



EFFECT OF HUMAN RESOURCE MANAGEMENT PRACTICES ON EMPLOYEE PERFORMANCE IN COMMERCIAL BANKS IN NAIROBI COUNTY, KENYA

STEPHEN MWANZIA WAMBUA, DR. KABARE KARANJA PHD

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^{1*}Stephen Mwanzia Wambua, ^{2*}Dr. Kabare Karanja PhD

^{1*}School of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology

^{2*} School of Human Resource Development, Jomo Kenyatta University of Agriculture and Technology

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ABSTRACT

The purpose of this study was to examine the effect of Human Resource Management Practices (HRMP) on employee performance in commercial banks in Nairobi County in Kenya. The specific HR practices examined in the study were reward management practices, performance appraisal practices, employee involvement practices and training and development practices. The study employed descriptive study design. A sample of 235 respondents was selected through stratified random sampling technique. Data was collected using questionnaires and analysed using multiple regression analysis. The study findings indicated that the relationship between HRM practices and employee performance is positive although only the relationship between reward management, performance appraisal as well as training and development practices and employee performance were found to be significant while the relationship between employee involvement and employee performance was not significant. Based on the study conclusions, the study recommended that in order to realize improvement in employee performance, commercial banks as well as other companies, should aim to improve reward structure of their employees by developing a reward structure which recognizes outstanding performance by teams and individual employees, developing pay package that competes with other like organizations in the market as well as salary increment and promotions schemes which are linked to employee performance. The study also recommended that commercial banks should design better performance appraisal schemes which distribute timely and relevant information on performance or goal plans to employees. Lastly the study recommended that those commercial banks and other companies aiming to achieve improved employee performance should also consider developing training and development policies and strategies which aim to identify training needs with full participation of employees, which have fairness in addressing staff training and development needs as well as those policies which create an enabling environment for transfer of learning to succeed.

Key words: *Reward management practices, Performance appraisal practices, Employee involvement practices, Training and development practices, Employee performance*

INTRODUCTION

Organizations face strong pressures in competitive environments to be efficient and at the same time produce products of value. By ensuring that their workforce is optimal at all times most organisations can gain competitive advantage. Satisfied employees form a bond with the company and take pride in their organizational membership, they believe in the goals and values of the organisation. Therefore, these employees display high levels of performance and productivity. Dissatisfied employees display characteristics of low productivity, absenteeism, and turnover. These traits are highly costly for the organisation (Indermun and Saheedbayat, 2013). Indermun and Saheedbayat (2013) define employee performance as the productivity and quality of work of an individual employee. Employee performance is a complex mix of skills, knowledge, ability, attitude, effort and results. Performance management aims to maximize employee performance and align individual and team effort with organizational goals and objectives hence creating a performance management culture makes good business sense and may also provide an organization with a competitive advantage.

In the recent years, it has been noted that employees are changing; they no longer stay in jobs that do not motivate or satisfy them. Fair salaries are no longer strong enough incentives to keep them loyal and perform better. In contemporary times, organisations must do more to ensure that they retain talent. After that is done, more satisfied employees on the other hand will deliver effectively. Some of the ways of making employees satisfied lies in the human resource practices (Zain, Ishak and Ghani, 2009). Anonymous (2006) states that satisfied workers perform better than dissatisfied workers. It is the role of the human resource to make the employees satisfied which will ultimately lead to improved employee performance (Skibba, 2002).

Thus, HRMP are key to keeping employees satisfied and hence having an effect on their performance. It is however not universally agreed that certain HRMP are key. As Guest (1997) argued, it is important to examine HRM practices in as many settings as possible to justify previous findings since the majority of factors affecting HRMP are largely contextual. That is why the current study sought to establish the effect of selected HRMP on employee performance in the banking sector in Kenya.

