RELATIONSHIP BETWEEN STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES AND PERFORMANCE OF SUGAR FIRMS IN WESTERN KENYA

BY

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DEPARTMENT OF BUSINESS ADMINISTRATION

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DECLARATION

I declare that this research project is my original work and has not been presented for any degree in any other university.

Signed…………………….... Date……………………....

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Declaration by the Supervisor

This research project has been presented for examination with my approval as the university supervisor.

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DEDICATION

This research project is dedicated to my father Phillips Oundo, mother Everlyne A. Oundo and my precious daughter Faith Maya Edwins. I thank God for you.

ABSTRACT

Strategic management literature show that strategic human resources management practices (SHRM) drive firm performance. Prior studies focus on SHRM practices in developed countries but none has been done in the Sugar Sector. The Kenya Sugar industry strategic plan (2010-2014) confirms that this sector is a major employer and contributor to the national economy. There is no known study that has related innovative recruitment and selection systems and performance of sugar firms and the relationship between integration of human resource (HR) with corporate strategies and performance of sugar firms. The purpose of this study was to establish the relationship between SHRM practices on performance of Sugar companies. Objectives of the study were to; determine the association between innovative recruitment and selection system and performance and establish the relationship between integration of HR with corporate strategies and performance. The study was anchored on Configurational theory. A correlational research design was employed on target population of 27 senior managers and sample of 24 senior managers were used. Primary and Secondary data were collected through a semi-structured self-administered questionnaire and document review respectively. Instrument validity was checked using expert review whereas reliability was done using pilot test and the instrument was found reliable since all items had $\alpha > .701$ implying internal consistency. The findings were that relationship between strategic outsourcing and performance was significantly positive ($r = 0.548$, $p = 0.006$, $n = 24$) implying that its use influences performance of sugar firms positively; the association between innovative recruitment and performance was positive and significant ($r = 0.710$, $p = 0.000$, $n = 24$) implying that it associates positively with performance of sugar firms and the association between integration of HR with corporate strategies and performance was positive and significant ($r = 0.866$, $p = 0.000$, $n = 24$) implying that its use leads to an increase in performance of sugar firms. Study conclusions are that; strategic outsourcing positively influences performance; use of innovative recruitment and selection systems associate positively with performance and integration of HR with corporate strategies leads to an increase in performance of sugar firms. Recommendations of the study are that firms should intensify application of strategic outsourcing of HR function; intensify use of strategic outsourcing; increase use of innovative recruitment and selection systems and intensify integration of HR with corporate strategies. The research findings may be significant to sugar industry human resource policy makers in designing appropriate SHRM that maximizes the firm's value. It will also provide new empirical evidence on the SHRM practices and performance of sugar firms and form a basis for future research in the area.

TABLE OF CONTENTS

TITLE PAGE……………………………………………………………………………i
DECLARATION ii
ACKNOWLEDGEMENT iii
DEDICATION...iv
ABSTRACT..v
TABLE OF CONTENTS...vi
ABBREVIATIONS AND ACRONYMS ix
OPERATIONAL DEFINITION OF TERMS x
LIST OF TABLES xi
CHAPTER ONE 1
INTRODUCTION 1
1.1 Background of the study 1
1.2 Statement of the Problem..5
1.3 Objectives of the Study...5
1.4 Research Hypotheses 6
1.5 Scope of the Study 6
1.6 Justification of the Study 6
Figure 1.1: Strategic Human Resources Management and Performance Relationship. 7
CHAPTER TWO 8
LITERATURE REVIEW 8
2.1 Universalistic Theory Linking SHRM Practices and Performance 8
2.2 Configurational Theory Linking SHRM Practices and Performance 9
2.3 The Concept of Strategic Human Resource Management 9
2.5 Review of Empirical Studies 12
2.5.1The Relationship between strategic outsourcing and performance 12
2.5.2 The Association between Innovative Recruitment and Selection System and Pperformance..14
2.5.3 The Relationship between integration of HR with corporate strategies and performance...18
CHAPTER THREE 22
RESEARCH METHODOLOGY..22
3.1 Research Design..22
3.2 Study Area 22

3.3 Target Population 22
3.4 Data Collection 23
3.4.1 Sources of Data 23
3.4.2 Data Collection Procedure 23
3.4.3 Instruments of Data Collection 23
3.4.4 Reliability Test for Data Collection Instrument 23
Table 3.1: Summary of Pilot Results Based on Cronbach's Alpha Reliability Test 24
3.4.5 Validity Test for Data Collection Instrument 24
3.5 Data Analysis 24
3.5.1 Model Specification 24
CHAPTER FOUR 26
RESULTS AND DISCUSSIONS 26
4.1 Response Return Rate 26
4.2 Demographic Features of the Sample 26
Figure 4.1: Respondents gender 26
Figure 4.2: Respondents Age 27
Table 4.1: Highest education level 27
Table 4.2: Years of service to the company 28
4.3: Descriptive Statistics on SHRM practices are adopted by Sugar companies 28
Table 4.3: Rating of Extent Integration of HR with corporate strategies (n=24) 29
Table 4.4: Rating of Extent Strategic Outsourcing of HR Functions (n=24) 30
Table 4.5: Rating of Extent Innovative Recruitment and Selection Systems (n=24) 31
4.4: Relationship Between Strategic Outsourcing and Performance of Sugar Companies 32
Table 4.6: Pearson's Correlation between Strategic Outsourcing and Performance 32
4.5: Association Between Innovative Recruitment and Selection Systems and Performance of Sugar Companies 33
Table 4.7: Pearson's Correlation between Innovative Recruitment and Selection Systems and Performance 33
4.6: Relationship Between Integration of HR with Corporate Strategies and Performance of Sugar Companies 33
Table 4.8: Pearson's Correlation between Integration of HR with Corporate Strategies and Performance 34
CHAPTER FIVE 35

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS............35
5.1 Summary of the Findings 35
5.2 Conclusions of the Study 35
5.3 Recommendations of the Study..35
5.5 Suggestions for Further Research 36
References..37
APPENDICES 44
Appendix 1.0: Sample Cover letter to Respondents 44
Appendix 2.0: Questionnaire for Respondents 45
Appendix 3.0: List of Sugar companies in Western Kenya..............................48

ABBREVIATIONS AND ACRONYMS

AIDS	-	Acquired Immune Deficiency Syndrome
ASE	-	Australian Stock Exchange
CMIE	-	Centre for Monitoring Indian Economy
GDP	-	Gross Domestic Product
HR	-	Human Resources
HRM	-	Human Resources Management
KNBS	-	Kenya National Bureau of Statistics
ROA	-	Return on Assets
ROE	-	Return on Equity
SHRM	-	Strategic Human Resources Management
USA	-	United Sates of America

OPERATIONAL DEFINITION OF TERMS

Integration of HRM	-refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization.
Performance	-This is an entity's ability to prevail by exhibiting favorable input output ratio. In this study, it is measured in terms of profitability.
Profitability	-This is the ability of business operations to generate revenue in greater quantities than expenditure
Strategic Outsourcing	-It is a management strategy, by which an organization delegates major, non-core functions to specialized and efficient service providers.
Strategic HRM	-refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization.
Strategic HRM practices	-in this study they are strategic outsourcing, innovative recruitment and selection systems and alignment of HR functions with corporate strategies.

LIST OF TABLES

Table 3.1: Summary of Pilot Results Based on Cronbach's Alpha Reliability Test 24
Table 4.1: Highest education level...27
Table 4.2: Years of service to the company...28
Table 4.3: Rating of Extent Integration of HR with corporate strategies (n=24) 29
Table 4.4: Rating of Extent Strategic Outsourcing of HR Functions (n=24) 30
Table 4.5: Rating of Extent Innovative Recruitment and Selection Systems (n=24) 31
Table 4.6: Pearson's Correlation between Strategic Outsourcing and Performance 32
Table 4.7: Pearson's Correlation between Innovative Recruitment and Selection Systems and Performance 33
Table 4.8: Pearson's Correlation between Integration of HR with Corporate Strategies and Performance...34

LIST OF FIGURES

Figure 1.1: Strategic Human Resources Management and Performance Relationship. 7
Figure 4.1: Respondents gender......26
Figure 4.2: Respondents Age......27

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Strategic human resources management (SHRM) is a new paradigm in managing human resources (HR) in the modern organization which is hinged on the understanding that the most critical resource that any organization must provide itself of is HR, since it is the HR that is responsible for coordinating the other factors of production to spur corporate performance. Vertical integration is necessary to provide congruence between business and HR strategy so that the latter supports the accomplishment of the business strategy and helps to define it. SHRM is also about horizontal integration which aims to ensure that the different elements of the HR strategy fit together and are mutually supportive (Armstrong, 2008). According to Werbel and DeMarie (2005), HRM practices create procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique organizational competencies which support competitive advantage.

