

The Adoption of Strategic Human Resource Management Practices in Commercial Banks: The Process and Challenges in Kenya

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Abstract

Developing an effective human resource system that is compatible with organizational strategy is critical for the functioning and success of an organization in the competitive business arena. The main objectives of the study were to establish the extent of adoption of strategic human resource management practices among commercial banks in Kenya; and to determine the factors that influence adoption of strategic human resource management practices by commercial banks in Kenya. The research questions were systematically generated from the objectives. In the data analysis, descriptive statistics and factor analysis were used to help draw comparisons and conclusions based on the results. It was assumed in the data analysis that the results obtained were quite representative for the general population considering the sampled size.

The conclusions of the study are based on the research questions leading to the main purpose of the study. First, a number of human resource practices can be used as strategic weapons for organization to remain competitive. The key strategic resources management practices can be broken into two components. The first component is post-entry/ on-the-job strategic human resources management practices, which include the implementation of chosen human resources management strategy. The second component is pre-entry strategic human resources management practices, which include the recognition of the individual roles of employees before they are employed, keen selection and development. Secondly, the factors that have discouraged the adoption of strategic human resource management practices by commercial banks in Kenya can be broken into three components. The first component is poor communication and decision making process, which include failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to human resources issues. The second component is poor planning on HR issues, which include the failure to cover employees by a "non-traditional" incentive pay plan which applies across shifts of workers. The third component is on poor job orientations which includes lack of extensive efforts to set clear expectations about required work behaviors of the new workers.

Keywords: Strategic Human Resource Management Practice, Commercial Banks and Kenyas.

Introduction

General Background

Developing an effective human resource system that is compatible with organizational strategy is critical for the functioning and success of an organization in the competitive business arena. Indeed, the increasing complexity of contemporary corporate life has elevated the importance of shedding traditional beliefs that were concerns of personnel managers and to shape new mindsets, proactive attitudes and professional identities, orientations that have placed greater emphasis on the utilization of human resources (Wei, 2006).

Armstrong (1994) proposes that human resource management is a strategic and coherent approach to the management of an organization's most valued assets; the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage. This implies that the successful achievement of business objectives depends upon the effective use of human resources along with financial and physical resources and, therefore, human resources initiatives should be aligned with strategic objectives of the organization.

Commercial Banks in Kenya

Commercial banks are profit making financial institutions that play a significant role in the financial system. Commercial banks offer a wide range of corporate financial services that address the specific needs of private enterprise. They provide deposit, loan and trading facilities but will not service investment activities in financial markets. The term commercial bank is used to differentiate these banks from investment banks, which are primarily engaged in the financial markets. Commercial banks are also differentiated from retail banks that cater to individual clients only (T.F.Cargill, 1986). Commercial banks in Kenya play a number of roles in the financial stability and cash flow of the country's private sector. They process payments through a variety of means including telegraphic transfer, internet

banking and electronic funds transfers. They also issue bank cheques and drafts, as well as accept money on term deposits. They act as moneylenders, by way of installment loans and overdrafts. Loan options include secured loans, unsecured loans and mortgage loans. Commercial banks in Kenya provide a number of import financial and trading documents such as letters of credit, performance bonds, standby letters of credit, security underwriting commitments and various other types of balance sheet guarantees. They also take responsibility for safeguarding such documents and other valuables by providing safe deposit boxes. Currency exchange functions and the provision of unit trusts and commercial insurance are typically provided by the relevant departments in larger commercial banks.

In today's competitive banking environment, exemplary customer service is one of the distinguishing characteristics that commercial banks can exploit to establish a competitive edge. Since most of the commercial banks offer comparable products and services, they continually search for a competitive advantage that will attract new customers and help them retain existing ones. They, therefore, endeavor to develop innovative programs and initiatives to maintain superior customer service levels while remaining profitable. These has led to commercial banks either downsizing or rightsizing themselves while continuously restructuring their operations in order to develop more cost effective and efficient operations (Rajan et al 1998).

Some Literature Review

The Concept of Strategy Strategic

To understand the notion of strategic human resource management, it is necessary to appreciate the concept of strategy upon which it is based. Johnson and Scholes (1999) define strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through configuration of resources within a changing environment,

to meet the needs of markets and fulfill shareholders expectations.

Mintzberg et al (1988) suggests that strategy can have a number of meanings namely a plan or something equivalent- a direction, a guide or cause of action; a pattern that is consistency in behavior over time; a perspective, an organizations way of doing things; a play, a specific maneuver intended to outwit an opponent or a competitor.

