

**EFFECT OF HUMAN RESOURCE MANAGEMENT
STRATEGIES ON THE PERFORMANCE OF COMMERCIAL
BANKS IN KENYA**

THOMAS KATUA NGUI

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**Effect of human resource management strategies on the performance of
commercial banks in Kenya**

Thomas Katua Ngui

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DECLARATION

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

Signature: _____

Date: _____

Thomas Katua Ngui

This thesis has been submitted for examination with our approval as the University supervisors.

Signature: _____

Date: _____

Prof. Elegwa Mukulu

JKUAT, Kenya

Signature: _____

Date: _____

Dr. Hazel Gachunga

JKUAT, Kenya

DEDICATION

This work is dedicated to my parents, wife and children (Fredrick and Grace) for their enduring love, understanding and support during my studies.

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ABBREVIATIONS/ ACRONYMS

AMO	Ability, Motivation, Opportunity theory
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
ESOPs	Employee Stock Ownership Plans
HPWS	High Performance Work Systems
HRM	Human Resources Management
US	United States of America
UK	United Kingdom
RBV	Resource Based View theory
SHRM	Strategic Human Resources Management
SPSS	Statistical Package for Social Sciences

OPERATIONAL DEFINITION OF KEY TERMS

Human resource management

Refers to a distinctive approach to employment management which seeks to obtain competitive advantage through the deployment of a highly committed and skilled workforce, using an array of techniques (Storey, 1995).

Firm performance

Performance refers to profitability, growth and employee turnover(Bohlander & Snell, 2007).

Business strategy

Business strategy is defined as the fundamental pattern of present and planned resource deployment and environmental interactions that indicates how the organization will achieve its objectives ((Noe, 2008).

Employees

Employees refer to a pool of human resources under the firm's control in a direct employment relationship (Armstrong, 2008). For the purpose of this study, employees (workers) refer to non-managerial employees who are below the management levels of the organization.

ABSTRACT

Due to increased competition and globalisation recently there has been a lot of emphasis on the link between strategy and firm performance. This study sought to investigate the effect of human resources management strategies on the performance of commercial banks. The study adopted a mixed method approach. Specifically the study adopted the survey method using a population of 46 banks and 2,738 employees. The Nairobi head office of each bank was purposively sampled. A sample of 349 employees was selected using stratified random sampling. Data was collected using self-administered questionnaires and interviews. Data analysis involved statistical computations for averages, percentages, and correlation and regression analysis. Statistical computer software (SPSS and Ms Excel) were used in data analysis. Analyzed data was presented using tables, charts and graphs. From the study it was found that training and development, recruitment and selection, relations, reward and compensation strategies have a significant positive effect on performance of commercial banks in Kenya. It was also found that when banks use both financial and non financial rewards, employees were motivated and this led to increased commitment which in turn led to increased performance. From the study, it is concluded that there is a positive relationship between strategic human resource management and employee performance among commercial banks in Kenya. Training programs, participative work settings, recruitment and incentive arrangements provide proper motivation and combine to enhance firm performance in terms of market share and profitability. It is recommended that commercial banks should develop and document human resource management strategies that are linked with the overall banks strategy.

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

The environments in which organizations operate today are divergent (Aldaibat & Irtaimah, 2012). Achieving competitive advantage and improving organizational performance relative to competitors are the main goals that business firms should always strive to attain (Rawashdeh & Al-Adwan, 2012). The banking sector globally has been facing unprecedented challenges with the wave of privatization and globalization (Aldaibat & Irtaimah, 2012). To survive and thrive in a globally competitive marketplace, organizations must adopt a broad strategy that gives them a sustainable competitive advantage. One of the major issues that have gained attention in the recent banking sector reforms in Kenya is the human resources management. This has been due to the recent developments where people have been considered as a very important source of sustained competitive advantage.

The increasing significance of people to organizational success has been observed to have corresponded with the rise of Strategic Human Resource Management (SHRM) as a field of study on a global scale (Hartel et al (2007). Since its emergence, strategic human resource management (SHRM) has been the focus of debate over whether it exists in reality or is merely rhetoric (Khatoon, Amin & Hossain, 2013). Research has shown that human resource management practices have the ability to create firms that are more intelligent, flexible, and competent than their rivals through the application of policies and practices that concentrate on recruiting, selecting, training skilled employees and directing their best efforts to cooperate within the resource bundle of the organization (Rawashdeh & Al-Adwan, 2012).

People are a firm's most valuable resource (Cook, 2000). Banks globally are under intense pressure to perform in today's volatile market place. In the last two decades researches have shown that strategic human resource management (HRM) is one of the most important determinants of organizational performance (Taylor & Francis, 2008). The recent trend of globalized competitive business era focuses on formulation and execution of strategic human resource management (SHRM) practices and its significant effect on the financial performance of the organization (Khatoon, Amin & Hossain, 2013). Steep competition, globalization, growing customer demand and exposure to higher credit risks are forcing the banks to find new ways of providing better customer service so as to improve profitability and guarantee their survival (Aldaibat & Irtaimeh, 2012).

The implementation of corporate and functional strategies depends on the companies' resources and particularly on people (Aldaibat & Irtaimeh, 2012). The strategic management of human resources is one of the ways banks are using to increase their competitiveness in the new organizational landscapes, since managing in a global marketplace, introducing new technology, developing organizational knowledge, improving customer service or product quality, requires considering the "human equation" (Aldaibat & Irtaimeh, 2012; Pfeffer, 1998). There is ongoing debate on how HRM strategies affect the performance of banks. Researchers have built evidence that links HRM practices with corporate performance (Adegroye & Moruf, 2012). Current researches have shown that human resources management (HRM) practices are important for enhanced corporate performance (Rawashdeh & Al-Adwan, 2012; Adegroye & Moruf, 2012). The human resource strategy focuses on how the company should manage its staff to assist the organization in the achievement of corporate objectives (Walker, 1992).

Efforts have been made by human resources management theorists to try to establish a causal link between human resource management and performance (Cook, 2000). However, little has been reported on the effect of HRM and corporate performance in the banking industry. Cook (2000) argues that there is a symbiotic relationship between human resources strategy and performance. Other scholars such as Armstrong (2010) argue that human resources management practices can improve productivity by: (1) increasing employee skills and abilities (2) promoting positive attitudes and increasing motivation and 3) providing employees with expanded responsibilities so that they can make full use of their skills and abilities. While there is a growing body of theory and empirical research demonstrating positive relationships between HRM policies, collective employee attributes, and firm outcomes, additional studies in this area are needed (Harter, Schmidt & Hayes, 2002; Purcell & Kinnie, 2007). There is need for a theoretical link on exactly how human resources management and performance are related.

The aim of human resource strategy is to devise ways of managing people in order to assist in achievement of organizational objectives. The emerging field of HRM on performance suffers from lack of unity in theory and inconsistency in research methodology hence has led to many opposing findings and rich competing theoretical perspectives especially among the different sectors of the economy. According to Cook (2000) and Som (2008), most of the work on HRM and performance has been undertaken in the manufacturing sector mainly in the US and recently in the last decade in UK and as such may not be suitable to explain the relationship in a developing economy (Adegoroye & Moruf, 2012). Thus it is very difficult to generalize findings from one sector to other sectors. Furthermore, there is a great need for additional evidence to support the HRM-performance relationship and show exactly how the different strategies affect each other. The present study is therefore, an attempt to fill part of this gap using the Kenyan Banking sector.

The study targets 46 commercial banks in Kenya, which were in operation during the period of the research. The commercial banks were categorized into Large-size, Medium-size and Small-size banks based on the total net assets as per CBK's classification.

1.1.1. Global perspective of Commercial banks

Banking has entered a new era (Canadian Banks, 2013). In this new normal, banks around the world face massive regulatory reform, constant change and ever-present uncertainty. They find themselves charting a path forward through an environment of limited economic growth and shifting consumer behaviours, demands and demographics (Canadian Banks, 2013; Central Bank, 2010; Nyamongo & Temesgen, 2013). Conflicting expectations for shareholders, consumers, regulators (often across various jurisdictions) and central banks add additional layers of complexity to the decision making process (CBK, 2010; Nyamongo & Temesgen, 2013). The Canadian banking industry is held in high regard by its global counterparts, due to its stability during the recent financial crisis (Canadian Banks, 2013). Canada's banks, which earned worldwide admiration for their performance during and after the 2008 financial crisis, are however not immune to these forces. The Canadian banks are well positioned within the global financial services community with their strong capital levels and track record through the financial crisis (Canadian Banks, 2013). There has also been a strong growth in the sector with overall profits for Canada's Big Six banks exceeding CA\$30 billion for the first time in history. But new economic, regulatory and competitive challenges have affected the industry and many global banks have improved their position and profitability over the past few years (Canadian Banks, 2013).

Banks globally are under pressure to simultaneously improve the customer experience, meet compounding regulatory requirements and reduce operating costs (Nyamongo & Temesgen, 2013;

Adegoroye & Moruf, 2012). While every industry faces its own unique challenges, the banking sector certainly has a lot on its plate including costly regulations and savvy customers who are seeking an Amazon-like experience. Bankers must strengthen the customer experience and also respond to shareholder calls for operational efficiency to drive financial performance – all under the umbrella of ever-pervasive regulation (Adegoroye & Moruf, 2012). Progressive organizations are deeply examining client needs and plotting the customer journey to uncover inherent or potential risks, including compliance issues. They are then designing effective business controls with the impact to the customer at the forefront. By bringing compliance and customer objectives together “under one roof,” it is also possible to achieve greater efficiency, eliminate process redundancies and ultimately, lower costs (Adegoroye & Moruf, 2012).

A pragmatic jumping off point for this type of convergence is to focus on one product area at a time and to identify a small number of key customer processes or journeys. By using multiple data sources and direct customer feedback, a bank can hone in on what customers most value, redesign the best process and introduce controls to efficiently support the customer experience and compliance requirements (Aldaibat & Irtaimah, 2012). By fine tuning their ability to apply principles of Customer-Centric Compliance, banks can create or even revamp products and processes that converge to satisfy customer, cost and compliance priorities (Canadian Banks, 2013).

1.1.2. Commercial Banks in Kenya

Banks in Kenya have existed since the colonial times (CBK, 2010). During this period the banking sector was dominated by foreign owned banks that were significantly unable to meet the demands of all the Kenyans in need of banking services. The banks were located in the urban centers and

also charged exorbitant account opening and maintenance balances which most low income earners in Kenya were unable to raise (Nyamongo & Temesgen, 2013). As a result banking continuously remained a preserve of the few rich Kenyans and therefore only had a minor contribution on the economy. The performance of banks then in terms of customer numbers, profits and other performance indicators remained very low (CBK, 2010).

Currently there are 46 banks in Kenya which are categorized as private and foreign owned (CBK, 2010). Large-size banks constitute 46 percent of the industry while medium and small-size banks constitute 35 percent and 19 percent of the banking industry, respectively (CBK, 2010). There are two fully Islamic banks - Gulf African Bank and First Community Bank - which opened their doors in early 2009 and now have nearly 1 percent of gross banking assets (CBK, 2010). In addition to the two Islamic banks other banks have also been able to offer banking services through special accounts created to meet the needs of the Islamic banker. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting member institutions (CBK, 2010).

The banking industry in Kenya is generally a highly regulated industry, and government restrictions on financial activities by banks have varied over time and location (Central Bank, 2010; Nyamongo & Temesgen, 2013). The industry is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The Central Bank Act enumerates the core functions of Central Bank and gives it limited autonomy to manage and regulate the Banking sector in Kenya (CBK, 2010; Nyamongo & Temesgen, 2013).

In the recent wave of globalization, increased technological growth and competition there has been a lot of emphasis on performance in the Kenyan banking sector. Many scholars and researchers have used performance synonymously with productivity, efficiency, effectiveness and competitiveness. According to Bohlander and Snell (2007) organizational performance comprises the actual output or results of an organization measured against its intended outputs (organizational goals and objectives). According to Barney (2000) firms that use resources and capabilities to exploit opportunities and neutralize threats will see an increase in their net revenue or a decrease in their net costs or both and vice versa. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

Although the banking sector in Kenya has experienced problems over the last 25 years, with 37 banking institutions collapsing between 1986 and 1998 (Kithinji & Waweru, 2007; Ngugi, 2001), there has been a continued growth in performance over the last eight years, with the banking sector collectively registering impressive performance (Nyamongo & Temesgen, 2013). Under such competitive environments bank employees have had a lot of pressure to try and come up with creative ideas and products that enable them survive in such an extremely turbulent and competitive environment. Such creative innovations include the introduction of the M-Kesho account through partnership between Equity Bank and Safaricom, PesaPap by Family Bank and KCB Connect by KCB (CBK, 2010). In order to motivate employees to remain creative and innovative the banking sector in Kenya has had to rethink its approach on how it uses its most important resource - the people. This has led banks to adopt strategic human resource management which in turn will lead to increased profits.

According to the CBK (2010) recently the banking sector in Kenya has recorded a very fast growth rate and huge profits. The sector's total profit before tax, which stood at KSh6.0 billion in 2002, grew to KSh48.9 billion in 2009 (CBK, 2005-2009). The sector has also experienced growth in profits with most banks reporting very high profits after tax; this further confirms the growth of the sector despite the global financial meltdown which had a very negative effect on world financial performance especially in the banking sectors (Nyamongo & Temesgen, 2013). According to The Central Bank, (2010) over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; 1) an industry wide branch network expansion strategy both in Kenya and in the East African community region, and 2) automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products (CBK, 2010).

Over the last decade labour productivity has been of concern to bankers due to the current competitive environment. The current global trend of deregulation of the banking industry, increased expenditure on development of human resources coupled with technological developments like internet banking and ATMs have opened up many new businesses to the banks in Kenya location (CBK, 2010). According to the Central Bank (2010) performance indicators in banks include: financial (profits), market share, efficiency, reliability, flexibility and share value in the stock market. It is commonly accepted that employees create an important source of competitive advantage for firms (Goel, 2008; Pattanayak, 2008).The banks' specific characteristics also tend to play a great role in the performance of the banking sector (Nyamongo & Temesgen, 2013). Indeed, the available evidence also tends to link high performance to capital adequacy (Athanasoglou 2005; Goddard, 2004). There has been substantial growth in the number of banks

and branches country wide (CBK, 2010). Other growth indicators include the increase in the number of account holders as well as an increase in the number of banks listed in the Nairobi Securities Exchange. Share prices of listed banks have continuously gained value showing the current growth trend in the sector.

Despite the increase in banking sector profit over the years, the distribution of profits being accounted for by the “large” banks remained skewed, in particular with four banks, whose assets market share stood at 46 percent, having contributed 54.3 percent of the sector's total pre-tax profits (CBK, 2006). The recent initiatives undertaken by the government of Kenya to increase the capital base of banking institutions coupled with a robust regulatory framework and effective supervisory regime has the potential to reduce future bank failures, forestall systemic risk and improve the financial performance of medium- and small-size banking institutions (Nyamongo & Temesgen, 2013). The diversification of banking assets has been found to influence the performance. Banks that are known to diversify their products beyond the traditional products tend to register additional revenues which may improve their balance sheets. However, banks relying heavily on the traditional sources of revenue may post lower performance (Nyamongo & Temesgen, 2013). There is also evidence in the literature that corporates that diversify heavily tend to stretch their resources to the detriment of the overall performance as a result of diseconomies of scope.

Commercial banks are coming up with more and more vacancies, and the banking sector now has more new jobs than any other sector. Right from the branch level to the highest level, there is tremendous range of opportunities available in the sector. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the

players and new entrants into the market. Under such competitive environments bank employees have had a lot of pressure to try and come up with creative ideas and products that will enable them survive in such an extremely turbulent and competitive environment. It is based on the recent successes and improved performance of the banking sector that this study was undertaken in order to establish the human resource strategies that affect the performance of the banking sector. There is need to understand the effect of HR strategies on employee performance in banks since currently there is a lot of interest in this area. In particular there is need to have documented information on the effect of employee resourcing strategies, training and development strategies, reward strategies and employee relations strategies on the performance of banks.

1.2. Statement of the problem

The rapid technological growth and increased competition have forced commercial banks in Kenya to aggressively compete for employees in order to remain competitive (*Central Bank of Kenya, 2010*). This trend has created a lot of interest on the effect of HRM strategies on performance. Many studies have shown a positive relationship between HRM strategies and performance (Huselid 2007; Armstrong & Baron, 2009; Katou, 2008; Ahmad & Schroeder, 2003; Bae & Lawler, 2000; Batt, 2002; Delery & Doty, 1996; Guthrie, 2001; Gardner & Moynihan, 2003). Despite these findings most studies have been characterized by lack of a solid theoretical foundation explaining the mechanisms causing the observed enhanced performance. Available studies do not adequately investigate exactly how a good alignment between HRM and firm strategy leads to improved performance. Researchers have termed the link between HRM and organizational performance to be a 'black box', that is, lack of clarity regarding 'what exactly leads to what' (Purcell, 2004; Gerhart, 2005 & Katou, 2008).

While investigations have been initiated in emerging markets and in transitional countries (Ahlstron, Foley, Young, & Chan, 2005; Zupan & Kase, 2005), available literature shows that most studies examining the relationship between HRM and performance have been conducted in the manufacturing sector mostly in the United States (Huselid, 1995; Guest, Michie, Conway, & Sheehan, 2003). Without a clearly delineated theoretical model of HPWS and their effects on performance, scholars cannot adequately validate the efficacy of such strategies and provide useful suggestions to practitioners. There is, therefore, a great need for additional evidence to support the HRM-performance relationship from different sectors and contexts. It is from this background that this study was conducted to investigate how human resource strategies affect the performance of commercial banks in Kenya.

1.3. Objectives of the study

The study was guided by the following objectives:

1.3.1 General objective

To investigate the effect of human resources management strategies on the performance of commercial banks in Kenya.

1.3.2 Specific objectives

1. To examine the extent to which recruitment and selection strategies affect the performance of commercial banks in Kenya.
2. To investigate the extent to which reward and compensation strategies affect the performance of commercial banks in Kenya.

3. To investigate the extent to which training and development strategies affect the performance of commercial banks in Kenya.

4. To establish the extent to which employee relations strategies affect the performance of commercial banks in Kenya.

1.5. Research hypotheses

In order to achieve the objectives designed for this study, the following research hypotheses were stated based on the revelations in the review of literature concerning HRM strategies and firms' performance.

H1: Employee recruitment and selection strategies have a significant effect on the performance of commercial banks in Kenya.

H2: Training and development strategies have a significant effect on the performance of commercial banks in Kenya.

H3: Employee reward and compensation strategies have a significant effect on the performance of commercial banks in Kenya.

H4: Employee relations strategies have a significant effect on the performance of commercial banks in Kenya.

H5: Human resources management strategies have a significant effect on the performance of commercial banks in Kenya.

1.6. Significance of the study

The study results will enable the management to establish the effects of human resource strategies on employee performance, hence identify the areas where improvements can be done. It will also help the management in planning for the development and implementation of effective and efficient human resource strategies that will lead to improved performance of the banks. This will in turn help in ensuring economic growth and stability of the country.

Other researchers who may need reference to information on role of human resource strategies on employees' performance will also benefit by being able to assess previous approaches used to solve similar management questions and revise their research on human resources strategic plans. In addition they will be able to spot flaws in the logic, errors in assumptions or even management questions that are not adequately addressed by the objectives and designs. The study will also advance literature by differentiating between human resources strategies used to improve organizational performance.

1.7. Scope of the study

The study was done covering all the commercial banks in Kenya. However the headquarters of each bank branch was purposively sampled for the study. The study was done mainly in Nairobi province where the researcher was able to get all the relevant officers. This included Bank CEOs, HR Managers, Operations managers and other employees. The study was only limited to human resources strategies, their development, use and effect on organizational performance in the banking sector in Kenya. It did not include the effect of human resource strategies on the performance of other sectors of the economy. The research was conducted within a period of fifteen months which was enough to exhaustively examine all the issues at stake.

1.8. Limitations of the study

Most banks were not willing to provide data related to their employees' problems and inner details of the banks. Some respondents may also have given false information/ responses to the questions asked. Banks that may not actually have written the human resource strategies per se may also have tried to infer that they actually have them. It was very hard to convince them of the intention of my research in a bid to collect information from them based on the sensitivity of the sector. However, with the assistance of friends working in the sector and with the introduction letter from the university the researcher was given the opportunity to undertake the research.

Some of the respondents were also not co-operative to the interview and attempted to ignore the questionnaires; this threatened to reduce the response rate. The researcher minimized non response cases by taking and collecting summary questionnaires by hand from each respondent. Also, by having trustworthy people (especially one bank employee in each sampled bank) to distribute and collect the questionnaires and knowing how best to deal with those reluctant to interviews. Those who did not respond were also called later and interviewed via telephone.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

Human resources are a significant organizational asset if properly used and managed. The application of appropriate strategies for the development of human resources can lead to improvement of corporate performance both in the short and long term. This chapter describes available literature in the topic. It also offers a critical analysis of previous studies that have been done by other scholars in the area. It finally presents the research gap which the research intends to explore.

2.2. Theoretical review

Tyson (1995) as quoted in Torrington et al (2005) described human resource management strategy as the intentions of the corporation both explicit and covert, towards the management of its employees, expressed through philosophies, policies and practices. Effective human capital strategy and practices are directly related to higher levels of financial and market success. Strategic human resource management has three theoretical approaches (Torrington et al, 2005; Armstrong, 2009). The first is founded on the concept that there is one best way of managing human resource in order to improve business performance. The second is based on the need to align employment policies and practices with the requirements of the business strategy in order that the later will be achieved and the business will be successful. The third is derived from the resource based view of the firm and the perceived value of the human capital. This approach is grounded in the nature of the reward–effort exchange and, more specifically, the degree to which managers view their human resources as an asset as opposed to a variable cost.

An further analysis of the literature on the HRM-performance relationship by Boselie, Dietz and Boon (2005), found that the theoretical frameworks which dominate this field are the resource-based view (i.e., HRM influences performance according to the human and social capital held by the organization) (Barney, 1991), the AMO theory (i.e., HRM influences performance in relation to employees' Ability, Motivation and Opportunity to participate) (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Katou, 2008) and the "contingent framework" (i.e., HRM influences performance in relation to contingent factors such as business strategies).

2.2.1. The Resource Based View (RBV)

An organization's resources can be divided into tangible (financial, technological, physical and human) and intangible (brand-name, reputation and know-how) resources. Barney (1991) argued that resources lead to sustainable competitive advantage when they are valuable, rare, inimitable, and non substitutable. Resources such as technology, natural resources, finances and economies of scale can create value, however the resource based theory argues that this sources of value are available to all and easy to copy, compared to complex social systems like human resources.

The resource based view of the firm is a model of firm performance that focuses on the resources and capabilities controlled by a firm as sources of competitive advantage (Perce & Robinson, 2007). The genesis of the resource-based model can be traced back to Selznick (1957), who suggested that work organizations each possess 'distinctive competence' that enables them to outperform their competitors, and to Penrose (1959) who conceptualized the firm as a 'collection of productive resources'. This view focuses on the quality of the human resource available to the organization and their ability to learn and adapt more quickly than their competitors. These resources include the human resources such as the training, experience, judgments, intelligence,

relationships and insights of individual managers and workers in an organization. The sum of people's knowledge and expertise, and social relationships, has the potential to provide non-substitutable capabilities that serve as a source of competitive advantage (Cappelli & Singh, 1992). Perce and Robinson (2007) argue that the resource based view of a firm helps improve upon the SWOT analysis by examining a variety of different yet specific types of resources and capabilities any firm possesses and then evaluating the degree to which they become the basis for sustained competitive advantage based on industry and competitor considerations. Thus theoretical work on the resource based view of the firm (Barney, 1991; Perce & Robinson, 2007) supports the notion that HRM may be an important source of competitive advantage.

SHAPE

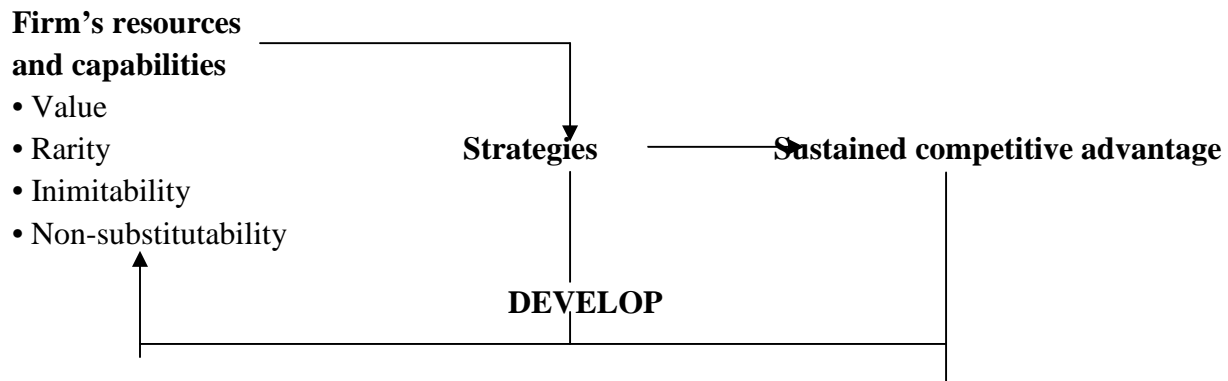


Figure 2.1 Relationship between resource endowment, strategies and sustained competitive advantage

Source: Based on Barney (1991) and Hill and Jones (2001)

2.2.2. Ability, Motivation, Opportunity Theory (AMO Theory)

Expectancy theory of motivation explains the link between motivation and performance. The theory proposes that performance at individual level depends on high motivation, possession of the necessary skills and abilities and an appropriate role and understanding of that role (Savaneviciene & Stankeviciute, 2010). It is a short step to specify the HRM practices that encourage high skills and abilities, for example careful selection and high investment in training; high motivation, for example employee involvement and performance-related pay; and an appropriate role structure and role perception, for example job design and extensive communication and feedback. According to Vroom (1964) “the effects of motivation on performance are dependent on the level of ability of the worker, and the relationship of ability to performance is dependent on the motivation of the worker.” The effects of ability and motivation on performance are not additive but interactive. Vroom proposed the following formula showing that performance is a function of ability and motivation:

Performance = f(Ability x Motivation) or $P = f(A, M)$.

Boxall and Purcell (2003) summarize it as: $P = f(A, M, O)$

Where P is performance, A is ability, M is motivation, and O is opportunity.

In other words, HR systems will be most effective when they foster ability, motivation, and opportunity to contribute to effectiveness (Boselie et al., 2005; Purcell & Hutchinson, 2007).

Different HR practices/policies have many effects on ability, motivation, and to some degree, ability requirements/opportunity (Purcell et al., 2003; Lepak et al., 2006; Katou, 2008).

Recruitment and selection, training and development policies are expected to have their primary effect on ability (and related expectancy motivation perceptions). Job design and job analysis primarily determine ability requirements/opportunity and to some degree, (intrinsic) rewards offered. Compensation has its primary effect on rewards offered and instrumentality perceptions (motivation). Motivation needs/values are primarily influenced by employee selection and training as well as compensation. Thus the AMO theory thus states that performance is the function of employee ability, motivation and opportunity (Musah, 2008).

Scholars have argued that a skilled, motivated, and flexible workforce can help develop a company's sustainable core competencies (Levine, 1995, Hsi-An Shih, Yun-Hwa Chiang & Chun Hsu, 2006; Musah, 2008). A committed and motivated workers are less likely to want to leave the organization (Gould-Williams & Davies, 2003). The AMO theory claims that people will perform well when they are able to do so (because they have the necessary knowledge and skills to the job), they have the motivation to do so (they will do the job because they want to) and finally, there will be enhance performance if their work environment provides the necessary support (for

example through functioning technology) (Musah, 2008). Whitener (2001) argued that the organization may adopt a high-commitment strategy, including employment practices, appraisal, competitiveness, fair compensation, and comprehensive training and development in order for employees to have high commitment and motivation.

2.2.3. Social Exchange Theory

Social exchange theory is a social psychological and sociological perspective that explains social change and stability as a process of negotiated exchanges between parties. Social exchange theory posits that all human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives (Gould-Wiliams, 2007). The theory has roots in economics, psychology and sociology. Social exchange theory is reliant on voluntary actions rather than formal contracts (Pearce & Peters, 1985; Tsui et al., 1997; Aryee et al., 2002). According to this theory, individuals regulate their interactions with other individuals based on a self-interest analysis of the costs and benefits of such an interaction. SET argues that when workplace relationships are effective, then the organization benefits. The social exchange theory explains social change and stability as a process of negotiated exchanges between parties. Thus people calculate the overall worth of a particular relationship by subtracting its costs from the rewards it provides. Outcome is defined to be the difference between the benefits and the costs:

$$\text{Worth} = \text{Rewards} - \text{Costs}$$

People seek to maximize their benefits and minimize their costs when exchanging resources with others (Molm, 2001). Individuals engage in an interaction with the expectation of reciprocity (Gouldner, 1960). These benefits need not be tangible and include things such as material or

financial gains, social status, and emotional comforts. Costs generally consist of sacrifices of time, money, or lost opportunities.

Social exchange theory is used as a framework for predicting the effects of management practice on worker attitudes. According to Stafford (2008), social exchanges involve a connection with another person; social exchanges involve trust, not legal obligations; they are flexible; and rarely involve explicit bargaining. Positive social exchanges can result in mutual benefits to both the employing organization and the workforce.

According to empirical findings, the practices of high-commitment HRM can affect employee motivation (Whitener, 2001), and a positive relationship exists between supportive HRM and POS (Allen et al., 2003; Hsu-Hsin Chiang, Tzu-Shian Han & Ju-Sung Chuang, 2011). There is also emerging evidence that trust affects the relationship between HRM practice and employee commitment (Guest & Conway, 1997; Aryee et al., 2002; Gould-Williams, 2003), with a lack of trust identified as the ‘primary culprit in the failures of management activities and human resource activities’ (Whitener, 1997). Trust is regarded as a critical factor underpinning social exchanges in that the act of initiating social exchange relationships requires the originator to trust that the recipient will respond in kind (Aryee et al., 2002). Lack of trust leads to dysfunctional outcomes, such as low commitment, low motivation and a lack of confidence between parties.

According to Flynn (2005) employees with relational identity orientation prefer reciprocal exchange, i.e. these employees may reciprocate an organization when they are in an interdependent task environment. Organizations adopt high-commitment HR practices making employees perceive organizational support and feel that they are important in the interdependent organization. Based on social identity theory, employees who feel they are appreciated by their organization may

perceive high status in the organization (Fuller et al, 2003). Employees who experience mutual reciprocity of resources, information, respect and power with management experience high perceptions of autonomy hence, they would be satisfied with the resources, information and support offered by the supervisor, as well as the job generally – hence, they would be committed to staying in the organization and also perform well. Empirical evidence shows that high levels of employee involvement and job security have contributed to increased employee commitment (Guest et al. 2000; Whitener 2001; Gallie et al. 2001).

An organization can utilize high-commitment HRM to make employees feel that they are valuable and then perceive organizational support. Therefore, high-commitment HRM is a good strategy for the organization to make employees perceive organizational support and commit to their organization. According to empirical findings, the practices of high-commitment HRM can affect employee motivation (Whitener, 2001), and a positive relationship exists between supportive HRM and POS (Allen, 2003; Hsu-Hsin Chiang, Tzu-Shian Han & Ju-Sung Chuang, 2011).

2.2.4. The Universalistic Perspective

Strategic HRM theorists have argued that the HRM contribution to organizational outcomes is a function of three interrelated processes. First, HR strategy, through policies, programs, and practices, shapes the human capital base (Bratton & Gold, 2003). Second, HR strategy influences the degree to which the organization is able ‘to exploit this human capital base’ in terms of worker motivation to maximize the full potential of human capital (Bamberger & Meshoulam, 2000). Third, HR strategy enhances organizational performance by influencing the degree to which motivated and gifted workers are provided with the opportunity and the means to contribute to operational decision making (Bamberger & Meshoulam, 2000).

The universalistic perspective of HRM is also known as the “best practice” approach, and claims that there exists a bundle of best HRM practices which can be used by any organization irrespective of industry, size, workforce or product market to improve performance. The universalistic model suggests the existence of a linear relationship between HR and performance (Pfeffer, 1994) and argues that certain single or set of HR policies and practices are linked to high performance (Zheng, Rolfe, Di Milia & Bretherton, 2007). Empirical studies have shown a positive relationship between universal approach to HRM practices and firm performance (Daud, 2006; Syed, & Jamal 2012). It will lead to positive outcomes for all types of firms when it is implemented. This approach argues that there is a one-best-way of managing and organizing people, embodied in specific functional best practices in recruitment, appraisal, compensation, among other functions. There are certain “best” HRM practices that contribute to increased financial performance regardless of the strategic goals of organizations. Pfeffer (1998) identified employment security, selective hiring, extensive training, information sharing, self managed teams, high pay based on company performance and the reduction of status differentials as best practices because according to Delery and Doty (1996) they are universal across all organizations. According to researchers such as Osterman (1994) and Gooderham et al. (2008) job rotation, quality circles and TQM will improve firm outcomes for all types of companies.

Allen et al. (2003) also identified antecedents, including employee participation in decision-making, rewards fairness, and chances for development, which affect POS. The combination of HRM practices which is called high performance work systems or high involvement work systems have been shown to have a positive effect on firm performance (Guthrie, 2001; Datta et al., 2005). This perspective focuses mainly on certain practices oriented to reinforce employees’ abilities, for example, variable compensation (Gerhart & Milkovich, 1990), certain methods of recruitment and

selection (Terpstra & Rozell, 1993), comprehensive training (Russell et al., 1985) or performance appraisal (Borman, 1991).

According to the human capital theory people possess skills, knowledge, and abilities that provide economic value to firms (Youndt et al., 1996). The theory argues that organizations with valuable knowledge, skills and abilities will present better performance levels, and therefore it has also fostered many universalistic conclusions. An alignment of organizational strategy and HR strategy will improve organizational performance and competitiveness. The more likely it is that the firm will invest in human capital and that these investments will lead to higher individual productivity and firm performance (Youndt et al., 1996).

People have a crucial value for organizational strategies and certain practices can foster and develop this value, leading to superior performance (Gonzalo Sa´nchez-Gardey & Romero-Ferna´ndez, 2005). The “universalistic” perspective alleges that certain HR practices are always better than others and all organizations should adopt such practices on every occasion (Hsi-An Shih, Yun-Hwa Chiang & Chu-Chun Hsu, 2006; Daud, 2006). According to the theory HRM practices contribute to worker motivation (and thereby increased productivity) as well as increased efficiency (Ichniowski, Kochan, Levine, Olson & Strauss, 1996). Firms should however create a high degree of internal consistency, or fit, among their HR practices.

The universalistic perspective has been criticised for failing to consider the context in which these practices are used. It does not study either the synergic interdependence or the integration of practices, and the contribution of these practices to performance is analysed only from an additive point of view (Pfeffer, 1994; Osterman, 1994; Becker & Gerhart, 1996). Thus this view denies that the different elements that build the system could be combined in different patterns of practices

that could be equally efficient for the organization (Gonzalo Sa´nchez-Gardey & Romero-Ferna´ndez, 2005). The universalist approach also ignores the consistency/fit argument. Differences in legislative context as well as culture require at least some reconfiguration of practices to be effective.

