

APPLICATION OF MODERN HUMAN RESOURCE MANAGEMENT PRACTICES BY WOMEN SME OWNER/MANAGERS IN KENYA

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ABSTRACT

Aim of the Paper

The purpose of this study was to explore the application of modern human resource management practices by women SME owner/managers in Kenya. The objectives of the study were two: to examine to what extent the women SME owner/managers applied human resources management practices in their organizations and to establish if the application of human resource practices affected employee job performance.

Methodology

To realize the research objectives, a cross-sectional survey design was adopted. The target population constituted women SME owner/managers from different parts of Kenya, who had been identified for entrepreneurship training in Nairobi in 2013. About 100 women owner/managers from all sectors were sampled for the study. The data was collected using a structured questionnaire. The data was analyzed using descriptive statistics, Pearson correlation and qualitative methods.

Results and Implications

The results showed that recruitment, selection methods and rewards affected employee' performance most in the SME's owned/managed by women. Results suggest that many women owner/managers do not apply most of the modern human resource management practices because they lack the capacity to do so. Since the study identified gaps of management skills and knowledge among the women owner/managers, it recommends empowerment of women in order to fill the gaps through training or the support of consultants. Empowering women SME owner/managers would be a step in making important strides in the right direction of empowerment of women in Kenya.

Keywords: *SME owner/managers, human resource management, employee performance, recruitment, selection, selection*

INTRODUCTION

SMEs have played a significant part of the world economy to date. This has been noted in the largest economies in the world; for instance, in the United States SMEs constitute 80 percent of all the businesses and they generate 50 percent of the Gross National Product (GDP) (Allio, 2004). In Europe SMEs form a big

portion of businesses (Reid, Morrow and Kelly, 2002) and so is the in the case in China (King, 2001). According to the annual report of European SMEs (2013) the SMEs provided 66.5% of all the employment positions in Europe. In a similar observation, Wei (2012) states that SMEs account for nearly 80% employment of China and contribute to about 60% of the county's GDP.

In Kenya, SMEs form an integral part of the economic landscape and just like in other parts of the world, most of them are family owned (Kibera, 1996). According to ECI Africa (2008), a survey done by the Central Bureau of Statistics in Kenya revealed that micro, small and medium enterprises that employ up to 50 people make up 100% of the employment in trade, 35% of the employment in industry and 13% of the employment in services. The report further states that small and medium enterprises, that is, those that employ between 5 and 50 people and are registered as companies are the ones that fall squarely into the formal sector in that they are liable to taxation. OECD Development Centre (2005) stated that these small and medium-sized enterprises employed 3.2 million people and produced 18 per cent of the Kenya's GDP.

One main concern of the SMEs, just like any other business, is to achieve competitive advantage (Brand and Bax, 2002). One way of doing this is through employee performance which until recently has received little attention (Austin & Villanova, 1992). According to Ulrich and Lake (1990) the most enduring and most difficult thing to achieve is gaining competitive edge from improved organizational capability of people. Today, Human Resource Management (HRM) functions, practices and procedures are increasingly becoming important in contributing to organizations attainment of competitive edge considering the growth of the knowledge based economy. Human resources in any enterprise, whether small or medium constitute an important area of study. Careful human resources management creates good opportunities to ensure efficiency in the production process of goods and services that guarantee a satisfactory level of living in society (Abduli, 2013). All organizations must adopt modern Human Resource Management practices to gain competitive advantage through employees and the generic human resource management practices which must be adopted by organizations. These practices include recruitment and selection, training, performance appraisal and Employee rewards (Storey, 1995).

STATEMENT OF THE PROBLEM

Modern human resource practices are of the essence in organizations because of the prevailing new economic paradigm characterized by speed, innovation, short cycle times, and quality and customer satisfaction. These new demands highlight the importance of human capital to yield competitive advantage to an organization (Armstrong, 2010; Dessler, 2008). Many successful companies are adopting modern human resource management practices in order to stay competitive. For instance, studies done by Zheng, O'Neill and Morrison (2009)

found that modern the adoption of modern human resource management practices contributed to organizational performance and competitiveness. Modern management of human resources should be an ongoing concern for small businesses because they rely heavily on their employees for their business performance. Given this situation it is important that the application of human resource practices by SMEs be examined through research. In this connection, research has not clarified the status of the application of human resource management by women SME owner/managers in Kenya which this study seeks to address.

