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Effects of Human Resource Management Practices on Financial Performance of Selected Agricultural Firms in the Sugar Industry

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Abstract: *Human resources are the source of achieving competitive advantage because of its capability to convert the other resources (money, machine, methods and material) in to output (product/service). The competitor can imitate other resources like technology and capital but the human resource are unique. People are one of the most important factors providing flexibility and adaptability to organizations. People (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment. This study was guided by resource based theory. The study applied descriptive research design. In this design, the researcher does not manipulate the variables under study but instead, examines the variables in their existing condition. The study targeted middle level managers in selected agricultural firms in the sugar industry. In total the sample size will comprise of 134 respondents. The main research instruments that were used in this study were questionnaires.* ***Data*** *analysis involved both descriptive and inferential statistics using SPSS (Statistical Packages for Social Sciences) Computer package. Qualitative data was analyzed thematically. Correlation was used to analyze the degree of relationship between the variables in the study. The coefficient of correlation (r), determine the degree (strength) of relationship and its value is between -1 and 1. Regression was used to obtain an equation which describes the dependent variable in terms of the independent variable based on the regression model, (regression is used to determine the type of relationship). Further, factor analysis was undertaken in order to obtain a detailed perceptual and attitudinal aspects of the data. Data was presented in the form of frequency distribution tables, graphs and pie charts that will facilitate description and explanation of the study findings. The findings showed the correlation between Human Resource Management practices and financial performance of selected agricultural firms in the sugar industry*.

Abbreviations
HR- Human Resource
HRM- Human Resource Management
HPWS- High-performance work system
SHRM –Strategic Human Resource Management
RBV- Resource Based Value
KSAOs- Knowledge, skills, abilities, and other characteristics

Operational Terms
Financial Performance: The performance is defined in short as service, morale and profits of a firm. In this case, the financial ratios have been used as a tool for measuring the financial performance.
Compensation: Total of all rewards provided to employees in return for their services.
Performance appraisal: The formal assessment and rating of individuals by their managers at, usually, an annual review meeting.
Selection through Recruitment: Designed to choose people who match organizational norms through interview, assessment and tests
Job flexibility: Job flexibility can be measured quantitatively i.e. temporary work (also known as numerical flexibility), part-time work and flexible working hours or qualitatively i.e. employee involvement, job rotation, work autonomy, teamwork and the possibility of using multiple skills.
Retention- The ability of an organization to retain its employees
Flexibility- Number of potential alternative uses to which employee skills can be applied
Performance Reflection- How employees' collective knowledge, skills and abilities impact an organization.

I. Introduction

1.1 Background of the Study

Human resources are the source of achieving competitive advantage because of its capability to convert the other resources (money, machine, methods and material) in to output (product/service). The competitor can imitate other resources like technology and capital but the human resource are unique. According to Khatri (1999), people are one of the most important factors providing flexibility and adaptability to organizations. Rundle (1997) argues that one needs to bear in mind that people (managers), not the firm, are the adaptive mechanism in determining how the firm will respond to the competitive environment.

1.1.1 Importance of Human Resource Practices

Several scholars have noted that managing people is more difficult than managing technology or capital (Barney, 1991; Lado and Wilson, 1994). However those firms that have learnt how to manage their human resources well would have an edge over others for a long time to come because acquiring and deploying human resources effectively is cumbersome and takes much longer (Wright et al., 1994). The effective management of human resources requires sound Human Resource Management systems. Storey (1995) defines HRM as a distinctive approach to employment management which seeks to obtain competitive advantage through the deployment of a highly committed and skilled workforce, using an array of techniques. HRM can help firms improve organizational behavior in such areas as staff commitment, competency and flexibility, which in turn leads to improved staff performance and in turn improve the financial performance (Koch and McGrath, 1996). In order to develop a sound HRM system, the organization should have effective Human Resource Management practices.HRM practices refer to organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals (Schuler & Jackson, 1987; Schuler & MacMillan, 1984; Wright & Snell, 1991).

HRM practices may differ from one organization to another and from one country to another.

But according to Chandler and McEvoy (2000) , one of the lingering questions in HRM research is whether or not there is a single set of policies or practices that represents a 'universally superior approach' to managing people . Theories on best practices or high commitment theories suggest that universally, certain HRM practices, either separately or in combination are associated with improved organizational performance. Researchers have also found that those well-paid, well motivated workers, working in an atmosphere of mutuality and trust, generate higher productivity gains and lower unit costs (Boxall, 1996; Lowe and Oliver, 1991; Pfeffer, 1994). Several attempts have been made from time to time by different researchers to identify the type of HRM practices in different sectors. Initially Pfeffer (1994) identified 16 practices which denote best practice. This was later refined to the following seven practices: Employment security, selective hiring, self-managed teams/team working, high compensation contingent on organizational performance, extensive training, reduction in status difference and sharing information.

1.1.2 HRM Influence on Company Financial Performance

A number of independent studies have supported the positive influence of effective HRM on company financial performance. This research has demonstrated that HRM practices can be leveraged to improve employee skills, increase motivation, and foster commitment to the company, by linking certain types of HRM practices to lower voluntary turnover, higher financial performance, and increased market share. Moreover, similar patterns have been observed across cultures and industries, including auto assembly, general manufacturing, and food service. These results indicate that HRM strategies can produce similar positive effects across regions, cultures, and industries.

Firms have increasingly recognized the potential for their people to be a source of competitive advantage (Pfeffer, 1994). Creating competitive advantage through people requires careful attention to the practices that best leverage these assets. This change in the mindset of executive decision-makers has spurred an increasing body of academic research attempting to reveal a relationship between a HR practices and its performance.

Much of this research has demonstrated statistically significant relationships between measures of HR practices and firm profitability (Delery and Doty, 1996; Guthrie, 2001; Huselid, 1995). While these studies have been useful for demonstrating the potential value created through HR practices, they have revealed very little regarding the processes through which this value is created (Wright and Gardner, 2002). Some authors have referred to this as the `black box' problem, noting that the conceptual development of the mediating mechanisms through which HRM has an impact on stability has thus far eluded empirical testing (eg Purcell et al, 2003).

In addition, the vast majority of studies examining the relationship between HR practices and firm performance have been entirely cross-sectional in their design. Again, while providing useful information, such designs are somewhat problematic. In essence, cross-sectional designs preclude making any causal inferences regarding the direction of the relationship. So, while we may believe the HR practices are driving firm performance, we cannot rule out that the reverse is actually the case. Thus, the purpose of this study is to examine the relationship between HR practices and corporate financial performance in a way that improves the causal inferences that can be drawn.

1.2 Statement of the problem

Changing economic environment, characterized by globalization and deregulation of markets, changing customer, investor demands and ever-increasing product-market competition, has become the norm for most organizations. To compete, the companies must continually improve their performance by reducing costs, innovating products and processes and improving quality, productivity, and speed to market. Therefore, the research aims at Human Resource Management and Organizational Performance; hoping to contribute to a better understanding of the role of human resource decisions in creating opportunity to improve firm performance.

How do human resource decisions influence organizational performance? In the simplest terms, they must either improve efficiency or contribute to revenue growth. Human resources, both as labor and as a business function, have traditionally been viewed as a cost to be minimized and a potential source of efficiency gains. Very seldom have HR decisions been considered a source of value creation, or what Hamel and Prahalad (1994) termed "numerator management." Labor costs continue to be the single largest operating cost in many organizations (Saratoga Institute, 1994), and reductions in employment continue to be a major aspect of strategies to restructure operations and reduce these costs (e.g., Uchitelle & Kleinfield, 1996). Do these decisions create value, or just reduce costs? Empirically, the challenge is to distinguish between staffing reductions that are purely cost-cutting measures and restructurings that require fewer employees but create value because the new structures are more appropriate for the firms' particular strategies.

Research suggests that HR systems have considerable economic potential, but there is little consensus on how to achieve that potential. There appears to be no best practice magic bullet short of organizing a firm's HR system from a strategic perspective. Therefore, both HR system and HR function must have as their principal focus a set of properly aligned HR policies that solve business problems and support the firm's operating and strategic initiatives.

This study therefore was aimed to contribute to the field of research by analyzing and creating an understanding of the link between human resource management practices i.e. compensation, recruitment and selection, performance appraisal and job flexibility, which are likely to have an effect on financial performance of selected agricultural firms in the sugar industry.

1.3 General Objective

The main objective of the study was to determine the effects of human resource management practices on the financial performance of selected agricultural firms in the sugar industry.

1.3.1 Specific Objectives

The study was guided by the following specific objectives:

a. To establish the effect of compensation system on financial performance in selected agricultural firms in the sugar industry
b. To determine the effect of performance appraisal on financial performance in selected agricultural firms in the sugar industry
c. To analyze the effect of selection systems of employee on financial performance in selected agricultural firms in the sugar industry
d. To find out the relationship between job flexibility on financial performance in selected agricultural firms in the sugar industry

1.4 Research Questions

i. How does the compensation system affect financial performance in selected agricultural firms in the sugar industry?
ii. What is the effect of performance appraisal on financial performance in selected agricultural firms in the sugar industry?
iii. What is the relationship between selection systems and financial performance in selected agricultural firms in the sugar industry?
iv. What is the relationship between job flexibility and financial performance in selected agricultural firms in the sugar industry?