Statement of the Problem

The dicey matter of employee performance continues to be a topical issue in today's business environment. Although a growing body of research has demonstrated a link between Human Resource Management Practices (HRMP) and organizational outcomes, the mechanisms through which this occurs are still debated on the micro-level of HRM interventions (Bowen & Ostroff, 2004). In the recent years, it has been noted that employees are changing; they no longer stay in jobs that do not motivate or satisfy them. Fair salaries are no longer strong enough incentives to keep them loyal and perform better. In contemporary times, organisations must do more to ensure that they retain talent. After that is done, more satisfied employees on the other hand will deliver effectively. Some of the ways of making employees satisfied lies in the human resource practices (Zain, Ishak and Ghani, 2009). Though the specific HRMP that should evoke better performance from the employees are not yet universally agreed on.

As a matter of fact, Influence of HRMP on performance has been widely researched over time especially at the firm's level. Over the years, researchers have proposed varied lists of practices. However, there is no agreement on what or which practices qualify as aspects of HRM according to Boaxall (2007) and the paradox still remains. It is

incorrect to buy the notion that assumes that there are universally effective HR practices or clusters of practices that can be readily transferred. If, therefore as Armstrong (2014) posits, appropriate HR policies and practices are introduced, it can also be assumed that HRM will impact on performance. As Singh (2004) concluded, remuneration as a HR practice sustains method of employees with trade policy of the firm a view supported by (Tessema and Soeters (2006) who concluded that positive correlation exists between employee performance and compensation practices however this needs to be examined in Kenyan commercial banks context.

Studies have been conducted on the influence of human resource practices on employee satisfaction and performance in different contexts. For instance, a study on a similar topic was conducted by Bowra, Sharif, Saeed and Niaz (2012) and concluded that performance evaluation has significant impact on performance but the compensation practices deemed not significant, in the Kenyan context Shitsama (2011) found that employees responded more positively to reward and compensation as well as training and development and thus recommended that banks leverage on these so as to drive employee performance and a study by Ijigu (2015) to investigate the relationship between HRM practices and employee performance in Ethiopia found that some HRM practices namely recruitment and selection, training and development, performance appraisal and compensation package have a strong correlation and significantly impact on employee job satisfaction. The reviewed studies have however not directly linked HRM practices to employee performance thus presenting a conceptual research gap.

Furthermore, there is conflicting results on the effect of HRM practices on employee performance as while other studies posit a positive relationship, a study by

Mutua (2014) on role of human resources management practices on the performance of financial cooperatives in Nairobi County, found that, training practices had no significant relationship with non-financial cooperatives performance. This leaves the topic open to discussion on what exactly is the effect of HRM practices on employee performance. However, as recommended by Guest (1997), it is important to examine HRM practices in as many settings as possible to justify previous findings since the majority of factors affecting HRMP are largely contextual. Motivated by the conceptual and contextual research gaps as well as conflicting results on the topic, the current study will seek to establish the effect of HRM practices in the Kenyan Context of the banking sector.

Research Objectives

- i. To establish the effects of reward management on performance of employees of commercial banks in Nairobi County.
- ii. To determine the effect of performance appraisal on the performance of employees of commercial banks in Nairobi County.
- iii. To assess the effect of employee involvement on performance of employees of commercial banks in Nairobi County.
- iv. To assess the effect of training and development on performance of employees of commercial banks in Nairobi County.

LITERATURE REVIEW

Theoretical Literature review

The study was hinged on the Harvard Framework, guest model and goal theory.

The Harvard model advanced by Beer et al. (1984) consists of six basic mechanisms namely; Situational factors, Stakeholder interests, HRM policy choices, HR outcomes, Long-term consequences and a feedback loop through which the outputs flow

directly into the organization and to the stakeholders. Since the study examined the effects of HRM practices on employee performance, the model is relevant as it helps explain the role of the managers in developing policies (which are part of the practices) which they wish to see employees involved in.

The guest model advanced by Guest (1997) demonstrated the relationship between HRMP and organizational strategy. Central to this model is the idea that HRMP should be designed to produce high quality employees committed to their organization. This model attempts to link HR practices to performance which is the crust of this study. The central hypothesis of Guest's framework is that managers should adopt a distinct set or bundle of HR practices in a coherent manner of which the outcome will be superior individual and organizational performance. The model plays a critical role in hinging the study. This model links HR practices to performance both of employees and organization and that is the primary goal of the study.