Cooke *et al*., (2005) asserts that SHRM is an efficient function that copes with environmental changes. It directly and indirectly benefits companies because it changes passivity into initiative, transmits organizational goals clearly and encourages the involvement of line managers. Marchington (2008) argue that SHRM positively influences firm performance because it generates structural cohesion, an employee-generated synergy that propels a company forward, enabling the firm to respond to its environment while still moving forward. The recent developments in many business sectors in both developed and developing nations has led to the need for businesses to focus on sustainable strategies. This includes strategic human resource management practices. A number of models have been proposed to guide the practice of strategic HRM (Cooke *et al*.2005; Werbel and DeMarie, 2005). A major shortcoming of the strategic HRM literature is that, despite extensive studies, evidence is scarce regarding actual as opposed to perceived effectiveness, overall usefulness and performance consequences of strategic HRM practices. Business firms in developing countries, particularly in the sugar industry in Kenya are beset by environmental turbulence heralded by the deregulation of the sugar industry, would benefit from strategic control practices. Neither the strategic HRM practices nor their performance consequences are known in Kenyan sugar firms.

Strategic HRM refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization

(Schuler and Jackson, 1999). The resultant strategic HRM practices are strategic outsourcing, innovative recruitment and selection systems and alignment of HR functions with corporate strategies (Dimba and K'Obonyo, 2009).

Strategic outsourcing is the strategic use of outside resources to perform activities that are traditionally handled by internal staff and resources. It is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers, or as Corbett (1999) asserts that outsourcing is nothing less than the wholesale restructuring of the corporation around core competencies and outside relationships (Corbett, 1999). The traditional outsourcing emphasis on tactical benefits like cost reduction – cheaper labour cost in low-cost countries – have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Wild *et al*., 1999).

Reviewed literatures (Elmuti and Kathawala, 2000; Frayer *et al*., 2001) show that strategic outsourcing is an important factor in enhancing firm performance in terms of cost reduction and quality improvement, among other reasons. Prior researches use convenient sampling methods and exploratory research designs and descriptive statistics (Klaas *et al*., 2001; Steensma *et al*., 2000) but fail to study firms in the sugar sector. Moreover, others use primary data based on cross-sectional study units (Singh, 2004; Tessember and Soeters, 2006; Dimba and K'Obonyo, 2009) but do not study the effect of strategic outsourcing on performance of firms in the sugar sector using correlational research design. Therefore, no researches investigating the effect of strategic outsourcing on performance of firms in the sugar sector.

Armstrong (2006) defines recruitment and selection system as that Hr process that helps in identifying a right candidate with potential to perform. A rigorous selection system generates a sense of elitism, creates high expectations of performance, and signals a message of importance of the people to the organization (Pfeiffer, 1994). The mismatch between the person and the job can hamper performance levels, whereas a sophisticated selection system can ensure a better fit between the person's abilities and the organization's requirement. Also, selection has been found to be positively related to firm performance (Terpsra and Rozell, 1993). Organizations can also develop and enhance the quality of the current employees by providing comprehensive training and development. Indeed, research indicates that investments in training employees in problem-solving, teamwork and interpersonal relations result in beneficial firm level outcomes (Barak *et al*., 1999).Organizations can monitor the development of desired employee attitudes and behavior through the use of the appraisal mechanisms. This appraisal-based information could be used for changing the selection and training practices to select and develop employees with the desired behaviors and attitudes. However, the effectiveness of skilled employees will be limited unless they are motivated to perform their jobs.

Reviewed literatures show that innovative recruitment and selection systems are important drivers of profitability. Prior researches (Cooke *et al*., 2005; Purcell *et al*., 2007; David *et al.,* 2002; Ramarapu *et al.,* 1997 and Huang, 1998) use stratified random sampling methods and exploratory or descriptive research designs, generalized linear models and descriptive statistics; study firms in the manufacturing sector. They employ primary data based on cross-sectional study units, but fail to study sugar firms using correlational research design. Therefore, no researches relating innovative recruitment and selection systems and performance of sugar firms in Western Kenya using correlational research design.

Alignment of HRM with corporate strategies refers to the involvement and alignment of HRM with the strategic needs of an organization (Schuler and Jackson, 1999). Buyens and De Vos (1999) argue that in order for HR to be a strategic partner, HR managers should be involved in strategic decision making alongside other senior managers, providing greater opportunity to align HR goals, strategies, philosophies and practices with corporate objectives and the implementation of business strategy. To achieve strategic integration and alignment of HRM with business strategies, a documented HRM strategy would also be useful (Budhwar, 2000; Teo, 2002) as it can make more concrete the role and authority of HR managers in corporate decision making and increase capacity to cope with externalities such as a tight labour market (Cunningham and Deborah, 1995).

Empirical evidence (Singh, 2004; Green *et al*., 2006; Tessember and Soeters , 2006; Kai *et al*., 2007; Som, 2008 and Dimba and K'Obonyo, 2009) show that integration of HR with corporate strategies is an important aspect of enhancing firms' performance and competitive advantage. Prior researches use stratified random sampling methods and exploratory or descriptive research designs and descriptive statistics; study firms in the manufacturing sector. They employ primary data based on cross-sectional study units, but fail to study sugar firms using correlational research design. Therefore, no researches relating integration of HR with corporate strategies on performance of sugar firms in Western Kenya using correlational research design.

Agriculture in the Kenyan economy employs over 70% of the total labour force and contributes over 27.3% of the country's Gross Domestic Product (GDP) in 2014 making it one of the dominant sectors in the economy. This contribution mainly comes from tea, coffee, livestock rearing and horticulture. While sugar is not one of the leading agricultural products, its contribution to the economy remains significant as it directly and indirectly supports over 6 million Kenyans representing about 15% of the entire Kenyan population. Sugar is produced in four main sugar belts namely; Nyando, Western Kenya, South Nyanza and Coastal in twelve sugar factories on fairly flat regions. About 85% of the total cane supply is from small-scale growers whilst the remaining is from the nucleus estates of the sugar factories.

The Kenya sugar industry strategic plan (2010-2014) confirms that the Kenya sugar sector is a major employer and contributor to the national economy. The industry supports approximately 250,000 small-scale farmers who supply over 92 % of the cane milled by the sugar companies. Sugar firms play a significant role in Kenya's economy. They have generated employment to thousands of Kenyans. Corporate organizations in Kenya in which sugar firms are part of, contribute around 16.3% to GDP and employ 25 % of the labour force and this has remained largely unchanged since 2004 (Kenya Economic Development report, 2011). Sugar sub-sector sector is also among the largest employers in Kenya in addition to the tax opportunities it presents.

Sugarcane is one of the most important crops in the economy alongside tea, coffee, horticulture and maize. By far, the largest contribution of the sugarcane industry is its silent contribution to the fabric of communities and rural economies in the sugar belts. Farm households and rural businesses depend on the injection of cash derived from the industry. The survival of small towns and market places is also dependent on the incomes from the same. The industry is intricately weaved into the rural economies of most areas in western Kenya. Besides the socio-economic contributions, the industry also provides raw materials for other industries such as biogases for power co-generation and molasses for a wide range of industrial products including Ethanol. Molasses is also a key ingredient in the manufacturing of various industrial products such as beverages, confectionery and pharmaceuticals (Kenya Economic Development report, 2011).

Sugar industry was chosen as a context of the since it has a great potential for impacting the overall economy of Kenya. It is one of the largest contributors to the agricultural Gross Domestic Product (GDP), (GOK, 2006). Secondly, with the substantial state holdings, the sub-sector is a key policy initiative area for the Government of Kenya. Thirdly, the sugar sub-sector is currently undergoing fundamental change occasioned by liberalization and deregulation in the operating environment, the business consequences of which are: increased competitors, saturation of key market segments, the downward price pressure, and consequent the lower levels of return on equity. In fact, there is an impending threat arising from the free trade Common Market for Eastern and Southern Africa (COMESA) arrangement which has hitherto shielded Kenya from regional competition.