Pearce and Robinson (2000) recommend three critical ingredients for the success of a strategy. First, the strategy must be consistent with conditions in the competitive environment. It must take advantage of existing or projected opportunities and minimize the impact of major threats. Second, the strategy must place realistic requirements on the firm's resources. The firm's pursuit of market opportunities must be based not only on the existence of external opportunities but also on competitive advantages that arise from the firm's key resources. Finally, the strategy must be carefully executed.

Strategic Human Resources Management

Human capital is one of the most critical components of strategic success for many organizations. Researchers, (Ulrich et al, 1995; Schuler and Macmillan 1984) have pointed out that by matching human resource management with strategy, the critical human resources skills, attitudes, behaviors and performances that are needed to successfully implement strategies can be acquired, developed, motivated and maintained. In order for human resources management practices to be judged to be truly effective, they must contribute to the organization's bottom line (Pfeffer, 1994; Huselid, 1995; Guest, 1997). This approach to human resources management, linking it to both strategy and organizational performance, represents what has evolved to be known as, strategic human resources management (SHRM).

Strategic human resource management can be defined based on the distinct levels of contribution that can be delivered by the

human resources (HR) function in any organization as follows: From a strategic level, strategic human resource management is the establishment of the overall direction and objectives of key areas of human resource management in order to ensure that they not only are consistent with but also support the achievement of business goals. From a policy level, strategic human resource management is the development and implementation of detailed procedures, and systems which reflect the strategic framework. From administrative level, strategic human resource management is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programme (Osman-Gani, 1999; Wang, 2000).

Strategic human resource management has many different components, including policies, culture, values and practices. In the west, the conceptual and empirical link between strategic human resource management and firm performance has been well established in the literature (Huselid, Jackson and Schuler, 1997; Wright and Gardner, 2003). Researchers have shown that the use of strategic human resource management is positively related to both financial and operational performance (Delaney and Huselid 1996). Evidence also has been provided of the synergistic effect of bundles of human resources practices on firm outcomes (Huselid 1995; McDuffie, 1995). Recently, several studies conducted in China have found a positive relationship between strategic human resource management and firm performance (Bjorkman and Fan, 2002; Law, Tse and Zhou, 2003).

Researchers have argued that human resources may be seen as a source of sustained competitive advantage for organizations (Barney, 1991, 1995; Becker & Gerhart, 1996). This research has led to a number of human resource management practices that contribute to company performance across different organizations (Huselid, 1995). In a literature review, Delery and Doty (1996) identified seven such practices that have been consistently considered strategic human resources

management practices. They defined strategic human resource management practices as those that are theoretically or empirically related to overall organizational performance. These practices include internal career opportunities, formal training systems, results oriented appraisals, employment security, participation, job descriptions, and profit sharing. This approach has come to be known as the best practices or universalistic approach.

Harel and Tzafir (1999) used eight strategic human resource management practices: grievance procedure, incentive compensation, participation, promotion from within, recruitment, selection and training. Others used innovative work practices such as total quality management and quality circle (Ostermann, 1994). Some saw employment security and employee ownership as best practices (Pfeffer, 1994). When a firm's human resource practices are consistent with each other (i.e. internal fit), and with the firm's strategic goals (i.e. external fit), organizational efficiency will be enhanced (Huselid, 1995; Wright and McMahan, 1992). While strategic human resource management is related with the human resource alignment with the firm's strategy, human resource practices are the exact mechanisms aimed at the acquisition, development, and motivation of human capital. Strategic human resource management focuses on what a firm does with human resources, while human resource practices refer to how these resources are managed.

A few recent studies have examined the linkage between human resource management practices and company performance. Bjorkman and Fan (2002) conducted a study of 62 manufacturing foreign-invested enterprises and wholly owned foreign subsidiaries in China. They reported significant positive effects of the human resource management system and human resource management-business alignment on company performance. They created a human resource management system index based on average standardized scores on eleven strategic human resource management practices and

company performance was measured by managerial assessments of satisfaction with profitability and overall performance. Law et al. (2003) conducted a study of 122 firms across nine Chinese cities to test, among other things, the effect of the strategic role of human resource management on firm productivity and return on equity. Reporting positive effects on both indexes, they concluded that 'good' human resource management does matter to firm performance in a transitional economy (Law et al. 2003, p.263).

Dimensions of Strategic Human Resource Management

A number of recent studies focused upon the dimensions of human resource management practices and entrepreneurship and their effects for organizational effectiveness. The field studies were carried out in the western regions of China to investigate the main characteristics of human resource management practices and models in comparison with that of the eastern and coastal areas (Wang and Zang, 2004). The results showed that there were two major dimensions in human resource management practices: functional dimension and strategic dimension. Both those dimensions significantly affected organizational and entrepreneurial performance indicators.