LITERATURE REVIEW

As mentioned before, the main human resource management practices are recruitment and selection, training, performance appraisal and Employee rewards

Recruitment

Recruitment is defined as those organization activities (such as choosing recruiting process, developing recruitment ads, and deciding how much will be spend on the process) that influence the number and types of individuals who apply for a position – and also affect applicant’s decisions about whether or not to accept a job offer (Gatewood, Field and Barrick, 2010). The recruitment process begins with recruitment planning and is followed by picking the appropriate method of recruiting which may be advertising, recruiting through referrals, using private employment agencies or college recruiting. Appropriate recruitment planning and execution has been associated with improved employee performance (Dessler, 2011).

Selection

Selection is the process of identifying, from those coming forward, the individuals most likely to meet the requirements of the organization (Cole, 2004). The main objective of the selection process is to predict which job applicants will perform effectively if given the job and ensures that the organization differentiates fairly between the job candidates who are successful and those who are unsuccessful (Agarwala, 2007). The selection process may follow standard stages which include; initial screening, completing application forms, employment tests interviews, background investigations through referees conditional job offer, physical/medical examinations (depending on the nature of work) and permanent offer (Decenzo and Robbins, 2001).

Training

Training is the planned and methodical modification of behaviour through learning event, programmes and instruction, which enable individuals to achieve

the levels of knowledge, skill and competence required to perform their work effectively (Armstrong, 2006). The aim of training is to make an impact that lasts beyond the end of training (Clardy 2005). Training focuses on creating action steps and obligations which focus on people's attention on incorporating their new skills and ideas back at work. Effective training gives relevant and useful information that inform participants and develop skills and behaviours that can be transferred back to the work place (Blanchard and Thaker, 2007). Such transfer of training could lead to competence and improved work performance as employees apply the skills and knowledge acquired through training. Unfortunately, procedures and policies of employee training may not be developed in the SMEs. Furthermore, when training is carried out in the SMEs, it may not be connected with the organizational goals and may therefore not yield desirable organizational outcomes. Employee training and development should be a managerial concern in SMEs. Sleezer (1993) proposes that it is a managerial challenge to consider the employees of the organization from a strategic perspective and constantly monitor and encourage the development of new skills and knowledge as the foundation of organizational development.

Appraising Performance

Companies that seek competitive advantage through employees must be able to manage the behavior and results of employees. To ensure that there is good performance from employees, it is necessary to carry out performance management and appraisal in organizations. Performance management provides the ongoing processes and practices to maintain a stellar workforce (Armstrong, 2006). Performance refers to doing the work well to achieve results (Armstrong, 2010). Anthony, Kacmar and Perrewe (2006) state that the aim of performance appraisal is to evaluate an employee's past and present performance based on set standards. It should aim at developing the capacity of people to meet and exceed expectations to achieve full potential for themselves and the organization (Armstrong , 2010). The author adds that the process of performance appraisal entails, coaching, counseling, feedback, tracking and recognition.

Improving staff performance has increasingly become part of a more strategic approach to integrating human resource activities and business policies and may be seen as a generic term through which organizations seek to evaluate employees, advance their skills, enhance performance and distribute rewards. To elaborate on this performance appraisal is used to determine those who need training, and the type of training, those who need to be promoted, demoted, retained or even fired. The appraisal processing begins with setting performance objectives which are based on the job description (Dessler, 2008). The recommended technique for effective performance appraisal is a 360-review feedback to capture feedback from multiple sources like peers, customers, subordinates and supervisor,.. The most commonly used performance appraisal methods by SMEs are the graphic rating scales and the essay evaluation method. From the preceding discussion it is reasonable to conclude that

organizations which do not appraise their employee's performance may fail to integrate their human resource policies with business policies.