1.5 Justification of the study

The study was meant to evaluate the relationship between human resource management practices and financial performance of selected agricultural firms in the sugar industry.

1.5.1 For organizations

The study will play an important role in enlightening employers and shape their opinion on the role human resource management practices plays in ensuring continuous and consistent financial growth of their companies.

1.5.2 For the field of research

The study will be useful to other researchers who may use this as a basis to conduct related research on the topic. Currently, most of the studies focus on European, Asian and American markets. Knowledge gained in one socio- cultural context will not always work effectively in another context. Thus, it is necessary to study HRM practices in different socio- cultural contexts so as to better understand their effectiveness in those particular industries.

To the researcher's knowledge, no research has been conducted on the relationship between human resource management practices and financial performance in selected agricultural firms in the sugar industry.

1.6 Limitation of Research:

1. Genuine commitment from management. Considering the sensitivity of the matters regarding human resources, most organizations keep their employee records as a secret. In most organizations, the HR departments have instituted policies to treat with strict confidentiality access of such information. The researcher therefore anticipates encountering challenges in securing this vital information from the HR managers.

2. Moreover, as a result of the increased competition there has grown a lot of mistrust and most players in the industry manage information regarding its operations. It is therefore a great challenge to the researcher. Also, the researcher will be constrained by the fact that the study will be depending on the current/present employees instead of using in fact the employees who have left the financial institutions. Also, due to the fear of victimization, the respondents may not be willing to share very important information regarding the study.
3. The researcher however, prior to the interviews plans to create sustainable rapports with the HR managers of the different financial institutions to facilitate access to the information. It will also be a requirement for the researcher to expressly declare in the research instruments to be used e.g. questionnaires, a statement of confidentiality. This will help build mutual trust with the interviewees hence help avoid cases of information management by the respondents. The researcher will also bridge the gap by use of the already published or documented papers done by other scholars on the subject.

There are many other human resource practices which may affect the level of financial performance. The other factors that may hinder generalization of research finding include:

1. Accuracy of the collected data. The researcher has scheduled all research activities within a time line to facilitate finalizing the research on time, thus will be accurate as possible to the research topic.
2. Errors in Rating. All errors will be minimized with use of tested questionnaires as data collection instruments.

II. Literature Review

In this chapter, the researcher presented a review of literature related to the study. The chapter first covers theoretical literature on Resource Based Theory in relation to the study. Literature is then reviewed based on the research objectives. The theory and the conceptual framework underlying the study are also discussed in this chapter. The chapter bases its argument on information retrieved from books, journals, research papers, web articles, conference proceedings and session papers.

2.1 Theoretical Literature

2.1.1 Resource Based Theory

In recent years, human resources have been recognized as an important source of sustained competitive advantage. Much of the human resources and theoretical and empirical work has been grounded in the resource-based view (RBV) of the firm (Barney, 1986, 1991, 1995). This theory maintains that in order to develop a sustainable competitive advantage, organization must create resource in a manner that is rare, non imitable, and non-substitutable.

Barney (1986, 1991, 1995), Pfeffer (1994), Snell, Youndt and Wright (1996) and Wright and McMahan (1992), have argued that because the resources that have historically provided organizations with competitive advantage are easily and rapidly imitated, the human resources of the organization may be an extremely important source of sustained competitive advantage.

The RBV of the firm is a theoretical paradigm originating in the field of strategic management. The RBV assumes that resources and attributes of the firm are more important to sustained competitive advantage than industry structure and competitors' actions (Barney, 1997).

Resources have been defined as the tangible and intangible assets a firm uses to choose and implement its strategies (Barney, 2001). This broad definition includes human, organizational, financial and physical resources. Barney (1991) and Teece, Pisano and Shuen (1997) have outlined a framework for determining if a resource can be considered a source of sustained competitive advantage.

The key elements of this framework require resources to be valuable, rare, inimitable and non-substitutable. Technology, natural resources and economies of scale can create value, RBV argued that these sources of value are increasingly available to almost anyone anywhere and they are easy to copy, whilst human resources which is defined as the pool of employees under the firm's control in a direct employment relationship (Wright & McMahan, 1992) can provide the firm with a source of competitive advantage with respect to its competitors.

The first of these criteria is the value added to the company's production processes, the contribution made by each employee having its effect on the results obtained by the organization as a whole. Also, since employees are not all the same, their characteristics are in limited supply in the market. In addition, these human resources are difficult to imitate. Since it is not easy to identify the exact source of the competitive advantage and reproduce the basic conditions necessary for it to occur. Finally, this human resources is not easily replaced; though short-term substitutes may be found, it is unlikely that they will result in a sustainable competitive advantage like the one provided by human resources. Therefore the Resource Based Theory is suitable for the study having indentified human resource as a key resource of sustained firm performance and a source of competitive advantage.

2.2 Empirical Review

2.2.1 Introduction

The body of research examining the relationship between HR practices and firm performance has grown exponentially over the past few years. The seminal work in this area was produced by Huselid (1995), who examined the relationship between HR practices and corporate turnover, profitability and market value. Huselid (1995) surveyed senior HR executives in a sample of 968 publicly traded corporations in the US regarding the percentage of employees who were covered by a set of HR practices generally considered representative of a high-performance work system (HPWS).

After controlling for a number of variables, he found that his HR index was significantly related to the gross rate of return on assets (a measure of profitability) and Tobin's Q\ (the ratio of the market value of a firm to its book value). This study provided the foundation for much of the research that followed. Delery and Doty (1996) examined the relationship between HR practices and profitability in a sample of banks in the US. In testing universalistic, contingency and configurationally approaches to HRM, they found that, in general, HR practices were positively related to profitability.

Guthrie (2001) examined the impact of HR practices on turnover and firm productivity among a sample of firms in New Zealand. He noted that HR practices had an impact on turnover, and that the relationship between retention and productivity was positive when firms implemented high-involvement HR practices, but negative when they did not. Two major studies at the plant level have been conducted examining the relationship between HR practices and firm performance. MacDuffie (1995) found that the HR practice `bundles' he measured were related to quality and productivity on auto assembly lines. Meanwhile, Youndt et al (1996) discovered that human capital enhancing HR practices were related to operational performance among a sample of manufacturing plants. While much of the research on the relationship between HR practices and performance has somewhat consistently revealed a significant relationship, some recent debates have emerged regarding the value of different approaches to studying this phenomenon. Debates have arisen regarding the proper sources for gaining the most valid reports of HR practice measures, the proper level of analysis and proximity of performance measures, and the timing of measurement.

Dyer and Reeves (1995) reviewed much of the existing research on the relationship between HR practices and performance and proposed that measures of performance could be broken down into four categories. First, employee outcomes deal with the consequences of the practices on employees such as their attitudes and behaviour, particularly such as absenteeism and turnover. Organizational outcomes focus on more operational measures of performance such as productivity, quality and shrinkage, many or all of which would be precursors to profitability.

Financial/ accounting outcomes refer to the actual financial performance measures and include expenses, revenues and profitability. Finally, market-based outcomes reflect how the financial markets value a firm, particularly stock price or variations of it. Huselid (1995) conducted a study to evaluate the link between systems of High Performance work practices and firm performance and found that these practices have a statistically significant impact on intermediate employee outcomes (turnover and productivity) and short and long term measures of corporate financial performance. Hyde et al. (2008) examined the impact of HRM practices on firm profitability. They found that little support for a positive relationship between HRM practices and firm profitability. Fey Carl F. (2000) investigated the relationship between human resource management (HRM) practices and the performance of 101 foreign-owned subsidiaries in Russia. The study's results provide support for the assertion that investments in HRM practices can substantially help a firm perform better.

Further, different HRM practices for managerial and non managerial employees are found to be significantly related with firm performance. Ngo et al. (2008) examined SHRM (Strategic

Human Resource Management) practices in China to assess the impact of these practices on firm performance and employee relation climate and found that SHRM practices have direct and positive effects on financial performance, operational performance, and the employee relations climate.

2.2.2 Compensation and Financial Performance

Despite the fact that many studies show financial rewards to be a poor motivating factor, it remains a tactic used by many organizations to commit their employees to the organization by means of compensation packages (Cappelli, 2001; Mitchell, Holtom and Lee, 2001; Woodruffe, 1999). A recent study, Horwitz , Heng & Quazi (2003) also found that the most popular retention strategies reported by HR managers of knowledge firms are still related to compensation.

Further, scholars (Carter and Van Auken, 1990, 2005; Sturman, 2003), assert that employers view compensation (both monetary and non monetary) as a major factor for the retention of good employees. Similarly, other researchers (Barber & Bretz, 2000; Chiu 2001; Lazear, 1998; Milkovich & Newman, 1999; Rynes & Gerhart, 2000; Tang 1998) reveals that money and benefits are some of the forms of compensation used to retain employees in order to achieve organizational goals. Moreover, Mathis &Jackson (2003) posit that most managers believe that money is the prime retention factor and many employees cite better pay or higher compensation as the motivation for leaving one employer for another. Additionally, Williams & Dreher (1992) assert that it is those organizations with high pay levels that retain qualified employees. This school of thought is aligned to research (Armstrong & Murlis, 1994; Judge, 1993) which reveals that high pay influences employee decisions to stay on with an organization. The implication of these arguments is that compensation must be competitive to what other employers are providing, in order to ensure financial performance of a company.

