

Role of Human Resource Management Functions On Organizational Performance with reference to Kenya Power & Lighting Company – Nairobi West Region

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Abstract

Human Resource is an important corporate asset and performance of organizations depends upon the way it is put in use through human resource management, which aims at ensuring that organizations achieve success through people. The distinctive feature of HRM is its assumption that improved performance is achieved through the people in the organization. Kenya Power in its bid to embrace the idea of sustained performance and flexibility has engaged approximately 11,000 human capital who are charged with the responsibilities of ensuring supply of adequate and reliable electricity to its customers; improvement of customer service; acceleration of electricity access to the public; and creating value for the shareholders. Despite this, Kenya still faces challenges like prolonged power outages, delayed constructions of power lines, delayed connections and reconnections are experienced, thus calling for appropriate measures besides increase in human capital to enhance the company's performance. A study that examined the role of HR functions of recruitment and performance contracting on organizational performance through reduction in power outages, increased customer base and increased revenue levels was carried out with reference to Kenya Power, Nairobi West Region. A questionnaire was administered to the respondents and an analysis of the responses established that high percentages of 46.7 and 47.8 respectively agreed that there had been continuous reduction in power outages in the year under research and an increase in customer base was experienced. A high percentage of 33.7 strongly agreed on that there had been increased revenue levels in the year under research. The study found out that the HR functions of recruitment and performance contracting positively affected organizational performance and recommended continuous improvement on the HR functions to ensure continuity in increased organizational performance.

Key Words: Human Resources, High -Performance Management, Recruitment and Selection, Performance Contracting, Organizational Performance.

1.0 Introduction

Energy is a key enabler to achieving Kenya's aspirations captured in the country's development blue print- the Vision 2030. According to a Workshop on energy scenarios July 24, 2013, the overall goal of Kenya's energy sector is to provide affordable, sustainable and reliable supply of energy that will stimulate high and sustained economic growth leading to higher incomes, increased employment and reduced poverty. In this light, Kenya Power which is a limited liability company in the energy sector in Kenya, transmits, distributes and retails electricity to customers throughout Kenya. Kenya Power owns and operates the National Transmission and Distribution Grid and retails to more than 2,038,625 customers throughout the country. The company has been providing power for both industrial and domestic use throughout Kenya. In support of the country's development goals, Kenya Power is strategizing for growth through improvement in distribution efficiency and reduction of commercial losses by introducing the stima flow procedures which are aimed at enhancing customer satisfaction thereby winning customer confidence.

Better service delivery to customers require urgent attentions and failing to appreciate this fact is the worst mistake that can ever be made since it would lead to: unreliable power supply and loss of revenue since the more the sales the more the revenue; loss of employment as the company relies on the income generated in order to service its operations thus can only retain a sustainable human resource; disruptions and interruptions of production lines which has an adverse effect in economic growth as the affected organizations would never meet their production targets which in return affects income generation.

1.1.1 Human Resources

According to Nzuve (1997), Human Resource refers to the individuals within an organization whose activities contribute to the organization's success that is, achievement of organizational goals and objectives. Macgregor (2011) also points out that the backbone or foundation of an organization is its core staff. Every organization should therefore have the right people in the right places at the right time to enhance success.

1.1.2 Human Resource Management

Human Resource Management as defined by Michael Armstrong (2009), is a strategic, integrated and coherent approach to the employment, development and well-being of people working in organizations. The overall purpose of human resource management is to ensure that the organization is able to achieve success through people. HRM aims to improve organizational effectiveness and capability-the capacity of an organization to achieve its goals by making the best use of the resources available to it.

1.1.3 Organizational Performance

According to Michael Armstrong (2009), the concept of performance covers both what has been achieved and how it has been achieved. Performance is measured through key performance indicators which are usually to do with financial results or productivity. A considerable amount of research has been conducted recently on the impact of HRM on organizational performance for example Arthur (1990,1992,1994) obtained data from 30 US strip mills and assessed impact on labour efficiency and scrap rate by reference to the existence

of either a high commitment strategy or a control strategy. The research outcomes were that firms with a high commitment strategy had significantly higher levels of both productivity and quality than those with a control strategy. In Purcell et al (2003), a University of Bath longitudinal study of 12 companies to establish how people management impact on organizational performance resolved that the most successful companies had 'the big idea.' They had a clear vision and a set of integrated values. They were concerned with sustaining performance and flexibility. Clear evidence existed between positive attitude towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance. Policy and practice implementation (not the number of HR practices adopted) is the vital ingredient in linking people management to business performance and this is primarily the task of line managers.