Employee Rewards

Employee rewards refers to the employee compensation for services rendered to the organization. It consists of two main components; the direct and indirect financial payments. The direct financial payments include wages, salaries, incentives and commissions (Anthony et al., 2006). It also includes house, travel and risk allowances and bonuses. The indirect financial payments which provide a benefit for someone may be less straightforward. These can include the overtime pay, benefits for retirement, and more flexible schedules for employees (Dessler, 2008). Compensation factors such as salary and bonus usually depend on the job's required skill and education level, safety hazards and degree of responsibility among other factors (Dessler, 2008).

On the basis of the foregoing account, it can therefore be argued that Human Resource Management (HRM) should be of special interest to SME's because for these firms human resources play a vital role in developing and sustaining competitive advantage (Huiban and Bouhana, 1998; Flagnagan and Deshpande, 1996). Human Resource Management is relevant to SME's because these firms are labour intensive and therefore each individual employee represents a substantive part of the SME's workforce (Brand and Bax 2002). In labor intensive organizations the performance of the organization depends a lot on the employee performance (Bienstock et al., 2003). Astrachan and Kolenko (1996), in a study involving family businesses found that several human resource management practices were correlated to improved organizational performance. Human Resource Management practices affect organizations productivity, corporate and financial performance (Huselid, 1995). Pfeffer (1998) states that the human equation is important in the building of profits of all organizations irrespective of their context. As such, it is necessary to have sound human resource management practices in organizations, including SMEs in order to achieve and maintain high performance.

Lack of proper human resource management practices has implications for employee performance (Anderson Consulting and Economist Intelligence Unit 2000). Research done to Chandler and McEvoy (2000) indicated that effective management of human resources is one of the problems faced by SME's. Wagar (1998) stated that Human Resource, practices tend to be fairly *ad hoc* in smaller firms. Anderson consulting and the Economist Intelligence Unit (2002) in a study of offshore Chinese businesses stressed that Chinese small business needed to develop and implement performance based on modern Human Resource Management practices to replace traditional hierarchies and emphasize on personal relationships that are ill equipped to deal with an environment of accelerating competition and increasing complexity. This needs

to be the case too in organizations in a developing country like Kenya. The implementation of modern Human Resource Management practices in SME's is of essence in order to enable the SME's achieve competitive advantage through people. This study is an attempt to explore the extent of awareness of modern Human Resource Management practices by women SME owner/managers in Kenya.

PURPOSE OF THE STUDY

The purpose of this study was to increase the body of knowledge in Human Resource Management by establishing the utilization of modern human resource management practices in the SME sector in Kenya. To accomplish this the study investigated the women SME owner/managers knowledge of the application of the four generic human resource practices proposed by Storey (1995) which include recruitment and selection, training, appraising performance and employee rewards. The objectives of the study were two. . To determine to what extent the SME women owner managers were applying human resources management practices in their organizations. To establish if the application of human resource practices affected employee job performance in SME's by women owner managers.

METHODOLOGY

To realize the research objectives, a cross-sectional survey design was adopted. The target population constituted women SME owner/managers from different parts of Kenya, who had been identified for entrepreneurship training in Nairobi in 2013. About 100 women owner/managers from all sectors were sampled for the study. The data was collected using a structured questionnaire. The data was processed using the SPSS computer package. The data was analyzed using descriptive statistics and Pearson correlation.

FINDINGS AND ANALYSIS

Out of the 100 questionnaires that were issued to respondents 58 were returned. So the response rate was 58 percent..

Age of Respondents

The researcher sought to determine the age distribution of the respondents and the findings are shown in Table 1. The findings reveal that most participants are in the age bracket of between 31-40 representing 78 % followed by 10% who are aged above 50 years. The study further reveals that 9% of the respondents were aged between 41-50 years and 3% were between 20-30 years. It can therefore be observed from the findings of the study that most of respondents were aged between 31-40 years.

Table 1: Age of Respondents

Age Range	Distribution	
	Frequency	Percent
20-30	2	3
31-40	45	78
41-50	5	9
over 50	6	10
Total	58	100.0

Level of Education

The researcher sought to determine the education level of the respondents and the findings are shown in Table 1. The findings reveal that most participants had university level of education (53%) followed by 36% with middle level college education and 11% of the participants had secondary education. It can therefore be observed from the findings that most of respondents were relatively well educated.