Studies were also carried out to examine and identify the key dimensions of entrepreneurship among local Chinese companies (Wang, 2003; Yuan, 2004). The results of those research showed that most of entrepreneurial firms were either individually- or collectively-based in structuring the ownership and either locally- or globally-oriented in developing the business. This two-dimensional model of entrepreneurship was built to capture the key features of different types of entrepreneurship. Using this model, various kinds of entrepreneurial firms were differentially identified and the collectively-owned and globally-oriented entrepreneurship proved to be significantly correlated with the long-term effectiveness of those firms (Wang and Zang, 2004). This finding has provided a useful framework for

most of local firms who are at the new phase of corporate entrepreneurship.

Recent empirical studies indicated that local entrepreneurial firms who adopted the collectively-based and globally-oriented model of entrepreneurial strategies were among the most successful companies and that the fit between strategic human resource management practices, innovation strategy and entrepreneurial models significantly contributed to entrepreneurial performance and organizational effectiveness. More specifically, team-and career-focused strategic human resource management have shown long-term effects upon organizational effectiveness, whereas the collective entrepreneurship model is more suitable to the Chinese context of both manpower and business development (Wang 2004).

Technology innovation needs to be supported by the work systems and organizational structure. Madsen et al. (2004) studied the problems in the process of integrating technology innovation with human resources using an in-depth analysis of a real life case of new business development in Ericsson Denmark. The study went through all phases and aspects of the innovation process, from inception to field trials, representing a radical innovation based on a disruptive internet technology. They called this as dysfunctional integration. It was shown that when innovative human resources were not well integrated into the host organizational system, the new business would definitely go wrong. The organizational system needs to be re-structured in order to cope with the new requirements for entrepreneurship and technological innovations. Chen and Zhu (2004) examined the characteristics and system requirements using indicators of the corporate entrepreneurship and innovation performance. In their study, entrepreneurship was seen as the most important impetus for the development of an enterprise and even country's economy.

Statement of the Problem

In today's intensely competitive and global

marketplace, maintaining competitive advantage puts a heavy premium on having a highly committed or competent workforce. As strategic partners, human resources managers should be able to identify the human resources practices that make the strategy happen. The primary actions of the strategic human resource manager translate business strategies into human resources priorities (Wang, 2003).

To be effective, commercial banks must have a high degree of credibility. The commercial banks ought to have the capacity to keep track of and carefully analyze the many factors that impinge on its core business of maintaining price stability and financial stability. It, therefore, requires that commercial banks be able to respond with sound and well thought through policies as and when the need arises. This requires considerable skill, expertise, experience and judgment on the part of its staff. Although people are a commercial bank's most important asset, there are also significant risks in the human resources area and those risks need to be carefully managed. The risks include the consequences of recruiting the 'wrong' people, inadequately training and developing them, losing them prematurely, developing ineffective or misguided motivation structures and failing to consider future human resources capability needs. Management, therefore, needs to maintain structures and policies to identify and manage these risks.

Human resources managers in commercial banks are facing difficult challenges. They are, however, not up to the challenge because of lack of strategic approaches to human resource management and lack of human resources competencies. The ad-hoc nature of human resources management policies and practices of commercial banks has contributed significantly to the job-hopping phenomenon. Commercial banks in Kenya under practice strategic human resource activities in two important areas:

- recruitment/selection and
- training/development.

Critical aspects of training and development such as evaluation of training programs, training needs analysis and cost-benefit analysis have been neglected. Poor management practices have had much influence on employee turn over. All the above factors suggest that strategic human resources management in commercial banks in Kenya is not a particularly well managed function.

A number of studies have been done with respect to strategic human resource management practices. Most of the recent ones have focused upon the dimensions of human resource management practices and entrepreneurship and their effects for organizational effectiveness. The field studies were carried out in the western regions of China to investigate the main characteristics of human resource management practices and models in comparison with that of the eastern and coastal areas (Wang and Zang, 2004). The results showed that there were two major dimensions in human resource management practices: functional dimension and strategic dimension. Studies have also been carried out to examine and identify the key dimensions of entrepreneurship among local Chinese companies (Wang, 2003; Yuan, 2004).

Studies done locally on strategic human resource management practices include Rimberia (2001) who conducted a survey on the use of flexible human resource practices by manufacturing firms in Nairobi. Murage (2005) did a survey of the relationship between strategic human resource management practices and performance of firms quoted in the Nairobi Stock Exchange. Roba (2008) did a survey to assess the extent of adoption of strategic human resource management practices at Teachers Service Commission of Kenya. Although a number of researches have been done in strategic human resource management practices, none has been done with respect to Commercial banks in Kenya. The foregoing made it imperative to conduct a study to determine the extent of adoption of strategic human resources management practices among commercial banks in Kenya.

