Effectiveness of Strategic Human Resource Management on Organizational Performance at Kenya Seed Company-Kitale

Jane Agusi Nyandiko\(^1\)\(^2\) and Lucas Ongeri\(^2\)

\(^1\)Department of Human Resource, 
Moi Teaching and Referral Hospital, Eldoret, Kenya
\(^2\)Jomo Kenyatta University of Agriculture and Technology, Kitale, Kenya

Corresponding Author: Jane Agusi Nyandiko

Abstract

Strategic Human Resource Practices are particular to any organization and are meant to contribute to productivity, expansion and growth of a company. However, not all organizations realize these organizational performance related benefits. We do not know how Kenyan organizations are performing in terms of strategic human resource management. The objective of the study was to examine the relationship between strategic human resource practices and organizational performance. The study was aided by the theory of high performance management approach to strategic HRM. The study targeted a population of 314 from Kenya Seed Company - Kitale, and a sample size of 115. The target population was first stratified into three groups representing the three levels of management, namely: management, supervisory and lower cadre. Simple random sampling was then used to select the cases from each group to raise the sample size. The study revealed that Kenya Seed Company makes use of the following strategic human resource practices: employee development strategy, motivation strategy, maintenance strategy and staffing strategy. The descriptive statistics results suggested that the most common strategic human resource practices are motivation strategy (53.0%), and the employee development (21.7%). Other fairly common strategic human resources practices are staffing strategy (20.0%) and maintenance strategy (5.2%). The results imply that the most common strategic practice at the Kenya Seed Company is the motivation strategy. Using multiple regression analysis it was found that there was a linear positive relationship between performance and strategic human resource management practices ($r = 0.708, p=0.000$). With $F = 30.082$ and a p-value $=0.000$ meant that the regression model constructed was good enough to capture the relationship between strategic human resource management practices and performance. The sufficiently large coefficient of determination, $r^2 = 0.501$, meant that 50.1% of the variation in performance could be attributed to strategic human resource management practices. Thus the researcher rejected the null hypothesis and concluded that there is a linear positive relationship between performance and strategic human resource management practices. The findings of the study will be beneficial to the company, and other manufacturing companies in their quest to improve their performance. Other researchers in strategic human resource and organizational performance will equally find the study useful literature, and a base from which to formulate further studies. Furthermore, the results of the study will be significant to other organizations as they plan for human resource management.

Keywords: strategic human resource practices, organizational performance, employee development, motivation, maintenance.

INTRODUCTION

The term strategy has been defined by Cramer (1991) as the direction and scope of an organization over the longer term which ideally matches its resources to its changing environment and in particular, to its markets, customers and clients to meet stakeholders expectations. The changing environment itself needs to be managed proactively, hence the need for strategy which anticipates and manages change (Carey, 1997). The strategy therefore determines the direction in which the organization is going in relation to organizational management. Strategy therefore according to Johnson and Scholes (1993) is the process of defining intentions (strategic intent) and allocating or matching resources to opportunities and needs (resource based strategy). The writers conclude that strategy is concerned with achieving competitive advantage through sustainable organizational management.

According to Armstrong (2002), Strategic Human Resource Management (SHRM) is an approach to making decisions on the intentions and plans of the organization in the shape of policies, programmes and practices concerning the employment relationships, resourcing, learning and development, performance management, reward and employee relations. The writer concludes that Strategic Human Resource Management takes the HRM model with its focus on strategy, namely strategic intent, resource
based strategy, competitive advantage, strategic capability and strategic fit (Tyson, 1997). Whatever the short focus of a strategy may be the strategy in the long term must focus on the better and sustainable ways and styles of managing an organization, irrespective of its nature and orientation (Armstrong, 1994).

Kenya Seed Company is a Government Parastatal that produces and markets top quality certified seeds for the country’s farming community with an overall objective of adding value to the farming business and contributing to food self sufficiency in Kenya and beyond. The Company has made substantial contributions to this respect through the development, production and provision of a wide range of high yielding varieties and high quality seeds for various crops adoptable to different agro-ecological zones. In its core values, the company attributes this trend to its Human Resource Practices geared towards Organizational Performance, hence the selection of the company for this study.

