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ROLE OF HUMAN RESOURCE MANAGEMENT PRACTICES ON PERFORMANCE OF MICROFINANCE BANKS IN NAKURU TOWN, KENYA

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Abstract

The present study evaluated the role of strategic human resource management practices on performance of microfinance banks in Nakuru town, Kenya. The specific objectives of the study included examining the effect of succession planning practices and career advancement practices on performance of microfinance banks. The study was conducted across the four microfinance banks with operations in Nakuru town. The study adopted descriptive survey research design. The target population constituted all the 107 employees working with the four MFBs in Nakuru town. Stratified random sampling method was adopted to obtain a sample of 85 respondents from the study population. A structured questionnaire was used to collect data. The questionnaire was first pilot tested before it was used to collect data for the main study. The SPSS was used to facilitate data analysis. Both descriptive and inferential statistics were used in the analysis. The study findings were presented in tables. The study noted that succession planning was important in enhancing performance of MFBs. It was also revealed that when MFBs in Nakuru town enacted better or improved career advancement practices, they were likely to record improved performance. The study concluded that employees were developed in readiness for potential succession and that MFBs identified succession gaps. It was also concluded that by enhancing training and development the performance of the MFBs was likely *to improve. The study recommended that MFBs should not limit themselves to internal recruitment. It is further recommended that MFBs should entrench in their structure paid study leaves.*

Keywords: Microfinance banks, human resource management practices, success planning practices, career advancement practices, organizational performance

INTRODUCTION

The performance of employees in an organization is fundamental to the organizational performance and achievement of that firm's strategic goals. In the same breadth, human resource is asserted to be the most important asset of any organization (Shafi, 2011). In this respect, strategic human resource management practices (HRMP) become a major and crucial pillar to employee performance. Indeed, quite often, employee performance is assessed in the same discourse as job performance. On this premise understanding the genesis of the link between the two sets of themes (strategic HRMP and organizational performance) becomes paramount.

There are six constructs that Wan, Ong and Koh (2002) widely analyzed. These include staffing, training, empowerment, performance appraisal, job design, and performance-based pay. The authors focus was on the effect of these variables on the financial performance of Singaporean firms. Later, Shadzad, Bashir and Ramay (2008) examined the link between compensation, promotion, and performance evaluation on one hand, and employee performance on the other hand among university teachers in Pakistan. It was established that compensation and promotional practices related positively with employee performance which there was a negative correlation between the latter and performance evaluation.

When assessing the impact of stress on job performance amongst private universities in Karachi, Pakistan, it was noted that monetary reward is related to job performance. Inadequate reward is bound to generate stress which in turn would compromise the performance of employees (Ahmed et al 2014). Akin to the findings of Ahmed et al (2014), Adetayo, Ajani and Olabisi (2014) analyzed the implication of job stress on employee performance in Nigeria's tertiary hospitals. The authors noted that career development and work overload were some elements of stress which negated employee performance.Other scholars (Folorunso, Adewale&Abodunde, 2014) have analyzed the organizational commitment in respect to employee performance amongst State-owned tertiary institutions in Nigeria. The authors noted that when a firm is committed its employees are bound to post better performance at the work place. The authors underscored Robbins' (2005) view that organizational commitment has drawn the attention of scholars, policy makers and practitioners in the field of human resource management (HRM) in that it does not only affect performance of employees but also that of the organization.

In Kenya, Wambugu and Ombui (2013) examined the effect of reward strategies on employee performance where they focused on Kabete Technical Training Institute based in Nairobi. Key in the study was how growth opportunities and staff promotion influenced employee performance.The former is linked to career development as explained by training and development while promotion is one of the ways of rewarding employees for their incessant efforts. Recently, Alusa and Kariuki (2015) studied human resource management practices and employee outcome taking a case of Coffee Research Foundation, Kenya. In the study, it is argued that scholars have hitherto failed to arrive at a consensus regarding the meaning of HRM practices.

The banking sector has been in existence since the colonial era. However, where Kenya had yet to achieve self-rule, the country banking sector was dominated by foreigners. These financial institutions were a preserve of urban dwellers since they were located in urban centres. At the time, the sector's performance was significantly low. However, in the recent times there has been remarkable growth in the sector thanks to stiff competition and dynamics brought about by effects of globalization. Majority of financial institutions including microfinance banks are using advanced technology in offering banking services to their customers. Internet banking and mobile banking are some of the crucial transformations witnessed in the sector as a result of introduction of advanced technology (CBK, 2010).

Statement of the Problem

Many financial institutions in Kenya including microfinance banks have been facing challenges bordering on staff redundancy. There are many employees working with these financial institutions who hold the same position, especially in lower levels, for extended duration without being promoted to higher positions. This redundancy has been detrimental to the individual employee performance since there exists a perception that their efforts are not being sufficiently rewarded. Indeed, redundant employees are likely to be downsized (Munjuri, 2011). It is not very clear what are the factors that occasion this redundancy; rather it can only be speculated that such issues as lack of requisite qualifications for higher positions and lack of vacancies in higher echelons in these firms could be some of contributing factors. This problem if and when not addressed, as has been witnessed in several financial institutions, may hamper staff retention efforts. Taking an instance of clerical staff working for years without promotionis likely to encourage them to exit the firm for greener pastures in other firms; financial or otherwise. The foregoing implies that not only is the employee performance likely to be negated but also the performance of the organization. It is on this premise that it was fundamental to assess how various strategic human resource management practices influence employee performance particularly in microfinance banks.

General Objective

To determine the role of strategic human resource management practices on employee performance in microfinance banks in Nakuru town

Specific Objectives

i. To assess the role of succession planning practices in employee performance in microfinance banks in Nakuru town.

ii. To find out the role of career advancement practices in employee performance in microfinance banks in Nakuru town.

