.001$) when firm performance was measured as sales growth (see Model 1, Appendix 4).

ii. ($F(1,194) = 13.210$, $p<0.001$) when firm performance was measured as perceived profitability (see Model 2, Appendix 5).

iii. (F (2,201) =1005.846, p<0.001) when firm performance was measured as profitability ratio (see Model 3, Appendix 6).

Table 4.19: Regression Analysis results on the Relationship between SHRM and Firm Performance

Dependent variable	Predictor Variable	Standardized Coefficients Beta	R^2	F	Sig.
Sales growth	X_1	.333	.138	8.861	.000[b]
	X_4	-.231			
Perceived profitability	X_4	.252	.064	13.210	. 000[b]
Profitability ratio	X_5	.923	.909	1005.846	. 000[b]
	X_3	.068			

P<0.05

X_1=selective resourcing

X_3=extensive training

X_4 =sharing information

X_5=incentives on performance

Therefore, the decision rule is reject H_0: $\beta_i = 0$ (i=1, 2, 3, 4, 5) if the regression coefficient is significantly different from zero, and consequently accept the alternate hypothesis H_a: $\beta_i \neq 0$ (i=1, 2, 3, 4, 5).

The null hypothesis 1 (H_{01}) was rejected since the standardized regression coefficients were significant and statistically different from zero as indicated on Table 4.19.This implies that SHRM (selective resourcing, extensive training, sharing information and incentives) influence firm performance. However, no linear relationship was found to exist between the use of teams and decentralization and firm performance. Use of teams and decentralization was not statistically significant and thus not included as a predictor of firm performance as the results of the regression analysis in this study indicates.

1. Discussion of Findings on the relationship between SHRM and Firm performance

The stated null hypothesis 1 in this study was; **H_{01}:** Strategic human resource management has no significant influence on firm performance of corporate organizations in Kenya. The dimensions of SHRM that were considered by the research were: selective resourcing, teams and decentralization, extensive training, sharing information and incentives on performance. Firm performance was measured in terms of annual sales growth, perceived profitability and profitability ratio for the past three years prior to this study. The multiple regression analysis on Table 4.19 confirms a positive and significant linear relationship between firm performance of Kenya's corporate organizations and selective resourcing, extensive training, sharing information and incentives. It is evident from Table 4.19 that the best predictors of firm performance were the incentives and extensive training (beta value

of 0.923 and 0.068 respectively), and these two variables alone could explain up to 90.9% of variation in firm performance (R^2=0.909) when using profitability ratio as a measure of performance. The research also applied t-test to each beta coefficients in the fitted regression models in order to test whether selective resourcing, extensive training, sharing information and incentives significantly contributed to the overall variance accounted by regression. It was noted that incentives significantly contributed to variation in firm performance, t=39.505 (see Model 3, Appendix VI). The findings after testing hypothesis 1 are as discussed below.

a) Selective resourcing and Firm Performance

The findings on Table 4.19 indicated that selective resourcing positively and significantly influenced firm performance of corporate organizations in Kenya in the manufacturing sector when measured as sales growth (β=0.333, p<0.001). For every unit increase in the use of selective resourcing, there was a corresponding increase in firm performance (sales growth) by 0.333.

The Pearson product moment correlation coefficient revealed a moderate, positive and significant correlation between firm performance of corporate organizations in Kenya in the manufacturing sector and selective resourcing (r=0.239, p-value=0.002) significant at 0.01 level of significance, when using sales growth as a measure of performance. Similarly, the correlation analysis also indicated that there existed a positive and significant relationship between profitability ratio and selective resourcing (r=0.248, p-value <0.001) at 0.000 level of significance. The use of selective resourcing was positively and

significantly associated with other HRM practices (use of teams and decentralization, information sharing and incentives on performance) as revealed by the results of the correlation matrix on Table 4.16.

The empirical findings of this study indicated that selective resourcing influenced firm performance of corporate organizations in Kenya in the manufacturing sector positively. When a manufacturing organization in Kenya considered behavior and attitude during selection of new employees as well as the alignment between these employees and the manufacturing activities, firm performance increased. These results are consistent with previous studies investigating the influence of HRM practices on overall firm performance. The findings of a study conducted by Oya and Ayse (2006) to investigate the direct effect between HRM practices and firm performance indicated that selective resourcing had positive and significant effects on firm performance in their regression analysis. On a bivariate level, firm performance was also positively related to the use of selective hiring in their study.

The findings of this study indicated that selection criterion played a critical role in implementing firm strategy in Kenya's corporate organizations, and was designed to employ people with desired skills and behaviors needed to match work with context and improve performance. For instance, organizations like Metal Crowns Limited, Essential Limited and Infusion Medicare Limited reported high mean scores of 4.4, 4.6 and 4.7 respectively for selective resourcing and this showed that behavior and attitude as well as manufacturing and human resource fit were considered by the manufacturing organizations in Kenya. These

empirical results identified that resourcing strategy played a significant role in enhancing organizational performance of the manufacturing sector in Kenya and were consistent with results from prior researches by Ahmad and Schroeder (2003) and Werber and DeMarie (2005).

The findings of a positive and significant relationship between selective resourcing and firm performance of Kenya's corporate organizations in the manufacturing sector was an indication that a firm requires talented and skilled workers to sustain high level of performance as the organizations' productivity and high performance depends on the selection of the right candidates, which is also a pathway to reduced turnover. These results are supported by Michie and Sheehan-Quinn (2001) who have identified a positive link between hiring a manager and employees, and creation of the right culture for organizational growth. During selection, the right person chosen for the requisite qualifications and knowledge is placed in the appropriate job position to decrease the cost and maximize the profits by means of their talent and merit. Cho.*et al.* ((2006) have identified that there is a positive and significant relationship among HRM practices and selection is one of the practices for improving financial or profit performance.

Manufacturing organizations in Kenya for instance, Highchem Limited and Paperbags Limited reported a mean score of 4.8 and 4.9 respectively for selective resourcing confirming positive impact of selection on firm performance in Kenya as these organizations strongly agreed on this aspect. Similar results were reported by Wright, Snell and Dyer (2005) who asserted that firm competitiveness can be enhanced by a high performance work system

(which incorporates selection) and that it has a positive relationship with organizational effectiveness. A study by Huselid (1995) identified a link between HRM practices and firm performance and he found that selective recruitment and selection of employee's skills has a positive impact on firm performance. In this study, selective resourcing was reported to have had a significant association with firm performance and in agreement with this finding is Huselid and Delery (1996) who contended HRM practices particularly selection, is associated with perceived firm performance.

The majority of the respondents in this study agreed that the most important thing a manufacturing organization in Kenya can do to improve individual performance is to learn to recruit and retain more effectively. This meant taking steps to assess future people requirements and to develop recruitment strategies and selection methods which would ensure that the right quality of people joined and remained in the organization. Effective recruitment and selection (selective resourcing) has a contribution to enhanced business performance as illustrated in the foregoing findings of empirical studies. Patterson *et al*. (1997) found that the acquisition and development of employees through selective resourcing had a positive impact on a company's productivity and profitability.

Storey and Sisson (2000) note that selective resourcing functions at different organization stages, whereby an organization in its decline stage conducts little recruitment and selection. There is less emphasis on resourcing for organizations in maturity stage as they encourage sufficient turnover to minimize lay-offs and provide new openings. This implies that

organizations have life cycles and recruitment and selection vary according to an organization's perceived stage in the cycle.

Selective hiring is one of the most influential practices in Pfeffers best practice set. There is growing empirical evidence suggesting people are the pre-eminent organizational resource and the key to achieving outstanding performance. Pfeffer (2001) has made a case that firms wishing to succeed in today's global environment must make appropriate HR investments to acquire and build employees who possess better skills and capabilities than their competitors. The importance of ensuring the selection of the right people to join the workforce has become increasingly apparent as the emphasis on people as the prime source of competitive advantage has grown. Selective hiring is frequently included in the bundle of best HR practices as it makes a contribution to enhanced business performance as illustrated by the findings of empirical studies.

The results of this study revealed that recruitment and selection process was concerned with identifying, attracting and choosing suitable people to meet an organization's HR requirements. The basis of recruitment and selection are the human resource requirements that the organization strategies require. It matches available HR to jobs. The contribution of effective recruitment and selection to enhanced organizational performance has been illustrated by the findings of this empirical study which found out that the acquisition and development of employee skills through use of sophisticated selection, induction, training and appraisals have a positive impact on organization's productivity and profitability in Kenya's corporate organizations in the manufacturing sector.

According to the findings of this study, the principal purpose of recruitment was to attract a pool of suitable potential employees to apply for vacancies in the organization and then identify the most suitable applicants through selection and persuade them to accept a position in the organization. The selection process ideally involved mutual decision as reported by the informants interviewed, and the organization decided whether to make a job offer and how attractive the offer should be and the job candidate decides whether the organization and the job offer fit his or her needs and goals. There was a desire for a multi-skilled, flexible workforce and an increased emphasis on team working as illustrated by the correlation analysis on Table 4.16 and this meant that selection decisions were concerned also with behavior and attitudes.

The link between corporate strategy and HRM has led to the notion of strategic selection: a system that links selection to the overall organizational strategy, and which aims to match the flow of HR to emerging business strategies. If the manufacturing organizations in the country were able to find and employ staffs who consistently fulfils their roles and are capable of taking on increased responsibilities, they were immeasurably better placed to deal with the opportunities and threats arising from their operating environment than competitors who are always struggling to build and maintain their workforce.

b) Use of teams and decentralization and Firm Performance

The multiple regression analysis results of this research indicated that the use of team activities to solve an organization's problem and interaction facilitation did not influence

firm performance of corporate organizations in Kenya when measured as sales growth, profitability ratio and perceived profitability. Use of teams and decentralization was not statistically significant hence excluded as a predictor variable in the regression model as indicated on Table 4.19, meaning that it had no significant relationship.

This finding is consistent to some extent with Oya and Ayse (2006) study where the use of teams had no significant relationship with firm performance in the regression analysis results. Interaction facilitation was found to have negative effects in performance in their study, and the overall findings of their study was that the use of teams and decentralization is significantly but negatively related to performance.

However, correlation analysis results on Table 4.16 indicated that the use of teams and decentralization influenced firm performance of corporate organizations in Kenya. There was a strong, positive and significant relationship between the use of teams and decentralization and profitability ratio ($r=0.549, p < 0.001$) and a weak but positive relationship $r=0.187, p=0.009$) between use of teams and decentralization and perceived profitability, all significant at 0.01 level of significance. These results were consistent with the correlation analysis findings of Oya and Ayse (2006) study where firm performance was positively related to use of teams and decentralization on a bivariate level. The correlation results indicated that the use of teams and decentralization had a strong, positive and significant relationship with extensive training, sharing information and incentives, but it had a moderate, positive relationship with selective resourcing in Kenya's manufacturing organizations. For instance, BOC Kenya Limited and Kenya Pipeline Company Limited both

reported a mean score of 4.1 indicating that they agreed that use of team activities and interaction facilitation influenced their performance positively.

Afrochem Products Limited and Holman Brothers Limited reported a relatively low mean score of 2.0 and 1.5 respectively showing that many problems had not been solved using small group sessions for the past three years. This is supported by the multiple regression analysis findings of this study that use of teams and decentralization does not influence performance of the manufacturing organizations in Kenya and is consistent with a key finding of a study by Guest *et al*. (2000) who found out that one of the least extensive HR practice was the use of problem solving teams in organizations. Moreover, a study by Hyde *et al*. (2005) found little consistency in results, and the use of team working had non-significant associations with performance.

For the relationship between interaction facilitation and firm performance of Kenya's manufacturing organizations, Brush Manufacturers Limited and Belfast Millers Limited both reported a relatively high mean score of 4.5 and 4.6 respectively and this was consistent with the correlation analysis results that found out that the use of teams was significantly associated with performance. This finding is supported by one of the propositions made by Purcell *et al*. (2003) as a result of their longitudinal research that commitment, motivation and job satisfaction either together or separately, will be higher when people positively experience the application of HR policies concerned with providing opportunities to participate. The work of Purcell *et al*. (2003) indicates that having an opportunity to participate enhances workers discretion and effort but team working may be undermined by

the use of individual performance related pay. Cordey (2003) quotes a number of studies in which team working took place against a background of increased layoffs and reduced levels of pay.