The Company was incorporated in Kenya on 2 July 1956 to promote the use of improved strains of pasture seed, developed by the then National Agricultural Research Station at Kitale. Two years later, the company started an enterprise to produce commercial sunflower for export as part of its expansion strategy. In 1963 the company introduced hybrid seed maize production following the release of the first hybrids by the Government Research Center in Kitale. Seed wheat was added to the seed program in 1971 to provide certified seed to farmers who previously depended on low quality farm saved seeds (Kenya Seed Strategic Plan, 2010). The purpose of the study was to investigate the effects of practice of SHRM on organizational performance in managing organizations.

STATEMENT OF THE PROBLEM
This study is informed by the fact that organizations are characterized by strategic HRM practices which are meant to enhance the performance of these organizations in terms of matching the organizational capabilities and resources to the opportunities available in external environment, and ensuring that the different aspects of strategic human resource practices cohere and are mutually supportive towards organizational performance. However, the linking of the strategic human resource practices to organizational performance is wanting.

The lack of integration of organizational performance in HRM practices has resulted to organizations reacting too slowly to decision making and change related to performance appraisal techniques and implementation of performance appraisal recommendations (Harold, 1995). Consequently, a company faces a harsh treatment especially if its public thinks that the management is insensitive to change. A viable human resource strategy needs to incorporate organizational managers of all levels to ensure that the organization is better prepared to manage an organization in all aspects Part of this preparation involves incorporating organizational performance in the HRM strategy (Hendry & Pettigrew, 1986).

In situation where organizational performance is part of the HRM strategy, the focus is only short term and this prevents managers from anticipating the long term nature of organizational performance (Jensen & Hirst, 980). This poses a challenge in the implementation of the HRM strategy objectives, be they (objectives) short term or long term which in turn impacts negatively on organizational performance since the objectives and their realization are key indicators of the performance of an organization (Kessler, 1993). It is against this backdrop that the current study was conceived. The study sought to investigate the relationship between human resource management and organizational performance.

METHODOLOGY
The current study was conducted within the confines or paradigm of a case study, which investigated and made a detailed examination of selected phenomena. The research design was advantageous to and relevant for the study because it permits research to go beyond the statistical data it has gathered. The design provided data that is made to explain the phenomena under investigation more deeply and exhaustively, than plainly quantitative research that present data only by numbers. Finally, concerning time dimension, the study was purely cross-sectional. It was carried out once and presented a snapshot of one point in time as opposed to longitudinal study carried out repeatedly over an extended period of time.

Target Population
In this study, the target population was all the employees of Kenya Seed Company, Kitale. The sampling frame for the study was summarized in Table 1 below.

Table 1: Sampling frame

<table>
<thead>
<tr>
<th>Management level</th>
<th>No of employees</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Tactical</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Operations</td>
<td>293</td>
<td>94</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>314</strong></td>
<td><strong>115</strong></td>
</tr>
</tbody>
</table>


Stratified random sampling was used to divide the staff into three levels of management, namely, strategic, tactical and operations. For both strategic
and tactical, all employees were picked purposively. In the operations level, every 4th employee on the list was picked through systematic sampling and the procedure was repeated until 94 employees were obtained for the operations strata. The total for each strata were combined to form a total sample size of 115.

Sample and Sampling Technique
The target population was first divided into three levels of management through stratified random sampling. Stratified sampling was appropriate since it classified employees into three levels of management with each level having its own characteristics. However, the employees in each level had similar characteristics. From each level, simple random sampling was used to select cases so as to raise a sample size of 115 cases.

Data Collection Instruments
Both primary and secondary sources of data were used in the study. Secondary data also helped the researcher understand the problem she was dealing with. The questionnaires were distributed to the respondents. The respondents were given two days to respond to the questionnaire. The researcher then collected duly completed questionnaires for coding and analysis.

Validity and Reliability
The research instruments were tested for both content and construct validity before being administered on the respondents. The content and construct validity of the instruments were verified by the authors who critically examined and judged the clarity of the items on the research instruments.