As indicated by Rebecca Mitchell , Shatha Obeidat ,and Mark Bray (2013), human resource management functions play a major role in enhancing organizational performance. Kenya Power in its bid to embrace the idea of sustained performance and flexibility as advocated by Purcell et al (2003), has engaged a human resource capacity of approximately eleven thousand employees who are charged with the responsibilities of ensuring supply of adequate and reliable electricity to its customers; improvement of customer service; acceleration of electricity access to the public; and creating value for the shareholders (KP Annual report, 2011/2012). Despite this, Kenya still faces challenges like prolonged power outages, delayed constructions of power lines, delayed connections and reconnections are experienced (KP customer satisfaction survey, 2011/2012), thus calling for appropriate measures besides increase in human capital to enhance the company's performance. The study examined the role of HR function in addressing improved performance, through human resource management functions of recruitment and selection, and performance contracting.

1.2 General Objective

To examine the role that human resource management functions play in the overall organizational performance in the context of Kenya Power, Nairobi West Region.

1.2.1 Specific Objectives

1. To establish the role of recruitment and selection process on organizational performance.
2. To examine the role of performance contracting on the organizational performance.

Hypotheses

The following Null hypotheses were developed;

H₀₁: Recruitment and selection process have no influence on organizational performance.

H₀₂: Performance contracting has no influence on organizational performance.

1.5 Significance of the Study

The study was to enable the researcher examine and document the results on the role of human resource management functions on organizational performance. The study was also to provide a source of information for utilization by the company on effective implementation of human resources management practices for the success of the organization and information for further research in this area of study.

1.3 Theoretical Framework

a) The Matching Model of HRM

HRM is defined by the two models of HRM developed by what might be described as its founding fathers- That is; The matching model of HRM by Michigan School of Fombrun et al (1984) who held that HR systems and the organization structure should be managed in a way that is congruent with organizational strategy; and The Harvard framework by the Harvard School of Beer et al (1984), whose belief was that the problems of historical personnel management can only be resolved when general managers develop a viewpoint of how they wish to see employees involved in and developed by the enterprise, and of what HRM policies and practices may achieve those goals.

a) Vroom's Expectancy Theory

Vroom's expectancy theory by Victor Vroom (1983) together with Edward Lawler and Lyman Porter, suggested that the relationship between people's behavior at work and their goals was not as simple as was first imagined by other scientists. Vroom realized that an employee's performance is based on individuals' factors such as personality, skills, knowledge, experience and abilities. The theory suggests that although individuals may have different sets of goals, they can be motivated if they believe that: there is a positive correlation between efforts and performance; favorable performance will result in a desirable reward; the reward will satisfy an important need; the desire to satisfy the need is strong enough to make the effort worthwhile. The theory is based upon the following beliefs:

Valence which refers to the emotional orientations people hold with respect to outcomes [rewards]. The depth of the want of an employee for extrinsic [money, promotion, time-off, benefits] or intrinsic [satisfaction] rewards. Management must discover what employees value.

