HIGH-PERFORMANCE WORK PRACTICES AND ORGANIZATIONAL PERFORMANCE:
EVIDENCE FROM KENYAN ORGANIZATIONS

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Abstract
The purpose of the study was to investigate the effect of high performance work practices on organizational performance. A total of 291 questionnaires were sent to managers and employees of three organizations in Kenya and results show that some of the human resource practices are associated with high performing work practices. Organizations in Kenya are undergoing fundamental changes and customers are demanding quality products and services, speed and reliability of service, price competitiveness and innovation. If Kenyan organizations are to survive, remain competitive and increase performance the issue of employee participation, selective hiring and job security have to be addressed. Recognizing, utilizing and developing their human resources may be the most significant challenges that management faces, and it is posited that those organizations that excel at this will be the industry leaders.

Key words: Organizational Performance, High Performance Work Practices; Employee Participation; Selective Hiring; Job Security
Introduction

Human resources can be an organization’s largest and most difficult-to-control expense, but it can also be central ingredients affecting organizational performance (Pfeffer, 2000). Thus, a key task for researchers has been to understand how human resources can be managed to maximize productivity and enhance creativity while controlling costs. Rising to this challenge is a body of research labeled strategic human resource management (SHRM), which is devoted to understanding how human resource management practices affect organization-wide outcomes (Ferris, Hochwarter, Buckley, Harrell-Cook, & Frink, 2011). High performance work practices are simply work practices that can be deliberately introduced in an organization through employees in order to improve organizational performance (Ashton & Sung, 2002).

Those organizations that adopt high performance work practices (HPWPs) are referred to as high performance work organizations (HPWOs). The adoption of high – performance work practices (HPWPs) has been associated with higher productivity and enhanced performance at the firm level (Huselid 2010, Ichniowski, Shaw & Prennushi 2010). In high performance work systems, workers become more skilled and better prepared to perform their duties. This improves labour productivity. Moreover, HPWPs are conceived as employee – centered work practices, which lead to increased workers motivation and satisfaction and greater loyalty to the employer reducing shirking and turnover. In addition employees are given a voice in decision making and empowered to act. For these reasons, HPWPs are expected to increase workers effective discretionary effort, leading to improved firm performance in terms of product quality and higher profits as well as to a more satisfied workforce (Delaney & Huselid 2010). Firms adopt high – involvement work practices (HIWPs) as part of an organizational change process, such as the implementation of quality management initiatives (Delaney & Huselid 2010).

The adoption of high performance work practices have been associated with higher productivity and enhanced performance at the firm level (Shaw and Prennushi, 2006). Kenyan State Corporation are performing well due to many factors including HPWPs, but the magnitude of influence of these HPWPs is not known, thus the need for this study. Although high performance work practices (HPWPs) are an important dimension in contemporary research on workplaces, a majority of research
has been confined in the Western manufacturing context (Vathsala et al, 2011). Performance work system literature is mainly concerned with studying western firms that decide to revitalize their historical HR system by examining why the change and what HR policies and practices underpin the change (Mackay, & Boxall, 2007). The picture is however unclear in African developing economies. Hence the need to explore the role of high performance works practices and quality management initiatives in different industrial sectors in Kenya. Valerie Barrad Didier and Sylvie Guereu, (2002) in their study of high involvement practices on French companies: concluded that when HR practices are combined in bundles they have a greater impact on performance than when studied individual, Hence the need to verify whether the same applies to the Kenyan context.

**Literature review**

The concept of HPWS was invented by Huselid, (2006 ), referred to as a set of human resource practices that are seen as a potential source of competitive advantage for organizations (Appelbaum, 2000; Pfeffer, 2006; Wright et al., 2005; Zacharatos et al., 2005). HPWPs can be explained by Human capital theory which argues that workers with higher skill levels receive higher compensation because they are more productive. Employee involvement may require workers with more general skills to perform more complex tasks, which might result in more rigorous selection and hiring criteria and increase the demand for and wages of more educated workers. New practices may also require more firm-specific skills, which would increase employer-providing training and wages as well (Handel & Levine, 2007). Human capital theory suggests that education or training raises the productivity of workers by imparting useful knowledge and skills, hence raising workers’ future income by increasing their lifetime earnings (Becker, 2010). Becker (2010) and Mincer (2005) provide an explanation that links investment in training with workers’ wages. In particular, their theory draws a crucial distinction between general education and firm-specific training.