Research Hypotheses

H_{01}: Succession planning practices do not play significant role in employee performance in microfinance banks in Nakuru town.

H_{02}: Career advancement practices do not play significant role on employee performance in microfinance banks in Nakuru town.

THEORETICAL FRAMEWORK

The theory of strategic human resource management and theories of performance are reviewed and discussed in context of the present study.

Strategic Human Resource Management Theory

The strategic human resource management (SHRM) theory has several proponents including Becker and Gerhart (1996), Becker and Huselid (1998), and Wright, Dunford and Snell (2001) amongst others. This theory holds that SHRM focuses on the organizational performance rather than the performance of individual employees. In additional, it states that SHRM is concerned with the role played by HR management systems as a solution to business challenges; instead of paying attention to individual human resource management practices (HRMP) in isolation.

Relative to this theory, SHRM model is said to be a relationship between a firm's HR architecture and organizational performance. The HR architecture encapsulates the systems, competencies, practices, and employee performance behaviour that reflect the development and management of the firm's strategic human capital (Becker & Huselid, 2006). It is stated that the SHRM theory has focused on a number of crucial areas relative to the nature of the HR architecture. It puts into perspective a few questions. What is the nature of the appropriate HR system? What are the key mediating variables within the HR architecture? In respect of the foregoing queries, it is posed that the HR architecture is fundamental since it underscores the locus of value creation in SHRM (Wright et al., 2001).

The authors further postulated that albeit the fact that strategic human capital is reflected in the human assets in the firm, it is created and managed through the organizational system reflected in the HR architecture. According to Becker and Huselid (2006), the aspect of HR architecture as a value-creating system raises the question of the right locus of strategic value creation. This is due to the argument that SHRM delves into the HR system, workforce skills and competencies, employee commitment and engagement, and also employee performance. The authors put emphasis on the importance of the HR system as being the most vital strategic asset in an organization.

This is premised on the assertion that it is the source of value creation; it has a potential for greater inimitability based on how it is aligned to the firm's strategy; and it is immobile, unlike human capital. The SHRM theory has, however, been criticized. It is argued that there has been minimal effort to extend the theory in a way that formally integrates the mechanism through which the HR architecture precisely influences organizational performance (Gerhart, 2005). The SHRM theory explains how SHRM practices can be of importance to the performance of microfinance banks.

Performance Theories

There are a number of theories that employed to explain organizational performance. These include goal theory, socio-technical systems theory, and action theory amongst others. According to Mullins (2010), the goal theory has implications for managers. This is premised on the assertion that in order to direct behaviour and also maintain motivation, the management of an organization should identify performance goals against which individual employee and overall organizational performance will be evaluated. The author further observed that in order to upscale performance, goals are supposed to be challenging though realistic.

In the same breadth, it is asserted that in order to ensure that there is high performance feedback ought to be granted in order to evaluate attainment of goals. The goal theory is crucial in the performance of microfinance banks in that it can enable management of these firms to formulate a system that can facilitate enhanced performance. Socio-technical systems theory was advanced by Trist and Bamforth (1951). This theory states that work systems are composed of social and technical subsystems. It is asserted that performance improvement can only follow from the joint optimization of the two subsystems.

The theory holds that there exist a number of job design principles like the compatibility between the design process and its objectives, minimal specifications of tasks, methods, and task allocations, and the control of problems and unforeseen events (Clegg, 2000). It is further pointed out that socio-technical systems theory is more focused on group (organizational) performance as opposed to individual performance. This is albeit the arguments that work situations founded on this theory have implications on individual performance.Another performance theory is the action theory which was proposed by Frese and Zapf (1994). This theory describes performance process, just like any other action, from both a process and structural perspective. The process viewpoint focuses on the sequential aspect of an action while the structural perspective refers to its hierarchical organization.

It is observed that, from process perspective, goal development, information search, planning, execution of the action and its monitoring, and feedback processing are distinct (Hacker, 1998). Performance is said to be dependent on high goals and a good mental model, detailed planning and good feedback processes. Goal theory, socio-technical systems theory, and action theory as part of performance theories are very relevant in contextualizing organizational performance including performance of microfinance banks. Microfinance banks just like any other organizations set out objectives and goals that are supposed to be achieved using the existing systems. At the same time, action theory explains the implementation phase that enables achievement of goals and as such performance is enhanced.

CONCEPTUAL REVIEW

This section reviews empirical studies touching on strategic human resource management practices and organizational performance. In particular studies on succession planning, career advancement, and organizational performance are reviewed and critiqued.

Succession Planning and Performance

It is emphasized that succession planning is vital for ensuring continuity and business prosperity (Brockhaus, 2004). Motwani, Levenburg, Schwarz and Blankson (2006) empirically examined succession planning in small and medium enterprises. The study targeted 368 family owned small and medium size enterprises in the United States. The study noted that the enterprises with less than US$ 1million in revenues placed more emphasis on selecting a successor who had the requisite skills in sales and marketing. The study suggested that regardless of enterprise size, family owned enterprises ought to develop a formal succession plan and more so communicate the identity of the successor in the organization.

A study on integrating leadership development and succession planning best practices was conducted (Grooves, 2007). A group of 30 chief executive officers and human resource managers of 15 best practice organizations were investigated. The study found that integrating leadership development and succession planning systems by utilizing managers of the organizational formed the core for achieving best practice organization. Developing the organization mentor network, establishing a flexible and continuous succession planning process, developing high potential employees through project based learning experiences all when integrated with the leadership in the organization was noted fundamental for best practice organization.