2.2.5. The Matching Model

The 'matching model' is also known as the Michigan model, "best practice" or 'best-fit' approach to human resource management. This means that there is a correlation between the HRM strategy and the overall corporate strategy. The model was developed by scholars at the Michigan School in 1984. They stated that human resource systems and the structure of an organization should be managed in line with organizational strategy. Early interest in the “matching” model had been evident in Devanna et al.’s (1984) work:

“HR systems and organizational structure should be managed in a way that is congruent with organizational strategy”.

This was closely related to Chandler’s (1962) distinction between strategy and structure (“structure follows strategy”). According to this model people have to be managed in a similar manner to equipment and raw materials. It highlights the ‘resource’ aspect of HRM and emphasises the efficient utilisation of human resources to meet organisational objectives. Human resources have to be obtained cheaply, used sparingly and developed and exploited as fully as possible (Budhwar & Aryee, 2002). Therefore it requires that human resource strategies should have a tight fit to the overall strategies of the business. The model asserts that organizational effectiveness depends on a

“tight - fit” between HRM strategy and business strategy. The essential idea of this model is that HR practices should be matched to the firm’s desired competitive position. This is seen to make the organization more effective.

The matching model is credited for being simple and offering a basis for integrating HR practices. The different functions of HRM are brought together around a common theme, behavioral consistency with pre-selected competitive position. The model however has been criticized because it limits the role of HR to a reactive, organizational function and under-emphasizes the importance of societal and other external factors (Daud, 2006). For example, it is difficult to see how the current concern for work life balance could be integrated into this model. The theory is also seen to depend on a rational, mechanical form of organizational decision-making. In reality, strategies are often determined and operationalized on a more intuitive, political and subjective level. Certainly, the decision-making is more complex than the model allows. It is also both prescriptive and normative, implying that the fit to business strategy should determine HR strategy.

2.2.6. The Contingency Perspective

This perspective on HRM is also known as “best fit” approach and proposes that the extent (or even the direction) of the effect of HRM strategy on firm performance will depend on a firm's context or environmental conditions (Burns & Stalker, 1994). It questions the “best practice” approach and suggests that “best practice” may not be appropriate for all situations and other approaches may have greater success in impacting on organizational performance. Best fit HRM attempts to fit HRM systems to a number of contingencies including business strategy, competitive circumstances and national business systems (Youndt, Snell, Dean & Lepak, 1996; Truss, 2001).

This contingency examines the resource and capabilities from a context point of view. It should be a way to overcome the criticism about boundary issues. This perspective advocates that firm's resources and capability should be consistent with other aspects of the company (Delery & Doty, 1996). Resources and capabilities are not valuable themselves; they have to be applied to context (Barney, 1991; Yang, 2005). This contingency is further proved by a number of studies such as Guthrie's (2001) study of New Zealand companies and Datta et al (2005) testing the moderating effects of industry characteristics on HRM-performance linkage. The two perspectives on the linkage of HRM and performance seem to be competing with each other on the surface. But Youndt et al. (1996) argued that they are also complementary.

2.3. Conceptual framework

A conceptual framework is a theoretical structure of assumptions, principles, and rules that holds together the ideas comprising a broad concept (Zikmund, 2003). The independent variables of this study are the following human resource management strategies: employee resourcing strategies, training and development strategies, employee relations strategies and employee reward and compensation strategies. These strategies affect commitment of employees to work and this in turn affects the dependent variable of the study which in this case is organizational performance. Firm size, technology and capital intensity are variables that will play a moderating role in this relationship. The conceptual frame work is presented in Figure 2.2.

Organizational performance comprises of the actual output or results of an organization measured against its intended outputs (goals or objectives). The nature of human resources and strategies adapted to utilize them will have a great effect on achievement of

organizational goals. Good human resource strategies if well implemented will lead to improved performance.

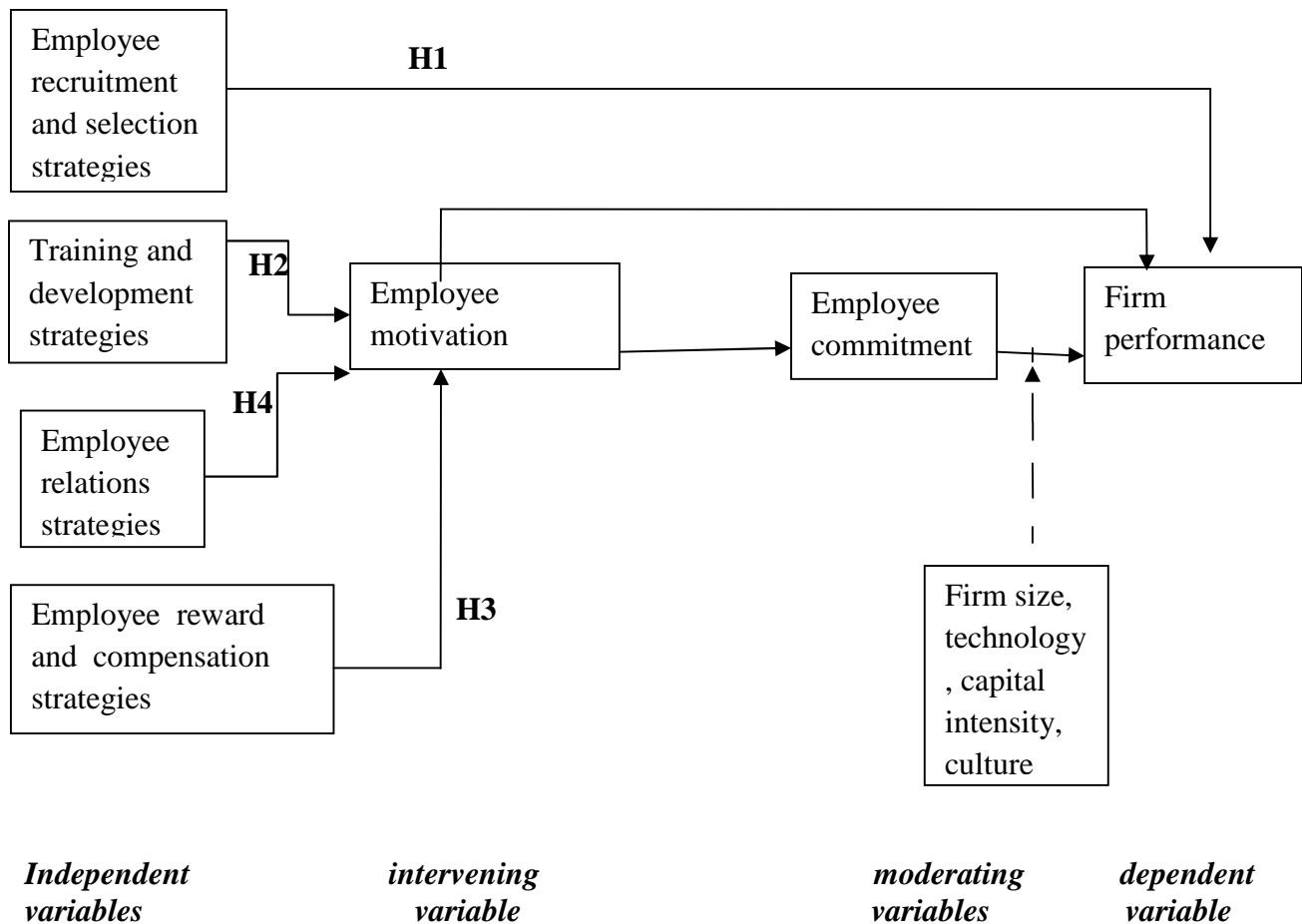


Figure 2.2. Conceptual framework

2.5. Empirical studies

2.5.1. Performance of Commercial Banks

Performance has been used synonymously with productivity, efficiency, effectiveness and competitiveness. According to Bohlander and Snell (2007) organizational performance comprises

the actual output or results of an organization measured against its intended outputs (organizational goals and objectives). Various scholars have defined performance management in different ways, for example, Armstrong (2006) defines performance management as a systematic process for improving organizational performance by developing the performance of individuals and teams. Armstrong and Baron (2004) view performance management as a discipline of acting upon intelligence and reported information in planning ahead and in managing service operations both directly and through partnerships with other service delivery agents. They describe it as a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. It establishes a shared understanding of what is to be achieved and an approach to leading and developing people which will ensure that it is achieved. Supported by joint strategies, shared outcomes and shared targets performance management should be exercised at all levels of the organization (Armstrong, 2008). It is a holistic process bringing together many of the elements which go to make up successful people management including learning and development.

To successfully face the increasing uncertainty and competitiveness what is required is performing employees to build performing organizations (Pattanayak, 2008). Efforts have been made by human resources management theorists to try to establish a causal link between human resource management and performance (Cook, 2000). Managers should develop a targeted employee performance coaching plan that will identify the unique development needs of team members and holds them accountable for their performance. Performance management and governance is therefore an essential feature of modern organizational management (Armstrong, 2006). It enables an organization to continuously monitor and improve its performance in order to achieve its strategic goals (Dessler, 2005). Research has shown that a company emphasizes performance when

a substantial portion of its employees pay is tied to individual or group contributions and the amount received can vary significantly from one person or group to another (Gomez-Meija et al, 2008).

There is need for a theoretical link on how human resources management and performance are related. According to Cook (2000) performance is enhanced by systems of practices (bundled human resource practices) that support each other and have a mutually reinforcing effect on employee contribution to performance. There is a symbiotic relationship between human resources strategy and performance in the manufacturing sector (Cook, 2000; Barney, 2000; Paterson et al, 2006). However we may not conclusively generalize this to the banking sector due to the fragility of banking.

HRM strategies can improve productivity by: 1) increasing employee skills and abilities; 2) promoting positive attitudes and increasing motivation, and 3) providing employees with expanded responsibilities so that they can make full use of their skills and abilities. Performance indicators include: financial (profits), market share, efficiency, reliability, flexibility among others. The aim of human resource strategy is to devise ways of managing people in order to assist in achievement of organizational objectives. Participation of individuals and team transforms exchanges from economic to social. According to Mahoney and Watson (1993) employee involvement has a beneficial impact on performance.

2.5.2. Human Resource Strategies

Barney and Hesterly (2008) define a strategy as its theory about how to gain a competitive advantage. Redman and Wilkinson (2001) argue that a competitive advantage can be achieved either through cost leadership or product differentiation. Barney and Hesterly (2008) believe that a firm has a competitive advantage when it is able to create more value than rival firms. A good fit between human resource strategies and the business strategy of the firm tend to lead to superior outcomes (Delery & Doty, 1996; Noe *et al*, 2006). Torrington et al, (2005) view strategy as a process which is not necessarily rational and top down but a political and evolutionary process.

Mintzberg (1994) argues that a strategy can evolve in response to an evolving situation. He argues that strategy is formed rather than formulated and that any intended strategy is changed by events, opportunities, the actions of employees and so on so that the realized strategy is different from the initial vision. As explained by Delery and Doty (1996) and Goel (2008) when the company human resource practices support firm strategy, superior performance is expected. According to Richardson and Thompson (1999) a strategy must have two key elements- there must be strategic objectives (things the strategy is supposed to achieve) and there must be a plan of action (the means by which it is proposed that the objectives will be met). According to Boxal (1996) HRM strategies provide a framework of critical ends and means.

Faced with rapid changes in technology and globalization (Noe et al., 2006) organizations need to develop a more focused and coherent approach to managing people. HR strategies set out what the organization intends to do about the different aspects of human resource management policies and practices. Employees create an important source of competitive advantage for organizations (Barney, 1991; Pfeiffer, 1994). Organizations should thus adopt HRM practices that make best use

of its employees. According to Dessler (2008) leading organizations are places where people know the strategy and goals, feel respected and valued, understand their role, and know how to succeed.

Human resource management strategies for professional groups help ensure that the professional development and career needs of its members are met. Employee behavior is very critical in realizing goals and increasing productivity (Pattanayak, 2008). According to Torrington et al (2005), if you require an organization which really values quality and service you not only have to retrain staff, you must also review the organization, reward, and appraisal and communications systems. Human resource management strategies direct, maneuver and wield workers into better work performance. Skillful managers form work groups when possible with the hope that peer pressure will induce high levels of performance.

2.5.3. Employee resourcing strategies

According to Noe (2008) staffing strategy refers to a company's decision regarding where to find employees, how to select them and the mix of employee skills and statuses (temporary, full time e.t.c). Employee resourcing strategies exist to provide the people and skills required to support the business strategy; it is concerned with any means available to meet the needs of the firm for certain skills and behaviour (Armstrong, 2010). This role has long been regarded as part of the domain of personnel management and personnel textbooks conventionally describe resourcing as a passive, technical procedure - a matching of available candidates to the requirements of the organization. The objective of HRM resourcing strategies is to obtain the right basic material in the form of workforce endowed with the appropriate qualities, skills, knowledge and potential for future training (Armstrong, 2010). The selection, recruitment of workers best suited to meeting the needs of the organization ought to form a core activity upon which most other HRM policies geared

towards development and motivation should be built (Armstrong, 2010). Organizations can take one of three actions to fulfill their employee resourcing: 1) reallocate tasks between employees, so that existing staff take on more or different work. 2) re-allocate people within the company; and 3) recruit new staff from the external job market. The emphasis is on flexible working practices, requiring multi-skilled workers and sophisticated assessment and development programmes.

Gaining competent employees at all levels of the organization is more than a matter of training. It stems from changes in recruitment and selection philosophy (Huselid, 1995). Staffing the most competent employees, staffs and managers is a continuous challenge for the human resource management department. It influences training. Somenfeld and Peiper (1988) as quoted in Noe (2008) say that two aspects of a company's staffing strategy influence training: the criteria used to make promotions and assignment decisions (assignment flow) and the places where the company prefers to obtain the human resource to fill open positions (supply flow). According to Johnson et al. (2006) recruitment is a key method of improving the strategic capability of an organization. Redeployment and redundancy planning are also important in organizations facing change.

To successfully face the increasing uncertainty and competitiveness what is required is performing employees to build performing organizations (Pattanayak, 2008). In order to ensure the on-going delivery of government programs and services, all sectors require a continuous supply of fully qualified people in the right positions at the right time. According to Noe (2008) deciding what skills new employees will be selected on and what skills the company will develop is another staffing strategy. The companies also need to motivate good employees to remain and work with the organization. Faced with this rapid change organizations need to develop a more focused and coherent approach to managing people.

According to William and Kinicki (2008) when employment rates are high companies are desperate to attract, retain and motivate key people. They further mention that “even in tough economic times there are always industries and occupations in which employers feel they need to bend backwards to retain their human capital”. Organizational behavior studies suggest that employee retention is dependent upon levels of organizational commitment. Research has established a direct link between employee retention rates and employee performance, for example Noe et al (2006). Thus there is need to generate satisfaction and loyalty among employees. Their study focused on the potential influence that human resources management (HRM) strategies have on organizational commitment levels among employees.

Researchers and scholars argue that excellent management of people is crucial to maintain a foothold in the market. According to Hitt, Ireland and Hoskisson (2001) people should be placed in positions that fit them best, this is based on believe that failure to properly allocate employees would result in forfeiture of the company’s competitive position. Successful firms have ability and willingness to dismiss employees who engage in counterproductive behavior. This ensures that productive employees are not made miserable by supervisors or co workers who engage in unproductive, disruptive or dangerous behavior. Thus as explained by Noe et al (2006) job satisfaction and retention are related to organizational performance.

2.5.4. Training and development strategies

Employee training and development is an important determinant of organizational performance. According to Noe (2006) development refers to formal education, job experiences, relationships and assessments of personality and abilities that help employees perform effectively in their current or future jobs and organization. It often results from work experiences and involves

learning that is not necessarily related to an employee's current job. Hollenbeck, Gerhart and Wright (2006) argue that employee development is a key contributor to a business strategy based on developing intellectual capital. It helps develop managerial talent and allows employees to take responsibility for their careers. It is a necessary component of a company's effort to compete in the new economy, to meet the challenges of global competition and social change, and to incorporate technological advances and changes in work design. It is the key to ensuring that employees have the competences necessary to serve customer solutions.

It ensures companies have the managerial talent needed to successfully execute a growth strategy. According to Nzuve (1999) training is the process that enables people to acquire new knowledge, learn new skills and perform tasks better than before. According to Barker (2000) training is the planned provision of learning that equips us with skills. It differs from teaching in that it emphasizes improvement in behavior or performance rather than increasing knowledge. Training and development helps the company create a workforce that is able to cope with change, meet the increasing demands of consumers and prepare the future leadership of the company (Noe, 2008). Barker (2000) argues that training helps employees to maintain standards or improve their competence hence their performance.

A variety of human resource management practices are related to the development of human resource of the organization. For strategic purposes it is important to target much more specifically on the development of competences which can provide a competitive advantage (Johnson *et al*, 2006). It helps to maintain the cultural processes within an organization. It also provides a common reference point (norms) to which people can relate their own work and priorities and a common language with which to communicate with other parts of the organization. Barker (2000)

argues that developing somebody's skills enables an organization to achieve greater productivity, improved job performance, greater empowerment, more satisfactory recruitment and selection and reduced labour turnover. The manager and the employee will identify gaps in past experience, training or knowledge that will need to be bridged to make the veteran employee functional in the new role. Company investment in both technical and non technical training are likely to have a positive impact on the extent to which the firm actually succeeds in developing the skills/knowledge of its employees. To contribute to a company's success training activities should help the organization achieve its business strategy.

A business strategy is a plan that integrates the company's goals, policies and actions (Noe, 2008). Research by Delaney and Huselid (1996); Huselid, (1995); Koch and McGrath (1996) and MacDuffie (1995) suggests that training is a high performance human resource practice. A positive relationship has been established between employee training and organizational performance (Delaney & Huselid 1996; Koch & McGrath 1996). According to Noe (2008) there is both a direct and indirect link between training and business strategy and goals. Training can help employees develop skills needed to perform their jobs, which directly affects the business performance. Giving employees opportunities to learn and develop creates a positive work environment which supports the business strategy by attracting talented employees as well as motivating and retaining current employees. According to Johnson et al (2006) formal programs are reduced and more emphasis is on coaching and mentoring to support self development. Ivancevich et al (2007) argues that training and development of human resources involves change in skills, knowledge, attitudes and/ or social behavior in order to remain competitive. Organizations that emphasize quality do training in problem solving, problem analysis, quality measurement, feedback and team building.

Training can also be used to prepare employees for increased responsibilities in their current human resource plan, Johnson et al (2006). According to Ivancevic et al (2007) strategic management of employees requires managers to dedicate time, money and attention to training and development. This increases workers value and enhances their capacity for continuous improvement. Employees must see value in the training they receive. The training should help the employee's progress in their careers. Training differs from learning in that training is a group of activities while learning is more effective as an individual activity. Managers who provide both training and learning environment for employees will create more innovation, better service and more efficient operations than competitors.

Business strategy has a major impact on the type and amount of training that occurs and whether resources (money, trainers' time and program development) should be devoted to training. Also strategy influences the type, level and mix of skills needed in the company (Noe, 2008). According to Hitt, Ireland, Hoskisson, Sheppard and Rowe (2006) human resource managers need to be well trained to ensure proper staffing skills, change management, counseling, project management and organizational design.

2.5.5. Employee reward and compensation strategies

To motivate behavior, the organization needs to provide an effective reward system. A reward strategy is a declaration of intent that defines what the organization wants to do in the longer term to develop and implement reward policies, practices and processes that will further the achievement of its business goals and meet the needs of the stakeholders (Armstrong, 2006). An effective reward system has four elements: rewards need to satisfy the basic needs of all employees; rewards need to be included in the system and be comparable to ones offered by a

competitive organization in the same area; rewards need to be available to people in the same positions and be distributed fairly and equitably (Goel, 2008). Managers often use rewards to reinforce employee behavior that they want to continue. According to Perce and Robinson (2007) reward power is available when the manager confers rewards in return for desired actions and outcomes. A reward is a work outcome of positive value to the individual (Armstrong, 2006).

According to Barney and Hesterly (2008), an organizations employee compensation policy and practice is important in implementing a strategy. A company that adopts a compensation policy that is consistent and reinforces its strategies is more likely to implement those strategies than a firm that adopts compensation policies that are inconsistent with its strategies (Armstrong, 2006). A reward strategy should enhance commitment and engagement and provide more opportunities for the contributions of people to be valued and recognized.

According to Rudman (2003) paying for performance is a big issue in contemporary human resources management; organizations have long believed that productivity improve when pay is linked to performance and payment by results systems and incentives are developed to support this belief. Studies have found a positive relationship between performance related pay and performance (Huselid, 1995; Dotty, 1996; Goel, 2008). People receive extrinsic e.g. pay bonuses, promotions, time off, special assignments, office fixtures, awards and verbal praise or intrinsic rewards (Armstrong, 2008, Dessler, 2006, Goel 2008). Intrinsic rewards are self-administered (Dessler, 2006).

The overall reward system needs to be multifaceted. Because all people are different, managers must provide a range of rewards—pay, time off, recognition, or promotion

(Armstrong, 2008). Rewards demonstrate to employees that their behavior is appropriate and should be repeated. Different scholars have spoken strongly on the use of team incentives, for example, Dessler (2008) says that firms that rely on teams to manage their work must develop incentive plans that encourage teamwork and focus team member's attention on performance. Goel (2008) argues that performance related pay is an effective motivator and conveys a clear message that high levels of performance are expected and will be rewarded. However they should not be distributed on the basis of narrow definition of the output of each individual, but also on the basis of appraisals of how well the individual contributes to the performance of the team, unit or company as a whole depending on the company structure. According to Johnson, Scholes and Whittington (2006) planning of rewards should take on board the reality of more team working in delivering strategy.

Establishing meaningful incentives for performance is a difficult task because individuals are unique and maintain different value systems. What may reward one employee may not be a reward to others (Dessler, 2006). Maslow in 1943 proposed a theory of motivation in which he said that money is motivator; however later Herzberg in his two factor theory of motivation differs with that and instead classifies money as an hygiene factor. Financial incentives and rewards can be true motivators, but only when balanced against the potential drawbacks and packaged with ongoing verbal recognition, encouragement and support. How targets, budgets and rewards are structured will affect the way in which managers and other people behave and pursue the organizational objectives (Johnson, Scholes & Whittington, 2006). According to Armstrong and Murlis (2006), it is also important to consider non financial rewards which vary according to the nature of the employment relationship and also the personal characteristics of the employee. Lewis et al (2003) identify the following non financial rewards: feeling part of a

community, a sense of personal achievement, social recognition and social and societal responsibility.

2.5.6. Employee motivation strategies

Motivation has been defined differently by different scholars, for example, it has been defined as the psychological process that arouse and direct goal directed behavior (William & Kinicki, 2008); a psychological process that gives purpose and direction (Reinter, 1995); a predisposition to behave in a purposive manner to achieve specific unmet needs (Buford, Bodlein & Lindner, 1995), an internal drive to satisfy an unsatisfied need (Higgins, 1994) and the will to achieve (Boldleian, 1993).

Motivation is the desire to achieve some given targets at any given time. According to Franken (2002) motivation is the study of behavior principles; and behavior indicates the attempt to perform situation adaptation. Franken mentioned that employees have an intrinsic motivation to overcome and survive. It is the process of inspiring people to actions to achieve the goals. Employee motivation is one of the policies of managers to increase effectual job management amongst employees in organizations (Muogbo, 2013). A motivated employee is responsive of the definite goals and objectives he/she must achieve, therefore he/she directs its effort in that direction. Rutherford (1990) as quoted in Muogbo (2013) reported that motivation formulates an organization more successful because provoked employees are constantly looking for improved practices to do a work.

Research has proved that motivational practices affect employee performance positively (Chaudhry, Sohail & Riaz, 2013). Motivated employees are inclined to be more productive than non-motivated employees (Chaudhary & Sharma, 2012). The study shows that training and

motivation has positive impact on performance of employees (Khan, 2012). This study concludes that organizations having good training plans for employees can enhance the performance of employees (Khan, 2012)). All the organization that wants to enhance their employee performance should focus on training as it also motivate employees to achieve higher performance levels (Khan, 2012).

Howes (2010), Ernst and Young's office of workforce retention (2000), Handin (2000), Cuthie (2010) and Werbler and Harris (2009) stated that best practices for improving employee retention and having motivated employees are summarized such as selection process, leadership, growth and development, meaningful work and ownership, rewards, organizational influences, individual influences, financial benefits, good working conditions, personal loyalty to employee, tactful discipline, empowerment, creativity and innovation and quality of life. Howes (2010) researched that better communication and attention to personal needs of employees are to improve motivation and performance. The study by Chaudhry, Sohail and Riaz (2013) found a direct positive relationship between motivation and employee performance

The study by Chaudhry, Sohail and Riaz (2013) found overall support for the hypothesis that Employee Relations Practices Impact positively on Performance of Employees working in Hospitality Industry of Pakistan as the relationship specified in Hypothesis is found to be significant. Therefore, the proposed direct relationships between a set of Employee Relation Practices and Motivation and between Motivation and Employee Performance are empirically validated.

Motivated employees are very productive (William & Kinicki, 2008); and hence help to improve performance. However according to scholars, motivation is one of the very complex roles of a

manager (William & Kinicki, 2008; Dessler, 2008; Armstrong, 2006). This is because it is difficult to actually see it or know it in another person; it has to be inferred from one's behavior (William & Kinicki, 2008). Scholars have also based their arguments on the complexity of motivation from the fact that what motivates employees changes constantly (Bowen & Radhakrishna, 1991,) and also that what motivates one employee may not motivate others (William & Kinicki, 2008; Dessler 2008; Armstrong, 2008). To some extent, a high level of employee motivation is derived from effective management practices.

According to Locke (1997) motivation is determined by goal directness, human volition or free will and perceived needs and desires, sustaining the actions of individuals in relation to themselves and to their environment. To develop motivated employees, a manager must treat people as individuals, empower workers, provide an effective reward system, redesign jobs, and create a flexible workplace. It is through behavior that people influence the organizational environment. Dessler (2005) argues that the HR managers should create value by engaging in activities that produce the employee behavior the company needs to achieve its strategic goals.

The challenge of motivating employees has long been recognized as an integral part of managing organizations. Studies have suggested that motivation is very important to organizations that want to improve performance (Moorhead & Griffin, 1998; Ambrose & Kullik, 1999; Selden & Brewer, 2000). Scholars for example William and Kinicki (2008); Dessler (2008) and Armstrong (2008) have also suggested that organizations must motivate employees to be productive. According to Noe et al (2006) an employee with high job motivation produces high quality and more quantity of work leading to high level of job satisfaction hence lead to high performance. Research has established that as employee income increases, money becomes less of a motivator (Armstrong,

2007; Dessler, 2008). Managers therefore should be aware of the motivational bases of incentive plans.

Employees are bound to be much more productive when they work in a positive, supportive environment. Managers must strive to maintain an enjoyable, family-oriented atmosphere in which all employees focus on achieving team goals. According to Dessler (2008) recognition has a positive impact on performance either alone or in conjunction with financial rewards. Praising employees for achieving their goals is important in maintaining an enjoyable work environment. Recognizing success is critical, and equally important is inspiring employees to work toward achievements. Employees will be inspired by knowing their contributions are valued and that management is confident in their capabilities.

2.5.7. Employee relations strategies

The employment relationship as an economic, social and political relationships in which employees provide manual and mental labour in exchange for rewards by employers (Lewis, Thornhill & Suanders, 2003). Due to increased global competition over the last three decades, organizations have emphasised on labour efficiency and cost control (Perkins & Shortland, 2006). This has called for effective employee relations strategies that enable the employees to dedicate their energy to the achievement of organizational goals.

The term employee relation has been used synonymously with industrial relations and employment relations. According to Lewis et al (2003) Industrial Relations is associated with the declining “Smokestack” industries and blue collar workers and the accompanying emphasis upon Collective Bargaining Agreements between employers and Trade Unions.

Employee Relations suggests a wider employment canvas being covered with equal importance attached to non union employment arrangements and white collar jobs. It is concerned with the social economic relationship that forms and revolves around a contract between the parties to perform work in return for employment benefits such as remuneration (Perkins & Shortland, 2006). The emphasis on both employee relations and industrial relations is on participation, process and practices (Salamon, 2000; Lewis et al., 2003).

Employee relations shows the existence of a psychological contracts that is different from any other relationships (Lewis *et al*, 2003). There is a non formalized kind of contract which is based on what each party expects from the other and is different from the normal written and legal expectations of the parties from each other. Perkins and Shortland (2006) argue that the socio political relations around employment are not static hence it is important to consider the future of the bipartite and/or tripartite employment systems context for determining the employment relations outcomes.

According to Pearce and Robinson (2009) firms actively seek good employee relations whether or not they are bound by union contacts. Proactive steps in anticipation of employee needs and expectations are therefore characteristic of strategic managers. Organizations should strive to satisfy their employees with good pay, good supervision and good stimulating work (Pearce & Robison, 2009). Employee satisfaction is related to customer satisfaction. Managers believe that productivity is linked to loyalty and to appreciation of manager's interests in employee welfare.

According to Harzing and Ruysseveldt (2004) there are many national characteristics that influence the way in which firms are organized and managed, for example, as put forward by Porter; attitudes towards authority, norms of interpersonal relationships, social norms of individual

or group behavior, and professional standards. Porter places special emphasis on labour management relationships because he believes they are central to the ability of the firm to improve and innovate.

Employee participation involves direct participation of employees and also trade union representation. According to Lewis et al (2003) the direct part personally involves employees directly in decisions that go beyond their immediate work tasks. Employee involvement is based on the fact that participation in goal setting has been found to be related to the acceptance and subsequent commitment to the established goals, leading to favourable outcomes in terms of performance and attitudes (Harzing & Ruysseveldt, 2004). Empowerment is the act of allowing an individual or team the right and flexibility to make decisions and initiate action (Pearce & Robison, 2009). Training, self managed work groups, eliminating whole levels of management in organizations and aggressive use of automation are some of the ways and ramifications of this fundamental change in the way business organizations function. Employees work not because of desire to serve the community or fulfill personal ambitions but because of economic necessity. Hence there is a need for managers to devise strategies of making them do what the employer wants them to do. This requires a good understanding of the employee needs.

Research by Bernardin (2010) has shown a strong relationship between an employee's organizational commitment and job performance and employee turnover. Employees with higher commitment are likely to perform better and stay with the organization longer. Lewis et al (2003) advocates a managerial policy where employees and employers share goals and agree on the means to achieve them. This he believes will elicit employees commitment which in turn will yield both better economic performance and greater human development.

Managers should give employees responsible autonomy (Lewis et al, 2003). This involves giving employees the opportunity to have control over their own work situations in a manner that benefits the organization (Lewis *et al*, 2003). Managers give employees status, authority and responsibility. This is based on McGregor theory Y which assumes that employees are responsible people who seek responsibility and are creative. This helps to win employees loyalty and attempts to get employees to adopt the organizational goals. According to Lewis *et al* (2003) direct control has declined with the realization by employers that greater productivity can be achieved using a strategy of responsible autonomy (Lewis *et al*, 2003).

Related to employee relations is employee communication which helps in communicating the strategies of the organization to all the employees. In the era of increasing public accountability it is imperative that organizations can communicate vision and strategy and demonstrate progress and outcomes in achieving that vision. According to Ivancevich *et al* (1997) top management should play a role in communicating the strategy to the organizations employees and other stakeholders. Effective communication makes sure people have the information they need and is the foundation for any good relationship. Being honest and open with employees is especially important at a time when they may be dealing with serious concerns outside of the office. According to Harzing and Ruysseveldt (2004) communication of tasks to be performed should occur with extensive employee involvement and in the context of both immediate positions and the whole organization. As their leader you have the responsibility to lessen any stress they might be feeling by communicating openly. Effective communication is absolutely critical to successful integration of employee. Performance expectations, if not properly communicated, are far more difficult to re-work after the fact. Management's openness to staff members' input, feedback, ideas

and suggestions is the cornerstone of good communications and strong employee relationships. Everybody wins when they are all part of a supportive team.

2.5.8. Organizational commitment

The concept of organizational commitment derives from an article “The organization Man” written by Whyte in 1956 (Dixit & Bhati, 2012). Zheng (2010) describes employee commitment as simply employees’ attitude to organization. This definition of employee commitment is broad in the sense that employees’ attitude encompasses various components. According to Dixit and Bhati (2012) commitment comes into being when a person, by making a side bet, links extraneous interests with a consistent line of activity. Brown (1969) as quoted in Dixit and Bhati (2012) categorize commitment as: (1) it includes something of the notion of membership; (2) it reflects the current position of the individual; (3) it has a special predictive potential, providing predictions concerning certain aspects of performance, motivation to work, spontaneous contribution, and other related outcomes; and (4) it suggests the differential relevance of motivational factors. According to Akintayo (2010) employee commitment can be defined as the degree to which the employee feels devoted to their organization. Meyer and Allen (1997) argue that commitment “is a psychological state that characterizes the employee’s relationship with the organization and has implication for the decision to continue membership in the organization.” Dixit and Bhati (2012) argue that commitment is different from motivation or general attitudes since it can lead individuals to behave in a way, from the prospective of neutral observer, might seem in contrast to their own self-interest. Ongori (2007) described employee commitment as an affective response to the whole organization and the degree of attachment or loyalty employees feel towards the organization.

In the past two decades, Meyer and Allen (1991) developed a three-component model of OC which has been the dominant framework for OC since then. This three-component model is based on a more comprehensive understanding of OC. The three -component model consists of:

(a) Affective commitment (AC) is the emotional attachment to one's organization: the degree to which an individual is psychologically attached to an employing organization through feeling such as loyalty, affection, worth, belongingness, pleasure and so on.

(b) Continuance commitment (CC) is the attachment based on the accumulation of valued side bets (pension, skill transferability, relocation, and self-investment) that co-vary with organizational membership: the degree to which an individual experience a sense of being locked in place because of the high cost of leaving. It is the desire to remain a member of the organization. Continuance Commitment refers to an awareness of the costs associated with leaving the organization. The cost perception for leaving an organization leads to the commitment of a members stay in an organization (Dixit & Bhati, 2012). Continuance commitment based on individual having to remain with the organization lost their previous investment before gone (Dixit & Bhati, 2012).

(c) Normative commitment (NC) is the attachment that is based on motivation to conform to social norms regarding attachment. Maintaining loyalty to an organization is the result of socialization, experience, responsibility of repaying the organization can be constructed in a members mind through organization profits (Dixit & Bhati, 2012). In normative commitment an individual is willing to stay within an organization and contribute to an organization to correspond with a group norm (Dixit & Bhati, 2012).

In today's competitive world every organization is facing new challenges regarding sustained productivity and creating committed workforce (Dixit & Bhati, 2012). Organizations value

commitment among their employees because it is typically assumed to reduce withdrawal behaviour, such as lateness, absenteeism and turnover (Irefin & Mechanic, 2014). Employees with a sense of commitment are less likely to engage in withdrawal behaviour and more willing to accept change (Lo, 2009). Business organizations today are aware of the importance of employee commitment and its role in motivating employees. No organization can perform at peak levels unless each employee is committed to the organizations objectives. Previous studies by Ali (2010) as well as Ajila and Awonusi (2004) have found that one of the antecedent determinants of workers' performance is employee commitment. Organizations depend on committed employees to create and maintain competitive advantage and achieve superior performance (Akintayo, 2010; Tumwesigye, 2010; Irefin & Mechanic, 2014). Employees with high commitment to an organization see themselves as an integral part of the organization (Irefin & Mechanic, 2014). Anything that threatens the organization is an imminent danger to them as well. Such employees' become creatively involved in the organization's mission and values, and constantly think about ways to do their jobs better. In essence, committed employees work for the organization as if the organization belongs to them (Irefin & Mechanic, 2014). Committed employees who are highly motivated to contribute their time and energy to the pursuit of organizational goals are increasingly acknowledged to be the primary asset available to an organization (Hunjra, 2010).