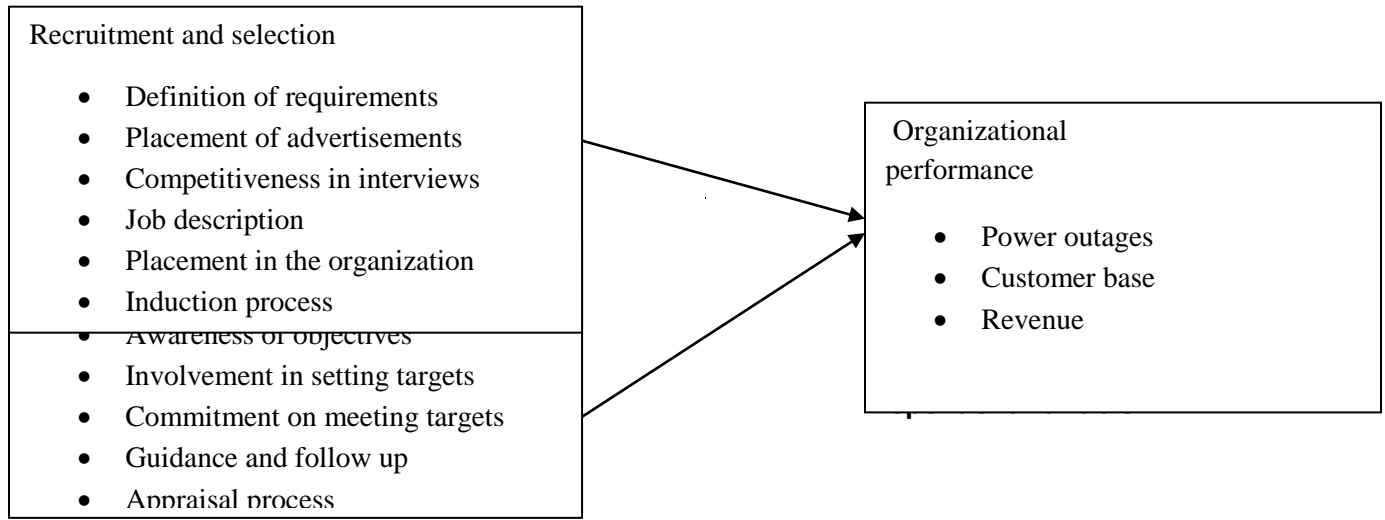
Expectancy which is the belief that employees have different expectations and levels of confidence about what they are capable of doing. Management must discover what resources, training, or supervision employees need.

Instrumentality which is the perception of employees as to whether they will actually get what they desire even if it has been promised by a manager. Management must ensure that promises of rewards are fulfilled and that employees are aware of that.

Vroom suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain.

2.3 Conceptual Framework

Human Resources Functions



According to Michael Armstrong (2001), the main role of the HR Function is to enable the organization achieve its objectives by taking initiatives and providing guidance and support on all matters relating to its employees. The basic aim is to ensure that management deals effectively with everything concerning the employment and development of people and the relationships that exist between management and the workforce. A further key role for the human resource function is to play a major part in the creation of an environment which enables people to make the best use of their capacities and to realize their potential to the benefit of both the organization and themselves. The human resource function operates as part of the full business management process and cannot be viewed in isolation. Although a support activity it must be proactive. It supports and promotes business solutions that take advantage of opportunities stemming from business issues just as it must find solutions to apparent constraints.

It has been stated by Ulrich (1998) that: 'The activities of human resource appear to be and often are disconnected from the real work of the organization.' he believes that human resources 'should not be defined by what it does but by what it delivers'. According to Ulrich, human resources can deliver excellence in four ways: HR should become a partner with senior managers in strategy execution, helping to improve planning from the conference room to the marketplace; It should become an expert in the way work is organized and executed, delivering administrative efficiency to ensure that costs are reduced while quality is maintained; It should become a champion for employees, vigorously representing their concern to senior management and at the same time working to increase employee contribution, that is,

employees' commitment to the organization and their ability to deliver results; and it should become an agent of continuous transformation, shaping processes and a culture that together improve an organization's capacity for change.

2.2 High -Performance Management

As commented by M. Armstrong (2009), high- performance management or high performance working aims to make an impact on the performance of the organization in such areas as productivity, quality, levels of customer service, growth and profits. High-performance management practices include rigorous recruitment and selection procedures, extensive and relevant training and management development activities, incentive pay systems and performance management systems.