A study by Busisiwe (2011) looked into management succession planning in university schools of nursing in South Africa. The study aimed at establishing whether the institution had succession plans for top positions. The study employed cross-sectional survey design and used questionnaires to collect to obtain data. The findings revealed employees did not receive any formal training before assuming administrative posts. More so, the institution had no formal succession plans in place and those present were inadequate. It was concluded that the leadership in the university ought to initiate succession planning in order to avoid potential leadership crisis in the institution.

Moreover, a study by Obiero (2011) investigated the causes and consequences of employee turnover in financial institutions in Kenya. The study targeted employees that had resigned from the identified bank and bank managers in office during the time of resignation. A review of records in personnel files of separated employees was carried out to identify the causes of resignation. It was discovered major causes for turnover were salaries offered elsewhere, family issues, further studies and problems with bank administration among others. More so, it was discovered that the bank under study had no employee succession plan that would otherwise guide on replacement of staff without necessarily losing productivity.

The study recommended that the bank should have and implement staff succession planning and retention policy in order to identify staffs that are crucial to the organization in to consider retention. It is argued that succession planning is one of the crucial activity of an organization that enable the organization to retain best talent throughout and ensure that the organization has the skills it requires in order to maintain or improve performance (Nassor, 2013). The author examined succession planning among commercial banks in Kenya. The study purposed to determine the nature of succession planning and whether it was planned in advance in commercial banks. The study adopted descriptive research design. Human resource managers and chief executive officers of the 43 commercial banks were targeted. It was noted that board of directors were influential in CEO succession planning. However, succession planning was a one off event done when the chief executive officer was about to exit. As such, lack of continuous succession planning process made it difficult for commercial banks to point out a successor within a year. The study therefore recommended that commercial banks ought to carry ought succession planning continuously in order to ensure that there are ready available talent for selection once vacancies crop up.

Career Advancement Practices and Performance

Most organizations have realized the benefits of training and developing their employees as a result of intensifying industry competition. According to a report by American society on training and development, organizations in the United States spend more than $126 billion annually on employee training and development (Paradise, 2007). Aragon- Aragon-Sanchez,Barba-Aragon and Sanz-Valle (2003)looked into the relationship between training and organizational performance among small and medium sized businesses in the United Kingdom.

The authors ascertained that the various training methods used were on-job training and in-house training. It was further noted that training positively influenced employee effectiveness and profitability of the firms. In yet another study in United Kingdom, it was established that firms with line managers that valued management development programs tended to have a positive relationship between management development and financial performance of the firms (Mabey& Ramirez, 2001). According to Darwish (2013) extensive training was one of the best practices capable of producing employee performance and consequent job performance. Grund (2001) in concurrence found that employee training improved their performance in respect to productivity among the surveyed firms in Germany. Training was not only found to enhance their performance but also contributed to job satisfaction, mastery and pride of their jobs. In the same vein, Barber (2004) noted that on job training led to greater innovation and development of tacit skills among mechanics in Northern India.

Frayne and Geringer (2000) on the other hand ascertained that training enhanced higher self-efficacy and outcome expectancy among 30 sales people in the insurance industry. According to Alipour (2009) it is contended that training and developing human capital is one of the avenues of improving organizational effectiveness. Goldstein and Ford (2002) on the other hand maintain that training effectiveness cause behaviour change which may result to organizational performance. In his study on training effectiveness in Iran, Alipour established that on job training directly affects creativity, aids in achieving organizational goals and improves the quality of work.

Employee training and manpower development is vital to organization performance. Training equips individuals with the requisite skills, knowledge, abilities and competencies needed to fit and perform a certain task (Malaolu&Ogbuabor, 2013). The authors, in their empirical study on training and manpower development, employee productivity and organizational performance in First bank of Nigeria ascertained that indeed training and manpower development conducted through on-job training and external training enhanced organizational performance. It was however recommended that training programmes should be conducted on a continuous basis in order to enhance job efficiency and productivity. A study by Bakare (2012) underlines the essence of employee training and identifies the training methods implemented in organizations. Such methods include the on-the-job training and those implemented outside the organization or a combination of both which include job rotations, apprenticeships, mentoring and online training.

Adesola, Oyenini and Adeyemi (2013) established that indeed employee training among the Nigerian banks was of utmost importance in not only achieving organizational goals but also enhancing quality of service. The study however saw the need for management in the banks to increase budget for staff training for sustained performance. According to Collince (2014) training and development of employees is important in commercial banks in Kenya for not only enhancing organizational performance but also enhancing low employee turnover. Since lack of adequate training is a prerequisite for high employee turnover, the author argues that appropriate training defined by attending seminars, conferences and on job training, would not only enhance employee performance but also retain the excellent employees with the requisite skills and competencies.

Kimando and Njogu (2012) maintain that effective training and development enhances knowledge, skills, behaviour of the people and their performance. In their study on the factors that affect quality of customer service in the Kenyan banking industry, specifically in Post bank, the pair established that indeed training and continuous in-service training was adequately done at the bank which enhanced job satisfaction and job performance.

It is argued that training is much needed in microfinance institutions since a large number of staffs require skills which have to be developed quickly to meet the demands and such cannot be acquired through experience (Sila, 2014). In his study on the relationship between training and performance in Kenya Women Finance Trust (KWFT), it was revealed that all the three variables of training that is, attitude, job satisfaction and service delivery had a positive influence on employee performance at KWFT. The study however recommended that training should be upheld in such institutions but cover wide scope in competence and commitment which also influence organizational performance.

Concept of Organizational Performance

Organizational performance is observed to comprise the actual results of the organization measured against the intended results which are the organizational goals and objectives (Bohlander& Snell, 2007). It is argued that for an organization to perform there must be a shared understanding of what is to be achieved and an approach to ensure that it is achieved (Armstrong, 2008). Kubo (2001) contends that firm performance can be measured through its profitability over the period of its existence. In his study on Japanese firms, the author discovers that firms' profitability is weakly related to the compensation that executives receive.