Table 2: Level of Education

Level of Highest Education	Distribution	
	Frequency	Percent
Secondary	6	11
Middle Level College	21	36
University	31	53
Total	58	100.0

Status in Company

The researcher sought to determine the status of the respondents and the findings are shown in Table 3. The findings reveal that most participants were owner manager (91%) and a few respondents were managers (9%). It can therefore be observed from the findings of the study that most of respondents were owner managers.

Table 3: Status in Company

Status in Company	Distribution	
	Frequency	Percent
Owner Manager	48	91
Manager	5	9
Total	53	100.0

Form of Ownership

The researcher sought to determine the form of enterprise ownership from the respondents and the findings are shown in Table 4. The findings reveal that most participants were in sole proprietorship (62%), 22% in partnerships and 16% of the respondents mentioned that the business was a limited company. It can therefore be observed from the findings that most of respondents were in sole proprietorship.

Table 4: Form of Ownership

Form of Ownership	Distribution	
	Frequency	Percent
Sole Proprietorship	36	62
Partnership	13	22
Limited Company	9	16
Total	58	100.0

Period of Enterprise Existence

The researcher sought to determine the period of enterprise existence from the respondents who participated in the study and the findings are shown in Table 5. The findings reveal that most participants had operated between 6-10 years (60%) followed by 22% who had operated between 1-5 years and 18% over 10 years. It can therefore be observed from the findings of the study that most of respondents had operated their businesses between 6-10 years.

Table 5: Period of Enterprise Existence

Period of Enterprise Existence	Distribution	
	Frequency	Percent
1-5 years	12	22
6-10 yrs	33	60
over 10 yrs	10	18
Total	55	100

Number of Employees in the Business

The researcher sought to determine the number of employees in the Business from the respondents who participated in the study and the findings are shown in Table 6. The findings reveal that most participants (33%) suggested that their business had between 6-10 employees followed by 24% of the respondents who had between 16-20 employees. The study further reveals that 18% of the respondents had between 1-5 employees, another 18% employed between 11-15 employees, 5% between 21-25 -employees and 2% of the respondents had between 41-45 employees.

Table 6: Number of Employees in the Business

Number of Employees in the Business	Distribution	
	Frequency	Percent
1-5	10	18
6-10	19	33
11-15	10	18
16-20	14	24
21-25	3	5
41-45	1	2
Total	57	100.0

Performance of Employees

The researcher sought to determine the performance of the employees and the findings are shown in Table 7. The findings reveal that most participants (77%) suggested the employees performed averagely, 19% of the respondents had a good performance, 2% performed poorly and another 2% had a very good performance.

Table 7: Performance of Employees

Performance of Employees	Distribution	
	Frequency	Percent
Poor	1	2
Average	45	77
Good	11	19
Very Good	1	2
Total	58	100.0

Employee Meeting Customers' Needs

The researcher sought to determine whether the employees' met customers' needs and the findings are shown in Table 8. The findings reveal that most of the respondents suggested that they sometimes did (88%) as compared to 12% of the respondents who mentioned that the employees always met customer needs. The findings suggest that the customers' needs were below expectations.

Table 8: Employee Meeting Customers' Needs

Employee Meeting Customers' Needs	Distribution	
	Frequency	Percent
Sometimes	51	88

Always	7	12
Total	58	100.0

Employees Committed to their Work than Competitors

The researcher sought to determine whether the employees committed to their work than competitors and the findings are shown in Table 9. The findings revealed that most of the respondents suggested to some extent (77%) followed by 21% who suggested to a great extent and 2% suggested not at all. It can therefore be established that moats of the employees were committed to their work to some extent.

Table 9: Employees Committed to their Work than Competitors

Employees Committed to their Work than Competitors	Distribution	
	Frequency	Percent
Not at All	1	2
To Some Extent	45	77
To a Great Extent	12	21
Total	58	100

Recruitment Methods

The researcher sought to determine how the employees are recruited from advertising, private recruitment agencies, colleges, walk-ins and referrals. The findings revealed that most employees were recruitment through referrals (mean=2.79). This was followed closely by walk-ins (m=2.40), others from colleges (m=2.27), advertising (m=2.17) and private recruitment agencies (m=1.89). It can therefore be observed that majority of employees were recruited through referrals. Table 10 shows the findings.