A large numbers of studies have been conducted to investigate the concept of organizational commitment (OC) (Dixit & Bhati, 2012). Khan (2010) investigated the impact of employee commitment (Affective commitment, Continuance commitment and normative commitment) on employee job performance from a sample of 153 public and private and public sector employees of oil and gas sector in Pakistan. The results revealed a positive relationship between employee commitment and employees' job performance. In the comparative analysis of the three dimensions

of organizational commitment, normative commitment was found to have a positive and significant correlation with employees' job performance. Ireferin and Mechanic (2014) did a study to examine the Effect of Employee Commitment on Organizational Performance with special interest in Coca Cola Nigeria Limited and found that there is a fairly high relationship between employee commitment and organizational performance.

A study of 2002 data from the Families and Work Institute's National Study of the Changing Workforce showed that using 13 specific flexibility measurements, employees with more access to workplace flexibility were "more engaged in their jobs and committed to their current employers—more loyal and willing to work harder than required to help their employers succeed" (Galinsky, Bond & Hill, 2004). Dixit and Bhati, (2012) did a study to identify the impact of employees' Commitment on sustained productivity in Auto component Industry in India (Denso) and found that the Employees Commitment (Affective, Normative, continuous) are significantly related to sustained productivity in Auto component industry. In a Canadian study involving 2,200 smaller businesses (with less than 100 employees), The Centre for Families, Work and Well-Being found that supporting employees working flexibly enhanced employee commitment at small businesses. As one owner of a small multimedia company noted:

"A lot of time we end up having people work past regular hours to meet deadlines. There's no way we could see people doing that and not allowing them to be flexible in their work hours in other ways" (Daly, 2000).

From the findings it has been proved that sustained productivity is strongly related to employee commitment (Dixit & Bhati, 2012). The research findings reveal that there exists positive

relationship between the three commitments affective, continuance and normative commitment and sustained productivity of the organization.

2.5.9. HRM strategy and organizational performance

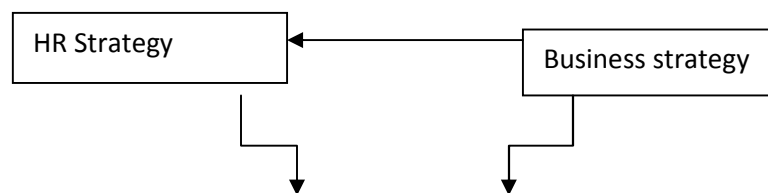
Barney and Hesterly (2008) believe that it is very difficult to predict how competition in an industry will evolve and so it is rarely possible to know for sure that a firm is choosing the right strategy hence a firm's strategy is almost always a theory: It is a firm's best bet about how competition is going to evolve and how that evolution can be exploited for competitive advantage. A HRM strategy thus is an overall plan, concerning the implementation of specific HRM functional areas. According to Boxal (1996) HR strategies provide a framework of critical ends and means. They set out what the organization intends to do about the different aspects of human resource management policies and practices. The implementation of an HR strategy is not always required, and may depend on a number of factors, namely the size of the firm, the organizational culture within the firm or the industry that the firm operates in and also the people in the firm. An HRM strategy normally includes employee resourcing, training and development, reward and employee relations; however all of these functional areas of HRM need to be aligned and correlated, in order to correspond with the overall business strategy.

Many authors have contended that HR strategies may be a better source of core competencies which can lead to sustainable competitive advantage (Barney, 1991; Pfeiffer, 1994; Perce & Robinson, 2007; Pfeiffer, 1994; Snell et al, 1996; Wright & McMahan, 1992). This supports the view of Hamel and Prahalad (1992) that core competencies are normally people embodied skills.

There is empirical support for the hypothesis that firms which align their human resource management practices with their business strategy will achieve superior outcomes (Huselid, 1995;

Dyer & Reeves, 1995; Guest, 1997; Becker & Huselid, 1998). As explained by Delery and Doty (1996) and Goel (2008) when the company human resource practices support firm strategy, superior performance is expected. Employee behavior is very critical in realizing goals and increasing productivity (Pattanayak, 2008). Skillful managers form work groups when possible with the hope that peer pressure will induce high levels of performance. A firm may not need a uniquely endowed workforce to establish a distinctive competency as long as it has managerial capabilities that no competitor possesses. Collective learning in the workplace, especially on how to coordinate workers' diverse knowledge and skills and integrate diverse information technology, is a strategic asset that rivals find difficult to replicate. Thus leadership capabilities are critical to harnessing the firm's human assets.

Each employee is essential for the overall success of the firm (Barney & Hesterly, 2008). While human resources are an important attribute of single individuals, organizational resources are an attribute of a group of individuals and includes a firms formal reporting structure, its formal and informal planning, controlling and coordinating systems, its culture and reputation as well as informal relationships among groups within a firm and between a firm and those in its environment. To give rise to a distinctive competency, an organization's resources must be both unique and valuable. Capabilities are the collective skills possessed by the organization to coordinate effectively the resources. The link between human resource strategies and organizational performance is summarized in Figure 2.2.



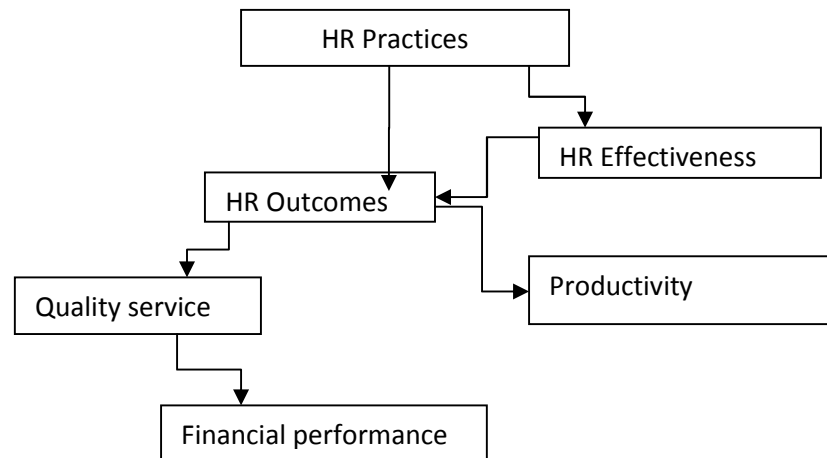


Figure 2.3. Link between human resource strategies and organizational performance

Source: Adapted from Guest, 2000.

As illustrated by Guest (2000) there is a link between a human resources strategy and a business strategy and organizational performance. The business strategy is derived from the corporate strategy and helps in achievement of the corporate strategy of the firm. The human resource strategy is derived from the business strategy and aims to come up with human resource strategies that will support the achievement of the organizations strategic goals. This leads to the improvement in the performance of the organization. Scholars have suggested that a good fit between human resource strategies and the business strategy of the firm tend to lead to superior outcomes (Perce & Robinson, 2007; Delery & Doty, 1996; Noe et al 2006). Thus HRM strategies have an effect on the performance of an organization.

2.6. Critical review of existing literature

While many studies have been done on the effect of human resource strategies on performance most of them have been done in the manufacturing sector which makes it impossible to generalize

on the banking sector, for example, a study by Cook (2000) found a positive relationship between human resource strategies and performance in the manufacturing sector in Britain. This clearly may have minimal relationship with the banking sector due to the nature of the human resource tasks involved in both. At the same time as mentioned by Mullins (2005) there are national differences on what constitute performance goals, therefore what may be high performance in Britain may not be so in Kenya.

As explained by Harzing and Ruysseveldt (2004) there are cultural differences in performance goals and based on the nature of the two countries it may not be possible to draw a link between a study in Britain and apply it in the Kenyan situation. The two countries are also at different levels in their economic development, while Kenya is a developing country that is still at its young stages Britain is a first world economy. As explained by Perkins and Shortland (2006) employers in the industrialized markets and economies have had to restructure and emphasize on labour efficiency and cost control in the wake of increasing competition. At the same time the employment levels in the two countries are different; in Kenya there is a lot of unemployment and therefore employees may commit their energies towards achievement of organizational goals not because the strategies are good but because they are afraid of not meeting their targets leading to them being declared redundant. As explained by Perkins and Shortland (2006) growing unemployment has sapped the strength of workers and their unions. Thus a tougher employer's stance and the introduction of HRM practices have been observed. In Britain this may not be the case and employees will be able to work without such fears because there are low unemployment rates hence the employees may not fear losing jobs.

2.7. Summary of literature

The aim of human resource strategy is to devise ways of managing people in order to assist in achievement of organizational objectives. It is now commonly accepted that employees create an important source of competitive advantage of organizations (Barney, 1991; Pfeiffer, 1994). As a result it is important for an organization to adopt human resource management practices that make best use of its employees. This trend has led to increased interest on the impact of human resource strategies on organizational performance and a number of studies have found a positive relationship between high performance work practices (Huselid, 1995) and different measures of company performance. Furthermore there is some empirical support for the hypothesis that firms which align their human resource management practices with their business strategy will achieve superior outcomes (Dyer & Reeves, 1995; Guest, 1997; Becker & Huselid, 1998).

The emerging field of human resources management on performance suffers from lack of unity in theory and inconsistency in research methodology hence has led to many opposing findings and rich competing theoretical perspectives. Recently efforts have been made by human resources management theorists to try to establish a causal link between human resource management and performance (Cook, 2000).

Research has shown that a company emphasizes performance when a substantial portion of its employees pay is tied to individual or group contributions and the amount received can vary significantly from one person or group to another (Gomez-Meija et al, 2008). According to Barney (2000) firms that use resources and capabilities to exploit opportunities and neutralize threats will see an increase in their net revenues or a decrease in their net costs or both and vice versa. In general there is a positive relationship between staff retention, motivation, training and

development, employee relations and management and performance however not much research has been done in the banking sector.

The existence of very many different resources that contribute to the performance of an organization also renders previous researches inappropriate at most. This is because improved performance may be as a result of increased investment on plant and machinery rather than on the human resource strategies that are applied in the organization. As explained by William and Kinicki (2008); Dessler (2008) and Armstrong (2008) performance is also affected by firm size and duration of the company has been in existence. The researchers found that larger firms tend to perform better than smaller firms. At the same time if companies are provided with the same resources old companies tend to perform better than companies that have been in the industry for a short period. This was attributed to the goodwill that has already been established with all the stakeholders in the industry.

2.8. Research gap

The rapid growth of banks, increase in environmental variability and degree of competition, acute shortage of qualified labor and the corresponding increase in labor turnover and costs of employee replacement have forced banks to aggressively compete for the best employees. This has led banks to focus on strategic management of its employees. The shift by banks to strategic management has created a lot of interest on the effect of HRM strategies on organizational performance. A vast majority of empirical research on strategic management has focused on the performance issue and most studies show that well directed human resource strategies increase firm performance (Huselid, 2007; Armstrong & Baron, 2009; Katou, 2008; Ahmad & Schroeder, 2003; Bae & Lawler, 2000; Batt, 2002; Delery & Doty, 1996; Guthrie, 2001; Gardner & Moynihan, 2003).

Despite these findings most SHRM studies have been characterized by lack of a solid theoretical foundation explaining the mechanisms causing the observed enhanced performance. For instance, so far there is no consistent agreement on how to measure HRM strategies and what to measure with regards to organizational performance (Wright & Gardner, 2003).

The available literature also indicates a serious lack of empirical studies designed to investigate exactly how a good alignment between HRM and firm strategy leads to improved performance (Katou, 2008). The literature points out that the link between HRM and organizational performance is like a 'black box', i.e., lack of clarity regarding 'what exactly leads to what' (Gerhart, 2005; Katou, 2008). Serious gaps also still remain with respect to the causal ordering of the variables involved in the HRM – performance relationship (Purcell, Kinnie, Hutchinson, Rayton, & Swart, 2003; Wright, Gardner, Moynihan, & Allen, 2005; Katou, 2008).

Considering that previous researchers do not agree on the HRM practices, policies, and systems employed, and accordingly the constructs developed scholars such as Boselie et al. 2005; Lepak, Liao, Chung and Harden, 2006; and Wright et al., 2005 have argued that the results derived from these studies are not comparable. Without a clearly delineated theoretical model of HPWS and their effects on performance, scholars cannot adequately validate the efficacy of such practices, let alone provide useful suggestions to practitioners. There is a great need for additional evidence to support the HRM-performance relationship to show exactly what leads to what (Gerhart, 2007).

It is on this background that this study will be done in order to investigate the effect of human resource strategies on the performance of the banks in Kenya and provide a better understanding of the relationship between these variables. It will also show the relationship between the different HR strategies.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1. Introduction

This chapter describes the research design that was used in the study. This will help in adequate planning for the study. The chapter further goes ahead and discusses the study population, sampling design and sample size, data collection methods, tools and procedures and the data analysis procedures that were used. The measures used to ensure validity and reliability of the study instruments is also discussed in this chapter. In addition, this chapter also presents the measures that were put in place to ensure that the study is done in an ethical manner.

3.2. Research design

According to Kothari (2004) a research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money. This study adopted the mixed method approach utilizing both qualitative and quantitative methods. Qualitative approach was used to supplement and strengthen the quantitative aspects and provide an opportunity for the researcher to observe the application of HRM strategies first hand. The method adopted by this study was specifically a survey research. The characteristics of the banks and their employees were completely and accurately described to minimize bias and ensure reliability (Kothari, 2004). This provided the information that helped in determining the relationship between the study variables. Personal interviews and questionnaires were used.

3.2. Study population

The population of the study was all the headquarters of the 46 banks in Kenya. The study targeted the CEOs, HR managers, Operations managers and other employees of the commercial banks in

Kenya. The total population targeted was 2,738 people located at the head quarters of the banks. This is because most of the strategic decisions of banks are made at the headquarters and then cascaded down to the branch levels. Hence the strategies at the headquarters are normally the same strategies used at the branches. The target population was stratified as shown in Table 3.1.

Table 3.1. Study population

Category	Population
CEOs	46
Operations managers	46
Human resources managers	46
Other employees	
Supervisors	920
Tellers	1400
Support staff	280
Total	2738

3.3. Sample design

According to Kothari (2004) a sample design is a technique or procedure that the researcher adopts in selecting items for a sample. It was not possible to study all members of the population since it would have involved tremendous amounts of time and resources (Mugenda & Mugenda, 1999; Kothari, 2004). As a result a sample was selected and studied to represent the entire population. An optimum sample of 349 employees, which fulfils the requirements of efficiency, representativeness (Kothari, 2004; Mugenda & Mugenda, 1999), reliability and flexibility, was selected based on cost, accepted confidence level and size of the population. This enabled the researcher to gain information about the population. The Yamane (1967) formula for calculating sample sizes was used to calculate the sample size at 95% confidence level and $P = 0.5$.

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size, N is the population size, and e is the level of precision.

$$N = \frac{2738}{1 + 2738/(0.05 \times 0.05)}$$

$$\begin{aligned} N &= \frac{2738}{1 + 2738/0.0025} \\ &= 2738 / 7.845 = 349 \end{aligned}$$

Sampling was done using the multi stage approach involving purposive sampling and stratified sampling methods. The CEOs, operations managers, and HR managers were purposely selected from each bank. Due to the small number and the importance of the managerial cadre in this study, a census was adopted in which all the said managers were purposively selected and involved in the study. The sample size for managerial staff is shown in Table 3.2.

Table 3.2. Sample selection of managerial staff

Population Category	Population	Sample
---------------------	------------	--------

CEOs	46	46
Operations managers	46	46
Human resources managers	46	46
Total	138	138

Other employees were selected using stratified random sampling because this method enables the researcher to achieve the desired representation from the various subgroups in the population (Mugenda & Mugenda, 1999; Kothari, 2004; Cooper & Schindler, 2006). This according to Mugenda and Mugenda (1999) gives the researcher confidence that if another sample of the same size is selected the findings from the two samples will be similar to a high degree. This method also gives each employee in the organization an equal chance to be selected. The sample size for lower level employees and supervisors is shown in Table 3.3.

Table 3.3 Sample selection for lower level employees and supervisors

Population Category	Population	Sample
Supervisors	920	92
Tellers	1400	140
Support staff	280	28
Total	2600	260

3.4. Data collection instruments

Both primary and secondary data were collected. The major primary data collection instruments (information collected for the first time) that were used are questionnaires and interviews which

were self administered. Secondary data (the already available data which had been collected and analyzed by someone else) was collected from relevant documentaries as well as company publications.

A standard questionnaire was used in order to produce accurate information. The questionnaire comprised of three sections as follows: The first section comprised of demographic data such as age, sex, years of experience and level of education and monthly salary; the second section comprised of data describing the individual human resources management strategies such as employee recruitment and selection, training and development, employee reward and compensation and employee relations and in the third section data relating to performance was examined.

The questionnaire was constructed on the basis of closed and open-ended questions. This enabled the researcher to study the employee's perception on effect of HR strategies on performance. The researcher also used the likert scale type of questions. Since the research was done under some limitations, a combination of the said methods was used so that the collected data enabled effective analysis and presentation in an orderly logical manner.

3.5. Data collection procedures

Questionnaires were distributed to the respondents and duration of two weeks given to fill them. The researcher then made follow-up calls to ensure that adequate response was obtained from the respondents. To obtain data free from errors introduced by the research assistants it was necessary to supervise them closely as they collect and recorded information from respondents. This was done by the researcher.

In cases where the questionnaire had not been received after follow up telephone calls, additional copies of the questionnaire and a reminder letter were sent to the respondents, followed by a final follow up telephone call. Interviews were conducted by the researcher only. Structured interview approach was used in order to ensure that only relevant data was collected. Secondary data was then collected by analyzing the financial statements for the last five years in the banks that responded to the questionnaires and had interviews conducted.

Data was collected from both senior managers (CEOs, HR managers and operations managers) and lower level employees for two reasons. First, the CEOs, HR managers and operations managers had the greatest opportunity to assess the extent to which HR policies are integrated vertically and horizontally with the firm's strategy (human resource strategy measure); on the other hand, it was assumed that other employees were likely the best source of information about HR practices since HR practices become effective only if they are inherited by line workers and their immediate beneficiaries.

3.6. Pilot test

To test the study instruments, the researcher did a pilot study (a small-scale version of the full study). This was done to test the questionnaire and survey techniques (Kothari, 2004). Pretesting (Kothari, 2004; Mugenda & Mugenda, 1999) ensured that the items in the instrument were stated clearly and had the same meaning to all respondents (Mugenda & Mugenda, 1999). Pilot testing enabled the researcher to know if the instruments were valid and that the study's design was able to capture the required data. The pilot study made reference to twenty respondents from the population and took one week. The same method that was used in the full study was also applied in the pilot study.

3.7. Data analysis procedures

The collected data was processed and organized for statistical analysis. During the process age, gender and academic were treated as control variables and were therefore tested to establish how they affect performance. Data analysis involved first coding the responses; tabulating the data; and performing several statistical computations (i.e. averages, frequencies, percentages and regression coefficients). To begin the data analysis process, descriptive statistics were calculated on the independent variables to summarize and describe the data collected. This helped in determining the extent of adoption of HRM strategies in the banks. Inferential statistics were used to reach conclusions and make generalizations about the characteristics of populations based on data collected from the sample.

Item analysis was conducted to determine the internal consistency and reliability of each individual item as well as each subscale. Cronbach's Alpha test was used to test internal reliability. The Pearson's correlation coefficient was used to show the direction and magnitude of the interrelationship between variables. The predictor powers and moderation effect of the variables on organizational performance were tested by conducting a moderated regression analyses suggested by Pedhazur (1982). The Multiple regression model used in this study is as shown:

$$y_i = \beta_0 + \beta_1 x_{i1} + \beta_2 x_{i2} + \beta_3 x_{i3} + \beta_4 x_{i4} + \beta_5 x_{i5} + \epsilon_i$$

where x_{ij} is the i^{th} observation on the j^{th} independent variable, and where the first independent variable takes the value 1 for all i (so β_0 is the regression intercept).

y_i is called the *measured variable*, or *dependent variable (organizational performance)*

x_i are the *independent variables* (x_{i1} employee resourcing strategies, x_{i2} training and development strategies, x_{i3} reward strategies and x_{i4} relations strategies)

β is a p -dimensional *parameter vector*.

ϵ_i is called the *error term*, *disturbance term*, or *noise*.

Factor analysis of the individual HRM strategies (resourcing, training and development, reward and employee relations and performance). Independent t-tests and/or simple analysis of variance (ANOVA) were used to look for significant differences between the HR strategies employees deem important when grouped by gender, or years worked. SPSS (Statistical Package for Social Sciences) software program was used for in-depth data analyses. Analyzed data was then presented using tables, pie charts, percentages and text.

3.8. Validity and Reliability Issues

An instrument is valid if it measures what it is intended to measure and accurately achieves the purpose for which it was designed (Patten, 2004; Wallen & Fraenkel, 2001). According to Patten (2004) validity is a matter of degree and no test instrument is perfectly valid. The instrument used should result in accurate conclusions (Wallen & Fraenkel, 2001). Validity involves the appropriateness, meaningfulness, and usefulness of inferences made by the researcher on the basis of the data collected (Wallen & Fraenkel, 2001). Validity can often be thought of as judgmental. According to Patten (2004) content validity is determined by judgments on the appropriateness of the instrument's content. Patten (2004) identifies three principles to improve content validity: 1) use a broad sample of content rather than a narrow one, 2) emphasize important material, and 3) write questions to measure the appropriate skill. These three principles were addressed when writing the survey items.

To provide additional content validity of the survey instrument, the researcher formed a focus group of five to ten experts in the field of HRM to provide input and suggestive feedback on survey items. Members of the focus group were senior employees of the banks and other employees who had worked in the sector for more than five years. Reliability relates to the

consistency of the data collected (Wallen & Fraenkel, 2001). Cronbach's coefficient alpha was used to determine the internal reliability of the instrument. The survey instrument was tested in its entirety, and the subscales of the instrument were tested independently.

3.9. Ethical Issues

According to McNamara (1994) ethical concerns in research deal with voluntary participation, no harm to respondents, anonymity and confidentiality, identifying purpose and sponsor, and analysis and reporting. To help eliminate or control any ethical concerns the researchers made sure that participation was completely voluntary but this can sometimes lead to low response rate which can in turn introduce response bias (McNamara, 1994). To encourage a high response rate, Dillman (2000) suggests multiple contacts. For this study, up to five contacts were made per potential participant. To avoid possible harm such as embarrassment or feeling uncomfortable about questions to respondents, the study did not include sensitive questions that could cause embarrassment or uncomfortable feelings.

Harm could also arise in data analysis or in the survey results. Anonymity and confidentiality was exercised to protect a respondent's identity. A survey is anonymous when a respondent cannot be identified on the basis of a response (McNamara, 1994). Participant identification was kept confidential and was only used in determining who had not responded for follow-up purposes.

All prospective respondents knew the purpose of the survey and the organization that is sponsoring it. A cover letter was used to explain that the results of the study would be used in a dissertation as partial fulfillment for a Doctoral degree. The researcher also accurately reported both the methods and the results of the surveys to professional colleagues in the educational community. Because advancements in academic fields come through honesty and openness, the researcher assumed the

responsibility to report problems and weaknesses experienced as well as the positive results of the study.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1. Introduction

This chapter describes the analysis of data followed by a discussion of the research findings. The findings relate to the research questions and objectives that guided the study. Data were analyzed to identify, describe and explore the relationship between Human resources management strategies and performance of commercial banks in Kenya. Data were obtained using a semi structured interview and a self administered questionnaires, completed by 314 people (n=314) out of a sample of 349 employees.

Every data set contains some errors which can significantly affect the final statistical results and lead to drawing wrong conclusions if the errors have not been rooted out. In this study, data cleaning involved firstly examining and correcting the key variables. This involved detection and then correction of errors in the data set. Cleaning involved using SPSS to conduct consistency checks in order to identify the data, which are out of range, logically inconsistent or have extreme values. The missing responses were treated carefully to minimize their adverse effects by assigning a suitable neutral value or discarding them methodically. Errors that were easily detectable included data entry and respondent errors were also corrected. Data entry errors included mistyping responses, entering data out of range or leaving an answer blank when a valid response was included in the questionnaire. Respondent errors included failing to accurately follow a skip pattern, writing a response that is difficult to interpret or providing false answers.

Collected data was analyzed using descriptive and inferential statistics. Descriptive statistics namely, frequency distributions, cross-tabulation and measures of central tendencies including means and standard deviations were used to describe the characteristics of the collected data.

Hypothesis H1, H2, H3, H4 and H5 were tested using Pearson's Correlation Coefficients to determine the strength and direction of the hypothesized relationships.

Descriptive statistical analysis was used to identify frequencies and percentages of responses given to all the questions in the questionnaire. Most respondents answered all of the questions therefore percentages reported correspond to the total number of respondents answering the individual questions. The statistical significance of relationships among selected variables was determined using the regressions analysis. The level of significance was set at 0.05.

4.2. Data Analysis and Presentation of Findings

4.2.1. Response rate

The sample for the study comprised of a total of 349 employees in 46 commercial banks in Kenya. Out of this a total of 325 questionnaires were filled and returned by employees from 38 commercial banks, however, only 314 questionnaires were usable for this study and met the required inclusion criteria. This represented 82.6 % response by the commercial banks and 89.7% of the individual employees. According to Mugenda and Mugenda (2003) a response rate of more than 10% of the sample is adequate for data analysis. Cooper and Schindler (2003) also argues that a response rate exceeding 30% of the total sample size provides enough data that can be used to generalize the characteristics of a study problem as expressed by the opinions of few respondents in the target population. This also meets the acceptable response rate, 40%, as suggested by Sekaran (2000). This means that the data gathered from the 314 respondents demonstrated the true nature of the effect of Human Resource Management Strategies on the Performance of Commercial Banks in Kenya. Therefore, the 89.7 % response rate was adequate for the researcher to proceed with data analysis and interpretation. The response rate in the study is shown in Figure 4.1. Neither the reasons for refusal to participate nor the characteristics of the non-respondents are

known. Of the remaining 11 questionnaires deemed unusable, 6 respondents did not complete the questionnaire in that two or more subsections of the questionnaires were omitted. Five respondents reported that they had worked in the banking sector for less than three months and thus did not meet the inclusion criteria for this study because they were assumed to lack adequate knowledge of the sector.

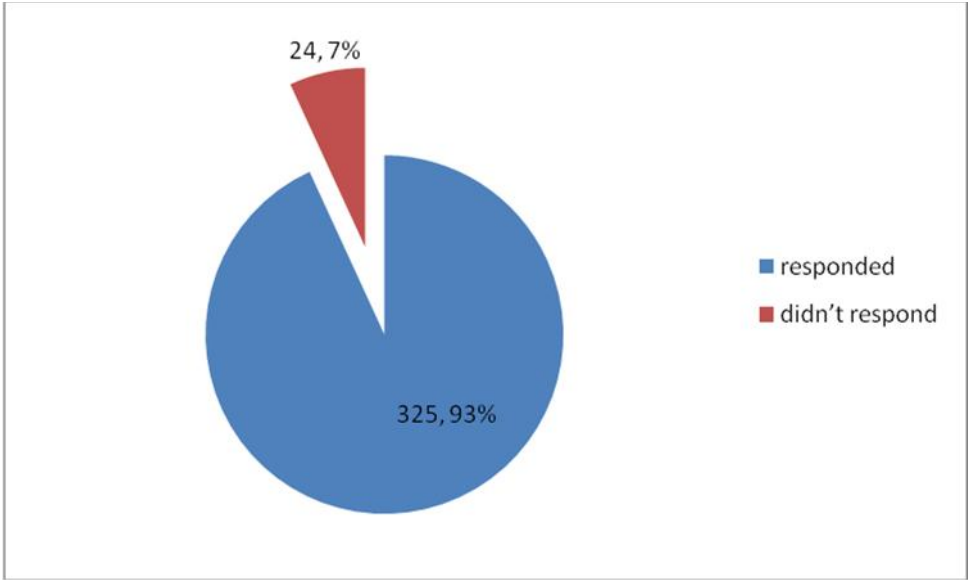


Figure 4.1. Response rate

4.2.2. Demographic characteristics

Although it was not part of the purpose of the study, this set of data was intended to describe demographic characteristics of the sample and to assess for any influence on the research findings. The study found it crucial to ascertain the broad information of the respondents since it plays a great role in determining the nature of information provided in terms of accuracy. The analysis relied on the information of the respondents to classify the different results according to their knowledge and responses. The demographic data consisted of age, sex, years of

experience, educational level, monthly salary working capital and size of the bank. For this study age, gender and academic were treated as control variables.

When descriptive analysis was done on the demographic characteristics, it was found that gender had a mean of 1.4586 and a standard deviation of 0.49908, age had a mean of 2.9682 and a standard deviation of 0.89671, academic qualification had a mean of 3.2930 and a standard deviation of 0.98397, number of years worked had a mean of 2.5064 and a standard deviation of 1.41927, monthly salary had a mean of 4.0701 and a standard deviation of 1.18357, bank ownership had a mean of 2.8662 and a standard deviation of 0.14225, number of employees had a mean of 5.6083 and a standard deviation of 1.96846, annual turnover had a mean of 2.8949 and a standard deviation of 0.30717, registered capital had a mean of 2.6338 and a standard deviation of 0.54475 while the dependent variable (performance) had a mean of 2.3863 and a standard deviation of 0.77725. The results of this analysis are shown in Table 4.1.

Table 4.1. Descriptive analysis on the demographic characteristics

Descriptive Statistics			
	Mean	Std. Deviation	N
Gender	1.4586	.49908	314
Age	2.9682	.89671	314
Academic qualification	3.2930	.98397	314
Number of years worked	2.5064	1.41927	314
Monthly salary	4.0701	1.18357	314
Bank ownership	2.8662	1.14225	314
Number of employees	5.6083	1.96846	314
Annual turnover	2.8949	.30717	314
Registered capital	2.6338	.54475	314
Performance	2.3863	.77725	314

A regression analysis was used to test if there is a significant effect of demographic factors (registered capital, age, gender, academic qualification, bank ownership, annual turnover, monthly salary, number of employees, number of years worked) on the performance of commercial banks

in Kenya. Since $p(0.000)$ is less than $\alpha(.05)$, we conclude that with the obtained data, there is evidence of significant effect of demographic factors on the performance of commercial banks in Kenya ($F 20.354$, $df=9$, and $P<0.05$). The results of the hypothesis test are presented in Table 4.2.

Table 4.2. ANOVA results showing the effect of demographic characteristics on performance of commercial banks in Kenya

ANOVA ^b						
Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	71.100	9	7.900	20.354	.000 ^a
	Residual	117.991	304	.388		
Total		189.091	313			

a Predictors: (Constant), Registered capital, Age, Gender, Academic qualification, Bank ownership, Annual turnover, Monthly salary, Number of employees, Number of years worked

b Dependent Variable: performance

When regression analysis was done to determine the effect of demographic characteristics on the performance of commercial banks in Kenya. This analysis of the demographic factors obtained an adjusted R^2 of 0.358%. This implies that the simple linear model with demographic factors as the independent variable explains 35.8% of the variations in performance of commercial banks. This means that with demographic factors as the only independent variables the performance of commercial banks will change by 35.8.1%. These results are shown in Table 4.3.

Table 4.3. Model summary showing demographic characteristics of respondents

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.613(a)	.376	.358	.62300

a Predictors: (Constant), Registered capital, Age, Gender, Academic qualification, Bank ownership, Annual turnover, Monthly salary, Number of employees, Number of years worked

Correlation analysis was done to investigate the existence and nature of relationship between demographic characteristics and performance of commercial banks in Kenya. From the correlation analysis it was noted that bank ownership has the highest positive relationship with performance with a Beta value of 0.359, monthly salary had the second highest positive relationship with a Beta value of 0.252, number of years worked has a Beta value of 0.187. The other factors have low positive Beta values as follows: gender a Beta value of 0.016, age a Beta value of 0.070, academic qualification a Beta value of 0.009 and annual turnover with a Beta value of 0.004. This shows that there is some minimal positive relationship between the factors and performance of commercial banks in Kenya. Number of employees and registered capital had negative Beta values, showing a negative relationship with performance of commercial banks in Kenya. Gender explains a 2.5% variance in performance; age explains 6.1% variance in performance; academic qualification explains 0.7% variance in performance; number of years worked explains 10.2% variance in performance; monthly salary explains 16.6% variance in performance; bank ownership explains 24.4% variance in performance; annual turnover explains 0.9% variance in performance. All this showed the existence of a positive relationship with performance of commercial banks in Kenya. Registered capital explains a -21.3% variance in performance while number of employees explains a -2.1% variance in performance. This shows that bank ownership, monthly salary and number of years worked have the highest positive relationships with performance of commercial banks while registered capital and number of employees have negative relationships with performance of commercial banks in Kenya. Thus registered capital and number of employees have a negative relationship with performance of commercial banks in Kenya. Results of this analysis are shown in Table 4.4.

Table 4.4. Coefficient results showing the relationship between the demographic characteristics and performance

Coefficients(a)

Model		Unstandardized coefficients		Standardized coefficient		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.166	.477		2.443	.015
	Gender	.025	.083	.016	.303	.762
	Age	.061	.073	.070	.832	.406
	Academic qualification	.007	.045	.009	.152	.879
	Number of years worked	.102	.049	.187	2.080	.038
	Monthly salary	.166	.045	.252	3.719	.000
	Bank ownership	.244	.037	.359	6.565	.000
	Number of employees	-.021	.027	-.052	-.754	.452
	Annual turnover	.009	.149	.004	.063	.950
	Registered capital	-.213	.092	-.149	-2.306	.022

a Dependent Variable: performance

A correlation analysis was done to investigate if there is a significant relationship between demographic factors (Registered capital, Age, Gender, Academic qualification, Bank ownership, Annual turnover, Monthly salary, Number of employees, Number of years worked) and performance of commercial banks in Kenya. From the analysis it was found that there is a significant positive relationship between gender and performance, a significant positive relationship between age and performance, a significant positive relationship between academic qualification and performance, a significant positive relationship between number of years worked and performance, a significant positive relationship between monthly salary and performance, a significant positive relationship between bank ownership and performance and a significant negative relationship between registered capital and performance. However it was that the relationship between number of employees and performance and the relationship between annual turnover and performance were not significant.

From the analysis it was also found that there is a significant positive relationship between academic qualification and age, number of years worked and age, number of years worked and

academic qualification while there is a negative significant relationship between number of years worked and gender. Analysis also revealed a significant positive relationship between monthly salary and age, monthly salary and academic qualification, monthly salary and number of years worked and a significant negative relationship was found between monthly salary and gender.

Analysis of results also found a significant positive relationship between bank ownership and gender, bank ownership and age and also between bank ownership and number of years worked. However it was also found that there was a negative relationship between number of employees and gender and also between number of employees and bank ownership. A positive significant relationship was found between number of employees and academic qualification; number of employees and number of years worked and between number of employees and monthly salary.

Further analysis revealed that there was a positive relationship between annual turnover and academic qualification; annual turnover and number of years worked; annual turnover and monthly salary and also between annual turnover and number of employees. However there was a negative relationship between annual turnover and gender and also between annual turnover and age. From the analysis it was found that there is a significant positive relationship between registered capital and academic qualification; registered capital and number of years worked; registered capital and monthly salary; registered capital and number of employees and also between registered capital and annual turnover. There is however a negative but significant relationship between registered capital and gender as well as between registered capital and bank ownership.