The objectives of this study were: to establish the extent of adoption of strategic human resource management practices among commercial banks in Kenya; and to determine the factors that influence adoption of strategic human resource management practices by commercial banks in Kenya.

Research Strategy

This study adopted a descriptive survey design. This design was preferred because the researcher intended to collect cross sectional data on strategic human resources management practices employed by the commercial banks in Kenya in the management of their human resource for their enhanced overall performance advantage.

The study targeted all the commercial banks in Kenya. There were forty-three commercial banks licensed to operate in Kenya (Central Bank of Kenya, Commercial Banks Directory, (2008). Primary data was collected. The main instrument for data collection was a semi-structured questionnaire which was administered to the human resources managers and their assistants. The questionnaire was made up of three parts: part I had the personal information and the Bank information. Part II had the strategic human resource management practices employed by the Banks, to answer the first research objective. Part III had questions on the factors that influence the adoption of strategic human resources management practices to answer the second objective. The Drop-and-Pick later approach was used.

The collected data was organized, coded and created using the SPSS package. The analysis employed basic descriptive statistics and factor analysis as presented in the next section. Descriptive and factor analysis enabled meaningful description of the distribution of scores and data reduction with the use of means and standard deviation. Pearson product moment correlation coefficient will be used to measure the degree of relationship between the two casually related variables. The value of the coefficient of correlation

will enable us establish if there exists perfect positive correlation, perfect negative correlation, or no correlation, between the variables under study (Kothari 2004).

Data Analysis, Findings and Discussions

This section covers data analysis and findings of the research. The main instrument for primary data collection was a questionnaire. Out of the Forty-three (43) members of banks operating in Kenya, who were sampled and the questionnaires were administered, only thirty (30) responded. This gave a response rate of 69.80 percent (%).

Organizational Profile

The number of years an organization has been in operation influences its human resources management practices. Those institutions that have been in operation for long can be seen to be properly aligned to the best-practice human resources management for ever changing competitive environment. It was found that some of the banks (42.9%) have been in operation for more than 20 years while 28.6% of the sampled banks have been in operation for between 1-5 years. This is an indication that all cadres of the banking institutions were well represented.

The number of employees of any organization influences its human resources management practices. The employees can be at management and low cadre levels. It was found that most of the banks have a proportionate number of employees in management level with respect to the low cadre employees. Thus, they have balanced

the number of employees in management in management strategically with those in the lower cadre level.

Most promotion to management depends on one's level of education. They equally depend on an organization's employee development policy. One's experience depends on the number of years in service. This also depends on the motivation at the organization level to remain at some given job level. It was found that all the respondents were university graduates, implying the number has high grade staff and at the same time, they understood the issues under discussion in the research questionnaire. Also, some respondents (41%) have worked in the banking sector for more than five years. This indicates maturity and experience with matters related to best-practice human resources management.

Banks' Strategic Human Resource Management Practices

Human resources are one of the most critical components of strategic success for many organizations and for one to objective judge the human resources management practices as effective, they must contribute to the organization's bottom line. Not all human resources management practices can act as strategic tools. There are practices which are just common and general, while other are tactfully used. The respondents were asked to indicate the extent to which they could agree with the some statements concerning the banks' human resource management issues as discussed below.

Table 5.1: Banks' Human Resource Management Practices

Aspects	N	Mean	Std. Dev
There is the day-to-day personnel administration, for example personnel records, payroll.	30	4.14	.83
The Bank has developed and implemented detailed procedures, and systems which reflect it's strategic framework in Human Resources Management	30	4.00	.78
Recruitment and selection is well linked to key performance areas	30	3.96	1.09

Table 5.1: Banks' Human Resource Management Practices (cont)

Practices	N	Mean	Std. Dev
The Bank's excellent performance is the living result of its people's efficiency, effectiveness, commitment and potential.	30	3.86	1.08
The Bank has a strategic and coherent approach to the management of its most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage	30	3.73	1.12
The Bank has well established overall direction and objectives of key areas of human resource management in order to ensure that they are not only consistent with but also support the achievement of business goals	30	3.68	1.09
The Bank identifies each person's skills, motivates employees to use those skills and places the appropriate individuals at the key positions to have a great impact on your Bank's effectiveness	30	3.57	1.21
The bank is facing the challenge of how to develop and manage its employees strategically in order to achieve more with less and make optimum use of their potential	30	2.23	1.02

From the research data in table 5.1 above, to a great extent (Mean=4, with significant standard deviation), there is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes in the bank; The Bank has developed and implemented detailed procedures, and systems which reflect its strategic framework in Human Resources Management; and recruitment and selection is well linked to key performance areas. The rest of the issues whose mean = 3.9 with a significant standard deviation indicate that the Bank's excellent performance is the living result of its people's efficiency, effectiveness, commitment and potential;

and the Bank has a strategic and coherent approach to the management of its most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage. All the factors were found to be highly correlated with each other (see correlation matrix in appendix I)

The respondents were further asked to indicate the extent to which the commercial banks have linked the following key aspects with human resources practices to their key performance areas, and the results are as in table 5.2 below.