1.2 Statement of the Problem

Strategic management literature show that strategic human resource management practices are important factors in enhancing firm performance in terms of cost reduction and quality improvement, among other reasons. Prior researches do not explore the extent of adoption of strategic human resources management practices by sugar firms in Western Kenya and it is unknown how strategic outsourcing affects performance of firms in the sugar sector. No known study has related innovative recruitment and selection systems and performance of sugar firms in Western Kenya using correlational research design. Moreover, the effect of integration of HR with corporate strategies on performance of sugar firms in Western Kenya using correlational research design is not apparent.

1.3 Objectives of the Study

The general objective of this study was to establish the effect of strategic human resources practices on performance of Sugar companies in Western Kenya. Specifically, the study sought to:

1. Establish the relationship between strategic outsourcing and performance of Sugar companies in Western Kenya.
2. Determine the association between innovative recruitment and selection system and performance of Sugar companies in Western Kenya.

3. Establish the relationship between integration of HR with corporate strategies and performance of Sugar companies in Western Kenya.

1.4 Research Hypotheses

The study was guided by the following research hypotheses:

H_{01}: There is no relationship between strategic outsourcing and performance of Sugar companies in Western Kenya.

H_{02}: There is no association between innovative recruitment and selection system and performance of Sugar companies in Western Kenya.

H_{03}: There is no relationship between integration of HR with corporate strategies and performance of Sugar companies in Western Kenya.

1.5 Scope of the Study

The study was limited to the study of two variables namely strategic Human Resource Management Strategies and performance of the all the nine sugar companies operating in Western Kenya as constructed in the conceptual framework in Figure 1.1. Section 1.7 delineates the scope of each of these variables. The research was designed as a cross sectional survey. The study area was Western Kenya, since this region is considered as the sugar belt in Kenya. The sugar firms are situated in the following counties Bungoma, Kakamega, Kisumu and Migori counties. In terms of time scope, the study was conceived in 2015 and was done between March 2015 and November 2016.

1.6 Justification of the Study

The findings of this study will inform the various stakeholders such as other organizations wishing to adopt Strategic Human Resource Management Practices, policy makers such as Kenya Sugar Directorate in designing appropriate policies that support sugar firms to achieve organizational effectiveness and investors in sourcing for the best performing sugar companies and the academia in identifying any gaps existing in the adoption of SHRM practices and do research that would be able to fill the gaps.

1.7 Conceptual Framework

Independent Variable **Dependent Variable**

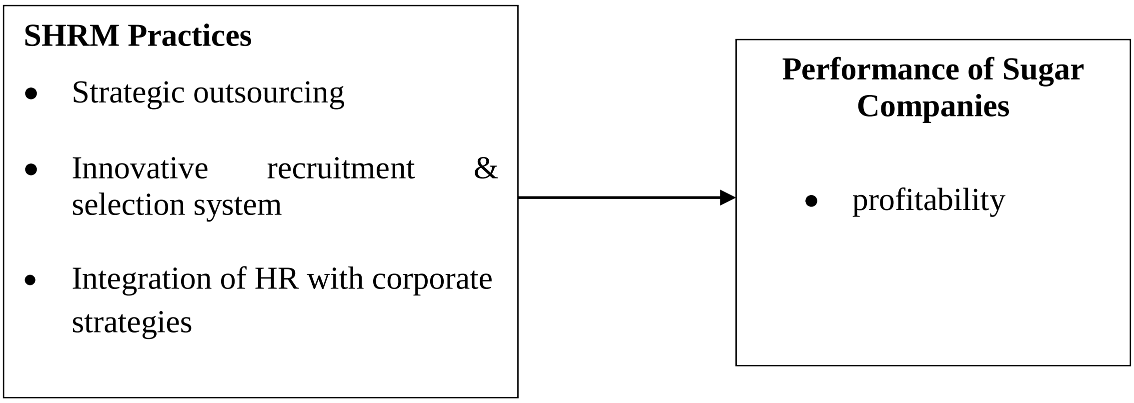

Figure 1.1: Strategic Human Resources Management and Performance Relationship.
Source: Adapted from Dimba and K'Obonyo (2009)

The above conceptual framework shows the relationship between Strategic Human Resource Management and performance. Strategic HRM practices which is the independent variable has three dimensions namely, strategic outsourcing (delegation of HR), innovative recruitment & selection system and integration of HR with corporate strategies. The dependent variable is the performance is surrogated by Profitability.

CHAPTER TWO
LITERATURE REVIEW

This section first reviews theoretical literature on the strategic management practices and performance. It then reviews empirical literature relevant to the study. Finally, it presents a summary of the gaps in the literature justifying the current research.

2.1 Universalistic Theory Linking SHRM Practices and Performance

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

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

2.2 Configurational Theory Linking SHRM Practices and Performance

A strategy's success turns on combining external fit and internal fit. A firm with bundles of HR practices should have a high level of performance, provided it also achieves high levels of fit with its competitive strategy (Richard and Thompson, 1999). Emphasis is given to the importance of bundling SHRM practices and competitive strategy so that they are interrelated and therefore complement and reinforce each other. Implicit in is the idea that practices within bundles are interrelated and internally consistent, and has an impact on performance because of multiple practices. Employee performance is a function of both ability and motivation. Thus; there are several ways in which employees can acquire needed skills (such as careful selection and training) and multiple incentives to enhance motivation (different forms of financial and non-financial rewards).The idea of best practice might be more appropriate for identifying the choices of practices as opposed to the practices themselves. The good practices that do well in one successful environment should not be ignored altogether. Benchmarking is a valuable way of identifying areas of innovation and development that are practiced to good effect elsewhere by leading companies. But it is up to the firm to decide what may be relevant in general terms and what lessons can be learnt that can be adopted to fit its particular strategic and operational requirements.

2.3 The Concept of Strategic Human Resource Management

According to Werbel and DeMarie (2005), HRM practices create procedures that constitute the building of employees' knowledge and skills throughout the organization to promote valued and unique organizational competencies which support competitive advantage. Strategic HRM is a new paradigm in managing HR in the modern organization which is hinged on the understanding that the most critical resource that any organization must provide itself of is HR, since it is the HR that is responsible for coordinating the other factors of production to spur corporate performance. Vertical integration is necessary to provide congruence between business and HR strategy so that the latter supports the accomplishment of the business strategy and helps to define it. SHRM is also about horizontal integration which aims to ensure that the different elements of the HR strategy fit together and are mutually supportive (Armstrong, 2008).

Cooke *et al*., (2005) asserts that SHRM is an efficient function that copes with environmental changes. It directly and indirectly benefits companies because it changes passivity into initiative, transmits organizational goals clearly and encourages the involvement of line managers. Marchington (2008) argue that SHRM positively influences firm performance because it generates structural cohesion, an employee-generated synergy that propels a company forward, enabling the firm to respond to its environment while still moving forward.

Strategic outsourcing is the strategic use of outside resources to perform activities that are traditionally handled by internal staff and resources. It is a management strategy by which an organization delegates major, non-core functions to specialized and efficient service providers, or as Corbett (1999) asserts that outsourcing is nothing less than the wholesale restructuring of the corporation around core competencies and outside relationships (Corbett, 1999). The traditional outsourcing emphasis on tactical benefits like cost reduction – cheaper labour cost in low-cost countries – have more recently been replaced by productivity, flexibility, speed and innovation in developing business applications, and access to new technologies and skills (Wild *et al*., 1999).

Integration of HRM refers to the involvement of HRM in the formulation and implementation of organizational strategies and the alignment of HRM with the strategic needs of an organization (Schuler and Jackson, 1999). Buyens and De Vos (1999) argue that in order for HR to be a strategic partner, HR managers should be involved in strategic decision making alongside other senior managers, providing greater opportunity to align HR goals, strategies, philosophies and practices with corporate objectives and the implementation of business strategy. This involvement would include the membership of HR managers in the most senior management teams in the organization. This would provide an opportunity for HRM to represent its concerns and influence business strategy from the outset of decision making. The chances of integration and value creation may be further increased if the senior HR manager and the CEO have an opportunity to establish a relationship. In this role, HR managers need to have knowledge of core markets, competitors, costs, profit indicators and stakeholders to be considered equal business partners (Chaddie, 2001). The involvement of a senior HR manager in a firm's senior management team provides an important channel for interactive information flow and communication.

To achieve strategic integration and alignment of HRM with business strategies, a documented HRM strategy would also be useful (Budhwar, 2000; Teo, 2002) as it can make more concrete the role and authority of HR managers in corporate decision making and increase capacity to cope with externalities such as a tight labour market (Cunningham and Deborah, 1995). A documented HRM strategy helps the organization to develop an HRM vision and objectives and to monitor performance. Some empirical evidence from previous research indicates that the full impact of HR practices on organizational performance occurs when HR practices are strategically congruent and consistent with each other (Khatri, 1999).