Human capital is the main focus of an HPWS environment where employees have greater involvement, responsibility, autonomy and decision making powers, leading to improved efficiency and effectiveness. It has emerged as a core construct encompassing the extent to which firms invest in the attraction, selection, management, and retention of the best possible human capital (Lepak et al., 2006), with HPWS indicative of the value firms place on their human capital as a source of competitive advantage. An effective HPWS requires three core components: opportunity for substantive participation in decisions; appropriate
incentives and training; and selection policies that guarantee an appropriately skilled workforce.

The most important components of employee opportunity to participate are autonomy in decision making, self-directed team membership, off-line team participation, and communication. To be effective in improving firm performance, employees must have the responsibility, authority and opportunity to solve problems and make decisions. They should also have greater autonomy to control and communicate with workers outside their work groups and with managers other than their own team members. Employee efforts are effective when they have the appropriate skills (formal or informal training, education, firm-specific and technical knowledge and seniority) and knowledge across a broad front, including basic skills, technical and occupationally specific skills, leadership and social skills. The effective deployment of HPWS requires firms and workers to invest in firm specific worker skills. Employees need to have a deep understanding of their own organization and customer needs. They are expected to be knowledgeable about the firm’s products and markets. “Employees become truly empowered by understanding what the organization wishes to accomplish and how they can contribute” (Kaplan & Norton, 2006).

Further evidence comes from Delaney and Huselid (2010), whereby it was concluded that, “the widely asserted assumption that people are the pre-eminent organizational resource and the key to achieving outstanding performance was indeed an incredible observation.” Thus the simple premise that HPWS improves organizational performance seems to be true. These brief results alone do not fully explain the degree to which HPWS create increased performance. The identification of HPWS adding value to an organization through increasing performance is meaningless unless one has a grasp of exactly what the literature views as HPWS. According to Pfeffer (2006) high performance work systems embrace employment security and high wages as well as communication and involvement schemes. Furthermore, we would see HPWS incorporating some sort of combination of schemes to promote employee discretion and autonomy such as team work, quality circles or problem solving groups, systems of communication that allow for upward communication of employee suggestions as well as downward communication from management, and serious attention to developing employee skills (Wright et al., 2005).

Kenyan State Corporation are performing well due to many factors including HPWPs, but the
magnitude of influence of these HPWPs is not known, thus the need to investigate the role of high performance work practices on organization performance in the Kenyan state corporations. Although high performance work practices (HPWPs) are an important dimension in contemporary research on workplaces, a majority of research has been confined in the Western manufacturing context (Vathsala et al, 2011). Performance work system literature is mainly concerned with studying western firms that decide to revitalize their historical HR system by examining why the change and what HR policies and practices underpin the change (Boxall and Mackay, 2007). The picture is however unclear in African developing economies. Hence the need to explore the role of high performance works practices and quality management initiatives in different industrial sectors in Kenya. Valerie Barrad Didier and Sylvie Guereu, (2002) in their study of high involvement practices on French companies: concluded that when HR practices are combined in bundles they have a greater impact on performance than when studied individual. Hence the need to verify whether the same applies to the Kenyan context.

Organizational Performance
Organizational performance is the achievement of organizational goals in the pursuit of business strategies that lead to sustainable competitive advantages (Way, 2002). High performance work systems claim to increase organizational performance. It is crucial therefore to analyze whether or not these systems actually achieve the simple purpose they were devised to fulfill. There is a substantial and growing body of research which claims to show that enormous economic returns can be obtained through the implementation of HPWS (Pfeffer & Veiga, 2006). There are many indicators other than pure financial figures that indicate an increase in organizational performance (Huselid, 2010). One such indicator is the actual behaviour of employees, through the way they affect turnover and labour productivity (Huselid, 2010). Eliciting superior employee performance, which in turn increases organizational performance, comes from HPWS in the form of developing individuals to their ‘full’ potential and motivating these individuals to apply their skills and abilities to their work-related activities (Way, 2002). This section will not delve into the issue of workforce turnover but will focus on the contentious issue of productivity. Way (2002) purports that HPWS result in an increase in labour productivity in small US firms.