2.2.1 Recruitment and Selection

Recruitment is the process of finding and engaging the people the organization needs as observed by M. Armstrong (2009). Selection is that part of the recruitment process concerned with deciding which applicants or candidates should be appointed to the jobs. Braton and Gold (2007,p 239) differentiate the two terms while establishing a clear link between them in the following way: ' recruitment is the process of generating a pool of capable people to apply for employment to an organization. Selection is the process by which managers and others use specific instruments to choose from a pool of applicants a person or persons more likely to succeed in the job(s), given management goals and legal requirements.' The recruitment and selection process involves the stages of defining requirements—preparing role profiles and person specifications; deciding terms and conditions of employment, planning recruitment campaigns, attracting candidates- reviewing and evaluating alternative sources of applicants inside and outside the company, and selecting candidates- sifting applications, interviewing, testing, assessing candidates, assessment centres, offering employment, obtaining references; preparing contracts of employment. Difficulties in filling a position may be encountered. In order to deal with the problem constructively, it is necessary to take the following actions: ensure that all the possible sources of candidates have been used; consider any ways in which the advertisement or website entry could be made more attractive; check that the person specification is realistic; consider whether it might be necessary to improve the package offered to candidates; in discussion with line manager, examine the possibility of reshaping the role to increase its attractiveness; and if the worst comes to the worst, and again in discussion with the manager, consider alternative ways of carrying out the work involved with existing staff.

2.2.2 Performance Contracting

Performance Contracting is a branch of management science referred to as Management Control Systems and is a contractual agreement to execute a service according to agreed-upon terms, within an established time period, and with a stipulated use of resources and performance standards.

Performance contract as defined by Kumar, (1994) is a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively

but also ensures forces improvement of performance managements and industries by making the autonomy and accountability aspect clearer and more transparent. OECD (1999) defines performance contract as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results, while Smith (1999) argues that a common definition of performance contracting can be found, there are a considerable variety of uses and forms for quasi-contractual arrangements. The objective of performance contracting is the control and enhancement of employees' performance and thus the performance of the whole institution.

2.3 Organizational Performance improved through HR

The assumption underpinning the practice of HRM is that people are the organization's key resource and organizational performance largely depends on them. If, therefore, an appropriate range of HR policies and processes is developed and implemented effectively, then HR will make a substantial impact on firm performance. Research on the link between HRM and firm performance has been carried out in the past for example; Arthur (1990,1992,1994) found out that firms with a high-commitment strategy had significantly a higher level of both productivity and quality than those with a control strategy; Huselid (1995) found out that productivity is influenced by employee motivation while financial performance is influenced by employee skills, motivation and organizational structure; Patterson et al (1997) resolved that HR practices explained significant variations in profitability and productivity. Two HR practices were particularly present:1) the acquisition and development of employee skills and 2) job design, including flexibility, responsibility, variety and the use of formal teams; The future of Work Survey, Guest et al (2000b) resolved that a greater use of HR practices is associated with higher levels of employee commitment and contribution and is in turn linked to higher levels of productivity and quality of services.

Human resource management practices can improve organizational performance through: Developing a psychological contract; Increasing motivation and commitment; Increasing employee skills and extending the skills base; Providing employees with extended responsibilities so that they can make full use of their skills and abilities; Instituting processes of performance management and continuous development ; Using reward management systems to convey message about what the organization believes to be important and what it is prepared to provide financial and non-financial rewards for; and Developing employee relations strategies which provide employees with a voice. HR can contribute to the achievement of competitive advantage and added value, and to total quality initiatives.

As explained by Boxall (2002), managing human resources strategically can contribute to the achievement of competitive advantage, added value and total quality initiatives in an organization when business strategy is linked with human resource strategy. Strategic human resource management aims at providing a sense of direction in an often turbulent environment so that the business needs of the organization, and the individual and collective needs of its employees, can be met by the implementation of coherent and practical human resources policies and programmes. According to Nzuve (1997), successful organizations are a result of

effective human resources whose activities are geared towards achieving organizational goals. Competent human resources plan for achievable organizational goals and employ competent individuals to carry out the organizational activities aimed at achieving their goals. To evaluate achievement of their goals, organizations measure their performance which serves to align an organization's efforts to the achievement of its mission. As part of a company's evaluation and control program, they quantifiably monitor important characteristics of the company's products and services and the performance of the individuals and processes creating them. Performance measures support managerial decision-making by providing useful information regarding: how efficient and effective are the company's processes and the individuals implementing them; if product or service improvements are necessary; if the company's customers and stakeholders are satisfied and if the company is meeting its stated goals.