Contrary to the aforementioned research, Walsh & Taylor (2007) argue that although it is important to obtain a good salary and benefits package, whether employees remain with the organization primarily depends on the degree to which their employers respond to their professional growth. This argument implies that those employees most committed to performing challenging work are the ones most likely to remain with their companies.

2.2.3 Recruitment & Promotion Practices and Financial Performance

Many studies (Becker & H uselid, 1999; Cho, Woods, Jang & Erdem, 2006; H uselid, 1995; MacD uffie, 1995; Milman, 2003; Milman & Ricci, 2004; Pfeffer, 1994; Shaw, Delery, Jenkins &Gupta, 1998; US Department of Labor, 1993) have been conducted to examine the impact of recruitment practices on retention and financial performance. Anderson and Shackle ton (1986) indicate that the quality of new recruits depends upon an organization's recruitment practices, and that the relative effectiveness of the selection phase is inherently dependent upon the calibre of candidates attracted. In his study on the impact of recruitment and promotion practices on retention and performance, Pfeffer (1994) concluded that firms wishing to succeed in today's global environment must make adequate human resource investments and build employees who possess better skills and capabilities than their competitors.

Cook (1993) indicates that while advertising is usual for job vacancies, applicants are sometimes recruited by word of mouth, through existing employees. Other research (Chatman, 1991) posits that when the job recruitment and selection process produces a poor person to organization fit, employees are likely to leave the organization. Subsequent research (Cable & Judge, 1996; Werbel & Gilliand, 1999) has concluded that having personal attributes fit with the job contributes towards employee retention. Consequently, a lack of compatibility with the job requirements will often lead to employee departure which affects organizational performance.

2.2.4 Performance Appraisal and Financial Performance

Fletcher (2001) defines performance appraisal as a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards. Other scholars, Ubeda and Santos (2007) define it as a tool to identify and monitor staff's competences, as well as taking into account a company's core competence and external demands. Judge and Ferris (1993) assert that performance appraisal is one of the most important human resource practices while Truss (2008) points out that it is paramount in enhancing retention of good employees. On the same note, Mitchell et al (2001) argued that the relationship between performance appraisal and employees intention to quit is underscored by the fact that it is a better to investment to retain employees than to incur the cost of recruitment replacements. Further should employees decide to quit, this can have a detrimental effect on the organization in form of loss of institutional memory (Moynihan and Pandey, 2007) and negative impact on the organizations‟ reputation and productivity (Hom and Griffeth, 1995).

On the other hand, Shaw (1998) argues that these appraisals are also ways for organizations to keep track of the value provided by each employee. As such, Delery & Doty (1996) point out that results oriented performance appraisals were strongly related to return on equity and other financial measures of performance.

Further, Huselid (1995) reports that linking performance appraisals with incentive compensation are intended to align the interests of employees with those of shareholders (e.g. profit sharing plans). These linkages can create incentives which will align workers more closely with the long- term interests of the firm resulting in better communication and increased tenure (Becker and Huselid, 1999; Delery and Doty, 1996; US Department of Labor, 1993). Moreover, employees are motivated to work at a higher level by the offer of financial incentives that are contingent on their performance, and these financial incentives are important in encouraging the retention of high performing employees (Kessler & Purcell, 1992; Milkovich and Wigdor, 1991). When these positive outcomes are not generated, it is often concluded that the fault lies with the low quality of the performance appraisal process (Blau, 1999; Roberts, 1998). This in turn fuels the employees' intention to quit.

In addition, Thayer (1987) suggests that performance appraisal quality variations will generate strong reactions among employees. This means that should employees feel that there is no equity in the performance appraisal, they are likely to leave the organization, and Vis versa. Further, the justice (Adam, 1965) and emotion research (Fugate, Kincki and Prussia 2008) suggest that negative performance appraisals are more powerful drivers of employee attitudes and behaviours than positive performance appraisals. As such it may be assumed that when an employee experiences a negative and low quality performance appraisal, they will react in a negative way, for example making a decision to quit.

2.2.5 Job Flexibility and Financial Performance

Researchers (Cunningham, 2002; Pleffer, 2007) describe the importance of employment flexibility such as scheduling variations that better accommodate individual work times, workloads, responsibilities, and locations around family responsibilities. Further, studies show that job flexibility empowers employees and facilitate a healthier balance between work and personal obligations. (Eyster, et al., 2008; Scheef & Thielfodt, 2004). As such, research (Prenda & Stahl 2001) revealed that employees who have job flexibility options tend to exhibit higher levels of individual commitment, concentration, satisfaction, productivity and loyalty.

However, scholars (Origo & Pagani, 2002) advocate that flexibility should not be adopted as a general policy to enhance firm performance, but different types of flexibility should be targeted toward those workers who are more likely to be positively influenced by them

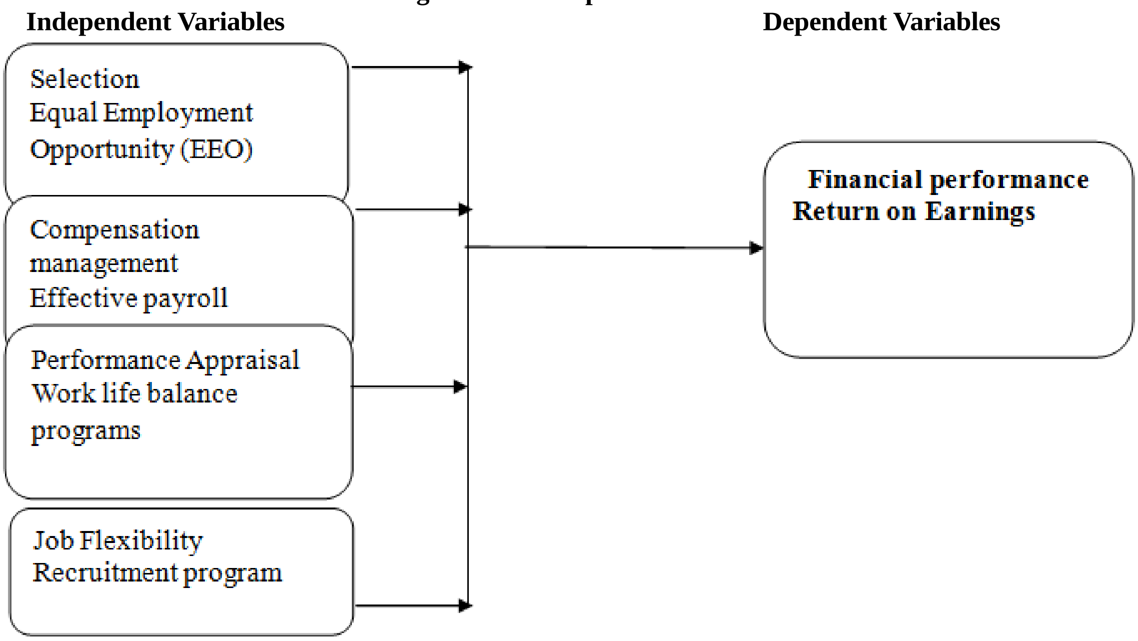
An efficiently operated and carefully enforced comprehensive workplace flexibility program can be a winning situation both for employees and employers. Among the benefits to employers are improved employee morale and work engagement, better recruitment outcomes and workforce retention, and the enhanced productivity offered by a stable talent pool. Such gains can provide a competitive edge for any company. Among the benefits to employees are reduced stress on the job, better work/family and work/life balance, and improved physical and mental health. As organizations evolve, workplace flexibility is likely.

In his follow-up study on transitions from temporary employment to more permanent positions, Gonzales- Rendon (et al. 2004) ended up stressing the fact that temporary employees cannot be treated as a homogenous group, not even in the highly segmented labour market. A study by Gonzales- Rendon (et al. 2004), showed that 70 % of temporary employees managed to obtain a permanent job. The result contradicts to some degree the argument that mobility between the labour market segments is highly restricted. Still, there are specific groups for whom temporary employment is more like a trap leading to bad job: low education, female gender, working in the public sector and being over 30 years of age, for example, all had a negative influence on the probability of getting a permanent job. Also the type of temporary had an important role: for casual workers permanent employment is most difficult. Reflecting on the situation, in totally different labour market conditions, Håkansson (2001) ends up with basically parallel results: temporary employees are not a homogenous group. Even though the basic situation of temporary employment in is that it is a stepping-stone towards to a permanent job, the variation between types of temporary employment is remarkable.

2.3 Conceptual Framework

A conceptual framework is a tool researchers use to guide their inquiry; it is a set of ideas used to structure the research, a sort of a map Kothari (2004). It is the researcher's own position on the problem and gives direction to the study. It may be an adaptation of a model used in a previous study, with modifications to suit the inquiry. Aside from showing the direction of the study, through the conceptual framework, the researcher can be able to show the relationships of the different constructs that he wants to investigate. The study will be guided by the following conceptual framework.