According to the goal theory, Locke (1968) argues that goal setting can be an effective method of influencing performance by directing attention, mobilizing effort, increasing persistence, and motivating strategy development. As Mullins (2010) opined, goal setting theory has implications for managers as a method of directing employees' behaviour and providing standards against which performance can be evaluated. Thus, in order to ensure high standards of performance, goals should be set at a challenging but realistic level. This theory is of huge relevance in this study because of its direct linkage to other HRM practices such as reward systems, training practices, employee participation as well as performance management practices.

Empirical Literature Review

Studies indicate that pay alone does not boost productivity levels in the long term and neither does it improve performance (Whitley, 2002). Besides, it can deteriorate employees' attitude in which they may work merely in the interest of high pay hence the need for employers to focus on other non-financial factors such as rewards, social recognition, benchmarking trips abroad, status symbols and long service awards, promotions among others. A comprehensive mix of an effective reward system plays an effective role in attracting the best candidates, shaping employees behaviour and performance outcome further facilitating talent retention in a study Danso (2015) concluded that a good reward system serves as a basis for employee commitment to give off their best to the company and a reputation as the employer of choice.

According to Dyer and Reeves (1995) conclusion, the multifaceted purposes of performance appraisal including guiding HR actions for example hiring, promotions, rewarding employees performance, providing feedback to the firm, identifying training and development needs e.t.c in order to improve the individuals performance on the job and offer useful data for human resource planning. This view was further supported by Lillian, Mathooko, and Sitati, (2011) who contended that the information gathered during performance evaluation provides basis for proper rewarding of performance among other direct linkages to employee performance. Geer (2001) observed that performance appraisal would benefit organizations in a number of ways: (1) enhancing the quality of organizational decisions from promotions, compensation, transfers for job fit and terminations. (2) Through periodic informal reviews, managers will have an opportunity to see how well employees are performing relative to their goals and to provide opportunities for early intervention. Employee involvement and

participation targets the empowerment of employees in order to use their input towards achieving higher individual and organizational performance (Sofijanovna & Zabijakin, 2013; Tabiu & Nura, 2013).

Employee's performance is a function of Training, Motivation and Job fit, training provides necessary knowledge, skills and abilities to perform a job properly (Blanchard & James, 2007). According to Armstrong (2009), Training and development practices simply refer to systems and structures that an organization puts in place to ensure that the ability and capacity of its employees is developed through a well thought out strategy. Kagucia (2012) argued that training needs analysis is the core to employee performance improvement and the development of skills and competencies necessary to achieve organizations goals. Clark (1998) argued that training needs assessment (TNA) helps an organization to identify the gap existing between present performance and the desired performance, this conclusion concurs with Mutsoli, Mutua, Musiega, and Mumassabba, (2015) who found that training need assessment helps respondents to ascertain their weaknesses and strengths which will lead to respondents being selected for trainings, seminars and workshops in the areas they require training. In addition, Mutsoli et al. (2015) tied training needs identification to performance appraisal practices of HRM.

Shitsama (2011) argued that, at the very basic level, some of the benefits of training may include orientation and onboarding employees, developing desired skills, preventing accidents through safety training, supplying professional and technical education and supervisory training and executive education. In an attempt to draw a direct linkage of training effectiveness to employee performance, Siddiqui and Asghar, (2008) concluded that

organizations should regard expenditures on training as investments in human resources hence value adding a view collaborated by Kaveri et al. (2013) who concluded that right employee training and education provide big payoffs for the employer in increased productivity, knowledge, loyalty, and contribution to general growth of the firm.