From the study it was found that the relationship between age and gender; bank ownership and academic qualification; bank ownership and monthly salary; number of employees and age; annual

turnover and bank ownership and registered capital and age were not significant. The results of this analysis are shown in Table 4.5.

Table 4.5. Correlations coefficient on demographic characteristics and performance of commercial banks in Kenya

			1	2	3	4	5	6	7	8	9	10
1	Gender	Pearson Correlation	1									
		Sig. (2-tailed)										
		N	314									
2	Age	Pearson Correlation	.061	1								
		Sig. (2-tailed)	.279									
		N	314	314								
3	Academic qualification	Pearson Correlation	-.060	.308**	1							
		Sig. (2-tailed)	.291	.000								
		N	314	314	314							
4	Number of years worked	Pearson Correlation	-.121*	.778**	.367**	1						
		Sig. (2-tailed)	.031	.000	.000							
		N	314	314	314	314						
5	Monthly salary	Pearson Correlation	-.174(*)	.445(**)	.569(**)	.576(**)	1					
		Sig. (2-tailed)	.002	.000	.000	.000						
		N	314	314	314	314	314					
6	Bank ownership	Pearson Correlation	.366(*)	.245(**)	.063	.135(*)	-.054	1				
		Sig. (2-tailed)	.000	.000	.263	.017	.336					
		N	314	314	314	314	314	314				
7	Number of employees	Pearson Correlation	-.308(*)	.063	.310(**)	.386(**)	.371(**)	-.137(*)	1			
		Sig. (2-tailed)	.000	.262	.000	.000	.000	.015				
		N	314	314	314	314	314	314	314			
8	Annual turnover	Pearson Correlation	.352(*)	-.140(*)	.229(**)	.122(*)	.319(**)	-.058	.460(**)	1		
		Sig. (2-tailed)	.000	.013	.000	.030	.000	.302	.000			
		N	314	314	314	314	314	314	314	314		
9	Registered capital	Pearson Correlation	-.262(**)	.035	.147(**)	.270(**)	.174(**)	-.289(**)	.649(**)	.399(**)	1	
		Sig. (2-tailed)	.000	.538	.009	.000	.002	.000	.000	.000		
		N	314	314	314	314	314	314	314	314	314	
10	Performance	Pearson Correlation	.138(*)	.411**	.227**	.377**	.330**	.444**	-.029	-.011	.192*	1
		Sig. (2-tailed)	.014	.000	.000	.000	.000	.000	.612	.846	.001	

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

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

4.2.3. Gender differences of the participants in the sample

During the current study, participants were asked to indicate their gender by placing a tick next to the relevant option provided (male or female). This was found necessary because previous studies in USA, Canada, Spain, The Netherlands and Denmark by Adams and Ferreira, (2009); Krishnan and Park,(2005), Francoeur et al., (2008), Campbell and Minguéz-Vera, (2008), Marinova et al., (2010) and Smith et al., (2005) have linked gender diversity and firm profitability or financial performance, therefore it was assumed that in the current study gender diversity may still play a role in affecting performance. Three hundred and thirteen (313) out of the valid 314 participants (100%) responded to this question. Of the 313 respondents, 169 were male and 144 were female. The frequencies and percentage responses to this question are shown in Table 4.1. Therefore, it was found that 54% of the respondents were male while 46% were female. This is indicative of the male domination of the jobs in the banking industry. This implies that there is gender inequality in occupation of jobs in Kenyan commercial banks. Analysis of gender in the various levels of the organization revealed that most of the senior staffs in various departments of the commercial banks in Kenya are occupied by the male.

Historically banking has been a male dominated profession although more females are joining the profession in current trends. This is clearly coming out in this study where it was found that women are almost getting to the 50% level while previously they have been at less than 30%. This finding corroborates the findings of a study by Omar and Davidson (2001) which found that the number of women pursuing banking careers has increased significantly while the number of women holding seats on boards of directors is still generally low. Using a sample of Scandinavian

firms, Randoy et al. (2006) found that the proportion of women on the board has no significant association with either accounting or market performance.

In order to determine if gender had any effect on performance, the responses were cross tabulated and a chi square test done to test the null hypotheses that there is a significant effect of gender on performance. The cross tabulation results are presented in Table 4.6.

Table 4.6. Cross tabulation showing gender and performance of commercial banks

		Crosstab				
		Performance recoded				
		Agree	Neutral	Disagree	Total	
Gender	Male	Count	120	21	29	170
		Expected Count	103.9	23.3	42.8	170.0
		% within Gender	70.6%	12.4%	17.1%	100.0%
		% within performance recoded	62.5%	48.8%	36.7%	54.1%
		% of Total	38.2%	6.7%	9.2%	54.1%
	Female	Count	72	22	50	144
		Expected Count	88.1	19.7	36.2	144.0
		% within Gender	50.0%	15.3%	34.7%	100.0%
		% within performance recoded	37.5%	51.2%	63.3%	45.9%
		% of Total	22.9%	7.0%	15.9%	45.9%
Total	Count	192	43	79	314	
	Expected Count	192.0	43.0	79.0	314.0	
	% within Gender	61.1%	13.7%	25.2%	100.0%	
	% within performance recoded	100.0%	100.0%	100.0%	100.0%	
	% of Total	61.1%	13.7%	25.2%	100.0%	

Table 4.7. Chi square test showing the effect of gender on performance of commercial banks

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.559 ^a	2	.000
Likelihood Ratio	15.646	2	.000
N of Valid Cases	314		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 19.72.

From the Chi square test results presented in Table 4.7, it was found that since p (0.000) is less than α ($= .05$) therefore we conclude that with the obtained data there is evidence of a significant effect of gender on the performance of commercial banks in Kenya. The value of the Chi square statistic is 15.559. This means that gender affects the performance of commercial banks in Kenya. This is consistent with the findings from previous studies by Adams and Ferreira, (2009); Krishnan and Park,(2005), Francoeur et al., (2008), Campbell and Minguéz-Vera, (2008), Marinova et al., (2010) and Smith et al., (2005) who have linked gender diversity and firm profitability or financial performance. However, this findings are in contrast to previous results by Eklund et al. (2009); Marinova et al. (2010); Rose (2007) and Darmadi, (2013) have not found any significant relationship between gender and performance. These findings are also in support of the findings from previous studies by Randoy et al. (2006) which have failed to find a significant association between female proportion of employees and financial performance.

4.2.4. Age ranges of the participants in the sample

The age of the employees in an organization can help determine the preparedness of an organization for succession planning as well as the amount of energy that employees have to help in achieving corporate goals (Darmadi, 2013). Age is also an indicator to the maturity of the

respondents and accuracy of information provided. Participants were asked to tick the age category appropriate to them. All the participants responded to the question (314 responses or 100%). Forty two percent (42%) of those who responded were in the 31-40 years age category (133 responses) and constituted the bulk of the sample. Two hundred and thirty nine (239) of the 314 respondents (76%) were below the age of forty years while 297 respondents (99%) were below 50 years of age. One hundred and six (106) comprising thirty four percent (34%) of the 314 respondents were below 30 years of age. Cross tabulation was done and the result presented in Table 4.8.

Table 4.8. Cross tabulation showing age and performance of commercial banks

			Performance recoded			Total
			Agree	Neutral	Disagree	
Age	21 - 30 years	Count	66	2	38	106
		Expected Count	64.8	14.5	26.7	106.0
		% within Age	62.3%	1.9%	35.8%	100.0%
		% within permrecoded	34.4%	4.7%	48.1%	33.8%
		% of Total	21.0%	0.6%	12.1%	33.8%
	31 - 40 years	Count	84	19	30	133
		Expected Count	81.3	18.2	33.5	133.0
		% within Age	63.2%	14.3%	22.6%	100.0%
		% within permrecoded	43.8%	44.2%	38.0%	42.4%
		% of Total	26.8%	6.1%	9.6%	42.4%
	41 - 50 years	Count	40	10	8	58
		Expected Count	35.5	7.9	14.6	58.0
		% within Age	69.0%	17.2%	13.8%	100.0%
		% within permrecoded	20.8%	23.3%	10.1%	18.5%
		% of Total	12.7%	3.2%	2.5%	18.5%
	51 - 60 years	Count	0	12	1	13
		Expected Count	7.9	1.8	3.3	13.0
		% within Age	0.0%	92.3%	7.7%	100.0%
		% within permrecoded	0.0%	27.9%	1.3%	4.1%
		% of Total	0.0%	3.8%	0.3%	4.1%
Over 60 years	Count	2	0	2	4	
	Expected Count	2.4	.5	1.0	4.0	
	% within Age	50.0%	0.0%	50.0%	100.0%	
	% within permrecoded	1.0%	0.0%	2.5%	1.3%	
	% of Total	0.6%	0.0%	0.6%	1.3%	
Total	Count	192	43	79	314	
	Expected Count	192.0	43.0	79.0	314.0	
	% within Age	61.1%	13.7%	25.2%	100.0%	
	% within permrecoded	100.0%	100.0%	100.0%	100.0%	
	% of Total	61.1%	13.7%	25.2%	100.0%	

Table 4.9. Chi square test showing the effect of age on performance of commercial banks

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	90.002 ^a	8	.000
Likelihood Ratio	71.850	8	.000
N of Valid Cases	314		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .55.

In order to determine if age had any effect on performance, a chi square test was done to test if that there is a significant effect of age on performance. The analysis results are presented in Table 4.4. From the Chi square test, since p (0.000) is less than alpha ($\alpha = .05$) we conclude that with the obtained data there is evidence of a significant effect of age on the performance of commercial banks in Kenya. The value of the Chi square statistic is 90.002. This means that age affects the performance of commercial banks in Kenya. The responses to this question are shown in Table 4.9. Since majority of the respondents are below 40 years of age, this findings may imply that commercial banks in Kenya have energetic employees who can adjust to the market need and maintain their service delivery to the clientele hence improving organizational performance. These findings also show that commercial banks are taking measures for succession planning by ensuring a proper mix of young and old experienced employees. When a descriptive analysis of the answers to this question was done, a mean of 2.9682 and a standard deviation of 0.89671 were obtained. This shows that the average age of employees in the banking sector is approximately 40 years. This indicates that most bank employees are mature people. This finding is in contrast to previous studies by Marinova et al. (2010) and Darmadi, (2013) which found the average age in their respective studies to be approximately 50 years. Marinova et al. (2010) and Darmadi, (2013) concluded that their employees were mature and therefore gave very reliable information.

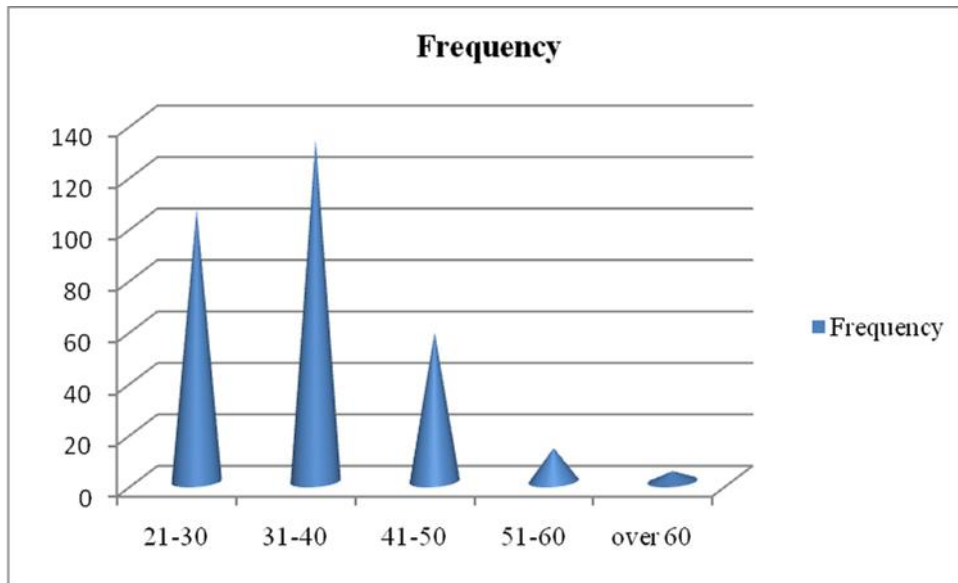


Figure 4.2. Age

4.2.5. Academic qualification

Most promotions to management level depend on one's academic qualification (Adegoroye, Oladejo & Moruf, 2012). In terms of educational attainment, 75% (235) had received at least an undergraduate or a first degree. It was found that 94% of the respondents held a diploma qualification and above, implying that the banks have highly educated staff and at the same time, they understood the issues under discussion in the research questionnaire. This depicts that most of the employees working in Kenyan commercial banks are literate hence they are capable to adopt any strategic issues that the organization formulates with the aim of improving their performance. The responses to this question are shown in Figure 4.3. Further analysis of the responses to this question gave a variance of 0.968 and a standard deviation of 0.98397.

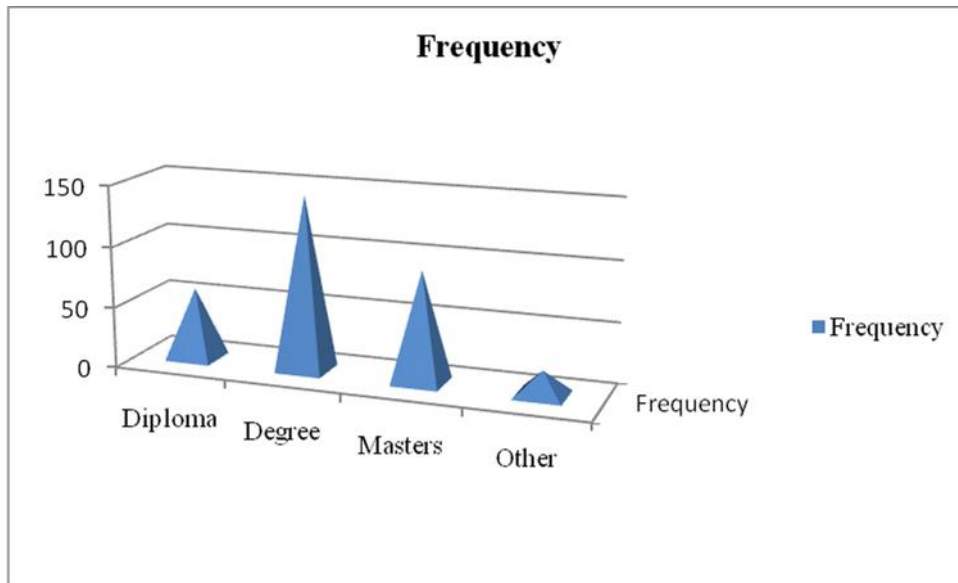


Figure 4.3. Academic qualification

4.2.6. Number of years worked in the bank

One's experience depends on the number of years of service in the sector involved (Randoy et al, 2006). It is assumed that the longer one worked in an organization, the more they understand the organization and hence the higher the ability to articulate issues pertaining to the organization (Afande, 2013). During this study, length of working experience was tabulated and respondents were asked to tick the relevant option provided. Again a 100% response rate was achieved (314 responses). One hundred and ten (110) people (35%) of the 314 respondents reported 0-5 years working experience, 51 people (16%) reported 6-10 years of working experience and 87 respondents (28%) reported 11-15 years of banking experience. Sixteen respondents representing 5% of the 314 respondents reported that they had between 16 and 20 years of working experience and 50 people (16%) reported that they had over 20 years of working experience. The experience of the respondents within the various commercial banks in Kenya therefore, indicates that 65% of the respondents have worked in the sector for over five years, a period considered long enough for

an employee to understand the operations of their respective banks. This implies that most of the respondents of this study had worked for an ample time thus they were conversant with the information that the study sought pertaining to the organization. The responses were therefore expected to be objective. This further indicates maturity and experience with matters related to best-practice in banking. The responses to this question are shown in Table 4.10. and Figure 4.4.

Table 4.10. Cross tabulation showing number of years worked and performance of commercial banks

		Crosstab				
Number of years worked			Performance recorded			
			Agree	Neutral	Disagree	Total
Number of years worked	Below 5	Count	78	2	30	110
		Expected Count	67.3	15.1	27.7	110.0
		% within years worked	70.9%	1.8%	27.3%	100%
		% within performance recorded	40.6%	4.7%	38.0%	35%
		% of Total	24.8%	0.6%	9.6%	35%
	5 - 10 years	Count	31	4	16	51
		Expected Count	31.2	7.0	12.8	51.0
		% within years worked	60.8%	7.8%	31.4%	100.%
		% within performance recorded	16.1%	9.3%	20.3%	16.2%
		% of Total	9.9%	1.3%	5.1%	16.2%
	11 - 15 years	Count	53	12	22	87
		Expected Count	53.2	11.9	21.9	87.0
		% within years worked	60.9%	13.8%	25.3%	100.%
		% within performance recorded	27.6%	27.9%	27.8%	27.7%
		% of Total	16.9%	3.8%	7.0%	27.7%
16 - 20 years	Count	2	14	0	16	
	Expected Count	9.8	2.2	4.0	16.0	
	% within years worked	12.5%	87.5%	0.0%	100.%	
	% within performance recorded	1.0%	32.6%	0.0%	5.1%	
	% of Total	0.6%	4.5%	0.0%	5.1%	
Over 20	Count	28	11	11	50	
	Expected Count	30.6	6.8	12.6	50.0	
	% within years worked	56.0%	22.0%	22.0%	100.0%	
	% within performance recorded	14.6%	25.6%	13.9%	15.9%	
	% of Total	8.9%	3.5%	3.5%	15.9%	
Total	Count	192	43	79	314	
	Expected Count	192.0	43.0	79.0	314.0	
	% within years worked	61.1%	13.7%	25.2%	100.0%	
	% within performance recorded	100.0%	100.0%	100.0%	100.0%	
	% of Total	61.1%	13.7%	25.2%	100.0%	

In order to determine if the number of years worked had any effect on performance, a chi square test was done to test if there is a significant effect of number of years worked on performance. The

analysis results are presented in Table 4.11. From the Chi square test, since $p(0.000)$ is less than $\alpha(= .05)$ therefore, we conclude that with the obtained data there is evidence of a significant effect of number of years worked on the performance of commercial banks in Kenya. The chi square value is 92.096. This means that number of years worked affects the performance of commercial banks in Kenya.

Table 4.1. Chi square test showing the effect of number of years worked on performance of commercial banks

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	92.096 ^a	8	.000
Likelihood Ratio	70.243	8	.000
N of Valid Cases	314		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 2.19.

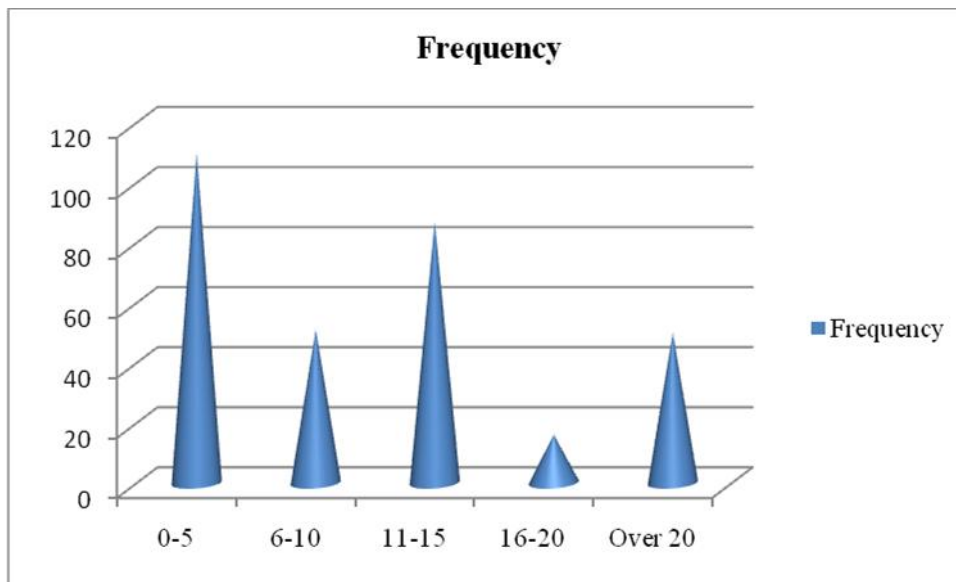


Figure 4.4. Number of years worked in the bank

4.2.7. Number of years in operation

The number of years an organization has been in operation influences its human resources management practices (Adegoroye, Oladejo & Moruf, 2012). Those institutions that have been in operation for long can be seen to be properly aligned to the best-practice human resources management in a very fast changing and competitive environment. It was found that some of the banks (52.9%) have been in operation for more than 20 years while 10% of the sampled banks have been in operation for between 1-5 years. Those that existed for less than 10 years constituted 28.6% and those between 11 and 20 years were 18.5%. The responses to this question are shown in Figure 4.5. The answers to this question give a very clear indication that all cadres of the banking institutions were well represented. Majority of the banks (71.6%) studied have been in existence in Kenya for a period over 10 years. The long period of existence shows that the Kenyan market is favourable for banking and that the banks have been dealing with employees for a period that is enough to understand employee behaviour. This may also imply that the banks have put in place adequate human resources strategies to help manage their employees based on their previous experience with their employees over the period they have operated.

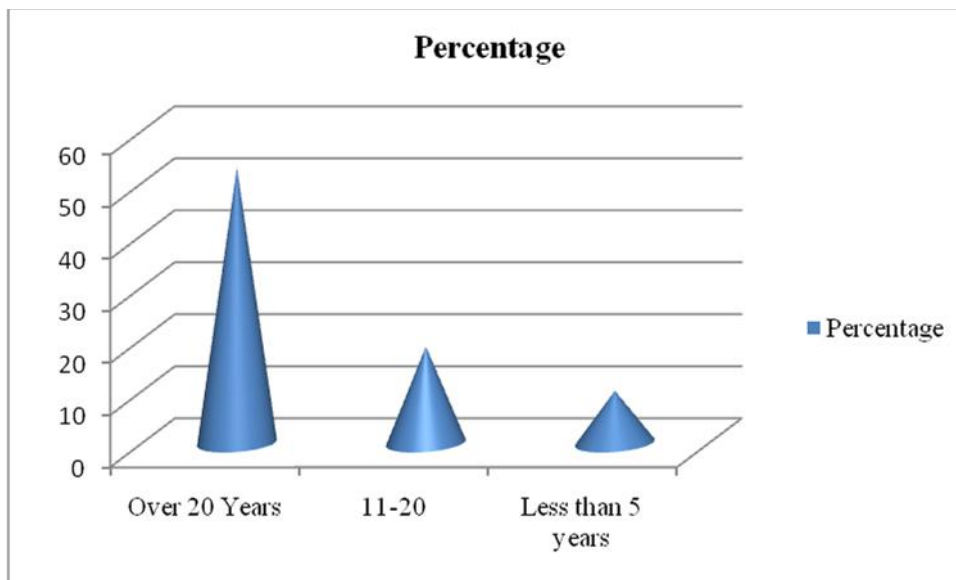


Figure 4.5. Number of years in operation

4.2.8. Bank Ownership

The nature of ownership of an organization affects its management practices (Aktar & Sachu, 2012). When respondents were asked to state the ownership of their bank, it was found that, seventy percent (70%) of the commercial banks in Kenya are predominantly local; 21 % are predominantly foreign bank while 9% are balanced between foreign and local ownership. Twenty percent (20%) of the banks are private owned, 11% are employed in foreign banks while 67% are employed by local banks limited by shares. The responses to this question are shown in Figure 4.6. Further analysis of the responses to this question gave a variance of 1.305 and a standard deviation of 1.14225.

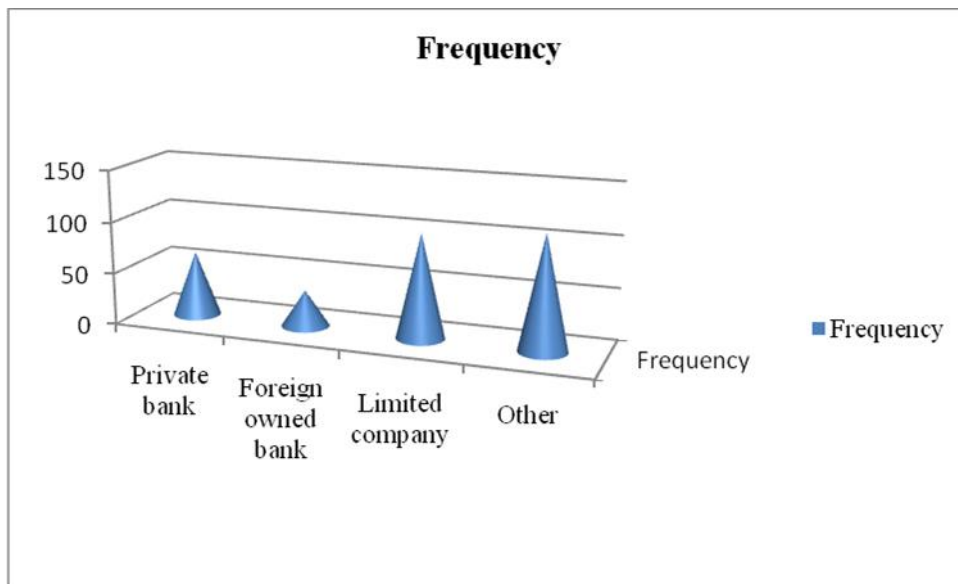


Figure 4.6. Bank ownership

4.2.9. Size of the bank

The size of an organization influences the amount of investment given to the human resources function and also how the employees are managed. According to Gurbuz and Mert (2011) the strategic role of HR in larger firms may be more widespread than small and medium sized firms. If the organization is large it may have a well financed and well structured human resources departments with clear roles, however, if the organization is small, it may not have well structured human resources departments and as well may not invest heavily on HR related activities. The size of the bank was determined by the value of assets owned by the banks and number of branches. Banks with assets over Ksh 5billion were classified as large, assets between Kshs 3billion and Kshs 5billion as medium, and assets of less than 3billion as small. When the question on the size of the bank was asked and the responses analyzed, it was found that most of the banks (66.6 %) were medium, 30.3% were large while only 3.2% were classified as small. The responses to this question are shown in Figure 4.7. This shows that most banks are big enough to exert considerable influence on the sector.

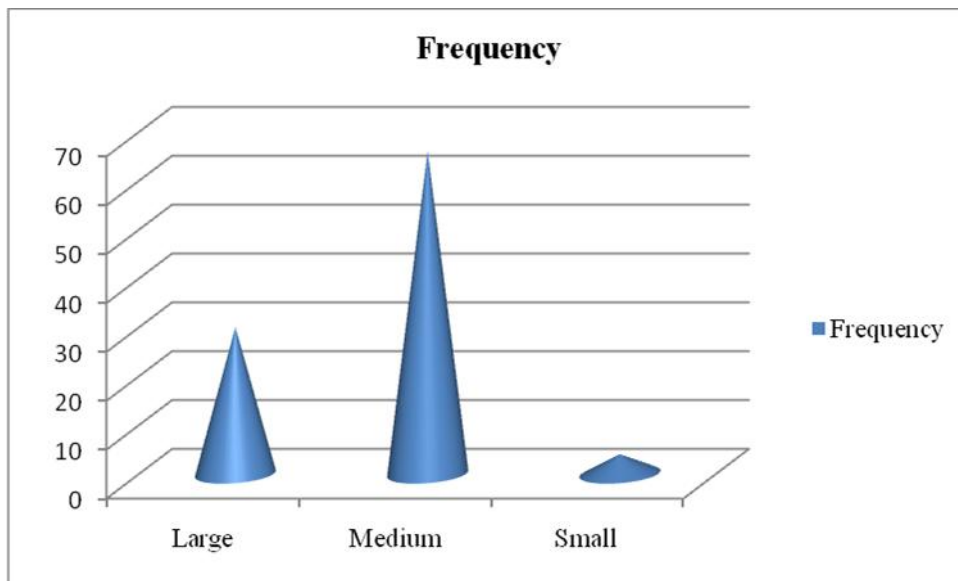


Figure 4.8. Size of the bank

4.2.10. Value of assets

The value of assets in an organization determines its size (Aktar & Sachu, 2012). When the responses to the question on value of assets were analyzed it was found that 10.3% of the respondents said that their bank had assets worth less than 3 billion shillings, 30% said that their banks had assets worth between 3 and 5 billion shillings while 67% said that their banks had assets worth over 5 billion. The responses to this question are presented in Figure 4.8. From the study it was found that most commercial banks in Kenya had invested heavily in assets. This shows that they have confidence in the growth of the sector.

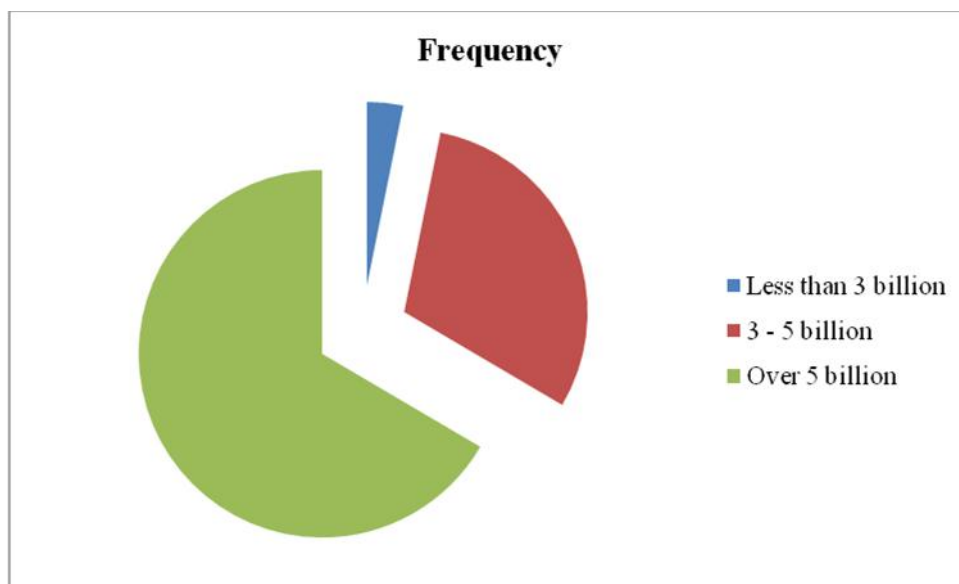


Figure 4.9. Value of assets

4.2.11. Number of branches

The number of branches that an organization owns has a bearing on its size (Adegoroye, Oladejo & Moruf, 2012). When the employees were asked the number of branches that their bank had, all the respondents' responses to the question on number of branches owned by the bank they

worked for. Analysis of the responses to this question revealed that majority of the banks (30%) have between 11 and 20 branches throughout the country while 7 banks have less than 5 branches. Only 9 out of the 38 banks investigated have more than 20 branches. However interviews with the human resources managers and CEOs found that 65% of the banks had opened agents to serve customers in areas where they did not have branches. The responses to this question are shown in Figure 4.9.

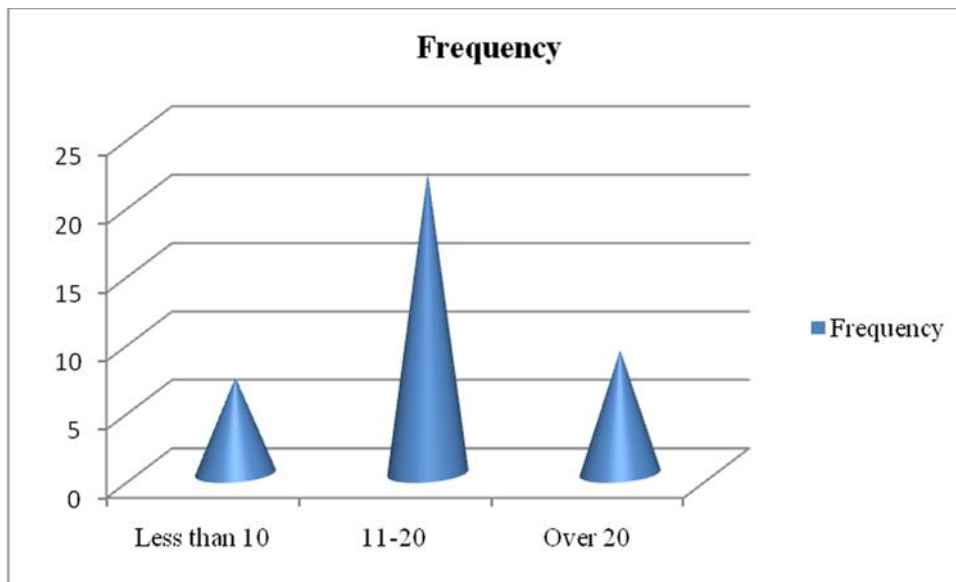


Figure 4.9. Number of branches

4.2.12. Number of employees

The number of employees of any organization influences its human resources management practices(Adegoroye, Oladejo & Moruf, 2012; Aktar & Sachu, 2012). Those organizations with many employees will have clear human resources departments with clear roles while organizations with few employees may not have clear human resources departments and may instead delegate the HR roles to other line departments. The researcher sought to determine the size of the work stations by establishing the number of employees. The higher the number of employees,

considering that all operations of the organization are automated, the more the operations and hence the bigger the size of the bank. The employees can be at management and low cadre levels. When the responses to the number of employees were analyzed, it was found that the majority of the commercial banks in Kenya (75%) have more than 1500 employees, 25% of the banks have between 500 and 1500 employees while 5% have less than 500. From the study it was found that most banks (51%) have over 1500 employees. The response to this question is presented in Figure 4.10. Further analysis of the responses to this question gave a variance of 3.875 and a standard deviation of 1.96846.

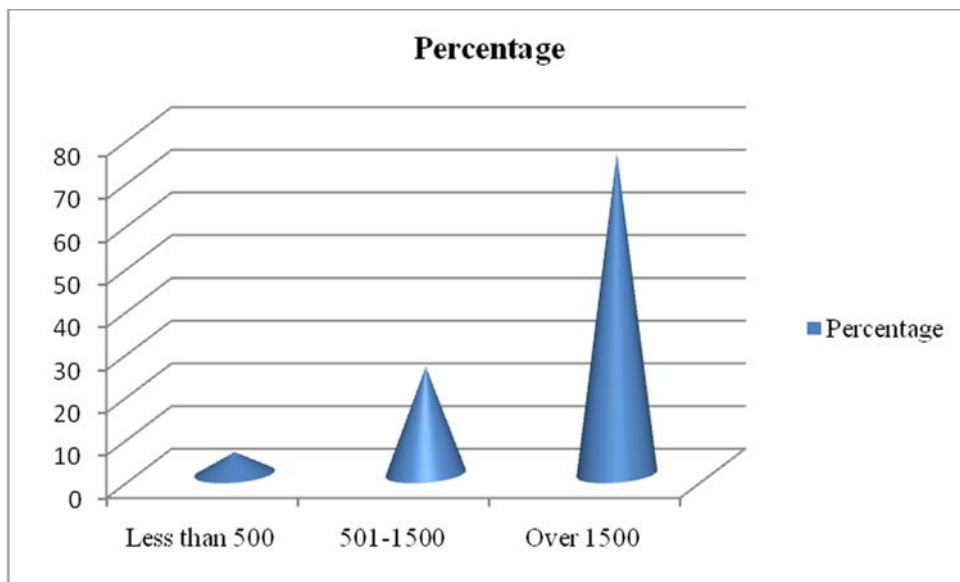


Figure 4.10. Number of employees

4.2.13. Annual turnover

Analysis of the question on annual turnover found that 33 respondents representing 10.5% worked for banks with an annual turnover of less than 10 billion shillings while 281 respondents representing 89.5% worked for banks with an annual turnover of over 10 billion shillings. These

responses are shown in Table 4.12. When the responses to the question on annual turnover were analyzed to get the descriptive statistics the responses gave a variance of .094 and a standard deviation of .30717.