According to Armstrong (2009), a team is a small number of people with complementary skills who are committed to a common purpose, performance goals and approach for which they hold themselves mutually accountable. However, the finding of this study from the interviews indicated that the use of teams in the manufacturing organizations in Kenya failed to function effectively if: the atmosphere was strained or over formalized, the team determined its own standards and norms which may not be in accord with the standards and norms of the organization, there was little flexibility in which team members operate, people tended to use a limited range of skills on specific skills or there is little evidence of multi-skilling. The informants in this study, therefore, suggested that jobs should be defined and roles described in ways that facilitate and underlie the importance of teamwork. The organization should be designed and operated in such a way as to facilitate cooperation across departmental or functional boundaries.

A study conducted by Crown and Rosse (1995) found that when group members received individual goals, the group performed less well and were less motivated than when employees received group goals. Group oriented goals were associated with more cooperative strategies and better performance. Individual goals were associated with more competitive strategies that interfered with the group's ability to perform and reduced levels of motivation.

According to Mueller and Proctor (2000), the concept of team working is very much linked and is now seen as a central feature of HRM. Team working can mean different things in different organizations and Geary (2003) argues that whilst research has found that a large percentage of organizations were reporting the use of team working, only a small percent of organizations seems to be allowing teams real autonomy, so the use of teams is fairly low, with instances of semi-autonomous and self managing teams less apparent.

The findings of this study showed that the use of autonomous work teams and work groups in the manufacturing organizations in Kenya had a positive impact on both levels of employee motivation and performance but research by Condly *et al.* (1991) reveal work groups report more favourable attitudes and that there were higher levels of turnover and absenteeism for semi autonomous teams. So, while it is concluded that employees in groups were motivated, caution is placed that the turnover and absence data may have illustrated some of the pressures associated with autonomous work groups and which may ultimately become demotivating.

The results of this study indicated that problem solving groups are generally designed for the purpose of capturing ideas and solving production problems in Kenya's manufacturing organizations. They are more substantive in nature as they are integral to the job and part of everyday working and the purpose of such groups is to solve quality or work related problems and produce a solution to be the problem.

Direct participation is generally geared towards capturing the creativity of employees so that organizational performance improves. One of the alternative work practices that was identified by Godard (2004) is alternative job design practices including work teams (autonomous or non-autonomous) and also formal participating practices including quality circles in problem solving groups, meetings, team briefings and steering committees. Of those practices, work teams and quality circles can be considered as the most central to high performance.

The findings of this study demonstrated that the use of teams and decentralization as one of the high performance work systems was highly idiosyncratic in corporate organizations in Kenya and hence was tailored carefully to each firm's individual situations to achieve optimum results. However, there was not normally a direct financial reward for the solutions and ideas generated by problem solving groups and teams as indicated by the respondents in this study. Again, evidence from the sampled manufacturing organizations in Kenya showed that these initiatives can be welcomed, but problems could emerge if groups felt that their ideas were not listened to, or failed to be facilitated.

c) Extensive training and Firm Performance

According to the regression analysis findings of this study, a positive linear relationship existed between extensive training and firm performance of Kenya's manufacturing organizations when measured as profitability ratio (see Table 4.19**).** Extensive training of employees on multiple functions and on job skills increased an organization's performance. However, a unit increase in extensive training decreased a firm's sales growth by 0.231.

Correlation analysis results on Table 4.16 revealed that there was a strong, positive and significant relationship between extensive training and profitability ratio when used as a measure of firm performance as $r=0.0549, p<0.001$ significant at level 0.000 of significance. Similarly, extensive training had a positive, significant and strong relationship with the use of teams and decentralization, sharing information and provision of incentives on performance as the correlation analysis results illustrates.

Autosprings Manufacturers Limited reported a very high mean score of 4.9, indicating that this organization strongly agreed that employees had skills that were above average, and were regularly trained on job skills. These results provide empirical evidence that extensive training was related with firm performance and is consistent with the findings of a study by Oya and Ayse (2006) which found that training in multiple functions had positive and significant effect on the performance of organizations and on a bivariate level, extensive training was correlated with firm performance. Findings of previous studies by Lau and Ngo (2004): Wimbush (2005) also indicate that there is a strong link between training and organizational performance. These studies identified training efforts as one of the primary factors to improve performance. The aim of training and development in the manufacturing organizations in Kenya was to provide information and support that enabled employees to overcome job related difficulties and achieve job performance.

The findings of this study revealed that training was one of the elements of HRM most positively associated with performance of the manufacturing organizations in Kenya. Similarly, the positive association between extensive training and profitability (financial

performance) of the manufacturing organizations in Kenya are in agreement with the results of a study by Hyde *et al*. (2005). However, Godard (2004) suggests that cost considerations can play a significant part as costs can reflect higher wages and more trainings, thus training comes with a cost. Sung and Ashton (2004) argue that organizations that demonstrate a high commitment to extensive training enables them achieve superior performance through their people. In some of the manufacturing organizations in Kenya, for instance, in Complast Limited, this is no small undertaking and they have created their own 'universities' where training and learning, and ultimately being a learning organization are considered part of the company's competitive strategy. However, this level of expenditure is reserved for very large organizations.

The results of this study that there existed a positive link between training and firm performance of the manufacturing organizations in Kenya are consistent with the human capital perspective. Human capital theory suggests that HR practices (among them extensive training) can directly influence firm performance. People possess skills, knowledge and abilities that provide economic value to firms. A firm's investment to increase employee's skills, knowledge and abilities through extensive training carry both out-of-pocket and opportunity costs, and they are only justified if they produce future returns via increased productivity.

Provision of extensive training in Kenya's manufacturing organizations helped employees to acquire skills for work and different skills were required by employees who had to be developed quickly to meet new demands and could not be acquired by relying on experience.

Employees were therefore trained on job skills by offering training that was relevant and realistic as possible so that the skills learnt could be transferred. A study by West *et al*. (2003) to establish the link between HR practices and business performance found that HR practices explained significant variations in profitability and productivity. The acquisition and development of employee skills was significant. Wright, Snell and Dyer (2005) asserted that firm competitiveness can be enhanced by extensive training among other practices, and that it has a positive relationship with organizational effectiveness. Training is the use of systematic and planned instructional activities to promote learning, and is one of the several approaches an organization can undertake to promote learning as it has a complementary role to play in accelerating learning.

Training should be systematic in that it is specifically designed, planned and implemented to meet defined needs. It should be provided by people who know how to train and the impact of training should be carefully evaluated. Transfer of training is more likely if just in time approach is used. According to Armstrong (2009), just in time training is closely linked to the pressing and relevant needs of people by its association with immediate or imminent work activities. It is delivered as close as possible to the time when the activity is taking place. The training will be based on a identification of the latest required priorities and plans of the participants who will be briefed in the live situations in which their learning has to be applied. The training programme takes account of any transfer issues and aim to ensure that what is taught is seen to be applicable in the current work situation.

A report by the Chartered Institute of Personnel Development (2006) indicates that the role of formal training in organizations today appear to have declined significantly and on the job training is the most effective way for people to learn in their organizations. This has been occasioned by the fact that the speed with which skill requirements change in some sectors means that formal, time consuming, class based learning fails to deliver efficiently as required. Moreover, the growing recognition of human resource development as tool to achieve competitive advantage has raised awareness of the need to embrace learning as a central strategic concern and be part of the culture of the organization of which formal training just one, often small component.

d) Sharing information and Firm performance

The regression analysis results of this study revealed that information sharing had an influence on firm performance of Kenya's manufacturing organizations when measured as sales growth and profitability ratio. However, sharing company information influenced sales growth negatively (see Table 4.19) but it positively influenced perceived profitability. Only information sharing influenced firm performance when measured as perceived profitability. For every unit increase in information sharing, there was a corresponding increase by 0.252 in perceived profitability when used as a measure of firm performance and a decrease of sales growth by 0.231 when used as a measure of firm performance.

Correlation analysis on Table 4.16 indicated that a significant, positive and strong association existed between sharing information and firm performance when using profitability ratio as a measure of performance ($r=0.575$, $p<0.001$ at 0.000 level of significant). Moreover, sharing information was positively and moderately related to

perceived profitability (r= 0.252, p<0.001 at 0.000 level of significant) when used as a measure of firm performance. Further information from the correlation results revealed that sharing information was strongly associated with incentives on performance but there existed a weak relationship between sharing information and selective resourcing.

The findings of this study indicating that sharing information was positively correlated with firm performance as well as the regression results that sharing information positively influenced firm performance of the manufacturing organizations in Kenya are consistent with the Hewitt Associates Best Employers study that indicates that leaders in best Employer organizations take more time to communicate their goals and strategy, current performance and progress to plan. They also found that such leaders created more opportunities to talk informally with their people and to be personally accessible. Organizations in their survey reported that their performance was significantly better than it was three years ago by among other HR practices placing greater emphasis on propagation of information among all staff about the organization's goals, strategies, plans and performance. One of principal uses of sharing information is to indicate training needs in areas of performance where improvements would occur if appropriate training could be given. An integrated and effective communication process about an employee's performance can lead to increased organizational performance and employee motivation. It provides recognition for successful performance and provides guidance on what skills, competences and behavior are required to meet expectations and this explains the positive and significant relationship between sharing information and selective resourcing, use of

teams and decentralization and extensive training as indicated in the correlation analysis matrix on Table 4.16.

The results of this study are in agreement with a study by West (2002) investigating the links between specific HR practices and performance indicated that communication of performance results had a very strong impact on performance and had the strongest influence of all the HR practices. This confirms the findings of this study that communication of company strategy to employees as well as providing performance feedback positively influenced firm performance. This is because in order for people to perform better, they must receive performance appraisal and performance review so that they are motivated to work well.

For instance, Ken Aluminum Products Limited reported a mean score of 4.1 showing that the organization agreed that it usually used sharing information .The findings indicated that successful manufacturing companies in Kenya had a clear vision and a set of integrated values which were embedded, measured and managed. They were concerned with sustaining performance and flexibility. Majority of the respondents in this study agreed that they always understood the long run competitive strategy, strategies and goals were primarily communicated to them and information on productivity was readily available to employees and all this played a crucial role in enhancing performance of their organizations.

Performance goals can be achieved with the help of a high performance work system which take into account the factors affecting individual performance and promote flexibility.

Boxall and Purcell (2003) argue that people perform well when their work environment provides the necessary support and avenues for expression like the opportunity to be heard when problems occur. This is achieved through sharing information which is concerned with creating and transmitting information of interest and concern to employees.

These findings that sharing information had a positive linear relationship with performance of manufacturing organizations in Kenya are supported by Stone (2002) who asserted that in the competitive environment, organizations need to keep improving performance to survive by providing feedback on individual performance. In addition, in the rapidly changing environment and pressure for greater employee accountability the emphasis has been to communicate to the employees on the goals, objectives, and strategy of the organization as well as feedback on performance of their jobs and this has been confirmed by the findings of this study. The respondents interviewed in this study argued that how well employees were performing their jobs was done by being given feedback, and suggestion of the employee past performance was due to how well a suitable HRM related decisions was made.

Sharing corporate information is one of the beneficial HR practices as the results of this study revealed. It is a signal that people are trusted with high level information about strategy and performance and with such information; people are better informed to enable them to make better decisions. The responses from the interviews conducted in this research further revealed that there is an increase in the extent to which information is shared with all employees, and top managers and senior managers are becoming active in

the communication process. Work forces in corporate organizations in Kenya that were better informed with strategic information were hence more likely to be engaged and in turn more likely to deliver superior performance. It is important to communicate information to all members about the organization's purpose, aspirations, strategy and performance.