Figure 2.1 Conceptual Framework



Source: Author

2.4 Research Gap

In addition to sorting through these important conceptual issues, re-searchers should address several methodological challenges if empirical progress is to be made. The first of these goes to the fundamental focus of empirical research in this literature and what is required to build a cumulative body of knowledge. For example, Cohen (1994) and Schmidt (in press) have argued that empirical research in psychology should move away from its traditional reliance on statistical significance tests and focus more on point estimates of effect sizes and confidence intervals to build a more cumulative body of knowledge. We believe this same conclusion applies to management research generally, and to the question of the HR-firm performance relationship in particular. We would like to see all studies report raw regression coefficients, which reflect not only the direction, but also the magnitude of the effect of HR on organizational performance. The raw regression coefficient helps answer questions such as, What is the change in share-holder return due to a particular change in the HR system? The answer to this question is much more meaningful than the answer provided by a test of statistical significance that poses the question, Is the relationship different from zero? Cohen (1994: 1001) saw this reticence to discuss results in terms of effect sizes as an implicit indictment of the measures being used. Following Tukey (1969), Cohen suggested that the reason researchers avoid using raw regression coefficients as indicators of effect sizes is because doing so would often confront them with the fact that their measures have no inherent meaning. This problem should be avoidable in HR-firm performance research because the dependent variables, organizational outcomes such as shareholder return, profits, productivity, and organizational survival, are typically directly ob-servable and have meaningful natural metrics. The independent variables, HR activities and systems, can also often be measured in terms of natural metrics that are ratio scales (e.g., the percentage of employees in teams, annual hours of formal training), although rating scales that are at best interval scales (e.g., degree of employment security, focus on participation, value placed on human resources) continue to be used in many studies. All else being equal, ratio scales are to be preferred. The reliance on statistical significance tests, and similar emphases on explained variance (i.e., hierarchical regression analysis), may also reflect a bias toward theory development, which may come at the heavy expense of not being able to develop a cumulative body of meaningful empirical results. Although theory development is critical to the development of a discipline, a proliferation of theories and concepts can impede the accumulation of knowledge (Pfeffer, 1993). Researchers should focus as much attention on generating a cumulative body of accurate and meaningful estimates of effect sizes as on generating new concepts and theories (Cohen, 1994; Pfeffer, 1994; Schmidt)

III. Research Methodology

This chapter presents the design that was used in the study, research design, target population, sampling procedure, research data collection instruments and procedures, empirical model and how data was analyzed. It will explain why specific techniques and methods are used in design, analysis and data collection.

3.1 Research Design

The study adopted a descriptive survey design, which ensured ease in understanding the insight and ideas about the problem. Descriptive survey designs are used in preliminary and exploratory studies, to allow researchers to gather information, summarize, present data, and interpret it for the purpose of clarification (Serakan, 2000). It involves large numbers of persons, and describes population characteristics by the selection of unbiased sample. It involves using questionnaires and sometimes interview tests, and generalizing the results of the sample to the population from which it is drawn. In this study, descriptive survey design was used to obtain information from sample population in selected agricultural firms in the sugar industry.

3.2 Target Population

A population refers to an entire group of individuals, events or objects having a common observable characteristic. Two types of population are target and accessible population. Target population consists of all members of a real or hypothetical set of people events or objects from which a researcher wishes to generalize the results of their research while accessible population consists of all the individuals who realistically could be included in the sample. In this study, the Target population was 134 middle level managers in selected agricultural firms in the sugar industry.

3.3 Sampling Technique

According to (Mugenda & Mugenda, 2003) where time and resources allow, a researcher should take a big sample as possible". However, generally, the sample size depends on factors such as number of variables in the study, type of design, method of data analysis and the size of the accessible population. Neuman (2000) suggests that for descriptive studies, 30% of the target population is enough. It is on the basis of the above discussion that the researchers sampled some respondents. Stratified simple random sampling technique was used to select the sample. The strata was drawn from the knowledge workers in these organizations. This study adopted the approach by Sudman (1976). In this study sampling was a combination of stratified, simple random and judgmental sampling was used to ensure in depth capturing of data.

3.4 Sample Size

According to Kothari (2004) a sample is a collection unit from the universe to represent it. Generally, the larger the sample, the more representative it is. In quantitative research mathematical procedures are used to determine the sample size. In qualitative research, especially in judgmental sampling, the goal is to select an information rich sample for the study (Sekaran, 2009; Patton, 2002). Hence, researchers employ a rule of thumb. Sudman (1976) recommends a minimum of 100 in survey research.

The sample size was determined by use of the following formula. According to Neuman (2000), the size of a sample for a particular study was calculated as follows:

Where n = the required sample size

Z = is standard normal deviate at the required confidence level (1.96) at 0.05

p = is the proportion of the target population estimated to have the characteristics being measured when one is not sure, so one takes middle ground (0.5)

q = 1-p

d is the level of statistical significance

Therefore n = 384

This gives a sample size of 384 which can be adjusted when population is less than 10,000 using the following relationship (Neuman, 2000).

n_f is the desired sample size when population is less than 10,000

n is the desired sample size when population is more than 10,000

3.5Research Instruments

Both primary and secondary data was collected, with primary data being collected by use of a semi-structured questionnaire addressed to the respondents. This questionnaire had both open and closed ended questions. The questionnaire consisted of two main sections which include; Section one dealt with demographic information while the rest of the sections dealt with the four research objectives.

3.6 Data Collection Procedure

The administration of the questionnaire to the selected respondents was conducted by 3 research assistants. The assistants were trained on how to administer the questionnaire. The researcher sought appointments with respondents, explain the need of the research, the content of the questionnaire and oversee the administration of the exercise.

3.7 Data Analysis

Primary data collected was checked for errors of omission and commission. The data collected was classified, measured, analyzed and interpreted to establish which are the effects of human resource management practices on financial performance of firms. The study employed both quantitative and qualitative research in its data analysis. The data collected was analyzed, with respect to study objectives, using both quantitative and qualitative data. When analyzing quantitative data, correlation design was used to assess the degree/strength of relationship that exists between the effects (Independent variables) and financial performance (dependent variable) and the relationship between variables.

Precisely, this study needed to establish relationship between the independent variables as well as financial performance. The coefficient of correlation (r), determine the degree (strength) of relationship and its value is between -1 and 1. A value 0 implies no relationship, 1 implies a perfect positive relationship, -1 means a negative relationship (Shark, 2002). An absolute value of r between 0.5 and less than 1 implies a strong relationship between the variables. If the value r is greater than 0.3 and less than 0.5 then the relationship is moderate. The relationship is weak if the value of r is less than 0.3. Further, regression will be used to obtain an equation which describes the dependent variable in terms of the independent variable based on the regression model, (regression is used to determine the type of relationship). The study used the Pearson's Product Moment Method to determine the strength of the relationship.

The regression will be calculated using the basic regression model as follows.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$

Where = the independent variable.

= the dependent variable.

Where

X_1= Selection, X_2= Compensation Management, X_3= Performance Appraisal, X_4= Job Flexibility, Y = Financial performance

B_0 is a constant which is the value of dependent variable when all the independent variables are 0.

β_{1-n} is the regression coefficients or change induced by X_1, X_2, X_3 and X_4 on Y. It determines how much each (i.e. X_1, X_2, X_3 and X_4) contribute to Y.

e is the error of prediction.

The study will use Statistical Package for Social Scientists (SPSS) version 19 software to analyze both quantitative and qualitative data.

3.8 Expected Output

The researcher expected to show clearly the correlation between the effects of human resource management practices on financial performance of selected agricultural firms in the sugar industry.

IV. Data Analysis And Interpretation

4.1 Introduction

This chapter presents the results and findings of the study on the research questions with regards to the data collected from the middle level managers in selected agricultural firms in the sugar industry in Kenya initial section covers the background information with respect to the respondent. The target population was the leading sugar firms in Kenya that isMuhoroni Sugar, Chemelil Sugar, Soin Sugar, Mumias Sugar, Sony Sugar and Kibos Sugar factory.

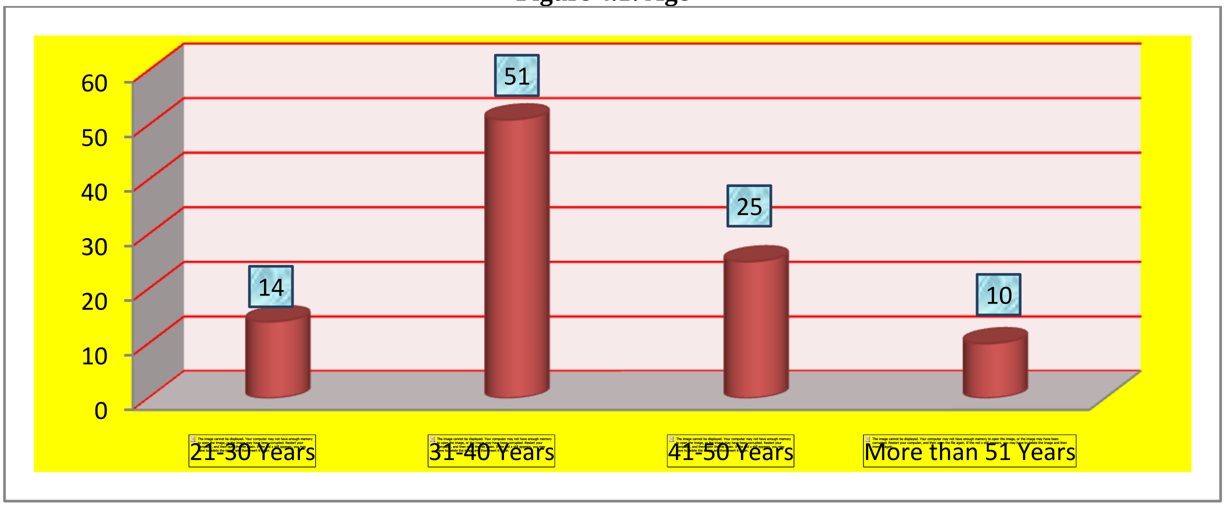
4.2 Background Information

This section offers the background information with regards to the respondents' gender, level of education as well as the experience in the work place in relation to the finance department. This was put into consideration because of the meaningful contribution it offers to the study as the variables help to provide the logic behind the responses issued by the respective respondents.