Table 4.12. Annual turnover

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3 Billion – 10 Billion	33	10.5	10.5	10.5
	over 10 Billion	281	89.5	89.5	100.0
	Total	314	100.0	100.0	
Total		314	100.0	100.0	

4.2.14. Registered capital

When descriptive analysis of the responses to the question on the registered capital of the bank was done, a variance of .297 and a standard deviation of .54475 were obtained. From the study it was found that 3.2% or 10 respondents worked for a bank with a registered capital of less than Kshs 3 billion, 95 respondents or 30% worked for banks with a registered capital of between Kshs 3 and 5 billion while 209 respondents representing 66.6% worked for a bank with a registered capital of over Kshs 5 billion. The responses to this question are shown in Table 4.13.

Table 4.13. Registered capital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 3 billion	10	3.2	3.2	3.2
	3 billion – 5billion	95	30.3	30.3	33.4
	Over 5 billion	209	66.6	66.6	100.0
Total		314	100.0	100.0	

4.2.15. Monthly salary

When the employees were asked to state their monthly salaries 183 (58.3%) indicated that their salary was over 80,000 shillings, 16 (5.1%) said that they earned between 60,000 shillings and 80,000 shillings, 71 (22.6%) earn between 40,000 shillings and 60,000 shillings while 42 (13.4%) earn between 20,000 shillings and 40,000 shillings. The response to this question is presented in Figure 4.11. This shows that most bank employees are well paid in comparison to other sectors of the economy. Further analysis of the responses to this question gave a variance of 1.401 and a standard deviation of 1.18357.

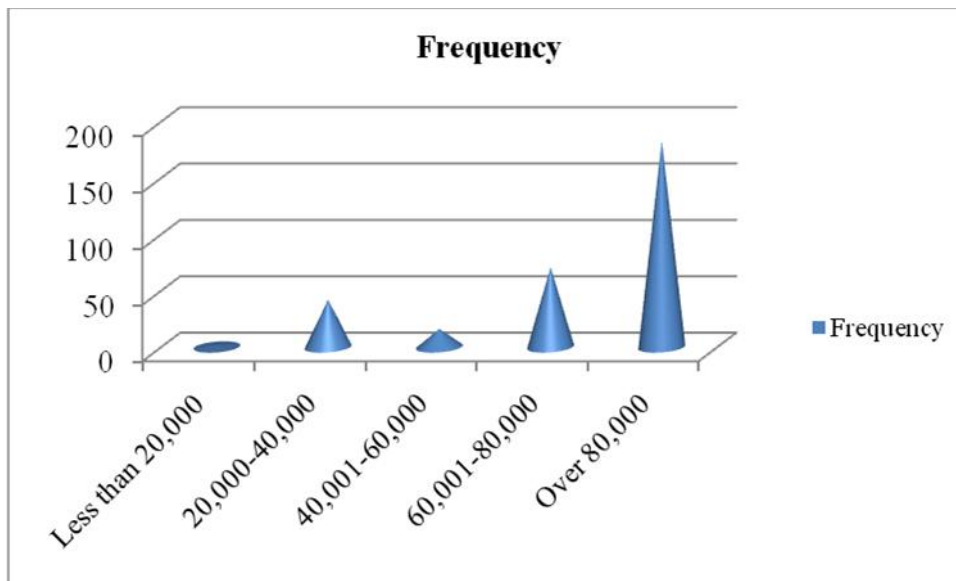


Figure 4.11. Monthly salary

4.2.16. Existence of Human Resource Policies

The study question aimed to establish whether respondents' organization had a set human resource management practices and if the practices were clear to all employees. During the interview, the respondents were asked to mention the human resource management policies that existed in the organization. The aim of this interview question was to establish if the employees knew the human

resource management policies used in the bank. According to the findings, most respondents interviewed indicated that there is a set human policies set within their organization. This implies that most of the commercial banks had well outlined human resource policies that are clear to everyone in the organization that gives directive on service delivery.

4.3. Qualitative data analysis

4.3.1. Factor analysis for employee recruitment and selection strategies

When factor analysis on employee recruitment and selection was done only one component was extracted for the 13 items. However one item was dropped from further analysis because it had a loading value that was lower than 0.4 hence it was not logically appropriate for inclusion. Analysis of the factor loading revealed that qualification and experience are the main factors considered during selection had the highest value at 0.853, the bank recruitment process ensures that very qualified candidates are attracted had a value of 0.820, the selection system followed in the bank are highly scientific and rigorous had a value of 0.784, the bank retains high quality employees had a value of 0.758, valid and standardized tests are used when required in the selection process had a value of 0.751, the bank has an employee recruitment policy had a value of 0.726, in the bank, line managers and human resource manager participate in the selection process had a value of 0.726, the bank always selects only the highest quality employees had a value of 0.663, selection systems in the bank select those having the desired knowledge, skills and attitudes had a value of 0.722, the bank takes measures to attract good quality employees had a value of 0.588 while , to be selected in this bank you must know someone had a value of 0.440 and non performers are encouraged to leave the bank had the lowest value at 0.407. One variable (the recruitment and selection outcome affects the performance of the bank with a loading value of 0.091) was suppressed and dropped

from further analysis because it had a value of less than 0.4. This information is shown in Table 4.14.

Table 4.14. Factor analysis for employee recruitment and selection strategies

Component Matrix ^a	
	Component 1
The bank recruitment process ensures that very qualified candidates are attracted	.820
The selection system followed in the bank are highly scientific and rigorous	.784
The bank retains high quality employees	.783
Valid and standardized tests are used when required in the selection process	.758
The bank has an employee recruitment policy	.751
In the bank, line managers and human resource manager participate in the selection process	.726
The bank always selects only the highest quality employees	.722
Selection systems in the bank select those having the desired knowledge, skills and attitudes	.663
The bank takes measures to attract good quality employees	.588
To be selected in this bank you must know someone	.440
Non performers are encouraged to leave the bank	.407
The recruitment and selection outcome affects the performance of the bank	.091

Note: The bolded item was dropped from further analysis

4.3.2. Reliability analysis for recruitment and selection strategies

Reliability of the measurement instruments was analyzed using a Cronbach's alpha coefficient. This helped to determine the level of accuracy and reliability of the obtained data from the study. Cronbach's alpha was considered appropriate since according to Zinbarg (2005), Cronbach's alpha is a coefficient of reliability that gives an estimation of data generalization without any bias.

When reliability analysis was done using Cronbach's Alpha for the items, before removing and after removing the inadequate indicator, it was found that the value was 0.804 before removing while it increased to 0.818 after removing the inadequate indicator. Therefore the internal consistency reliability of the measure was excellent. This indicates that the data was reliable since

a Cronbach's alpha coefficient value of between 0.804 to 0.818 was obtained on the research variables. This was above 0.75 and an alpha coefficient higher than 0.75 signifies that the gathered data has a relatively high internal consistency and could be generalized to reflect the respondents' opinions on the study problem. This information is shown in Table 4.15.

Table 4.15. Reliability analysis for recruitment and selection strategies

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Before Extracting a	Number of Items
Before removing the inadequate Indicator	0.804	13
After removing the inadequate Indicator	0.818	12

4.3.3. Factor analysis for training and development strategies

When factor analysis on training and development was done only one component was extracted for the 15 items. However four items were suppressed and dropped from further analysis because they had a loading that was lower than 0.4. Analysis of the factor loading revealed that the variable that the bank ensures that employees have the skills required to perform their duties had the highest loading value of 0.855. The other variables had loading values as follows: employees in each job will normally go through training programs every year had a loading value of 0.837, the bank conducts extensive training programs for its employees in all aspects of quality had a loading value of 0.833, new knowledge and skills are imparted to employees periodically to work in teams had a loading value of 0.813, employees are trained to take up more responsibilities and other jobs in future had a loading value of 0.750, training needs are identified through a formal performance appraisal mechanism had a loading value of 0.746, training has led to increased teamwork had a loading value of 0.701, training employees helps in improving their performance had a loading value of 0.673, the bank has a training budget every year had a loading value of 0.666, there are formal training programs to teach new employees the skills they need to perform their jobs had a

loading value of 0.603, while training needs identified are realistic, useful and based on the business strategy of the organization had a loading value of 0.589. The following items were dropped from further analysis because they had loading values below 0.4: training employees affects the market share by attracting customers with a loading value of 0.180, training and development has a great effect on bank performance with a loading value of -0.173, training and development affects the profits of a bank had a loading value of -0.121 and training and development affects the rate of growth of a bank with a loading value of 0.104. These results are presented in Table 4.16.

Table 4.16. Factor Analysis showing Training and development strategies

Component Matrix ^a	
	Component 1
The bank ensures that employees have the skills required to perform their duties	.855
Employees in each job will normally go through training programs every year	.837
The bank conducts extensive training programs for its employees in all aspects of quality	.833
New knowledge and skills are imparted to employees periodically to work in teams	.813
Employees are trained to take up more responsibilities and other jobs in future	.750
Training needs are identified through a formal performance appraisal mechanism	.746
Training has led to increased teamwork	.701
Training employees helps in improving their performance	.673
The bank has a training budget every year	.666
There are formal training programs to teach new employees the skills they need to perform their jobs	.603
Training needs identified are realistic, useful and based on the business strategy of the organization	.589
Training employees affects the market share by attracting customers	.180
Training and development has a great effect on bank performance	-.173
Training and development affects the profits of a bank	-.121

Note: The bolded item was dropped from further analysis

4.3.4. Reliability analysis for training and development strategies

When reliability analysis was done using Cronbach's Alpha for the items, before removing and after removing the inadequate indicator, it was found that the value was 0.861 before removing while it increased to 0.914 after removing the inadequate indicator. According to Sekaran (2000), the closer the Cronbach's alpha is to one, the higher the internal consistency reliability. Therefore, these results indicate that the data collected was reliable since the alpha coefficient values of between 0.861 and 0.914 which were very close to one were obtained on the research variables. This were above 0.75 and an alpha coefficient higher than 0.75 signifies that the gathered data has a relatively high internal consistency and could be generalized to reflect the respondents opinions on the study problem. This information is shown in Table 4.17.

Table 4.17. Reliability analysis for training and development strategies

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Before Extracting a	Number of Items
Before removing the inadequate Indicator	0.861	15
After removing the inadequate Indicator	0.914	11

4.3.5. Factor analysis on employee relations strategies

When factor analysis on employee relations was done only one component was extracted for the 13 items. However three items were dropped from further analysis because they had loading values that were lower than 0.4. Analysis of the factor loading revealed that good employee relations lead to increased performance in this bank had the highest loading value of 0.888. The loading values of other items were as follows: employee relations affects the profits of your bank had a loading

value of 0.877, employee relations affects your banks market share by attracting customers had a loading value of 0.865, employee relations affects the rate of growth of this bank had a loading value of 0.824, a formal environment is sustained between employees and managers/ supervisors had a loading value of 0.816, the nature of relationship between employees and the managers affects the employee performance had a loading value of 0.697, the bank involves the employees and unions in making decisions that affect employees had a loading value of 0.648, employee performance affects the performance of this bank had a loading value of 0.571, employees are provided opportunity to suggest improvements in the way things are done here had a loading value of 0.529 while the employees in the bank are asked by their superiors to participate in operations related decisions had a loading value of 0.406, the following items were dropped from further analysis because they had loading values of less than 0.4: employees in the bank are allowed to make decisions related to cost and quality matters with a loading value of 0.330, an informal / family like environment is sustained between employees and managers/ supervisors in this bank with a loading value of 0.179 and the bank strives to maintain a harmonious work environment with a loading value of 0.143. This information is presented in table 4.18.

Table 4.18. Component matrix showing Factor loading on employee relations strategies

Component Matrix ^a	
	Component 1
Good employee relations lead to increased performance in this bank	.888
Employee relations affects the profits of your bank	.877
Employee relations affects your banks market share by attracting customers	.865
Employee relations affects the rate of growth of this bank	.824
A formal environment is sustained between employees and managers/ supervisors	.816
The nature of relationship between employees and the managers affects the employee performance	.697
The bank involves the employees and unions in making decisions that affect employees	.648
Employee performance affects the performance of this bank	.571
Employees are provided opportunity to suggest improvements in the way things are done here.	.529

Employees in the bank are asked by their superiors to participate in operations related decisions.	.406
Employees in the bank are allowed to make decisions related to cost and quality matters.	.330
An informal / family like environment is sustained between employees and managers/ supervisors in this bank	.179
The bank strives to maintain a harmonious work environment	.143

Note: The bolded item was dropped from further analysis

4.3.6. Reliability analysis for employee relations strategies

When reliability analysis was done using Cronbach's Alpha for the items, before removing and after removing the inadequate indicator, it was found that the value was 0.885 before removing while it reduced to 0.669 after removing the inadequate indicator. This information is shown in Table 4.19.

Table 4.19. Reliability analysis for employee relations strategies

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Before Extracting a	Number of Items
Before removing the inadequate Indicator	0.885	13
After removing the inadequate Indicator	0.669	10

4.3.7. Factor analysis on reward and compensation strategies

When factor analysis on employee reward and compensation strategies was done only one component was extracted for the 12 items. However none of the items was dropped from further analysis because none had a loading that was lower than 0.4. Analysis of the factor loading revealed that the rewards offered by the bank have an effect on employee performance had the highest loading value of 0.865, good employee rewards affect the profits of a bank had a loading value of 0.835, the compensation for all employees is directly linked to his/her performance had a loading value of 0.804, rewards affect the market share of the banks by attracting customers had a loading value of 0.801, employee rewards affects the rate of growth of a bank had a loading value of 0.786, in the bank, salary and other benefits are comparable to the market had a loading value of

0.727, the bank ensures that its rewards can attract and retain high quality employees had a loading value of 0.713, good rewards have a positive effect on the performance of the bank had a loading value of 0.672, job performance is an important factor in determining the incentive compensation of employees had a loading value of 0.664, in the bank, compensation is decided on the basis of competence or ability of the employee had a loading value of 0.601, in the bank, profit sharing is used as a mechanism to reward higher performance had a loading value of 0.482 while the bank has ensured that salaries are competitive had the lowest loading value of 0.369. This information is shown in Table 4.20.

Table 4.20. Component matrix showing Factor loading on reward and compensation strategies

Component Matrix ^a	
	Component 1
The rewards offered by the bank have an effect on employee performance	.865
Good employee rewards affect the profits of a bank	.835
The compensation for all employees is directly linked to his/her performance.	.804
Rewards affect the market share of the banks by attracting customers	.801
Employee rewards affects the rate of growth of a bank	.786
In the bank, salary and other benefits are comparable to the market.	.727
The bank ensures that its rewards can attract and retain high quality employees	.713
Good rewards have a positive effect on the performance of the bank	.672
Job performance is an important factor in determining the incentive compensation of employees.	.664
In the bank, compensation is decided on the basis of competence or ability of the employee.	.601
In the bank, profit sharing is used as a mechanism to reward higher performance.	.482
The bank has ensured that salaries are competitive	.369

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

4.3.8. Reliability analysis for reward and compensation strategies

When reliability analysis was done using Cronbach's Alpha for the items, it was found that a value was 0.899 was obtained. No items were removed and therefore reliability analysis was not done for before and after dropping. This indicates that the data was reliable since a coefficient value of between 0.899 was obtained on the research variables. This was above 0.75 because according to Nunnally's (1978) 0.7 criterion an alpha coefficient higher than 0.7 signifies that the gathered data has a relatively high internal consistency and could be generalized to reflect the respondents opinions on the study problem. This information is shown in Table 4.21.

Table 4.21. Reliability analysis for reward and compensation strategies

Reliability Statistics	
Cronbach's Alpha	Number of Items
.899	12

4.3.9. Factor loading on performance

When factor analysis on performance was done only one component was extracted for the 18 items. However two items were dropped from further analysis because they had a loading that was lower than 0.4. Analysis of the factor loading revealed that human resource strategies have led to increased market share had the highest loading value of 0.889, return on equity had a loading value of 0.884, human resource management strategies have led to increased total shareholder return had a loading value of 0.884, human resource strategies have led to increased return on assets and profits had a loading value of 0.858, growth rate of sales revenue had a loading value of 0.858, return on assets had a loading value of 0.851, return on investment had a loading value of 0.834, profitability had a loading value of 0.828, human resource strategies have led to increased account

holders had a loading value of 0.787, human resource strategies have led to growth rate of revenue had a loading value of 0.755, market share had a loading value of 0.732, human resource strategies have led to increased sales had a loading value of 0.597, the quality of employees has a positive effect on a banks market share had a loading value of 0.496, the type of employee has a positive effect on the growth of a bank had a loading value of 0.465, financial strength e.g. Liquidity had a loading value of 0.463 while the type of employees has an effect on the profits of a bank had the lowest loading value of 0.418. The two items that were dropped from further analysis were: the employees of a bank have a great effect on performance of banks with a loading value of 0.335 and the quality of employees has a positive effect on performance with a loading value of 0.331. This information is shown in table 4.22.

Table 4.22. Component matrix showing Factor loading on performance

Component Matrix^a

	Component
	1
Human resource strategies have led to increased market share	.889
Return on equity	.884
Human resource strategies have led to increased total shareholder return	.884
Human resource strategies have led to increased return on assets and profits	.858
Growth rate of sales revenue	.858
Return on assets	.851
Return on investment	.834
Profitability	.828
Human resource strategies have led to increased account holders	.787
Human resource strategies have led to growth rate of revenue	.755
Market share	.732
Human resource strategies have led to increased sales	.597
The quality of employees has a positive effect on a banks market share	.496
The type of employee has a positive effect on the growth of a bank	.465
Financial strength e.g. liquidity	.463
The type of employees has an effect on the profits of a bank	.418
The employees of a bank have a great effect on performance of banks	.335
The quality of employees has a positive effect on performance	.331

Note: The bolded item were dropped from further analysis

4.3.10. Reliability analysis for performance

When reliability analysis was done using Cronbach's Alpha for the items, before removing and after removing the inadequate indicator, it was found that the value was 0.939 before removing while it increased to 0.943 after removing the inadequate indicator. This indicates that the data was reliable since a coefficient value of between 0.939 was obtained on the research variables. This was above 0.75 and an alpha coefficient higher than 0.75 signifies that the gathered data has a relatively high internal consistency and could be generalized to reflect the respondents' opinions on the study problem. This information is shown in Table 4.23.

Table 4.23. Reliability analysis for performance

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Before Extracting a	Number of Items
Before removing the inadequate Indicator	0.939	18
After removing the inadequate Indicator	0.943	16

4.3.11. Factor Analysis on specific performance indicators

When factor analysis was done on the factors that were used to show performance, it was discovered that out of the all the items, only one factor/ component was selected. From the given table, the component comprises of the following items: Profitability, Return on assets, Growth rate of sales revenue, Return on investment, Return on equity, Market share and Financial strength e.g. liquidity. The associated probability in the Bartlett's test of Sphericity is lower than 0.05 (0.000) therefore it is small enough to reject the null hypotheses. This means that the correlations matrix is not an identity matrix. This information is shown in Table 4.24.

Table 4.24. KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.915
	Approx. Chi-Square	2135.007
Bartlett's Test of Sphericity	Df	21
	Sig.	.000

Further analysis revealed that profitability had the highest extraction value at 0.852, return on assets had an extraction value of 0.851, growth rate of sales revenue had an extraction value of 0.830, return on investment had an extraction value of 0.797, return on equity had an extraction

value of 0.767, market share had an extraction value of 0.660 and financial strength e.g. Liquidity had the lowest extraction value of 0.439. This information is shown in Table 4.25.

Table 4.25. Commonalities on specific performance indicators

Commonalities		
	Initial	Extraction
Market share	1.000	.660
Growth rate of sales revenue	1.000	.830
Financial strength e.g. liquidity	1.000	.439
Return on equity	1.000	.767
Return on assets	1.000	.851
Profitability	1.000	.852
Return on investment	1.000	.797

Extraction Method: Principal Component Analysis

Analysis was also done to show all the factors extractable from the analysis along with the eigenvalues, the percent of variance attributable to each factor and the cumulative variance of the factor and the previous factors. From the analysis it was found that the first factor (profitability) accounts for 74.2% variance. All the other factors are not significant. These results are shown in Table 4.26.

Table 4.26. Total variance of performance explained

Component	Total Variance Explained					
	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.196	74.232	74.232	5.196	74.232	74.232
2	.757	10.808	85.040			
3	.399	5.703	90.744			
4	.196	2.799	93.542			

5	.178	2.548	96.091
6	.150	2.145	98.236
7	.123	1.764	100.000

Extraction Method: Principal Component Analysis

Rotation was also done to reduce the number of factors on which the variables under investigation have high loadings. From the analysis it was found that all the items were substantially loaded on the one factor (component). Profitability and return on assets had the highest loading of 0.923, growth of sales revenue had a loading of 0.911, Return on investment had a loading of 0.893, Return on equity had a loading of 0.876, Market share had a loading of 0.812 while Financial strength e.g. liquidity had the lowest loading of 0.663. These results are presented in Table 4.27.

Table 4.27. Component matrix on specific performance indicators

Component Matrix^a

	Component 1
Profitability	.923
Return on assets	.923
Growth rate of sales revenue	.911
Return on investment	.893
Return on equity	.876
Market share	.812
Financial strength e.g. liquidity	.663

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

4.4. Descriptive statistics

4.4.1. Employee recruitment and selection strategies

When the responses to the statement that the selection system followed in the bank are highly scientific and rigorous, were analyzed it was found that 37% of the respondents strongly agreed, 21% agreed, 24% were neutral, 2% disagreed while only 6% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that

the bank uses a highly scientific and rigorous selection system. Analysis of the statement that line managers and human resource manager participate in the selection process was also done and it was found that, 49% of the respondents strongly agreed, 33% agreed, 16% were neutral, 2% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 1, meaning that the majority of the respondents agreed line managers and human resource manager participate in the selection process.

When the responses to the statement that valid and standardized tests are used when required in the selection process were analyzed, it was found that 17% of the respondents strongly agreed, 59% agreed, 19% were neutral, 4% disagreed while only 16% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that valid and standardized tests are used when required in the selection process. Analysis of the statement that the selection systems in the bank select those having the desired knowledge, skills and attitudes was also done. From the analysis, it was found that 18% of the respondents strongly agreed with the statement, 53% agreed, 28% were neutral, 1% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the selection system in the bank selects those employees having the desired knowledge, skills and attitudes

When the responses to the statement that the bank recruitment process ensures that very qualified candidates are attracted were analyzed, it was found that 31% strongly agreed, 42%, agreed, 15% were neutral, 10% disagreed while 2% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the bank recruitment process ensures that very qualified candidates are attracted. Analysis of the statement that the bank retains high quality employees revealed that 13% of the respondents strongly agreed, 39% agreed,

31% were neutral, 13% disagreed while 4% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the bank retains high quality employees

When the responses to the statement that the non performers are encouraged to leave the bank were analyzed it was found that 13% of the respondents strongly agreed, 16% agreed, 37% were neutral, 20% disagreed while 12% strongly disagreed. Further analysis revealed a mode of 3 and a median of 3, meaning that the majority of the respondents were neutral to the statement that the non performers are encouraged to leave the bank

Analysis of the responses to the statement that to be selected in this bank you must know someone revealed that none of the respondents strongly agreed, 14%, agreed, 42% were neutral, 22% disagreed while 22% strongly disagreed. Further analysis revealed a mode of 3 and a median of 3, meaning that the majority of the respondents were neutral to the statement that to be selected in this bank you must know someone. This means that to be employed in the bank you do not need to know anyone.

When the responses to the statement that the qualification and experience are the main factors considered during selection were analyzed, it was found that 21% of the respondents strongly agreed, 45%, agreed, 23% were neutral, 10% disagreed while 2% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that qualification and experience are the main factors considered during selection. This means that in the commercial banks people with high qualification and experience are considered for employment.

Analysis of the responses to the statement that the bank takes measures to attract good quality employees revealed that 13% of the respondents strongly agreed, 59%, agreed, 17% were neutral, 11% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the bank takes measures to attract good quality employees. This means the banks normally take actions to attract good quality employees.

When the responses to the statement that the bank always selects only the highest quality employees were analyzed, it was found that 1% of the respondents strongly agreed, 40%, agreed, 33% were neutral, 23% disagreed while 3% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the bank always selects only the highest quality employees. This means high quality employees are selected in the commercial banks.

Analysis of the responses to the statement that the bank has an employee recruitment policy revealed that 25% of the respondents strongly agreed, 53%, agreed, 12% were neutral, 8% disagreed while 3% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed with the statement that the bank has an employee recruitment policy. This means that commercial banks in Kenya have recruitment policies and that the employees are aware of the policies. The responses to the statements are presented in Table 4.28.

Table 4.28. Descriptive statistics on employee recruitment and selection strategies

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation
The selection system followed in the bank are highly scientific and rigorous	21%	37%	24%	12%	6%	2.4490	1.13847
In the bank, line managers and human resource manager participate in the selection process	49%	33%	16%	2%	0%	1.7070	.79343
Valid and standardized tests are used when required in the selection process	17%	59%	19%	4%	1%	2.1401	.77467
Selection systems selects those having desired knowledge, skills and attitudes	18%	53%	28%	1%	0%	2.1369	.71298
The bank recruitment process ensures that very qualified candidates are attracted	31%	42%	15%	10%	2%	2.1051	1.01668
The bank retains high quality employees	13%	39%	31%	13%	4%	2.5573	1.00711
Non performers are encouraged to leave	13%	16%	37%	20%	12%	3.2293	2.36014
To be selected in this bank you must know someone	0%	14%	42%	22%	22%	3.5255	.98275
Qualification and experience are the main factors considered during selection	21%	45%	23%	10%	2%	2.2611	.94681
The bank has measures to attract quality employees	13%	59%	17%	11%	0%	2.2675	.82981
The bank always selects only the highest quality employees	1%	40%	33%	23%	3%	2.8758	.87229
The bank has a recruitment policy	25%	53%	12%	8%	3%	2.1210	.97148
The recruitment and selection outcome affects the performance of the bank	43%	35%	16%	4%	2%	1.8025	1.03880

4.4.2. Training and development strategies

When the responses to the statement that the bank conducts extensive training programs for its employees in all aspects of quality were analyzed, it was found that 43% of the respondents strongly agreed, 32%, agreed, 16% were neutral, 7% disagreed while 3% strongly disagreed. Further analysis revealed a mode of 2 and a median of 1, meaning that the majority of the respondents agreed that the bank conducts extensive training programs for its employees in all aspects of quality. This shows that commercial banks are conducting trainings.

Analysis of the responses to the statement that employees in each job will normally go through training programs every year, revealed that 45% of the respondents strongly agreed, 24%, agreed, 6% were neutral, 20% disagreed while 5% strongly disagreed. Further analysis revealed a mode of 2 and a median of 1, meaning that the majority of the respondents were in agreement with the statement that employees in each job will normally go through training programs every year. This means that commercial banks offer training programs annually.

When the responses to the statement that the training needs are identified through a formal performance appraisal mechanism were analyzed it was found that 19% of the respondents strongly agreed, 48%, agreed, 19% were neutral, 9% disagreed while 4% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that training needs are identified through a formal performance appraisal mechanism. This means that training needs are identified before training is done.

Analysis of the responses to the statement that there are formal training programs to teach new employees the skills they need to perform their jobs, revealed that 16% of the respondents strongly agreed, 60%, agreed, 16% were neutral, 8% disagreed while 1% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that there are formal training programs to teach new employees the skills they need to perform their jobs. This means that there are formal training programs in commercial banks.

When the responses to the statement that new knowledge and skills are imparted to employees periodically to work in teams were analyzed it was found that, 26% of the respondents strongly agreed, 43%, agreed, 19% were neutral, 12% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents

agreed that new knowledge and skills are imparted to employees periodically to work in teams. This means that new knowledge is imparted to help employees do their work.

Analysis of the responses to the statement that training needs identified are realistic, useful and based on the business strategy of the organization revealed that 13% of the respondents strongly agreed, 45%, agreed, 34% were neutral, 5% disagreed while 2% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that needs identified are realistic, useful and based on the business strategy of the organization. This means that there is a good link between the training and the business strategy of the bank.

When the responses to the statement that the bank has a training budget every year were analyzed it was found that 35% of the respondents strongly agreed, 48%, agreed, 13% were neutral, 3% disagreed while 1% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the bank has a training budget every year. Therefore commercial banks have set budgets for trainings and this shows the seriousness with which training is treated in commercial banks.

Analysis of the responses to the statement that training has led to increased teamwork revealed that 20% of the respondents strongly agreed, 45%, agreed, 22% were neutral, 12% disagreed while 13% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that training has led to increased teamwork. This means that the respondents were able to observe positive changes in terms of teamwork in the bank after the trainings.

When the responses to the statement that the employees are trained to take up more responsibilities and other jobs in future were analyzed it was found that 8% of the respondents strongly agreed,

58% agreed, 20% were neutral, 13% disagreed while 2% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that employees are trained to take up more responsibilities and other jobs in future. This means that the training offered by commercial banks has a future/ strategic approach.

Analysis of the responses to the statement that training employees helps in improving their performance revealed that 36% of the respondents strongly agreed, 46%, agreed, 17% were neutral, 2% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents were in agreement with the statement that training employees helps in improving their performance. This means that training bank employees leads to improvements in performance.

When the responses to the statement that the bank ensures that employees have the skills required to perform their duties were analyzed it was found that 25% of the respondents strongly agreed, 50%, agreed, 18% were neutral, 7% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the bank ensures that employees have the skills required to perform their duties. This shows that banks train employees in the areas relevant to the work they do. The responses to the statements are presented in Table 4.29.

Table 4.29. Descriptive statistics on training and development strategies

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Std. Deviation
The bank conducts extensive training programs for its employees in all aspects of quality	43%	32%	16%	7%	3%	1.9427	1.04678
Employees in each job will normally go through training programs every year	45%	24%	6%	20%	5%	2.1561	1.31270
Training needs are identified through a	19%	48%	19%	9%	4%	2.2994	1.00773

formal performance appraisal mechanism							
There are formal training programs to teach new employees the skills they need to perform their jobs	16%	60%	16%	8%	1%	2.1879	.82283
New knowledge and skills are imparted to employees periodically to work in teams	26%	43%	19%	12%	0%	2.1720	.94702
Training needs identified are realistic, useful and based on the business strategy of the organization	13%	45%	34%	5%	2%	2.3854	.86163
The bank has a training budget every year	35%	48%	13%	3%	1%	1.8694	.83388
Training has led to increased teamwork	20%	45%	22%	12%	1%	2.2930	.96760
Employees are trained to take up more responsibilities and other jobs in future	8%	58%	20%	13%	2%	2.4236	.86587
Training employees helps in improving their performance	36%	46%	17%	2%	0%	1.8535	.76934
The bank ensures that employees have the skills required to perform their duties	25%	50%	18%	7%	0%	2.0605	.84189

4.4.3. Employee relations strategies

Analysis of the responses to the statement that employees in the bank are asked by their superiors to participate in operations related decisions revealed that 12.4% of the respondents strongly agreed, 38.2%, agreed, 30.9% were neutral, 14% disagreed while 4.5% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that employees in the bank are asked by their superiors to participate in operations related decisions. This means that there is involvement of employees in the affairs of the banks.

When the responses to the statement that the employees are provided opportunity to suggest improvements in the way things are done here were analyzed it was found that 1.3% of the respondents strongly agreed, 66.2%, agreed, 24.8% were neutral, 7.6% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the

majority of the respondents agreed that employees are provided opportunity to suggest improvements in the way things are done here. This means that banks consult their employees on how to improve the performance.

Analysis of the responses to the statement that the bank involves the employees and unions in making decisions that affect employees revealed that 22% of the respondents strongly agreed, 42%, agreed, 15.3% were neutral, 18.2% disagreed while 2.5% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the bank involves the employees and unions in making decisions that affect employees. This means that there is involvement of employees in the running of the banks either individually or through unions.

When the responses to the statement that the nature of relationship between employees and the managers affects the employee performance were analyzed it was found that 24.8% of the respondents strongly agreed, 47.5%, agreed, 20.7% were neutral, 0.6% disagreed while 6.4% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the nature of relationship between employees and the managers affects the employee performance. Therefore it is important to keep good relations between management and employees in order to improve performance.

Analysis of the responses to the statement that employee performance affects the performance of this bank revealed that 21.3% of the respondents strongly agreed, 60.5%, agreed, 18.2% were neutral, none disagreed or strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that employee performance affects the performance of this bank. If the employees perform well then the bank also performs well and vice versa.

When the responses to the statement that a formal environment is sustained between employees and managers/ supervisors were analyzed it was found that 17.2% of the respondents strongly agreed, 54.1%, agreed, 20.4% were neutral, 1.3% disagreed while 7%strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that a formal environment is sustained between employees and managers/ supervisors

Analysis of the responses to the statement that good employee relations lead to increased performance in this bank revealed that 22.9% of the respondents strongly agreed, 62.4%, agreed, 7.6% were neutral, 7% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that good employee relations lead to increased performance in this bank.

When the responses to the statement that the employee relations affects the profits of your bank were analyzed it was found that 22.9% of the respondents strongly agreed, 54.1%, agreed, 19.7% were neutral, 3.2% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that employee relations affect the profits of the bank. This means that employee relations affect profits of banks.

Analysis of the responses to the statement that employee relations affects your banks market share by attracting customers revealed that 21.7% of the respondents strongly agreed, 48.7%, agreed, 27.1% were neutral, 2.5% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that employee relations affect the banks market share by attracting customers. if the bank has good employee relations the image of the bank is improved leading to more customers been attracted to open accounts.

When the responses to the statement that the employee relations affects the rate of growth of this bank were analyzed it was found that 23.6% of the respondents strongly agreed, 52.9%, agreed, 14% were neutral, 9.6% disagreed while none strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that employee relations affect the rate of growth of this bank. Therefore from analysis of this section it is found that good employee relations affect the performance and growth of commercial banks. The response to the statements is presented in Table 4.30.

Table 4.30. Descriptive statistics on employee relations strategies

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
Employees in the bank are asked by their superiors to participate in operations related decisions.	12.4%	38.2%	30.9%	14.0%	4.5%	2.5987	1.01968
Employees are provided opportunity to suggest improvements in the way things are done here.	1.3%	66.2%	24.8%	7.6%	.0%	2.3885	.64595
The bank involves the employees and unions in making decisions that affect employees	22.0%	42.0%	15.3%	18.2%	2.5%	2.5032	.96006
The nature of relationship between employees and the managers affects the employee performance	24.8%	47.5%	20.7%	.6%	6.4%	2.3726	1.09224
Employee performance affects the performance of this bank	21.3%	60.5%	18.2%	.0%	.0%	2.1624	1.01540
A formal environment is sustained between employees and managers/ supervisors	17.2%	54.1%	20.4%	1.3%	7.0%	1.9682	.62861
Good employee relations lead to increased performance in this bank	22.9%	62.4%	7.6%	7.0%	.0%	3.3057	4.07856
Employee relations affects the profits of your bank	22.9%	54.1%	19.7%	3.2%	.0%	2.2675	.99444
Employee relations affects your banks market share by attracting customers	21.7%	48.7%	27.1%	2.5%	.0%	1.9873	.76661

Employee relations affects the rate of growth of this bank	23.6%	52.9%	14.0%	9.6%	.0%	2.0318	.74491
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4.4.4. Reward and compensation strategies

When the responses to the statement that the job performance is an important factor in determining the incentive compensation of employees were analyzed it was found that 24% of the respondents strongly agreed, 51% agreed, 22% were neutral, 2% disagreed while 1% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that job performance is an important factor in determining the incentive compensation of employees in commercial banks in Kenya.

