



EMPLOYEE PERCEPTIONS ON HUMAN RESOURCE PRACTICES AND EMPLOYEE JOB PERFORMANCE AMONG MICRO AND SMALL ENTERPRISES IN THE MANUFACTURING SECTOR IN KENYA

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Abstract

Human resource management (HRM) practices play an important role in improving productivity and survival of the organization. With rising competition among firms globally, firms have turned to HRM to enhance their competitive advantage. This study sought to examine Employee perceptions on HRM practices and employee job performance among Micro and Small Enterprises in the Manufacturing Sector in Kenya. The specific objectives were: To establish the relationship between staffing practices, training, pay and reward, the work environment and employee job performance. Theoretical review examined relevant theories: Social Exchange, Motivation Hygiene, Experiential Learning and Cognitive Evaluation. The study adopted a descriptive research design. The population was 210 MSMEs listed at KEBS. A sample of 55 was drawn through systematic random sampling. A semi-structured questionnaire was used to collect data. The questionnaires were distributed and administered through the use of trained research assistants. Data analysis was done using SPSS with the main statistical tools being percentages, correlation and regression analysis. Results were presented using tables and charts. The study found that the staffing function of SMEs was largely underdeveloped and that it has a statistically significant relationship with employee job performance. Training was found to have a positive and statistically significant relationship with employee performance. Most employees found pay and reward to be average with a positive and significant relationship with employee performance. Working conditions were found to be above average with no statistically significant relationship with employee performance among manufacturing SMEs in Kenya.

Keywords: *Employee Perception, Human Resource Practices, Job Performance*

Background of the study

Human Resource Management (HRM) practices play an important role in improving productivity, performance and survival of the organization. By adopting the practices of human resources, it will enable the organization to attract, retain and motivate employees to support the mission, objective and organizational strategy towards an enhancement of organizational performance. However, most studies on human resource practices are discussed in the large organizations and are less completely covered in small organizations (Zakaria and Nasurdin, 2012). A review of human resource management-related literature for the past twenty years repeatedly indicates that some scholars realize the importance of the role of HRM practices in MSMEs (Deshpande and Golbar, 1994; Heneman, 2000; Hornsby and Kuratko, 1990), yet it was not until recently that researchers started paying serious attention to the area.

Research findings have demonstrated that managers of small firms have ranked personnel management as the second most important management activity behind general management activities (Hornsby and Kuratko, 1990). From information presented in the literature, the extent of the utilization of traditional human resource management functions, outsourcing trends, the level of support systems, the education, experience and expertise of the employee(s) responsible for human resource actions and human resource education requirements in MSMEs is substantially lacking.

HRM in micro enterprises may be primarily composed of the social skills or leadership styles

demonstrated by the entrepreneur or manager instead of various HRM practices utilized by the HRM department or HRM personnel. The deficiency of information concerning human resource management in SMEs is problematic for theory, research and practice (Heneman et al., 2000). Empirical data has generally demonstrated that smaller organizations do not have formal HRM departments nor adopt traditional HRM paradigms or practices (De Kok and Uhlander, 2001; De Kok et al., 2003; Heneman and Berkley, 1999; Katz et al., 2000; Hornsby and Kuratko, 1990).

Research to date has concentrated on SME determinants of HRM practices, such as: firm size (De Kok and Uhlander, 2001; De Kok et al., 2003), sector of the economy the firm competes (Ram, 1999), business strategy employed (Youndt et al., 1996), family firm governance (Aldrich and Langton, 1997; De Kok et al., 2003), high performance HRM practices (Barron et al., 1987; Boselie, 2002; De Kok, 2003; Hornsby and Kuratko, 1990; McEvoy, 1984), recruitment (Aldrich and Langton, 1997), training and development (Koch and McGrath, 1996), performance appraisals (Jackson et al., 1989), specialists employed (Bacon et al., 1996; Jackson, et al., 1989; Heneman and Berkley, 1999; Wagner, 1997) and the development of a business plan (De Kok et al., 2003).

The implications caused by the lack of interest are many, both for MSME's and for the HR-domain. As Larsen (2000) emphasizes in his study on Danish companies: "We still lack the conceptual framework and methods applicable for the majority type of companies – small and medium-sized companies. Hierarchical thinking and stability that is rarely found in smaller organizations characterizes large companies. Not only have we neglected to deal with the

segment that represents the majority of Danish companies, but in parallel we experience that the so-called large companies are increasingly assuming the characteristics of small companies. This fact should be sufficient reason for us to engage in research and development that hopefully will make us understand small and medium-sized companies and large companies that carry the characteristics of small companies". This trend is similarly applicable to developing economies like Kenya which is the focus of this study.

Small and Medium-sized Enterprises (SME) are recognized as a significant part of both developed and developing economies. Numbers signify their importance as SMEs usually represent more than 99 percent of all enterprises in almost every country. For developing economies, SMEs are especially important and play a critical role in poverty reduction through employment generation. In the past, HRM scholars have focused mainly on large firms. Most studies researching HR formality conclude that in SME's, HRM function, in general is informal, intuitive and ad hoc. Many implicitly suggest that this is a bad thing, or at least 'sub-optimal', though some explicitly state informality is precisely what is needed for these companies.

Research shows that as firms grow and get bigger in size (number of employees), there is more formalization. This can be easily understood. As numbers increase, direct communication and direct supervision become inadequate tools to coordinate activities. This holds for HR as well as in most small SMEs the owner/manager takes care of all HR related activities and it obviously becomes difficult for one to manage employees when firm size

increases. Consequently, the owner/manager starts thinking to delegate HR responsibilities to others, inevitably leading to more formalization.

In fact, owners/managers themselves believe that it is important to achieve a certain level of HR formalization (De Kok & Uhlaner, 2001; Kotey & Slade, 2005; Nguyen & Bryant, 2004; Wagar, 1998) due to size, requirements from institutions like the government or banks and to deal adequately with stiff competition. Furthermore, many scholars seem to advocate that a certain level of HR formality is also indispensable for attracting better employees and customers for firm growth and profitability in the long run. From all these arguments it seems HR formality is crucial for SMEs, but remarkably so far hardly any study is able to demonstrate this formal HR across SMEs in reality. Looking at the importance of this, it is important to explore this issue further.

Human Resource Practices

Human resource management (HRM) has evolved substantially over the past century in its theory, research and practices. Mainly in the last two decades, it has gone through a major process of transformation in terms of form and function. The increasing pressure from internal and external environmental factors have significantly pushed HRM to evolve from their traditional role of administrative tasks to the more significant role of being a source of sustained competitive advantage to the organization (Ferris et al, 1999)

As defined by Noe et al (2010), human resource management is a philosophy, policy, system and practices that can affect the behavior, attitudes and performance of employees. Activities of HRM include HR planning, staffing, training and

development, performance management, compensation management, safety and health and employee relations. In an early stage, the management of organization has ignored the function of HRM practices as a main driver of organizational success. Only lately, the potential role of HRM in enhancing organization performance has been realized. HRM practices can improve the performance of organizations by contributing to employee and customer satisfaction, innovation, productivity, and development of good reputation among firm's community (Delaney & Huselid, 1996; Noe et al., 2010). Past studies (Delery et al., 1996) have utilized several approaches in studying HRM practices in relation to organizational performance. These are universalistic, contingency or configurational approaches. The universal, or "best practices" perspective is the simplest form of a theoretical model in HRM literature, and researchers in the field are micro analytical in nature.

This perspective involves a direct relationship between HRM practices and performance (Youndt et al., 1996) whereby some HRM practices are hypothesized as constantly superior to others and these best practices should be adopted by all organizations (Delery & Doty, 1996). The contingency perspective, on the other hand, posits that the impact of HRM practices on firm performance is conditioned by an organization's strategic posture. Researchers in the contingency approach (Youndt et al., 1996 and Delery et al., 1996) dispute that HRM practices that are applied by any organization must be coherent with other aspects of the organization so as to be effective.

The researchers have tried to explain the interaction between various HRM practices and

specific organization strategies as they relate to organizational performance. In contrast to "best practice" and contingency approach, the configurational perspective is interested on how the pattern of multiple HRM practices is related to organizational performance. Wright & McMahan (1992) argued that there is the pattern of intended human resource deployments and activities that can facilitate an organization in achieving their goals. In order to be effective, an organization must build up its HRM system that reaches both horizontal and vertical fit. Horizontal fit refers to the internal consistency of the organization's HRM practices, and vertical fit refers to the congruence of the HRM system with other organizational characteristics such as a firm strategy.

HRM Practices and Employee job performance

Entrepreneurs have always been dependent on human capital when compared to financial or physical capital (De Kok, 2003). Micro, small, and medium sized enterprise (MSME) success will depend on recruiting and retaining human capital. Human capital has become the new buzzword for companies in today's knowledge-based economies. Labor shortages for qualified employees and the need for highly skilled employees to fuel this knowledge-based economy has become apparent. MSMEs form an important component of our modern knowledge-based economies.

However, MSMEs are very divergent from large enterprises owing to their unique characteristics (De Kok, 2003). Past research on HRM and performance indicates that HRM practices can impact performance which further strengthens the need for studies focusing on HRM (Boselie et al., 2001; Boselie, 2002). Due

to the importance of MSMEs to the economies of the world, it is somewhat discouraging and problematic to discover the death of SME research concerning HRM practices in SMEs (Heneman, 2000). Therefore, what HRM advice can be offered to MSMEs, not as much as we'd like" (Katz et al., 2000).

There is no universal definition of performance (Andersen, 2010) and no agreement on the suitable indicators of small firm performance (Wiklund, 1999). Performance, from process perspective, involves the process of transformation of inputs to outputs in order to accomplish specific results, whereas, from an economic perspective, performance is focused on efficiency and effectiveness of the organization in managing the cost and outcome (Chien, 2004; Jarad, Yusof, & Shafiei, 2010). Daft (2000) in his book defined that organizational performance is the organization's ability to attain its goals by using resources in an efficient and effective manner" (cited in Jarad et al., 2010).