However, many systems in the corporate organizations in Kenya do not systematically provide for line managers to communicate feedback on performance to those employees for which they have responsibility and this may perhaps explain why sharing information negatively influences sales growth in the regression results. This may be for many reasons such as leadership style, protection of power bases or the information system not providing data for management functions. Often, employees are provided with feedback typically when performance has fallen below a certain acceptable level and managers are themselves under pressure to improve performance. It is crucial that managers maintain a careful balance in providing feedback as too frequent feedback can be perceived as indicative of the lack of trust or respect. To promote a performance culture in the corporate organizations in Kenya, management needs to define and communicate what it requires in the shape of performance improvements, set goals for success and monitor performance to ensure that goals are achieved. An organization should have a clear line of sight existing between strategic aims of the organization, and those of its departments and its staff by communicating its goals, objectives and strategies. Providing feedback on performance leads to marked improvement in communication processes within the organization.

e) Incentives and Firm performance

Provision of incentives to employees to meet an organization's objectives increased firm performance of the manufacturing organizations in Kenya when measured as profitability ratio as indicated by the regression analysis (see Table 4.19).For every unit increase in incentives, there was a corresponding increase by 0.923 in profitability ratio when used as a measure of firm performance of corporate organizations in Kenya.

The regression analysis results are consistent with the correlation analysis findings of this study which indicated that there existed a very strong, significant and positive association between incentives and profitability ratio ($r= 0.951$, $p<0.001$ significant at 0.000 level of significant) in Kenya's manufacturing organizations. However, a weak but positive relationship ($r=0.159$, $p=0.026$ significant at 0.05 level of significance) existed between incentives and perceived profitability when used as a measure of performance. Further correlation analysis results revealed that incentives was strongly and positively correlated with information sharing($r=0.597$, $p< 0.001$), use of teams and decentralization ($r=0.555$, $p<0.001$), extensive training ($r=0.414$, $p<0.001$), but moderately related with selective resourcing ($r=0.227$, $p<0.001$),all at 0.000 level of significance. Therefore, these empirical findings indicated that incentives to accomplish organization's objectives positively influenced firm performance of the manufacturing organizations in Kenya.

The informants of this study argued that in order for people to perform better, they must be motivated to work and want to do it well. This is influenced by such factors as communication of performance review and appraisal results and high compensation related

to performance. These findings are consistent with the results from a study by Boxall and Purcell (2003) who found that people perform well when they have the motivation to do so because they are adequately incentivized as performance goals are achieved with the help of a performance contingent incentive compensation system.

BOC Kenya Limited and Kenya Industrial Plastics Limited reported a very high mean score of 4.9 showing that they strongly agreed on the use of incentives to meet the company's objectives and suggested that performance related rewards target those who meet the performance requirements. Indeed, incentive pay is one of Pfeffer's best HR practices set. Performance contingent incentive compensation is widely believed to improve the performance of organizations. A Meta-analytic review by Condly *et al*. (2003) on the use of incentives to motivate performance reported that the overall average effect of all incentive programmes in all work settings and all work tasks was a gain in performance. Team directed incentives had a markedly superior effect on performance compared to individually directed incentives.

The majority of the informants interviewed revealed that the aim of valuing employees was to enhance motivation and commitment by introducing policies and processes that ensure people are recognized, valued and rewarded for what they do and achieve and for the levels of skill and competence they reach. This confirmed the correlation analysis results that incentives were positively associated with all other HRM practices in this study. Reward system of the manufacturing organizations in Kenya affected work motivation that initiated

work related behavior while reward management ensured there was a contingent pay by relating financial rewards to results, competence contribution, skill and effort.

Incentive pays systems aimed to impact on a firm's performance of corporate organizations in Kenya through its people. Incentives are an extrinsic motivator that can have an immediate and powerful effect but will not necessary last long. Reward management develops motivation and job-engagement by valuing people in accordance with their contribution.

4.6.2 Test of Hypothesis 2

H_{02}: A cost led human resource strategy has no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya. A moderated multiple regression (MMR) model was used to test the moderating effect of cost led HR strategy on the relationship between SHRM and firm performance. A variable Z is a moderator of the relationship between variables X and Y when this relationship depends on the value of Z. According to Aguins and Pierce (1999) as cited by Njuguna (2008),using a moderated multiple regression to estimate the effect of a moderator variable Z on the X-Y relationship involves a regression equation that involves Y as a criterion, and X and Z as predictors. In addition, the moderated multiple regression equation includes a third predictor consisting of the Z*X product. This product term carries information regarding the X by Z interaction which is the moderating effect of Z. Rejecting the null hypothesis (the coefficient of the product term) that $\beta_{iz}=0$ indicates the presence of a moderating or interaction effect.

The moderated multiple regression model (see Model 4, Appendix 7) for hypothesis 2 was:

$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_5X_5 + \beta_zZ + \beta_{1z} X_1Z+ \beta_{2z} X_2Z+ \beta_{3z} X_3Z+ \beta_{4z} X_4Z + \beta_{5z} X_5Z + \varepsilon$

Where Z= cost led HR strategy (moderator)

X_iZ= interaction term of cost led HR strategy with the independent variables

Parsimonious regression models were fitted for testing hypothesis 2 using the beta coefficients on Table 4.20, and the resulting regression equations for prediction purposes were:

i. $Y_{sg} =0.331X_1-0.234X_3$ where Y_{sg} is sales growth

ii. $Y_{pp} =0.250X_4$ where Y_{pp} is perceived profitability

iii. $Y_{pr} =0.919X_5+0.071X_3$ where Y_{pr} is profitability ratio

An F test was used to check the significance of these overall fitted general moderated multiple regression models for testing hypothesis 2. The regression equations were found to be valid and significant as a whole and the results were:

i. ($F (2,109) =8.694$, $p<0.001$) when firm performance was measured as sales growth (see Model 5, Appendix 8).

ii. ($F (1,192) =12.825$, $p<0.001$) when firm performance was measured as perceived

profitability (see Model 6, Appendix 9).

iii. ($F(2,199) = 957.312$, $p<0.001$) when firm performance was measured as profitability ratio (see Model 7, Appendix 10).

Therefore, the decision rule is reject H_0: $\beta_{iz} = 0$ (i=1, 2, 3, 4, 5) if the regression coefficient of the interaction term is significantly different from zero, and consequently accept the alternate hypothesis H_a: $\beta_{iz} \neq 0$ (i=1, 2, 3, 4, 5).

Table 4.20: Regression Analysis Results for the Moderating Effect of a Cost led HR strategy

Dependent variable	Predictor variable(s)	Standardized Coefficients Beta	R^2	F	Sig.
Sales growth	X_1	.331	.138	8.694	.000[b]
	X_3	-.234			
Perceived profitability	X_4	0.250	.063	12.825	. 000[b]
Profitability ratio	X_5	.919	.906	957.312	. 000[b]
	X_3	.071			

$P<0.05$

X_1=selective resourcing

X_3=extensive training

X_4 =sharing information

X_5 =incentives

2. Discussion of Findings for the Moderating Effect of a Cost led HR Strategy

The findings of this study indicated that there was no interaction effect of a cost led HR strategy with any of the predictors (selective resourcing, teams and decentralization, extensive training, sharing information and incentives on performance) that were fitted into the regression model when using any of the measures of firm performance in this study. The fitted regression models remained the same even after introducing the moderator into the regression analysis as the fitted regression models illustrate. Consequently, the null hypothesis that a cost led human resource strategy had no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya was accepted.

The empirical results of this study indicate that a cost led HR strategy has no moderating effect, but the non-zero beta coefficients for SHRM (see Table 4.20) indicate that selective resourcing, extensive training, sharing information and incentives are significant in the regression model. The value of R square (R^2) when the moderator (cost led HR strategy) was introduced in the regression model was not significantly different, suggesting that the moderator does not have any influence on the relationship between SHRM and firm performance of corporate organizations in Kenya in the manufacturing sector (see Table 4.19 : Table 4.20).

The findings of this study that a cost led HR strategy did not have any moderating effect in corporate organizations in Kenya are consistent with prior researches. Budhar and Sparrow (2002) found that a cost reduction HR strategy reduces personnel costs associated with

recruitment and selection; training and competitive pay to be lowest possible level and this explains why there was no interaction of the moderator with the independent variables in the regression model. Firms adopting a cost reduction HR strategy will require a utilization HRM philosophy that will emphasize short term relationships, minimize training and development and higher external pay comparability. The findings of this study from the interviews indicated that the HR implications of adopting a cost led HR strategy in the manufacturing organizations in Kenya was that there was minimum training, low employee interaction, less attractive reward and the emphasis was on efficiency at the expense of human resource.

According to Boxall and Purcell (2003) ,a firm adopting a cost led HR strategy design jobs that are fairly repetitive, train workers as little as is practical, cut staff numbers to the minimum, reward high output and predictable behavior. This confirms the failure of a cost led HR strategy to interact with selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives on performance in Kenya's manufacturing organizations. Descriptive statistics of this study indicate that majority of the organizations that were sampled agreed that these dimensions are present in their organizations, with means ranging from 3.84-4.18 as indicated on Table 4.11. However, these findings are in contrast with the results of a study by Chang and Huang (2005) who found that a cost led HR strategy was significantly and negatively related to firm performance as profitability declined when a firm focused on being the lowest price leader.

Corporate organizations in Kenya pursuing a cost led HR strategy placed an emphasis on minimizing costs at all stages in the process, including people management. There were no systems for independent worker voice or any evidence of high commitment HRM, no recognition that employees should be provided with opportunities for learning and development, pay levels were unlikely to be much above the minimum and there was likely to be limited employee involvement and communications. These practices maximized efficiency by providing means for management to monitor and control closely the activities of employees. Sisson and Storey (2000) state that the key HR practice choices include: use of ad hoc methods in resourcing, poor or non-existent training in specific immediate skills, little or no communications and low pay levels and team working.

Schuler and Jackson (1987) outline a profile of expected employee role behaviors in a firm adopting a cost led HR strategy. There is relatively repetitive and predictable behavior, a rather short term focus, primarily autonomous or individual activity, moderate concern for quality, high concern for results: low risk taking activity: relatively high desire of comfort with stability. Therefore, such a firm is likely to have the following characteristics: relatively fixed and explicit job descriptions that allow little room for ambiguity, narrowly designed jobs and narrowly defined career paths that encourage specialization expertise and efficiency, short term results oriented performance appraisals, close monitoring of market pay levels for use in making compensation decisions and minimal levels of training and development.

It is, therefore, evident from the foregoing discussion that there were tight controls, overhead minimization and pursuit of economies of scales in Kenya's manufacturing

organizations pursuing a cost led HR strategy, for instance, at Njimia Pharmaceuticals Limited. This is because the primary focus is to increase productivity or output per person. This can mean reduction in wage levels and number of employees.

4.6.3 Test of Hypothesis 3

H_{03}: A quality led human resource strategy has no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

The general moderated multiple regression equation (see Model 8, Appendix 11) for hypothesis 3 was:

$$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_5X_5 + \beta_zZ + \beta_{1z} X_1Z+ \beta_{2z} X_2Z+ \beta_{3z} X_3Z+ \beta_{4z} X_4Z + \beta_{5z} X_5Z + \varepsilon$$

Where Z= Quality led HR strategy

X_iZ= interaction term between quality led HR strategy with the independent variables

The regression equations were obtained by fitting parsimonious regression models using the standard beta coefficients on the line of best fit (see Table 4.21). The resulting regression equations were:

i. $Y_{sg} =0.894X_{1q} -0.635X_{4q}$ where Y_{sg} is sales growth

ii. $Y_{pp} =0.250X_4$ where Y_{pp} is perceived profitability

iii. $Y_{pr} = 0.915X_5 + 0.0\ 67X_3 + 0.059X_{1q}$ where Y_{pr} is profitability ratio

An F test was then made for checking the significance of the above overall regression equations. They were found to be valid and significant as a whole, and the F tests results were:

i. ($F(2,109) = 10.077$, $p<0.001$) when firm performance was measured as sales growth (see Model 9, Appendix 12).

ii.($F(1,192) = 12.825$, $p<0.001$) when firm performance was measured as perceived profitability (see Model 10, Appendix 13).

iii. ($F(3,198) = 661.326$, $p<0.001$) when firm performance was measured as profitability ratio (see Model 11, Appendix 14).