Selective Hiring
This practice ensures that the right people, with the desirable characteristics and knowledge, are in the right place, so that they fit in the culture and the climate of the organization. Moreover,
pinpointing the rights employees would decrease the cost of employees’ education and development. Schuster (2004) argued that selective hiring is a key practice that creates profits. Huselid (2010) examined HR practices of high performance companies and found that attracting and selecting the right employees increase the employee productivity, boost organizational performance, and contribute in reducing turnover. Paul and Anantharaman (2003) argued that hiring standards reflect not only organizations' skill requirements but also the preferences of various groups for such standards and their ability to enforce these preferences. Huselid (2010) proposed that a possible indirect link between selective hiring and organizational performance can be the forging of internal bonds between managers and employees that creates the right culture for productivity growth. Collins and Clark (2003) argued that the practice of selective hiring results at sales growth. Paul and Anantharaman (2003) pointed out that an effective hiring process ensures the presence of employees with the right qualifications, leading to production of quality products and consequently increase of economic performance. Therefore the following hypothesis is proposed.

\[ H_1: \text{There will be a positive relationship between selective hiring and organizational performance.} \]

**Employee participation**

Participation has been defined as a process which allows employees to exert some influence over their work and the conditions under which they work (Heller, et al. 2007), or alternatively a process in which influence on decision making is shared between hierarchical superiors and their subordinates (Wagner & Gooding 2010). These two definitions encompass a broad range of activities through which employees can affect decision making, from consultative or communication (employee involvement) mechanisms where individual workers’ input is asked for and considered by managers who retain responsibility for the final decision to participation mechanisms involving representative structures where workers are major parties to these decisions (Hyman & Mason, 2000).

It is commonly argued that the renewed interest in employee participation in decision-making apparent in management and industrial relations literature is part of a number of corporate organizational changes being trialed by firms in response to increasing competitive pressures arising in international markets during the 1990s (Markey & Monat, 2002). As firms seek to ‘globalize’ their activities, they encounter competitive and uncertain market conditions. Participation may result in better
decisions. Workers often have information that higher management lacks. Furthermore, participation permits a variety of different views to be aired. People are more likely to implement decisions they have made themselves. They know better what is expected of them, and helping make a decision commits one to it. Participation may lower the disutility of effort, by providing intrinsic motivation. The process of participation may satisfy such no pecuniary needs as creativity, achievement, and the desire for respect. Participation may improve communication and cooperation; workers communicate with each other instead of requiring all communications to flow through management, thus saving management time. Hence, the following hypothesis is proposed.

\[ H_2: \text{Employee participation will have a significant positive relationship on organizational performance.} \]

**Job Security**
Job security creates a climate of confidence among employees which cultivates their commitment on the company’s workforce. Job security requires a certain degree of reciprocity: firstly, a company must signal a clear message that jobs are secure; then, employees believing that this is true, feel confident and commit themselves to expend extra effort for the company’s benefit; finally, a company that have learnt that job security contributes to its performance, invests again in job security (Combs et al., 2006). However, today’s business environments are far from providing job security to their employees. For example, in an analysis of involuntary job loss in France between 1982 and 2002, Givord and Maurin (2004) found evidence that technological changes contribute to keeping the employees for shorter periods of time, thus increasing job insecurity. When companies do provide job security, then empirical evidence suggests that it has a positive effect on to firm performance. Combs et al., (2006) found that among others, job security impacts operational performance indirectly through organizational commitment. In their study of 101 foreign firms operating in Russia, Fey et al., (2000) found evidence that human resource practices indirectly improve organizational performance. The results showed that not only, there was a direct positive relationship between job security and performance for non-managers, but job security was the most important predictor of HR outcomes for non-managerial employees. Hence, the following hypothesis is proposed.

\[ H_3: \text{Job security will have a significant positive relationship on organizational performance.} \]
Methodology

The principle research method employed for collecting the data was the distribution of a self-administered questionnaire. This study adopted descriptive survey design and was cross sectional. The survey method was considered important in gathering information about the characteristics, actions or opinions of a large group of people, assess needs, evaluate demand, and examine effect (Salant & Dillman, 1994). In this study, the target population was 5866 employees obtained from all the 3 organizations listed on Nairobi stock exchange. The sample was obtained using formula proposed by (Mugenda & Mugenda, 1999) as shown below.