In other words, organizational performance is concerned with the effectiveness, productivity, efficiency or excellence factors of an organization, whereby the factors are measured against the intended output (performance). Employee job performance in a similar manner refers to the effectiveness, productivity and efficiency with which employees utilize their time and organizational resources to achieve organizational goals. Given the importance of HRM practices in influencing organizational performance, there has been increasing attention among both practitioners and researchers (Panayotopoulou, Bourantas, & Papalexandris, 2003; Pfeffer, 1998; Youndt et al., 1996; Zheng, O'Neill, & Morrison, 2009).

Prior researches proposed that HRM plays a proactive role instead of a reactive one in an organization (Schuler & MacMillan, 1984) and it is deemed to be a strategic partner in strategic formulation and implementation (Ulrich, 1987). Huselid (1995) added that the application of good HRM practices in the organization can develop the knowledge, skills and abilities of present and prospective employees, strengthen their motivation, decrease avoidance and retain excellence employees while pushing non-performers to quit which in turn leads to improved employees and organizational performance. According to Delaney and Huselid (1995), the impact of HRM practices on organization performance depends on how HRM practices affect employees' skills and abilities, motivation and organizational structure. The impact of HRM practices on employees' skills and abilities are portrayed in recruitment, selection and training. Organizations can hire employees through sophisticated selection procedures that are designed to choose the best potential employees. After selection, employees can be provided with comprehensive training and development programs in order to advance their knowledge, skills and ability in performing the work.

Secondly, the effectiveness of skilled employees will be restricted, if not motivated to do the work. Therefore, to motivate employees, employers can encourage the employees to work efficiently through performance appraisals based on individual and group performance, relating these appraisals to reward systems, the use of internal promotion systems based on employee merit and other types of incentives that support the interest of employees with those of shareholders.

Finally, the contribution of skilled and motivated employees is influenced by the way in which a workplace is structured. If jobs are structured, it will limit the way employees perform the work. Hence, HRM practices can affect organizational performance, in addition to organizational structure condition that supports employees' participation and encourages them to improve the way they perform the work. Among relevant practices in achieving organizational performance include employees' participation, internal promotion systems, team-based production systems and job security.

Micro, Small and Medium Size Enterprises

Micro, Small and medium-sized enterprises (MSMEs) have been identified as one of the growth engines for various countries in the world, since SMEs make up over 90 per cent of all enterprises. For instance, United States, 99.7 per cent (Heneman, Tansky, & Camp, 2000), China, 99 per cent (Cunningham & Rowley, 2008), Europe, 99 per cent (Rauch & Frese, 2000), Holland, 95 per cent, Philippines, 95 per cent and Taiwan, 96.5 per cent (Lin, 1998) as well as Malaysia, 99.2 per cent (Man & Wafa, 2007; National SME Development Council (NSDC), 2009; Saleh & Ndubisi, 2006).

The figures above show that countries all over the world recognized SMEs as a key business sector. Besides, Asia-Pacific Economic Cooperation (APEC) (2002) pointed out that MSMEs are deemed as supporters to larger enterprises as well as an important foundation in expanding business activities and sustaining economic growth. MSMEs even provide more jobs than large companies (APEC, 2002; Department of Statistics, Malaysia (DOS) 2007;

NSDC, 2009). In summation, SMEs play a vital role in contributing to the economy and are likely to be increasingly important as the economy becomes more global.

MSMEs play an important role in the Kenyan Economy today. According to the Economic Survey (2006), the sector contributed over 50 percent of new jobs created in the year 2005. Despite this significance, past statistics indicate that three out of five businesses fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). Starting and operating a small business includes a possibility of success as well as failure. Because of the small size, a simple management mistake is likely to lead to sure collapse of a small enterprise hence no opportunity to learn from its past mistakes.

Lack of planning and poor management has been posited as the main causes of failure of small enterprises (Longenecker, et al., 2006). It is generally recognized that SMEs (Small and Medium Enterprises) face unique challenges, which affect their growth and profitability and hence, diminish their ability to contribute effectively to sustainable development. Nowadays, changes in the atmosphere of global business and the continuing liberalization pressures occurring from economic and financial crisis provide new challenges as well as opportunities for MSMEs. Hence, to ensure the sustainability of a country's economic growth, there is a need for SMEs to know thoroughly the factors that may influence their performance.

Since the competitors are easily able to imitate the advantage of physical and financial resources, practitioners and researchers have

shifted to the uniqueness of human resources as factors that could lead to sustainable competitive advantage of the firm (Barney, 1991; Barney, Wright, & David J. Ketchen, 2001). This is supported by Pfeffer (1998) that human resource is a vital factor that could affect the performance of an organization. Therefore, it is important to understand how to manage human resources so as to maximize productivity and enhance creativity as well as control the costs (Combs, Liu, Hall, & Ketchen, 2006; Dart, Ng, & Sarkar, 1990).

Besides, HRM might be valuable foundations for SMEs to study, due to their growth rate, the rising number of SMEs and their diversity (Sethakaset & Santimataneedol, 2008). Consequently, to ensure the smooth running of the organization in order to improve the performance of an organization, then a system of good human resource management (HRM) practices need to be addressed (Cappelli & Neumark, 2001).

Statement of the problem

As the world becomes more and more globalized, the business environment has increasingly become dynamic and is fraught with increasing risk and uncertainty. The uncertainty has the tendency to significantly decrease market share while at the same time increasing organizational inefficiency. This trend has been attributed to the fact that globalization has made the world a global village and this only means increased competition. For micro and small enterprises, such competition can mean the end of their businesses. Thus MSMEs must adopt practices that can see them compete favorably in a globalized business environment. The present

study focuses on HRM practices among MSMEs and seeks to demonstrate the link with employee job performance.

Several past studies have been conducted with a focus on HRM practices and firm performance with most of them being based on large companies. For instance, De Kok & Uhlaner (2001) and Wagar (1998) examine the determinants of HR practices among MSMEs; Cassell et al. (2002) and Hornsby & Kuratko,(2003) explore individual HR management practices among MSMEs while De Kok & Uhlaner (2001), Kotey & Slade (2005) and Nguyen & Bryant (2004) seek to explore the level of HRM formality and relate it with performance of MSMEs. Dyer and Reeves (1995) have analyzed four studies and revealed the relationship between HRM practices and firm performance.

Becker and Gerhart (1996) reviewed seven studies on HRM practices and firm performance which confirmed significant relationship between the two variables. Rogers and Wright (1998) described the linkages between HRM practices and various operationalizations of firm performance. A study by Macduffie (1995), on 62 universal automotive assembly plants and Ichniowski, Shaw and Prensushi (1997) on 36 steel finishing lines owned by 17 companies in the U.S. discovered that a “bundle” or “systems” of HR practices were related to productivity and quality. Moreover, numerous studies have shown the relationship between HRM practices and employee retention (Arthur, 1994; Guthrie, 2001), HRM practices and accounting profits among banks (Delery & Doty, 1996), HRM practices relate to operational performance among manufacturing plants (Ahmad & Schroeder, 2003; Youndt et al.,

1996), and HRM practices relate to organizational effectiveness as well (G. R. Ferris et al., 1998; Stavrou-Costea, 2005).

However, while some studies have sought to show the link between HRM and firm performance, few have attempted to show the relationship between HR practices and employee job performance. Further, no such study has been carried out based on manufacturing MSMEs in the Kenyan context. Thus the present study sought to fill the above gaps by examining the relationship between HR Practices and employee job performance with a focus on Manufacturing MSMEs based in Nairobi Kenya. The study will seek to answer the question: how do employee perceptions of MSME practices influence their job performance?

Research Objectives

The overall objective of this study was to establish the influence of employee perceptions on human resource practices on employee job performance among Micro and Small Enterprises in the Manufacturing Sector in Kenya. The specific objectives were:

- i. To establish the relationship between staffing practices and employee job performance among manufacturing SMEs in Kenya
- ii. To find out the relationship between training practices and employee job performance among manufacturing SMEs in Kenya
- iii. To examine the relationship between pay and reward and employee job performance among manufacturing SMEs in Kenya

- iv. To establish the relationship between work environment and employee job performance among manufacturing SMEs in Kenya

Research Questions

- i. How do SME staffing practices influence their job performance?
- ii. How do SME training practices influence their job performance?
- iii. How does pay and reward influence employee job performance among SMEs?
- iv. How do work environment influence employee job performance among SMEs?

Justification

SMEs constitute the highest number of business enterprises in any economy, yet most of them have been found to fail within their first three years of operation. Past studies have indicated a positive relationship between HRM practices and firm performance. But most of these studies were carried out in large organizations. Additionally most of the studies were carried out outside the Kenyan context.

This study thus sought to bridge these gaps by providing an empirical study based in Kenyan context with a specific focus of relating HRM practices to Employee job performance. The study will be beneficial in many ways including: To the MSMEs, the study will provide deeper insight on how employee perception of HRM practices influence their job performance. Additionally, the study will be of great use to human resource practitioners as it will serve to highlight the underlying relationships HR practices and employee job performance.

The study will also be beneficial to the academia as it will add to the existing empirical literature by focusing on a developing country set-up. The study will also provide suggestions for further studies. To the policy makers, the study will provide useful insight into the underlying relationships between HRM and employee performance.

Scope and Limitations

The present study was only based on manufacturing SMEs. The findings, therefore, only address a particular sector and therefore cannot be generalized to other sectors. The study focused on the manufacturing sector as this is a key sector in Kenya.

The present study did not attempt to examine the joint effect of the identified factors on employee performance. Though each objective on its own is relevant, it is important to examine the joint relationship and determine the relative importance of factors influencing employee performance.

LITERATURE REVIEW

Concept of HRM

Human resource management (HRM) has undergone evolution in theory and practice over the past century. Much of the changes have been witnessed over the past two decades where major transformations have been seen in form and function. The increasing pressure from internal and external environmental factors have significantly pushed HRM to move from their traditional function of administrative tasks to the more important role of being a source of sustained competitive advantage supporting organizations that operate in a

globalized economy (Ferris et al,1999). As defined by Noe et all (2010), human resource management is a philosophy, policy, system and practices that can affect the behavior, attitudes and performance of employees.