Table 4.21: Regression Analysis Results for the Moderating Effect of a Quality led HR strategy

Dependent variable	Predictor variable(s)	Standardized Coefficients Beta	R^2	F	Sig.
Sales growth	X_{1q}	.894	.156	10.077	.000[b]
	X_{4q}	-.635			
Perceived profitability	X_4	.250	.063	12.825	. 000[b]
Profitability ratio	X_5	.915	.909	661.326	. 000[b]
	X_3	.067			
	X_{1q}	.059			

$P<0.05$

X_{1q}=interaction term between selective resourcing and a quality led HR strategy

X_{4q} = interaction term between sharing information and a quality led HR strategy

X_3=extensive training

X_4 =sharing information

X_5 =incentives on performance

Therefore, the decision rule is reject H_0: β_{iz} =0 (i=1, 2, 3, 4, 5) if the regression coefficient of the interaction term is significantly different from zero, and consequently accept the alternate hypothesis H_a: $\beta_{iz} \neq 0$ (i=1, 2, 3, 4, 5).

The null hypothesis that a quality led human resource strategy had no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya was rejected. This is because the standardized regression coefficients for the product term which carried information about the interaction between SHRM and firm performance were significantly and statistically different from zero (H_a:$B_{iz} \neq 0$) as evident on Table 4.21.

3. Discussion of Findings for the Moderating Effect of a Quality led HR Strategy

The results of the regression analysis on Table 4.21 revealed that a quality led HR strategy had a significant moderating effect on the relationship between strategic human resource management and firm performance of the manufacturing organizations in Kenya. The was an interaction term between a quality led HR strategy with selective resourcing (X_{1q}), and also an interaction effect between a quality led HR strategy with sharing information (X_{4q}), when sales growth was used as a measure of firm performance in this study. And when profitability ratio was used as a measure of firm performance in this research, the moderator (quality led HR strategy) also interacted with selective resourcing (X_{1q}). The coefficient of multiple determination (the R^2 value), when a quality led HR strategy was introduced in the regression model when using sales growth as a measure of firm

performance was statistically, significantly different (from 13.8% to15.6%) suggesting that a quality led HR strategy moderated the relationship between SHRM and firm performance (see Table 4.19 : Table 4.21). T-tests results on the models with the interaction terms between quality led HR strategy and selective resourcing and sharing information show both contributed significantly to the variation in firm performance (see Model 9,Appendix 12:Model 11,Appendix 14).Further, the results on Table 4.21 indicated that extensive training and incentives on performance were significant in the regression models as they had non-zero beta coefficients, but the influence of extensive training was very weak with a beta coefficient of 0.067.

The empirical findings of this study that a quality led HR strategy moderated the relationship between SHRM and firm performance of Kenya's manufacturing organizations are consistent with the results of Huang and Chang (2005) study that reported that a quality enhancement HR strategy was significantly and positively related to firm performance. The findings of their study indicated that profitability grew when a firm focused on producing the best quality product or service.

The interaction between a quality led HR strategy and selective resourcing is consistent with the results of firms such as Galaxy Paints and Coating Limited and East Africa Spectre Limited who reported a mean score of 4.2 that they agreed they used selective resourcing and also indicated that they pursued a quality led HR strategy. The findings from the interviews on these manufacturing organizations in Kenya established that organizations that had adopted quality enhancement HR strategy used sophisticated

methods of recruitment and selection and comprehensive induction and socialization. The HR system in such was well staffed through the use of systematic recruitment, selection and induction.

From the study findings, a unit increases in the interaction between sharing information and quality decreases sales growth by 0.635 (see Table 4.21) may be attributed to the fact that there was a high concern for quality in organizations pursuit a quality led HR strategy, as opposed to the moderate concern for quantity. The goal was to produce goods of the highest quality possible.

The study findings of this study were in agreement with Schuler and Jackson (1987) who stated the expected employee role behavior for a firm adopting a quality led HR strategy: relatively repetitive predictable behaviors, a more long term or immediate focus, a moderate amount of cooperative interdependent behaviors, a high concern for quality, a modest concern for quantity of output and a high concern of how goods are made and delivered, low risk taking activity and commitment to the goods of the organization. Organizations pursuing quality led HR strategy are likely to have the following characteristics: a relatively fixed and explicit job descriptions, high levels of employee participation in decisions relative to immediate work conditions and job itself, a mix of individual and group criteria for performance appraisal that is mostly short term and results oriented, relatively egalitarian treatment of employees and some guarantees of job security.

The results on Table 4.21 indicate that extensive training and incentives on performance are significant in the regression model as they have non-zero beta coefficients. This can be

explained by literature that suggests that there is extensive and continuous training and development and highly competitive pays benefits package as some of the HRM implications for a quality led HR strategy. Output was more sensitive to variations in human skills, knowledge and attitudes and skill acquisition and development were critical to a successful quality HR strategy in the manufacturing organizations in Kenya.

Firms pursuing a quality led HR strategy for instance, Ritz Enterprises Limited, Androdovi Chemicals Agencies Limited and Pembe Flour Mills Limited indicated that they considered careful selection of good candidates based on personality rather than technical fit and the ability of employees to work together in collaborative situations in order to acquire, maintain and retain core competencies. Because a quality led HR strategy involves greater employee commitment and utilization, fewer employees were needed to produce the same level of output. As quality rises, so did demand, yet this demand could be met with proportionate fewer employees than previous.

Pursuing a quality led HR strategy in Kenya's manufacturing organizations involved getting employees to be committed to quality and continuous improvement according to the informants interviewed in this study. While the policy statements emphasized the total quality approach were valuable, they were also followed up with specific HR practice: feedback systems were in place, teamwork was permitted and facilitated, decision making and responsibility were part of each employee's job description, and job classifications were flexible. These practices facilitated quality enhancement by helping to ensure highly reliable behavior from individuals who could identify with the goals of the organization

and when necessary, be flexible and adaptable to new job assignments and technological change. Sisson and Storey (2000) argue that an organization adopting a quality led HR strategy has an extensive and long term focus on learning and career development and well developed systems for employee voice and partnership arrangement.

The study established through the interviews that quality improvement in the manufacturing sector in Kenya means changing the processes of production in ways that require workers to be more involved and more flexible so that there is greater flexibility in the use of production processes and employees. Employees gain greater opportunities to learn new skills, they become more committed to the firm and hence are willing to give more. The level of quality is likely to improve under these conditions.

4.6.4 Test of Hypothesis 4

The null hypothesis 4 of this study was **H_{04}:** An innovation led human resource strategy has no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya.

The general moderated regression model that was used to test hypothesis 4 (see Model 12, Appendix 15) was:

$$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_5X_5 + \beta_zZ + \beta_{1z} X_1Z+ \beta_{2z} X_2Z+ \beta_{3z} X_3Z+ \beta_{4z} X_4Z + \beta_{5z} X_5Z + \varepsilon$$

Where Z= Innovation led HR strategy

X_iZ= interaction term between innovation led HR strategy with the independent variables

Multiple regression equations were obtained by fitting parsimonious regression models using the standardized beta coefficients on the line of best fit (see Table 4.22). The resulting regression models for testing hypothesis 4 from this procedure were:

i. $Y_{sg} = 0.3X_1 - 0.252i$ where Y_{sg} is sales growth

ii. $Y_{pp} = 0.250X_4$ where Y_{pp} is perceived profitability

iii. $Y_{pr} = 0.925X_5 + 0.080X_3 - 0.047X_{3i}$ where Y_{pr} is profitability ratio

An F test was then made for checking the significance and validity of the overall multiple regression models before they were made use of. All the three above regression equations were found to be valid and significant as a whole, and the F tests results were:

i. ($F(2,109) = 9.448$, $p<0.001$) when firm performance was measured as sales growth (see Model 13, Appendix 16).

ii. ($F(1,192) = 12.825$, $p<0.001$) when firm performance was measured as perceived profitability (see Model 14, Appendix 17).

iii. ($F(3,198) = 650.846$, $p<0.001$) when firm performance was measured as profitability ratio (see Model 15, Appendix 18).

Table 4.22: Regression Analysis Results for the Moderating Effect of an Innovation led HR strategy

Dependent variable	Predictor variable(s)	Standardized Coefficients Beta	R^2	F	Sig.
Sales growth	X_1	.300	.148	9.448	.000[b]
	I	-.252			
Perceived profitability	X_4	.250	.063	12.825	. 000[b]
Profitability ratio	X_5	.925	.908	650.846	. 000[b]
	X_3	.080			
	X_{3i}	-.047			

$P<0.05$

i =innovation led HR strategy

X_{3i} = interaction term between extensive training and an innovation led HR strategy

X_1=selective resourcing

X_3=extensive training

X_4 =sharing information

X_5 =incentives on performance

Therefore, the decision rule is reject H_0: $\beta_{iz} = 0$ (i=1, 2, 3, 4, 5) if the regression coefficient of the interaction term is significantly different from zero, and consequently accept the alternate hypothesis H_a: $\beta_{iz} \neq 0$ (i=1, 2, 3, 4, 5).

The null hypothesis that an innovation led human resource strategy had no significant moderating effect on the relationship between strategic human resource management and firm performance of corporate organizations in Kenya in the manufacturing sector was rejected since there was an interaction term ($X_{3i,}$ i) in the regression models and the coefficients of the moderator (i) and the product term (X_{3i}) were significant and statistically different from zero.

5. Discussion of Findings for the Moderating Effect of an Innovation led HR Strategy

The findings of this study indicated that there was an interaction effect of an innovation led HR strategy with extensive training, and also an innovation led HR strategy had a moderating effect as a variable influencing firm performance negatively. The R^2 value when an innovation led HR strategy was introduced into the regression model when using sales growth as a measure of firm performance was significantly different (from 13.8% to 14.8%) suggesting that an innovation led HR strategy moderated the relationship between SHRM and firm performance (See Table 4.19 :Table 4.22). t tests results indicated that an innovation led HR strategy and the interaction between an innovation led HR strategy and with extensive training both contributed significantly to this variation in firm performance (see Model 13,Appendix 16: Model 15:Appendix 18) Further regression analysis results

revealed that a unit increase of an innovation led HR strategy decreased sales growth by 0.252, and an interaction between an innovation led HR strategy with extensive training also decreased profitability ratio by 0.047.

Prior research by Lau and Ngo (2004) found that the use of teams and decentralization is not significantly related to innovation outcome and this is consistent with the finding of this study since use of teams and decentralization was excluded as a predictor variable in Table 4.20. However, the finding that an innovation led HR strategy had a negative significant influence on firm performance is inconsistent with the result of the study by Chang and Huang (2005) who found an interactive effect between innovation strategy and SHRM. In their study, a positive relationship existed along with significant variance in firm performance. This contrast can be explained by the descriptive statistics on Table 4.9 as well as information from the interviews which revealed that the majority of the organizations indicated that they pursued a quality led HR strategy. The market environment in the Kenya is quality oriented and not innovation oriented. Given a lack of innovation in the market environment, an innovation led HR strategy has little or negative impact on firm performance.

The focus of an innovation led the strategy of Kenya's manufacturing organizations was on core competencies and transferable skills and this required a realization of HRM philosophy so as to bring out the best of existing staff with organizations selecting highly skilled employees. The careful selection is meant to ensure appropriate skills, aptitude and attitudes and recruit for innovative talent (specialists), ending up with a high percentage of

skilled employees displaying appropriate behaviors. This explains why selective resourcing was significant in the regression model. It is imperative for an organization pursuing an innovative led HR strategy to be the most unique producer, allow employees time to do their own projects and encourage them to offer suggestions of doing their own jobs or manufacturing products. This is supported by Schuler and Jackson (1987), who outlined the expected role behavior for organizations pursuing an innovation led HR strategy: a high degree of creative behavior, longer term focus, a moderate concern for quality, a relatively high level of cooperative interdependent behavior, a moderate concern for quantity with an equal degree of concern for process and results, a greater degree of risk taking and a higher tolerance of ambiguity and unpredictability. These practices facilitate cooperative intended behavior that is oriented towards the longer term and foster exchange of ideas and risk taking. It therefore requires people to work differently which is the necessary ingredient.

The findings that the interaction between an innovation led HR strategy with extensive training influenced firm performance of Kenya's manufacturing organizations negatively are in agreement with Delery and Doty (1996) who suggested that innovative organizations provide only a small amount of informal training, and Sonnenfield and Peiperl (1998) argue that due to the portability of skills, very little training and limited training programs usually on the job should be provided by an organization. This could help explain why profitability ratio in the manufacturing organizations decreased when an innovation led HR strategy interacted with extensive training which comes along with cost when an organization invests in training. This was supported by Schuler and Jackson (1987) argued that extensive, multi skilling and cross functional training may prove to be economically

disastrous in innovative organizations as the organizations well trained employees leave to join organizations which offer employment security and clear career paths. Morris and Jones (1993) found that while training and development programmes in innovative organizations were continuous or ongoing, they were also systematic and planned. The emphasis on external competitiveness in pay might help retain employees but the costs of doing so combined with extensive training is likely to provide a cost advantage to competitors who have avoided these combinations.