RESEARCH METHODOLOGY

The study adopted a descriptive research design. The target population for this study was staff of commercial bank's branches based within the Nairobi. According to CBK (2015), there were 41 commercial banks operating in Kenya all of them with head offices in Nairobi hence the choice of Nairobi is because it has all banks operating there hence a good representation. Stratified random sampling method was applied to come up with the sample size, since the population was heterogeneous. The study used a sample size of 235 obtained using a formula. Data was collected through the administration of questionnaires branch managers, team leaders in charge of HR, operations, sales, customer service, credit and IT and innovations. Data was analyzed using descriptive statistics such as frequencies and percentages. Correlation and multiple regression analysis was also undertaken because of the number of variables in the study to establish the relationship between various HRM practices and employee performance.

The regression equation was guided by:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 \text{ Where;}$$

Y = Employee performance

X1 = Reward Management

X2 = Performance Appraisal

X3 = Employee Involvement

X4 = Training and Development

β_0 , β_1 , β_2 , β_3 , and β_4 are Coefficients of a Four-variable Regression Equation.

The reliability of an instrument refers to its ability to produce consistent and stable measurements. The study conducted a pilot and the results are presented in Table 1.

Pilot Results

Table 1: Reliability Test Statistics

Variable	Cronbach's Alpha	Number of items
Reward Management Practices	0.873	8
Performance appraisal	0.727	8
Employee involvement practices	0.759	8
Training practices	0.736	8
Employee performance	0.705	5

The findings of the study in Table 1 indicated that reward management practices had a coefficient of 0.873, performance appraisal had a coefficient of 0.727, employee involvement practices had a coefficient of 0.759, training practices had a coefficient of 0.736 and employee performance had a coefficient of 0.705. All variables depicted that the value of Cronbach's Alpha are above value of 0.7 thus The total number of respondents who participated in this study and satisfactorily completed the questionnaire were 176 out of the targeted 235 which translated to 74.90% response rate. According to Cooper and schindler (2006) a response rate between 30 to 80 per cent of the total sample size can be generalized to present the opinion of the entire population. Therefore, a response rate of 74.90% was adequate for this study's purpose.

the study was reliable (Kothari, 2004). This represented high level of reliability and on this basis it was supposed that scales used in this study is reliable to capture the variables.

Reward Management

The respondents were asked to indicate their level of agreement or disagreement on the aspects of reward management in order of strength starting from strongly disagrees to strongly agree. The results are as presented in Table 2.

Response Rate

The study results in Table 2 indicates that majority, 54%, of the respondents agreed that the organization has a reward structure to recognize outstanding performance by individual employees, 55.1% of the respondents indicated that the organization has reward structure to recognize outstanding performance by teams, 55.1% also agreed that the reward package meets their expectations, 66.5% agreed that the pay package at their bank employer competes with other like organizations in the market, 64.20% agreed that the organization provides adequate medical cover for them and their family that motivates them, 70.5% agreed that in their organization, salary increment and promotions are linked to employee performance and lastly 53.4% of the respondents agreed that the organization provide adequate reward and compensation and most employees are happy.

The average mean score of the statements on reward management indicated that the respondents agreed on most of the statements while the standard deviation indicated that the responses did not vary much. The findings further confirm an argument by Cotton et.al. (2015) that pay and reward can be a major lever, not just in recruitment and retention,

but also in improving performance, shaping behaviour and supporting constructive employment relations. Furthermore, the findings support the argument by Armstrong (2014) that reward strategy provides an opportunity to reinforce organizations' values and beliefs in such areas as performance among others.

Table 2: Reward Management

	1	2	3	4	5	Mean	Std Dev
Presence of Reward structure	17.60%	10.80%	17.60%	18.20%	35.80%	3.44	1.50
Recognition of outstanding performance	14.80%	13.10%	17.00%	12.50%	42.60%	3.55	1.50
Competitive pay package	10.80%	9.70%	13.10%	26.70%	39.80%	3.75	1.35
Adequate medical cover	4.00%	9.70%	22.20%	25.00%	39.20%	3.86	1.16
Work life balance	17.00%	10.20%	23.90%	19.90%	29.00%	3.34	1.43
Salary increment and promotions based on performance	2.80%	11.40%	15.30%	39.80%	30.70%	3.84	1.07
Adequate reward and compensation	10.80%	13.10%	22.70%	35.20%	18.20%	3.37	1.23
Average						3.62	1.29

Performance appraisal

The respondents were asked to indicate their level of agreement or disagreement on statements on performance appraisal in order of strength starting from strongly disagrees to strongly agree. The results are as presented in Table 3.