Activities of HRM include HR planning, staffing, training and development, performance management, compensation management, safety and health and employee relations. For a long time, organizations had ignored the function of HRM practices as a main driver of organizational success. It was not until recently that the importance of HRM in enhancing organization performance was recognized. HRM practices can improve the performance of organizational by contributing to employee and customer satisfaction, innovation, productivity, and development of good reputation among firm's community (Delaney & Huselid, 1996; Noe et al., 2010).

There are several approaches in studying HRM practices in relation to organizational performance: universalistic, contingency or configurational approach (Delery & Doty, 1996; Youndt, Snell, Dean Jr, & Lepak, 1996). The universal, or "best practices" perspective is the simplest form of a theoretical model in HRM literature, and researchers in the field are micro analytical in nature. This perspective involves a direct relationship between HRM practices and performance (Youndt et al., 1996) whereby some HRM practices are hypothesized as constantly superior to others and these best practices should be adopted by all organizations (Delery & Doty, 1996). The contingency perspective, on the other hand, posits that the impact of HRM practices on firm performance is conditioned by an organization's strategic posture.

Researchers in the contingency approach (Youndt et al., 1996; Wright & McMahan, 1992) dispute that HRM practices that applied by any organization must be coherent with other aspects of the organization so as to be effective. Studies have tried to explain the interaction between various HRM practices and specific organization strategies as they relate to organizational performance (Youndt et al., 1996). In contrast to “best practice” and contingency approach, the configurational perspective is interested on how the pattern of multiple HRM practices is related to organizational performance. Wright & McMahan (1992) argued that there is the pattern of intended human resource deployments and activities that can facilitate organization in achieving their goals.

In order to be effective, an organization must build up its HRM system that reaches both horizontal and vertical fit. Horizontal fit refers to the internal consistency of the organization’s HRM practices, and vertical fit refers to the congruence of the HRM system with other organizational characteristics such as a firm strategy. Consequently, in order to explain the process of examining HRM practices that are related to performance, researchers can comply with either or a combination of those three difference approaches.

HRM Practices and Employee Job Performance

There is no universal definition of performance (Anderse’n, 2010) and no agreement on the suitable indicators of small firm performance (Wiklund, 1999). Performance from process perspective involves the process of transformation from inputs to outputs in order to accomplish specific results, whereas, from an

economic perspective, performance is focused on efficiency and effectiveness of the organization in managing their cost and outcome (Chien, 2004; Jarad, Yusof, & Shafiei, 2010). Daft (2000) in his book defined that organizational performance is the organization’s ability to attain its goals by using resources in an efficient and effective manner” (cited in Jarad et al., 2010).

In other words, the organizational performance concerns with the effectiveness, productivity, efficiency or excellence factors of an organization, whereby the factors are measured against the intended output (performance). Given the importance of HRM practices in influencing organizational performance, it there is increasing attention on HRM into business practices in the organization. The issue on how HRM practices affect the performance of organization is drastically increasing (Chang & Chen, 2002; Huselid, Jackson, & Schuler, 1997; O’Neill, & Morrison, 2009). Prior researches proposed that HRM has a proactive role instead of reactive one in an organization (Schuler & MacMillan, 1984) and it is deemed to be a strategic partner in strategic formulation and implementation (Ulrich, 1987).

Huselid (1995) added that the application of good HRM practices in the organization can develop the knowledge, skills and abilities of present and prospective employees, strengthen their motivation, decrease avoidance and retain excellence employees while push nonperformers to quit and which, in turn to improve employees and organizational performance. According to Delaney and Huselid (1996), the impact of HRM practices on organization performance is dependent on how

HRM practices affect employees' skills and abilities, motivation and organizational structure. The impact of HRM practices on employees' skills and abilities are portrayed in recruitment, selection and training. Organizations can hire employees through sophisticated selection procedures that are designed to choose the best potential employees.

After selection, employees can be provided comprehensive training and development programs in order to advance their knowledge, skills and ability in performing their works. Secondly, the effectiveness of skilled employees will be restricted, if they are not motivated to do the job. Therefore, to motivate employees, employers can encourage their employees to work efficiently through the performance appraisal based on individual and group performance, relating these appraisals to reward systems, the use of internal promotion systems based on employee merit and other types of incentives that support the interest of employees with those of shareholders. Finally, the contribution of skilled and motivated employees is influenced by the way in which a workplace is structured.

Jobs are structured, it will limit the way employees perform their job. Hence, HRM practices can affect organizational performance in addition to organizational structure condition that supports employees' participation and encourages them to improve the way they perform their jobs. Among relevant practices in achieving organizational performance include employees' participation, internal promotion systems, team-based production systems and job security.

Recently, empirical evidence has revealed HRM practices affect organizational performance (Che Ros & Kumar, 2006; Subramony, 2009; Tzafrir, 2006; Uysal, 2008; Wang & Zhang, 2005). Dyer and Reeves (1995) have analyzed four studies and revealed the relationship between HRM practices and firm performance. Becker and Gerhart (1996) reviewed seven studies on HRM practices, and firm performance confirmed significant relationship between two variables. In fact, Rogers and Wright (1998) described the linkages between HRM practices and various operationalizations of firm performance.

A study by Macduffie (1995), on 62 universal automotive assembly plants and Ichniowski, Shaw and Prenzushi (1997) on 36 steel finishing lines owned by 17 companies in the U.S. discovered that a "bundle" or "systems" of HR practices were related to productivity and quality. Moreover, numerous studies have shown the relationship between HRM practices and employee retention (Arthur, 1994; Guthrie, 2001), HRM practices and accounting profits among banks (Delery & Doty, 1996), HRM practices relate to operational performance among manufacturing plants (Ahmad & Schroeder, 2003; Youndt et al., 1996), and HRM practices relate to organizational effectiveness as well (Ferris et al., 1998; Stavrou-Costea, 2005).

Social Exchange Theory, HRM Practices and Employee Job Performance

Social exchange is the most basic form of exchange (Blau, 1964) and social exchange is based on the norm of reciprocity i.e. managerial expectations that recognition, empowerment and investment in human assets will be

reciprocated. This reliance on the goodwill and obligation of the other actors may create uncertainty and trust. In his review of the development of social exchange theory, Ekeh (1974) notes that social exchange has developed along two distinct traditions in sociology, a collectivistic and an individualistic orientation. Both traditions view this exchange as engendering a high degree of social solidarity and also regard trust as a major attribute of social exchange (Blau, 1964). The view of employment as a strictly economic relationship assumes that individuals do not undertake behaviours outside of those specified by the employment contract (Blau, 1964). Social exchange theory predicts that social exchanges promote feelings of personal obligation, gratitude and trust, which facilitate the acceptance of role requests beyond the employment contract.

Employment can be considered a combination of economic and social exchanges. Hence, there is a need to create a climate of trust that binds the organization and the employee together. There are many studies that suggest that the influence of HRM practices on employee commitment is not direct but indirect through the psychological links of procedural justice, perceived organizational support and trust as suggested by the social exchange theory (Agarwala, 2003; Gould-Williams and Davies, 2005). Scholars generally agree that appropriately designed HR practices can enhance organizational performance and influence employees' behaviors (Guest, 2002; Ostroff & Bowen, 2000; Witt et al., 2001).

Existing research indicates that different facets of HRM practices particularly compensation, career management and training, and greater

discretion have relationship with several organizational outcomes such as with employee satisfaction, employee commitment, turnover, and retention (Chew & Chan, 2008; De Vos & Meganck, 2009; Oshagbemi, 2001). For instance, Oshagbemi (2001) found that the level of satisfaction of academic is associated with the behavior of their line managers.

Numerous empirical investigations evidenced the relationship between HRM practices and organizational commitment (Paul & Anantharaman, 2004). Meyer and Allen (1997) indicated that HRM practices have been considered to be valuable and effective tools for elevating organizational commitment, especially affective commitment. For instance, Chew and Chan (2008) in examining the human resource practices relationship with organizational commitment and intention to stay found that organizational commitment was positively affected by remuneration, recognition, and challenging work assignment.

The researchers also found that intention to stay was related to remuneration, recognition, and training and career development. While, Arocas and Camps (2008), found salary strategies and job enrichment strategies are positively related to job satisfaction and employee commitment, and employee commitment was negatively related to turnover intention. Petrescu and Simmons (2008) found that several HRM practices raise workers' overall job satisfaction and their satisfaction with pay. A more recent study by Zimmerman and Darnold (2009) also found a correlation between HRM practices with job satisfaction, employee commitment and turnover in an organisation. Collins (2005) in examining the effect of HR practices in small business found

that effective HR practices impact employee outcomes significantly.

Motivation-Hygiene Theory

Motivation-Hygiene theory was formulated by Herzberg, Mausner and Snyderman (1959). In their study, the authors examined the relationship between job satisfaction and productivity among 200 engineers and accountants. The result of the research was Herzberg's motivation-hygiene theory of motivation, which suggests that certain factors (motivator factors) lead to job satisfaction, whereas others (hygiene factors) prevent dissatisfaction but cannot engender satisfaction. Motivator factors are factors that are intrinsic to the job, such as the content of the work itself and the availability of opportunities for responsibility, advancement and recognition for achievement.

Hygiene factors are extrinsic to the job and relate to the environment in which the job is performed. Such factors include the organization's policy and administration, working conditions, salary, supervision and interpersonal relations. Herzberg argued that the extrinsic aspects of work (the hygiene factors) could not provide a source of motivation for people but could, if 'bad', provide a source of dissatisfaction and thus demotivate people. Hygiene factors should be seen as the necessary precondition to allow the motivator factors to influence people's motivation.