A study by Koca and Uysal (2009) found that organizational performance was greatly influenced by the human resource practices in Turkish companies. Khan (2010) echoed the above findings when he established that human resource practices significantly influence the performance of oil and gas industry in Pakistan. Organizational performance, especially financial performance has been a subject of study by Al Zahrani and Almazari (2014). Employing questionnaire method in collecting data from selected Saudi Arabia banks, the authors established the impact of affective human resource practices on financial performance of the banks.

It was discovered that Saudi banks financially performed well due to appropriately using affective human resource management practices such as the strategic human resource management, reward management, performance management, and training and development. Quresh, Akbar, Khan, Sheikh et al (2010) on the other hand ascertained that compensation systems, selection and training and employee participation were fundamental in financial performance of banks operating in Pakistan.

An empirical analysis of the leadership styles and organization performance in Nigerian firms revealed that organization performance, especially financial performance can be achieved through the use of visionary, charismatic and transformational leadership in an organization (Durowoju, Abdul-Azeez & Bolarinwa, 2011). In another study, it was intimated that organizational performance in the banking industry in Ghana was linked to the organizational culture (Poku & Ansah, 2013). The authors found that bank performance was positively influenced by organizational culture items such as mission, organizational learning, core values and capability development. The authors therefore underlined the essence of upholding organizational culture in banks in order to steer bank performance amidst competition in the industry.

According to Obiero (2011) the performance of any organization is contingent upon the quality of human capital and organizations should invest and retain their workforce. Githinji (2014) on the other hand intimated that performance of an organization can be adversely affected in the event of high staff turnover. Focusing on security firms in Kenya, the author exhibited that organizational performance, especially financial performance was largely affected by high staff turnover due the loss of skilled workforce, productivity and increased recruitment and training costs.

It is therefore imperative for firms to forge mitigation strategies to manage staff turnover. Similarly, Obiero (2011) noted that financial performance of financial institutions in Kenya was largely affected by loss of quality human capital, increased costs on recruitment and hiring due to high staff turnover.

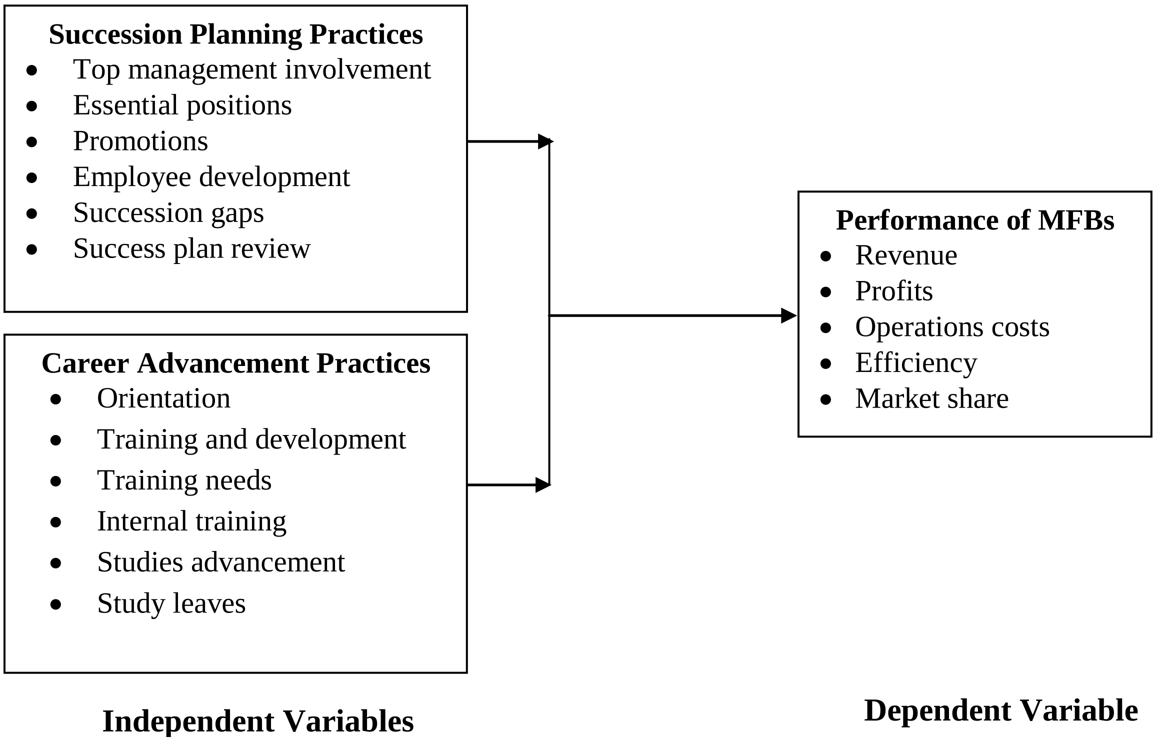
Ochenge and Susan (2014) acknowledge reward schemes in enhancing performance of deposit taking microfinance institutions in Kenya. The pair argues that rewarding good performance in the microfinance institutions has a direct effect on employee performance and thus organizational performance. A study by Katua, Mukulu and Gachunga (2014) also found that bank performance can be improved through the use of employee resourcing strategies that are linked to the overall bank strategy. The author emphasized on getting things right from the start, that is well articulated recruitment and selection, proper and adequate induction, and human resource planning. Arasa and Obonyo (2012) add that company performance is tied to its strategic planning in respect to defining the firm's corporate purpose, identifying the firm's strategic issues, scanning business environment, strategy choice and strategy implementation.