The findings in Table 3 indicated that 71.5% of the respondents believed that the management

distributes timely and relevant information to employees on performance or goal plans, 52.3% agree that employees clearly understand manager's comments and opinion during the feedback, 51.2% of the respondents believe that there are personal development plans in place to support achievement of performance budgets, 56.2% believe that employees performance appraisal reflects objectively their performance those who agreed that

performance appraisal process in their organization is fair and is beneficial to both employees and the organization were 69.9%. The overall mean score indicated that the respondents were agreeing on

most of the statements. Furthermore, the standard deviation indicated that the variation in the responses was minimal.

Table 3: Performance appraisal

	1	2	3	4	5	Mean	Std Dev
Timely and relevant information on performance	2.30%	13.10%	13.10%	42.00%	29.50%	3.84	1.06
Regular job performance discussions	24.40%	21.00%	17.00%	19.30%	18.20%	2.86	1.45
Provision of Feed back	15.90%	18.20%	13.60%	19.30%	33.00%	3.35	1.49
Presence of personal development plans	15.30%	19.30%	14.20%	27.30%	23.90%	3.25	1.41
Performance appraisal based on real performance	11.40%	9.10%	23.30%	22.70%	33.50%	3.58	1.34
Active performance appraisal policy	2.30%	13.10%	13.10%	42.00%	29.50%	3.84	1.06
Positive influence of Performance appraisal on individual performance	1.70%	16.50%	15.90%	40.30%	25.60%	3.72	1.07
Fair Performance appraisal process	7.40%	7.40%	15.30%	30.10%	39.80%	3.88	1.23
Average						3.54	1.26

The findings of the study confirm the argument by Dyer et al. (1995) that performance is useful in order to improve the individual's performance on the job and offer useful data for human resource planning.

The findings further supported an argument by Hyde (2005) which states that workers are motivated when they discover that they are treated fairly and that there is transparency in their evaluations

Employee involvement

The respondents were asked to indicate their level of agreement or disagreement on statements on

employee involvement in order of strength starting from strongly disagrees to strongly agree. The results are as presented in Table 4.

Table 4: Employee Involvement

	1	2	3	4	5	Mean	Std Dev
Participate in definition of work objectives and goals.	2.30%	13.10%	13.10%	42.00%	29.50%	3.84	1.06
Employees are encouraged to give feedback across the board	17.00%	8.50%	14.20%	23.30%	36.90%	3.55	1.48
Regular staff meetings to discuss work and people issues	1.70%	12.50%	14.20%	40.30%	31.20%	3.87	1.05
Support of individuals by organizations	9.70%	9.10%	13.10%	26.10%	42.00%	3.82	1.33
There are attitude/ opinion surveys carried out regularly	2.30%	13.10%	13.10%	42.00%	29.50%	3.84	1.06
Involvement in organization processes.	17.00%	8.50%	14.20%	25.00%	35.20%	3.53	1.47
The management fully explains the work assignments to employees	2.30%	12.50%	14.20%	50.60%	20.50%	3.74	1.00
Involved in decision making	6.20%	5.10%	5.70%	35.80%	47.20%	4.13	1.13
Average						3.79	1.20

The results in Table 4 indicate that 71.5% of the respondents agreed that employees participate in defining work objectives and goals, 60.2% agreed that employees are encouraged to give feedback

across the board while those who agreed that there are regular staff meetings held to discuss work and people issues were 71.5%. The findings also indicated that 60.2% of the respondents agreed that

employees feel involved in organization processes while 83.0% indicated that the opportunity to be involved in organization decision making inspires them to give their best. The overall mean score indicated that respondents agreed with most of the statements and the standard deviation further revealed that there was a minimum variation in the responses.