In a situation in which there were 'good' hygiene factors, the employee would be in a state of 'no dissatisfaction'. The motivator factors, which Herzberg (1959) described as "complex factors leading to this sense of personal growth and self-actualization", would

then be able to act on that employee and increase job satisfaction and productivity. Thus, in order to motivate workers towards higher productivity, "while it is important to ensure that the hygiene factors are correct, the manager must manipulate the motivators by attending to job-content issues (e.g. job-enrichment)" (Johnson and Gill, 1993). Job-enrichment entails redesigning jobs to make them more interesting and challenging by allowing provisions to be made for increased responsibility, creativity and autonomy.

Experiential learning

Kolb proposed a four-stage learning process with a model that is often referred to in describing experiential learning (McGill & Beaty 1995). The process can begin at any of the stages and is continuous- there is no limit to the number of cycles you can make in a learning situation. This theory asserts that without reflection we would simply continue to repeat our mistakes.

Kolb's research found that people learn in four ways with the likelihood of developing one mode of learning more than another. The 'experiential learning cycle' has it that learning is: through concrete experience; through observation and reflection; through abstract conceptualization; and through active experimentation. The idea that people learn in different ways has been explored over the last few decades by educational researchers. Kolb, one of the most influential of these, found that individuals begin with their preferred style in the experiential learning cycle.

Cognitive Evaluation Theory

It has generally been believed by motivation theorists that intrinsic motivations such as achievement, responsibility and competence

are independent of extrinsic motivators such as pay and working conditions. Cognitive evaluation theory (CET) proposes otherwise. CET argues that when extrinsic rewards are offered for work effort that had previously been intrinsically rewarding, the overall level of motivation is likely to decrease due to a decline in the intrinsic interest in the job in the mind of the individual. Intrinsic rewards (i.e. rewards that determine intrinsic motivation) are those intangible rewards that influence feelings of achievement, responsibility and self-worth. Job characteristics such as the levels of autonomy, skill variety, task significance, task identity and feedback may all be considered to be the intrinsic rewards of the job. Although the organization is able, through job design, to determine the levels of intrinsic rewards available in a job, the perceived levels of intrinsic rewards in the mind of the worker will be highly subjective. One worker may view a job as being highly significant, offering a high level of autonomy, while another worker may perceive the same job as being insignificant and restricting. The levels of intrinsic rewards are therefore often seen as being beyond the direct control of the organization.

The main implication of CET with regards to the management of organisations is that they should “pay to attract and ensure the participation of people in organizational activities, but that they should rely upon such techniques as job enrichment and participative management to motivate performance by employees” (Boal & Cummings, 1981). In a review of the research that has investigated the validity of CET, Boal and Cummings reported that only 14 out of the 24 reviewed studies supported the theory. Also, of the 14 supportive studies, all were open to major criticism limiting

their support of the theory (Boal & Cummings, 1981).

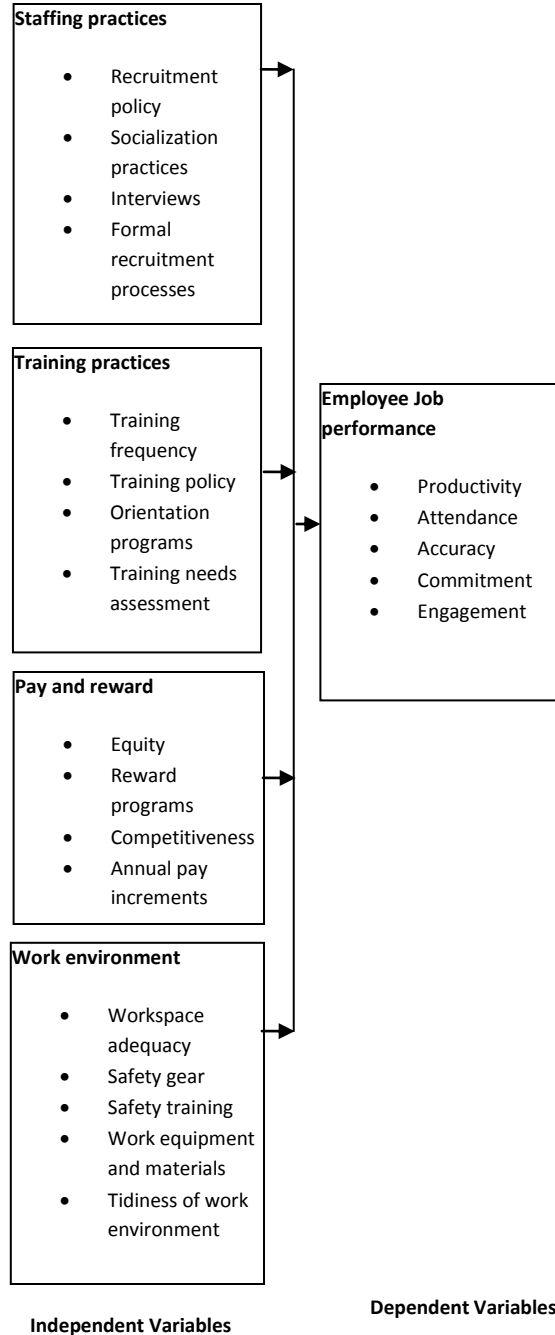
Conceptual framework

The study will be guided by the following conceptual framework with the independent variables being work environment, staffing, training and pay and reward while the dependent variable is employee job performance.

HRM in SMEs

Table 1

Conceptual framework



Previous studies confirm that HRM in small firms is characterized by informality (Barrett, et al., 2007; Cameron et al., 2006; Cardon & Stevens, 2004; Tocher & Rutherford, 2009). What this means is that the practices used to recruit, select, manage and appraise employees' performance are not written down. An informal recruitment practice might therefore be the use of "word-of-mouth" advertising.

Generally informal recruitment and selection methods are associated with small firms. According to Barrett and Mayson (2007), informal recruitment methods is preferred by small firms because they would attract recruits from acquaintances of present employees; this enables applicants to make informed choices about joining the workforce and they tend to perform (Henry & Temtime, 2009).

However, Barrett and Mayson (2007) argued that by only using referrals, only a small pool of potential employees will be created and some very suitable candidates will never be reached. As regards to job description, Tanova (2003) found that in small firms, management would only need to determine an employee's main tasks, and that a detailed job analysis, job description and job specification process may not be needed. Training is identified as an important HRM issue for small firms; however, research shows formal training is less likely to be provided in these firms. Small firms rarely carry out formal training needs analysis and have no systematic approach to training (Kotey & Slade, 2005; Storey, 2004).

Several authors (Barrett & Mayson, 2007; Cassell et al., 2002; Kotey & Slade, 2005) reported that performance appraisal practices in small firms tend to be informal and continuous and often used for monitoring and control rather than development purposes. Small firms' owners usually lack the skills necessary to carry out effective performance reviews and may perceive formal performance appraisal systems as time consuming. The owners of small firms are not prepared to give high salaries and incentives to their employees (Altinay et al., 2008).

Mazzarol (2003) highlighted that the SMEs owner-manager is usually burdened with a variety of HR functions such as recruitment and selection, staff promotion and retention, wages and salary for which he or she is generally poorly equipped. In fact, Tocher and Rutherford (2009) commented that SME owners do not tend to focus on administrative issues such as HRM, until they perceive that such issues are critically important to the firms. Not only the SMEs owners tend to focus on more critical issues but also they perceived formalized HRM practices are relatively costly and time consuming to implement in small firms with their limited resources. However, according to Tocher and Rutherford (2009) empirical research indicates that SMEs do engage in HRM (Cardon & Stevens, 2004; Kotey & Slade, 2005).

Specifically, while SMEs do not generally have an HRM department and do not use HRM practices to the same extent as large firms, SMEs do typically rely on a mix of HRM practices in a variety of areas such as training, compensation, recruiting, and selection. With less than five employees the firm can probably

operate successfully without full-time HR personnel. But that does not mean, the micro enterprises owners can neglect the use of formal HRM practices. Formal HRM practices refer to the use of formal selection, written job descriptions, orientation, and performance evaluations, progressive discipline procedures, as well as the use pay slip. Smaller firms have been described as experiencing the benefits of informal communication, direct supervision, and more broadly defined jobs.

In addition small firms have the ability to capitalize on individual employee strengths and are dependent on individual employees for success; formalization can also reduce employee role stress and facilitate employee commitment. Richbell et al. (2010) in examining the HRM in the Hungarian SME sector found that employee morale was high despite the HRM is flexible, informal approach to management, and lack of training is documented.

However, Barrett et al. (2007) argued that small firms HRM informality and the flexibilities can lead to diminishing returns. Wrong employment decisions can be costly for a small firm where each person's efforts are important. Formal HRM may reduce flexibility, increase organizational inertia, and detract from performance (Kaman et al, 2001). Barrett et al. (2007), however, found that firms who had formalized HRM practices, which linked directly to their strategy, employers were more able to sell their vision for their business to potential employees.

In addition, Altinay et al. (2008) agreed that employee training and recruitment through formal channels contribute to the sales growth

of small firms. Furthermore, Mazzarol(2003) asserted that the need for more formalized HR policies is likely to increase as the size of the firm grows because small firms sustainability in periods of growth can be more problematic. In addition, Barret and Mayson (2007) asserted that the formalization of HRM is dependent on the small firm owners' awareness of legislation and legal requirements on HRM and employment matters.

Staffing

With a thorough process of recruitment and selection of employees, employers can get the best and brightest workers who can fully contribute their expertise in developing the organization. Staffing is a critical practice and must be implemented cautiously to acquire employees who really qualified so as to improve organizational growth via increasing in employees' productivity. Hornsby & Kuratko (2003), in a replication and extension of their 1990 study, suggested that further research is required due to the increasing use of HRM practices in small firms, and they argued that staffing remains as critical issues in HRM for small firms as well.

Generally, SMEs have a tendency to utilize informal methods of recruitment (e.g. walk-ins and newspaper ads) and selection (e.g. face to face interview, application blanks and reference checks) as effective methods of staffing. Nevertheless, as small firms grow up, the exhausted of informal staffing contacts by managers (for instance, relatives, recommendation and walk-ins), it is necessary to develop more formal methods in employees' recruitment in order to maintain their growth (Williamson, 2000). As a result, this provides an

opportunity for SMEs to improve its ability to reach employees who can produce good quality of output.