Analysis of the responses to the statement that in the bank, salary and other benefits are comparable to the market revealed that 14% of the respondents strongly agreed, 48% agreed, 19% were neutral, 13% disagreed while 5% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2 meaning that the majority of the respondents agreed that in the bank, salary and other benefits are comparable to the market. This means that commercial banks in Kenya offer comparatively similar rewards and compensation.

When the responses to the statement that in the bank, compensation is decided on the basis of competence or ability of the employee were analyzed it was found that 2% of the respondents strongly agreed, 39% agreed, 40% were neutral, 11% disagreed while 7% strongly disagreed. Further analysis revealed a mode of 3 and a median of 3, meaning that the majority of the

respondents were neutral to the statement that in the bank, compensation is decided on the basis of competence or ability of the employee. This shows that majority of the respondents were not aware of how compensation is determined.

Analysis of the responses to the statement that the compensation for all employees is directly linked to his/her performance revealed that 12% of the respondents strongly agreed, 24% agreed, 43% were neutral, 16% disagreed while 5% strongly disagreed. Further analysis revealed a mode of 3 and a median of 3, meaning that the majority of the respondents were neutral to the statement that the compensation for all employees is directly linked to his/her performance. This means that the respondents were not very sure of that the bank linked an employee's compensation to his / her performance.

When the responses to the statement that in the bank, profit sharing is used as a mechanism to reward higher performance were analyzed it was found that 13% of the respondents strongly agreed, 20% agreed, 45% were neutral, 14% disagreed while 7% strongly disagreed. Further analysis revealed a mode of 3 and a median of 3, meaning that the majority of the respondents were neutral to the statement that in the bank, profit sharing is used as a mechanism to reward higher performance. This means that most respondents were not sure if the bank uses profit sharing to reward them.

Analysis of the responses to the statement that the bank ensures that salaries are competitive revealed that 5% of the respondents strongly agreed, 57% agreed, 27% were neutral, 9% disagreed while 2% strongly disagreed. Further analysis revealed a mode of 2 and a median of 1, meaning that the majority of the respondents agreed that the commercial banks in Kenya have ensured that

salaries are competitive. This means that the employees felt that the salaries offered to them were competitive.

When the responses to the statement that the rewards offered by the bank have an effect on employee performance were analyzed it was found that 28% of the respondents strongly agreed, 42% agreed, 22% were neutral, 8% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed the rewards offered by the bank have an effect on employee performance.

Analysis of the responses to the statement that good rewards have a positive effect on the performance of the bank revealed that 24% of the respondents strongly agreed, 63% agreed, 13% were neutral, none disagreed or strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that good rewards have a positive effect on the performance of the bank. This means that rewards have a positive effect on performance of employees.

When the responses to the statement that the bank ensures that its rewards can attract and retain high quality employees were analyzed it was found that 23% of the respondents strongly agreed, 52% agreed, 20% were neutral, 4% disagreed while 1% strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed the commercial banks ensure that its rewards can attract and retain high quality employees.

Analysis of the responses to the statement that good employee rewards affect the profits of a bank revealed that 22% of the respondents strongly agreed, 48% agreed, 16% were neutral, 14% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a

median of 2, meaning that the majority of the respondents agreed that good employee rewards affect the profits of a bank.

When the responses to the statement that the rewards affect the market share of the banks by attracting customers were analyzed it was found that 22% of the respondents strongly agreed, 48% agreed, 15% were neutral, 14% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the rewards affect the market share of the banks by attracting customers.

Analysis of the responses to the statement that employee rewards affects the rate of growth of a bank revealed that 24% of the respondents strongly agreed, 50% agreed, 13% were neutral, 8% disagreed while 6% strongly disagreed. Further analysis revealed a mode of 2 and a median of 1, meaning that the majority of the respondents agreed that employee rewards affects the rate of growth of a bank. The responses to the statements are presented in Table 4.31.

Table 4.31. Descriptive statistics on employee reward and compensation strategies

	S agree	Agree	Neutral	Disagree	S Disagree	Mean	SD
Job performance is an important factor in determining the incentive compensation of employees.	24%	51%	22%	2%	1%	2.0446	.79811
In the bank, salary and other benefits are comparable to the market.	14%	48%	19%	13%	5%	2.4713	1.05480
In the bank, compensation is decided on the basis of competence or ability of the employee.	2%	39%	40%	11%	7%	2.8280	.92656
The compensation for all employees is directly linked to his/her performance.	12%	24%	43%	16%	5%	2.7739	1.01576
In the bank, profit sharing is used as a mechanism to reward higher performance.	13%	20%	45%	14%	7%	2.0605	.84189
The bank has ensured that salaries are competitive	5%	57%	27%	9%	2%	2.9013	1.31827
The rewards offered by the bank have an effect on employee performance	28%	42%	22%	8%	0%	2.4427	.80229
Good rewards have a positive effect on the performance of the bank	24%	63%	13%	0%	0%	2.0892	.89640
The bank ensures that its rewards can attract and retain high quality employees	23%	52%	20%	4%	1%	1.9013	.62417
Good employee rewards affect the profits of a bank	22%	48%	16%	14%	0%	2.0764	.80764
Rewards affect the market share of the banks by attracting customers	22%	48%	15%	14%	0%	2.2134	.94700
Employee rewards affects the rate of growth of a bank	24%	50%	13%	8%	6%	2.2229	.96321

4.4.5. Performance of commercial banks

The respondents were asked to compare the performance of their bank in terms of market share with that of the leading banks in the sector. Analysis of the responses to this statement established that 13.1% of the respondents felt that the performance of their bank was very high, 30.6% felt it was high, 36% were neutral, 14.3% felt it was low while 6.1% of the respondents said the performance of their bank was very low. Further analysis revealed a mode of 3 and a median of 3, meaning that the majority of the respondents were neutral in their response. This shows that most respondents did not know the level of their banks performance in comparison to market leaders in the sector.

The respondents were asked to compare the performance of their bank in terms of growth rate of sales revenue with that of the leading banks in the sector. Analysis of the responses to this statement established that 13.1% of the respondents felt that the performance of their bank was very high, 55.1% said it was high, 15% were neutral, 13.7% said it was low 3.2% of the respondents said the performance of their bank was very low. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents felt that their bank had grown highly.

The respondents were asked to compare the performance of their bank in terms of financial strength e.g. Liquidity with that of the leading banks in the sector. Analysis of the responses to this statement established that 10.8% of the respondents felt that the performance of their bank was very high, 58.3% said it was high, 25.5% were neutral, 4.8% said it was low while 0.6% of the respondents said the performance of their bank was very low. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents felt that the performance of the bank was high.

The respondents were asked to compare their performance in terms of return on equity with that of the leading banks in the sector. Analysis of the responses to this statement established that 12.4% of the respondents felt that the performance of their bank was very high, 49% said it was high, 27.1% were neutral, 10.2% said it was low while 1.3% of the respondents said the performance of their bank was very low. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents felt that the performance of the bank was high.

When the respondents were asked to compare their performance in terms of return on assets with that of the leading banks in the sector. Analysis of the responses to this statement established that 11.8% of the respondents felt that the performance of their bank was very high, said it was high, 19.1% were neutral, 7.6% said it was low while 2.5% of the respondents said the performance of their bank was very low. Further analysis revealed a mode of 2 and a median of 1, meaning that the majority of the respondents felt that the performance of the bank was high.

The respondents were asked to compare their performance in terms of profitability with that of the leading banks in the sector. Analysis of the responses to this statement established that 13.1% of the respondents felt that the performance of their bank was very high, 51.6% said it was high, 17.5% were neutral, 17.2% said it was low while 0.6% of the respondents said the performance of their bank was very low. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents felt that the performance of the bank was high.

When the respondents were asked to compare their performance in terms of return on investment with that of the leading banks in the sector. Analysis of the responses to this statement established that 12.4% of the respondents felt that the performance of their bank was very high, 60.8% said it was high, 17.2% were neutral, 7.6% said it was low while 1.9% of the respondents said the

performance of their bank was very low. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents felt that the performance of the bank was high. The response to the statements are presented in Table 4.32.

Table 4.32. Descriptive statistics on performance

	Very High		Neutral	Very low		Mean	Standard deviation
Market share	13.1%	30.6%	36.0%	14.3%	6.1%	2.6975	1.06086
Growth rate of sales revenue	13.1%	55.1%	15.0%	13.7%	3.2%	2.3885	.98324
Financial strength e.g. liquidity	10.8%	58.3%	25.5%	4.8%	.6%	2.2611	.73824
Return on equity	12.4%	49.0%	27.1%	10.2%	1.3%	2.3885	.87675
Return on assets	11.8%	58.9%	19.1%	7.6%	2.5%	2.3025	.86880
Profitability	13.1%	51.6%	17.5%	17.2%	.6%	2.4076	.94213
Return on investment	12.4%	60.8%	17.2%	7.6%	1.9%	2.2580	.84238

4.4.6. Human resources management strategies

Analysis of the responses to the statement that human resource strategies have led to increased return on assets and profits revealed that 15.3% of the respondents strongly agreed, 51.6% agreed, 25.5% were neutral, 7.6% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that human resource strategies have led to increased return on assets and profits.

When the responses to the statement that the human resource strategies have led to increased market share were analyzed it was found that 15.3% of the respondents strongly agreed, 49.4%

agreed, 28.3% were neutral, 7% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the human resource strategies have led to increased market share.

Analysis of the responses to the statement that human resource strategies have led to increased total shareholder return revealed that 15.9% of the respondents strongly agreed, 44.6% agreed, 29.9% were neutral, 9.6% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that human resource strategies have led to increased total shareholder return.

When the responses to the statement that the quality of employees has a positive effect on performance were analyzed it was found that 30.9% of the respondents strongly agreed, 59.6% agreed, 7% were neutral, 2.5% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the quality of employees has a positive effect on performance.

Analysis of the responses to the statement that the type of employees has an effect on the profits of a bank revealed that 28% of the respondents strongly agreed, 64% agreed, 5.1% were neutral, 2.9% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that the type of employees has an effect on the profits of a bank.

When the responses to the statement that the type of employee has a positive effect on the growth of a bank were analyzed it was found that 22.6% of the respondents strongly agreed 61.5% agreed, 14% were neutral, 1.9% disagreed while none of them strongly disagreed. Further analysis revealed a mode of 2 and a median of 2, meaning that the majority of the respondents agreed that

the type of employee has a positive effect on the growth of a bank. The responses to the statements are presented in Table 4.33.

Table 4.33. Descriptive statistics on human resources management strategies

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
Human resource strategies have led to increased return on assets and profits	15.3%	51.6%	25.5%	7.6%	.0%	2.2548	.80656
Human resource strategies have led to increased market share	15.3%	49.4%	28.3%	7.0%	.0%	2.2707	.80333
Human resource strategies have led to increased total shareholder return	15.9%	44.6%	29.9%	9.6%	.0%	2.3312	.85639
Human resource strategies have led to increased sales	2.2%	68.8%	15.0%	14.0%	.0%	2.4076	.75374
Human resource strategies have led to increased account holders	14.0%	55.1%	16.2%	13.7%	1.0%	2.3248	.91293
Human resource strategies have led to growth rate of revenue	19.1%	48.1%	29.3%	3.5%	.0%	2.1720	.77235
The quality of employees has a positive effect on performance	30.9%	59.6%	7.0%	2.5%	.0%	1.8121	.66859
The type of employees has an effect on the profits of a bank	28.0%	64.0%	5.1%	2.9%	.0%	1.8280	.64623
The type of employee has a positive effect on the growth of a bank	22.6%	61.5%	14.0%	1.9%	.0%	1.9236	.62984

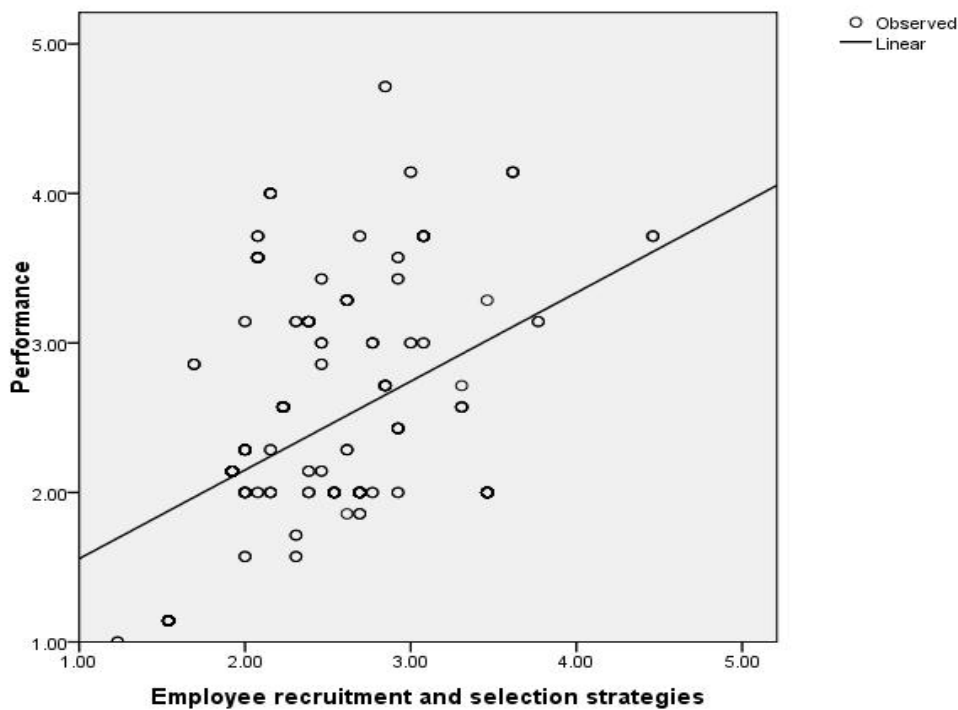
4.5. Research hypotheses test results

In order to achieve the objectives designed for this study, the research hypotheses were tested. The statistical test results (regression and correlation analyses) of each null hypothesis at 95% confidence level are as shown in the hypotheses that follow:

H1a: Employee recruitment and selection strategies have a significant effect on the performance of commercial banks in Kenya.

From the research it was found that there is a positive linear relationship between employee recruitment selection strategies and Performance. This shows that the two variables co-vary. Therefore as recruitment and selection strategies are been used the performance of commercial banks also improves. The relationship between resourcing strategies and performance is shown in figure 4.13.

Figure 4.13. Scatter Plot and Regression Line showing the relationship between employee resourcing strategies and performance



Correlation analysis was done in order to determine the existence of a relationship and the nature of relationship between employee recruitment and selection strategies and performance of commercial banks. A Pearson correlation coefficient of 0.462 (p-value = 0.000) was obtained.

This confirms that there is a significant positive linear relationship between employee recruitment and selection strategies and Performance of commercial banks. Recruitment and selection is positively correlated to performance. This means that the variables co-vary. The results of the analysis are shown in Table 4.34.

Table 4.34. Correlations coefficient showing the relationship between employee recruitment and selection strategies and performance

		Correlations	
		Employee Recruitment and Selection	
		Performance	Strategies
Performance	Pearson Correlation	1	.462**
	Sig. (2-tailed)		.000
	N	314	314
Employee Recruitment and Selection Strategies	Pearson Correlation	.462**	1
	Sig. (2-tailed)	.000	
	N	314	314

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

Regression analysis was done to determine the effect of recruitment and selection strategies and performance and the following results were obtained. The results of the analysis are shown in Table 4.35.

Table 4.35. Model summary showing employee recruitment and selection strategies

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.462 ^a	.214	.211	.69025

a. Predictors: (Constant), Employee Recruitment and Selection Strategies

Further analysis of the employee recruitment and selection strategies obtained an adjusted R^2 of 21.1%. This implies that the simple linear model with employee recruitment and selection strategies as the independent variable explains 21.1% of the variations in performance. This means that when recruitment and selection strategies were used the performance of commercial banks changed by 21.1%.

Table 4.36. ANOVA results showing the effect of employee recruitment and selection strategies on performance

ANOVA^b

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	40.439	1	40.439	84.876	.000 ^a
	Residual	148.652	312	.476		
	Total	189.091	313			

b. Predictors: (Constant), Employee Recruitment and Selection Strategies

c. Dependent Variable: Performance

A regression analysis was done to determine the effect of recruitment and selection strategies on performance of commercial banks in Kenya. From the analysis a p-value less than 0.05 (p-value = 0.0000) was obtained. This implies that the simple linear model with employee recruitment and selection strategies as the only independent variable is significant. The results of the analysis are shown in Table 4.36.

Table 4.37. Coefficient results showing the relationship between employee recruitment and selection strategies and performance

Coefficients(a)

Model		Unstandardized coefficients		Standardized coefficient		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.964	.159		6.053	.000
	Employee Recruitment and Selection Strategies	.593	.064	.462	9.213	.000

a Dependent Variable: PERFORMANCE

Correlation coefficients show that employee recruitment and selection strategies (X_1) is significant (p-value = 0.0000) in influencing performance (Y). The results of the analysis are shown in Table 4.37. The fitted model from this analysis is shown below:

$$Y = 0.964 + 0.593X_1$$

4.5.1. Effect of gender on the perception of employees about the effect of recruitment and selection strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if gender has a significant effect on the perception of employees about the effect of recruitment and selection strategies on performance of commercial banks in Kenya. Since p(0.000) is less than alpha (= .05) we conclude that with the obtained data there is evidence of a significant effect of gender on the perception of employees about the effect of recruitment and selection strategies on performance of commercial banks in Kenya. The chi square value is 39.916. This means that gender affects the way the employees perceive the recruitment and selection strategies to affect performance of commercial banks in Kenya. The results of the analysis are shown in Table 4.38.

Table 4.38. Chi square test showing the effect of gender on employee perceptions about the effect recruitment and selection strategies on performance.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.916 ^a	2	.000
Likelihood Ratio	44.835	2	.000
N of Valid Cases	314		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 14.68

4.5.2. Effect of age on the perception of employees about the effect of employee recruitment and selection strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of age on the perception of employees about the effect of recruitment and selection strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha ($\alpha = .05$) we conclude that with the obtained data there is evidence of a significant effect of age on the perception of employees about the effect of recruitment and selection strategies on performance of commercial banks in Kenya. The chi square value is 73.073. This means that age affects the way the employees perceive recruitment and selection strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.39.

Table 4.39. Chi square test showing the effect of age on employee perceptions about the effect recruitment and selection strategies on performance

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	73.073 ^a	8	.000
Likelihood Ratio	86.136	8	.000
N of Valid Cases	314		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .41.

4.5.3. Effect of number of years worked on the perception of employees about the effect of employee recruitment and selection strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of the number of years worked on the perception of employees about the effect of recruitment and selection strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha (= .05) we conclude that with the obtained data there is evidence of a significant effect of number of years worked on the perception of employees about the effect of recruitment and selection strategies on performance of commercial banks in Kenya. The chi square value is 125.962. This means that the number of years worked affects the way the employees perceive recruitment and selection strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.40.

Table 4.40. Chi square test showing the effect of number of years worked on employee perceptions about the effect employee recruitment and selection strategies on performance

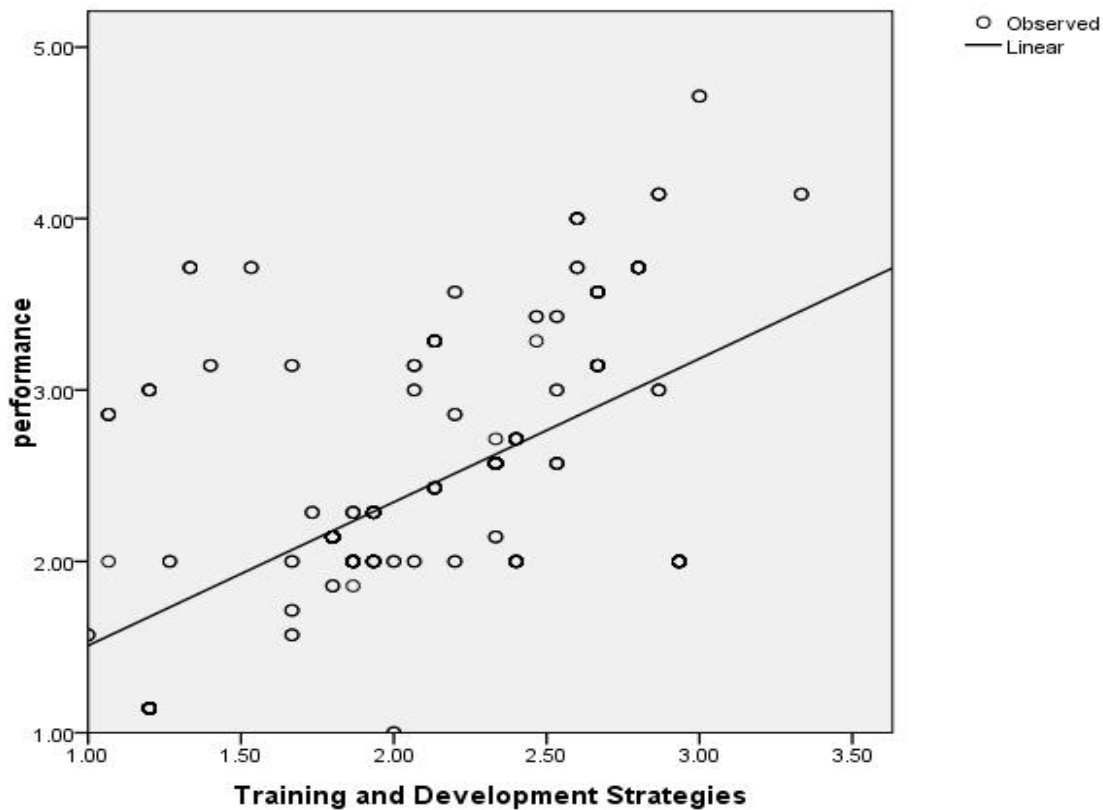
Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	125.962 ^a	8	.000
Likelihood Ratio	139.362	8	.000
N of Valid Cases	314		

a. 1 cells (6.7%) have expected count less than 5. The minimum expected count is 1.63.

H2: Training and development strategies have a significant effect on the performance of commercial banks in Kenya.

From the research it was found that there is a positive linear relationship between training and development strategies and Performance. This shows that the two variables co-vary. Therefore as training and development strategies are been used the performance of commercial banks also improves. The relationship between training and development strategies and performance is shown in figure 4.14.

Figure 4.14. Scatter Plot and Regression Line showing the relationship between training and development strategies and performance



Correlation analysis was done in order to determine the existence of a relationship and the nature of relationship between employee training and development strategies and performance of commercial banks in Kenya. A Pearson correlation coefficient of 0.579 (p-value = 0.000) was obtained. This confirms that there is a significant and strong positive linear relationship between employee training and development strategies and Performance of commercial banks. This means that the variables co-vary- the more training and development is been done, the higher the level of performance. These results are shown in Table 4.41.

Table 4.41. Correlations coefficient showing the relationship between training and development strategies and performance

Correlations			
		Performance	Training and Development Strategies
Performance	Pearson Correlation	1	.579**
	Sig. (2-tailed)		.000
	N	314	314
Training and Development Strategies	Pearson Correlation	.579**	1
	Sig. (2-tailed)	.000	
	N	314	314

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

Regression analysis was done to determine the effect of training and development strategies on performance. This analysis of the training and development strategies obtained an adjusted R² of 33.4%. This implies that the simple linear model with training and development strategies as the independent variable explains 33.4% of the variations in performance of commercial banks in

Kenya. This means that when training and development strategies were used the performance of commercial banks changed by 33.4%. These results are shown in Table 4.42.

Table 4.42. Model summary showing training and development strategies

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.579 ^a	.336	.334	.63453

a. Predictors: (Constant), Training and Development Strategies

Table 4.43. ANOVA results showing the effect of training and development strategies on performance

ANOVA ^b						
Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	63.470	1	63.470	157.636	.000 ^a
	Residual	125.621	312	.403		
	Total	189.091	313			

b. Predictors: (Constant), Training and Development Strategies

c. Dependent Variable: Performance

From the analysis a p-value less than 0.05 (p-value = 0.0000) was obtained. This implies that the simple linear model with employee training and development strategies as the only independent variable is significant. The results of the analysis are shown in Table 4.43.

Table 4.44. Coefficient results showing the relationship between training and development strategies and performance

Model		Coefficients(a)				
		Unstandardized coefficients		Standardized coefficient		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.672	.141		4.760	.000
	Training and Development Strategies	.837	.067	.579	12.555	.000

a Dependent Variable: PERFORMANCE

Correlation coefficients show that employee training and development strategies (X₂) is significant (p-value = 0.0000) in influencing performance (Y). The results of the analysis are shown in Table 4.44. The fitted model from this analysis is:

$$Y = 0.672 + 0.837X_2$$

Hypotheses tests results suggest that training and development has a positive impact on business performance. The regression results support this hypothesis. This finding is consistent with previous studies indicating that the higher the training and development facility provided by the company, the higher the performance will be. In other words, training and development program is important factor for business performance of a company (Lee & Lee, 2007 & Abdullah, Ahsan & Alam, 2009).

4.5.4. Effect of gender on the perception of employees about the effect of training and development strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of gender on the perception of employees about the effect of training and development strategies on the performance of commercial banks in Kenya. Since $p(0.000)$ is less than alpha ($= .05$) we conclude that with the obtained data there is evidence of a significant effect of gender on the perception of employees about the effect of training and development strategies on performance of commercial banks in Kenya. The chi square value is 16.040. This means that gender affects the way the employees perceive training and development strategies to affect performance of commercial banks in Kenya. These findings are presented in Table 4.45.

Table 4.45. Chi square test showing the effect of gender on employee perceptions about the effect training and development strategies on performance.

Chi-Square Tests					
	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	16.040 ^a	1	.000		
Continuity Correction ^b	14.999	1	.000		
Likelihood Ratio	16.138	1	.000		
Fisher's Exact Test				.000	.000
N of Valid Cases	314				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 34.85.

b. Computed only for a 2x2 table

4.5.5. Effect of age on the perception of employees about the effect of employee training and development strategies on performance of commercial banks in Kenya.

A Chi square test was done to test the hypotheses that there is a significant effect of age on the perception of employees about the effect of training and development strategies on performance of

commercial banks in Kenya. Since $p(0.000)$ is less than $\alpha (= .05)$ we conclude that with the obtained data there is evidence of a significant effect of age on the perception of employees about the effect of training and development strategies on performance of commercial banks in Kenya. The chi square value is 72.792. This means that age affects the way the employees training and development strategies affect performance of commercial banks in Kenya. These findings are presented in Table 4.46.

Table 4.46. Chi square test showing the effect of age on employee perceptions about the effect training and development strategies on performance

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	72.792 ^a	4	.000
Likelihood Ratio	77.004	4	.000
N of Valid Cases	314		

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is .97.

4.5.6. Effect of number of years worked on the perception of employees about the effect of training and development strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of number of years worked on the perception of employees about the effect of training and development strategies on performance of commercial banks in Kenya. Since $p(0.000)$ is less than $\alpha (= .05)$ we conclude that with the

obtained data there is evidence of a significant effect of number of years worked on the perception of employees about the effect of training and development strategies on performance of commercial banks in Kenya. The chi square value is 26.133. This means that the number of years worked affects the way the employees perceive training and development strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.47.

Table 4.47. Chi square test showing the effect of number of years worked on employee perceptions about the effect training and development strategies on performance

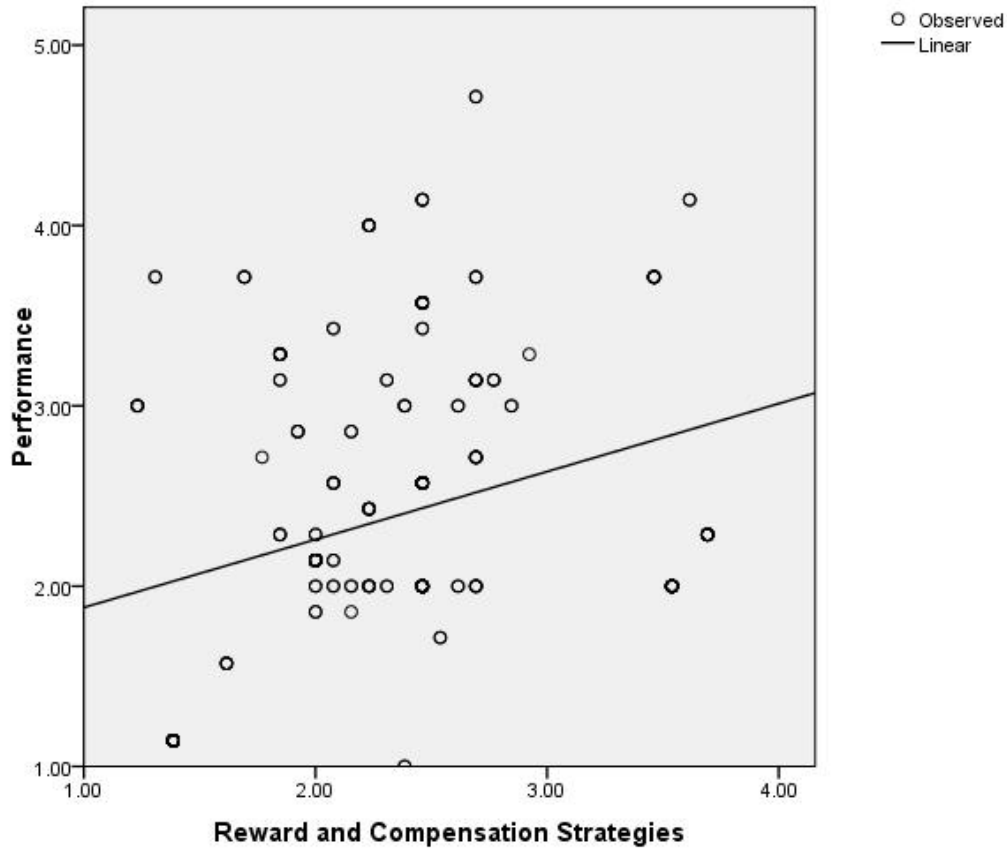
Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.133 ^a	4	.000
Likelihood Ratio	24.218	4	.000
N of Valid Cases	314		

a. 1 cells (10.0%) have expected count less than 5. The minimum expected count is 3.87.

H3: Employee reward and compensation strategies have a significant effect on the performance of commercial banks in Kenya.

From the research it was found that there is a positive linear relationship between employee reward and compensation strategies and performance of commercial banks in Kenya. This shows that the two variables co-vary. Therefore as reward and compensation strategies are been used the performance of commercial banks also improves. The relationship between reward and compensation strategies is shown in Figure 4.15.

Figure 4.15. Scatter Plot and Regression Line showing the relationship between reward and compensation strategies and performance



Correlation analysis was done in order to determine the existence of a relationship and the nature of relationship between employee reward and compensation strategies and performance of commercial banks in Kenya. A Pearson correlation coefficient of 0.309 (p-value = 0.000) was obtained. This confirms that there is a weak positive linear relationship between employee reward and compensation strategies and Performance of commercial banks. This means that the variables co-vary but only to a small extent. The results of this analysis are shown in Table 4.48.

Table 4.48. Correlations coefficient showing the relationship between reward and compensation strategies and performance

		Performance	Reward and Compensation Strategies
Performance	Pearson Correlation	1	.309**
	Sig. (2-tailed)		.000
	N	314	314
Reward and Compensation Strategies	Pearson Correlation	.309**	1
	Sig. (2-tailed)	.000	
	N	314	314

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

Regression analysis was done to determine the effect of reward and compensation strategies on performance. This analysis of the reward and compensation strategies obtained an adjusted R^2 of 9.2%. This implies that the simple linear model with reward and compensation strategies as the independent variable explains 9.2% of the variations in performance. This means that when reward and compensation strategies were used the performance of commercial banks changed by 9.2%. These results are presented in Table 4.49.

Table 4.49. Model summary showing reward and compensation strategies

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.309 ^a	.095	.092	.74049
a. Predictors: (Constant), Reward and Compensation Strategies				

Regression analysis was done to determine the effect employee reward and compensation strategies on performance of commercial banks in Kenya. From the analysis a p-value less than 0.05 (p-value = 0.0000) was obtained. This implies that the simple linear model with employee reward and compensation strategies as the only independent variable is significant. The results of the analysis are shown in Table 4.50.

Table 4.50. ANOVA results showing the effect of employee reward and compensation strategies on performance

ANOVA^b

Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	18.013	1	18.013	32.851	.000 ^a
	Residual	171.078	312	.548		
Total		189.091	313			

d. Predictors: (Constant), Reward and Compensation Strategies

e. Dependent Variable: Performance

Table 4.51. Coefficient results showing the relationship between reward and compensation strategies and performance

Coefficients(a)

Model		Unstandardized coefficients		Standardized coefficient		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.505	.159		9.443	.000
	Reward and Compensation	.377	.066	.309	5.732	.000
	Strategies					

a Dependent Variable: PERFORMANCE

Correlation coefficients show that employee reward and compensation Strategies (X4) is significant (p-value = 0.0000) in influencing performance (Y). The results of the analysis are shown in Table 4.51. The fitted model from this analysis is:

$$Y = 1.505 + 0.377X_4$$

The hypotheses tests results suggest that employee reward and compensation strategies have a positive impact on business performance. The regression results show non significant relationship with business performance. This study is counter to early study by Lee and Lee (2007). However the findings are consistent with those from an earlier study by Abdullah, Ahsan & Alam (2009).

4.5.7. Effect of gender on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if gender has a significant effect on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya. Since $p(0.000)$ is less than alpha ($= .05$) we conclude that with the obtained data there is a significant effect of gender on the perception of employees on the effect of reward and compensation strategies on performance of commercial banks in Kenya. The chi square value is 87.611. This means that gender affects the way the employees perceive reward and compensation strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.52.

Table 4.52. Chi square test showing the effect of gender on employee perceptions about the effect reward and compensation strategies on performance.

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	87.611 ^a	2	.000

Likelihood Ratio	98.194	2	.000
N of Valid Cases	314		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 20.18.

4.5.8. Effect of age on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of age on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha (= .05) we conclude that with the obtained data there is evidence of a significant effect of age on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya. The chi square value is 78.156. This means that age affects the way the employees perceive reward and compensation strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.53.

Table 4.53. Chi square test showing the effect of age on employee perceptions about the effect reward and compensation strategies on performance

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	78.156 ^a	8	.000

Likelihood Ratio	88.906	8	.000
N of Valid Cases	314		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .56.

4.5.9. Effect of number of years worked on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of number of years worked on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha (= .05) we conclude that with the obtained data there is evidence of a significant effect of number of years worked on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya. The chi square value is 86.479. This means that the number of years worked affects the way the employees perceive reward and compensation strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.54.