\[ n = \frac{z^2 pq}{d^2} = \frac{(1.96)^2 (0.5) (0.5)}{0.05^2} = 384.16 \]

\[ n \text{ adjusted} = \frac{nN}{n + N} = \frac{385 \times 5866}{385 + 5866} = 361 \]

Three organizations, one manufacturing and one electricity producer and another one electricity supplier participated in the study and there were 361 sampled respondents in total from all three companies. The study used simple random and stratified sampling techniques. Simple random sampling was adopted because the population constituted a homogeneous group (Kothari, 2004). The sample selected from Kengen was 126 employees, 122 from Kenya Power and 113 from Mumias Sugar Company. The sample size was based on the proportion of employees from each company. Out of the 361 questionnaire sent to employees, 291 were returned successfully, which translated to 80.6% of total questionnaires received. This response rate is considered high and hence representative according to (Baruch & Holtom, 2008) who indicated that research conducted at the organizational level seeking responses from organizational representatives or top executives can expect a response rate of about 50%. From the study 58.3% of the respondents were male while 41.7% of the respondents were female. 20.8% of the respondents were between 41 - 45 years and 20.1% of the respondents were 30 - 35 years while 50% of the respondents were below 30 years old.

Measures

Selective hiring

A total of 7 items was used to measure selective hiring. An example of the items used was “Intensive selection procedure is used to hire new workers including tests for personality traits in this organization”. The Cronbach’s alpha coefficient for this variable was 0.826. To obtain data on selective hiring, a modified questionnaire by Boxall (2007) and Wright (2003) was adopted.
**Participation**
A total of 8 items were used to measure participation. An example of the items used was “Employees in my organization are rarely involved in the decision-making on things that matter in their organization”. The Cronbach’s alpha coefficient for this variable was 0.748. An updated instrument by Guest (2007) was adopted to obtain data on employee participation and involvement.

**Job security**
Job security had 8 items that were used to measure selective hiring. An example of the items used was “Staff discipline in my organization is managed in a transparent and fair manner”. The Cronbach’s alpha coefficient for this variable was 0.721. An updated instrument by Ichviowski (2010) and Guest (2007) was adopted to obtain data on job security.

**Organizational Performance**
The reliability test of items on organizational performance achieved a Cronbach Alpha of 0.9255 indicating a strong internal consistence, thus verifying reliability of scale. To generate data on organizational performance, a modified and improved version of questionnaire by Woods (2006), Huselid (2010) and Boxall (2007) was used.

**Results**
Pearson correlation test was conducted to verify existence of relationship between high performance work practices, (selective hiring, participation and involvement, job security) and organization performance. Mean, frequency, standard deviation and Correlations for all variables appear in Table 1.

**Table 1: Mean, Frequency, Standard Deviation and Correlations of High Performance Work Practices and Organizational Performance**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std.</th>
<th>N</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Selective Hiring</td>
<td>3.321</td>
<td>0.809</td>
<td>291</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Employee Participation</td>
<td>3.370</td>
<td>0.702</td>
<td>285</td>
<td>0.626**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Job Security</td>
<td>3.245</td>
<td>0.504</td>
<td>288</td>
<td>0.376**</td>
<td>0.363''</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4. Organizational Performance</td>
<td>3.337</td>
<td>0.732</td>
<td>286</td>
<td>0.551**</td>
<td>0.448**</td>
<td>0.500''</td>
<td>1</td>
</tr>
</tbody>
</table>

**Correlation is significant at p < 0.001**

The findings revealed that selective hiring was positively and significantly correlated with organizational performance at \( r = 0.551^{**}, p < 0.001 \). This means that increase in selective hiring resulted into an increase in organizational performance. Hence, the result partially supports \( H_1 \). Employee participation was significantly correlated with organizational performance at \( r = 0.448^{**}, p < 0.001 \), meaning that organizations that encourage employee participation will benefit from increased organizational performance. Therefore, the result partially supports \( H_2 \). Job security was significantly correlated with
organizational performance at \( r = 0.500^{**}, p < 0.001 \). Organizations that have well developed mechanisms will ensure that employee’s jobs are guaranteed, today and in future will benefit from increased organizational performance because employees will have confidence that there work is secured and therefore boosting their performance. Therefore, the result partially supports \( H_3 \).