Managing performance is achieved in organizations where performance is well defined and performance contracts put in place, which define expectations-the results to be achieved and the competencies required to attain these results.

3.0 Methodology

3.1 Research Design

A research design is a presentation of the plan, structure, or strategy of investigation, which seeks to obtain or answer various research questions (Shuttleworth, 2008; Lesage, 2009). Borg, Meredith and Gall (2008) define research design as a detailed plan on how the research is to be conducted. The study adopted a case study descriptive survey and correlation. This was a descriptive study designed to gather data on the role of human resources management function in an organization and its contribution to organizational performance. It integrated quantitative and qualitative methods justifying the need for a survey design which gave numerical description of the population under study. The period of study was years 2010-2012. The choice of this period was reasonable because continuous efforts to enhance performance like organization culture change and company rebranding were carried out during this period and due to availability of current and necessary data.

3.2 Target Population

Population refers to an entire group of individuals, events or object sharing a common observable characteristic. The relevant base population is the population of organizations with human resource functions. The target population of study covers Kenya Power– Nairobi West region. The population consists of all employees in the 12 departments with a total number of 914 employees.

3.3 Sampling Frame and Sample Technique

Sampling frame is used to select a number of individuals for the study in order to represent a larger group from which they will be selected. Stratified sampling technique was used to select the sample size. According to C.R Kothari (2004), Stratified sampling is used when the population from which a sample is drawn does not constitute a homogenous group. In this technique, the population is stratified into a number of non-overlapping subpopulations or strata and sample items are selected from each stratum; in this study, the departments in Nairobi West Region. The sample size was determined as follows;

$$n_f = \frac{Z^2 pq}{e^2} = \frac{1.645^2 * 0.5 * 0.5}{0.08^2} = 105 \dots \dots \dots \text{Equation 1}$$

Where

n= the desired sample size (if the target population is greater than 10,000)

Z = the standard normal deviate at the required confidence level

P= the proportion in the target population estimated to have characteristics being measured

q = 1-P

e = the level of statistical significance test

When the total population is less than 10,000, Mugenda & Mugenda (2008), recommend adjusting the sample size from equation (1) as follows:

$$n = \frac{n_f}{1 + \frac{n_f - 1}{N}} = \frac{105}{1 + \frac{104}{914}} = 94 \dots \dots \dots \text{Equation 2}$$

The sample of 94 respondents translated to 10.3% which was considered adequate as supported by Mugenda & Mugenda (2008), who suggests that 10% is adequate.

3.4 Data Collection Instrument

Primary data is facts assumptions obtained directly from the field while secondary data is applied facts. The study used both primary and secondary data. Secondary data was used in the literature review of the study. A semi-structured questionnaire was used to obtain the data required. The questionnaire was designed to address the research questions. The questionnaire incorporated two categories of questions namely structured and unstructured. Structured questions are close ended with alternatives from which the respondents select the most appropriate answer. Unstructured questions are normally open ended and allow the respondents to provide their own answers. The specific respondents were the heads of departments and other employees, who were issued with questionnaires to fill.

3.5 Reliability test

Cronbach’s Alpha was applied as a tool to measure the internal consistency of the constructs. This instrument was extensively applied to authenticate the reliability of the constructs with an Alpha value of 0.7 as the threshold

4.0 FINDINGS

4.1 Recruitment and Selection and its Influence on Organizational Performance

The study sought to find out from the respondents the influence of recruitment and selection on organizational performance with reference to effectiveness in defining requirements in sourcing for candidates; the effectiveness in placing advertisements; the effectiveness in interviewing; the effectiveness in placing qualified candidates in the jobs; the effectiveness in induction process; and the effectiveness in job description. Results in table 4.1 indicate a percentage effectiveness of 54.3,39.1,43.5,39.1,54.3 and 43.5 respectively as observed from the respondents. This is an indication that the organization is committed to finding and engaging the right people for the job concurring with M. Armstrong, (2006) as well as Charlesworth,2000and Tyson,1995 who held that without proper recruitment, the activity plans go to waste and are expensive to reformulate.