The findings of the study agree with Sofijanov et al. (2013) and Tabiu et al. (2013) that employee involvement and participation targets the empowerment of employees in order to use their input towards achieving higher individual and

organizational performance. The findings also agree with Harrison et al. (1999) who argued that organization features like involvement of employees in decision making has a bearing on loyalty and engagement thus directly impacting performance.

Training and development

The respondents were asked to indicate their level of agreement or disagreement on statements on training and development in order of strength starting from strongly disagrees to strongly agree. The results are as presented in Table 5.

Table 5: Training and development

	1	2	3	4	5	Mean	Std Dev
Frequent carrying of training needs	10.20%	10.80%	17.60%	23.30%	38.10%	3.68	1.35
Identification of training needs with full participation of employees	16.50%	8.00%	11.90%	20.50%	43.20%	3.66	1.50
There is induction and orientation of new employee	15.30%	14.80%	13.60%	27.30%	29.00%	3.40	1.43
Employees do value training they receive in this organization	11.40%	10.80%	17.60%	19.30%	40.90%	3.68	1.39
There is fairness in addressing staff training and development needs	12.50%	12.50%	19.90%	15.30%	39.80%	3.57	1.43
The quality of training provided in this organization is geared to meet customer needs	1.70%	16.50%	15.90%	40.30%	25.60%	3.72	1.07
Evaluation of Training effectiveness and impact is extensively done before during and after training	14.80%	15.90%	14.20%	28.40%	26.70%	3.36	1.41
There is enabling environment to for transfer of learning to succeed	13.10%	10.80%	17.60%	17.60%	40.90%	3.63	1.44
Average						3.59	1.38

The results presented in Table 5 indicated that majority of the respondents, 61.4%, indicated that

training needs analysis is usually carried out before any training activity in this organization, 63.7%

agreed that in their organization, training needs are identified with full participation of employees while those who agreed that there is induction and orientation of new employee (staff socialization) in their organizations were 56.3%. The results further indicates that 60.2% of the respondents agree that employees do value training they receive in their organization, 55.1% agreed that there is fairness in addressing staff training and development needs and those who agreed that there is enabling environment for transfer of learning to succeed were 58.5%. The overall mean score of the responses indicated that the respondents were agreeing on most of the statements relating to training and development. The standard deviation also indicated that the variation in the responses was minimal.

The findings of the study confirms Blanchard et al. (2007) argument that employee's performance is a function of Training, Motivation and Job fit, training provides necessary knowledge, skills and abilities to perform a job properly. Furthermore, the findings are in agreement with Kagucia (2012) who argued that training needs analysis is the core to employee performance improvement and the development of skills and competencies necessary to achieve organizations goals. The findings also support Wanyama et al. (2010) who argued that employees who receive training in line with their individual or organizational goals will become more efficient in what they do. The findings further supported Kaveri et al. (2013) conclusion that the right employee training and education provide big pay offs for the employer in increased productivity, knowledge, loyalty and contribution to general growth of the firm.

Table 6: Employee Performance

Employee performance

The respondents were asked to indicate their level of agreement or disagreement on aspects of employee performance in order of strength starting from strongly disagrees to strongly agree. The results are as presented in Table 6.

The results in Table 6 on employee performance indicated that majority of the respondents, 70.5%, agreed that the efficiency of employees has increased as they complete their assignments on time, 55.1 % agreed that the number of assignments completed by the employees has increased, 71.5% indicated that the customer feedback reports indicates positive results about the employee's services while 65.90% agreed that the productivity of the employees in terms of doing quality work has improved. Those who agreed that the employee's attitude towards work has improved were 69.9%. The overall mean score indicated that respondents were agreeing on most of the statements on employee performance and the standard deviation indicated minimum variations in the responses.

The findings of the study confirms Mathis et al. (2009) assertion that employee performance is associated with quantity of output, quality of output, timeliness of output, presence or attendance on the job, efficiency of work completed and effectiveness of work completed against preset known standards of accuracy, completeness, cost and speed. The findings also supported Nishii (2008) observation that it is employees' attitude that translates HRM practices into explicit performance alongside. Furthermore, this study was in line with Al-Qudah et al. (2014) assertion that performance can be gauged from several indicators both financial and non-financial.