In yet another study, Alice and Esther (2011) claimed that firm performance is dependent on not only human resource practices but also the governance of the firm. While quoting Bebchuk, Cohen and Ferrell (2004), Alice and Esther (2011) indicate that well governed firms have higher firm performance. While analyzing the effect of corporate governance on performance of commercial state corporations in Kenya, Alice and Esther (2011) noted that not only does corporate governance enhance performance of commercial state corporations but also improves the firm's corporate entrepreneurship and competitiveness.

Conceptual Framework

Figure 1 illustrate that the study will be guided by four independent variables, one independent variable and also one intervening variable. Independent variables will include human resource audit, human resource planning, succession planning, training, and career advancement while performance of microfinance banks (MFBs) will be the dependent variable. It is hypothesized that the outlined strategic human resource management practices influence performance of microfinance banks in Nakuru town.

Figure 1. Conceptual Framework



METHODOLOGY

Research Design

Various scholars describe research design as the blueprint of conducting a research study (Kothari, 2008; Mugenda&Mugenda, 2009). There are various designs that could have been adopted but in respect to this study, a descriptive survey research design was adopted. The adoption of this design is premised on the fact that the study was conducted over a specific point in time and involved respondents drawn from various microfinance banks in Nakuru town, Kenya.

Target Population

Target population according to Kothari (2004) describes the population to which the study findings are generalized. In the context of the present study, all the 107 employees working with the four MFBs in Nakuru town were targeted. Targeting all employees was founded on the fact that the study was focusing on organizational performance. It was, therefore, important to examine the views of all employees regarding their institutions' performance in respect of strategic human resource management practices adopted by the entities they worked with.

Sampling Frame

A sampling frame is an exhaustive list of all members of the target population from which the sample is derived. Therefore, as outlined in Table 1, all 107 employees working with MFBs in Nakuru town constituted the sampling frame for the current study.

Table 1: Sampling Frame

Microfinance Banks		Number of Employees
i.	Faulu Microfinance Bank Ltd	37
ii.	Kenya Women Microfinance Bank Ltd	26
iii.	Rafiki Microfinance Bank Ltd	23
iv.	SMEP Microfinance Bank Ltd	21
Total		**107**

Sample Size Determination

The sample was determined due to the relatively large study population (N > 100) as postulated by Kothari (2004). The study employed the Yamane's formula to calculate the sample size as shown.

$$n = \frac{N^2}{1+Ne^2}$$ Where

n = Sample size

N = Population size

e = Precision level (5%)

Substituting these values in the equation, estimated sample size (n) was:

$$n = \frac{107}{1+(107)0.05^2}$$

n = 84.42

n = 85 respondents

The sample size thus constituted 85 employees.

Sampling Technique

Due to the heterogeneity of the four MFBs in Nakuru County particularly in terms of the number of employees working with each firm, stratified random sampling method was adopted. In line with this technique, there were four strata that were equivalent to the four financial institutions participating in the study. The strata were based on the number of employees in each of the four microfinance banks. The choice of this method was further attributed to the fact that it ensured fair and equitable representation of all participating MFBs.

Research Instrument

The study used a structured questionnaire to collect primary data from the sampled respondents. According to Mugenda and Mugenda (2009), questionnaires are the most appropriate instruments of collecting data in survey studies as was the case with the present study. The instrument was structured in that it contained questions that were in tandem with the background information and study variables; both independent and dependent. All the questions were close-ended and those relative to the study variables were on a five-point Likert scale.

Pilot Testing

It is always advisable to determine both the validity and reliability of the research instrument. This is achieved through pilot testing of the instrument on related target population. In line with this, the pilot study was conducted amongst a few employees who were randomly selected from the MFBs in Naivasha town. The data collected during the pilot study were subjected to both validity and reliability tests.

Validity Testing

Validity is said to be the threshold which is attained once an instrument is able to measure what it purports to measure. As such, a valid instrument is the one that measures what it is intended to measure. The content validity of the research instrument was determined by consulting the assigned university supervisor.

Reliability Testing

Reliability is a measure of consistency of the research instrument when subjected to related but different target populations. Given that external reliability is beyond the control of the researcher, the study determined the internal reliability on the research instrument. There are various methods of testing an instrument's reliability, however, the Cronbach alpha was employed due to the fact it is the most widely used and recommended method of testing reliability (Kimberlin&Winterstein, 2008). The reliability threshold was alpha equal to or greater than 0.7. The results of the reliability test using the Cronbach alpha coefficient are as indicated in Table 2.

Table 2: Results of Reliability Test

Study Construct	Number of Test Items	Cronbach alpha
Succession planning practices	6	0.840
Career advancement practices	6	0.703
Organizational performance	5	0.811

Data Collection Procedure

Requisite consents was sought from the relevant authorities. These include Jomo Kenyatta University of Agriculture and Technology and the management of each of the MFBs whose employees will be participating in the study. The questionnaires will be administered on the sampled respondents through the respective managers. The filled questionnaires were collected after a period which will mutually be agreed upon by both the research and the respondents.

Data Analysis and Presentation

The questionnaires collected were assessed to determine the accuracy and completeness in how they were filled. This was important in order to reduce the number of outliers and as such enhance the reliability of the data collected. The fewer the outliers the more precise the data collected and resultant findings were. Therefore, it was imperative to ensure that the number of outliers were as few as possible. The Statistical Package for Social Sciences (SPSS) tool was used to facilitate data analysis. Descriptive statistics were in form of measures of distribution (frequencies and percentages), central tendencies (means), and variation (standard deviation). Inferential statistics captured Spearman rank correlation and multiple regression. The following multiple regression function was adopted.