However, critics (Mowday, 1991, Greenberg, 1990) have disputed the importance of the equity theories in organizational behavior. Research by these critiques has shown gaps in the theories, for example findings on overcompensation have been less consistent than those on under compensation. Further, they (Greenberg 1990) argue that the theory is vague with respect to which of a variety of behavioral options such as decision to leave or remain that are likely to be observed in any context.

4.2.1 Age of the respondents

Figure 4.1: Age



The study determined age of the respondents. From the study findings in figure 4.1 , Majority (51%) of the respondents were aged between 31-40 years while 25% were aged between 41-40 years 14% were 21-30 years and 10% of the respondents were more than 51 years. From the study findings it can be deduced most respondents were aged' between' 31 to 40 years hence very energetic to work.

4.2.2 Gender of the Respondents

Figure 4.2: Gender

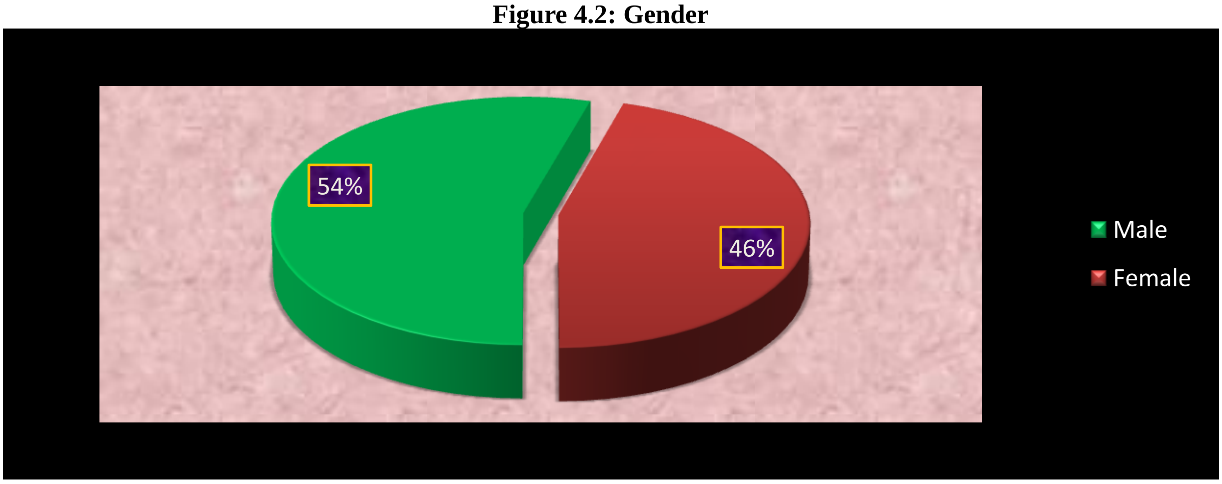
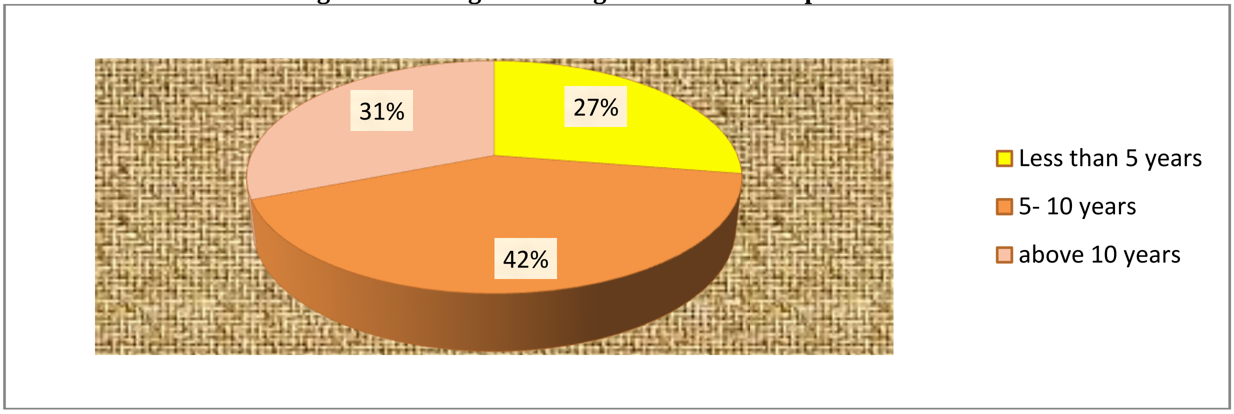


Figure 4.2 provides a summary of the gender of the respondents as a result of the responses given by the respondents. As clearly indicated in the figure, the female respondents were the minority whereas the male respondents were the majority. The findings show that 46% percent were female while 54% percent were male. This indicates that gender disparity is addressed because the gap between male and female respondents is almost close.

4.2.3 Length working in the finance Department

The respondents were requested to indicate how long they had worked in the finance department

Figure 4.3: Length working in the finance Department



From the study findings in figure 4.3, majority (42%) of the respondents had workedin the finance department for 5-10 years, 31% had been working for a period of more than 10 years while 27% of the respondents were employed for less than 5 years in the finance departments. This implies that majority of the respondents were grounded in the finance department therefore had experience.

4.3 Compensation System

The respondents were requested to indicate level of satisfaction with compensation system. The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

Table 4.1: Level of satisfaction

ITEM	X	S.D
My remuneration is satisfactory	2.1	.9487
My remuneration is at par with colleagues at same level	2.0	.8741
Competitive salary is the main reason to stay on	1.9	.7561

Source: Author, 2013

The study sought to determine on whether the respondents are satisfied with the compensation system in their respectful work positions in the sugar industry. From table 4.1, majority of them disagreed as shown by the mean and standard deviation. In remuneration the respondents disagreed as shown by (X=2.1, S.D=.9487) while in remuneration being at par with colleagues at same level also the respondents disagreed as shown by (X=2.0, S.D=.8741), and in a competitive salary is the main reason to stay on (X=1.9, S.D=.7561). From the findings it can be deduced that most of the respondents are not satisfied with the system of compensation hence the employee cannot get retained easily. The study was aligned with these scholars (Carter and Van Auken, 1990, 2005; Sturman, 2003), who assert that employers view compensation (both monetary and non-monetary) as a major factor for the retention of good employees. Similarly, other researchers (Barber & Bretz, 2000; Chiu 2001; Lazear, 1998; Milkovich & Newman, 1999; Rynes & Gerhart, 2000; Tang 1998) also reveals that money and benefits are some of the forms of compensation used to retain employees in order to achieve organizational goals. Moreover, Mathis &Jackson (2003) posit that most managers believe that money is the prime retention factor and many employees cite better pay or higher compensation as the motivation for leaving one employer for another. Additionally, Williams & Dreher (1992) assert that it is those organizations with high pay levels that retain qualified employees. This school of thought is aligned to research (Armstrong & Murlis, 1994; Judge, 1993) which reveals that high pay influences employee decisions to stay on with an organization. The implication of these arguments is that compensation must be competitive to what other employers are providing, in order to ensure retention.