	1	2	3	4	5	Mean	Std Dev
Improvement in employee efficiency	2.80%	8.00%	18.80%	32.40%	38.10%	3.95	1.07
Increased number of assignments completed on time	14.80%	13.10%	17.00%	12.50%	42.60%	3.55	1.50
The customer feedback reports indicates positive results about the employee's services	2.30%	13.10%	13.10%	42.00%	29.50%	3.84	1.06
The productivity of the employees in terms of doing quality work has improved	1.70%	16.50%	15.90%	40.30%	25.60%	3.72	1.07
The employees attitude towards work has improved	7.40%	7.40%	15.30%	30.10%	39.80%	3.88	1.23
Average						3.79	1.19

Correlation Analysis

The study sought to establish the association between the study variables. The results are as presented in Table 6.

The study findings indicated in Table 6 indicated that reward management, employee involvement, performance appraisal, training and development and employee performance were positively associated with employee performance as represented by positive Pearson coefficients of 0.306, 0.407, 0.278 and 0.287 respectively. Furthermore, the results revealed that the association between these predictor variables and employee performance was significant since their respective level of significance was less than 5% level of significance. The strength of the association between the predictor variables and employee

performance was however weak since all the Pearson coefficients were below 0.5. The study findings imply that an increase or improvement in any of the predictor variables is associated with an increase or improvement in employee performance. The study findings support Kirkpatrick (2006) observation that reward is indeed a requirement for getting maximum effort and performance from employees as it holds a central place in any HR strategy. Furthermore, it confirms the findings of a study by Danso (2015) which concluded that a good reward system serves as a basis for employee commitment to give off their best to the company and a reputation as the employer of choice. The findings also agree with Akuoko (2012) as well as Armstrong (2009) assertion that motivation and performance will improve if people have challenging but agreed upon goals and receive feedback.

Table 6: Correlation Analysis

		Reward management	Employee involvement	Performance appraisal	Training and development	Employee performance
Reward management	Pearson Correlation	1	.582**	-.254**	.258**	.306**
	Sig. (2-tailed)		0.000	0.001	0.001	0.000
Employee involvement	Pearson Correlation	.582**	1	0.063	.455**	.407**
	Sig. (2-tailed)	0.000		0.405	0.000	0.000
Performance appraisal	Pearson Correlation	-.254**	0.063	1	-0.047	.278**
	Sig. (2-tailed)	0.001	0.405		0.535	0.000
Training and development	Pearson Correlation	.258**	.455**	-0.047	1	.287**
	Sig. (2-tailed)	0.001	0.000	0.535		0.000
Employee performance	Pearson Correlation	.306**	.407**	.278**	.287**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	

Regression Analysis

The main objective of the study was to examine the effects of HRM practices on employee performance in commercial banks in Nairobi. To establish the relationship between HRM practices, which are the independent variables (Reward management

practices, performance appraisal, training and development and employee involvement) and employee performance, the study used an ordinary least square regression model. The results are as presented. The results in Table 7 represent the model Summary.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.535a	0.286	0.269	0.724

The findings of the study represented in Table 7 revealed that all the four predictor variables (Reward management practices, performance appraisal, training and development and employee involvement) are jointly positively associated with

employee performance as indicated by an R of 0.535. The association of the joint HRM practices and employee performance is strong since 0.535 is greater than 0.5.

Furthermore, the results also indicate that the joint predictors can explain up to only 28.6% of the changes in employee performance and the remaining percentage of 71.4% can be explained by other factors not captured in the current study. This corroborates Purcell (2004) and Boselie et al. (2005) on the existence of the black box phenomenon

Table 8: Model Fitness

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.896	4	8.974	17.136	0.000
	Residual	89.553	171	0.524		
	Total	125.449	175			

The results in Table 8 indicated that the F statistic of 17.136 of the model was significant at 5% level of significance as indicated by a P value of 0.000. This means that the model of the relationship between HRM practices and employee performance fit well.