In order to make HR managers more available for participation in strategic decision-making process, Budhwar and Khatri (2001) argue that the responsibility of routine execution and administration of HR practices should be delegated to line managers as they have direct and frequent contact with employees. However, for the benefit of devolvement to be realized, line managers will need to possess appropriate skills to execute HR practices competently and effectively to a benchmarked standard advocated by HR managers (Hall and Torrington, 1998). This means that the senior HR manager needs to be a strategic partner with line managers, providing training, resources, incentive

with HRM policy (Teo, 2002).

A rigorous, valid and sophisticated recruitment and selection system helps in identifying a right candidate with potential to perform. A rigorous selection system generates a sense of elitism, creates high expectations of performance, and signals a message of importance of the people to the organization (Pfeiffer, 1994). The mismatch between the person and the job can hamper performance levels, whereas a sophisticated selection system can ensure a better fit between the person's abilities and the organization's requirement. Also, selection has been found to be positively related to firm performance (Terpsra and Rozell, 1993). Organizations can also develop and enhance the quality of the current employees by providing comprehensive training and development. Indeed, research indicates that investments in training employees in problem-solving, teamwork and interpersonal relations result in beneficial firm level outcomes (Barak *et al*., 1999).Organizations can monitor the development of desired employee attitudes and behavior through the use of the appraisal mechanisms. This appraisal-based information could be used for changing the selection and training practices to select and develop employees with the desired behaviors and attitudes. However, the effectiveness of skilled employees will be limited unless they are motivated to perform their jobs.

2.4 Firm Performance

The measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity, growth, social responsibility and ability to adapt to the ever changing environment among other objectives. Extant research findings have shown that perceived measures of performance can be a reasonable substitute of objective measures of performance (Wan-Jing & Tung, 2005) and have a significant correlation with objective measures of financial performance. Additionally, cross-industry organizational performance is influenced by external economic factors (Bamberger & Meshoulam, 2000), hence subjective evaluations may be even more appropriate than objective measures in this study. Studies by Youndt *et al*., (1996) recognize the difficulty in obtaining objective measures of performance and suggest asking managers to assess their own firm's performance relative to others in the same industry or sector. To minimize the effects of random errors, researchers have suggested the use of multiple items to assess performance. Given this scenario, the researchers in this study have opted to use multiple items in order to assess the performance of the organizations to be studied. These items relate to profitability and sales growth.

2.5 Review of Empirical Studies

2.5.1The Relationship between strategic outsourcing and performance

Elmuti and Kathawala (2000) examined the degree of success or failure of outsourcing strategy among organizations in Greece and found that about 31 per cent (85 firms) of the (270) organizations who reported that they did have an outsourcing program in their organizations reported that their outsourcing programs had failed (checked that it was not successful or indicated that it was too early in the effort to determine success), to achieve their stated objectives of influencing and enhancing organizational effectiveness, performance, productivity, cost-savings, cycle time, customer service, market share and quality. However, the study did not cover firms in the sugar sector and failed to check the effect of strategic outsourcing on performance of sugar companies in Western Kenya.

Usinf desriptive research design, Frayer *et al*. (2001) studied the interrealtionship between outsourcing streategy and performance and found that in order for an out-sourcing strategy to work effectively, companies must proactively manage their outsourcing strategies by establishing top management commitment, global sourcing structures and processes, and global sourcing business capabilities. In addition, they found that companies that have not raised their sourcing approach to global, strategic level may already be behind in terms of quality, cost, delivery, technology, performance, and customer service. However, the study used a small sample and purposive sampling and did not cover firms in sugar sector.

A study by Klaas *et al*. (2001) studied outsourcing strategy effectiveness and its impact on organizational characteristics and found that that the influence of organizational characteristics was highly contingent, suggesting that organizational characteristics have different effects on various types of outsourcing activities outsourced. As such, it appears that many factors such as pay level, promotional opportunities and demand uncertainty should be considered when deciding to outsource functions or activities. However, the study fails to explore the effect of strategic outsourcing on performance of sugar firms in Western Kenya. Moreover, did not cover firms in Kenya.

Steensma *et al*. (2000) examined the outcomes of technology-sourcing partnerships from the sourcing firms point of view and found that, in general, equity-based alliances were more effective than contract-based outsourcing and outcomes from technology partnerships for sourcing firms depend on the interaction between technology attributes and the interdependence between source and sourcing firms.The study failed to interrogate the effect of strategic outsourcing on performance of firms in the sugar industry.

Singh (2004) investigated the relationship between six HRM practices and firm level performance in India. 359 firms were drawn from firms listed in the Centre for Monitoring Indian Economy (CMIE) database. Of these 359 firms, 82 responded positively to the survey. Using regression and correlation analyses, the study found a significant relationship between the two HR practices, namely, training and compensation, and perceived organizational and market performance of firms. However, the study did not interrogate the effect of strategic outsourcing on performance of sugar companies in Western Kenya.

Tessember and Soeters (2006) examined how, when and to what extent HR practices affect performance in Eritrea and found that successful implementation of HR practices could enhance individual and civil service organization of Eritrea, but the economic and political environment within which HR practices operate are not conducive. Their study tried to shed some light on the HRM-performance debate within the context of a developing country. However, the study did not examine the effect of strategic outsourcing on performance of sugar firms in Western Kenya.

Dimba and K'Obonyo (2009) investigated the nature of the effect of SHRM practices on organizational performance. The study sought to determine whether the effect of human resource management practices on organizational performance is direct or indirect through employee motivation, and whether employee cultural orientations moderate the relationship between strategic human resource practices and employee motivation. 50 multinational manufacturing companies in Kenya were sampled. One HR manager, 2 line managers and 3 employees from each organization were chosen for the survey. The study adopted the measures developed by Hofstede and Huslid. Using regression analysis, the study found that all the variables of SHRM practices, except recruitment and selection were positive and significantly correlated with performance; relationship between SHRM practices and firm motivation did not depend on employee cultural orientations when cultural values were considered; motivation mediated the relationship between SHRM practices and firm performance and motivation affected firm performance. However, the study did not focus on sugar firms in Western Kenya

Reviewed literatures (Elmuti and Kathawala, 2000; Frayer *et al*., 2001) show that strategic outsourcing is an important factor in enhancing firm performance in terms of cost reduction and quality improvement, among other reasons. Prior researches use convenient sampling methods and exploratory research designs and descriptive statistics (Klaas *et al*., 2001; Steensma *et al*., 2000) but fail to study firms in the sugar sector. Moreover, others use primary data based on cross-sectional study units (Singh, 2004; Tessember and Soeters, 2006; Dimba and K'Obonyo, 2009) but do not study the effect of strategic outsourcing on performance of firms in the sugar sector using correlational research design. Therefore, no researches investigating the effect of strategic outsourcing on performance of firms in the sugar sector.

2.5.2 The Association between Innovative Recruitment and Selection System and Performance

Using descriptive research design, Cooke et al (2005) investigated the HRM practices of firms in declining industries and found that most high performance firms adopted SHRM measures. However, the study fails to study the effect of innovative recruitment and selection system on performance of sugar companies in Western Kenya.

Another study by Purcell et al. (2007) on the relationship between HRM practices and firm performance and found a positive relationship between HRM practices and firm financial performance. They also found that the strategic orientation of HR in high productivity firms differed obviously from that in low productivity firms. Developments in SHRM thinking are thus explored through the best-fit, best-practice and Configurational approaches which have a profound impact in the understanding of the contribution SHRM can enhance organizational performance, through increased competitive advantage and added value. However, the study fails to interrogate the effect of innovative recruitment and selection system on performance of sugar companies in Western Kenya.

Using descriptive statistics and regression analysis, a study by David *et al.* (2002) in Singapore, examined the relationship between strategic HRM and organizational financial and human resource performance in Singapore and found that with the exception of team-based work and performance-based pay, all the other strategic HRM components have a positive impact on the financial performance of a firm. Results also show that all the strategic HRM variables have a positive impact on HR performance.

A study by Ramarapu *et al.* (1997) investigated issues in foreign human resources outsourcing and found that a country's unique cultural dimensions, laws and regulations, supporting infrastructure, and economic issues such as strikes and work stoppages were among the biggest obstacles to outsourcing success, followed by the limitations of outsourcing on the morale and performance of the remaining employees, management must step in and rebuild trust among the workers and jobs may need to be reevaluated and expanded or changed to fit the new organization. However, they failed to test the effect of innovative recruitment and selection system on performance of sugar firms in Western Kenya.