Training and development

Well-trained employees can share their knowledge and use their creativity to produce or serve a product to customer and understand the system development of product or service in the organization. Previous research had found a positive relationship between training and firm performance (e.g., Huang, 2001; Loan-Clarke, Boocock, Smith, & Whittaker, 1999; Marshall, Alderman, Wong, & Thwaites, 1995). In fact, training and development are recognized as important HRM issues in small firms but in terms of providing formal training, it is still being overlooked by them.

This is because most employers often underestimate the benefit and cost of training to small firms is not worthwhile (Storey, 2004; Storey & Westhead, 1997; Westhead & Storey, 1996). In some countries such as Malaysia, several platforms of training are provided by government to assist SMEs development in terms of managerial and technical training. Thus, given the importance of training and development in small firms, SMEs have to grab the opportunities and take an initiative to improve as well as update their employees' knowledge and skills in order to produce superior output.

Compensation

The objective of compensation is to motivate employees to perform their job effectively to facilitate the accomplishment of organization goals. Then, it is crucial to decide on how employees are being paid; it can attract

talented employees or bring down a motivation of existing employees. As with other HRM practices, small firms tend to practice informal system of compensation or reward such as recognition and reinforcement, pay increment, job security, etc. (McEvoy, 1984).

In contrast, to attract more and good applicants and sustain quality and talented employees, SMEs should design an effective formal system of compensation since it is a potential source of achieving competitive advantage, which sequentially enhancing organizational performance (Carlson et al., 2006; Delery & Doty, 1996; Tzafrir, 2006). Therefore, SMEs need to offer equitable compensation policy so that they can attract, retain and motivate employees to apply their proficiency in their work-related activities efficiently and effectively.

Work environment

Spector (2008) found that work environment is an important determinant of job satisfaction and performance of employees. Working condition was also found to be better determinant of job satisfaction and performance by the researchers (Carlan, 2007; Ellickson and Logsdon, 2001; Forsyth and Copes, 1994; Reiner and Zhao, 1999). Luthans, (1998) has the same view that working environment has a moderate impact on the employee's job satisfaction and performance. Luthans, (1998) said that if working conditions are good, for instance – clean and attractive surroundings, employees will find it easier to carry out their jobs. On the other hand, if the working conditions are poor like hot and noisy surroundings, employees will find it difficult to

get their work done and thereby experience dissatisfaction.

Sajuyigbe *et al* (2013) also maintained that working conditions are only likely to have a significant impact on job satisfaction and performance when, for example, the working conditions are either extremely good or extremely poor. Robbins et al. (2003) refer to the work itself as “the extent to which the job provides the individual with stimulating tasks, opportunities for learning and personal growth, and the chance to be responsible and accountable for results”. Jobs matched with the competencies and that are mentally stimulating are liked by the employees.

Luthans (1998) and Landy (1989) reported that employees derive satisfaction from work that is interesting and challenging, and a job that provides them with status. The studies concluded that work itself has a significant effect on job satisfaction and performance. Accordingly, Robbins (2003) argues that “under conditions of moderate challenge, most employees will experience pleasure and satisfaction.” Rose, (2001) indicated that employees should be given opportunities to advance in their field of work so that they could accept responsibilities entrusted to them. Study leave can be provided for those employees with the desired skills and willingness to perform the job, who want to improve their skills and knowledge.

Most HRM theories and literature are focused on HRM studies in large organizations and overlooked small organizations (B. E. Becker & Huselid, 1998). Even, Tansky & Heneman (2003) stated that SMEs have long been having the status of second-class citizens by HRM

researchers. This is supported by one of the qualitative findings that examined 403 HRM-related articles and showed that only 32% of the articles had explicitly addressed issues of HRM in small businesses. Of the 129 articles, only 17 articles which have a specific hypothesis to be tested (Heneman et al., 2000). Additionally, most of HRM researches in small enterprises are often conducted in exploratory and primarily explanatory (De Kok & Uhlener, 2001).

Several studies depict the use of diverse HR practices in SMEs (Cassell, Nadin, Gray, & Clegg, 2002; Hornsby & Kuratko, 2003), whereas others concentrate on individual HRM practices, for instance, recruitment and selection (Tanova, 2003), training and development (Macpherson & Jayawarna, 2007), performance appraisal (Jackson, Schuler, & Rivero, 1989), compensation (Carlson, Upton, & Seaman, 2006) and an employee relation (Matlay, 1999). Most of the results from the aforesaid studies proposed that the use of HR practices is relatively fewer in a smaller firm to a larger firm. Moreover, SMEs also treat HRM practices as rather ad hoc and informal (De Kok & Uhlener, 2001) due to their limited size and resource availability such as financial, time and HR expert (Klaas, McClendon, & Gainey, 2000).

However, recent studies have revealed the importance of HRM for SMEs. For instance, a study done in the USA revealed that one of the keys for business failure in SMEs is due to less emphasis on human resources (Baron, 2003). Another analysis and classification of problems in small business done by Huang & Brown (1999) also found that apart the area of sale/marketing, human resource management

is the second most create problems for the small businesses.

In fact, this is further supported by the ascendant facts indicating that HR practices in smaller firms are expected to be as sophisticated as large organizations (Bacon, Ackers, Storey, & Coates, 1996). For example, there are no significant differences between HR issues in large and small firms (Golhar & Deshpande, 1997). Bacon et al. (1996) put forward the recognitions of small business managers toward the importance of new approaches of management to the success of the small businesses such as teamwork, job flexibility, decentralization, performance appraisals, etc., and that innovative and progressive HR practices are no longer limited to large organizations.

Furthermore, these new approaches also have been proven to have significant implications for the success of small firms (Bacon et al., 1996; Jones, Knotts, & Scroggins, 2005). Consequently, HRM practices should not be ignored by the management of SMEs in order to remain competitive. According to Ismail (2006; 2009), competitiveness is strongly linked to human resource capabilities. A review of the literature indicates that human resources can be key ingredients affecting organizational performance (Pfeffer, 1998; Rauch, Frese, & Utsch, 2005), source of sustainable competitive advantage (Barney, 1991; Krishnan & Singh, 2011) and the function of human resource management (HRM) (Wright, McMahan, & McWilliams, 1994). Given the importance of SMEs and the possibility of human resource practices influence their performance, it is essential to SMEs to increase their understanding on the effectiveness of

numerous human resource practices. A number of studies have focused on the potential effort that good human resource policy as an important firm resource is capable of enhancing organizational performance.

As stated by Guest (1997), "the impact of human resource management on performance has become a major research issue in the field." Research by Hornsby & Kuratko (1990; 2003) found that employees who were motivated and highly skilled can be a determinant of the capability of small firms in order to maintain competitiveness in the current business environment. Moreover, Rauch, Frese, & Utsch (2005) and Pfeffer (1998) also claimed that human resource is a major role in producing transformations in small scale enterprise development.

Subsequently, the practices of effective human resource management should be of concern to SMEs to assist in improving their performance. Pay refers to the amount of financial compensation that an individual receives as well as the extent to which such compensation is perceived to be equitable. According to Luthans (1998), salaries not only assist people to attain their basic needs, but are also instrumental in satisfying the higher level needs of people.

Previous researches (Ojokuku and Sajuyigbe, 2009; Sajuyigbe, Olaoye and Adeyemi, 2013) discovered that pay is one of the most significant variables in explaining job performance and satisfaction. Frye (2004) also found that there is positive relationship between pay and performance. It was further concluded that pay plays vital role in human

capital intensive firms to attract and retain expert workforce.

Studies carried out by Sajuyigbe, Olaoye, and Adeyemi, (2013) and Tessema and Soeters, (2006) found that pay has significant impact on job satisfaction and performance. Lambert, Hogan, Barton and Lubbock (2001) finding was in line with previous researchers who agreed that financial rewards have a significant impact on job satisfaction and performance. It was also concluded that, the greater the financial reward, the less worry employees have concerning their financial state, thereby enhancing their impression of their self-worth to the organization.

According to Robbins et al. (2003), employees seek pay systems that are perceived as just, unambiguous, and in line with their expectations. Robbins (2003) maintains that promotions provide opportunities for personal growth, increased responsibility, and increased social status. (Nguyen et al., 2003) concluded that job satisfaction is the result of promotion opportunities in the organization. Tessema and Soeters (2006) also discovered that there is positive relationship between promotion practices and perceived performance of employee. The finding of Sajuyigbe *et al* (2013) agreed with other researchers that many people experience satisfaction when they believe that their future prospects are good. This may translate into opportunities for advancement and growth in their current workplace, or enhance the chance of finding alternative employment. The researchers maintain that if people feel they have limited opportunities for career advancement, their job satisfaction may decrease. If organizations want to accelerate performance of employees in the

organization, fair promotional opportunities should be given to employees (Park et al., 2003).

Research gaps

The chapter has covered both theoretical and empirical literature review. The literature indicates that there is growing interest in HRM both among academicians and industry practitioners. This has been attributed in part to the increasing competition across all sectors of the economy. The literature indicates that HR among SMEs is still largely informal. While some firms have tried to adopt formal HR management processes, many are either too small or undercapitalized to undertake such processes. Most of the literature has focused mainly on large organizations in developed countries. This leads to a gap in knowledge with regard to HRM practices among small and medium sized organizations in the developing world like Kenya. With the high number of SME failures, any study that focuses on SMEs is bound to have real benefits. Further, most studies have sought to show the link between HR practices and firm performance, as well as the relationship between HR practices and employee satisfaction. Few studies have sought to demonstrate the link between HR practices and employee job performance.

RESEARCH METHODOLOGY

Research Design

The study adopted a descriptive research design. According to Donald and Pamela (2006), a descriptive study deals with the what, how and who of a phenomenon which is the concern for this study. The object of this study was to examine the relationship between HRM

practices and employee job performance among SMEs. As such in this design, the phenomenon being examined was observed as it was without any interference.