4.3.1 Movement to another job

The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

Table 4.2: Job Movement

ITEM	X	S.D
As long as the remuneration was better	4.1	.5814
It offered same remuneration with opportunity for growth	3.6	.6941
Less remuneration with better work environment	3.8	.5784

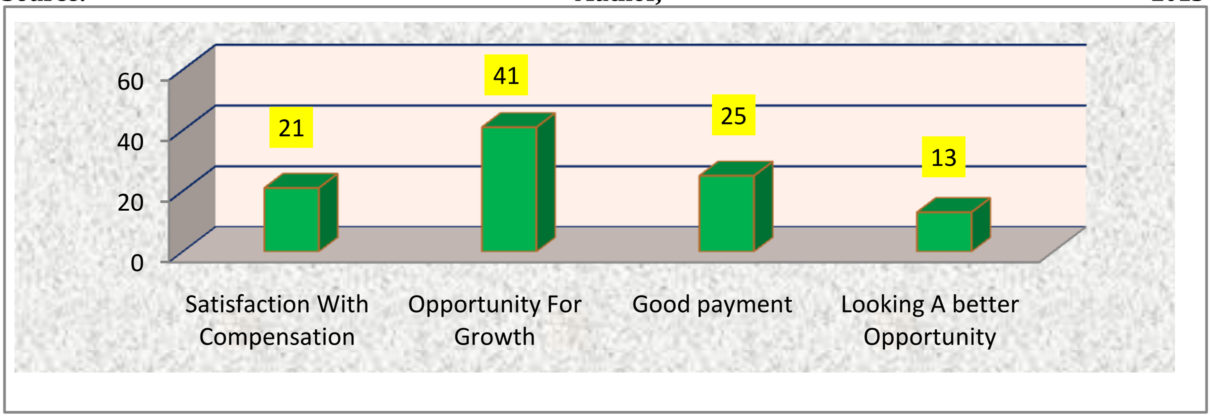
.**Source: Author, 2013**

The study found it paramount to determine job movement in the sugar industry. Tables 4.2 show the study findings whereby most of the respondents agreed that there is job movement in sugar industry as shown by means and standard deviation. The respondents in remuneration being better they agreed as shown by mean and standard deviation(X=4.1, S.D=.5814), while in offering same remuneration with opportunity for growth the respondents also agreed as shown by (X=3.6, S.D=.6941), and in less remuneration with better work environment, the respondents agreed as shown by(X=3.8, S.D=.5784). From the study findings, we can therefore conclude that many employee moves to other sugar company due to unfavorable terms and conditionsof work in various selected agricultural firms in the sugar industry.

4.3.2 Reasons working with the current employer

Figure 4.4: Current Employment

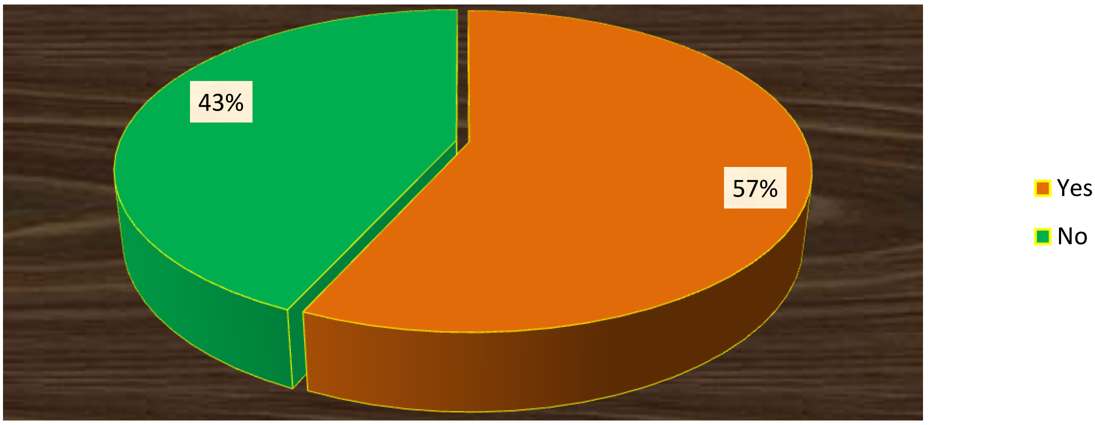
Source: Author, 2013



One of the aims of the study was to find out the reasons which make the respondents to work with the current employer. Figure 4.5 show that majority (41%) them work with their respectful employer because it offers an opportunity for growth while 25% of the respondents indicated that they work them due to good payment and 21% of the respondents indicated it is due to satisfaction with compensation from their respectful employers. The study also revealed that 13% of the respondents were looking for other available opportunities in other sugar factories or agricultural firms. From the study findings this can imply that individual development and growth is of paramount as the firms' financial performance is concerned.

4.3.3 Attempt to quit the organization because of unsatisfactory compensation

Figure 4.5: Quitting From the Organization



Source: Author, 2013

The study sought to determine on the attempt of quitting the sugar factory in question. Most (57%) of the respondents said yes indeed that they have attempted to quit they respectful sugar factory in question while 43% of the respondents said no. From the findings, therefore many employees try to look other opportunities which will bring individual development and growth. The study is in line with the theory of Equity. This theory has been propagated by Adams 1963. He examined how equity is determined, how employees respond to unfair situations, and what leads them to believe that they are being equitably treated, and to therefore be satisfied with their current situation (Carraher and Carraher, 2005). Research (Greenberg et al, 2007) reveals that employees often make equity judgments based on comparisons with others who may be co-workers, or based on other similarities such as the status of their organization. Similarly, Stor et al (1992) hold that perceived job inequity with little input into job-related-decision making is important in determining turnover among employees. This theory suggests that employees evaluate the ratio of their inputs to outcomes for a given job in relation to other employees. Further, Shah (1998), argues that perceived inequities may cause increased absenteeism or turnover. Conversely, Mobley (1892) holds that if employees believe they have pay equity, then pay ceases to be a compelling issue in turnover.

4.4 Selection

4.4.1 Respondents level of agreement with the process of selection

The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

Table 4.3: Level of agreement

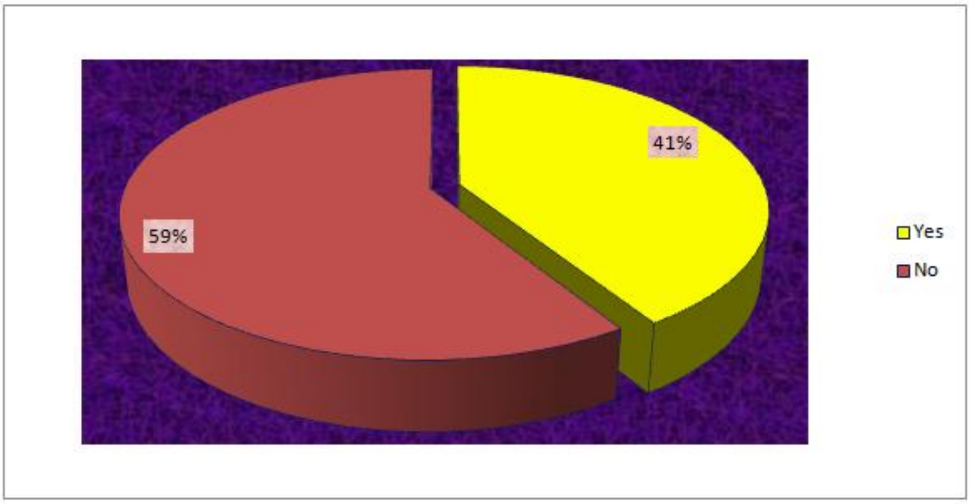
ITEM	X	S.D
I have personal attributes that fit with the job	4.1	.6987
I was recruited through a competitive process	4.4	.9874
I understand my job description	3.8	.7423
I feel my recruitment process adequately Prepared me for my job	4.3	.8746
Staff selection is done fairly in the company	4.4	.9874

Source: Author, 2013

One of the objectives of the study was to determine the level of agreement on the process of selection of the advertising agencies. On the personal attributes that fit with the job of the employee, the respondents agreed as shown by (X=4.1, S.D=.6987), while on selection through a competitive process the respondents also agreed on mean and standard deviation(X=4.4, S.D=.9874), and on recruitment process adequately preparing an individual's job, the respondents agreed on mean and standard deviation(X=4.3, S.D=.8746). It can therefore deduce that most of the employment opportunities offered in the sugar industry is through merit. This study finding is therefore in line withthe following studies; (Becker & H uselid, 1999; Cho, Woods, Jang & Erdem, 2006; H uselid, 1995; MacD uffie, 1995; Milman, 2003; Milman & Ricci, 2004; Pfeffer, 1994; Shaw, Delery, Jenkins & Gupta, 1998; US Department of Labor, 1993) who have conducted to examine the impact of recruitment practices on retention and performance. Anderson and Shackleton (1986) indicate that the quality of new recruits depends upon an organization's recruitment practices, and that the relative effectiveness of the selection phase is inherently dependent upon the calibre of candidates attracted. In his study on the impact of recruitment and promotion practices on retention and performance, Pfeffer (1994) concluded that firms wishing to succeed in today's global environment must make adequate human resource investments and build employees who possess better skills and capabilities than their competitors. The respondents agreed as shown by (X=4.4, S.D=.9874) that staff selection is done fairly in the company.

4.4.2 Satisfaction with the recruitment and selection process

Figure 4.6: Employee satisfaction



Source: Author, 2013

The study found it paramount to determine employee level of satisfaction on the recruitment and selection process on various advertising agencies. From the findings in figure 4.6, it can be deduced that most (59%) of the respondents said no satisfaction to the process of recruitment and selection, while 41% said yes they are satisfied with the recruitment and selection process. From the findings of the study it can therefore indeed concluded that most of the employees in various sugar factories are not satisfied with that criteria used in selection process.

