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INFLUENCE OF STAFFING PRACTICE ON INNOVATION PERFORMANCE OF DTS IN KENYA

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KARLO

Abstract

Purpose: The purpose of the study was to examine the influence of staffing practice on Innovation Performance of DTS in Kenya.

Methodology: This study adopted a descriptive survey design. The sampling frame of this study was derived from the database of the SASRA. Multistage sampling was used to select the sample of the study. The population of the study was the 181 DTS's operating in Kenya while the target population was 18 DTS's. The respondents were individual management staff. A questionnaire was used to gather primary data. Secondary data was collected through review of published literature such as journals articles, published theses and textbooks. Information was sorted, coded and input into the statistical package for social sciences (SPSS) version 21.0 for production of graphs, tables, descriptive statistics and inferential statistics.

Results: The study found out that staffing practices and innovation performance was positively and significantly related (r=0.402, p=0.000).

Unique Contribution to Theory, Practice and Policy: The study recommended for DTSs to come up with the process of identifying relevant qualities that are required of existing and potential applicants that will enable an appropriate match to occur between person and job. This should include such practices as those organizational practices that relate to the attraction, selection, training, assessment, and rewarding of employees.

Keywords: *Staffing practice, Innovation Performance, DTS.*

1.0 INTRODUCTION

1.1 Background of the Study

The world is moving quickly from a production-based economy to an innovation-based economy (Huang, Yi-Chun & Wu 2010). Knowledge storage and application are the basis of economic growth and accumulated capital (Hsu & Fang, 2010). Crossan & Marina Apaydin (2010) define innovation as production or adoption, assimilation, and exploitation of a value-added novelty in economic and social spheres; renewal and enlargement of products, services, and markets.

Human resource management (HRM) practices have been defined in several aspects. Schuler and Jackson (2002) define HRM practices as a system that attracts, develops, motivate, and retains employees to ensure the effective implementation and the survival of the organization and its members. Besides, HRM practices is also conceptualized as a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital contribute to the achievement of its business objectives (Delery & Doty, 2004).

Sanidas (2005) examined the links between SMEs, organizational innovations (OIs), and economic growth across OECD countries with particular reference to Japan and the USA. The study in these two countries revealed that the American economic survival and Japanese protracted economic downturn can be related to the existence of organizational innovation. The relative importance of SMEs in the two countries was only a contingent factor necessary but not sufficient for economic growth.

Many developing countries are recognizing innovation as a major source of modern productivity growth and presently constitute a central process of economic advancement.

In the context of Somalia, telecommunication industry has been considered as one of the

most important industry in Somalia's economy. The industry has full contribution in terms of technological innovation, unemployment reduction, and acting as a source of public contribution to the society. Every telecommunication company attempts to popularize its services, renew its products, and make innovations in order to became well known and gain the major part of the market.

As contended by Küpper, (2001), service innovation strategy has been aimed at highlighting any procedures and strategies in improving and enhancing business in terms of new services or patterns of service. Many telecommunication organizations in Mogadishu brought new services to the market by enhancing their business performance, growth, and innovation strategies to succeed their competitors. However, the focus on Innovation Performance particularly in developing countries is a relatively recent phenomenon.

Kenya has managed to achieve a higher level of competitiveness when compared to other African countries. In the Global Competitiveness Index, Kenya ranked 94 in 2006, one place down from its previous rank of 93 in 2006 (Porter et al, 2006). The country's competitiveness seems to expand into the micro-economic area, displaying a rank of 68 for 2006 in the Business Competitive Index, five places up from rank 73 that Kenya occupied in 2005 (Porter et al, 2006). Kenya's technological achievements are far from being realized and it is ranked at 68 out of a total of 72. Not only has the country not managed to branch out into newer technological areas, it has also not managed to diffuse old technology to large parts of its population, reducing with this the potential benefits that country nationals could derive from it (UNDP, 2008).

The SACCO movement in Kenya is reputed as the largest in Africa and among the top 10 globally (Wanyama, 2009). It has over KES 500 Billion in assets and a savings portfolio estimated at KES 378 Billion, the SACCO movement in Kenya constitutes a significant proportion of about 20% of the country's savings. SACCOs have thus become vital components of Kenya's economy and social development.

1.2 Statement of the Problem

In the Kenya Vision 2030, Kenya aims at raising savings and investment rates from 17% to 30% and reducing the share of population without access to finance from 85% to 70%. Ahmed and Shepherd, (2010) noted that countries like USA, Japan and some European that continuously innovate contribute significantly to economic growth. Sacco's plays a critical role in the transformation of economy through mobilization of required savings and offering credit facilities. As part of Kenya Government reform process in the financial sector, SACCO Societies Regulatory Authority (SASRA) was established in 2008 with dual objectives of protecting the interests of Deposit taking Sacco's (DTS) members, ensuring public confidence in the public towards the Sacco sector and spurring Kenya's economic growth through the mobilization of domestic savings. However, despite of the increased regulatory reforms undertaken in the Sacco sub - sector in Kenya, performance of DTS' is still poor.

SASRA statistics show that between 2014 and 2016, the regulator revoked operating licenses of 43 Deposit Taking Sacco's due to severely undercapitalization, inability to meet members and third parties obligations leading to unsustainably high external borrowing (SASRA 2015; 2016). CBK in a survey conducted in 2013 and 2014 found out that in spite of Sacco's wide geographical spread in the country, DTS's lost 12% and 17% respectively of their market share to other financial service providers. This implies that DTS's are threatened for survival as a competitive enterprise.