Elmuti and Kathawala (2000) use purposive sampling to investigate why organizations in Greece take risk of outsourcing and find that outsourcing projects were undertaken for several reasons: cost reduction, quality improvement, increase exposure to worldwide technology, delivery and reliability improvements, gain access to materials only available abroad, establish a presence in a foreign market, use resources that are not available internally, reduce the overall amount of specialized skills and knowledge needed for operations, make capital fund available for more profitable operations, and to combat the introduction of competition to the domestic supply. They conclude that outsourcing impacts on the organization's bottom line, although more distant purpose such as strategy, competitive advantage, and competitor actions may have been the rationale for the more direct reasons. However, only organizations in Greece are studied and firms in sugar sector are omitted and did not cover effect of innovative recruitment and selection system on performance of sugar companies in Western Kenya.

Using descriptive research design, Elmuti and Kathawala (2000) further examined how strategic outsourcing programs were organized and identified two types of sourcing currently at the forefront of academic, government, and management attention were offshore subcontracting and controlled offshore manufacturing. However, they looked at general strategic outsourcing mechanisms as opposed to specific human resources practices, did not use correlational research design and did not cover sugar firms and did not explore the effect of innovative recruitment and selection system on performance of sugar companies in Western Kenya.

Another study by Elmuti and Kathawala (2000) on the outsourced activities or functions by firms in Greece found that the top activities or functions outsourced were purchasing parts or components for the final products, information technology such as application development, contract programming and data entry and simple processing, management services, manufacturing of components for the final product or the whole product, product design, engineering projects, distribution and sales of products or services. However, this was an exploratory study and did not cover firms in sugar firms in Western Kenya. In addition, it fails to investigate the effect of innovative recruitment and selection system on performance of sugar companies in Western Kenya.

Sinderman (1995) investigated activities of outsourcing providers and found that the outsourcing providers were taking increasing responsibility in realms that have traditionally remained in-house, such as corporate strategy, information management, business investment, and internal quality initiatives. However, this was an exploratory study and did not cover firms in sugar firms in Western Kenya. In addition, it fails to investigate the effect of innovative recruitment and selection system on performance of sugar companies in Western Kenya.

Another study by Ferris *et al*. (1990) investigated whether effective management of human resources might contribute to positive organizational performance in the U. S construction industry and found that firms that had HRM departments were generally high performers (i.e., larger total sales volume), firms that had a higher percentage of their workforce unionized also performed better than firms with a lower percentage and, finally, firms performed better when they engaged in more formalized strategic planning. However, this was an exploratory study and did not cover firms in sugar firms in Western Kenya. In addition, it fails to investigate However; this was an exploratory study and did not cover firms in sugar firms in Western Kenya. In addition, it fails to investigate the effect of innovative recruitment and selection system on performance of sugar companies in Western Kenya.

In a comparative study of strategic HRM practices among American-owned, Taiwan-owned and Japanese-owned firms, Huang (1998) examines the strategic level of HRM at 315 Taiwanese business firms. Using the General Linear Model (GLM) and Scheffe multi-range test as methods of statistical analysis, the findings indicate that American-owned businesses were discovered to engage in strategic human resource management (SHRM) more frequently than Japanese- or Taiwan-owned enterprises. The study found a positive relationship between the amount of capital resources available to firms and the extent to which they practiced SHRM. However, this study used General Linear Model as opposed to multiple regression analysis and did not cover firms in sugar firms in Western Kenya. In addition, it fails to investigate the effect of innovative recruitment and selection system on performance of sugar companies in Western Kenya.

Reviewed literatures show that innovative recruitment and selection systems are an important aspect of enhancing firms’ performance and competitive advantage. Prior researches use stratified random sampling methods and exploratory or descriptive research designs, generalized linear models and descriptive statistics; study firms in the manufacturing sector. They employ primary data based on cross-sectional study units, but fail to study sugar firms using correlational research design. Therefore, no empirical studies relating innovative recruitment and selection systems and performance of firms in using correlational research design.

2.5.3 The Relationship between integration of HR with corporate strategies and performance

Singh (2004) investigated the relationship between six HRM practices and firm level performance in India. 359 firms were drawn from firms listed in the Centre for Monitoring Indian Economy (CMIE) database. Of these 359 firms, 82 responded positively to the survey. Using regression and correlation analyses, the study found a significant relationship between the two HR practices, namely, training and compensation, and perceived organizational and market performance of firms. However, the study did not interrogate the effect of integration of HR with corporate strategies on performance of sugar companies in Western Kenya using correlational research design.

Another study by Green *et al*. (2006) on the relationship between integrated HR functions and organizational performance and reported that organizations that vertically aligned and horizontally integrated HR function and practices performed better and produced more committed and satisfied HR function employees who exhibited improved individual and organizational performance. However, the study did not study the effect of integration of HR with corporate strategies on performance of sugar firms in Western Kenya using correlational research design. Tessember and Soeters (2006) examined how, when and to what extent HR practices affect performance in Eritrea and found that successful implementation of HR practices could enhance individual and civil service organization of Eritrea, but the economic and political environment within which HR practices operate are not conducive. Their study tried to shed some light on the HRM-performance debate within the context of a developing country. However, the study did not interrogate the effect of integration of HR with corporate strategies on performance of sugar firms in Western Kenya using correlational research design. Using a stratified random sampling by industry and descriptive statistics and correlation analysis, Kai *et al*. (2007) surveyed 231 firms listed on the Australian Stock Exchange (ASE) and found that strategic integration and devolvement of HRM were practiced to a moderate extent in the firms sampled, and that the degree of alignment of HRM with business objectives and strategies had a positive relationship with perceived firm financial performance. However, this study did not cover sugar firms in Western Kenya.

Som (2008) sampled 69 Indian companies with a view to examining the impact of innovative SHRM practices on firm performance. Using descriptive statistics and regression analysis, results indicate innovative recruitment and compensation practices have a positive significant relationship with firm performance. Their results also show that recruitment, role of the HR department and compensation practices seem to be significantly changing within the Indian firms in the context of Indian economic liberalization. The synergy between innovative HRM practices was not found to be significant in enhancing performance during the liberalization process. However, the study did not interrogate the effect of integration of HR with corporate strategies on performance of sugar firms in Western Kenya using correlational research design.

Similarly, Dimba and K'Obonyo (2009) investigated the nature of the effect of SHRM practices on organizational performance. The study sought to determine whether the effect of human resource management practices on organizational performance is direct or indirect through employee motivation, and whether employee cultural orientations moderate the relationship between strategic human resource practices and employee motivation. 50 multinational manufacturing companies in Kenya were sampled. One HR manager, 2 line managers and 3 employees from each organization were chosen for the survey. The study adopted the measures developed by Hofstede and Huslid. Using regression analysis, the study found that all the variables of SHRM practices, except recruitment and selection were positive and significantly correlated with performance; relationship between SHRM practices and firm motivation did not depend on employee cultural orientations when cultural values were considered; motivation mediated the relationship between SHRM practices and firm performance and motivation affected firm performance. However, the study did not interrogate the effect of integration of HR with corporate strategies on performance of sugar firms in Western Kenya using correlational research design.

Okpara and Pamela (2008) examined the extent to which organizations in Nigeria use various HRM practices and the perceived challenges and prospects of these practices. Data were collected from 253 managers in 12 selected companies in 10 cities and found that HRM practices, such as training, recruitment, compensation, performance appraisal and reward systems are still in place and that issue of tribalism, AIDS, training and development and corruption are some of the challenges facing HRM in Nigeria. However, the study did not interrogate the effect of integration of HR with corporate strategies on performance of sugar firms in Western Kenya using correlational research design.

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Reviewed literatures show that integration of HR with corporate strategies is an important aspect of enhancing firms' performance and competitive advantage. Prior researches use stratified random sampling methods and exploratory or descriptive research designs and descriptive statistics; study firms in the manufacturing sector. They employ primary data based on cross-sectional study units, but fail to study sugar firms using correlational research design. However, no studies investigating integration of HR with corporate strategies and its effect on performance of sugar firms in Western Kenya using correlational research design.

Existing strategic human resource management literature shows diverse relationships exist between strategic human resources management practices and firm performance but none relates these concepts using correlational research design for sugar firms in Western Kenya. Literature shows that prior research used purposive sampling methods, small samples and exploratory or descriptive research designs and descriptive statistics; study firms in sectors other than sugar sector. They employ primary data based on cross-sectional study units, but fail to study sugar firms using correlational research design. Therefore, it was unknown how strategic human resources management practices relate to performance of sugar firms in Western Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter presents the research methodology, research design, study area, target population, sampling frame, data collection methods and data analysis.