4.5 Performance appraisal

4.5.1 The study determined respondents' performance appraisal

The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

Table 4.4: Performance appraisal

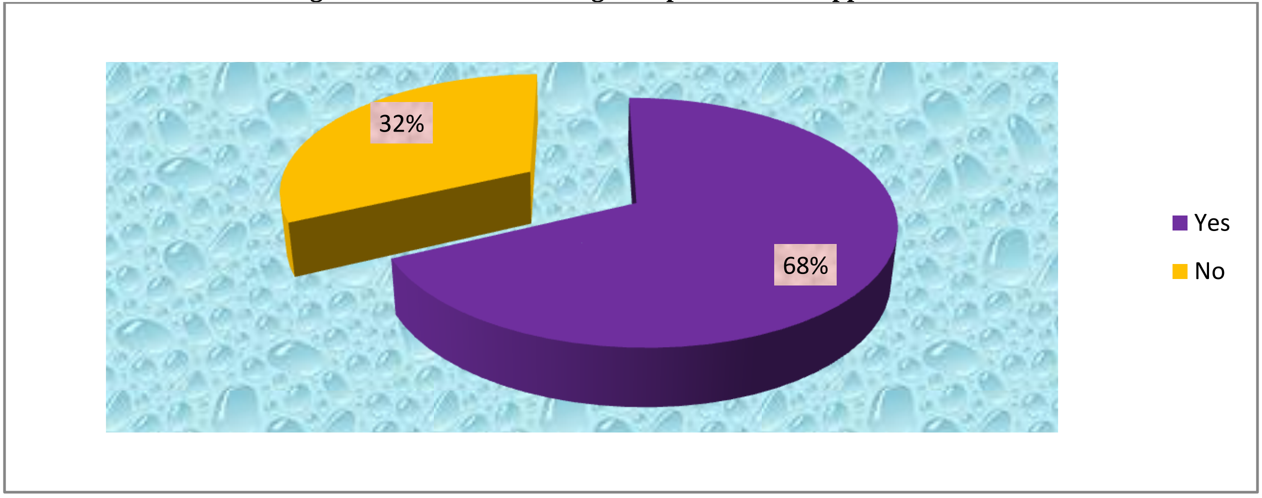
ITEM	X	S.D
I am consistently informed when due for appraisal	2.4	.4579
I have always been appraised as per schedule	2.1	.7894
I feel the appraisal system is fair	3.6	.9451
I feel that my appraisal contributes towards my growth	3.9	.8741

Source: Author, 2013

The researcher found it of importance to determine the respondent's performance appraisal. Tables 4.4 show the study findings. On the appraisal contributing towards growth of an individual, the respondents agreed as shown by (X=3.9, S.D=.8741), while on feeling that the appraisal system is fair also the respondents agreed as shown by (X=3.6, S.D=.9451) and in consistently informed when due for appraisal the respondents disagreed as shown by(X=2.4,S.d=.4579) while on having appraised as per the schedule of the sugar factory the respondents disagreed as shown by (X=2.1, S.D=.7894). Performance appraisal should be done so as to make employee get retained in their current position.

4.5.2 Influence negative performance appraisal system on decision leaving the employer.

Figure 4.7: Influence on negative performance appraisal



Source: Author, 2013

The study sought to determine whether negative performance appraisal system influences on decision leaving the employer. From the study findings in figure 4.7, most (68%) of the respondents said yes that negative performance appraisal indeed affects employee decision leaving the employer while 32% of the respondents said negative performance appraisal has got no influence on decision of leaving the employer. This study is line with Thayer (1987) who suggests that performance appraisal quality variations will generate stro

ng reactions among employees. This means that should employees feel that there is no equity in the performance appraisal, they are likely to leave the organization, and vis versa and also to justice (Adam, 1965) and emotion research (Fugate, Kincki & Prussia 2008) who suggest that negative performance appraisals are more powerful drivers of employee attitudes and behaviors than positive performance appraisals. As such it may be assumed that when an employee experiences a negative and low quality performance appraisal, they will react in a negative way, for example making a decision to quit.

4.6 Job Flexibility

The respondents were requested to indicate whether they are satisfied on a five-point likert scale where 1=strongly disagree to 5=strongly agree.

Table 4.5: Job Flexibility

ITEM	X	S.D
I can come in late or leave early as long as I complete my tasks	2.1	.8471
I am given the opportunity to undertake job rotation	2.3	.9484
My manager gives me the freedom & support I need to do my work	1.8	.7456
My manager will not mind if I work from home	2.3	.6712

Source: Author, 2013

The found it paramount to determine respondents job flexibility. Table 4.5; show the findings of the study. Most of the respondents disagreed that indeed no job flexibility in the sugar industry. The study findings is in line with these researchers (Cunningham, 2002; Pleffer, 2007) who describe the importance of employment flexibility such as scheduling variations that better accommodate individual work times, workloads, responsibilities, and locations around family responsibilities. Further, studies show that job flexibility empowers employees and facilitate a healthier balance between work and personal obligations. (Eyster, et al., 2008; Scheef & Thielfodt, 2004). As such, research (Prenda & Stahl 2001) revealed that employees who have job flexibility options tend to exhibit higher levels of individual commitment, concentration, satisfaction, productivity and loyalty.

4.7 Regression and Correlation Coefficients of Employee retention

Regression analysis was utilized to investigate the relationship between the variables. These included an error term, whereby a dependent variable was expressed as a combination of independent variables. The unknown parameters in the model were estimated, using observed values of the dependent and independent variables (Stoodley, Lewis and Stainton, 1980).

The following model represents the regression equation representing the relationship between financial performance as a linear function of the independent variables (compensation system, performance appraisal, recruitment and selection systems and job flexibility), with έ representing the error term.

Table 4.6 Correlation Coefficients between Independent Variables and the Dependent Variable
Source: Author, 2013

	Compensation system	Performance appraisal	Recruitment and selection systems	Job flexibility	Financial Performance
Compensation system	1				
Performance appraisal	0.851	1			
Recruitment and selection systems	0.753	0.653	1		
Job flexibility	0.754	0.854	0.714	1	
Financial Performance	0.719	0.643	0.862	0.972	1

Yi = α + β1(CS**) + β2(**PA**) + β3(**RSS**) + β4(**JF**)+ έ . When β5=0……Equation 1**
(Equation 1: Regression Equation)
Where; Yi=Financial performance
CS= Compensation system
PA= Performance appraisal
SS= Selection systems
JF= Job flexibility
έ representing the error term

Incorporating the values of the Beta values into equation 1 we have:
Yi = α + 0.719(CS**) + 0.643(**PA**) + 0.862(**RSS**) + 0.972(**JF**) + έ….Equation 2**
(Equation 2: Regression Equation with Beta Values)

The βi's in the above equation represent the estimated parameters.
The correlation matrix in table 4.6 above indicates that compensation system is strongly and positively correlated with employee retention as indicated by a correlation coefficient of 0.719. Further the matrix also indicated that performance appraisal is also positively correlated with employee retention as indicated by a coefficient of 0.643. The correlation matrix further indicates that recruitment and selection system is also strongly and positively correlated with employee retention as indicated by a coefficient of 0.862. Job flexibility showed the highest correlation with employee retention as indicated by a strong correlation coefficient of 0.972.
The correlation matrix in table 4.6 implies that the independent variables: compensation system, performance appraisal, recruitment and selection systems and job flexibility are very crucial in determining employee retention as shown by their strong and positive relationship with the dependent variable i.e. financial performance.

4.8 Regression Model Summary of the Effect of Independent Variable on the Dependent Variable

From the results shown in table 4.7, the model shows a goodness of fit as indicated by the coefficient of determination (R^2) with a value of 0.75545. This implies that the independent variables compensation system, performance appraisal, recruitment and selection systems and job flexibility explain 75.55 percent of the variations of employee retention in the sugar industry in Kenya. The study therefore identifies compensation system, performance appraisal, recruitment and selection systems and job flexibility as critical factors for financial performance in the sugar industry in Kenya. It further reveals that the interaction of the four factors creates an impetus for financial performance and employers should therefore adopt strategies to enhance these four areas.

Table 4.7: Regression Model Summary of the Effect of Independent Variable on the Dependent Variable

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.8566	0.7338	0.7011	0.7638

Predictors: (Constant), compensation system, performance appraisal, recruitment and selection systems and job flexibility.
Source: Author, 2013

4.9 Financial Performance

The study sought to find out the relationship between financial performance of selected agricultural firms and the above explained human resource management practices variables. The construct considered in the study were five year annual growth or decline as a percentage in relation to Return on Earnings (R.O.E) as a financial ratio. The overall financial performance for the past five years was also stated by the respondents and the results are shown in table 4.8 and figure 4.8 below.

Table 4.8Annual growths of selected agricultural firms in the sugar industry.

Constructs considered	**Annual growth or decline as a percentage (%)**						**Overall Annual growth**
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	
Company profits	100%	22	23	23	24	31	24.3 Mean= 4.2

On company profits, respondents indicated that the company realized a suitable return on the invested capital, has been ranked with a relative weight of (24.3) and a mean of (4.2).It means that the managers highly evaluate the achieved revenues. The growth analysis illustrated in table 4.9 show growths of profits, which may be attributed to the significant contribution by effect of positive human resource management practices which experienced tremendous growth during the period. The turnover increased considerably to correspond with the growth in profits but this may not have been across board.

V. Summary, Conclusion And Recommentations

5.1 Introduction

This chapter is a synthesis of the entire study, and contains summary of research findings, exposition of the findings, commensurate with the objectives, conclusions and recommendations based thereon. The main objective of the study was to determine the effect of human resource management practices on the financial performance in the sugar industry in Kenya.