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon}$$

Where:

Y	=	Organizational Performance
β_0	=	Constant
X_1	=	Succession Planning Practices
X_2	=	Career Advancement Practices
ε	=	Error Margin
β_1, β_2	=	Regression Coefficients

The model held the assumption that there were other factors besides human resource management practices that influenced organizational performance. It was also assumed that each of the predictor variables influenced the dependent variable. The model further assumed that the model did not suffer from multicollinearity problems. In addition, the model held the assumption that the margin of error did not compromise the results of the model.

FINDINGS AND DISCUSSIONS

Response Rate

Response rate refers to the proportion of the filled questionnaires that are returned against the total number of questionnaires administered on the sampled respondents. The higher the response rate, the greater the accuracy of survey results and the lower the sampling bias. According to Altman and Bland (2007), a high response rate is more preferred. In this study, the researcher issued 85 questionnaires to all sampled respondents. However, after collecting the filled questionnaires, it was found that there were 72 that had been filled accordingly. This translated to 84.7% response rate. The response rate was considered significantly high and adequate for a survey study.

Descriptive Analysis

The study analyzed various issues in respect to strategic human resource practices and organizational performance of microfinance banks from the viewpoint of employees working with the aforementioned financial institutions. The analysis particularly centred on human resource audit practices, human resource planning practices, succession planning practices, career advancement practices, and organizational performance.

Descriptive Analysis for Succession Planning Practices

The study examined the views of the sampled employees in regard to succession planning practices in their microfinance banks. The descriptive results to this effect are presented in Table 3.

Table 3: Descriptive Statistics for Succession Planning Practices

	n	SA	A	N	D	SD	Mean	Std. Dev.
The top management is involved in succession planning in our MFB.	72	16	22	16	14	4	3.44	1.197
Essential positions are identified during succession planning.	72	28	20	2	16	6	3.67	1.404
Promotions are part of succession planning in our MFB.	72	32	16	8	16	0	3.89	1.205
Employees are developed in readiness for potential succession.	72	18	12	14	18	10	3.14	1.407
Our MFB identifies succession gaps.	72	12	10	18	18	14	2.83	1.353
The success plan is reviewed from time to time.	72	18	22	8	14	10	3.33	1.404

It was revealed that the sampled employees generally agreed that essential positions were identified during succession planning (mean = 3.67; std dev = 1.404), and also that promotions were part of succession planning in MFBs. (mean = 3.89; std dev = 1.205). All other issues in respect to succession planning practices in MFBs drew mixed reactions from the sampled employees. There are those who agreed while others disagreed with the assertions on the said issues. As such, the employees, in general, were not sure whether or not the top management was involved in succession planning in MFBs (mean = 3.44; std dev = 1.197); employees were developed in readiness for potential succession (mean = 3.14; std dev = 1.407); and MFBs identified succession gaps (mean = 2.83; std dev = 1.353). In addition, the respondents were not certain if success plan was reviewed from time to time or not (mean = 3.33; std dev = 1.404).

The study noted that it was not clear whether or not MFBs developed their employees in readiness for potential succession. This was a departure from assertions made in a study by Grooves (2007). This author had observed that as part of succession planning, developing high potential employees through project based learning experiences was fundamental for in an organization exhibiting best practices. Moreover, the present study found that respondents held divergent opinions in respect to MFBs in Nakuru town reviewing succession plan from time to time. This supported earlier findings by Busisiwe (2011) where it had been observed that the institutions being studied lacked formal succession plans regardless of imminent leadership crisis.

Descriptive Analysis for Career Advancement Practices

The study analyzed the perceptions of employees working with MFBs in Nakuru town on issues related to career advancement practices. The results to this effect are as indicated in Table 4.

Table 4: Descriptive Statistics for Career Advancement Practices

	n	SA	A	N	D	SD	Mean	Std. Dev.
Once recruited, all new employees are oriented on firm operations	72	28	32	4	8	0	4.11	.943
All staff are supposed to undergo training and development	72	28	40	2	2	0	4.31	.664
Our firm identifies training needs of employees	72	24	36	10	2	0	4.14	.756
Employees are trained internally	72	22	38	12	0	0	4.14	.678
Employees are encouraged to advance their studies	72	12	34	14	4	6	3.61	1.095
Employees are given study leaves	72	8	18	14	16	16	2.81	1.339

The study as shown in Table 4 observed that respondents concurred that once recruited, all new employees were oriented on firm operations (mean = 4.11; std dev = 0.943); all staff were supposed to undergo training and development (mean = 4.31; std dev = 0.664); and that MFBs identified training needs of employees (mean = 4.14; std dev = 0.756). Moreover, the respondents were found to agree that employees were trained internally (mean = 4.14; std dev = 0.678); and that such employees were encouraged to advance their studies (mean = 3.61; std dev = 1.095). the study further observed that there some employees who admitted that their MFBs granted them study leaves while others disputed that they were given any such privilege by their employers (mean = 2.81; std dev = 1.339).

This study found that employees working with MFBs were trained internally. These results supported earlier findings by Aragon-Sanchez et al (2003) that, various training methods used by small-sized businesses were on-job training and in-house training. The findings further agreed with the observations made by Bakare (2012) that some of the important training methods in organizations include on-the-job training. The present study noted that all employees were required to undergo training and development. This was in support of an earlier study conducted by Sila (2014) among microfinance institutions in Kenya. The study had observed that training is much needed in microfinance institutions since a large number of staffs require skills which have to be developed quickly to meet the demands and such cannot be acquired through experience.

Descriptive Analysis for Organizational Performance

Lastly, the study examined how the employees working with MFBs in Nakuru town viewed various issues touching on the performance of their organizations. The findings to this respect are as shown in Table 5.