Table 5.2: Banks' Human Resource Management and Performance

HR and Performance	N	Mean	Std. Dev
Recruitment and selection is well linked to key performance areas	30	3.95	1.09
Training is well linked to key performance areas	30	3.86	.89
Performance appraisal is well linked to key performance areas	30	3.82	1.052
Compensation management is well linked to key performance areas	30	3.59	1.30

From the quantitative data in table 5.2, to a great extent ($3.5 \leq \text{Mean} \leq 4$, with a significant standard deviation) it's indicated that the following practices form the commercial banks strategic human resources management best practices:

- recruitment and selection is well linked to key performance areas;
- training is well linked to key performance areas;
- performance appraisal is well linked to key performance areas; and
- lastly compensation management is well linked to key performance areas.

Strategic Human Resource Management Practices

A number of human resource practices can be used as strategic weapons for organization to remain competitive. These can be seen as the best practice human resources management practices. The respondents were asked to rank the extent of application and use of the best strategic human resources management tools. From the research data, the key (mean = 4) strategic human resources management practices to banks include: the recognition of individual roles of employees accompanied with valuing the contribution

of individual employees for example; via job evaluation; the implementation of chosen human resources management strategy, efficiently and effectively with careful marshalling of resources that support the business strategy; the utilization of mechanisms for identifying priorities within the human resources department; and the effective management of the expectation of employees. Other important ($3.800 \leq \text{Mean} \leq 4.00$) strategic human resources management practices to banks include: managerial competency modeling; full implementation of knowledge management support systems within the human resources department; keen selection, development and training of human resources; utilization of the full potential of the human resources to the firm's advantage; technology innovation aimed at high-performance technology; sound remuneration strategy; and sound management of individual performance.

Further analysis (See Appendix II) using factor analysis using Principal Component Analysis to extract the key strategic human resources management practices required Varimax with Kaiser Normalization gave a rotation that converged in 3 iterations. The results are as in table 5.4 below. But all the factors showed a positive correlation with each other. The correlation is significant at the 0.01 level (2-tailed) and also significant at the 0.05 level (2-tailed).

Table 5.3 Factor Analysis: Rotated Component Matrix (a)

Strategic Human Resource Management Practices	Factor Component
Implementation of chosen strategy, efficiently and effectively	Post-Entry/On-The-Job Strategic Human Resources Management Practices
Effective management of the expectation of employees	
Marshalling resources that support the business strategy	
Utilization of the full potential of the human resources to the firm's advantage	
Sound management of individual performance	
Gaining the commitment and understanding from human resources executives	
Valuing the contribution of individual employees for example via job evaluation	
Full implementation of knowledge management support systems within the human resources department	
Utilization of mechanisms for identifying priorities within the human resources department	
Leveraging other resources such as physical assets and capital to complement and augment the human resources based advantage	
Review of drivers and strategies for human resources knowledge management efforts	
Sound remuneration strategy	
Integrated innovative tech-HRM strategies	
Organizational re-structuring and well distributed engineering	
Technology innovation aimed at high-performance technology	
The Individual roles of employees	Pre-Entry SHRM Practices
Keen selection, development and training of Human Resources	
Managerial competency modelling	

From the research data, strategic human resources management practices can be broken into two components.

➤ The first component is post-entry/on-the-job strategic human resources management practices, which include the implementation of chosen human resources management strategy, efficiently and effectively with careful marshalling of resources that support the business strategy; the utilization of mechanisms for identifying priorities within the human resources department; and the effective management of the expectation of employees.

➤ The second component is pre-entry strategic human resources management practices, which include the recognition of the individual roles of employees before they are employed, keen selection,

development and training of Human Resources; and lastly managerial competency modeling.

Factors that Influence Adoption of Strategic Human Resource Management Practices

With regard to the second objective of the study, that is to determine the factors that influence adoption of strategic human resource management practices by commercial banks in Kenya, the respondents were asked to rank the extent to which a number of factors have influenced the adoption of the strategic human resource management practices in their banks. This was on a scale of 5 = Very high extent; 4 = High Extent; 3 = No Effect; 2 = Low Extent; 1 = Very Low Extent, and the results are as in table 5.4 & 5.5 below.