5.2 Summary of Findings

5.2.1 Demographic Information

The study sought to determine the effect of human resource management practices on financial performance in the sugar industry in Kenya. Therefore, the study found it paramount to study demographic information of the respondents. From the findings majority were aged between 31-40 years and most of them are from the male gender.

5.2.2 Compensation System

One of the objective of the study was to find on the influence compensation has on financial performance in the sugar industry. From the study findings most of the respondents disagreed with the system of compensation while on the other hand some of the employees have greatly attempted to move to other sugar factories and most of the respondents are in their work places because it offers an individual growth. Actually this statement concurs with Walsh & Taylor (2007) who argue that although it is important to obtain a good salary and benefits package, whether employees remain with the organization primarily depends on the degree to which their employers respond to their professional growth. This argument implies that those employees most committed to performing challenging work are the ones most likely to remain with their companies and also most of the employees have attempted to quit the organization due to unsatisfactory compensation. The study findings are aligned with scholars (Carter and Van Auken, 1990, 2005; Sturman, 2003), who assert that employers view compensation (both monetary and non-monetary) as a major factor for the retention of good employees. Similarly, other researchers (Barber & Bretz, 2000; Chiu 2001; Lazear, 1998; Milkovich & Newman, 1999; Rynes & Gerhart, 2000; Tang 1998) reveals that money and benefits are some of the forms of compensation used to retain employees in order to achieve organizational goals. Moreover, Mathis &Jackson (2003) posit that most managers believe that money is the prime retention factor and many employees cite better pay or higher compensation as the motivation for leaving one employer for another. Additionally, Williams & Dreher (1992) assert that it is those organizations with high pay levels that retain qualified employees. This school of thought is aligned to research (Armstrong & Murlis, 1994; Judge, 1993) which reveals that high pay influences employee decisions to stay on with an organization. The implication of these arguments is that compensation must be competitive to what other employers are providing, in order to improve financial performance.

5.2.4 Selection

The study sought to determine whether the respondents agree with the selection process. From the study findings most of the respondents agreed on the personal attributes for the work while they were not satisfied with recruitment and selection process. The findings concur with the research (Cable & Judge, 1996; Werbel & Gilliand, 1999) who has concluded that having personal attributes fit with the job contributes towards employee retention. Consequently, a lack of compatibility with the job requirements will often lead to employee departure.

5.2.5 Performance Appraisal

One of the objectives of the study was to determine on whether performance appraisal influences an employee's decision. The study findings indicated that positive performance appraisal is good while negative appraisal makes the respondents to have a decision of leaving the organization. The findings is in line with,(Adam, 1965) and emotion research (Fugate, Kincki & Prussia 2008) who suggest that negative performance appraisals are more powerful drivers of employee attitudes and behaviors than positive performance appraisals. As such it may be assumed that when an employee experiences a negative and low quality performance appraisal, they will react in a negative way, for example making a decision to quit.

5.2.6 Job Flexibility

The study determined employee job flexibility. Study findings indicate that most of the respondents disagreed and managers don't involve the employees concerning their work. The study also revealed that most of the respondents will move to another organisation due to lack of job flexibility. The findings is in line with researchers (Cunningham, 2002; Pleffer, 2007) who describe the importance of employment flexibility such as scheduling variations that better accommodate individual work times, workloads, responsibilities, and locations around family responsibilities. Further, studies show that job flexibility empowers employees and facilitate a healthier balance between work and personal obligations. (Eyster, et al., 2008; Scheef & Thielfodt, 2004). As such, research (Prenda & Stahl 2001) revealed that employees who have job flexibility options tend to exhibit higher levels of individual commitment, concentration, satisfaction, productivity and loyalty.

5.2.7 Financial Performance

The turnover increased considerably to correspond with the growth in profits but this may not have been across board. It is worth noting that despite a favorable growth, the human resource management practices variables contributed immensely to the company Return on Earnings (R.O.E).

5.3Conclusions

From the findings, the study concludes that compensation of the employee's play an important role because it influences employee decisions to stay on with an organization and compensation should competitive to what other employers are providing, thus affecting organizational financial performance.The study findings also conclude that on the selection and recruitment process should be thorough so that acquire the most qualified personnel who suits with the job.

The study further concludes that performance appraisal should have positively driven because negative performance appraisal is one of the powerful drivers of employee attitudes and behaviors than positive performance appraisals to quit the organization.Study concludes that the job flexibility empowers employees and facilitates a healthier balance between work and personal obligations.

5.4 Recommendations

From the findings, the study recommends that the sugar factories should be compensating their employees' it has an influence on decisions. The study also recommends that in order for development and progress, sugar factories should employ basing on merit because those employee who needs individual growth, always work to achieve the dream.

The sugar firms should motivate their employees through performance appraisal because it has an influence on decision-making and employees should be flexible because it empowers employees and facilitate a healthier balance between work and personal obligations.

5.5 Recommendations for further study

The objective of the study was to establish effect of human resource management practices on employee retention in the sugar industry in Kenya, a further study is recommended so that to establish more effects of human resource management practices in other sectors in Kenya. This study will help to lay a comparative ground.

Acknowledgement

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Appendix 1- Questionnaire

Section One: General Information
1. Position of the person filling the questionnaire..
2. Please indicate your highest level of formal education

Certificate ☐ Diploma ☐ University first degree ☐ Post graduate ☐

3. What is your gender?

Female ☐ Male ☐

4. Please indicate your age bracket

21- 30 yrs ☐ 31-40 yrs ☐ 41-50 yrs ☐ More than 51 yrs ☐

5. For how long have you worked in the finance department?

Less than 5 years ☐ 5-10 years ☐ above 10 years ☐

Section Two: Performance Appraisal
In a scale of 1 – 5 indicate your satisfaction in relation to the following?
1=Strongly agree 2=Disagree 3=Don't know 4=Agree 5=Strongly agree

I am consistently informed when due for appraisal	**1**	**2**	**3**	**4**	**5**
I have always been appraised as per schedule	**1**	**2**	**3**	**4**	**5**
I feel the appraisal system is fair	**1**	**2**	**3**	**4**	**5**
I feel that my appraisal contributes towards my growth	**1**	**2**	**3**	**4**	**5**

Does a negative performance appraisal system influence your decision to leave your employer?
YES ☐

NO ☐

Section Three: Job Flexibility
In a scale of 1 – 5 indicate your satisfaction in relation to the following?
1=Strongly agree 2=Disagree 3=Don't know 4=Agree 5=Strongly agree

I can come in late or leave early as long as I complete my tasks	**1**	**2**	**3**	**4**	**5**
I am given the opportunity to Undertake job rotation	**1**	**2**	**3**	**4**	**5**
My manager gives me the freedom & support I need to do my work	**1**	**2**	**3**	**4**	**5**
My manager will not mind if I work from home	**1**	**2**	**3**	**4**	**5**

My manager involves me in decisions concerning my work
True
False ☐

Lack of job flexibility would influence me to move to another organization?
I agree ☐

I disagree ☐

Not sure ☐

Section Four: Selection

The statements below are concerned with the effect of selection and staffing on financial performance. Please tick the one that best describes your opinion. Use the following scale. 1-strongly agree, 2- agree, 3-neutral, 4-disagree and 5- strongly disagree.

Statement	**1**	**2**	**3**	**4**	**5**
All training programmes I have attended are relevant to my job					
I have the opportunity to learn useful skills at the company					
I know how to effectively use the technology and equipment I have.					
The company encourages and promotes internal promotions					
My manager ensures I am given opportunities to develop within the organization					
My manager ensures that I am suitably developed to carry out my current job					
The employees complete the search process by choosing among job offers					
Staff selection is done fairly in the company					

In your own view, how do staff selection and training influence financial performance in your company?
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………

Section Five: Compensation

The statements below are concerned with the effect of compensation on financial performance. Please tick the one that best describes your opinion. Use the following scale. 1-strongly agree, 2- agree, 3- neutral, 4-disagree and 5- strongly disagree.

Statement	**1**	**2**	**3**	**4**	**5**
The gross margin must be sufficient to pay staff and leave some resources over for investments,					
Compensation practices in our firm are fair and reasonable					
The firm has an effective payroll system					
People in this company are rewarded according to their job performance					
I am satisfied with the benefits package this company offers					
The compensation program influenced my decision to work for this company					
I am satisfied with the information I receive on the compensation program					
Less direct forms of compensation such as health care, pensions and other benefits also have an important impact on employees' well-being					

In your own view, how does employee compensation influence financial performance in your company?
…………………………………………………………………………………………………
…………………………………………………………………………………………………
…………………………………………………………………………………………………

Section Six: Financial Performance

Please give the percentage (%) figure relating to the increase or decrease in the parameters in the table **below for the period of five years. For increase or decrease the benchmark is 10%**

Constructs considered	**Annual growth or decline as a percentage (%) age**						**Overall Annual growth**
	2007=100%	**2008**	**2009**	**2010**	**2011**	**2012**	
Return on earnings							

On overall, how would you rate the financial performance of your enterprise for the past 5 years?
Exceptional growth ☐ Satisfactory growth ☐ No growth ☐ Negative Growth ☐