Table 5: Descriptive Statistics for Organizational Performance

	n	SA	A	N	D	SD	Mean	Std. Dev.
The revenue of our firms has been on an incremental trend	72	20	14	8	24	6	3.25	1.392
Profits have been rising over the years in our MFB	72	14	32	10	12	4	3.58	1.123
Costs of operations have been reducing in the past few years	72	12	14	26	12	8	3.14	1.214
Our MFB is currently more efficient than it was last year	72	16	24	24	4	4	3.61	1.069
Our MFB has enjoys a significant market share in the microfinance sector	72	28	34	4	6	0	4.17	.872

The respondents were found to generally admit that MFBs in Nakuru town had enjoyed a significant market share in the microfinance sector (mean 4.17; std dev = 0.872). It was also concurred that MFBs were more efficient than they were the previous year (mean = 3.61; std dev = 1.069); and also that profits had been rising over the years in MFBs in Nakuru town (mean = 3.58; std dev = 1.123). It was, nevertheless, not clear whether or not the revenue of MFBs had been on an incremental trend (mean = 3.25; std dev = 1.392); and if costs of operations had been reducing in the past few years (mean = 3.14; std dev = 1.214).

Inferential Analysis

The study sought to understand the correlation between strategic human resource management practices and organizational performance in microfinance banks in Nakuru town. In addition, the study examined the role of the aforementioned practices on performance of MFBs.

Correlation between Strategic Human Resource Management Practices and Organizational Performance

This section outlines the results and discussions of correlations analyses conducted on strategic human resource management practices (HR audit practices, HR planning practices, succession planning practices, and career advancement practices) and performance of MFBs. The results to this effect are presented in correlation matrix table (Table 6). As shown, the study established the existence of a positive, moderately strong and significant relationship between succession planning practices and organizational performance ($r = 0.408$; $p < 0.05$). According to the findings, in the event that MFBs more effectively managed succession of their employees, their performance was likely to improve. The foregoing findings tally with earlier observations made in a study conducted by Nassor (2013).

The study had found that succession planning is one of the crucial activity of an organization that enable the organization to retain best talent throughout and ensure that the organization has the skills it requires in order to maintain or improve performance. Lastly, correlation analysis indicated that there existed a positive, moderately strong and significant relationship between career advancement practices and organizational performance ($p = 0.467$; $p < 0.05$). The results meant when MFBs promoted career advancement practices, they were likely to record improved performance. The foregoing findings mirrored earlier observations made by Aragon-Sanchez et al (2003) that, training (which is part of career advancement practices) positively influenced employee effectiveness and profitability of the firms.

Table 6: Correlation Matrix

			SP	CA	OP
Spearman's rho	**Succession Planning Practices**	Correlation Coefficient	1.000		
		Sig. (2-tailed)	.		
	Career Advancement Practices	Correlation Coefficient	.441**	1.000	
		Sig. (2-tailed)	.000	.	
	Organizational Performance	Correlation Coefficient	.467**	.408**	1.000
		Sig. (2-tailed)	.000	.000	.
		n	72	72	72

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

Influence of Strategic Human Resource Management Practices on Organizational Performance

The role of strategic human resource management practices on performance of microfinance institutions in Nakuru town was examined. In order to understand exactly the extent to which HR audit practices, HR planning practices, succession planning practices and career advancement practices influenced performance of the aforementioned financial institutions, regression analysis was conducted. First, the study examined the relationship between all human resource management practices combined and organizational performance. The results to this effect are as shown in Table 7. Results of the coefficient of determination (R^2) illustrated the extent to which the mentioned practices influence organizational performance.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.535[a]	.286	.243	.72274

a. Predictors: (Constant), Succession Planning Practices, Career Advancement Practices

The study as shown in Table 7 revealed that there existed a positive and moderately strong relationship between strategic human resource management practices studied and performance of MFBs in Nakuru town (R = 0.535). More so, the study observed that 28.6% of the performance of MFBs could have been attributed to the studied practices, that is, HR audit practices, HR planning practices, succession planning practices and career advancement practices.

Table 8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.022	4	3.506	6.711	.000[a]
	Residual	34.998	67	.522		
	Total	49.020	71			

a. Predictors: (Constant), Succession Planning Practices, Career Advancement Practices

b. Dependent Variable: Organizational Performance

The results of analysis of variance shown in Table 8 indicated that the relationship between strategic human resource management practices and organizational performance as shown in Table 7, was significant at 0.05 margin of error ($F = 6.711$; $p < 0.05$). The results indicated in Table 9 shows the influence of the aforementioned strategic human resource management practices on performance of MFBs in Nakuru town.

Table 9: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.881	.712		2.640	.010
Succession planning Practices	.261	.111	.299	2.349	.022
Career advancement Practices	.285	.186	.217	1.531	.130

a. Dependent Variable: Organizational Performance

The results shown in Table 9 were interpreted using the following multiple regression model.

$Y= \beta_0 + \beta_1X_1+ \beta_2X_2+ \varepsilon$

The above model led to the following substitution.

$Y= 1.881+ 0.261X_1+ 0.285X_2$

The results of the regression analysis indicated that in order for performance of MFBs to be increased by a single unit, it was imperative for succession planning practices and career advancement practices to be increased by 0.261 unit and 0.285 unit, respectively. However, other factors as reflected by 1.881 were supposed to be held constant. According to these findings, it was clearly observed that career advancement practices played the most important role in enhancing performance of microfinance banks in Nakuru town.

The fact that human resource planning practices were observed to influence performance of MFBs, this was in concurrent with the findings made in a study by Maina and Kwasira (2015). The latter study had noted that there is need for Kenyan banks to develop and document strategies for human resource planning in the bid to enhance employee and organizational performance. The study revealed that succession planning practices were important in regard to performance of microfinance banks in Nakuru town. The findings supported past findings where it was noted that though banking institutions lacked employee succession plan, such a plan would be crucial in ensuring that a firm does not lose productivity, hence performance, when staff are replaced.