The reliability of the instruments was determined by test-retest method. The questionnaire and interview schedule were administered to 100 respondents at Unga Limited. The instruments were later re-administered to the same respondents after two weeks. This was consistent with (Mugenda and Mugenda, 1999) indication that one can wait for four weeks before administering the instrument the second time. The respondents’ responses were scored and the results for the 1st and 2nd administration were correlated. Pearson Product Moment Correlation was used to determine the correlation between the two sets of scores. Reliability co-efficient of 0.9 was obtained as the desired index of reliability. This consideration was guided by Mislevy, (2004) principle.

Data Analysis
Quantitative data from the study was analyzed through descriptive and inferential statistics by the help of Statistical Packages for Social Scientists (SPSS version 15.0) software. Descriptive statistics made use of the frequency and percentages to describe the variables in the study. Using regression analysis, a linear regression model that took the for 

\[ \text{PERF} = \beta_1 + \beta_2 \text{SHRMP} + \mu \]

where PERFi performance, SHRMP is strategic human resource management practices, and β1 and β2 are the population parameters to be determined through regression analysis.

RESULTS AND DISCUSSION

Demographic Characteristics
Before the results of data analyses are presented the results of descriptive data for gender, working experience and working department are presented in Table 2

Table 2: Demographic Description of Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>58</td>
</tr>
<tr>
<td>Female</td>
<td>57</td>
</tr>
<tr>
<td>Working experience</td>
<td></td>
</tr>
<tr>
<td>1 – 5 years</td>
<td>23</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>25</td>
</tr>
<tr>
<td>11 – 15 years</td>
<td>61</td>
</tr>
<tr>
<td>Over 15 years</td>
<td>6</td>
</tr>
<tr>
<td>Department</td>
<td></td>
</tr>
<tr>
<td>Human Resource</td>
<td>23</td>
</tr>
<tr>
<td>Production</td>
<td>61</td>
</tr>
<tr>
<td>Finance</td>
<td>25</td>
</tr>
<tr>
<td>Administration</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Survey data, 2013

Strategic Human Resource Practices
The descriptive statistics results suggest that the most common strategic human resource practices are motivation strategy (53.0%), and the employee development (21.7%). Other fairly common strategic human resources practices are staffing strategy (20.0%) and maintenance strategy (5.2%). The results imply that the most common strategic practice at the Kenya Seed Company is the motivation strategy. Their responses were coded, analyzed and the results presented in Table 3.

Table 3: Strategic Human Resource Practices at Kenya Seed Company

<table>
<thead>
<tr>
<th>Variable</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staffing strategy</td>
<td>23</td>
</tr>
<tr>
<td>Employee development strategy</td>
<td>25</td>
</tr>
<tr>
<td>Motivation strategy</td>
<td>61</td>
</tr>
<tr>
<td>Maintenance strategy</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Survey data, 2013.

Relationship between Strategic Human Resource Practices and Performance
To obtain the relationship between the independent variable (strategic human resource management practices) and the dependent variable (Performance) the following null hypothesis was set and tested as follows:
H₀: There is no significant linear relationship between strategic human resource practices and organizational performance.

A simple linear regression model that took the form:

\[ \text{PERF} = \beta_1 + \beta_2 \text{SHRMP} + \mu_i \]

Where PERF is performance, SHRMP is strategic human resource management practices, and \( \beta_1 \) and \( \beta_2 \) are the population parameters while \( \mu \) is the stochastic or error term. A regression analysis of performance on strategic human resource management was done to determine the values of \( \beta_1 \) and \( \beta_2 \) and to test the set hypothesis. The regression output is as shown in Appendix A. From the regression output the parameters \( \beta_1 \) and \( \beta_2 \) took the values 0.592 and 2.073 respectively and thus the estimated model constructed was:

\[ \text{PERF} = 0.592 + 2.073 \text{SHRMP} \]

Using the t and p-values, parameter \( \beta_2 \) is statistically significant at \( \alpha = 0.05 \).