Table 10: Recruitment Methods

Recruitment Methods	N	Mean	Std. Deviation
Advertising	47	2.17	.892
Private Recruitment Agencies	46	1.89	.823
Colleges	48	2.27	.844
Walk Ins	48	2.40	.818
Referrals	56	2.79	.563

Employee Selection

The researcher sought to determine the methods used for selecting the right employees and the findings are shown in Table 11. The findings reveal that most of the respondents (mean=2.28) selected the right employees through face to face method. This was followed by application forms (m=2.28) and telephone interviews (m=1.62). The results suggest that the employees were selected through face to face interviews.

Table 11: Employee Selection

Employee Selection	N	Mean	Std. Deviation
Application Forms	50	2.28	.784
Telephone Interviews	47	1.62	.677
Face To Face	57	2.82	.539

Conduct of Background Checks on All Employees

The researcher sought to determine whether the respondents’ conduct of background checks on all employees selected and the findings are shown in Table 12. The findings revealed that most respondents sometimes (43%) conducted background checks. This was followed by 40% who rarely conducted background check while 12% always did and 5% never conduct of background checks on all employees selected.

Table 12: Conduct of Background Checks on All Employees

Conduct of Background Checks on All Employees	Distribution	
	Frequency	Percent
Never	3	5
Rarely	23	40
Sometimes	25	43
Always	7	12
Total	58	100.0

Training Employee to Perform Better

The researcher sought to determine the businesses training employee to perform better and the findings are shown in Table 13. The findings reveal that most respondents agreed (59%) as compared to 41% who were not sure. The findings suggest that most of the employees were trained to perform better.

Table 13: Training Employee to Perform Better

Training Employee to Perform Better	Distribution	
	Frequency	Percent
Not Sure	24	41
Yes	34	59
Total	58	100.0

Sponsorship to Employees for Relevant Job Training by Employer

The researcher sought to determine the businesses sponsor employees for relevant job training by employer and the findings are shown in Table 14. The findings reveal that most respondents suggested that they sometimes (40%) provided relevant training to their employees. This was closely followed by those respondents, who suggested that they rarely (35%) provided relevant training to employees, 13% always provided relevant training to employees compared to 12% who never provided relevant training to employees.

Table 14: Sponsorship to Employees for Relevant Job Training by Employer

Sponsorship to Employees for Relevant Job Training by Employer	Distribution	
	Frequency	Percent
Never	7	12
Rarely	20	35
Sometimes	23	40
Always	8	13
Total	58	100.0

Improvement in Employees after Job Performance

The researcher sought to determine whether the training led to the improvement of employees' job performance and the findings are shown in table 1. The findings revealed that most of the respondents agreed (63%). This was followed by 30% who were not sure and 7% who suggested not at all.

Table 15: Improvement in Employees after Job Performance

Improvement in Employees after Job Performance	Distribution	
	Frequency	Percent
Not At All	4	7
Not Sure	17	30
Yes	35	63

Total	56	100.0
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Evaluation of Employees Performance

The researcher sought to determine whether the respondents knew how to evaluate employees’ performance and the findings are shown in Table 15. The findings revealed that most of the respondents knew how to evaluate employee performance (43%) while 43% of the respondents were not sure (50%) and 7% were not aware at all.

Table 16: Evaluation of Employees Performance

Evaluation of Employees Performance	Distribution	
	Frequency	Percent
Not At All	4	7
Not Sure	29	50
Yes	25	43
Total	58	100.0

Rating Tool to Evaluate Employees Performance

The researcher sought to determine the respondent evaluated employee performance with a rating tool and the findings are shown in Table 17. The findings revealed that most of the respondents (36%) sometimes evaluated employee performance. This was followed closely by 35% who rarely evaluated employee performance. The study further revealed that 16% of the respondents never evaluated employee performance and 13% always evaluated employee performance with a rating tool.