Table 9: Regression Coefficients

		B	Std. Error	T	Sig.
1	(Constant)	-0.947	0.626	-1.511	0.133
	Reward management	0.353	0.118	2.998	0.003
	Performance appraisal	0.602	0.123	4.89	0.000
	Employee Involvement	0.186	0.102	1.819	0.071
	Training and development	0.166	0.075	2.229	0.027

The results in Table 9 indicate that all other factors being zero, the level of employee performance is -0.947. Furthermore, the results indicate that the relationship between HRM practices and employee performance is positive as indicated by beta coefficients of 0.353, 0.602, 0.186 and 0.166. The relationship between reward management, performance appraisal as well as training and development and employee performance were found to be significant but the relationship between employee involvement and employee performance was not significant. The findings implies that, all

meaning lack of clarity as to what happens in between HRM outcomes that convert inputs of HRM practices into performance outputs.

Furthermore, the study established the goodness of fit of the model. The results for ANOVA are as presented in Table 8.

Lastly, the regression coefficients of the model were established. The significance was tested at 5% level of significance. The results are as presented in Table 9.

other factors held constant, a unit increase or improvement in reward management, performance appraisal and training and development leads to a 0.353, 0.602 and 0.166 unit improvement in employee performance. Furthermore, the results indicated that in order of contributions, performance appraisal contributed more towards employee performance followed by reward management, employee motivation and lastly training and development. The findings agree with Harrison et al (1999) who argued that organization features like involvement of employees in decision making has

bearing on loyalty and engagement thus directly impacting on performance. The findings support Armstrong (2014) argument that reward strategy

CONCLUSIONS

Based on the study findings, conclusions were made in line with the objectives of the study.

Effect of reward management practices on the performance of employees

Based on the study findings, the study concluded that reward management was positively and significantly associated with employee performance. The study also concluded that reward management is positively and significantly related to employee performance. Furthermore, the study concluded that reward management is the second most critical practice of HRM when explaining changes in employee performance.

Effect of performance appraisal practices on the performance of employees

The findings on performance appraisal led to the conclusion that performance appraisal was positively and significantly associated with employee performance. Furthermore, performance appraisal is positively and significantly related to employee performance. Furthermore, the study also concluded that concluded that performance appraisal is the most critical practice of HRM when explaining changes in employee performance.

Effect of employee involvement practices on the performance of employees

The study findings led to the conclusion that employee involvement was positively and significantly associated with employee performance. Furthermore, the study concluded that employee involvement is positively and but insignificantly related to employee performance. The explanation of changes on employee performance should not

provides an opportunity to reinforce organizations' values and beliefs in such areas as performance among others.

hinge so much on employee involvement since the relationship between the two is not significant.

Effect of training and development practices on the performance of employees

Lastly, the study concluded that training and development is positively and significantly associated with employee performance. The study also concluded that training and development is positively and significantly related to employee performance. Furthermore, the study concluded that training and development is the least most critical practice of HRM when explaining changes in employee performance.

Recommendations

Based on the study conclusions, the study recommended that in order to realize an improvement in employee performance, commercial banks as well as other companies, should aim to improve reward structure of their employees by developing a reward structure which recognizes outstanding performance by individual employees as well as teams, coming up with a pay package that competes with other like organizations in the market as well as developing salary increment and promotions schemes which are linked to employee performance . The study also recommended that commercial banks and other companies aiming to realize an improved employee performance of their employees should come up with a better performance appraisal scheme which distributes timely and relevant information to employees on performance or goal plans, reflects objectively employees performance and which is fair and beneficial to both employees and the organization .Lastly the study recommended that

those commercial banks and other companies which are seeking to achieve an improved employee performance should also consider coming up with policies and strategies of training and development which aim to identify training needs with full

participation of employees, which have fairness in addressing staff training and development needs as well as those policies which create an enabling environment for transfer of learning to succeed.

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