According to this study, Kenya's innovative organizations like Zedco Radiators and Cooling Systems Limited, training is provided if necessary and it is the personal responsibility to learn. The organization uses highly trained specialists but there is no emphasis on extensive training hence the negative influence on firm performance when innovation led HR strategy interacts with extensive training. Indeed, Schuler and Jackson (1987) advocate for the acquisition of human resource with the needed skills rather than internal development of employees by an organization. The study established that manufacturing organizations in Kenya pursuing an innovative led HR strategy selected highly skilled individuals, gave employees more discretion, used minimal controls, made a greater investment in HR, provided more resources for experimentation allowing and even rewarding occasional failure and appraised performance for its long run implications.

This research revealed that sharing information and incentives on performance were also significant in the regression models in this study but there was no interaction effect. These results are consistent with a study by Perk (1994) that found no significant association

between compensation systems and a strategy of innovation. From the study findings, Kenya's corporate organizations in the manufacturing sector pursuing an innovative led HR strategy gave preference for informal communication system, advice and support for employees. There were agreed performances outcomes with performance oriented demand towards incentive. The emphasis was on both external equity, flexible and long term incentives and internal equity with low pay rates but employees had greater say in deciding the makeup of their pay packages. However, a focus on internal equity and low pay rates is likely to neutralize the effects of sophisticated selection whether at the entry level or above, as firms struggle to attract and retain the high quality employees they identify through the hiring process. The feedback provided is evaluated and there are more sophisticated programs, flexible rewards, skill based with gain sharing and flexible benefits. Manufacturing organizations in Kenya pursuing a strategy of innovation indicated that they placed less emphasis on results based bonuses or incentives which would penalize employees for engaging in risk taking behaviors and adopted a behavior perspective The logic is that since different firm strategies require different behaviors from employees, the HR system must not only ensure that employees have the necessary skills but also motivate the appropriate behavior.

It is imperative for an organization pursing an innovative led HR strategy to be the most unique producer, allow employees time to do their own projects and encourage them to offer suggestions of doing their own job or manufacturing projects. According to Schuler and Jackson (1987), the expected role behavior for organizations pursuing an innovation led HR strategy is: a high degree of creative behavior, longer term focus moderate concern

for quality, a relatively high level of cooperative interdependent behavior, a moderate concern for quantity with an equal degree of concern for process and results, a greater degree of risk-taking and a higher tolerance of ambiguity and unpredictability. These practices facilitate cooperative intended of ambiguity and unpredictability. These practices facilitate cooperative intended behavior that is oriented towards the longer term and foster exchange of ideas and risk taking. It, therefore, requires people to work differently which is the necessary ingredient.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the major findings of this study and also sets to draw conclusions and make recommendations for practice and suggestions for further research based on the results of this study.

5.2 Summary

The overall objective of this study was to determine the effect of competitive strategies on the relationship between strategic human resource management and firm performance of Kenya's corporate organizations. In particular, the study sought to determine the influence of SHRM on firm performance as well as to establish the moderating effect of a cost led HR strategy, a quality led HR strategy and an innovation led HR strategy on the relationship between SHRM and firm performance of Kenya's corporate organizations in the manufacturing sector.

Specific Objective 1: Determine the influence of SHRM on firm performance of corporate organizations in Kenya.

The study established that strategic HRM was concerned in the organization's decision regarding resourcing, training and development ,reward and compensation, employee relations, plans and procedures covering core functions and ensuring that they are designed to enable the firm achieve and sustain competitive advantage. Regarding which HR

practices are relevant, literature often focuses on bundles of HR practices as determinants of firm performances. The research attempted to establish whether five groups of HRM practices adopted from Ahmad and Schroeder (2003) study influenced firm performance of Kenya's manufacturing organizations. The practices were: selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives on performance. This study sought to determine if these HRM practices influenced firm performance of corporate organizations in Kenya in the manufacturing sector.

Based on the findings of this study, firm performance of corporate organizations in Kenya in the manufacturing sector, when measured in terms of sales growth, was positively influenced by selective resourcing. The results indicated that success of any organization depends on the quality of human resource and talents in that organization, and that is why it is important to recruit and select the right staff. Selective resourcing is fundamentally about matching human resource to the strategic and operational needs of the organization and ensuring full utilization of those resources. It is concerned with not only obtaining and keeping the number and quality of employees required, but also with selecting and promoting people who fit the culture and the strategic requirements of the organization. These resources must then be employed efficiently to drive optimum results. Selective resourcing places more emphasis on finding people whose attitudes and behaviors are appropriate and congruent with the aspirations of management and organization. Manufacturing organizations in Kenya are today concentrating more on the attitudes and behavioral characteristics of employees than on skills and knowledge per se.

Based on the correlation analysis results of this study, the use of teams and decentralization had a strong, positive and significant association with firm performance of corporate organizations in Kenya when measured in terms of profitability ratio, but had a weak positive correlation with perceived profitability when used as a measure of firm performance. However, no linear relationship was found to exist between the use of teams and decentralization and firm performance of the manufacturing organizations in Kenya, as it was not statistically significant in the regression model. Use of teams and decentralization is one of the high performance work systems that is highly idiosyncratic and must be tailored carefully to each firm's individual situation to achieve optimum result. The use of team activities like problem solving groups and interaction facilitation has positive influence on organizational performance. On the other hand, the teams can fail to function effectively in a strained atmosphere and some authors have argued that the use of teams and decentralization is argued to be one of the least extensive HRM practice in organizations. The non-existence of a linear relationship in the regression model between the use of teams and decentralization and firm performance in the manufacturing organizations in Kenya may be attributed to this aspect.

According to the results of this research, firm performance of the manufacturing organizations in Kenya when measured in terms of perceived profitability, was positively influenced by sharing information. However, this linear relationship was found to be weak as the R square was 6.4%. Furthermore; a negative linear relationship existed between sharing information and firm performance when measured in terms of sales growth. Sharing information by communicating on organization's strategic goals, vision, mission

and aspirations to the employees has been linked to performances. One of the beneficial HRM practice is extensive sharing of corporate information. It facilitates understanding of the long run competitive strategy, goals and objectives and provides feedback on performance of employees.

Based on the findings of this study, incentives and extensive training had a strong influence on firm performance when measured in terms of profitability ratio in corporate organizations in Kenya. These two variables had significant and positive linear relationships with profitability ratio, explaining 90.9% variation in firm performance (R^2=0.909). Incentives had a very stronger influence on firm performance than extensive training as revealed by the results of the t test. This reveals that the incentive system of the manufacturing organizations in Kenya was perceived to be fair and encouraged employees to vigorously pursue its objectives, with a reward system recognizing the employees who contribute the most to the company. The provision of incentives on performance has long been the focus of researchers and practitioners dedicated to maximizing human performance. Incentives can significantly increase work performance when they are carefully implemented and the longer they are in place, the greater the performance gain realized. Incentives should match rewards/ compensation with efforts in an equitable and just manner, rewarding short as well as long term achievements, bearing in mind that business must perform in the present to succeed in the future.

Additionally, extensive training of employees on multiple functions and on job skills was required to sustain high levels of performance, by ensuring that everyone in the

manufacturing organizations in Kenya had the knowledge, skills and competencies required to carry out their work effectively, and that people were developed in a way which maximizes their potential for grown and promotion. Training is any learning activity which is directed towards the acquisition of specific knowledge and skills for the purpose of an occupation and task and it matches skills and competences with situational demands and changes. Training effort has been identified as one of the primary factors to improve organizational performance, with the aim being to provide information and support that enable employees to overcome job related difficulties and achieve job performance.

Specific Objective 2: Establish the moderating effect of a cost led HR strategy on the relationship between SHRM and firm performance of corporate organizations in Kenya.

One of the basic strategic options that an organization has in order to gain competitive advantage is the use of a cost led HR strategy. An organization pursuing a cost led HR strategy seeks to produce goods and services cheaper than the competition, with no frills and places an emphasis on minimizing cost at all stages in the process including people management. The HR implications for the cost led HR strategy are that recruitment and selection is likely to be poor, low pay levels and limited employee involvement and communications. These practices maximize efficiency by providing the means for management to monitor and control closely the activities of employees. This research sought to establish if this assertion held true.

Based on the findings of this study, a cost led HR strategy had no significant moderating effect on the relationship between SHRM and firm performance of corporate organizations

in Kenya in the manufacturing sector. There was no interaction term between a cost led HR strategy with selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives when using all the measures of firm performance in this study (sales growth, perceived profitability and profitability ratio). The predicting power of R square when cost led HR strategy was introduced in the regression model was not statistically different. This implied that a cost led HR strategy did not have any moderating effect on the relationship between SHRM and firm performance and therefore, the null hypothesis (H_{02}) was accepted. These results were in agreement with the HR implications for the cost reduction HR strategy since all the sampled manufacturing organizations in Kenya reported that on average, they agreed that they considered selective resourcing, use of teams and decentralization, extensively trained their employees, shared information and provided incentives on performance. Therefore, taking into consideration that these HRM practices were provided for to some extent by all the manufacturing organizations in Kenya that were sampled in this study, it was then unlikely that these practices would interact with the moderator (cost led HR strategy)as they are the exact opposite of an organization pursuing a cost led HR strategy. In fact, the study indicates that selective resourcing, extensive training, sharing information and incentives were significant in the regression model but did not interact with the cost led HR strategy.

Specific Objective 3: Determine the moderating effect of a quality led HR strategy on the relationship between SHRM and firm performance of corporate organizations in Kenya.

The goal of an organization pursuing quality led HR strategy is to produce goods and services of the highest quality possible to differentiate itself from competition. The HR implications for a quality led HR strategy includes: systematic recruitment and selection, empowerment and high discretion jobs, extensive and continuous training, key rule for performance appraisal and close cooperation between HR and line managers and a competitive pay and benefits package. A quality led HR strategy is likely to focus on the delivery of added value through softer HR techniques and policies. This study sought to determine if these HR implications held true for organizations pursuing a quality led HR strategy.

Based on the results of this research, a quality led HR strategy moderated the relationship between SHRM and firm performance of corporate organizations in Kenya in the manufacturing sector. As evident in the regression models, there was an interaction term between a quality led HR strategy with selective resourcing and also with sharing information. The findings of this study indicated that firm performance of the manufacturing organizations in Kenya increased when a quality led HR strategy interacted with selective resourcing, and there was also a significant change in firm performance when a quality led HR strategy interacted with sharing information. The value of R square was significantly different following the interaction when a quality led HR strategy was introduced into the regression model, and the regression coefficients of the product terms

were significantly different from zero. This led to the rejection of the null hypothesis that a quality led HR strategy had no significant moderating effect on the relationship between SHRM and firm performance of corporate organizations in Kenya.

The results of this study were in agreement that there is selective resourcing, extensive training, sharing information and incentives on performance in accordance with the HR implications for a quality led HR strategy. This is because although a quality led HR strategy interacted with only selective resourcing and sharing information, extensive training and incentives were still significant in the regression model and they had non-zero beta coefficients. It was evident that majority of the manufacturing organizations in Kenya pursued a quality led HR strategy and embraced selective resourcing, sharing information, extensive training and the provision of incentives to maintain a quality enhancement approach.

Specific Objective 4: Establish the moderating effect of an innovation led HR strategy on the relationship between SHRM and firm performance of corporate organizations in Kenya.

The focus of an innovation led HR strategy is to produce and sell rapidly changing products that differ from those of competitors designed by highly trained specialists. Organizations adopting an innovation led HR strategy seek to reap the initially high profits associated with customer acceptance of a new or greatly improved product. A firm pursuing an innovation led HR strategy is likely to focus on core competencies and transferable skills, agreed performance outcomes, provide training, give preference for informal communication systems and give pay rates that tend to be low with a compensation system

that emphasizes internal equity. This research sought to determine if this assertion held true.