3.1 Research Design

Robson (1993) posits that research design begins with selection of the topic and a paradigm. The study adopts a correlational research design. This design is preferred because the researcher intends to collect cross sectional data on strategic HRM practices employed by the sugar companies in Western Kenya in the management of their human resource for their enhanced overall performance. The study employed a correlational research design which involves relating two or more variables and allows predictions of outcomes based on causative relationships between the variables (Mugenda and Mugenda, 2003). According to Mugenda and Mugenda (2003), correlational research explores the relationship between variables, that is, the effect of one thing on another and more specifically, the effect of one variable on another. Mugenda and Mugenda (2003) contend that correlational research design has the advantage of being relatively cheap and it was used for the current study so as to assess the relationships between study variables.

3.2 Study Area

The study was conducted in Western Kenya; Kenya. This area was chosen since it is the main sugar belt zone and it is located 0.28 latitude and 34.75 longitudes and it is situated at elevation 1,563 meters above sea level.

3.3 Target Population

When choosing the population to be studied, in other words, an identifiable total set of elements of interest being investigated by a researcher (Hair *et al* 2000), the target population needs to be identified. The target population is the collection of elements or objects that possesses the information sought by the researcher and about which inferences are to be made (Malhotra 2004). The target population of interest consisted of all the 27 senior managers drawn from the 9 sugar companies in Western Kenya. This was because the number of senior managers studied was 3 in each sugar company namely HRM manager, finance manager and process manager. Senior managers were chosen because they are in a better position to understand the strategic direction of the company and this was consistent with theoretical and empirical perspectives (Dimba and K'Obonyo, 2009; Schuler and Jackson, 1999). A census sampling technique as applied.

3.4 Data Collection

3.4.1 Sources of Data

Data for this research was collected from both primary and secondary means. Primary data was collected by use of semi-structured questionnaires. Secondary data was extracted and/or derived from financial reports of sugar companies and summaries provided by the Kenya Sugar board.

3.4.2 Data Collection Procedure

To obtain primary data, the researcher distributed the questionnaires to the respondents and then picked them later after they were filled up. Secondary data was extracted and/or derived from financial reports of sugar companies and summaries provided by the Kenya Sugar Directorate.

3.4.3 Instruments of Data Collection

The study used semi-structured questionnaires as an instrument for data collection. The researcher developed constructs to measure the Strategic HRM practices and performance. Secondary data was collected using document review.

3.4.4 Reliability Test for Data Collection Instrument

Reliability of the questionnaire was done using a pilot test which seeks to answer the question, does the questionnaire consistently measure whatever it purports to measures? When a questionnaire is used, establishing reliability commonly involves administration of the questionnaire or portions of the questionnaire to the same respondents at different times or under different circumstances in order to assess how stable the answers are. The questionnaire was pre-tested with two academic advisers and 3 senior officers at Nzoia Sugar Company to confirm the clarity of the questions. The 3 officers from Nzoia Sugar Company were however excluded from the final sample of the study leaving an effective sample of 8 firms with 3 officers each yielding a total of 24 respondents.The instrument was deemed to be reliable at Cronbach's Alpha of .701 (Norland, 1990).

Table 3.1: Summary of Pilot Results Based on Cronbach's Alpha Reliability Test

Variables	No. of Items	Cronbach's Alpha
Integration of HRM with corporate strategies	2	0.713
Strategic outsourcing of HR functions	2	0.723
Innovative recruitment and selection systems	2	0.750
Performance of Sugar firms	2	0.765

Source: Field Data, 2016

All the variables had alpha values of above 0.701, indicating strong internal consistency among measures of variable items.

3.4.5 Validity Test for Data Collection Instrument

The validity of a measure is defined as the extent to which a construct or a set of measures correctly represents the concept of the study, and the degree to which it is free from any systematic or non-random error (Nunally, 1978). In this study Nzoia Sugar Company was used for pilot-testing to test instrument validity. During the pilot testing vague questions and unclear instructions were revealed. Important comments and suggestions were captured from the respondents and the researcher used such comments and suggestions to improve efficiency of instruments, adjust strategies and approaches to maximize response rate.

3.5 Data Analysis

Data was analyzed using both descriptive statistics such as mean, variance, standard deviation, mode and median and Pearson correlation analysis. Descriptive statistics were used to achieve objective (i). Subsequently, Pearson correlation analysis was performed to fulfill specific objective (ii), (iii) and (iv).

3.5.1 Model Specification

The following formula (Equation 3.1) was used to calculate Pearson r correlation.

$$Correlation\ (r) = [N\Sigma XY - (\Sigma X)(\Sigma Y)]/\sqrt{([N\Sigma X^2 - (\Sigma X)^2][N\Sigma Y^2 - (\Sigma Y)^2])} \quad (3.1)$$

Source: Adapted from Cohen *et al*. (2003).

Where:

r = Pearson r correlation coefficient.

N = number of values in each data set.

X = Independent variables (strategic outsourcing, Alignment of HRM with corportae strategies and Innovative recruitment and selection systems).

Y = Dependent variable (Profitability).

$\sum XY$ = sum of the products of paired scores.

$\sum X$= sum of x scores.

$\sum Y$ = sum of y scores.

$\sum X^2$= sum of squared x scores.

$\sum Y^2$= sum of squared y scores.

Source: Adapted from Cohen *et al*. (2003).

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Response Return Rate

The researcher administered the questionnaires in person to the respondents. Some respondents filled the questionnaires in the researcher's presence and returned them immediately. Others opted to fill them at their own free time. Out of the 24 questionnaires administered to the respondents, all of them were returned constituting a response rate of 100 % of the administered questionnaires.

4.2 Demographic Features of the Sample

The study sought to establish the background of the respondents in the study in terms of gender, age, education levels and years of experience. The results were as shown in following sections.

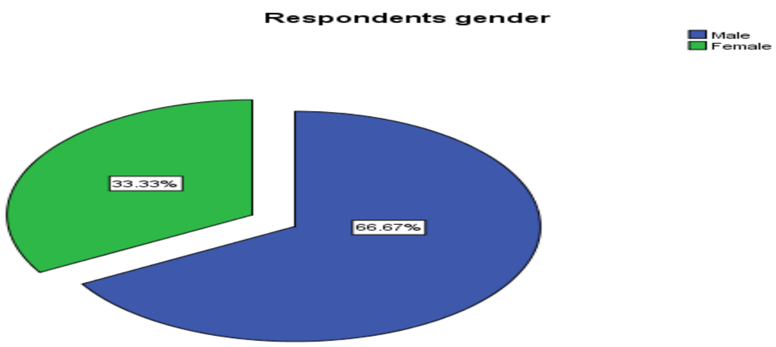

Figure 4.1: Respondents gender

Source: Field Data, 2016

Figure 4.1 indicates that 66.67 % of the respondents are males while 33.33 % of them were females. This implies that majority of employees in sugar firms in western Kenya are males, hence the data obtained was gender biased.

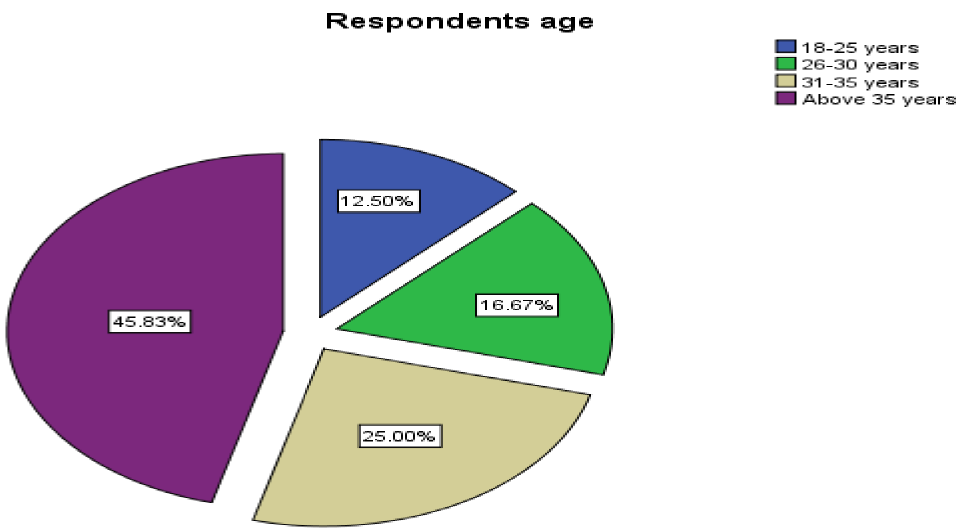

Figure 4.2: Respondents Age

Source: Field Data, 2016

Figure 4.1 indicates that majority (45.83%) of the respondents were aged above 35 years implying that it a very active and productive age bracket. Only 12.5% were aged between 18-25 years implying that sugar firms employ few school leavers.