Target Population

A target population is the sum total of elements about which inferences are to be made. Thus the group made up of all possible observations of a characteristic of interest is the population, while a collection of observations representing only a portion of that population is a sample (Denscombe, 1998). The population of this study was manufacturing SMEs listed with the Kenya Bureau of Standards. The total number of such SMEs making up the target population is 210.

Sampling techniques

Sampling is the process of selecting a set of respondents from the larger population such that the selected group contains elements representative of the characteristics found in the entire group (Kombo & Tromp, 2006). The sample size was 55 respondents representing 26.2% of the total population obtained using the formula below. The respondents were selected SME employees since they were best placed to answer the questions on HRM in their firms.

Computation of a sample size needs to take into account three key criteria. These criteria usually need to be specified to determine the appropriate sample size: the level of precision, the level of confidence or risk, and the degree of variability in the attributes being measured (Miaoulis and Michener, 1976). The sample size formula advanced by Cochran (1963) and modified for finite populations by Yamane

(1967) was adopted in this study. The later formula has been validated in various studies.

$$SS = \frac{Z^2 * (p) * (1-p)}{c^2}$$

Where: Z = Z value (e.g. 1.96 for 95% confidence level)
 p = percentage picking a choice, expressed as decimal
 (.5 used for sample size needed)
 c = confidence interval, expressed as decimal
 (e.g., .04 = ±4)

Correction for Finite Population

$$\text{new ss} = \frac{ss}{1 + \frac{ss-1}{pop}}$$

Thus $ss = 1.96^2 * 0.95 * 0.05 / 0.05^2 = 73$; this when corrected for finite population is as follows

$$\text{New ss} = 73 / (1 + (73-1)/210) = 55$$

Systematic random sampling was applied to generate the sample for each stratum. In this method, individuals were selected from the list at regular intervals. The sample was distributed as shown in the table below.

Table 1

Distribution of Respondents by Category

Category	Actual Number	Proportionate Sample
Foodstuff	37	10

Textile	27	7
Electronics	28	7
Machinery	22	6
Chemicals	14	4
Stationery	18	5
Furniture	22	6
Plastic ware	19	5
Assorted metallic items	10	3
Cutlery and crockery	13	3
Total	210	55

Data collection instruments

The study used a semi-structured questionnaire to collect the data. This was appropriate because it allows a participant to provide feedback that is slightly more expansive than a simple close-ended question, but that is much easier to quantify than a completely open-ended response (Cooper, 2009). The questionnaire contained both open-ended and close-ended questions. Close-ended questions had predefined choices of response and the questions measuring the specific attributes being tested were to be answered using a five-point likert scale. The open-ended questions were intended to elicit other factors not captured in the instrument. The instrument was divided into six sections with the first section having the background information; section two to six covered each of the major variables namely: Training, Compensation, Work environment, and Staffing.

Data Collection Procedures

The questionnaires were administered to the respondents at their place of work. A team of research assistants were used to dispatch the questionnaires to the various companies that were already identified for the study. For firms wishing to respond immediately, the research assistants administered the questionnaire

directly and answered any questions. For those that could not be filled immediately, they were left with the respondents. After a period of two days follow-up calls were made and the questionnaires were collected according to the convenience of the respondents with a maximum waiting period of two weeks from the date of dispatch. Follow-up contact has been consistently reported as being the most powerful technique for increasing response rates, both in postal mail and e-mail surveys (Comer and Kelly 1982).

Data processing and analysis

Upon receipt of the questionnaires, coding and examination for completeness was done. The ones with too many missing entries were discarded. The questionnaires were then fed into the Statistical Package for Social Sciences (SPSS) Version 19. Descriptive statistics were used to summarize the results for each of the main variables. These included mean, mode and standard deviation. While measures of central tendency show points of consensus, standard deviation on the other hand shows the degree of variability of responses. Percentages were computed for each of questions posed and presented in tables. The majority of responses were obtained by aggregating the lower two points and the upper two points of the likert scale. Deductions and inferences were then made on the basis of correlation analysis. Correlation is a measure of the relation between two or more variables. The measurement scales used should be at least interval scales. Correlation coefficients can range from -1.00 to +1.00. The value of -1.00 represents a perfect *negative* correlation while a value of +1.00 represents a perfect *positive* correlation. A value of 0.00 represents a lack of

correlation (Ittner and Larckner, 1996). This study sought to establish the relationship between HRM practices and employee job performance among SMEs. Consequently correlation analysis presents a good measure for the kind of hypothesized relationships. Joint relationships were estimated by using regression analysis. The regression equation of the form below will be used:

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4$$

Where y = employee job performance;

x_1 = Training and development practices

x_2 = Staffing practices

x_3 = Work conditions

x_4 = Pay and reward

β_0 = Constant; $\beta_{i,j} = 1, 2, \dots, 4$ = Regression coefficients

DATA ANALYSIS RESULTS, INTERPRETATIONS AND DISCUSSION

Response rate

The study targeted fifty five (55) employees of manufacturing SMEs of located listed with the Kenya Bureau of Standards (Kebs). The table below presents the response rate.

Table 2

Response Rate

Category	Target Number	Achieved	Response rate (%)
Foodstuff	10	8	80%
Textile	7	6	86%
Electronics	7	6	86%
Machinery	6	5	83%
Chemicals	4	4	100%
Stationery	5	4	80%
Furniture	6	5	83%
Plastic ware	5	4	80%
Assorted metallic items	3	3	100%
Cutlery and crockery	3	2	67%
Total	55	47	85%

From table 2 above, the study achieved an overall response rate of 85% with chemicals and assorted metallic items categories receiving the highest response rates of (100%) and Cutlery and crockery category having the least (67%). The overall response rate was very high implying that the results of the study can be generalized to the entire population without risking errors resulting from sample bias. This is in line with other researchers such as Dillman (2000) who found that response rates above 70% result in little non-response bias hence the study results are more generalizable to the population.

Gender

The respondents were asked to indicate their gender. The figure below shows the distribution of respondents by gender.

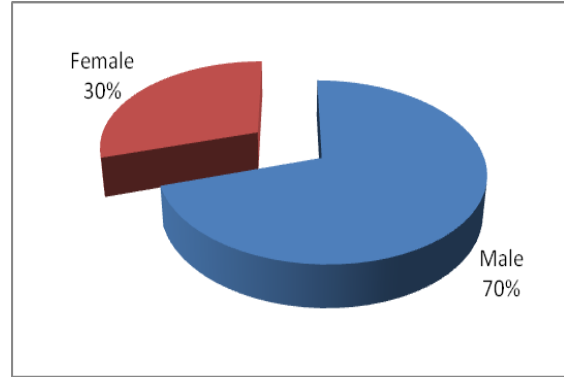


Figure 2: Distribution of respondents by gender

From figure 4.1 above, majority of the respondents (70%) were male, while only 30% were female. This is indicative of high gender disparities in the manufacturing sector in Kenya.

Level of education

The respondents were asked to indicate their highest level of education. The responses were as displayed in the table below.

Table 3

Distribution of respondents by level of education

	Frequency	Percent
Tertiary College	20	42.6
University undergraduate	22	46.8
University postgraduate	5	10.6
Total	47	100.0

From table 3 above, most of the respondents (46.8%) had university undergraduate degrees followed by 42.6% who had Tertiary College diplomas. The remaining 10.6% had university postgraduate degrees. Thus all of the respondents had at least a college diploma. This indicates that the respondents had undergone

higher level training and thus could answer the questions posed.

Length of service

The study sought to establish how long the respondents had served their firms. The respondents were asked to indicate the length of time (in years) for which they had been employed at the SME. The table below shows the distribution of respondents by length of service.

Table 4

Distribution of respondents by length of service

	Frequency	Percent
1 - 3 years	7	14.9
4 - 7 years	20	42.6
8 - 10 years	10	21.3
Over 10 years	10	21.3
Total	47	100.0

From the table 4 above, most respondents (42.6%) had served their organizations for between 4 and 7 years, another 42.6% had served for over 8 years while the remaining 14.9% had served for between 1 and 3 years. This indicates that majority of the respondents had served in the organizations for long enough to understand all questions asked about the firms.

Position of the respondent in the firm

The study sought to find out the positions held by the respondents in their respective firms. The table below shows the results.

Table 5

Distribution of respondents by position

	Frequency	Percent
Senior Management	18	38.3
Middle level management	12	25.5
Operational employee	17	36.2
Total	47	100.0

From table 5 above, most of the respondents (38.3%) held senior management positions, followed by 36.2% who were operational level employees and 25.5% who held mid level management positions. Thus the respondents were almost evenly distributed across the three levels of management.

Age of the respondent

The study sought to find out the ages of the respondents. The table below shows the results.

Table 6

Distribution of respondents by age

	Frequency	Percent
Below 25 years	6	12.8
26 - 35 years	17	36.2
36 - 45 years	14	29.8
Above 45 years	10	21.3
Total	47	100.0

From table 6 above, most of the respondents (36.2%) were aged between 26 and 35 years, 29.8% were aged between 36 and 45 years, 21.3% were aged over 45 years and 12.8% were aged below 25 years.

Existence of distinct HR department

The study sought to find out whether the firm had a distinct department dedicated to managing Human Resources. The following were the responses.

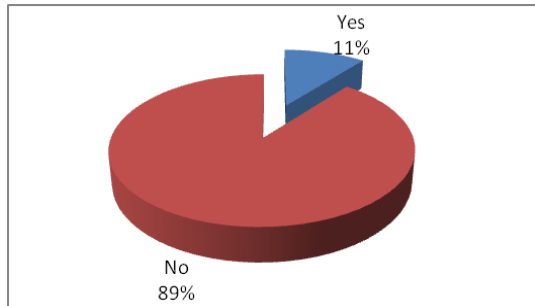


Figure 3: Existence of an HR Department

From the figure above, majority (89%) of the respondents indicated that their firms did not have a dedicated HR department while only 11% had an HR department. This indicates that the human resource function is largely underdeveloped among manufacturing SMEs.