Based on the findings of this study, an innovation led HR strategy had a moderating effect as a variable and influenced firm performance of the manufacturing organizations in Kenya negatively. The results of this research also revealed that there was an interaction effect between an innovation led HR strategy and extensive training, which also had a negative effect on Kenya's manufacturing organizations' firm performance. This could imply that an innovation led HR strategy influenced performance of manufacturing organizations in Kenya negatively and hence the null hypothesis that an innovation led the strategy had no significant moderating effect on the relationship between SHRM and firm performance was rejected. As evident from the fitted regression models, selective resourcing, sharing information and incentives on performance were significant. Manufacturing organizations in Kenya pursuing an innovation led HR strategy selected highly skilled employees, emphasized on informal communication system, provided advice and support to employees with performance oriented demand towards incentive.

An innovation led HR strategy negatively moderated the relationship between SHRM and firm performance in this study. The implication was that performance declined for those manufacturing organizations in Kenya pursuing an innovation led HR strategy, given that the market environment in the country is not innovation oriented but quality focused.

5.3 Conclusions

Specific Objective 1: Determine the influence of SHRM on firm performance of corporate organizations in Kenya.

Based on the results of this study, the adoption of strategic human resource management practices by the majority of the manufacturing organizations in Kenya could be concluded that these practices influence firm performance. Selective resourcing, extensive training, sharing information and incentives had a positive and significant linear relationship on the various measures of firm performance that were used in this study (sales growth, profitability ratio and perceived profitability). Use of teams and decentralization correlated with profitability ratio and perceived profitability. The multiple regression results of this study indicated that there lacked a linear relationship between use of teams and decentralization and firm performance. Use of teams' activities and interaction facilitation is a HRM practice that is expected to enhance organizational performance. However, use of teams and decentralization is one of the high performance work system that is highly idiosyncratic; it has been argued that all high performance work practices may be more effective when they are grouped together in bundles, as opposed to this study when the variable was treated in isolation because it is not as effective as when the practice is supported by wider employee involvement and empowerment practice.

It could, therefore, be concluded that SHRM practices are important to ensure effective strategy implementation, and they significantly influence firm performance of corporate organizations in Kenya in the manufacturing sector. Intensive competition, shorter product

life cycle and volatile product and market environments have contributed to the complexity faced by business. As a result, manufacturing organizations in Kenya constantly search for new sources of competitive advantage, one of the most important being HRM that has the potential to improve and sustain organizational performance and determine its fate. Human resource management practices create procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique organizations competencies which support competitive advantage.

Specific Objective 2: Establish the moderating effect of a cost led HR strategy on the relationship between SHRM and firm performance of corporate organizations in Kenya.

The results of this research indicating the lack of an interaction term between a cost led HR strategy with either selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives in Kenya's manufacturing organizations is a reflection that these HRM practices are in contrast with the implications of a cost led HR strategy. Based on the findings of this study, it can, therefore, be concluded that majority of the manufacturing organizations in Kenya sampled in this study lay more emphasis on other aspects of their products but not the price and that irrespective of whether a cost led HR strategy was being pursued or not, the HRM practices remained significant in influencing firm performance. Selective resourcing, extensive training, sharing information and incentives had a linear relationship with sales growth, profitability ratio and perceived profitability. This could imply that they played a major role in influencing overall firm performance. It is widely accepted that a company's HRM practices should be matching to

the strategy of the whole company. This would help the organization achieve congruence between the HRM practices and the competitive strategy chosen.

Specific Objective 3: Determine the moderating effect of a quality led HR strategy on the relationship between SHRM and firm performance of corporate organizations in Kenya.

The existence of an interaction term between quality led HR strategy with the independent variables in this study could imply this competitive strategy moderated the relationship between SHRM and firm performance of the manufacturing organizations in Kenya. Manufacturing organizations in Kenya pursuing a quality led HR strategy placed emphasis on quality of their products, and employee played a major role in delivering this quality.

Based on the findings of this study, it can, therefore, be concluded that the relationship between SHRM and firm performance of the manufacturing organizations in Kenya was moderated by the interaction effect of a quality led HR strategy with selective resourcing and sharing information; with extensive training and incentives remaining significant in that relationship. These results are consistent with the HRM implication of a quality led HR strategy. HRM implies that if people are considered and managed as valuable strategic resources, an organization can achieve competitive advantage and as a consequence demonstrate superior performance. The management of human resources should be corresponding to the firm strategy as the goals and prerequisites of each of the strategy profiles are different.

Specific Objective 4: Establish the moderating effect of an innovation led HR strategy on the relationship between SHRM and firm performance of corporate organizations in Kenya.

An innovation led HR strategy moderated the relationship between SHRM and firm performance of Kenya's corporate organizations in the manufacturing sector, both as a predictor variable and when it interacted with extensive training. The study results indicated that this relationship was negative. In addition, selective resourcing, sharing information and incentives were still significant in that relationship. This could imply that manufacturing organizations in Kenya that implemented SHRM could perform better in an innovation, oriented market environment. This may occur because SHRM promotes team-based job designs, employee empowerment and incentive compensation which are essential for facilitating innovation in organizations. Human resource management practices are believed to facilitate innovative behaviors. It can, therefore, be concluded that an innovation led HR strategy influenced firm performance of Kenya's corporate organizations in the manufacturing sector.

In conclusion, these diverse findings demonstrate that an organization's mission and values are expressed through its desired competitive strategy. This in turn leads to a set of required employee behaviors, which would be reinforced by an appropriate set of HR practices. The outcome of this would be desired employee behaviors that are aligned with the corporate goals, thus demonstrating the achievement of a fit between HR strategies and business strategies. It is assumed that business performance will improve when HR practices mutually reinforce the choice of competitive strategy. The assumption of a close link

between business strategy and HRM practices underlines that HRM methods are selected in accordance with the competitive strategy adopted and it is assumed that organizations that coordinate their business strategy and HRM practices achieve better performance.

5.4 Recommendations

5.4.1 Recommendations for managerial

Strategic human resource management practices: selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives influence organizational performance. The consideration of behavior and attitude and alignment of HR with manufacturing activities of an organization, training on multiple skills and on job skills, communication of strategy and feedback on performance as well as provision of incentives contribute to sales growth, profitability ratio and perceived profitability of a firm. This is considered as a significant practical insight for managers and the results of this study have demonstrated that strategic HRM is crucial to the success of every organization and part of an organization effort is to ensure efficiency and effective performance. Strategic HRM must be involved in designing and implementing a set of internally consistent HR practices that ensure that firm human capital contribute to achieving firm business goals. The results of this study have helped to determine the crucial role of SHRM and, therefore, recommend that organizations should focus on the use of SHRM as its involvement is necessary to ensure that HR supports its mission. In addition, this study recommends that organizations should increasingly recognize the role of HRM practices

and in particular, the HR as a legitimate business unit highly strategic in nature and critical in achieving its objectives.

According to the results of this research, competitive strategies moderate the relationship between SHRM and firm performance. Of interest are the different HRM implications associated with each of the competitive strategies. The research then recommends that organizations should diagnose their strategic needs and develop practical solutions for achieving business goals by effectively fitting their competitive strategies to the HRM practices present. With regard to this is the role that HR practitioners play in organizations as the HRM practices are concerned. Thus, the study recommends organizations should promote the HR practitioners to the strategic level, making them to be directly involved in critical decision making and business strategy formulation from the beginning stage.

5.4.2 Recommendations for policy

The underlying assumption of SHRM is that firm performance is influenced by a set of HRM practices, and for firm to compete effectively; they must constantly improve their performance by reducing cost, enhancing quality and differentiating their product and services. From the findings of this result, a quality led and innovation led HR strategies influence the relationship between SHRM and firm performance. These competitive strategies interact with the HRM practices differently as evident in the regression models. These findings recommend that organizations should carefully consider the alignment among HRM practices, as well as between the HRM practices and the competitive strategy adopted so that they support and supplement one another. In addition, it is proposed that in

light of these findings, policy makers in organizations evaluate the HRM programs and activities and the competitive strategy by the degree to which they contribute directly to the accomplishment of an organization's strategic goals and objectives.

5.4.3 Study's contribution to theory

The findings of this research confirmed that SHRM in this study had five dimensions (selective resourcing, use of teams and decentralization, extensive training, sharing information and incentives on performance and they underlay a single main factor which was SHRM, the independent variable of this study. The moderating variables of this study: cost led HR strategy, quality led HR strategy and innovation led HR strategy converged to the hypothesized model and,therefore,Schuler and Jackson's (1987) strategic typology could be used to measure competitive strategies of manufacturing organizations in Kenya. This meant that although these HRM practices and competitive strategies were developed using literature and theoretical context from the western developed countries, their items converged very well to their respective dimensions and, therefore, the configurational theory was applicable in the Kenyan context.

5.4.4 Suggestions for further research

The findings of this study provide empirical evidence that HRM practices and competitive strategies influence firm performance. The bundle of HRM practices adopted for this study included selective resourcing, use of teams and decentralization, extensive training, sharing information and incentive. HRM practices are diverse and there is no standard way of choosing a particular bundle. Successful firms create a bundle of employee practices to

reinforce the organizations strategic position. A study should be carried out to explore other HRM practices which would provide a rich base for researchers to compare the results of this study to determine if they will result to different effects on organizational performance. Future studies could also shift the emphasis to single HR practices to derive more precise evidence regarding the influence of SHRM and competitive strategies on firm performance.

This study attempted to clarify linkages between HRM practices and organizational performance. Empirical review of past studies indicates that the importance of systematically aligning HR practices and organizational success and strategy hasn't been well established empirically. The findings of this study have contributed to addressing this gap and adding to the existing stock of knowledge in the literature of SHRM in developing countries specifically in Kenya. Ideally, future studies should focus an addressing the questions regarding which HRM practices diffuse more readily and why.

This research examined the moderating effect of three competitive strategies.Other studies could be undertaken with researchers extending the scope of other moderating factors such other strategic orientations, marketing characteristics and other contextual issues, as theoretical models that incorporate contextual constructs could contribute further to an understanding of how organizations employ SHRM effectively. Further research is, therefore, recommended on the influence of other unexplored factors to further clarify the determinants of firm performance that have not been addressed in this study. Such clarification would provide additional valuable guidance to HR professionals and the organizations as well.

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APPENDICES

APPENDIX 1: SURVEY QUESTIONNAIRE

Please answer all questions by writing a tick (√) in the box that closely matches your view or alternatively; please write in the space provided. Thank you for participating in this academic research.

Part A: Personal Details

1. Job Title: ☐ HR Manager

☐ Others…… (Specify)

2. The number of years you have worked for the company……

3. Would you like to get a copy of the research findings? Yes ☐

No ☐

Part B: Organizational Data

1. Kindly tick the ownership status of your company:

☐ Locally owned by an individual

☐ Partnership

☐ Locally owned by religious organizations and other groups

☐ Foreign owned

☐ Others……..(Specify)

2. What is the number of full time employees in your company?.....

3. The number of years your company has been operating in Kenya? ……

4. Please tick the subsector your company belongs to.

Building, Construction and Mining	
Chemical and Allied	
Energy, Electrical and Electronics	
Food and Beverage	
Leather and Footwear	
Metal and Allied	
Motor Vehicle and Accessories	
Paper and Board	
Pharmaceutical and Medical Equipment	
Plastic and Rubber	
Textiles and Apparels	
Timber, Wood and Furniture	

5. (a) What was your company sales growth in percentage (%) in the following years?

2009…….. 2010…… 2011……

(b) Please indicate the numbers in the following aspects of your company for the past three years:

Aspect	2009	2010	2011
No. of employees			
No. of branches			

No. of products			
Market share			
Annual running expenditure			

6. (a) What was the position of your company's profitability in the past three years?

(Profit =Income – Expenses)

2009…….

2010…….

2011……..

(b) How satisfying was your company's overall profitability in the following years?

Year	Very dissatisfying	Dissatisfying	Neutral	Slightly satisfying	Very satisfying
2009					
2010					
2011					

(c) What was your company's Profit ratio for the past three years?

(Profitability ratio = $\frac{\text{Profit}}{\text{Capital}}$ x 100)

2009…….. 2010……. 2011……..