Table 5.4 Factors that Influence Adoption of Strategic Human Resource Management Practices

Factors that Influence SHRM Adoption	N	Mean	Std. Dev
Employees don't participate in more than one problem-solving team	30	3.21	.97
Employees are not organized into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities	30	3.08	.95
No extensive selection procedure to hire new workers	30	3.07	1.33
No clear expectations about required work behaviours of the new workers	30	2.93	1.27

Table 5.4 Factors that Influence Adoption of Strategic Human Resource Management Practices (cont)

Factors that Influence SHRM Adoption	N	Mean	Std. Dev
All line employees receive off-the-job training	30	2.92	1.32
Employees and union representatives, are not provided with financial information on a regular basis	30	2.85	1.34
A majority of Employees are not involved in formal or informal work teams or other related problem-solving activities	30	2.79	1.19
Employees are not covered by a "non-traditional" incentive pay plan which applies across shifts of workers	30	2.75	1.18
Employees are not covered by a "non-traditional" incentive pay plan which is sensitive to quality as well as quantity aspects of output	30	2.73	1.10
No extensive selection procedure including tests for personality traits needed for cooperative team environments	30	2.69	1.11
Line managers don't meet off-line with Employees to discuss issues of concern, including issues related to performance and quality	30	2.64	1.08
Union representatives and managers don't meet often to discuss concerns and cooperate in finding solutions to issues	30	2.57	1.02
The bank is not committed to a goal of long-term employment security and offering employees a pledge of employment security	30	2.57	1.09
Employees don't rotate across jobs or tasks on the line	30	2.54	1.13
The grievance-filing rate is less than 12 per year	30	2.50	1.16
The line is not a unionized operation	30	2.43	1.09
The Bank's profit-sharing plan does not cover all employees and line workers	30	2.28	1.36

Table 5.5 Factors that Influence Adoption of Strategic Human Resource Management Practices (Factor Analysis)

Factors that Influence SHRM Adoption	Factor Component	
Union representatives and managers don't meet often to discuss concerns and cooperate in finding solutions to issues	Poor Communication And Decision Making Process	
The grievance-filing rate is less than 12 per year		
The line is not a unionized operation		
Line managers don't meet off-line with Employees to discuss issues of concern, including issues related to performance and quality		
A majority of Employees are not involved in formal or informal work teams or other related problem-solving activities		
Employees are not covered by a "non-traditional" incentive pay plan which applies across shifts of workers	Poor Planning on HR issues	
The Bank's profit-sharing plan does not cover all employees and line workers		
Employees don't participate in more than one problem-solving team		
All Employees on the line receive off-the-job training		
Employees and union representatives, if any, are not provided with financial information on a regular basis		
The bank is not committed to a goal of long-term employment security and offering employees a pledge of employment security		
Employees are not covered by a "non-traditional" incentive pay plan which is sensitive to quality as well as quantity aspects of output		
There is no extensive selection procedure including tests for personality traits needed for cooperative team environments		
There are no extensive efforts to set clear expectations about required work behaviours of the new workers		Poor Job Orientations
Employees don't rotate across jobs or tasks on the line		
There is no extensive selection procedure used to hire new workers		
Employees are not organized into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities		

From the results in table 5.4 above, the factors that have discouraged (Mean = 2) the adoption of strategic human resource management practices by commercial banks in Kenya include poor or lack of participation and organization of employees in problem-solving teams, there is no extensive selection procedure used to hire new workers, lack of extensive efforts to set clear expectations about required work behaviors of the new workers, employees and union representatives, if any, are not provided with financial information on a regular basis. Also a majority of Employees are not involved in formal or informal work teams or other related problem-solving activities; employees are not covered by a "non-traditional" incentive pay plan which applies across shifts of workers. Employees are not covered by a "non-traditional" incentive pay plan which is sensitive to quality as well as quantity aspects of output; lack of extensive selection procedure including tests for personality traits needed for cooperative team environments; line managers don't meet off-line with Employees to discuss issues of concern, including issues related to performance and quality; failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to issues; the banks are not committed to a goal of long-term employment security and offering employees a pledge of employment security; employees don't rotate across jobs or tasks on the line.

The above factors are far too many. Further analysis using factor analysis using Principal Component Analysis to extract the factors that have discouraged the adoption of strategic human resource management practices by commercial banks in Kenya required Varimax with Kaiser Normalization gave a rotation that converged in 16 iterations. The results are as in table 4.5b. From the research data, factors can be broken into three components. The first component is poor communication and decision making process, which include failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to human resources issues, the line managers don't meet off-line with

Employees to discuss issues of concern, including issues related to performance and quality, as majority of employees are not involved in formal or informal work teams or other related problem-solving activities. The second component is poor planning on HR issues, which include the failure to cover employees by a "non-traditional" incentive pay plan which applies across shifts of workers, failure of the bank's profit-sharing plan to cover all employees and line workers, poor planning on off-the-job training while the banks are not committed to a goal of long-term employment security and offering employees a pledge of employment security. The third component is on poor job orientations which includes lack of extensive efforts to set clear expectations about required work behaviors of the new workers, employees don't rotate across jobs or tasks on the line and failure to organize employees into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities.