Broad Categorization of Staffing Practices

The study sought to find out the staffing practices among the respondent firms. The respondents were asked to indicate whether their firms adopted formal, informal or both formal and informal forms of staffing. The following table represents the responses.

Table 7

Broad Categorization of Staffing Practices

	Frequency	Percent
Formal	7	14.9
Informal	33	70.2
Both	7	14.9
Total	47	100.0

From the table above, majority of the firms (70.2%) used informal ways for managing their staffing needs. 14.9% of the firms adopted both formal and informal methods; while another 14.9% used formal methods. This supports earlier findings that indicate that the HR function among manufacturing SMEs is still largely underdeveloped. The results also conform to the findings of Mazzarol (2003) who found that the HR function among SMEs tend to be informal and the SMEs owner-manager is usually burdened with a variety of HR functions such as recruitment and selection, staff promotion and retention, wages and salary for which he or she is generally poorly equipped.

Specific aspects of Staffing Practices

The study sought to find out the specific features that characterized staffing among manufacturing SMEs. The respondents were asked to rate their level of agreement on a scale of 1 – 5 with statements on staffing. For purposes of interpretation, mean ratings between 1 and 2.5 indicate that the aspect applies to a small extent; mean ratings between 2.51 and 3.5 indicate the aspect applies to a moderate extent, while those between 3.51 and 5 indicate that it applies to a great extent. The results were as shown in the table below.

Table 8

Descriptive statistics of staffing practices

	N	Min	Max	Mean	Std. Deviation
Employees are not recruited based on referrals, walk-ins and/or relatives	47	1.00	5.00	3.0000	1.02151
There is an employee recruitment policy that guides the entire recruitment and selection process	47	1.00	5.00	2.6383	.98743
Applicants are put through a series of interviews to evaluate their competencies	47	2.00	4.00	2.8723	.74065
The most qualified candidates, both academically and work experience as sought as the firm offers	47	1.00	5.00	2.9714	.94678
competitive pay	47	1.00	5.00	3.1702	.86776
All new staff must undergo a formal socialization process upon entering the organization	47	1.00	5.00	3.1702	.86776
Valid N (list wise)	47				

From table 8 above, all aspects of staffing were rated as applying to a moderate extent (mean ratings lie between 2.51 and 3.5). The highest rated was all new staff must undergo a formal socialization process (mean 3.172, sd 0.867). This was followed by recruitment of employees based on referrals, walk ins and/or relatives (mean 3.0, sd1.021) and seeking of the most qualified staff both academically and by work experience (mean 2.971, sd 0.947), followed by putting applicants through a series of interviews (mean 2.872, sd 0.741). The lowest rated was

the existence of a recruitment policy that guides the entire process (mean 2.64, sd 0.987). The implication of this finding is that manufacturing SMEs are performing averagely in their management of staffing. This indicates that the SMEs still have to catch up with best practices in this particular area. Tocher and Rutherford (2009) offered an explanation for the slow adoption of HR best practices. They found that SME owners do not tend to focus on administrative issues such as HRM, until they perceive that such issues are critically important to the firms. Not only the SMEs owners tend to focus on more critical issues but also they perceived formalized HRM practices are relatively costly and time consuming to implement in small firms with their limited resources.

4.3.4 Relationship between staffing and employee job performance

The study sought to establish how staffing practices influenced employee job performance. Pearson correlation was used to test this relationship. The results were as shown in the table below.

Table 9

Correlation analysis for staffing effectiveness and employee performance

		Leadership effectiveness
Leadership effectiveness	Pearson Correlation	.628
	Sig. (2-tailed)	.000
	N	47

From table 4.8 above, the correlation coefficient was .628 indicating a strong positive relationship between staffing practices and

employee performance. The relationship was found to be statistically significant ($p < .05$). Thus it was concluded that staffing practices positively influence employee performance. The implication of this is that the higher the effectiveness of staffing the better the employee performance. These findings support those of Naceur and Varatharajan (2000) who based their study on managerial employees in the Public Service Department in Malaysia and found a significant positive association. The results also conform to those of Baron (2003) who conducted a study based on SMEs in the US and found that there was a significant association between SME failure and level of emphasis on HR.

Training and Employee Performance

Frequency of training

The study sought to find out how frequently training was conducted for the employees supervised by the respondents. The respondents were asked to indicate the frequency of training in a scale of 1 – 5 where 1 = never and 5 = very frequently. The table below shows the frequency of training as indicated by the respondents.

Table 10

Frequency of Training

	Frequency	Percent
Never	9	19%
Rarely	21	45%
Sometimes	12	26%
Frequently	5	11%
Very frequently	-	-
Total	47	100%

From the table above, most of the respondents (45%) indicated that training was conducted rarely for the employees in their firm. This was followed by 26% who said that training was conducted sometimes for the employees in their firms, while 11% indicated that training was frequently conducted. 19% of the respondents said that training was never conducted in their firms. This finding implies that the manufacturing firms do not conduct sufficient continuous training for their employees. This might negatively impact the performance of employees.

Nature of training

The study sought to find out how training was conducted by the SMEs. The respondents were asked to indicate the broad generalization of training undertaken at their firm. The table below shows the responses.

Table 11

Nature of Training

	Count	Percentage
Formal training (both onsite and off-site)	15	32%
Informal training (apprenticeship, use of role models etc)	43	91%

From the table above, few firms (32%) adopted formal training for the employees. On the other hand, a great majority (91%) of the respondent firms utilized informal training methods. This supports the findings that indicate that SMEs largely adopt informal methods in their HR functions. The findings support those of Macpherson & Jayawarna (2007) who found that most SMEs do not offer formal training to their employees.

Specific Aspects of training

The study sought to find out how training was conducted by the SMEs. The respondents were asked to rate their level of agreement with a number of statements about training on a scale of 1 – 5 where 1 is strongly disagree and 5 is strongly agree. The mean ratings and standard deviations were as shown in the table below. The table below shows the responses.

Table 12
Ratings of specific aspects of Training

	N	Min	Max	Mean	Std. Deviation
Our employees undergo regular training to improve their technical skills	47	1.00	5.00	2.5957	.85108
We have a human resource training policy that guides training activities in our firm	47	1.00	4.00	2.2340	.88986
Employees often undergo training needs assessment to establish gaps in their skills and knowledge	47	1.00	5.00	2.4255	.80067
Managers and senior level staff take new entrants through an apprenticeship program	47	1.00	5.00	2.6809	.83683
The firm has a socialization and orientation program for new employees	47	1.00	5.00	2.2128	1.02015
Valid N (list wise)	47				

From table 4.11 above, the respondents gave the highest rating to apprenticeship program for new hires by senior level managers (mean 2.68, sd 0.836), followed regular training of employees (mean 2.59, sd 0.851). The other three aspects, namely regular training needs assessment (mean 2.42, sd 0.800); existence of human resource training policy (mean 2.23, sd .889) and existence of socialization and orientation program (mean 2.21, sd 1.020) were rated as applying to a small extent. The implication of these findings is that key best practices of training have not been fully implemented by the SMEs. These findings conform to those of Macpherson & Jayawarna (2007) who found that most SMEs did pay much emphasis on formal training.

Influence of training on employee performance

The study sought to establish the influence of training on performance of employees. Pearson bivariate correlation was used to test the relationship between training effectiveness and perceived performance of employees. The results were as shown in the tables below.

Table 13
Correlation analysis between training effectiveness and employee performance

		Employee Performance
Training effectiveness	Pearson Correlation	.594
	Sig. (2-tailed)	.000
	N	47

From table 13 above, the correlation coefficient was found to be .594 indicating that training has a strong positive correlation with employee

performance. From the p-value, the relationship was found to be statistically significant ($p < .05$). These findings conform to those of Nkebem (2009) who investigated the relationship between in-service training and librarians' job performance of 11 university libraries in Nigeria. The result showed a significant relationship between in-service training and job performance. The findings also support those of Sergio *et al.* (2002) who examined the effects of sales training on sales force performance in the context of small and medium-sized companies (SMEs) and found a positive relationship. The findings also conform to those of Huang (2001) who found a positive relationship between training and firm performance.

Incentive schemes among manufacturing SMEs

The study sought to establish the level at which various incentives were offered to employees by the SMEs. The respondents were asked to rate their level of agreement with statements about incentives offered to them on a scale of 1 – 5 where 1 is strongly disagree and 5 is strongly agree. The responses were as displayed in the table below.

Table 14

Ratings of employee Incentive schemes available

	N	Min	Max	Mean	Std. Deviation
My firm offers equitable compensation to staff for their input	47	1.00	4.00	2.5319	.95214
I am motivated to put in extra effort by the various reward programs, other than pay.	47	1.00	5.00	2.4894	.80413

Great performers in the organization are recognized and well rewarded	47	1.00	5.00	2.5106	.85649
We have competitive pay as compared to other firms within the same industry	47	1.00	5.00	2.8085	.99211
Employees get annual pay increments in line with their performance	47	1.00	5.00	2.3617	1.05141
Valid N (listwise)	47				

From the table above, the highest rated incentive scheme was competitive pay as compared to other firms in the industry (mean, 2.80; sd, 0.992) which was rated as applying to a moderate extent. Equitable compensation was next with a mean of 2.53 and standard deviation of 0.952; followed by recognition for good performance (mean 2.51, sd 0.856) both rated as applying to a moderate extent. However, the general motivational effect of reward programs (mean, 2.48; sd, 0.804) and annual pay increments (mean, 2.36; sd, 1.05) were rated as applying to a small extent. These findings imply that the SMEs offer little by way of incentives to its employees.

Influence of Pay and Reward on employee performance

The study sought to establish the relationship between pay and reward and employee performance. Pearson correlation was used to test this relationship. The results were as shown in the table below.