While \( F = 30.082 \) (\( p = 0.000 \)) meant that the model was good enough to capture the relationship between PERF and SHRMP. The sufficiently large coefficient of determination, \( r^2 = 0.501 \), meant that 50.1% of the variation in performance could be attributed to strategic human resource management practices. Thus the researcher rejected the null hypothesis and concluded that there is a linear positive relationship between performance and strategic human resource management practices.

The findings on the research question revealed that Kenya Seed Company makes use of the following strategic human resources practices: employee development strategy (21.7%), motivation strategy (53.0%) maintenance strategy (5.2%) and staffing strategy (20.0%). The high percentage of motivation strategy (53.0%), compared to maintenance strategy (5.2%), staffing strategy (20.0%) and employee development strategy (21.7%) suggests that the motivation strategy is important in enhancing organizational performance. Thus there is a linear positive relationship between performance and strategic human resource management practices.

This confirms that strategic human resource practices at the Kenya Seed Company result to high levels of motivation among employees, increased organizational performance and reduction of employee turnover. The findings are thus in line with the company’s goal of developing and retaining a human resource base through attracting and retaining competent staff. However, employees feel that the current level of teamwork and satisfaction are not strong enough to contribute to organizational performance. This is explained by the negative perception attributed to teamwork and employee satisfaction.

CONCLUSIONS

This research added to our understanding on the strategic human resource practices and organizational performance. Effective use of human resource strategies and practices to enhance organizational performance at Kenya Seed Company, Kitale resulted from an open-ended question which asked the respondents to suggest how they felt the human resources practices and strategies can be used to maximize on organizational performance. The most common suggestion across the responses were involving all employees in strategy formulation and implementation, training employees on strategic management process, relating motivation strategy to employee performance, incorporating corporate objectives in employee appraisal process and creating an organizational culture that nurtures performance.

CONTRIBUTION TO KNOWLEDGE

The findings of this study will enhance the theories on human resource practices and how they are linked to the overall performance of the organization. Secondly, previous studies that examined the relationship between human resource management and employee satisfaction (Hendry & Pettigrew, 1986) and hence this study will fill the lacuna of the relationship between human resource management and performance. Also Literature review indicates that the trend has been choosing a geographical setting that is based in the developed countries and in non-agricultural institutions. The study therefore fills the knowledge gap by examining the effect of strategic human resource management in a developing country and in an agricultural organization.

RECOMMENDATIONS

Based on the findings of the study, a number of recommendations can be made. The company must know the learning requirements of employees concerning strategic practice and organizational performance. Consequently, managers and employees must collaborate effectively and communicate the pre-requisite for performance. Similarly coaching must be provided to pass the necessary knowledge and guidance to the learning employees. This arises from the objective of the study which sort to examine the relationship between strategic human resource practices and their contributions to organizational performance.

The company is called upon to link employee appraisal strategy with the performance expectations. This way, employees will use the evaluation to
determine the relationship between employee satisfaction individual performance and organization performance.

The concept of strategic wear out is not addressed by the company, despite being identified by employees as a key challenge. There is therefore need for Kenya Seed Company to establish the factors such as the changes in competitors’ stance, economic factors, changes in customer expectations, poor control of company costs and poor internal investment, which contributes to strategic wear-out and suggest how such factors can be managed as a way of dealing with strategic wear-out.

LIMITATIONS OF THE STUDY
Given the nature of the study, it was not possible to generalize the study’s findings to all organizations since they are of different types, and employ different strategies for management. Besides, organizations engage in different activities that fall under different types of industry. The Human Resource Management strategy as a service industry is not necessarily the same as those in a production industry.

REFERENCES


Kenya Seed Strategic Plan, 2010

Kessler, J (1993) Knowledge productivity and the corporate curriculum, in knowledge management October


Appendix A: Regression output of performance on strategic human resource practices

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.708</td>
<td>.501</td>
<td>.484</td>
<td>2.06606</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategic HRM Practices

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>128.410</td>
<td>1</td>
<td>128.410</td>
<td>30.082</td>
<td>.000*</td>
</tr>
<tr>
<td>Residual</td>
<td>128.059</td>
<td>30</td>
<td>4.269</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>256.469</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategic HRM Practices

b. Dependent Variable: Performance