Table 4.1 Recruitment and Selection

	Not Effective	Somehow Effective	Not Sure	Effective	Very Effective
The effectiveness in defining of requirements in resourcing	8.7%	12.0%	17.4%	54.3%	7.6%
The effectiveness in placement of advertisement	9.8%	16.3%	15.2%	39.1%	19.6%
The competitiveness in interviews	14.1%	12.0%	21.7%	43.5%	8.7%
The effectiveness in placement of qualified candidates	20.7%	13.0%	17.4%	39.1%	9.8%
The effectiveness in induction process	19.6%	4.3%	8.7%	54.3%	13.0%
The effectiveness in description of jobs to be occupied	14.1%	18.5%	10.9%	43.5%	13.0%

4.1.1 Correlation analysis of Recruitment and Selection on Organizational Performance

The study sought to examine the existence of relationship between recruitment and selection and organizational performance.

Fig. 4.1 indicates a positive linear relation between recruitment and selection and organizational performance. Further, table 4.2 indicates a positive and significant correlation

coefficient between the two variables ie $r = 0.486$. This confirms that recruitment and selection have a positive effect on organizational performance.

Table 4.2 Recruitment and Selection Model

R	R Square	Std. Error of the Estimate
.486 ^a	.236	2.33666

a. Predictors: (Constant), Recruitment And Selection

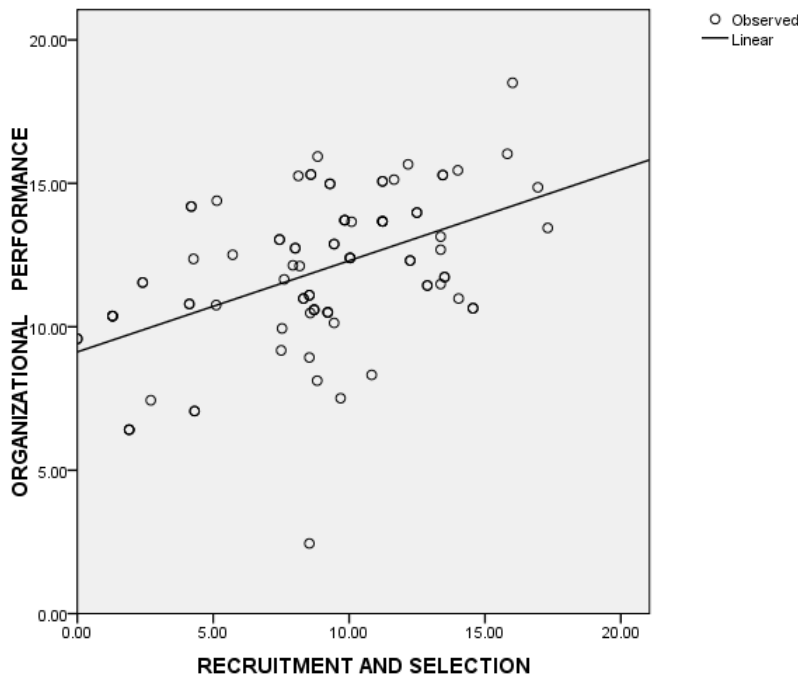


Fig.4.1 Effects of Recruitment and Selection on Organizational Performance

4.1.2 Regression Analysis of Recruitment and Selection on Organizational Performance

As shown in figure. 4.1 and table 4.3 from the study, the fitted regression line $y = 9.124 + 0.318x$ indicates that a unit change in recruitment and selection will lead to a significant change in organizational performance at the rate of 0.318 with a $p\text{-value} = 0.000$. Holding recruitment and selection constant, organizational performance will stand at 9.124 at $p\text{-value} = 0.000$ implying that there are other drivers of organizational performance other than recruitment and selection.

Table 4.3 Regression Analysis-Recruitment and Selection and Organizational Performance

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	9.124	.584		15.623	.000
	Recruitment and Selection	.318	.060	.486	5.277	.000

a. Dependent Variable: Organizational Performance

The ANOVA table 4.4 has a P Value of 0.000 implying that the simple linear model of regression explains 27.8% of the variations in organizational performance. The rest (72.2%) could be explained by other variables among them performance contracting.