Table 15

Pearson correlation analysis for Incentives and employee performance

		Employee Performance
Incentives effectiveness	Pearson Correlation	.665
	Sig. (2-tailed)	.000
	N	47

From the table above, the pay and reward has a positive statistically significant relationship with employee performance ($r = 0.665$; $p < .05$). This implies that employees are motivated by pay and reward. These findings support those of Barki and Hartwick (1989 and those of Olaoye and Adeyemi (2013) who found that pay is one of the most significant variables in explaining job performance and satisfaction. However, some empirical results from the behavioral and IS literature indicates that incentives may increase, have no effect on, or at times actually decrease performance (Payne et al. 1993).

Work environment among SMEs

The study sought to establish the state of various work environment factors among the SMEs. The respondents were asked to rate their level of agreement on a scale of 1 – 5 with statements regarding their work environment. The table below shows the responses.

Table 16

Ratings of Work Environment

	N	Min	Max	Mean	Std. Deviation
The workspace is adequate for each employee	47	1.00	5.00	3.3404	.91549
All employees are provided	47	2.00	5.00	3.3830	.99024

with safety gear when working under hazardous conditions	47	1.00	5.00	3.1064	.98321
Safety training is provided to all employees	47	1.00	5.00	2.9574	1.10252
Work equipment and materials are sufficient for employees	47	1.00	5.00	2.9362	1.22304
The working environment is tidy and free of health hazards	47	1.00	5.00	2.9362	1.22304
Valid N (list wise)	47				

From the table above, the highest rated work environment factor was provision of safety gear to all employees which was rated as applying to a great extent (mean, 3.38; sd, .990). The other four elements were rated as applying to a moderate extent. These are adequacy of workspace (mean, 3.34; sd, .915); provision of safety training to all employees (mean, 3.10; sd, .983); adequacy of equipment and materials (mean 2.95, sd 1.102) and tidiness of work environment and absence of health hazards (mean, 2.93; sd, 1.223). These findings show that only one aspect of work environment is rated as above average while the rest are rated as average.

Relationship between work environment and employee performance

The study sought to find out how work environment was related with employee performance. Pearson correlation was used to test this relationship. The results were as shown in the table below.

Table 17

Correlation analysis for work environment and performance

		Employee Performance
Effectiveness of empowerment	Pearson Correlation	.212
	Sig. (2-tailed)	.153
N		47

From the table above, work environment was found to have a positive relationship with employee performance ($r = .212$) but the relationship was not statistically significant at the 5% level of significance ($p > .05$). This implies that work environment has no statistically significant influence on employee performance among SMEs. The results contradict those of Spector (2008) and Carlan (2007) who found that work environment is an important determinant of job satisfaction and performance of employees.

Joint relationship between human resource management factors and employee performance

Multivariate regression analysis was used to test the joint effect between the hypothesized HRM factors and employee performance. The following tables display the results.

Table 18

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.789 ^a	.623	.587	.70434

a. Predictors: (Constant), Work Environment, Pay and Reward, Training, Staffing

From the table above, the R-square was found to be .623 implying that the dependent variables explain 62.3% of the variability in the dependent variable.

Table 19

Regression coefficients

Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.
		B	Beta		
1	(Constant)	-.980		-1.567	.125
	Staffing	.544	.320	2.735	.009
	Training	.539	.294	2.599	.013
	Pay and Reward	.693	.403	3.535	.001
	Work Environment	-.154	-.096	-.935	.355

a. Dependent Variable: Employee Performance

From the table above, staffing ($p = .009$), training ($p = .013$), pay and reward ($p = .001$) were found to be statistically significant in the equation. On the other hand, only work environment ($p = .355$) did not have a statistically significant relationship with employee performance.

The resulting regression equation was thus of the form:

$$P = .544 S + .539 T + .693 PR - .154 WE$$

Where P = Employee Performance;

S = Staffing

T = Training

PR = Pay and Reward

WE = Work Environment

Descriptive Statistics for Employee Performance Indicators

The study utilized five key indicators for employee performance. The respondents were required to rate each of the indicators on a scale of 1 – 5. The following table shows the descriptive statistics generated from the responses.

Table 20: Descriptive statistics for Employee Performance Indicators

	N	Minimum	Maximum	Mean	Std. Deviation
Productivity	47	1.00	5.00	3.4255	.99443
Attendance	47	1.00	5.00	3.6596	1.16613
Accuracy	47	1.00	5.00	3.7234	1.09747
Commitment	47	1.00	5.00	3.2553	1.11254
Engagement	47	1.00	5.00	3.1489	1.02105

From the table above, the best rated performance indicator was accuracy (mean 3.72; sd, 1.09). This was followed by Attendance (mean, 3.65; sd, 1.16), then productivity (mean 3.42; sd,.99) followed by commitment (mean, 3.25; sd, 1.11) and finally engagement (mean 3.14; sd 1.02). From this, it was observed that only accuracy and attendance were the only indicators that were rated above average; the other three indicators, namely productivity, commitment and engagement were rated average. The implication of this finding is that

employees tend to perform better in areas where monitoring and enforcement is easy and perform poorer in areas where enforcement is hard, such as is the case with engagement.

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Summary of findings

The study was guided by four specific objectives, namely: To determine the influence of training on employee job performance in the public sector in Kenya; to examine the influence of incentives on employee job performance in the public sector in Kenya; to determine the influence of leadership on employee job performance in the public sector in Kenya; to examine the role of empowerment on employee job performance in the public sector in Kenya. The major findings were as summarized below.

The staffing function among SMEs was found to be largely informal. Though some of the SMEs have adopted some of the formal practices, this is still to a small extent. For instance, only a small proportion of SMEs have distinct HR departments dedicated to management of the HR functions. All elements of staffing examined were found to be average in their implementation. These include: formal recruitment processes, seeking most qualified staff, interview process and recruitment policy. The implication of this finding is that manufacturing SMEs are performing averagely in their management of staffing. Further, Staffing practices were found to have statistically significant relationship with employee performance. These findings provide empirical evidence from manufacturing SMEs is a developing country context that supports

earlier findings of studies conducted in other countries.

The frequency of formal training among SMEs was found to be very low indicating that there is need for more training to be undertaken to meet existing and emerging needs. However, it was also noted that there was prevalence among SMEs for use of informal training methods such as apprenticeship and use of role models. The inadequacy of formal training might negatively impact the performance of employees. Apprenticeship and regular training of employees were rated as applying to a moderate extent. The other three aspects of training were rated as applying to a small extent. These include training based on TNA, existence of HR training policy and existence of socialization and orientation program. It was suggested that in addition to regular training, on the job training, refresher training and higher education training should be paid greater attention to. Thus from these findings, it was observed that key best practices of training have not been fully implemented among SMEs. Finally, training was found to have a positive, strong correlation with employee performance which was statistically significant.

The incentives evaluated were all rated as applying to either a moderate extent or low extent. The highest rated incentive was competitiveness of pay which was rated as applying to a moderate extent. Equitable compensation and recognition for good performance were also rated as applying to a moderate extent. However, the general motivational effect of reward programs and annual pay increments were rated as applying to a small extent. These findings imply that the SMEs offer little by way of incentives to its

employees. Pay and reward was found to have a strong statistically significant and positive relationship with employee performance.

Regarding work environment, it was found that the highest rated work environment factor was provision of safety gear to all employees which was rated as applying to a great extent. The other four elements of work environment were rated as applying to a moderate extent. These are adequacy of workspace, provision of safety training to all employees, adequacy of equipment and materials and tidiness of work environment and absence of health hazards. These findings show that only one aspect of work environment is rated as above average while the rest are rated as average. Work environment was found to have a weak, positive correlation with employee performance but the relationship was not statistically significant.

Conclusions

From the above findings, the following conclusions were arrived at. Firstly, SMEs have informal staffing practices. This implies that they are yet to adopt HR Management best practices which would negatively impact on their performance, given that staffing was found to have a positive correlation with employee performance. The key areas that need to be improved upon by SMEs include sourcing of new hires, interviews, socialization and orientation for new employees.

Secondly, it was concluded that training positively influences employee performance. This notwithstanding, manufacturing SMEs have an average performance with regard to training. The main challenges faced include low

frequency of training, failing to conduct TNA before training and absence of a training policy to guide the entire process. SMEs rely mostly on informal training methods which may not be sufficient to cover their training needs.

Third, it was concluded that pay and reward has a statistically significant relationship with employee job performance among manufacturing SMEs. However, all aspects of pay and reward were rated as applying to a moderate extent implying that the SMEs do not sufficiently compensate the efforts by the employees. There's need to improve on compensation, recognition and fine tuning of reward programs so as to have the maximum motivational effect.

Fourthly, work environment does not have a statistically significant relationship with employee performance. Manufacturing SMEs perform averagely with regard to work environment. The main areas that need improvement include: adequacy of workspace, provision of safety training to all employees, adequacy of equipment and materials and tidiness of work environment and absence of health hazards.

Policy recommendations

From the conclusions above, the following recommendations were made:

SMEs should optimize their staffing practices by adopting formal procedures for hiring, socialization and orientation.

The SMEs should increase the frequency and quality of training. Training quality can be improved by conducting TNA prior to training to

ensure that training is focused on existing needs and to eliminate redundancies. Additionally, facilitating on the job training and regular follow-ups will ensure greater effectiveness in application of skills gained.

The incentive schemes should be re-evaluated with the aim of ensuring that employees are sufficiently rewarded for good performance. While certain incentives such as financial rewards are subject to budgetary constraints, through proper cost-benefit analysis, a cost effective reward scheme that ultimately benefits the organization can be developed. Additionally, SMEs should put more effort in enhancing the use of non-financial incentives such as employee recognition, growth opportunities and training.

The SMEs should improve on work environment by ensuring adequacy of workspace, provision of safety training to all employees, providing adequate equipment and materials and tidying up of work environment and removal of health hazards.

Recommendations for further study

Since the present study was only based on manufacturing SMEs, future studies should seek to improve on the findings of this study by gathering data from a wider population base of SMEs.

The present study did not attempt to examine the joint effect of the identified factors on employee performance. Thus future studies should try to establish the joint relationship and determine the relative importance of factors influencing employee performance.

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