Conclusions

Based on the results from data analysis and findings of the research, one can safely conclude the following, based on the objectives of the study;

- First, on the application of strategic grouping in the Kenyan banking industry: - A number of human resource practices can be used as strategic weapons for organization to remain competitive. These can be seen as the best practice human resources management practices. The key strategic resources management practices can be broken into two components.

- The first component is post-entry/on-the-job strategic human resources management practices, which include the implementation of chosen human resources management strategy, efficiently and effectively with careful marshalling of resources that support the business strategy.

- The second component is pre-entry strategic human resources management practices, which include the recognition of

the individual roles of employees before they are employed, keen selection, development and training of Human Resources; and lastly managerial competency modeling.

- Secondly, on the factors that influences adoption of strategic human resource management practices by commercial banks in Kenya extent: - the factors that have discouraged the adoption of strategic human resource management practices by commercial banks in Kenya can be broken into three components.

- The first component is poor communication and decision making process, which includes failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to human resources issues, the line managers don't meet off-line with Employees to discuss issues of concern, including issues related to performance and quality, as majority of employees are not involved in formal or informal work teams or other related problem-solving activities.

- The second component is poor planning on HR issues, which include the failure to cover employees by a "non-traditional" incentive pay plan which applies across shifts of workers, failure of the bank's profit-sharing plan to cover all employees and line workers, poor planning on off-the-job training while the banks are not committed to a goal of long-term employment security and offering employees a pledge of employment security.

- The third component is on poor job orientations which includes lack of extensive efforts to set clear expectations about required work behaviors of the new workers, employees don't rotate across jobs or tasks on the line and failure to organize employees into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities.

Recommendations for Further Research

The findings of the study indicate that there are a number of issues to be addressed by commercial banks and research for policy and practice. This was a survey on the adoption of strategic human resource management practices among commercial banks in Kenya. Further research in the areas of strategic human resource management practices would be useful in understanding the impact that the practice has in organizations competitiveness and management process for enhanced productivity. It was also worth making some recommendations for improvement: The following challenges need to be addressed within the banking industry. For successful implementation, monitoring and evaluation of human resources management in Kenya, it is the responsibility of bank to address poor communication and decision making process, which include failure of union representatives and managers to meet often to discuss concerns and cooperate in finding solutions to human resources issues. Secondly, address poor job orientations which include lack of extensive efforts to set clear expectations about required work behaviors of the new workers. Lastly, address poor planning on HR issues, which include the failure to cover employees by a "non-traditional" incentive pay plan which applies across shifts of workers.

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APPENDICES

Appendix I: Correlation Matrix A

		Your bank is facing the challenge of how to develop and manage its employees strategically in order to achieve more with less and make optimum use of their potential	The Bank has a strategic and coherent approach to the management of its most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage	The Bank's excellent performance is the living result of its people's efficiency, effectiveness, commitment and potential.	Your Bank identifies each person's skills, motivates employees to use those skills and places the appropriate individuals at the key positions to have a great impact on your Bank's effectiveness	The Bank has well established overall direction and objectives of key areas of human resource management in order to ensure that they are not only consistent with but also support the achievement of business goals	The Bank has developed and implemented detailed procedures, and systems which reflect the it's strategic framework in Human Resources Management	There is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes in the bank.	Recruitment and selection is well linked to key performance areas
The bank is facing the challenge of how to develop and manage its employees strategically in order to achieve more with less and make optimum use of their potential	Pearson Correlation	1	-.651(**)	-.488(*)	-.655(**)	-.490(*)	-.251	-.150	-.504(*)
	Sig. (2-tailed)	.	.001	.021	.001	.021	.273	.505	.017
The Bank has a strategic and coherent approach to the management of its most valued assets - the people working there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage	Pearson Correlation	-.651(**)	1	.675(**)	.846(**)	.825(**)	.676(**)	.552(**)	.730(**)
	Sig. (2-tailed)	.001	.	.001	.000	.000	.001	.008	.000
The Bank's excellent performance is the living result of its people's efficiency, effectiveness, commitment and potential.	Pearson Correlation	-.488(*)	.675(**)	1	.737(**)	.731(**)	.349	.233	.721(**)
	Sig. (2-tailed)	.021	.001	.	.000	.000	.121	.297	.000
The Bank	Pearson	-.655(**)	.846(**)	.737(**)	1	.768(**)	.481(*)	.442(*)	.615(**)