Table 4.4 Recruitment and Selection and Organizational Performance Anova Analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	152.034	1	152.034	27.845	.000 ^a
	Residual	491.397	90	5.460		
	Total	643.431	91			

a. Predictors: (Constant), Recruitment and selection

b. Dependent Variable: Organizational Performance

4.2 Performance Contracting Exercise and its Effect on Organizational Performance

The objective of the study was to examine the effectiveness of performance contracting process on organizational performance with respect to defining departmental objectives, setting individual targets, supervisor's commitment and support to meet targets, continuous guidance towards meeting the set targets, effectiveness in appraising staff and the effectiveness in communicating achievements, where percentages of 54.3,43.5,64.1,56.5,46.7 and 47.8 in effectiveness were observed from the respondents as shown in table 4.5. The study established the existence of performance contracts which OECD (1999) defines as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. Kumar, (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures improvement of performance

managements by making the autonomy and accountability aspect clearer and more transparent.

Table 4.5 Performance Contracting Practices

	Not Effective	Somehow Effective	Not Sure	Effective	Very Effective
The effectiveness in definition of departmental objectives	2.2%	15.2%	5.4%	54.3%	22.8%
The effectiveness in setting individual targets	.0%	9.8%	20.7%	43.5%	26.1%
The supervisors' effectiveness in enhancing commitment to meeting the set targets	5.4%	12.0%	10.9%	64.1%	7.6%
The effectiveness in offering continuous guidance and follow up to meeting the set targets	5.4%	10.9%	13.0%	56.5%	14.1%
The effectiveness in appraisal practice	5.4%	7.6%	17.4%	46.7%	22.8%
The effectiveness in communication of individual achievements after the appraisal practice	4.3%	13.0%	16.3%	47.8%	18.5%

4.2.1 Correlations of Performance Contracting Exercise and Organizational Performance

The study sought to examine the relationship that exists between performance contracting exercise and organizational performance.

Fig. 4.6 indicates a positive linear relationship between performance contracting exercise and organizational performance. Table 4.7 indicates a positive and significant correlation coefficient $r = 0.422$, between the two variable. This confirms that performance contracting exercise has a positive influence on organizational performance. This collaborates with OECD (1999) defining performance contract as a range of management instruments used to define responsibility and

expectations between parties to achieve mutually agreed results.

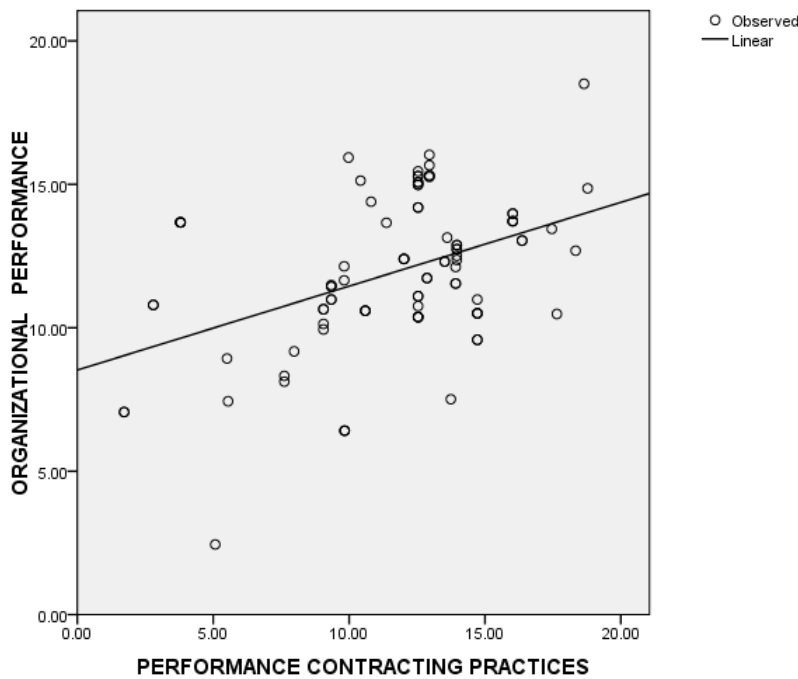


Fig. 4.2 Performance contracting exercise and organizational performance

Table 4.6 Performance Contracting Exercise and Organizational Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.422 ^a	.178	.169	2.42388