Table 17: Rating Tool to Evaluate Employees Performance

Rating Tool to Evaluate Employees Performance	Distribution	
	Frequency	Percent
Never	9	16
Rarely	20	35
Sometimes	21	36
Always	8	13
Total	58	100.0

Minimum Wage of Employees in Kenya

The researcher sought to determine the respondents were aware about the minimum wage of employees in Kenya and the findings are shown in Table 18. The findings revealed that most of the respondents were aware (83%) compared to 12% not sure and 5% were not aware at all. It can therefore be inferred that

most of the respondents are aware about the minimum wage of employees in Kenya.

Table 18: Minimum Wage of Employees in Kenya

Minimum Wage of Employees in Kenya	Distribution	
	Frequency	Percent
Not At All	3	5
Not Sure	7	12
Yes	47	83
Total	57	100.0

Employee Compensation System

The researcher sought to determine the available employee compensation system and the findings are shown in Table 19. The findings revealed that most of the respondents suggested that salary was offered at a mean of (0.91). This was followed by medical benefit (m=0.59) and availability of transport (m=0.36). The study further revealed that commission was provided (m=0.28), merit par (m=0.10) and the least was retirement benefit (m=0.03). It can therefore be inferred that most of the respondents that they provided salary to the employees. Other benefits included food, bonuses, and parties.

Table 19: Employee Compensation System

Employee Compensation System	N	Mean	Std. Deviation
Salary	58	.91	.283
Commissions	58	.28	.451
Merit Pay	58	.10	.307
Transport	58	.36	.485
Medical	58	.59	.593
Retirement	58	.03	.184

Correlation between Compensation Practices and Performance

To determine the relationship between employee placement practices and performance, A bivariate pearson correlation was performed. The results showed a strong association between commissions and employee performance

($r=.722$ $p<0.05$), salary and employee performance ($r=.404$ $p<0.05$), medical and employee performance ($r=.242$, $p<0.05$). and transport and employee performance ($r= .473$, $p<0.01$). The results are presented in Table 20.

Table 20: Bivariate Correlation Analysis: Pearson Correlations between Compensation Methods and Performance

		1	2	3	4	5	6	7
1	Employee Performance	1						
2	Salary	.404 (*)	1					
3	Commissions	.722 (*)	.076	1				
4	Merit pay	.563	.620	.500	1			
6	Transport	.437 (**)	.325	.103	.185	.230	1	
7	Medical	.242 (*)	.846	.166	.397	.009	.265	1
	N	58	58	58	58	58	5	5

							8	8
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- * Correlation is significant at the 0.05 level (2-tailed).
- ** Correlation is significant at the 0.01 level (2-tailed).

DISCUSSION AND CONCLUSIONS

The findings showed that many women managers did not use appropriate employee recruitment methods to source their employees as suggested by Dessler (2010). A number of the women managers were not familiar with private recruitment agencies. The findings showed that the performance of the employees in most of the businesses under study was mostly average. This could imply that most of these businesses were just managing to survive but may not have been very successful since optimum performance was not being realized from employees. Also many respondents did not carry out background checks when hiring employees suggested as essential by authors (Decenzo and Robbins, 2001). The findings suggest that many of the respondents had realized that providing relevant training to the employees led to better performance. It can therefore be observed from the findings that training led to improved job performance among the employees as suggested by Clardy (2005). Several authors state that employees past and present performance based on set standards should aim at enabling employees to achieve their full potential for themselves and the organizations (Armstrong, 2010; Anthony et al., 2006). The findings suggested that most of the respondents were not sure how to evaluate the employee performance. Also most of respondents did not evaluate employees regularly nor did they use evaluation tools. This could explain the average performance. Strong associations between commissions and employee performance, salary and employee performance, medical allowance and employee performance and transport and employee performance were evidenced.

Based on the findings, it is recommended that women managers get training on the methods of recruiting competent employees. It is also recommended that they get training on performance appraisal to be able to evaluate their employees' performance. The women managers also need to develop affordable compensation systems which can appeal to their employees.

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