Table 4.54. Chi square test showing the effect of number of years worked on employee perceptions about the effect reward and compensation strategies on performance

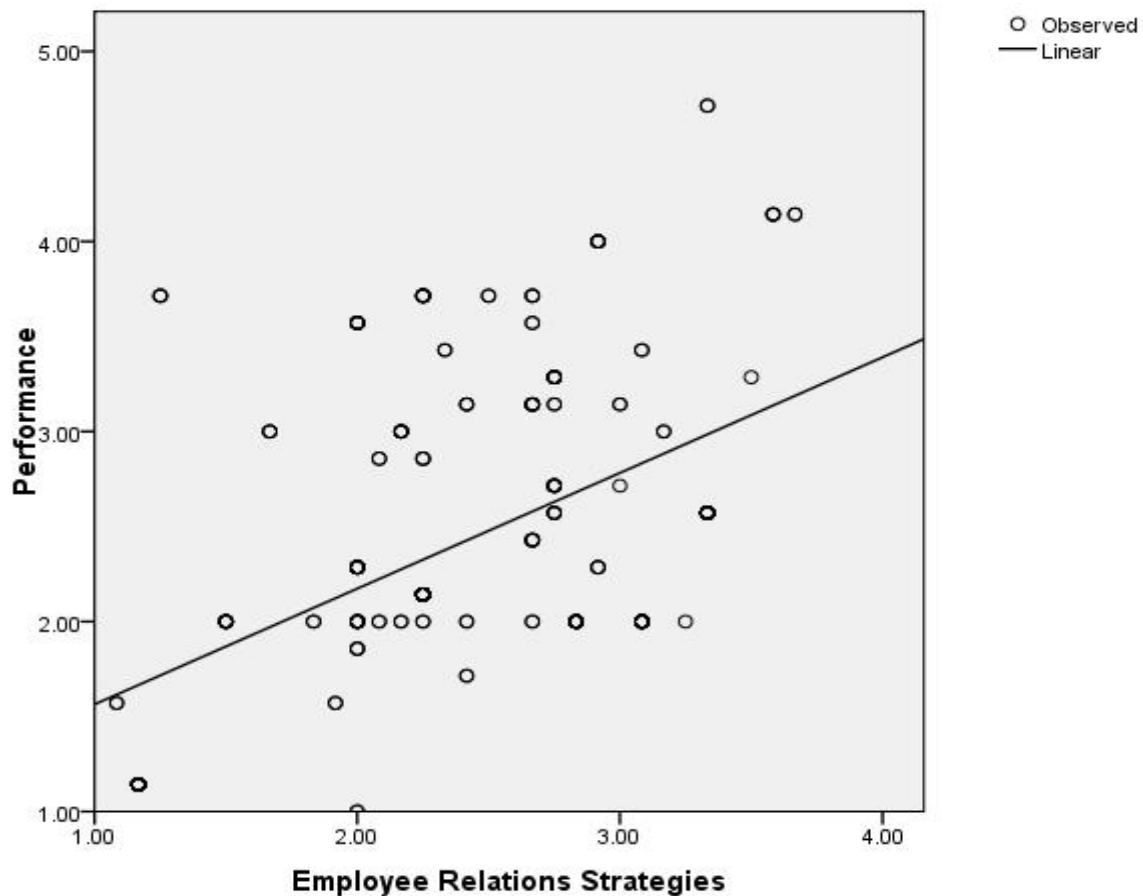
Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	86.479 ^a	8	.000
Likelihood Ratio	99.188	8	.000
N of Valid Cases	314		

a. 1 cells (6.7%) have expected count less than 5. The minimum expected count is 2.24.

H4: Employee relations strategies have a significant effect on the performance of commercial banks in Kenya.

From the research it was found that there is a positive linear relationship between employee relations strategies and Performance of commercial banks in Kenya. This shows that the two variables co-vary. Therefore as employee relations strategies are been used the performance of commercial banks also improves. These results are shown in Figure 4.16.

Figure 4.16. Scatter Plot and Regression Line showing the relationship between employee relations strategies and performance



Correlation analysis was done In order to determine the existence of a relationship and the nature of relationship between employee relations strategies and Performance of commercial banks in Kenya. A Pearson correlation coefficient of 0.513 (p-value = 0.000) was obtained. This confirms that there is a significant positive linear relationship between employee relations strategies and Performance of commercial banks. This means that the variables co-vary. The results of the analysis are shown in Table 4.55.

Table 4.55. Correlations coefficient showing the relationship between employee relations strategies and performance

Correlations			
		Performance	Employee relations strategies
Performance	Pearson Correlation	1	.513**
	Sig. (2-tailed)		.000
	N	314	314
Employee relations strategies	Pearson Correlation	.513**	1
	Sig. (2-tailed)	.000	
	N	314	314

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

Regression analysis was done to determine the effect of employee relations strategies on the performance. This analysis of the employee relations strategies obtained an adjusted R² of 26.1%. This implies that the simple linear model with employee relations strategies as the independent variable explains 26.1% of the variations in performance. This means that when employee relations strategies were used the performance of commercial banks changed by 26.1%. These results are shown in Table 4.56.

Table 4.56. Model summary showing employee relations strategies

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.513 ^a	.263	.261	.66832

a. Predictors: (Constant), Employee relations strategies

Table 4.57. ANOVA results showing the effect of employee relations strategies on performance

ANOVA ^b						
Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	49.737	1	49.737	111.358	.000 ^a
	Residual	139.353	312	.447		
	Total	189.091	313			

a. Predictors: (Constant), Employee relations strategies

b. Dependent Variable: Performance

A regression analysis was done to determine the effect employee relations strategies on performance of commercial banks in Kenya. From the analysis a P-value less than 0.05 (p-value = 0.0000) was obtained. This implies that the simple linear model with employee relations strategies as the only independent variable is significant. These results are shown in Table 4.57.

Table 4.58. Coefficient results showing the relationship between employee relations strategies and performance

Coefficients(a)					
Model	Unstandardized coefficients		Standardized coefficient		
	B	Std.	Beta	t	Sig.

		Error			
1	(Constant)	.956	.141		6.790 .000
	Employee relations strategies	.609	.058	.513	10.553 .000

a Dependent Variable: PERFORMANCE

Correlation coefficients show that employee relations strategies (X3) is significant

(p-value = 0.0000) in influencing performance (Y). The results of the analysis are shown in Table 4.58. The fitted model from this analysis is:

$$Y = 0.956 + 0.609X_3$$

Hypotheses tests results suggest that employee relations strategies positively affect business performance. The regression results support this hypothesis. This finding is consistent with studies by (Lee and Lee, 2007; Ahmad & Schroeder, 2003; Abdullah, Ahsan & Alam, 2009) which found that employee relations strategies have a significant relationship with business performance.

4.5.10. Effect of gender on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of gender on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha (= .05) we conclude that with the obtained data there is evidence of a significant effect of gender on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya. The chi square value is 20.733. This means that gender affects the way the employees perceive employee relations

strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.59.

Table 4.59. Chi square test showing the effect of gender on employee perceptions about the effect employee relations strategies on performance.

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.733 ^a	2	.000
Likelihood Ratio	20.939	2	.000
N of Valid Cases	314		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is 3.21.

4.5.11. Effect of age on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of age on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha (= .05) we conclude that with the obtained data there is evidence of a significant effect of age on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya. The chi square value is 78.650 This means that age affects the way the employees’ perceive employee relations strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.60.

Table 4.60. Chi square test showing the effect of age on employee perceptions about the effect employee relations strategies on performance

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	78.650 ^a	8	.000
Likelihood Ratio	51.183	8	.000
N of Valid Cases	314		

a. 7 cells (46.7%) have expected count less than 5. The minimum expected count is .09.

4.5.12. Effect of number of years worked on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of number of years worked on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha ($\alpha = .05$) we conclude that with the obtained data there is evidence of a significant effect of number of years worked on the perception of employees about the effect of employee relations strategies on performance of commercial banks in Kenya. The chi square value is 135.896. This means that the number of years worked affects the way the employees perceive employee relations strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.61.

Table 4.61. Chi square test showing the effect of number of years worked on employee perceptions about the effect employee relations strategies on performance

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	135.896 ^a	8	.000
Likelihood Ratio	74.302	8	.000
N of Valid Cases	314		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .36.

H5. Human resources management strategies have a significant effect of on performance

This study combined four HRM strategies into one regression, to see the overall effect on business performance. The results show that all the four are significant ($p < 0.05$). Regression analysis was done to determine the effect of the combined human resources management strategies on the performance. From this analysis of all the strategies an adjusted R^2 of 94% was obtained. This implies that the simple linear model with all the strategies as the independent variable explains 94% of the variations in performance of commercial banks in Kenya. This means that when all the strategies were used the performance of commercial banks changed by 94%. The results of the analysis are shown in Table 4.62.

Table 4.62. Model summary showing all combined human resources management strategies

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.970 ^a	.941	.940	.61464

A regression analysis was done to determine the effect of human resource management strategies on performance. From the analysis a p-value less than 0.05 (p-value = 0.0000) was obtained. This implies that the simple linear model with human resource management strategies as the independent variable is significant. The results of this analysis are shown in Table 4.63.

Table 4.63. ANOVA results showing all human resources management strategies

ANOVA						
Model		Sum of squares	Df	Mean square	F	Sig.
1	Regression	1859.970	4	464.992	1.231E3	.000
	Residual	117.112	310	.378		
	Total	1977.082 ^b	314			

Table 4.64. Coefficient results showing the relationship between the combined human resource management strategies and performance

Coefficients ^{a,b}						
Model		Unstandardized coefficients		Standardized coefficient		
		B	Std. Error	Beta	t	Sig.
1	Employee Recruitment and Selection Strategies	.235	.079	.232	2.992	.003
	Training and Development Strategies	.878	.113	.741	7.760	.000
	Employee relations strategies	.285	.074	.277	3.853	.000
	Reward and Compensation Strategies	-.288	.080	-.278	-3.599	.000

a Dependent Variable: PERFORMANCE

b. Linear Regression through the Origin

Correlation coefficients show that human resource management Strategies (X_1) is significant (p-value = 0.0000) in influencing performance (Y). The results of the analysis are shown in Table 4.64. The fitted model from this analysis is:

$$Y=0.235(x_1) + 0.878(x_2) + 0.285(x_3)+0.288(x_4)$$

From the findings of the correlation analysis it was noted that training and development has a very significant positive relationship with performance with a Beta value of 0.741. This finding shows that the commercial banks in Kenya are conducting training to a very high level and that the respondents felt that training is very highly related with performance. Employee recruitment and selection strategies and employee relations strategies had lower Beta values at .232 and .277 respectively. This shows that recruitment and selection strategies and employee relations strategies have a weaker relationship with performance. Of great interest is the revelation from the findings that reward and compensation in the banking sector in Kenya is negatively related to performance at a Beta value of -0.278. This means that most respondents felt that the rewards and compensation offered by the banks are low. This finding can be inferred based on the economic situation in the Kenyan banking environment. The Kenyan economy has not been doing very well and therefore the cost of living has become too high. This could be the main reason why the employees in the banking sector feel that they are poorly compensated.

4.5.13. Effect of gender on the perception of employees about the effect of human resource management strategies on the performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of gender on the perception of employees about the effect of human resource management strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha (= .05) we conclude that with the

obtained data there is evidence of a significant effect of gender on the perception of employees on the effect of human resource management strategies on performance of commercial banks in Kenya. The chi square value is 15.559. This means that gender affects the way the employees perceive human resource management strategies affect performance of commercial banks in Kenya. These findings are presented in Table 4.65.

Table 4.65. Chi square test showing the effect of gender on employee perceptions about the effect human resources management strategies on performance.

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.559 ^a	2	.000
Likelihood Ratio	15.646	2	.000
N of Valid Cases	314		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 19.72.

4.5.14. Effect of age on the perception of employees about the effect of human resource management strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of age on the perception of employees about the effect of human resource management strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha (= .05) we conclude that with the obtained data there is evidence of a significant effect of age on the perception of employees about the effect of human resource management strategies on performance of commercial banks in Kenya. The chi square value is 90.002. This means that age affects the way the employees perceive

human resource management strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.66.

Table 4.66. Chi square test showing the effect of age on employee perceptions about the effect human resource management strategies on performance

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	90.002 ^a	8	.000
Likelihood Ratio	71.850	8	.000
N of Valid Cases	314		

a. 5 cells (33.3%) have expected count less than 5. The minimum expected count is .55.

4.5.15. Effect of number of years worked on the perception of employees about the effect of human resource management strategies on performance of commercial banks in Kenya.

A Chi square test was done to test if there is a significant effect of number of years worked on the perception of employees about the effect of human resource management strategies on performance of commercial banks in Kenya. Since p (0.000) is less than alpha (= .05) we conclude that with the obtained data there is evidence of a significant effect of number of years worked on the perception of employees about the effect of human resource management strategies on performance of commercial banks in Kenya. The chi square value is 92.096. This means that the number of years worked affects the way the employees perceive human resource management strategies affects performance of commercial banks in Kenya. These findings are presented in Table 4.67.

Table 4.67. Chi square test showing the effect of number of years worked on employee perceptions about the effect human resource management strategies on performance

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	92.096 ^a	8	.000
Likelihood Ratio	70.243	8	.000
N of Valid Cases	314		

a. 2 cells (13.3%) have expected count less than 5. The minimum expected count is 2.19.

4.6. Discussion of Findings

4.6.1. Employee recruitment and selection strategies

In this study correlation analysis revealed that there is a positive and statistically significant relationship between employee recruitment and selection and performance of commercial banks in Kenya. From this study, it was also found that there is evidence of a significant effect of employee recruitment and selection strategies on the performance of commercial banks in Kenya. When employee recruitment and selection strategies were used, the performance of commercial banks improved by 21.1%. These findings of this study are in agreement with those from a previous study by Christine (2003) who found that recruitment policies linked with the overall organization strategy enables the organization to obtain the right number of people it needs i.e. the selection of appropriate job candidates which in turn leads to improved performance. These findings are also consistent with the findings from a study done by Zhu et al. (2005) which found a positive relationship between employee resourcing and organizational effectiveness. In this study, employee recruitment and selection was found to have a direct positive effect on employee skills.

Interviews with the human resources managers and supervisors revealed that when employee recruitment and selection was done well the company was able to attract highly skilled and knowledgeable workers which in turn led to high performance. This results are consistent with the findings of other previous studies by Katou and Budhwar (2009); Christine (2003); Zhu et al. (2005); Adegroye, Oladejo and Moruf (2012) who found that when the human resource practices are internally consistent and well integrated with business strategy, they help to develop a human resources pool that adds value to the firm and in turn enhances firm performance. This also supports the findings of previous studies by Bae and Lawler (2000) and Wright et al., (1995) who got similar results in their respective studies. These findings are also consistent with Terpstra and Rozell's (1993) study of the relationship between recruiting/selection practices and firm performance, where they found a significant and positive link between extensiveness of recruiting, selection and the use of formal selection procedures and firm performance. A previous study by Gurbuz and Mert (2011) also found that selection and development have a positive impact on the perceived financial and market performance, the organizational performance, and the job satisfaction. It has a negative effect on the turnover.

Interviews with the human resources managers revealed that the number of complaints from customers had declined when the banks recruited skilled employees. The numbers of cases of bank tellers giving customers less or excess money (due to counting errors) had also declined. This shows that the quality of services offered by the employees had improved which in turn made it possible for the commercial banks to attract more customers thus leading to increased sales and profits. The banks CEOs, operations managers and human resources managers (52%) reported that the number of branches increased when quality of service improved which in turn led to increased market share hence leading to more profits. For instance, interviews with five of the banks human

resources managers were able to reveal that when the banks were able to lay down strategies of enabling them to attract the most qualified persons, the performance of the bank improved by at least 75%.

The HR managers also explained that the banks were also able to reduce the cost of supervising the new employees since the new employees had the knowledge and skills required to perform their duties. Thus from the study it was found that recruitment strategies have a high influence on performance. When a commercial bank adopted the use of recruitment strategies, the performance of the bank improved by at least 21%.The specific strategies used in the staffing process will therefore directly impact an organizations success.

From this study it was found that 87% of the commercial banks in Kenya were now taking recruitment and selection very seriously and therefore have set specific budgets for the process. The commercial banks studied reported that 97% of their recruitment was done strategically hence ensuring that the recruitment done by the bank has a future look and that it is able to contribute to achievement of the goals of the bank. These findings were in agreement with findings by Stewart (2010) that organizations that fail to link their recruitment and selection policy with the overall corporate strategy often ends up recruiting non-competitive staff which in turn affects realization of the organization performance goals. Specifically this study established that commercial banks in Kenya are to a large extent (88% of the banks) emphasizing on the recruitment of people with high academic qualifications such as masters degree holders. Banks that have used the new recruitment and selection strategies such as the online advertising and use of private agencies, use of job centre's, direct links with schools, universities and colleges, recognition of the individual roles of employees before they are employed and have keen selection procedures were able to access a

wider range of candidates and hence had a high chance of selecting the best employees in the sector.

Interviews revealed that such banks were found to improve their performance by over 21% when they adopted a strategic approach to recruitment and selection. Thus the use of recruitment strategies was found to have a positive effect on the performance of the commercial banks that have used them. This findings are consistent with findings from similar studies by Alalha et al (2012); Taylor (1998); Chenevert and Trembly (2009); Obidat (2003); Katou and Budhwar (2006) and Vlachos (2008) which found that recruitment has a positive effect on performance. According to Taylor, (1998), the major components of employee resourcing are staffing (recruitment and selection), performance and administration. The objective of employee resourcing strategy is 'to obtain the right workforce endowed with the appropriate qualities, skills, knowledge and potential for future training. This research established that the selection and recruitment of workers best suited to meet the needs of the organization ought to form a core activity upon which most other HRM policies geared towards development and motivation can be built. An effective staffing strategy requires in-depth planning for the recruiting process to ensure efficiency and generation of a qualified applicant pool and also ensure an optimal fit between employees and the strategic needs of the organization. This is consistent with the recommendations of previous studies by Mello (2006) and Christine (2003). From this study therefore, it was found that there is evidence of a significant effect of employee recruitment and selection strategies on the performance of commercial banks in Kenya.

4.6.2. Employee reward and compensation strategies

From this research, it was found that there is a significant effect of employee reward strategies on the performance of commercial banks in Kenya. When reward and compensation is done

strategically the performance of commercial banks improves by 9%. This results are consistent with the results of the survey by Adegoroye, Oladejo & Moruf , (2012) on the Strategic Human Resources Management practices in the Post Consolidated Nigerian commercial banks which found that the compensation practices were ranked high at influencing the performance of banks. The findings show that banks use rewards as a means towards ensuring that they achieve their strategic goals. From this research, it was also found that education level had an effect on the perception of the employees on whether the rewards and compensation offered by the bank was attractive or not. The diploma holders felt that they were well paid and therefore devoted most of their time and energy to achievement of the goals of the bank. On the contrary, the degree holders felt that they were poorly paid and hence sought alternative sources of income by engaging in businesses to earn extra income. This greatly affected their commitment to work which in turn affected their output. With the obtained data, there is evidence of significance effect of employee reward and compensation strategies on the performance of commercial banks in Kenya. Commercial banks that reward their employees well perform better than their competitors. Interviews revealed that this was because when an employee is well rewarded their motivation to work increases leading to improved commitment towards achieving the goals of the bank.

From this study it was found that commercial banks in Kenya use both financial and non financial rewards to motivate their employees. The financial rewards offered by commercial banks were found to include pay increases, cash bonuses, commissions and stock options while non financial rewards included recognition, learning opportunity, career advancement, challenging assignments and expanded responsibilities, praises and commendations from managers, security, status, social interaction, attention from leaders and opportunities to lead projects. Other instituted packages were rent allowance, long service award, image enhancement allowance, food subsidy, utility

allowance, accountable laundry expense, group personal accident insurance policy, personal loans, housing loans, car loans, overtime allowance, car maintenance allowance, fuel allowance, transfer allowance, leave allowance, day trip allowance, refund of fees, and yearly appraisal (leading to increase in pay levels).

Interviews with the employees and managers to get the extent of knowledge about existing reward systems among the employees revealed that not all staff and managers are abreast with the compensation packages of the banks. There was some level of ignorance exhibited by some employees about their reward packages. From this study it was also found that commercial banks use the same financial and non financial rewards but at different levels, that means that some offer higher financial rewards as well as better non financial rewards, thereby making them more competitive. When the performance of the banks was compared with the rewards it offered, it was found that banks with higher financial and better non financial rewards performed better. For instance, five banks which had very attractive reward strategy accommodating both financial and non financial rewards were found to have had their performance improve by 75% over the last five years.

It was found that incentives have a positive relationship with bank performance as measured by its sale of loans. This findings are consistent with findings from previous studies by Alalha et al (2012); Chenevert and Trembly (2009); Obidat (2003); Katou and Budhwar (2006) and Vlachos (2008) which found that rewards have a positive effect on performance. Among all the factors challenging work affects employees' performance highly. The result from this study examined and determined the relationship between rewards and employees' performance and also determined the relationship between intrinsic and extrinsic rewards and performance and found that intrinsic rewards had a greater positive relationship with performance.

Based on a result from Pearson Correlation Analysis, it showed that there was a positive relationship between rewards and employees' performance and also showed a highly positive significance in the relationship between intrinsic and extrinsic rewards. Based on result of the current study, it was found that only financial or non financial rewards are not sufficient to motivate employee to perform work highly. If commercial banks in Kenya keep both types of rewards for the employees then they will increase their employees' performance.

4.6.3. Training and Development strategies

From this research, it was found that there is a significant effect of training and development strategies on the performance of commercial banks in Kenya. From the study it was found that when training and development strategies were used the performance of commercial banks changed by 33.4%. These findings are consistent with the findings from a previous study by Rowden (2002) who suggests that training is an efficient tool for improving ones job satisfaction hence leading to better employee performance. These results are also consistent with the study by Keep (1989) who found that strategic training and development activities are central to the reality of anything that can meaningfully be described as human resource management. According to researchers Keep (1989); Black and Lynch (1996); Garcí'a (2005) and Tharenou, Saks and Moore (2007) training and development has a positive effect on performance. The findings of this study are also consistent with a study by Khan et al (2011) on the impact of training and development on organizational performance which found that training and development, on the job training, training design and delivery style have significant positive effect on organizational performance. A previous study by Gurbuz and Mert (2011) also found that selection and development have a positive impact on the perceived financial and market performance, the organizational performance, and the job satisfaction. It has a negative effect on the turnover. The selection and

development (including effective selection, appraisal, compensation, training and team based work) were related with organizational performance. This provides support to the universalistic perspective of HR practices (Kochan and Osterman 1994; Huselid 1995).

Fey et al. (2000) reported that training is positively associated with employees' ability to carry out tasks effectively. A similar study by Chen et al., (2004) also found that training programs, help the workforce to decrease their anxiety or frustration, originated by the work or job. Those workers who feel to be unable to undertake a task with the desired level of performance often decide to leave the firm (Chen et al., 2004), otherwise their stay at firm will not add to productivity (Kanelopoulos & Akrivos, 2006). The greater the gap between the skills necessary and those possessed by the workforce, the higher the job dissatisfaction of the workers. Therefore as argued by Khan, et al. (2011) training has a positive effect on the organizational performance. It improves the organizational performance.

From this study it was found that training in commercial banks includes role orientation courses in functional areas, special courses and seminars; as well as sales training for supervisory and field personnel all designed and conducted by training centers and resource persons on a repetitive basis. The performance of commercial banks that have been using training and development periodically over the last five years was compared with that of the banks that do not do training frequently. It was found that banks that do training frequently had higher performance in terms of market share, loan sales, revenue, financial strength (e.g. Liquidity), return on equity, return on assets, profitability and return on investment. For instance interviews with the CEO of one bank which has a training college and which continuously trains its employees revealed that performance improved by over 80% when it started the continuous training program 4 years ago. This was also evident from the analysis of the financial statements for the last five years.

It was found that training and development led to increased skill among the employees which in turn led to improved quality of service to customers. Training involves any planned intervention aimed at enhancing the elements of individual job performance (Chiaburu & Tekleab, 2005). It is all about improving the skills that seems to be necessary for the achievement of organizational goals (Khan et al, 2011). The efficiency and effectiveness of operations were also found to have increased after training. The number of losses due to errors, the cost of overtime and the time taken to serve a customer was found to have reduced when the bank cashiers (Tellers) were trained. This helped to reduce the waiting time by the customers as a result of which more customers were able to open new accounts with the bank. Thus from this study it was found that there is evidence of a positive effect of training and development strategies on the performance of commercial banks in Kenya.

4.6.4. Employee Relations strategies

From the study, it was found that there is a significant positive effect of employee relations strategies on the performance of commercial banks in Kenya. From the study results it was found that when employee relations strategies were used the performance of commercial banks changed by 26.1%. The result is consistent with the argument of Whitener (2001) social exchange theory and social identity theory, indicating that employees who feel they are appreciated by their organization may perceive high status in the organization and may reciprocate an organization by increasing their contribution to the achievement of the goals of the organization (Flynn, 2005; Fuller et al., 2003). This in turn leads to improved individual as well as organizational performance.

The performance of commercial banks that have maintained good employee relations (according to the responses from employees and based on number of conflicts reported, communication,

involvement in decision making e.t.c.) over the last five years was compared with that of the banks that did not have good employee relations. It was found that banks that have good employee relations had higher performance in terms of market share, loan sales, revenue, financial strength (e.g. Liquidity), return on equity, return on assets, profitability and return on investment. For instance interviews with the CEO of one bank which has maintained constant communication and involvement of employees in decision making was found to have improved its performance by over 40% during the last 5 years.

From this research it was found that, employee relations leads to intrinsic motivation and motivational practices affect employee performance positively. The performances of commercial banks were employees said they “felt motivated” was compared with that of other banks. It was found that banks with “motivated” employees had higher performance in terms of market share, loan sales, revenue, financial strength (e.g. Liquidity), return on equity, return on assets, profitability and return on investment. Motivated employees are inclined to be more productive than non-motivated employees. These findings are consistent with previous studies by Khan, (2012); Chaudhary and Sharma, (2012) and Chaudhry, Sohail and Riaz, (2013). This study also found that to some extent, a high level of employee motivation is derived from effective management practices. This is consistent with findings of other studies by William and Kinicki (2008); Dessler (2008) and Armstrong, (2008). To develop motivated employees, a manager must therefore treat people as individuals, empower workers, provide an effective reward system, redesign jobs, and create a flexible workplace. It is through behavior that people influence the organizational environment. Dessler (2005) argues that the HR managers should create value by engaging in activities that produce the employee behavior the company needs to achieve its strategic goals.

4.6.5. Human resource management strategies

This research found that four sets of HR practices – recruitment, training, relations, reward and compensation – as contributing to improved performances in commercial banks in Kenya. When all the four human resources strategies were used, the performance of commercial banks changed by 94%. This shows that human resource management strategies have a significant effect on the performance of commercial banks. From this study, it was found that the performance of commercial banks in terms of market share, loan sales, revenue, financial strength (e.g. Liquidity), return on equity, return on assets, profitability and return on investment had improved to some extent when they adopted strategic human resource management. Banks that had more strategic approach to management of human resources had a higher performance than other banks. This findings are consistent with previous studies by Lam and White, (1998) and Hsi-An Shih, Yun-Hwa Chiang and Chu-Chun Hsu, (2006) who reported that a firms' HR orientations (measured by the effective recruitment of employees, above average compensation, and extensive training and development) were related to return on assets, growth in sales, and growth in stock values. These findings are in support of previous literature SHRM scholars such as Armstrong and Baron (2009) that certain HR practices can enhance the performance of an organization.

CHAPTER FIVE

SUMMARY OF MAJOR RESEARCH FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents a summary of the major findings from the study as presented in the previous chapter. Conclusions are then presented based on the findings of the study. Recommendations are then presented based on the findings and conclusions of the study. The chapter ends with suggested areas in which further research can be undertaken.

5.2. Summary of major Findings

From this research, it was found that recruitment and selection strategies, training and development strategies, employee relations strategies and reward and compensation strategies have a positive effect on the performance of commercial banks in Kenya. When all these strategies were used, the performance of commercial banks improved by 94% in terms of profits, sales, market share and quality of service offered. Therefore, all these strategies were found to play a very great role in enhancing the performance of commercial banks in Kenya.

From this study it was also found that demographic characteristics have a significant effect on the performance of the banking sector. With demographic factors as the only independent variables the performance of commercial banks will change by 35.8.1%. From the study it was found that among the demographic factors, bank ownership, monthly salary and number of years worked have the highest positive relationships with performance of commercial banks while registered capital and number of employees have negative relationships with performance of commercial banks in Kenya. From the analysis it was found that there is a significant positive relationship

between gender, age, academic qualification, number of years worked, monthly salary and bank ownership with performance of commercial banks in Kenya and a significant negative relationship between registered capital and performance. However the relationship between number of employees and annual turnover with performance of commercial banks in Kenya were not significant. From this study it was found that gender, age and number of years worked have a significant effect on the performance of the banking sector. Therefore as the percentage of women employees, age of employees and number of years worked in the banking sector increases, we also expect a change in the performance of the commercial banks in Kenya.

One very interesting finding of this study is that gender, age and number of years worked has a significant effect on the perception of employees about the effect of human resources management strategies on the performance of commercial banks in Kenya. This is shown by a statistically significant relationship between gender, age and working experience and bank performance. These findings suggest that gender, age and working experience could be important concepts in the banking sector working environment. Whatever measure that could be taken to improve gender or experience attributes of the employees have an effect on the bottom-line of banks. This is in contrast with Campbell and Minguéz-Vera (2008).

5.2.1. Human resources management strategies

From this research, it was found that there are significant positive relationships between human resources management strategies used by commercial banks in Kenya and performance. It was also found that human resources management strategies have a positive effect on performance. In general, this study found that four sets of HR practices – recruitment, training, employee relations, reward and compensation – as contributing significantly to improved performance of commercial banks in Kenya. When all this strategies were used, it was found that the performance of

commercial banks improved by 94%. The result presented in this study are consistent with the findings of a similar study by Khattoon et al (2013) who suggests that practicing intensive strategic human resources management leads to improved financial performance and can be asserted to sustain in the competitive environment. This findings also corroborates the views of Huselid (1995) and Wright and McMahan (1992) who argued that when a firm's human resource practices are consistent with each other (i.e. internal fit), and with the firm's strategic goals (i.e. external fit), organizational efficiency will be enhanced.

5.2.2. Employee recruitment and selection strategies

From this research, it was found that recruitment and selection strategies have a significant effect on the performance of commercial banks in Kenya. When recruitment and selection was done strategically the performance of commercial banks improves by 21.1%. From this study, it was found that there is a positive relationship between recruitment and selection and performance. From the obtained data it was also found that there is evidence of a significant effect of gender, age and number of years worked on the perception of employees about the effect of recruitment and selection strategies on the performance of commercial banks in Kenya. The role of the HR department in recruitment was found to be significantly changing within the Kenyan commercial banks. Commercial banks in Kenya have developed formalized recruitment and selection policies aimed at ensuring that they attract, recruit and retain the most qualified people. These findings were in agreement with previous study results by Christine (2003) that recruitment policies linked with the overall organization strategy enables the organization to obtain the right number of people it needs which improves the hiring standard i.e. the selection of appropriate job candidates hence leading to increased performance. Recruitment and selection is the method through which companies hire the most suitable candidate for the required job in least cost (Sheehan, Holland &

De-Cieri, 2006). It was found that commercial banks in Kenya were now taking recruitment and selection very seriously and have set budgets for the process. Specifically this study established that commercial banks in Kenya are today emphasizing on the recruitment of experienced people with high academic qualifications such as bachelors and masters degree holders.

From the study, it was also found that there is evidence of significant effect of employee recruitment and selection strategies on the quality of services offered by commercial banks. The high quality services offered by employees made it possible for the commercial banks to attract more customers which in turn led to increased number of branches, sales and profits. The cost of supervising the new employees was also reduced. Thus from the study it was found that recruitment strategies have a high influence on performance. The improvement in performance was noted in terms of profits, number of branches as well as market share. These findings are consistent with those of a similar study by Khan (2012) which found a significant positive relationship between recruitment and selection and employee performance.

The study found out that most respondents agreed that the bank had formulated an active recruitment and selection policy and also agreed that the bank linked its recruitment and selection policy to the overall banks strategy. This indicated that most banks recruitment policies were linked with the overall banks strategy and this affected application of efficient recruitment and selection process that enabled banks to obtain the right number of staff, reduce the cost of training and supervision in the organization by obtaining staff with the right qualifications hence affecting the realization of increased bank financial performance.

5.2.3. Training and development strategies

From the study it was found that there is a positive relationship between training and development and performance of commercial banks. It was also found that there is a positive effect of training

and development strategies and performance of commercial banks in Kenya. When employees engaged in training and development the performance changed by 33.4%. From the obtained data it was also that there is evidence of a significant effect of gender, age and number of years worked on the perception of employees about the effect of training and development strategies on performance of commercial banks in Kenya. From the research, it was found that commercial banks in Kenya are engaging in training and development of their employees and have training budgets for the purpose. They also do training needs analysis as the main determinant of the training that is required for the employees. According to Kozlowski and Salas (2003) training needs assessment is a diagnostic process that occurs before training. The purpose of formal needs assessment is to identify the training targets. This focus is critical for uncovering whether a training program was effective or ineffective due to characteristics of the program or to factors outside the control of the training system. It was found that the employees in commercial banks are happy with the training offered by the banks and have noted improvement in their individual as well as bank performance. Commercial banks in Kenya were found to offer training on customer care, quality management, and use of computers in accounting and detection of fake currency, time management, team work, work life balance among other areas.

From this research, it was found training and development led to increased skill among the employees which in turn led to improved quality of service to customers. The efficiency and effectiveness of operations were also found to have increased after training. The number of losses due to errors, the cost of overtime and the time taken to serve a customer was found to have reduced when the bank cashiers (Tellers) were trained. This helped to reduce the waiting time by the customers as a result of which more customers were able to open new accounts with the bank. This supports previous arguments by Naris and Ukpere (2009) that training and development is a

process of sharpening the employee skills and at the same time helps change of attitude and behaviour in order to enhance the performance level of employees. Thus from this study it was found that there is evidence of significance effect of training and development strategies on the performance of commercial banks in Kenya. This was in agreement with Guest (2007) that training and development policy play an importance role in HRM and contribute to improved organization performance through strategic integration, employee commitment, flexibility and quality. This further supports the argument of Khilji (2004) that training and development of employees and studying their relations are helpful tools to improve individual employee performance and are some of the HR practices that affect organizational results in form of improved employee behaviours.

The finding of the study by Chahal (2013) also show that training and effectiveness boost the morale of the employee, upgrade skills, improve their performance and gives them the opportunity to get lucrative jobs and also enables them to excel in their jobs. The findings show that the training is aimed at providing the trainee the opportunity of changing their behaviours and contributes to their effectiveness and upgrading their skills. Training activities lead to better performance within an organization (Qureshi et al., 2010). It is through education and training that people who knew how to work hard learn how to also work smart (Geotsch & Davis, 2010). Lincoln, Krishna and Rao (2008) conducted a study on “HRM Practices in Public Sector and Private Sector Banks” and found that training and development if linked with overall strategy will lead to improved performance. They suggested that HR policies of Public Sector Banks should be revised there by making them more competitive in this challenging era of globalization.

5.2.4. Reward and compensation strategies

From the study it was found that there is a positive correlation between employee reward and compensation strategies and performance. This means that they co-vary. From this study it was found that reward and compensation strategies have a positive effect on the performance of commercial banks in Kenya. When commercial banks offer good rewards and compensation to its employees, the performance of employees improves by 9.2% in terms of quality of output, level of sales and customer service were found to improve. From the obtained data it was also that there is evidence of a significant effect of gender, age and number of years worked on the perception of employees about the effect of reward and compensation strategies on performance of commercial banks in Kenya. This research also found that rewards and compensation offered by commercial banks in Kenya affect their ability to attract applicants and retain employees, and also ensure optimal levels of performance in meeting the bank's corporate goals. It was also found that commercial banks in Kenya offer relatively similar rewards to their employees. Interviews with human resources managers revealed that the similar rewards were offered to minimize employee turnover to competitors which was likely to expose the affected banks to the risk of having their secrets revealed to competitors by those employees who leave the banks. The employees were more satisfied with their jobs when the rewards and compensation offered were attractive and this enabled them to be more committed to achieve the goals of the bank.