The present study indicated that career advancement practices positively influenced performance of microfinance banks. These results tallied with the findings made in a study conducted by Darwish (2013). The latter study had noted that extensive training was one of the best practices capable of producing employee performance and consequent job performance. Another study carried out by Alipour (2009) produced similar results where it found that training and developing human capital is one of the avenues of improving organizational effectiveness. Moreover, a study on training and manpower development conducted in the First Bank of Nigeria revealed similar observations. The study revealed that training and manpower development conducted through on-job training and external training enhanced organizational performance (Malaolu&Ogbuabor, 2013).

Hypotheses Testing

The null hypotheses were tested at 0.05 margin of error (p-value). This implied that any results that indicated p-value less than 0.05 ($p < 0.05$) led to the rejection of the null hypothesis while any p-value greater than 0.05 ($p > 0.05$) led to failure to reject the null hypothesis.

First Null Hypothesis

i. **H_{01}:** Succession planning practices do not play significant role in employee performance in microfinance banks in Nakuru town.
ii. **H_A:** Succession planning practices play significant role in employee performance in microfinance banks in Nakuru town.
iii. T-statistic test results ($t = 2.349$; $p < 0.05$)
iv. The margin of error (p-value) was found to be less than 0.05
v. The null hypothesis was, therefore, rejected.

Second Null Hypothesis

i. **H_{02}:** Career advancement practices do not play significant role in employee performance in microfinance banks in Nakuru town.
ii. **H_A:** Career advancement practices play significant role in employee performance in microfinance banks in Nakuru town.
iii. T-statistic test results ($t = 1.531$; $p > 0.05$)
iv. The margin of error (p-value) was found to be greater than 0.05
v. The null hypothesis, therefore, failed to be rejected.

SUMMARY

It was revealed that essential positions were identified during succession planning, and also that promotions were part of succession planning in MFBs. It was not certain whether or not the top management was involved in succession planning in MFBs; employees were developed in readiness for potential succession; and MFBs identified succession gaps. In addition, the respondents were not certain if succession plan was reviewed from time to time or not. The study further observed that succession planning was important in enhancing performance of MFBs.

It was established that all new employees were oriented on issues to do with firm operations. In addition, all staff were supposed to undergo training and development after the MFBs had identified their training needs. Moreover, it was noted that employees were trained internally. It was further observed that employees were encouraged to advance their studies. It was noted that not all employees were given study leaves. The study further revealed that when MFBs in Nakuru town enacted better or improved training and development practices, they were likely to record improved performance.

The study found that MFBs in Nakuru town had enjoyed a significant market share in the microfinance sector and were more efficient than they were the previous year it was also revealed that profits had been rising over the years in MFBs in Nakuru town Nevertheless, it was not clear whether or not the revenue of MFBs had been on an incremental trend, and if costs of operations had been reducing in the past few years or not. The study also noted that the performance of MFBs in Nakuru town could have, to a significant extent, been attributed to the strategic human resource management practices. It was further revealed that training and development practices played the most important role while recruitment and selection practices played the least important role in enhancing performance of microfinance banks in Nakuru town in Kenya.

CONCLUSIONS

The study concluded that essential positions were identified during succession planning. It was further deduced that promotions were part of succession planning in MFBs. It was also concluded that it was not certain whether or not the top management was involved in succession planning in MFBs. The study further inferred that employees were developed in readiness for potential succession and that MFBs identified succession gaps.

In respect to career advancement practices, the study concluded that microfinance banks in Nakuru town conducted relevant orientation for new employees in order for them to have a better understanding of the institutions' operations. It was also concluded that all employees were required to undergo training and development, but this was after their training needs were duly identified. Training of employees was inferred that it was carried out internally. The study also concluded that even though employees working with MFBs were encouraged to advance their studies, rarely were they granted study leaves. This implied that they had to find time in-between their tight schedule to advance their studies. It was also inferred that by enhancing training and development the performance of the MFBs was likely to improve.

RECOMMENDATIONS

The study recommended that essential positions should be identified during succession planning in order to determine how they are supposed to be filled. Promotions should be part and parcel of succession planning among financial institutions. All levels of management in the banking sector should be involved in succession planning.

The study advised the microfinance banks to continue encouraging their workforce to advance both their academic and professional growth. It is further recommended that, these financial institutions should entrench in their structure paid study leaves especially for the employees based in far-flung branches in which case it is relatively difficult to access institutions of higher education. The study also recommended that microfinance banks should continue organizing seminars, workshops and conferences among other feasible avenues though which the members of staff could be trained and developed.

LIMITATIONS OF THE STUDY

The study encountered some challenges particularly during data collection. The researcher found it hard to convince some skeptical respondents to participate in the study. To counter this challenge, all the respondents were assured that their identity was not to be disclosed. They were also assured that their participation was in the full knowledge of the management and as such were not likely to be victimized. The microfinance banks in Nakuru town were quite few. In this regard, all the employees working with these financial institutions were targeted.

SUGGESTIONS FOR FURTHER STUDIES

The study suggested that it would be important to examine the implication of strategic human resource practices on employee performance. The same subject can be examined, but in the context of firms in other sectors such as education, agriculture, and production. It would also be advisable to carry out a comparative study of the influence of both internal and external recruitment on organizational performance. The study further recommends a study on the effect of training and development on employee performance with the aim of determining between training and development, the facet that has the greater impact of the said performance. The study also suggest further research on the importance of various reward schemes on the performance of individual employees and the overall organization.

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