Test to determine the amount of variation on organizational performance explained by HPWP (selective hiring, participation and job security) were carried out. Results in table II, presents the hierarchical regression result of HPWP on organizational performance. The results of regression analysis revealed that there is a significant positive relationship \( (\beta = 0.361, p < 0.001) \) between selective hiring and organizational performance. From the findings \( H_1 \) was supported.

**Table II: Summary of Hierarchical Regressions**

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Std. Error</th>
<th>( \beta )</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selective hiring</td>
<td>.326</td>
<td>.054</td>
<td>.361</td>
<td>5.975</td>
</tr>
<tr>
<td>Employee Participation</td>
<td>.113</td>
<td>.063</td>
<td>.107</td>
<td>1.797</td>
</tr>
<tr>
<td>Job Security</td>
<td>.481</td>
<td>.074</td>
<td>.327</td>
<td>6.497</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.411</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. ( R^2 )</td>
<td>0.405</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( \Delta R^2 )</td>
<td>0.411</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F change</td>
<td>65.000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Correlation is significant at \( p < 0.001 \)**

Furthermore, the result revealed that there was a relationship \( (\beta = 0.107, p < 0.05) \) between employees participation and organizational performance and therefore \( H_2 \) was supported. On job security, the result revealed that there was a significant positive relationship \( (\beta = 0.327, p < 0.001) \) between job security and organizational performance. From the findings \( H_3 \) was supported.

**Discussion of findings**

High performance work practices, that is, selective hiring, employee participation and job security influence organizational performance. The results of this study have shown that HPWPs improve organizational performance by giving the employees the knowledge, skills and abilities needed to perform job tasks and both the motivation and opportunity to do so (Bae et al., 2011). Secondly, HPWPs improve the social structure within organizations, which facilitates communication and cooperation among employees (Connolly & McGing, 2010). Jointly, these processes increase job satisfaction and help employees work more productively and make better decisions. This in turn reduce employee turnover and improve organizational performance vis-a-vis competitors. This is therefore considered as significant for CEOs of various organizations to incorporate the HPWPs in their firms; because the results of the study
have demonstrated that high performance work practices are crucial for the success of every organization that is geared towards the competitive market of its products.

The underlying assumption of HPWPs is that firm performance is influenced by a set of HPWPs practices, and for firm to compete favorably they must aspire to attain high profits which will boost organizational performance. From the findings of this study there is enough background information to recommend that all state corporations should inject these practices in their organization as a matter of policy if they want to remain relevant and compete favorably in today’s competitive environment.

Conclusions
Based on the results of this study, the adoption of high performance work practices by State Corporation in Kenya can be concluded that these practices influence organizational performance. Selective hiring, employee participation and involvement and job security had a positive impact on firm performance. The findings of this study provide empirical evidence that high performance work practices influence organizational performance. The HPWPs adopted for this study were selective hiring, employee participation and job security. But a growing body of literature argues that if such practices are implemented collectively; contribute to improved business unit performance (Huselid, 2010). Indeed, the consensus is that it is systems of HIWP rather than the isolate implementation of individual practices that contributes to sustained competitive advantage. Since HPWPs are diverse and that successful firms install all the practices to achieve better results in terms of performance. A study should be carried out to explore other HPWPs which will provide a field for researchers to make comparison and determine if they will result to different effects on organizational performance. Future studies could also investigate the impact of single HPWP on organizational performance to compare the magnitude of its influence to that of HPWPs in bundles. Further research is therefore, recommended on the influence of other unexplored factors to further clarify the determinants of firm performance that have not been addressed in this study. Future research could also clarify the causal relationship between HR practices and firm performance.

It could, therefore be concluded that in high performance work systems, workers become more skilled and better prepared to perform their duties. This improved labor productivity. Moreover, HPWPs are conceived as employee-centered work practices, which lead to increased workers motivation and satisfaction.
In addition, employees are given a voice in decision making and empowered to act. It is for these reasons, that HPWPS are seen to increase workers effective discretionary effort, leading to improved firm performance in terms of product quality and higher profits as well as to a more satisfied workforce (Gittleman et al 2010).

As a result, organizations in Kenya are constantly searching for new sources of competitive advantage, one of the most important being the adoption of HPWPs that has potential to enhance organizational performance.
Reference