Table 4.1: Highest education level

Highest Education level	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	4	16.7	16.7	16.7
Bachelors degree	14	58.3	58.3	75.0
Masters Degree	4	16.7	16.7	91.7
Doctorate degree	2	8.3	8.3	100.0
Total	24	100.0	100.0	

Source: Field Data, 2016

The findings in the Table 4.1 show that 58.3 % of the respondents are university degree holders and only 16.7 % have are diploma holders. This implies that data for the study was obtained from learned respondents who have easily internalized use of strategic HRM practices hence the reliability of the data.

Table 4.2: Years of service to the company

Years of service to the company	Frequency	Percent	Valid Percent	Cumulative Percent
Below 1 year	2	8.3	8.3	8.3
2-4 years	4	16.7	16.7	25.0
5-7 years	6	25.0	25.0	50.0
Above 7 years	12	50.0	50.0	100.0
Total	24	100.0	100.0	

Source: Field data, 2016

Table 4.3 shows that majority (50 %) of employees had worked in their respective companies for over 7 years which is an indication of low employee turnover, 8.3 % had worked for the period less than 1 year. This implies that the data was obtained from respondents who had gotten experience on the operations of their organizations.

4.3: Descriptive Statistics on SHRM practices are adopted by Sugar companies

Descriptive statistics on the extent of strategic human resource practices are adopted by sugar companies namely frequencies, percentages; mean and standard deviations were computed.

4.3.1 Extent of Integration of HRM with Corporate Strategies

Integration of HRM with strategies with corporate strategies was measured using two items. Respondents were asked to rate how given HR activities were integrated with corporate strategies within their sugar firms. Responses were elicited on a 5-point scale (1-very low, 2-low, 3-moderate, 4-high, and 5-very high). These responses were then analyzed using frequencies, means and standard deviations.

Table 4.3: Rating of Extent Integration of HR with corporate strategies (n=24)

Constructs **Overall Mean = 3.1875**	5	4	3	2	1	Mean	Std. Dev
a. Alignment of HRM with strategic needs of the firm	3(12.5%)	6(25.0%)	11(45.8%)	2(8.3%)	2(8.3%)	3.250	1.074
b. Involvement of HR department in the formulation and implementation of strategies	2(8.3%)	8(33.3%)	7(29.2%)	5(20.8%)	2(8.3%)	3.125	1.116

Key: *Very high=5, High =4, Moderate=3, Low=2, Very low=1*

Source: Field data, 2016

Results presented in Table 4.4 suggest that the respondents tended to rate moderately all the constructs of integration of HR with corporate strategies within their firms. The overall mean response score for all the items was 3.1875, coded as moderate meaning that integration of HR with corporate strategies is practiced moderately by sugar firms in Western Kenya. The most highly rated activity was the alignment of HR with strategic needs of the firm (Mean =3.25, Std. Dev =1.074) while the least rated activity was the involvement of HR department in the formulation and implementation of strategies (Mean=3.125, Std. Dev = 1.116). Besides, the small values of the standard deviations imply that there were minimal variations in the responses on the items that were rated. Sugar firms in Western Kenya emphasize activities related to integration of HR with corporate strategies in line with both theory and research advances. These results support the theoretical arguments by Schuler and Jackson (1999) and Buyens and De Vos (1999) that HR managers should be involved in strategic decision making alongside other senior managers. The results are consistent with previous studies (Huang, 1998; Ferris *et al.*, 1990) who report that integration of HR functions with formalized strategic planning is critical for an organization's success.

4.3.2: Extent of Strategic Outsourcing of HR Functions

Strategic outsourcing of HR functions was measured using two items. Respondents were asked to rate how given HR activities were outsourced within their sugar firms. Responses were elicited on a 5-point scale (1-very low, 2-low, 3-moderate, 4-high, and 5-very high). These responses were then analyzed using frequencies, means and standard deviations.

Table 4.4: Rating of Extent Strategic Outsourcing of HR Functions (n=24)

Constructs **Overall Mean = 3.500**	5	4	3	2	1	Mean	Std. Dev
a. Use of outside resources to perform activities traditionally handled by internal staff and resources	5(20.8%)	9(37.5%)	7(29.2%)	1(4.2%)	2(8.3%)	3.583	1.1389
b. Delegation of non-core HR functions to specialized and efficient service providers	4(16.7%)	6(25.0%)	10(41.7%)	3(12.5%)	1(4.2%)	3.3750	1.0535

Key: *Very high=5, High =4, Moderate=3, Low=2, Very low=1*

Source: Field data, 2016

Results presented in Table 4.5 suggest that the respondents tended to rate high all the constructs of strategic outsourcing of HR functions within their firms. The overall mean response score for all the items was 3.500, coded as high implying that strategic outsourcing of HR functions is practiced highly by sugar firms in Western Kenya . The most highly rated activity was use of outside resources to perform activities traditionally handled by internal staff and resources (Mean =3.583, Std. Dev =1.1389) while the least rated activity was delegation of non-core HR functions to specialized and efficient service providers (Mean=3.3750, Std. Dev = 1.0535). These results support the arguments by Corbett (1999) and Wild et al. (1999) that HR outsourcing emphasis on tactical benefits of outsourcing such as cost reduction, improved productivity, flexibility and speed and innovations and should be embraced and practiced to great extent. In addition, the results are consistent with previous studies (Ramarapu *et al.*, 1997; Elmuti and Kathawala, 2000) who document that HR outsourcing in Greece was practiced to a very great extent.

4.3.3: Extent of Innovative Recruitment and Selection Systems

Innovative recruitment and selection was measured using two constructs. Respondents were asked to rate how given constructs were practiced within their sugar firms. Responses were elicited on a 5-point scale (1-very low, 2-low, 3-moderate, 4-high, and 5-very high). These responses were then analyzed using frequencies, means and standard deviations as shown in Table 4.6.

Table 4.5: Rating of Extent Innovative Recruitment and Selection Systems (n=24)

Constructs **Overall Mean = 3.1455**	5	4	3	2	1	Mean	Std. Dev
a. Presence of systems that help in identifying the right candidate for the job	4(16.7%)	8(33.3%)	7(29.2%)	2(8.3%)	3(12.5%)	3.333	1.239
b. Use of performance appraisal feedback to adjust selection and training practices	4(16.7%)	6(25.0%)	2(8.3%)	9(37.5%)	3(12.5%)	2.958	1.3667

Key: *Very high=5, High =4, Moderate=3, Low=2, Very low=1*

Source: Field data, 2016

Table 4.5 results suggest that the respondents tended to rate moderate all the constructs of innovative recruitment and selection systems within their firms. The overall mean response score for all the items was 3.1455, coded as moderate meaning that innovative recruitment and selection systems is practiced moderately by sugar firms in the sample. The most highly rated activity was presence of systems that help in identifying the right candidate for the job (Mean =3.333, Std. Dev =1.239) while the least rated activity was use of performance appraisal feedback to adjust selection and training practices (Mean= 2.958, Std. Dev = 1.3667). These results support the arguments by Terpsra and Rozell (1993) and Barak *et al.* (1999) that innovative recruitment and selection systems should be embraced and practiced to highly. In addition, the results are consistent with previous studies (Ramarapu *et al.*, 1997; Elmuti and Kathawala, 2000) who document that innovative recruitment and selection systems were important and practiced moderately.

4.4: Relationship Between Strategic Outsourcing and Performance of Sugar Companies

In order to assess the relationship between strategic outsourcing and performance, Pearson's correlation analysis was performed and the results are summarized in the Tables 4.7

Table 4.6: Pearson's Correlation between Strategic Outsourcing and Performance

Variables **n = 24**		Profitability	Strategic Outsourcing
Profitability	Pearson Correlation	1	
	Sig. (2-tailed)		
Strategic Outsourcing	Pearson Correlation	.548**	1
	Sig. (2-tailed)	.006	

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

Source: Field Data, 2016

As shown in Table 4.7, the relationship between strategic outsourcing and profitability was positive and significant ($r = 0.548$, $p = 0.006$, $n = 24$) implying that use of strategic outsourcing influences performance of sugar firms positively. This finding is in tandem with previous studies (Rowan, 1997; Klaas *et al*., 2001) who report that strategic outsourcing positively associates with firm performance in terms of customer satisfaction, profitability and products quality. However, the findings are at variance with those of Ramarapu *et al.* (1997) and Frayer *et al*. (2001) who document a negative relationship between strategic outsourcing and performance of firms in the manufacturing industry.