a. Predictors: (Constant), Performance Contracting Practices

4.2.2 Regression Analysis of Performance Contracting Exercise and Organizational Performance

As shown in fig. 4.2 and table 4.7, the fitted regression line is $y = 8.527 + 0.292x$ indicating that a unit change in performance contracting exercise results to change in organizational performance at the rate of 0.292. Holding performance contracting constant, organizational performance will stand at 8.527 implying that there are other drivers of organizational performance other than performance contracting.

Table 4.7 Coefficients of performance contracting and organizational performance

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	8.527	.809		10.534	.000
	Performance Contracting Practices	.292	.066	.422	4.418	.000

a. Dependent Variable: Organizational Performance

The ANOVA table 4.8 has a P-value of 0.000 implying that the simple linear model with only performance contracting is significant in explaining organizational performance. However, the simple linear model explains 19.5% of the variations in organizational performance.

Table 4.8 ANOVA for Performance Contracting and Organizational Performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	114.661	1	114.661	19.516	.000 ^a
	Residual	528.769	90	5.875		
	Total	643.431	91			

a. Predictors: (Constant), Performance Contracting Practices

b. Dependent Variable: Organizational Performance

5.0 Summary, Conclusion

5.1.1 Recruitment and Selection

The study sought to answer the question, ‘what is the effect of recruitment and selection on organizational performance?’ the study findings indicated that recruitment and selection was positively affecting organizational performance. This was revealed through the response of the employees who responded to the questions on definition of requirements and placement of advertisement, competitiveness in interviews, job description placement in the organization and induction process. Majority of respondents indicated that recruitment and selection was effective to a larger extent of 54.3% and a minority of 8.7% rated recruitment and selection as not effective. This echo the remarks of Baird and Meshoulam (1988) that ‘business objectives are accomplished when human resource practices, procedures and systems are developed and implemented based on organizational needs’. The study found out that recruitment and selection positively affected organizational performance, an indication that the organization is committed to finding and engaging the right people for the job as M. Armstrong (2006) indicates.

5.1.2 Performance Contracting

What is the effect of performance contracting exercise on organizational performance? The study findings indicated that; the process of defining departmental objectives, effectiveness in setting individual targets, effectiveness of the supervisor's commitment to achieving the set targets, the effectiveness in offering continuous guidance and follow up to meeting the set targets, the effectiveness in appraisal process, and effective communication of achievements played a major role in performance contracting which by a larger extent affected organizational performance. The study established the existence of performance contracts which OECD (1999) defines as a range of management instruments used to define responsibility and expectations between parties to achieve mutually agreed results. Kumar, (1994) defines performance contract as a Memorandum of Understanding (MOU). MOU is rooted in an evaluation system, which not only looks at performance comprehensively but also ensures improvement of performance managements by making the autonomy and accountability aspect clearer and more transparent. After analyzing the data collected on performance contracting 53.81% of the respondents informed on its effectiveness in contributing to the overall organizational performance.

5.3 Recommendations

The study found out that the functions of recruitment and selection, training and development, performance contracting and rewarding played a major role on organizational performance as evidenced in the areas of reduction in power outages, increased customer base levels and increased revenue levels. To continuously improve on organizational performance, the organization should improve on the functions of human resource management and especially on recruitment and selection, training and development, performance contracting and rewarding which will enable the organization to have the right people for the right jobs and enhance commitment to their duties resulting to improved organizational performance.

5.3.1 Recommendations for Further Studies

This study was confined to one firm in the energy sector in Kenya and focused on four major human resource management functions notably; recruitment and selection, training and development, performance contracting and rewarding. This limited the study from exploring other functions that still could affect organizational performance. The study, therefore, proposes further studies to be carried out to help in establishing other functions of human resource management that affect organizational performance that were not covered in this study. Further studies should also be carried out in other key players in the energy sector in Kenya.

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