The study found out that reward systems had a major contribution towards realization of increased banks performance since application of effective reward strategies helped to improve staff work morale that resulted to improvement of the individual employee performance and hence overall organizational performance. This supported findings by Horton (2007) that organizations with effective reward systems like transactional and relational rewards improves the level of employees motivation and this supports realization of increased organization performance. Sigler (2011), in a

study of 280 employees in the Nairobi Securities Exchange also found a positive and significant relationship between the C.E.O's rewards and organizational performance.

From the research, it was also found that the commercial banks in Kenya offer both financial and non-financial rewards. The findings also revealed that the financial reward system as compared to non - financial reward system had a greater impact on employee motivation. Both financial and non-financial reward system are used to complement each other in enhancing employee motivation which in turn leads to improved performance in terms of profits, market share, and return on investment among others. Performance improved more when both financial and non financial rewards are used. This is consistent with findings from a study by Tze San Ong and Boon Heng Feh (2012), in a study of 105 manufacturing firms in Malaysia who also found positive correlation/relationship between non financial rewards and financial performance of the organizations. Namasivayam et al (2007) also conducted an online survey of 1223 US hotels and concluded that there is a positive relationship between salary and individual benefits and organizational performance. A similar study was also conducted by Qureshi et al (2007), where they studied the relationship between rewards and employee performance in cement industry in Pakistan, from the results they concluded that there is a direct relationship between extrinsic, intrinsic rewards and employee performance.

5.2.5. Employee relations strategies

From this research, it was found that there is a positive correlation between employee relations strategies used and performance of commercial banks in Kenya. It was found that employee relations strategies have a positive effect on performance of commercial banks in Kenya. Employee relations were found to contribute to a 26.1% variance in performance of commercial banks. This is consistent with findings from a similar study by Chenevert and Trembly (2009)

who found that good employee relations have a positive effect on performance. The study found out that existence of poor employee relations between the junior staff and the senior management staff in many banks affected participation of junior staff in decision making process and hence only top management staff were allowed to make decisions on how to undertake organization job task functions. This negatively affected realization of increased banks financial performance since most of the skilled and experienced junior staff were not given an opportunity to guide and participate in formulation of key decisions on strategic execution of organization job task functions. If employee relations were positive, the employees were found to commit themselves to achieve the goals of the bank which in turn led to improved bank performance. It was also found that with improved employee relations there was no time wasted in unnecessary conflicts between the employees and the employer.

The results of this study show a positive effect of quality of communication between managers and staff and between employees among themselves on performance. When there was proper, continuous and efficient communication between employees and management and also with the unions it was found that the levels of trust increased and this in turn led the employees to be ready and willing to undertake their duties responsibly. The employees were also willing to accept changes aimed at improving the performance of the bank. It was also found from this study that despite the fact that there was a union serving the interest of bank employees, most unionisable bank employees do not belong to any union. Interviews with the affected employees revealed that the affected banks do not allow their employees to join unions for fear of the possible “incitement” of the employees by union officials.

The study noted that existence of poor employee relations negatively affects participation of all the employees in implementation of the banks strategic objectives that were meant to support

achievement of increased bank performance. These findings were in agreement with findings by Cowling (2009) that lack of good employee relations with senior management hinders participation of junior staff in decision making process on matters relating to implementation of organization strategic objectives and this negatively affects realization of increased organization performance. These findings also supported findings by Ulrich (2007) that working environment characterized with poor employee relations influences application of poor leadership styles that negatively affects realization of organization performance. It was identified that poor employee relations hindered recognition and utilization of employee talents and this affected effective contribution of the talented staff towards realization of banks performance. From the obtained data it was also found that there is evidence of a significant effect of gender, age and number of years worked on the perception of employees about the effect of employee relations strategies on the performance of commercial banks in Kenya.

5.3. Conclusions

5.3.1. Effect of human resources management strategies on the performance of commercial banks in Kenya

From this study it is concluded that human resources management strategies have a significant positive effect on the performance of commercial banks. When all this strategies (recruitment, training, employee relations, reward and compensation) were used, it was found that there was a 94% variance in performance of commercial banks. Among all of the four factors, training and development is a highly significant factor which affects employees' performance. However reward and compensation has the least effect on performance.

Therefore human resource management strategies affect performance to a very great extent. Based on results of the study, it is concluded that using only recruitment and selection, reward and

compensation, training and development or employee relations strategy is not sufficient to improve performance highly. If commercial bank in Kenya, use all the human resource management strategies together, they will increase their performance to a very great extent. This is because there strong correlation between the combined human resource management strategies and performance. From this study it is concluded that demographic characteristics have a significant effect on the performance of the banking sector. With demographic factors as the only independent variables the performance of commercial banks will change by 35.8.1%. From the obtained data it was also concluded that there is a significant effect of gender, age and number of years worked on the perception of employees about the effect of human resource management strategies on the performance of commercial banks in Kenya.

As described by SHRM scholars certain HR practices can enhance the performances of organizations (Adegoroye & Moruf, 2012). From the study it is concluded that the major human resource management strategies that affect the performance of commercial banks in Kenya are: recruitment and selection, reward and compensation, training and development and employees relations. This findings are consistent with previous studies by Lam and White (1998) and Hsi-An Shih, Yun-Hwa Chiang, Chu-Chun Hsu, (2006) who reported that a firms' HR orientations (measured by the effective recruitment of employees, above average compensation, and extensive training and development) were related to return on assets, growth in sales, and growth in stock values.

However, based on the findings of this study, it is also concluded that a set of HRM strategies will not necessarily have a direct impact on the performance of commercial banks in Kenya. It is therefore, necessary to use HRM practices tactfully and link them to the corporate goals of the commercial bank in order to gain a sustained competitive advantage. These study findings suggest

that, strategic programs, if properly implemented, can facilitate and nurture the desired capabilities and induce better performances among employees in Kenyan Commercial banks. From the study it is also concluded that commercial banks are adopting innovative HRM as an important strategic tool of coping with turbulence associated with the banking sector reforms in Kenya. The research findings are consistent with the findings of a similar study by Khatoon, Amin and Hossain (2013) who also concluded that all the banks are formulating and executing strategic human resource management activities. The results of the research by Adegoroye & Moruf (2012) on the Strategic Human Resources Management practices in the Post Consolidated Nigerian commercial banks also found that post consolidated Nigerian commercial banks are focusing on innovative recruitment and compensation practices to improve their performance.

The researcher concludes that commercial banks that have implemented a set of HRM strategies are more able to gain strategic organizational outcomes in terms of flexibility, quality, administrative efficiency, cost effectiveness, performance, productivity and profitability in the Kenyan market. This is in tandem with conclusions of a similar study by Khatoon, Amin and Hossain (2013) which concluded that the quality of assets and loans varies from bank to bank but most of them perform at the desired level when human resources management strategies are used. From the study findings it is concluded that an HRM system as a whole, affects the performance of commercial banks in Kenya to a very great extent.

Therefore, this study generally concludes that human resources are one of the most critical components of strategic success across all organizations. The implementation of HRM strategies results in better organizational outcomes in terms of employee commitment, flexible and quality staff, and administrative efficiency and cost effectiveness among commercial banks in Kenya which in turn helps in achieving bottom-line results. As many HRM studies have indicated, an

HRM system as a whole, affects firm performance (Adegoroye & Moruf, 2012). Therefore, workers are not just a cost to be incurred; rather, as is maintained in the resource based perspective (Barney, 1991; Perce & Robinson, 2007), people and HRM are emerging as critical sources of competitive advantage for firms (Barney, 1991; Bae & Lawler, 2000; Som, 2008; Adegoroye & Moruf, 2012).

5.3.2. Extent to which employee recruitment and selection strategies affect the performance of commercial banks in Kenya

From the findings of the study, it is concluded that recruitment and selection strategies have a high influence on performance of commercial banks in Kenya. From this study it is concluded that employee recruitment and selection strategies affect the performance of commercial banks to a great extent. The use of recruitment and selection strategies explains a 21.1% variance in the performance of commercial banks. The role of HR is generally seen in ensuring that firms are able to attract, retain, motivate and develop human resources according to current and future requirements in line with the findings from an earlier study done by Som (2008). More recruitment and selection is occurring for those who are professionally trained and qualified bankers in the Kenyan commercial banks. From the obtained data it is also concluded that there is a significant effect of gender, age and number of years worked on the perception of employees about the effect of recruitment and selection strategies on the performance of commercial banks in Kenya.

The specific strategies used in the staffing process will therefore directly impact the banks success. From this study it was found that there is a significant positive link between extensiveness of recruiting, selection and the use of formal selection procedures and performance of commercial banks in Kenya. Innovative recruitment and selection practices have a significantly high influence on banks performance. These findings are consistent with those of a study by Adegoroye, Oladejo

and Moruf (2012) which found that innovative recruitment practices were ranked high at influencing performance of banks. An effective staffing strategy requires in-depth planning for the recruiting process to ensure efficiency and generation of a qualified applicant pool and also ensure an optimal fit between employees and the strategic needs of the organization (Mello, 2006).

This findings are also consistent with previous studies by Sheehan, Holland and De-Cieri (2006) and Wright and Kehoe (2008) who suggested that recruitment and selection plays significant role to hire competent employees for better future performance at the workplace. This is also consistent with Terpstra and Rozell's (1993) study of the relationship between recruiting/selection practices and firm performance, where they found a significant and positive link between extensiveness of recruiting, selection and the use of formal selection procedures and firm performance.

These findings also corroborate other findings from previous studies by Lam and White (1998) and Hsi-An Shih, Yun-Hwa Chiang and Chu-Chun Hsu (2006) who reported that a firms HR orientations (measured by the effective recruitment of employees, above average compensation and extensive training and development) were related to return on assets, growth in sales, and growth in stock values. The specific strategies used in the staffing process will therefore directly impact an organizations success. Overall findings of this study are also in support of Qureshi et al (2010) study regarding the relationship between recruitment and selection, training and development, organizational commitment and Performance based compensation for Pakistani bankers.

5.3.3. Extent to which reward and compensation strategies affect the performance of commercial banks in Kenya

From this study it is concluded that reward and compensation strategies affect the performance of commercial banks to a moderate extent. The use of reward and compensation strategies explains a

9.2% variance in performance. From this study, it is concluded that there is a general direct/positive relationship between employee rewards and employee performance. The results of correlation matrix have supported the hypothesis that there exists a positive relationship between rewards and employees performance. Based on the findings of this study, it was revealed that reward and compensation strategy affects the motivation of employees which in turn influences the firm's performance. The findings are consistent with Sears et al. (2012) regarding performance based compensation practice of human resource at workplace, proving that organizations should remunerate and maintain internal compensation based equity among various designations. Frye (2004) also examined the relationship between equity based compensation and firm performance and found positive relationship between the two. He argued that for the human capital intensive firms compensation plays a crucial role in attracting and retaining highly skilled employees. Taseema and Soeters (2006) did a similar study and found a positive correlation between compensation practices and perceived employee performance. Mills (2005) did a study on employee reward and found that lack of effective reward systems for compensating employees work efforts negatively lowers the level of employee work morale and these impacts negatively on organization productivity.

Overall the findings of this study are also in support of Qureshi et al (2010) study on recruitment and selection, training and development, organizational commitment and Performance based compensation for Pakistani bankers where they found a positive relationship with firm performance. Previous studies and arguments by Cole (2004) and Graham and Bennett (1998) also show that compensation is used to recruit and retain qualified staff, increase and maintain the morale of staff, reward and encourage peak performance, achieve internal and external equity, reduce turnover and encourage company loyalty and modify behaviour through negotiations

practices of unions. From the obtained data it is also concluded that there is a significant effect of gender, age and number of years worked on the perception of employees about the effect of reward and compensation strategies on the performance of commercial banks in Kenya.

From the research, it is concluded that commercial banks in Kenya offer both financial and non-financial rewards. Financial rewards when offered alone are however limited in terms of being able to satisfy and motivate employees to perform better in the long run. This corroborates the views of Ichniowski et al., (1997) who argues that incentive pay plans positively and substantially affect performance of workers if combined with innovative work practices like, flexible job design, employee participation in problem-solving teams, training, extensive screening and communication and employment security. Previous research has established that as employee income increases, money becomes less of a motivator (Armstrong, 2007; Dessler, 2008). Managers therefore should be aware of the motivational bases of incentive plans. Through embracing a total reward approach to management of rewards, organizations are able to address diverse needs of employees in their organizations and the diverse ways in which individuals are motivated to work (Qureshi et al, 2007). The findings were also in tandem with findings by Drunker and Geoff (2007) that implementation of effective reward management systems that leads to compensation of employees work efforts with increased remuneration packages, transactional rewards and relation rewards helps in improving the level of employees work morale leading to realization of individual employees productivity that supports realization the overall organizational performance. The study concluded that execution of reward management functions is a core human resource practice that greatly influences the Performance of Commercial Banks in Kenya

From this study it is also concluded that reward is a very critical and central activity in the human resource management function in any organization. Human resource is the most vital tool for

organizational development and subsequently in a previous study by Khilji (2002) it has been identified that compensation and benefits have positive impact on employees' performance. Compensation includes expenses such as bonuses, profit sharing, overtime and rewards that includes monetary and non-monetary rewards such as house rent and car facility against hired services of employees (Wright, Gardner & Moynihan, 2003).

5.3.4. Extent to which training and development strategies affect the performance of commercial banks in Kenya

From this study it is concluded that employee training and development strategies affect the performance of commercial banks to a great extent. The use of training and development strategies explains a significant 33.4% variance in performance of commercial banks in Kenya. From the study, it is concluded that training programs enhance performance of commercial banks in Kenya. The findings of this study are in support of Qureshi et al (2010) study in regarding training and development as having a positive effect on organizational performance of Pakistani bankers. Training and development strategies have a very significant contribution to make to organization success. Strategic human resource training and development plan plays a very big role in the achievement of the bank's strategic plan by providing employees with up to date expertise to meet present and future performance demands. Training and development also assumes a vital role in shaping strategy and enabling the commercial banks to take full advantage of emergent business strategies. Commercial banks in Kenya use training and education programmes in order to create knowledge and understanding among staff of how their attitudes and behaviour towards customers form an integral part of the overall service offering. The development of specific skills and core competencies is therefore the key to keep the banking industry viable.

It is concluded that training and development strategies have a great role in influencing the performance of bank employees hence contribute heavily to the performance of commercial banks in Kenya. The findings are consistent with Khilji (2003), claiming that proper training and development opportunities within an organization ensures a positive effect on employee performance. A previous study by Naris and Ukpere (2009) also identified a positive relationship between training and development and employee performance. Debnath (2003) in a study on the relationship between training and performance of the banking sector in Bangladesh, indicates that productivity of manpower in the banking sector of Bangladesh increased through proper training both on the job and off the job. The banking industry therefore, requires skilled labour in its various sections. The development of specific skills and core competencies is the key to keep the industry viable. Training and development is the activity that increases the individual's performance and acts like a pasture that contains all those activities that increase the performance of a group to achieve its goals in an organization (Khilji, 2004). Decenzo and Robins (2003) state "training brings about changes in ability, awareness, approach and behavior". The findings of this study are also in support of Qureshi et al (2010) study in who found training and development as having a positive effect on organizational Performance. This is also consistent with Keep (1989) who argues that strategic training and development activities are central to the reality of anything that can meaningfully be described as human resource management. The study shows that training and motivation has a positive impact on performance of employees (Khan, 2012 Chaudhary & Sharma, 2012). Omolo (2009) also studied on Practice of the Learning Organization and its Relationship to Performance among Kenyan Commercial Banks and found out that there is an inverse relationship between the practice of learning organization and organizational performance. Barrington (2006) also did a study and found that application of training programs that do not

contribute towards realization of increased employee productivity negatively affects realization of organization performance goals. Guest (2007) in their study found that training and development policy play an important role in HRM and contribute to improved organizational performance through Strategic integration, employee commitment, flexibility and quality. This study concludes that organizations having good training plans for employees can enhance the performance of employees.

5.3.5. Extent to which employee relations strategies affect the performance of commercial banks in Kenya

From this study it is concluded that employee relations strategies affect the performance of commercial banks to a great extent. Employee relations contribute to a significant 26.1% variance in performance of commercial banks. From this research, it was found that there is a positive correlation between employee relations strategies used and performance of commercial banks in Kenya. This is consistent with findings from a similar study by Chenevert and Trembly (2009), Ivancevich *et al* (1997) as well as Harzing and Ruysseveldt (2004) who found that employee relations have a positive effect on performance. Overall findings of this study are also in support of Qureshi *et al* (2010) study which found organizational commitment as having a positive effect on performance among Pakistani bankers. The study found out that if employee relations were positive, the employees were found to commit themselves to achieve the goals of the bank which in turn led to improved bank performance. It is concluded that involvement, appreciation and recognition of employees and employees' tasks fulfillment stimulates them towards working with more energy and dedication to the organization. Employees who feel they are appreciated by the bank perceive high organizational status thus producing positive cognition and role behavior. The

motivated employees' work best in the interest of the organizations which leads them towards growth, prosperity and productivity. From this research, it was found that there is a positive correlation between employee relations strategies used and performance of commercial banks in Kenya.

From the results of this study it is concluded that there is a positive effect of quality of communication between managers and staff and between employees among themselves and through unions on performance. This supports previous arguments by Ivancevich *et al* (1997) and Harzing and Ruysseveldt (2004) that effective communication is absolutely critical to successful integration of employees. These is also supported with findings by Ulrich (2007) that working environment characterized with poor employees relation influences application of leadership styles that negatively affects realization of organization performance. The study noted that existence of poor employee relations negatively affects participation of all the employees in implementation of the banks strategic objectives that were meant to support achievement of increased bank financial performance. These findings were in agreement with findings by Cowling (2009) that lack of good employee relations with senior management hinders participation of junior staff in decision making process on matters relating to implementation of organizational strategic objectives and this negatively affects realization of increased organization performance. According to Pearce and Robinson (2009) firms actively seek good employee relations whether or not they are bound by union contacts. Organizations should strive to satisfy their employees with good pay, good supervision and good stimulating work (Pearce & Robison, 2009). According to Lewis *et al* (2003) direct control has declined with the realization by employers that greater productivity can be achieved using a strategy of responsible autonomy and good working relations. The study by Chaudhry, Sohail and Riaz (2013) also found overall support for the hypothesis that

Employee Relations Practices Impact positively on Performance of Employees working in Hospitality Industry of Pakistan as the relationship specified in Hypothesis was found to be significant. Therefore, the proposed direct relationships between a set of employee relation practices and motivation and between motivation and employee performance were empirically validated.

5.4. Recommendations

Based on the findings and conclusions of the study, the researcher provides the following recommendations aimed at ensuring that the human resources strategies adopted by commercial banks in Kenya play a positive role in ensuring the improved performance and competitive advantage of the commercial banks that adopt them.

5.4.1. Policy recommendations

Commercial banks in Kenya should match their business strategies with dynamic environment and the human resources management strategy with environment in order to achieve organizational outcomes and organizational bottom-line performance. Commercial banks in Kenya need to develop and document strategies for recruiting, selecting, training, and rewarding employees in order to enhance employee and organizational performance. Commercial banks that want to improve their performance should therefore ensure that the way they use these strategies is unique in order to ensure that they are able to have a competitive edge over their competitors.

The commercial banks in Kenya should design effective recruitment policies that are linked to the overall banks strategy. The policies should also be communicated to all the employees. The banks recruitment practices should always be in accordance with the recruitment policy guidelines.

Commercial banks in Kenya need to re-evaluate their compensation programs within the context of their corporate strategy and specific HR strategy to ensure that they are consistent with the necessary performance measures required by the banking sector. In designing reward systems banks should ensure that such systems are linked to the overall business and human resource management strategies of the organizations for effectiveness and long-term success of the organization. The reward strategy used by the commercial banks should align the performance of the organization with the way it rewards its people, in order to provide the necessary incentives and motivation required for the employees to deliver the goals of the bank. Commercial banks should ensure that they develop rewards strategies, systems and practices that are able to cater for the diverse motivation needs of their employees. In this endeavor, commercial banks should use both financial and non financial rewards in addition to providing other incentives that will help motivate employees. Commercial banks in Kenya should also formulate and implement an active reward policy that is fully linked to the overall banks strategy.

Commercial banks should also conduct strategic human resources management training programs including total quality management training programs. The training should be done to employees at all levels and should also expand to include training on other areas in readiness for other jobs in the future. Commercial banks in Kenya should also establish an active training and development policy for its employees. To achieve this, employees should be involved in all activities of the bank starting from the formulation through implementation and up to evaluation. The study also recommends that the commercial bank managers in Kenya should ensure that training needs analysis is conducted regularly in order to establish the training needs of the employees.

Commercial banks also need to create and sustain cultures that enhance employee attachment to the service goals of the bank. Employees are bound to be much more productive when they work

in a positive, supportive environment. Managers must strive to maintain an enjoyable, family-oriented atmosphere in which all employees focus on achieving team goals.

5.4.2. Academic recommendations

From this study it is recommended that scholars and practitioners in human resources management should actively engage in joint research that will be used to assist human resources managers and bank CEOs to effectively ensure the proper link between human resource management and organizational performance. The academic research will go a long way in ensuring that there is consistency between theory and practice.

Training institutions such as Universities and colleges in Kenya should also work together with human resource practitioners to develop the curriculum for teaching students taking banking related courses in order to ensure a proper link between theory and practice. It should also be made mandatory for students to attend internships/attachment before they graduate in order to apply the theory learned in class practically in the work environment. This should be done at the end of the third year of studies. This will ensure that graduates leaving the training institutions to join the banking sector are already trained in the various practical issues that they will encounter in the banking sector working environment. It is also recommended that senior and experienced bank staff should also be encouraged to co-teach banking related courses in conjunction with the university lecturers. The bankers can come in class and offer support to the lecturers as resource persons. This will give a practical perspective to the delivery of the content.

5.5. Suggestions for further research

This study was done in commercial banks in Kenya; similar studies can be done in other sectors of the economy such as the manufacturing sector, the transport sector among other sectors in order to

compare the findings from these different sectors. Further research and data collection will help to develop the theory of SHRM-performance linkage in contemporary organizations in the various sectors of the economy. Further research should also be undertaken on the effect of management style on performance of commercial banks in Kenya. Research can also be undertaken on the role of the resource based view on competitiveness of the banking sector in Kenya; Impact of factors other than rewards, recruitment, training and development and employee relations on employees' performance of commercial banks in Kenya. Further research in this area should focus on the other factors that affect the performance of commercial banks in Kenya.

Other studies can also be done to consider the different levels of employees in commercial banks in Kenya and also compare the human resources strategies on performance of private and public sector organizations in different sectors other than the banking sector. Various business strategies implemented by the commercial banks in Kenya and how these strategies are embedded within the organizations' dynamic environment and drive the development of HRM strategies also need to be explored. Further research in the areas of strategic human resource management practices would be useful in understanding the impact that the practices have on organizations competitiveness and management process for enhanced productivity.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

I am a PhD student at Jomo Kenyatta University of Agriculture and Technology. As part of the requirement for the award of the degree I am required to undertake a research. To fulfil this requirement I am doing a survey on the effect of human resource strategies on the performance of commercial banks in Kenya. The survey focuses on employees in the banking sector. Your input by filling this questionnaire is not only critical to the study but also highly appreciated. All the information received will be handled with confidentiality and will only be used for ACADEMIC purposes.

Where options are given, indicate your selection by marking “X” in the space [] provided. Otherwise, write out your full response after each query.

A. Respondent’s Background

1. Gender: i) Male [] ii) Female []

2. Respondents Age Groups (in years):

i) Below 20 [] ii) 21-30 [] iii) 31-40 []

iv) 41-50 [] v) 51-60 [] vi) Over 60 []

3. Highest academic qualification:

- i) K.C.S.E [] iii) Diploma [] iv) Degree []
 v) Masters [] vi) PhD [] Other [](Specify)

4. Number of years worked with the bank

- Below 5 [] 5- 10 [] 11-15 [] 16-20 [] Over 20 []

5. Monthly Salary

- Less than 20,000 [] 20,001- 40,000 [] 40,001-60,000 [] 60,001-80,000 [] over 80,000 []

B. Organizational Information

6. Type of bank ownership:

- i) Private Bank [] ii) Foreign owned []
 iii) Limited company [] iv) Other [] Specify:

7. No. of Employees in the bank

- Less than 50 [] 51 – 100 [] 101-150 [] 151 – 200 [] 201 – 250 [] 251- 300 [] over
 300 []

8. Annual Turnover:

9. Registered capital:

10. What reward strategies do you use most often?.....

.....
.....

11. What barriers, if any do you encounter when implementing human resource plans? Explain.

.....
.....

12. Which human resource plans or combination of human resource plans do you think are best for improving performance of a bank? Why?

.....

14. In your own opinion what is the effect of human resource strategies on the performance of banks?

.....
.....
.....

C. HUMAN RESOURCE STRATEGIES

i. Employee recruitment and selection strategies

On a scale of 1 to 5 (1 means strongly agree and 5 means strongly disagree) express the extent to which you agree or disagree with the following statements as concerns the bank.						
1= Strongly Agree 2=Agree 3=Neutral 4= Disagree 5=Strongly Disagree						
		1	2	3	4	5
1	The selection systems followed in the bank are highly scientific and rigorous.					
2	In the bank, line managers and HR managers participate in selection.					
3	Valid and standardized tests are used when required in the selection process.					
4	Selection systems in the bank select those having the desired knowledge, skills and attitudes.					
5	The bank recruitment process ensures that very qualified candidates are attracted					
6	The bank retains high quality employees					
7	Non performers are encouraged to leave the bank					
8	To be selected in this bank you must know someone					
9	Qualification and experience are the main factors considered during selection					
10	The bank takes measures to attract good quality employees					

11	The bank always selects only the highest quality employees					
12	The bank has an employee recruitment policy					
13	The recruitment and selection outcome affects the performance of the bank					

ii. Training and development strategies

On a scale of 1 to 5 (1 means strongly agree and 5 means strongly disagree) express the extent to which you agree or disagree with the following statements as concerns the bank.						
1= Strongly Agree 2=Agree 3=Neutral 4= Disagree 5=Strongly Disagree						
		1	2	3	4	5
1	The bank conducts extensive training programs for its employees in all aspects of quality.					
2	Employees in each job will normally go through training programs every year.					
3	Training needs are identified through a formal performance appraisal mechanism.					
4	There are formal training programs to teach new employees the skills they need to perform their jobs.					
5	New knowledge and skills are imparted to employees periodically to work in teams.					
6	Training needs identified are realistic, useful and based on the					

	business strategy of the organization.					
7	The bank has a training budget every year					
8	Training has led to increased teamwork					
9	Employees are trained to take up more responsibilities and other jobs in the future					
10	Training employees helps in improving their performance					
11	The bank ensures that employees have the skills required to perform their duties					
12	Training and development has a great effect on bank performance					
13	Training and development affects the profits of a bank					
14	Training employees affects the market share by attracting customers					
15	Training and development affects the rate of growth of a bank					

iii. Employee relations strategies

On a scale of 1 to 5 (1 means strongly agree and 5 means strongly disagree) express the extent to which you agree or disagree with the following statements as concerns the bank.						
1= Strongly Agree 2=Agree 3=Neutral 4= Disagree 5=Strongly Disagree						
		1	2	3	4	5
1	Employees in the bank are allowed to make decisions related to cost and quality matters.					
2	Employees in the bank are asked by their superiors to participate in operations related decisions.					
3	Employees are provided opportunity to suggest improvements in the way things are done here.					
4	The bank strives to maintain a harmonious work environment					
5	The bank involves the employees and unions in making decisions that affect employees					
6	The nature of relationship between employees and the managers affects the employee performance					
7	Employee performance affects the performance of the bank					
8	An informal / family like environment is sustained between employees and managers/ supervisors					
9	A formal environment is sustained between employees and managers/ supervisors					
10	Good employee relations lead to increased performance of banks					

11	Employee relations affects the profits of a bank					
12	Employee relations affects a banks market share by attracting customers					
13	Employee relations affects the rate of growth of a bank					

iv. Reward and compensation strategies

On a scale of 1 to 5 (1 means strongly agree and 5 means strongly disagree) express the extent to which you agree or disagree with the following statements as concerns the bank.						
1= Strongly Agree 2=Agree 3=Neutral 4= Disagree 5=Strongly Disagree						
		1	2	3	4	5
1	Job performance is an important factor in determining the incentive compensation of employees.					
2	In the bank, salary and other benefits are comparable to the market.					
3	In the bank, compensation is decided on the basis of competence or ability of the employee.					
4	The compensation for all employees is directly linked to his/her performance.					
5	In the bank, profit sharing is used as a mechanism to reward higher performance.					
6	The bank offers competitive salaries and wages					
7	The rewards offered by the bank have an effect on employee					

	performance					
8	Good rewards have a positive effect on the performance of the bank					
9	The rewards offered attract and retain high quality employees					
10	Good employee rewards affect the profits of a bank					
11	Rewards affect the market share of the banks by attracting customers					
12	Employee rewards affects the rate of growth of a bank					

D.PERFORMANCE OF BANKS

On a scale of 1 to 5 (where 1 means very high and 5 means very low) and compared to the performance of best performing bank in Kenya, rate the performance of your bank on each of the areas in the last five years.

1= Very High 2= High 3=Neutral 4= Low 5= Very Low

	1	2	3	4	5
Market share					
Growth rate of sales or revenue					
Financial strength (e.g. liquidity)					
Return on equity					

Return on assets					
Profitability					
Return on investment					

<p>On a scale of 1 to 5 (1 means strongly agree and 5 means strongly disagree) express the extent to which you agree or disagree with the following statements as concerns the organization.</p> <p>1= Strongly Agree 2=Agree 3=Neutral 4= Disagree 5=Strongly Disagree</p>					
	1	2	3	4	5
Human resource strategies have led to increased return on assets and profits					
Human resource strategies have led to increased market share					
Human resource strategies have led to increased total shareholder return					

Human resource strategies have led to increased sales					
Human resource strategies have led to increased account holders					
Human resource strategies have led to growth rate of revenue					
The quality of employees has a positive effect on performance					
The type of employees has an effect on the profits of a bank					
The quality of employees has a positive effect on a banks market share					
The type of employee has a positive effect on the growth of a bank					
The employees of a bank have a great effect on performance of banks					

Any other comments related to HR strategies concerning employees. (Specify)

.....
.....
.....

Thank you for your input.

APPENDIX 2:

INTERVIEW GUIDE

Greetings. I want to take the opportunity to thank you for taking the time to meet with me today. My name is Thomas Katua Ngui. I am conducting a research for the award of a Ph.D in Human Resources Management and my topic is The Effects of Human Resource Strategies on The Performance of Banks. You have been selected to assist in providing relevant information. I would like to talk to you about your experiences in developing and using human resources strategies in your bank. Specifically as one of the components of our overall performance improvement I am assessing the effect of human resource strategies on performance of banks in order to capture lessons that can be used in future interventions.

The interview should take less than an hour. I will be taping the session because I don't want to miss any of your comments. Although I will be taking some notes during the session. I can't possibly write fast enough to get it all down. Because were on tape, please be sure to speak up so that we don't miss your comments.

All responses will be kept confidential. This means that your interview responses will only be shared with research team members and supervisors and I will ensure that any information I include in my report does not identify you as the respondent. Remember you don't have to talk about anything you don't want to. Are there any questions about what I have just explained? Are you willing to participate in this interview?

Interviewee: -----

Date: -----

Questions

- a. For how long have you worked in this bank (In years)?
- b. Approximately how many employees work in your bank?
- c. How is recruitment done in your bank?
- d. How is selection done in your bank?
- e. How does the recruitment and selection process affect the performance of the bank?
- f. How has the performance of the bank changed over the last five years?
- g. To what extent does use of human resource strategies advance or hinder the performance of the bank?
- h. What human resource strategies would you recommend to be sustained and/or scaled up?
Why?
- i. What barriers, if any do you encounter when implementing human resource strategies?
- j. How do you ensure that your bank has the right caliber and number of employees?
- k. How do you ensure that your employees have the right skills at all times?
- l. How often is training done in the bank?
- m. How are training needs identified?
- n. Is the training given to the employees relevant to their performance?
- o. How do you ensure that rewards are able to attract and retain good quality employees in the bank?

- p. What types of rewards are offered in the bank?
- q. How do rewards affect motivation of employees?
- r. Do rewards affect performance?
- s. How do you relate with employees and trade unions?
- t. How often do disputes arise between trade unions and the management?
- u. How has the relationship with employees and trade unions affected performance?
- v. How do you ensure that the various stakeholders are working together in unity?

Thank you for your time.

APPENDIX 3

LIST OF COMMERCIAL BANKS IN KENYA

1. African Banking Corporation Ltd.
2. Akiba Bank Ltd.
3. Bank of Baroda (Kenya) Ltd.
4. Bank of India Ltd.
5. Barclays Bank of Kenya Ltd.
6. Chase Bank (Kenya) Ltd
7. Charter House Bank Ltd
8. Citibank, N.A.
9. City Finance Bank Ltd.
10. Commercial Bank of Africa Ltd.
11. Consolidated Bank of Kenya Ltd.
12. Co-operative Bank of Kenya Ltd.
13. CFC Bank Ltd.
14. Credit Agricole Indosuez
15. Credit Bank Ltd.
16. Development Bank of Kenya Ltd.
17. Diamond Trust Bank Kenya Ltd.
18. Dubai Bank Kenya Ltd.
19. Ecobank Ltd
20. Equatorial Commercial Bank Ltd.
21. Equity Bank Ltd

22. Fidelity Commercial Bank Ltd.
23. Fina Bank Ltd.
24. First American Bank of Kenya Ltd.
25. Giro Commercial Bank Ltd.
26. Guardian Bank Ltd.
27. Habib Bank A.G. Zurich.
28. Habib Bank Ltd.
29. Imperial Bank Ltd.
30. Industrial Development Bank Ltd.
31. Investment & Mortgages Bank Ltd.
32. Islamic Bank Ltd
33. Jamii Bora Bank
34. Kenya Commercial Bank Ltd.
35. K-Rep Bank Ltd.
36. Middle East Bank of Kenya Ltd.
37. National Bank of Kenya Ltd.
38. National Industrial Credit Bank Ltd.
39. Oriental Commercial Bank Ltd.
40. Paramount Universal Bank Ltd.
41. Post Bank Ltd
42. Prime Bank Ltd.
43. Southern Credit Banking Corp. Ltd.
44. Stanbic Bank Kenya Ltd.

45. Standard Chartered Bank Ltd.

46. Trans-National Bank Ltd.

47. Victoria Commercial Bank Ltd.

APPENDIX 4- WORK PLAN

	April	May	June	July	August	September	October	November
Data collection	✓	✓	✓	✓				
Data analysis				✓	✓	✓		
Report writing						✓	✓	
Thesis submission								✓

APPENDIX 5- BUDGET

	Item	Amount
1	Printing	10,000
2	Travelling	10,000
3	Photocopying	15,000
4	Binding	5,000
5	Internet Costs	20,000
6	Labour (Research Assistants)	20,000
7	Miscellaneous	10,000
	TOTAL	90,000