4.5: Association Between Innovative Recruitment and Selection Systems and Performance of Sugar Companies

To establish the association between innovative recruitment and selection systems and performance, Pearson's correlation analysis was performed and the results are summarized in the Table 4.8.

Table 4.7: Pearson's Correlation between Innovative Recruitment and Selection Systems and Performance

Variables **n = 24**		Profitability	Innovative recruitment and selection systems
Profitability	Pearson Correlation Sig. (2-tailed)	1	
Innovative recruitment and selection systems	Pearson Correlation Sig. (2-tailed)	.710** .000	1

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

Source: Field Data, 2016

Table 4.8 shows that the association between innovative recruitment and selection systems and profitability was positive and significant ($r = 0.710$, $p = 0.000$, $n = 24$) implying that application of innovative recruitment and selection systems associate positively with performance of sugar firms. This finding is in tandem with previous studies (Cooke et al., 2005; Purcell *et al*., 2007) who report that innovative recruitment and selection procedures positively associates with firm performance. However, the findings are at variance with those of Ramarapu *et al.* (1997) and Frayer *et al*. (2001) who document a negative relationship between recruitment processes and performance of firms in the manufacturing industry.

4.6: Relationship Between Integration of HR with Corporate Strategies and Performance of Sugar Companies

To establish the association between integration of HR with corporate strategies and performance, Pearson's correlation analysis was performed and the results are summarized in the Table 4.9.

Table 4.8: Pearson's Correlation between Integration of HR with Corporate Strategies and Performance

Variables **n = 24**		Profitability	Integration of HR with Corporate strategies
Profitability	Pearson Correlation	1	
	Sig. (2-tailed)		
Integration of HR with Corporate strategies	Pearson Correlation	.866**	1
	Sig. (2-tailed)	.000	

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

Source: Field Data, 2016

Table 4.8 shows that the association between integration of HR with corporate strategies and profitability was positive and significant (r = 0.866, p = 0.000, n = 24) implying that integration of HR with corporate strategies leads to an increase in performance of sugar firms. This finding is in tandem with previous studies (Green *et al*., 2006; Soeters, 2006; Kai *et al.*, 2007) who report that positive relationship between integration of HR with corporate strategies and firm performance. However, the findings are at variance with those of Singh (2004) who document a no relationship between integration of HR with corporate strategic planning.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a summary of study findings, conclusions and recommendations based on the major findings.

5.1 Summary of the Findings

Based on objective one , the finding was that the relationship between strategic outsourcing and performance was positive and significant. The second objective found that application of innovative recruitment and selection systems associate positively and were significant with performance of sugar firms. Lastly, based on objective three, the findings was that the relationship between integration of HR with corporate strategies and performance was positive and significant.

5.2 Conclusions of the Study

From the findings of objective one, it can be concluded that the strategic outsourcing positively influences performance of sugar firms in Western Kenya. From the findings of objective two, it can be concluded that use of innovative recruitment and selection systems associate positively with performance of sugar firms. Lastly, from the findings of objective three, it can be concluded that integration of HR with corporate strategies leads to an increase in performance of sugar firms.

5.3 Recommendations of the Study

Based on conclusion of objective one, the sugar firms should intensify application of strategic outsourcing of HR function as this was found to enhance performance. Similarly, from conclusion of objective two, sugar firms in Western Kenya should increase use of innovative recruitment and selection systems. Lastly, from the conclusion of objective three, sugar firms in Western Kenya should intensify integration of HR with corporate strategies as this was found to increase in performance of sugar firms.

5.4 Limitations of the Study

The outcome of the study cannot be generalized to all firms in Kenya since the study was limited to sugar firms in Western Kenya and did not incorporate firms from other industries in Kenya. The study adopted a correlational research design. The use of predetermined questions may have forced respondents to respond to questions even without properly understanding them.

5.5 Suggestions for Further Research

For purposes of improving this study, the following suggestions are given for further investigation. An exclusive study on the SHRM implementation constraints facing sugar firms in Kenya should be carried out. Future research should be conducted on determinants of drivers of SHRM in other sectors of Kenyan economy and compare their intensity across sectors. Future studies could also explore the relative importance of strategic human resources management practices across East African countries. Further research could be conducted based on county zones in Kenya since such areas represent a variation in target markets and consequently the customers buying habits. Lastly, future research efforts could dwell on sugar firms and use more robust research designs such as time series, panel data and case studies.

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APPENDICES

Appendix 1.0: Sample Cover letter to Respondents

24th March 24, 2015,

To:……………………

Dear Sir/Madam,

RE: LETTER OF INTRODUCTION- ESTHER AWUONDA

PG/MBA/078/2012

The above named person is a Master of Business Administration student at the Department of Marketing & Management, School of Business and Economics. The title of her study is: "*Relationship between Strategic Human Resources Management Practices and Performance of Sugar companies in Western Kenya, Kenya"*

The research instrument attached asks questions about demographic characteristics, strategic HRM practices and performance of Sugar companies in Western Kenya. The information obtained will be used for academic purposes only and will be treated with utmost confidentiality. In case you may be interested, we can send you the abstract of the research findings on request.

Thank you.

DR. B.OMBOK (TEL: 0722416974)

Dean, School of Business and Economics

Appendix 2.0: Questionnaire for Respondents

This study is being carried out in order to assess the Relationship between Strategic Human Resource Management (SHRM) practices and Performance of Sugar companies in Western Kenya, Kenya and is strictly for academic purposes only. All information provided shall be treated with utmost confidentiality.

SECTION A: General Information

Instructions

Fill in the blank spaces

1. Name of the sugar Company Firm (optional)………………………………………….……………….
2. What is your designation in the sugar company?
   Human resources Manager [ ]   others [ ]   Please specify
3. . What is your Gender?
4. Male [ ]   Female [ ]
5. . Which is your age bracket?
   18 – 25 [ ]   26 – 30 [ ]   31 – 35 [ ]   above 35 years [ ]
6. Years of Service
   Below 1 year [ ]   2-4 years [ ]   5 – 7 years [ ] above 7 years [ ]
7. What is your highest level of Education?
   Primary [ ]   Secondary [ ]   College [ ]   University [ ]
8. Year the sugar company was Incorporated …………………………………….…….
9. Year started operating in Western Kenya…………….……….…………………….

SECTION B

a) The extent to which SHRM practices are used by Sugar companies in Western Kenya

To what extent are the following practiced in the organization?

Very High (5), High (4), Moderate (3), Low (2), and Very Low (1)

1. **Integration of HRM with corporate strategies**

Constructs	Very High	High	Moderate	Low	Very Low
Alignment of human resources functions with the strategic needs of the organization.					
Involvement of human resources department in the formulation and implementation of the organization strategies.					

2. **Strategic outsourcing of HR functions**

Constructs	Very High	High	Moderate	Low	Very Low
Use of outside resources to perform activities traditionally handled by internal staff and resources.					
Delegation of non-core HR functions to specialized and efficient service providers.					

3. **Innovative recruitment and selection systems**

Construct	Very High	High	Moderate	Low	Very Low
Presence of a rigorous, valid and sophisticated recruitment and selection system that helps in identifying the right candidate for a job.					
Use of performance appraisal feedback/information to adjust selection and training practices.					

SECTION C: Performance of Sugar Firms in Western Kenya

1. Profitability

In your opinion, indicate in one of the boxes for each level of the following indicators of profitability according to your organization. Use scale of 1 to 5, where 1= strongly decreased and 5 = strongly increased.

Performance Constructs	Strongly increased (5)	Increased (4)	Neutral (3)	Decreased (2)	Strongly decreased (1)
1. Profits after tax generated in the last one year					
2. Operating costs minimized in the last one year					

Appendix 3.0: List of Sugar companies in Western Kenya

1. Mumias Sugar Company
2. Nzoia Sugar Company
3. South Nyanza Sugar Company
4. Muhoroni sugar Company
5. Chemelil Sugar Company
6. West Kenya Sugar Company
7. Butali Sugar Company
8. Kibos Sugar Company
9. Transmara Sugar Company