7. Please tick the statement that best describes the significant competitive strategy usually pursued by your company:

☐ You provide products at a cost below what your competitors can achieve, with no frills and placing an emphasis on minimizing costs at all stages in the process including management of employees.

☐ You continuously improve the quality of your products, produce goods of the highest quality possible to differentiate yourself from the competition, placing an emphasis on skill acquisition and development of employees.

☐ You produce and sell rapidly changing products that differ from those of competitors designed by highly trained specialists.

8. What is the position of your company in linking its competitive strategy (chosen above in question 7) to the following HRM practices?

HRM Practice	Very unimportant	Unimportant	Neutral	Important	Very important
Selective resourcing					
Training extensively					
Use of teams activities					
Sharing information					
Incentives on performance					

9. How effective are the following when integrated with your company's competitive strategy (chosen above in question 7)?

HRM Practice	Very ineffective	Ineffective	Neutral	Effective	Very Effective
Selective resourcing					

Training extensively					
Use of teams activities					
Sharing information					
Incentives on performance					

10. How important are the following in your target market?

Aspect	Very unimportant	Unimportant	Neutral	Important	Very Important
Price of your products					
Quality of your products					
Innovation in your products					

11. (a) Please give your opinion on how the following are provided by your company?

Opinion Statement	Strongly disagree	Dis Agree	Neutral	Agree	Strongly agree
Attitude/desire to work always used as a criteria in employee selection					
Problem solving aptitude always used as a criteria in employee selection					
In selection of employees, you usually consider those who can provide ideas to improve the manufacturing process					
Work values and behavior attitude oftenly used as criteria in employee selection					

Usually select employees who are able to work in small groups					
During problem solving sessions, you always make an effort to get all team members opinions and ideas before making a decision					
In the past 3 years, many problems have been solved using small group sessions					
Problem solving teams have not always helped to improve performance					
Supervisors oftenly encourage persons to work as a team					
Supervisors frequently hold group meetings where people discuss things together					

(b)Please give your opinion on the following statements as relates to your company.

Opinion Statement	Strongly disagree	Dis agree	Neutral	Agree	Strongly agree
Company always has a low skill level compared to the industry					
Employees usually lack important skills					
Employees always have skills that are above average in the industry					
Management usually believes that continual training and upgrading of employees skills is important					

Employees receive training and development in workplace skills on a regular basis					
Goals, objectives and strategies are a usually communicated to you					
You always understand the long run competitive strategy					
Strategies and goals are usually communicated primarily to managers					
Information on productivity is readily available to employees					
Your manager never comments about the quality of your work					
Incentive system of your company encourages you to vigorously pursue its objectives					
Incentive system is always fair at rewarding employees who accomplish company objectives					
Reward system usually recognizes the employees who contribute the most to the company					

Give any other unique practice(s) that is provided by your company besides the ones mentioned above…….....

……

……

12. Suggest ways of enhancing the performance of your company…….

……

……

……

THANK YOU!

APPENDIX 2: INTERVIEW GUIDE

1. Which HRM practices are present in your organization?

2. Would you attribute performance of your organization to only Strategic HRM Implementation ?

3. From which stage is the HR manager involved in business strategy planning?

4. How important is the cost/quality/innovation of your products in the target market?

5. To what extent does your organization link its competitive strategy to the HRM practices present in the organization?

6. Is your organization in pursuit of more than one competitive strategy?

7. Which indicators are mostly used to measure performance of your organization?

8. Overall, to what extent are you satisfied with your organization's performance in the past three years?

9. Suggest ways of enhancing the performance of your organization.

APPENDIX 3: LETTER OF INTRODUCTION

I am PhD student at Jomo Kenyatta University of Agriculture and Technology, Department of Entrepreneurship and Procurement. The title of my study is: *Effect of Competitive Strategies on the Relationship between Strategic Human Resource Management and Firm Performance of Kenya's Corporate organizations.* The study seeks to investigate the effect of: a cost led HR strategy, a quality led HR strategy and an innovation led HR strategy on the relationship between Strategic HRM and firm performance.

As part of the PhD program requirement, I am supposed to collect data and would be grateful if you could consent to participate in this survey, through filling the questionnaire provided. The information provided will only be used for academic purposes only and will be treated with uttermost confidentiality.

Thank you for consenting to participate in this study.

Yours Sincerely,

Esther Wangithi Waiganjo

HD412-1050/2009

Jomo Kenyatta University of Agriculture & Technology,

School of Human Resource Development,

Entrepreneurship & Procurement Department.

APPENDIX 4: MODEL 1- MULTIPLE REGRESSION MODEL FOR SHRM AND FIRM PERFORMANCE (SALES GROWTH)

Model Summary for SHRM and Sales Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.293[a]	.086	.078	1.31224
2	.371[b]	.138	.122	1.28036

a. Predictors: (Constant), Selective resourcing

b. Predictors: (Constant), Selective resourcing ,Sharing information

ANOVA[c]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	18.156	1	18.156	10.544	.002[a]
	Residual	192.862	112	1.722		
	Total	211.018	113			
2	Regression	29.053	2	14.527	8.861	.000[b]
	Residual	181.964	111	1.639		
	Total	211.018	113			

a. Predictors: (Constant), Selective resourcing

b. Predictors: (Constant), Selective resourcing ,Sharing information

c. Dependent Variable: Sales Growth

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.299	.623		.480	.632
	X_1	.517	.159	.293	3.247	.002
2	(Constant)	2.245	.969		2.317	.022
	X_1	.587	.158	.333	3.719	.000
	X_3	-.533	.207	-.231	-2.578	.011

a. Dependent Variable: Sales Growth

APPENDIX 5: MODEL 2- MULTIPLE REGRESSION MODEL FOR SHRM AND FIRM PERFORMANCE (PERCEIVED PROFITABILITY)

Model Summary for SHRM and Perceived Profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.252[a]	.064	.059	.60966

a. Predictors: (Constant), Sharing information

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.910	1	4.910	13.210	.000[a]
	Residual	72.108	194	.372		
	Total	77.018	195			

a. Predictors: (Constant), Sharing information

b. Dependent Variable: Perceived Profitability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.986	.319		9.361	.000
	X_4	.273	.075	.252	3.635	.000

a. Dependent Variable: Perceived Profitability

APPENDIX 6: MODEL 3- MULTIPLE REGRESSION MODEL FOR SHRM AND FIRM PERFORMANCE (PROFITABILITY RATIO)

Model Summary for SHRM and Profitability Ratio

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.951[a]	.905	.905	.23073
2	.953[b]	.909	.908	.22656

a. Predictors: (Constant), Incentives

b. Predictors: (Constant), Incentives, Extensive training

ANOVA[c]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	102.819	1	102.819	1931.349	.000[a]
	Residual	10.754	202	.053		
	Total	113.573	203			
2	Regression	103.256	2	51.628	1005.846	.000[b]
	Residual	10.317	201	.051		
	Total	113.573	203			

a. Predictors: (Constant), Incentives

b. Predictors: (Constant), Incentives, Extensive training

c. Dependent Variable: Profitability ratio

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.135	.090		1.494	.137
	X_5	.970	.022	.951	43.947	.000
2	(Constant)	-.106	.121		-.875	.383
	X_5	.941	.024	.923	39.505	.000
	X_3	.086	.030	.068	2.918	.004

APPENDIX 7: MODEL 4- MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, COST LED HR STRATEGY AND FIRM PERFORMANCE

$$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_5X_5 + \beta_zZ + \beta_{1z} X_1Z+ \beta_{2z} X_2Z+ \beta_{3z} X_3Z+ \beta_{4z} X_4Z + \beta_{5z} X_5Z + \varepsilon$$

Where; Y=firm performance (Sales Growth, Perceived Profitability, Profitability Ratio)

β_0=constant

β_i is the coefficient for X_i (i=1, 2,3,4,5)

X_1=selective resourcing

X_2=teams and decentralization

X_3=extensive training

X_4=sharing information

X_5=incentives

Z= cost led HR strategy (moderator)

ε = error term

X_iZ= Product term / interaction term of a cost led HR strategy with each of the independent variables(x_1,x_2x_3,x_4,x_5)

APPENDIX 8: MODEL 5-MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, COST LED HR STRATEGY AND FIRM PERFORMANCE (SALES GROWTH)

Model Summary for SHRM, Cost led HR strategy and Sales Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.291[a]	.084	.076	1.27709
2	.371[b]	.138	.122	1.24519

a. Predictors: (Constant), Selective resourcing

b. Predictors: (Constant), Selective resourcing, Extensive training

ANOVA[c]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.558	1	16.558	10.153	.002[a]
	Residual	179.406	110	1.631		
	Total	195.964	111			
2	Regression	26.961	2	13.480	8.694	.000[b]
	Residual	169.004	109	1.550		
	Total	195.964	111			

a. Predictors: (Constant), Selective resourcing

b. Predictors: (Constant), Selective resourcing, Extensive training

c.Dependent Variable: Sales Growth

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.339	.606		.560	.577
	X_1	.495	.155	.291	3.186	.002
2	(Constant)	2.241	.943		2.378	.019
	X_1	.563	.154	.331	3.663	.000
	X_3	-.521	.201	-.234	-2.590	.011

a. Dependent Variable: Sales Growth

APPENDIX 9: MODEL 6-MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, COST LED HR STRATEGY AND FIRM PERFORMANCE (PERCEIVED PROFITABILITY)

Model Summary for SHRM, Cost led HR strategy and Perceived Profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.250[a]	.063	.058	.60764

a. Predictors: (Constant), Sharing information

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.735	1	4.735	12.825	.000[a]
	Residual	70.891	192	.369		
	Total	75.627	193			

a. Predictors: (Constant), Sharing information

b. Dependent Variable: Perceived Profitability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.005	.318		9.447	.000
	X_4	.269	.075	.250	3.581	.000

a. Dependent Variable: Perceived Profitability

APPENDIX 10: MODEL 7-MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, COST LED HR STRATEGY AND FIRM PERFORMANCE (PROFITABILITY RATIO)

Model Summary for SHRM, Cost led HR strategy and Profitability Ratio

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.950[a]	.902	.901	.23182
2	.952[b]	.906	.905	.22747

a. Predictors: (Constant), Incentives

b. Predictors: (Constant), Incentives, Extensive training

ANOVA[c]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	98.616	1	98.616	1835.090	.000[a]
	Residual	10.748	200	.054		
	Total	109.364	201			
2	Regression	99.067	2	49.534	957.312	.000[b]
	Residual	10.297	199	.052		
	Total	109.364	201			

a. Predictors: (Constant), Incentives

b. Predictors: (Constant), Incentives, Extensive training

c. Dependent Variable: Profitability ratio

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.141	.093		1.524	.129
	X_5	.968	.023	.950	42.838	.000
2	(Constant)	-.100	.122		-.814	.416
	X_5	.938	.024	.919	38.269	.000
	X_3	.088	.030	.071	2.953	.004

a. Dependent Variable: Profitability ratio

APPENDIX 11: MODEL 8- MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, QUALITY LED HR STRATEGY AND FIRM PERFORMANCE

$$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_5X_5 + \beta_zZ + \beta_{1z} X_1Z+ \beta_{2z} X_2Z+ \beta_{3z} X_3Z+ \beta_{4z} X_4Z + \beta_{5z} X_5Z + \varepsilon$$

Where; Y=firm performance (Sales Growth, Perceived Profitability, Profitability Ratio)

β_0=constant

β_i is the coefficient for X_i (i=1, 2,3,4,5)

X_1=selective resourcing

X_2=teams and decentralization

X_3=extensive training

X_4=sharing information

X_5=incentives

Z= Quality led HR strategy (moderator)

ε = error term

X_iZ= Product term / interaction term of a Quality led HR strategy with each of the independent variables(x_1,x_2x_3,x_4,x_5)

APPENDIX 12: MODEL 9-MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, QUALITY LED HR STRATEGY AND FIRM PERFORMANCE (SALES GROWTH)

Model Summary for SHRM,Quality led HR Strategy and Sales Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.309[a]	.095	.087	1.26940
2	.395[b]	.156	.141	1.23179

a.Predictors: (Constant), interaction term between quality led HR strategy and selective resourcing

b.Predictors: (Constant), interaction term between quality led HR strategy and selective resourcing, interaction term between quality led HR strategy and sharing information