identifies each person's skills, motivates employees to use those skills and places the appropriate individuals at the key positions to have a great impact on your Bank's effectiveness	Correlation								
	Sig. (2-tailed)	.001	.000	.000	.	.000	.027	.045	.003
The Bank has well established overall direction and objectives of key areas of human resource management in order to ensure that they are not only are consistent with but also support the achievement of business goals	Pearson Correlation	-.490(*)	.825(**)	.731(**)	.768(**)	1	.762(**)	.524(*)	.792(**)
	Sig. (2-tailed)	.021	.000	.000	.000	.	.000	.012	.000
The Bank has developed and implemented detailed procedures, and systems which reflect the it's strategic framework in Human Resources Management	Pearson Correlation	-.251	.676(**)	.349	.481(*)	.762(**)	1	.855(**)	.636(**)
	Sig. (2-tailed)	.273	.001	.121	.027	.000	.	.000	.002
There is the day-to-day personnel administration, for example personnel records, payroll, and administration of benefit programmes in the bank.	Pearson Correlation	-.150	.552(**)	.233	.442(*)	.524(*)	.855(**)	1	.531(*)
	Sig. (2-tailed)	.505	.008	.297	.045	.012	.000	.	.011
Recruitment and selection is well linked to key performance areas	Pearson Correlation	-.504(*)	.730(**)	.721(**)	.615(**)	.792(**)	.636(**)	.531(*)	1
	Sig. (2-tailed)	.017	.000	.000	.003	.000	.002	.011	.

Appendix II: Banks' Strategic Human Resource Management (Factor Analysis)

Strategic Human Resource Management	Rotated Component Matrix(a)	
	1	2
Implementation of chosen strategy, efficiently and effectively	.914	.060
Effective management of the expectation of employees	.889	.166
Marshalling resources that support the business strategy	.885	.357
Utilization of the full potential of the human resources to the firm's advantage	.882	.362
Sound management of individual performance	.868	.330
Gaining the commitment and understanding from human resources executives	.843	.316
Valuing the contribution of individual employees for example via job evaluation	.832	.285
Full implementation of knowledge management support systems within the human resources department	.829	.412
Utilization of mechanisms for identifying priorities within the human resources department	.823	.401
Leveraging other resources such as physical assets and capital to complement and augment the human resources based advantage	.816	.385
Review of drivers and strategies for human resources knowledge management efforts	.801	.459
Sound remuneration strategy	.781	.441
Integrated innovative tech-HRM strategies	.779	.270
Organizational re-structuring and well distributed engineering	.743	.467
Technology innovation aimed at high-performance technology	.716	.564
The Individual roles of employees	.505	.663
Keen selection, development and training of Human Resources	.413	.799
Managerial competency modelling	.050	.952

Appendix III: Factors that Influence Adoption of Strategic Human Resource Management Practices (Factor Analysis)

Factors that Influence Adoption of Strategic Human Resource	Rotated Component Matrix(a)		
	1	2	3
Union representatives and managers don't meet often to discuss concerns and cooperate in finding solutions to issues	.894	.210	.274
The grievance-filing rate is less than 12 per year	.893	.223	.322
The line is not a unionized operation	.824	.055	.526
Line managers don't meet off-line with Employees to discuss issues of concern, including issues related to performance and quality	.760	.496	.258
A majority of Employees are not involved in formal or informal work teams or other related problem-solving activities	.682	.575	.199
Employees are not covered by a "non-traditional" incentive pay plan which applies across shifts of workers	-.034	.829	.310
The Bank's profit-sharing plan does not cover all employees and line workers	.282	.802	.331
Employees don't participate in more than one problem-solving team	.379	.759	.400
All Employees on the line receive off-the-job training	.640	.743	.083
Employees and union representatives, if any, are not provided with financial information on a regular basis	.640	.743	.083
The bank is not committed to a goal of long-term employment security and offering employees a pledge of employment security	.666	.701	.039
Employees are not covered by a "non-traditional" incentive pay plan which is sensitive to quality as well as quantity aspects of output	.506	.582	.182
There is no extensive selection procedure including tests for personality traits needed for cooperative team environments	.659	.532	.307
There are no extensive efforts to set clear expectations about required work behaviours of the new workers	.427	.441	.746
Employees don't rotate across jobs or tasks on the line	.612	.413	.577
There is no extensive selection procedure used to hire new workers	.144	.375	.836
Employees are not organized into formal work teams either on the line or for the purposes of problem-solving activities according to an established policy with at least some employees involved in team activities	.265	.068	.888