ANOVA[c]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.712	1	18.712	11.612	.001[a]
	Residual	177.253	110	1.611		
	Total	195.964	111			
2	Regression	30.578	2	15.289	10.077	.000[b]
	Residual	165.386	109	1.517		
	Total	195.964	111			

a.Predictors: (Constant), interaction term between quality led HR strategy and selective resourcing

b. Predictors: (Constant), interaction term between quality led HR strategy and selective resourcing,interaction term between quality led HR strategy and sharing information

c. Dependent Variable: Sales Growth

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.647	.210		7.859	.000
	x_{1q}	.214	.063	.309	3.408	.001
2	(Constant)	1.787	.209		8.533	.000
	x_{1q}	.618	.157	.894	3.939	.000
	x_{4q}	-.421	.150	-.635	-2.797	.006

a. Dependent Variable: Sales Growth

APPENDIX 13: MODEL 10-MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, QUALITY LED HR STRATEGY AND FIRM PERFORMANCE (PERCEIVED PROFITABILITY)

Model Summary for SHRM, Quality Led HR strategy and Perceived Profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.250[a]	.063	.058	.60764

a. Predictors: (Constant), Sharing information

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.735	1	4.735	12.825	.000[a]
	Residual	70.891	192	.369		
	Total	75.627	193			

a. Predictors: (Constant), Sharing information

b.Dependent Variable: Perceived Profitability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.005	.318		9.447	.000
	X_4	.269	.075	.250	3.581	.000

a. Dependent Variable: Perceived Profitability

APPENDIX 14: MODEL 11-MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, QUALITY LED HR STRATEGY AND FIRM PERFORMANCE (PROFITABILITY RATIO)

Model Summary for a Quality led HR strategy and Profitability Ratio

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.950[a]	.902	.901	.23182
2	.952[b]	.906	.905	.22747
3	.954[c]	.909	.908	.22388

a. Predictors: (Constant), Incentives

b. Predictors: (Constant), Incentives, Extensive training

c.Predictors: (Constant), Incentives, Extensive training, Interaction term between a quality led HR strategy and selective resourcing

ANOVA[d]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	98.616	1	98.616	1835.090	.000[a]
	Residual	10.748	200	.054		
	Total	109.364	201			
2	Regression	99.067	2	49.534	957.312	.000[b]
	Residual	10.297	199	.052		
	Total	109.364	201			
3	Regression	99.440	3	33.147	661.326	.000[c]
	Residual	9.924	198	.050		
	Total	109.364	201			

a. Predictors: (Constant), Incentives

b. Predictors: (Constant), Incentives, Extensive training

c.Predictors: (Constant), Incentives, Extensive training, Interaction term between a quality led HR strategy and selective resourcing

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.141	.093		1.524	.129
	X_5	.968	.023	.950	42.838	.000
2	(Constant)	-.100	.122		-.814	.416
	X_5	.938	.024	.919	38.269	.000
	X_3	.088	.030	.071	2.953	.004
3	(Constant)	-.127	.121		-1.053	.294
	X_5	.933	.024	.915	38.566	.000
	X_3	.083	.029	.067	2.823	.005
	X_{1q}	.024	.009	.059	2.727	.007

a. Dependent Variable: Profitability ratio

APPENDIX 15: MODEL 12-MODERATED MULTIPLE REGRESSION MODE FOR SHRM, INNOVATION LED HR STRATEGY AND FIRM PERFORMANCE

$$Y= \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+ \beta_5X_5 + \beta_zZ + \beta_{1z} X_1Z+ \beta_{2z} X_2Z+ \beta_{3z} X_3Z+ \beta_{4z} X_4Z + \beta_{5z} X_5Z + \varepsilon$$

Where; Y=firm performance (Sales Growth, Perceived Profitability, Profitability Ratio)

β_0=constant

β_i = the coefficient for X_i (i=1, 2,3,4,5)

X_1=selective resourcing

X_2=teams and decentralization

X_3=extensive training

X_4=sharing information

X_5=incentives

Z= Innovation led HR strategy (moderator)

ε = error term

X_iZ= Product term / interaction term of an innovation led HR strategy with each of the independent variables(X_1,X_2,X_3,X_4,X_5)

APPENDIX 16: MODEL 13-MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, INNOVATION LED HR STRATEGY AND FIRM PERFORMANCE (SALES GROWTH)

Model Summary for SHRM,Innovation led HR Strategy and Sales Growth

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.291[a]	.084	.076	1.27709
2	.384[b]	.148	.132	1.23782

a. Predictors: (Constant), Selective resourcing

b. Predictors: (Constant), Selective resourcing, Innovation led HR strategy

ANOVA[c]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	16.558	1	16.558	10.153	.002[a]
	Residual	179.406	110	1.631		
	Total	195.964	111			
2	Regression	28.953	2	14.477	9.448	.000[b]
	Residual	167.011	109	1.532		
	Total	195.964	111			

a. Predictors: (Constant), Selective resourcing

b. Predictors: (Constant), Selective resourcing, Innovation led HR strategy

c. Dependent Variable: Sales Growth

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.339	.606		.560	.577
	X_1	.495	.155	.291	3.186	.002
2	(Constant)	.433	.588		.736	.463
	X_1	.511	.151	.300	3.391	.001
	I	-.869	.306	-.252	-2.844	.005

a. Dependent Variable: Sales Growth

APPENDIX 17: MODEL 14-MODERATED MULTIPLE REGRESSION MODEL FOR INNOVATION LED HR STRATEGY AND FIRM PERFORMANCE (PERCEIVED PROFITABILITY)

Model Summary for SHRM, Innovation led HR strategy and Perceived Profitability

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.250[a]	.063	.058	.60764

a. Predictors: (Constant), Sharing information

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.735	1	4.735	12.825	.000[a]
	Residual	70.891	192	.369		
	Total	75.627	193			

a. Predictors: (Constant), Sharing information

b. Dependent Variable: Perceived Profitability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.005	.318		9.447	.000
	X_4	.269	.075	.250	3.581	.000

a. Dependent Variable: Perceived Profitability

APPENDIX 18: MODEL 15-MODERATED MULTIPLE REGRESSION MODEL FOR SHRM, INNOVATION LED HR STRATEGY AND FIRM PERFORMANCE (PROFITABILITY RATIO)

Model Summary for SHRM, Innovation led HR strategy and Profitability Ratio

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.950[a]	.902	.901	.23182
2	.952[b]	.906	.905	.22747
3	.953[c]	.908	.907	.22551

a. Predictors: (Constant), Incentives

b. Predictors: (Constant), Incentives, Extensive training

c. Predictors: (Constant), Incentives, Extensive training, Interaction term between innovation led HR strategy and extensive training

ANOVA[d]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	98.616	1	98.616	1835.090	.000[a]
	Residual	10.748	200	.054		
	Total	109.364	201			
2	Regression	99.067	2	49.534	957.312	.000[b]
	Residual	10.297	199	.052		
	Total	109.364	201			
3	Regression	99.295	3	33.098	650.846	.000[c]
	Residual	10.069	198	.051		
	Total	109.364	201			

a. Predictors: (Constant), Incentives

b. Predictors: (Constant), Incentives, Extensive training

c. Predictors: (Constant), Extensive training, Interaction term between innovation led HR strategy and extensive training

d. Dependent Variable: Profitability ratio

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.141	.093		1.524	.129
	X_5	.968	.023	.950	42.838	.000
2	(Constant)	-.100	.122		-.814	.416
	X_5	.938	.024	.919	38.269	.000
	X_3	.088	.030	.071	2.953	.004
3	(Constant)	-.154	.124		-1.245	.215
	X_5	.943	.024	.925	38.610	.000
	X_3	.100	.030	.080	3.314	.001
	X_{3i}	-.021	.010	-.047	-2.116	.036

a. Dependent Variable: Profitability ratio

APPENDIX 19: SUB DIMENSIONS / ITEMS OF SHRM PRACTICES

Opinion Statement	Dimension	Sub dimension / Item
Attitude/desire to work always used as a criteria in employee selection	Selective resourcing	Behavior and Attitude (BA_1)
Problem solving aptitude always used as a criteria in employee selection	Selective resourcing	Manufacturing and Human Resource Fit ($MHRF_1$)
In selection of employees, you usually consider those who can provide ideas to improve the manufacturing process	Selective resourcing	Manufacturing and Human Resource Fit ($MHRF_2$)
Work values and behavior attitude oftenly used as criteria in employee selection	Selective resourcing	Behavior and Attitude (BA_2)
Usually select employees who are able to work in small Groups	Teams and decentralization	Team Activities (TA_1)
During problem solving sessions, you always make an effort to get all team members opinions and ideas before making a decision	Teams and decentralization	Team Activities (TA_2)
In the past 3 years, many problems have been solved using small group sessions	Teams and decentralization	Team Activities(TA_3)
Problem solving teams have not always helped to improve Performance	Teams and Decentralization	Team Activities(TA_4)

Supervisors oftenly encourage persons to work as a team	Teams and decentralization	Interaction Facilitation (IF_1)
Supervisors frequently hold group meetings where people discuss things together	Teams and decentralization	Interaction Facilitation (IF_2)
Company always has a low skill level compared to the Industry	Extensive training	Training on Multiple Functions (TMF_1)
Employees usually lack important skills	Extensive training	Training on Multiple Functions (TMF_2)
Employees always have skills that are above average in the Industry	Extensive training	Training on Multiple Functions (TMF_3)
Management usually believes that continual training and upgrading of employees skills is important	Extensive training	Training on Job Skills (TOS_1)
Employees receive training and development in workplace skills on a regular basis	Extensive training	Training on Job Skills (TOS_2)
Goals, objectives and strategies are a usually communicated to you	Sharing information	Communication of Strategy (CS_1)
You always understand the long run competitive strategy	Sharing information	Communication of Strategy (CS_2)

Strategies and goals are usually communicated primarily to Managers	Sharing information	Communication of Strategy (CS_3)
Information on productivity is readily available to Employees	Sharing information	Feedback on Performance (FP_1)
Your manager never comments about the quality of your Work	Sharing information	Feedback on Performance (FP_2)
Incentive system of your company encourages you to vigorously pursue its objectives	Incentives	Incentives to meet objectives (IP_1)
Incentive system is always fair at rewarding employees who accomplish company objectives	Incentives	Incentives to meet objectives (IP_2)
Reward system usually recognizes the employees who contribute the most to the company	Incentives	Incentives to meet objectives (IP_3)

APPENDIX 20: ITEMS OF COMPETITIVE HR STRATEGIES

Opinion Statement	Competitive strategy	Item
You provide products at a cost below what your competitors can achieve, with no frills and placing an emphasis on minimizing costs at all stages in the process including management of employees	Cost led HR strategy	$CHRS_1$
How important is the cost of your products in your target market?	Cost led HR strategy	$CHRS_2$
You continuously improve the quality of your products, produce goods of the highest quality possible to differentiate yourself from the competition, placing an emphasis on skill acquisition and development of employees	Quality led HR strategy	$QHRS_1$
How important is quality of your products in your target market?	Quality led HR strategy	$QHRS_2$
You produce and sell rapidly changing products that differ from those of competitors designed by highly trained specialists	Innovation led HR strategy	$IHRS_1$
How important is innovation of your products in your target market?	Innovation led HR strategy	$IHRS_2$

APPENDIX 21: SAMPLE SIZE DETERMINATION

The sample size was calculated as follows:

$$\mathbf{n} = \frac{1.96^2 \times 0.7 \times 0.3}{0.05^2}$$

n=323 corporate organizations (when the population size is more than 10,000)

However, since the target population was less than 10,000, the final sample size ($\mathbf{n_f}$) according to Mugenda and Mugenda (2003) was calculated as follows:

$$\mathbf{n_f} = \frac{n}{1 + n/N}$$

$$= \frac{323}{(1 + 323 / 590)}$$

$\mathbf{n_f}$= 208.7295 which was rounded off to the nearest tenth

$\mathbf{n_f}$= **210 Corporate organizations**

(where : n_f is the desired sample size when the population is less than 10,000

n is the desired sample size when the population is more than 10,000

N is the population size, which was 590 in this study)