Nyaga (2014) avers that many DTS's are undercapitalized due to their low level of innovativeness. Cheruiyot (2012) found out that in order to gain competitive edge, increase capital, enhance efficiency and meet increasing demand of relatively cheaper loans by the members, DTS's must embrace innovation; introduce new products and services, adopts new technology, improve business processes and increase operational efficiency . Human Resource (HR) is the most important asset for any organization as source of achieving competitive advantage. The previous innovation literature has been characterized by relatively scant attention being paid to HRM practices and how they influence innovation performance (Laursen and Foss, 2011). Most of the empirically-based literature since the mid-2000s has focused on the effects of complementary HRM practices, rather than the effect of individual HRM practices (Ennen and Richter, 2010).

Notably still, most of the literature reviewed linking HRM practices to innovation performance are drawn from developed countries context like the USA, Europe and Japan and the studies cannot be generalized to Kenya. Although there are other HRM practices that influence innovation performance, this study will focus on staffing practice This study therefore seeks to establish the influence of staffing practice on innovation performance of DTS's in Kenya.

1.3 Objective of the Study

The objective of the study was to examine the influence of staffing practice on Innovation Performance of DTS in Kenya.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Resource Based View Theory

Porter's (1985) observes that there source-based theory has been an important step in human resource management, since it has provided a new point of view to explain a firm's success. According to the focus on resources, a firm's success is due to joint resources and capabilities which an enterprise owns and makes it different from its competitors. Among such resources and capabilities are the human resources and the crucial attributes of knowledge, skill, know-how and talent. These resources and capabilities may constitute a source of competitive advantage. From this point of view, the HRM practices in an organization are geared towards strengthening those significant capabilities and knowledge.

Wright and McMahan (2011) observed that if resources are strategic for the firm, it implies that they are scarce, valuable, specific or difficult to transfer. This is possible if the firm implements HRM practices such as recruitment of essential employees, compensating them conveniently, training them to do a better job or to develop new capabilities and motivate them through incentives .Consequently, the HRM practices are likely to affect the competitive advantage. Wright and McMahan (2011) showed the relation between strategy, HRM practices and human resource capital pool. Mueller (2008) commented on the strategic utilization of human resources. Lado and Wilson (2009) studied human resources as source of competitive advantage in an organization.

In this way, the resource-based view of the firm is giving a new perspective to human resource management. The firm creates and implements new measures in areas such as recruitment and selection, training and career development, compensation among others. On training and career development, an enterprise will usually train its employees in order to increase productivity. For this reason, an enterprise will only train employees in those abilities and skills that are crucial to making tasks better and faster (Grant, 2014). On compensation, the focus is compensating individual performance and the value created by an employee.

There source-based theory has thus made it possible to mark the importance of human resources for an enterprise because it is able to create competitive advantages. Consequently, human resource management is developing and implementing HRM practices which motivate employees, increase their abilities and develop new capabilities.

2.2 Empirical Review

According to Myloni (2004), staffing primarily aims at attracting maximum number of highly talented applicants and selecting the best in order to achieve competitiveness in the firm. The process entails concerted efforts by management to ensure implementation enduring success of organizational goals. Effective selection system based on modern and need-based tests is essential to affect desirable selection. However, considerable resources are needed to ensure the effectiveness of these selection tests.

A major issue in the staffing of staff has been concerned with the process of identifying relevant qualities that are required of existing and potential applicants that will enable an appropriate match to occur between person and job.

The tool traditionally used to identify these qualities has been job analysis. Job analysis can be categorized into task oriented and person oriented methodologies. Task oriented methodologies

generate a list of the activities that are required of the jobholder as derived from research of the job.

Recent developments such as flexibility, teamwork, and multi-skilling also limit the usefulness of such task-oriented approaches. Under the circumstances prevailing on the relationship between selection/staffing and Innovation performance, it is worth establishing the influence of such HRM practices on Innovation performance in Kenya.

Organizational practices related to the sourcing, deployment, and upgrading of human capital have been identified in various literatures as influencing Innovation performance at the level of firms, and regional or national Innovation performance. These practices are important constituent components of "innovation" or "dynamic capabilities" (Teece, 2007).

A significant part of such practices are those organizational practices that relate to the attraction, selection, training, assessment, and rewarding of employees. They also include organizational practices that may not conventionally be seen as HRM, such as quality circles, extensive delegation of decision rights, management information systems, and formal and informal communication practices in the firm.

3.0 RESEARCH METHODOLOGY

This study adopted a descriptive survey design. The sampling frame of this study was derived from the database of the SASRA. Multistage sampling was used to select the sample of the study. The population of the study was the 181 DTS's operating in Kenya while the target population was 18 DTS's. The respondents were individual management staff. A questionnaire was used to gather primary data. Secondary data was collected through review of published literature such as journals articles, published theses and textbooks. Information was sorted, coded and input into the statistical package for social sciences (SPSS) version 21.0 for production of graphs, tables, descriptive statistics and inferential statistics.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

The number of questionnaires that were administered was 308 and a total of 296 questionnaires were properly filled and returned where as some of the respondents returned the questionnaires half-filled others refused to return them completely despite a lot of follow up. The response rate result is shown in Table 1.

Table 1: Response Rate

Response	Frequency	Percent
Returned	296	96.10%
Unreturned	12	3.90%
Total	**308**	**100%**

The response rate was 96.10% as shown on Table 1 This represented an overall success according to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of above 50% is adequate for a descriptive study. Cooper and Schindler (2003) also argues that a response rate exceeding 30% of the total sample size provides enough data that can be used to generalize the characteristics of a study problem as expressed by the opinions of few

respondents in the target population Based on these assertions the response rate of , 96.10% was adequate for the study.

4.2 Demographic Characteristics

This section consists of information that describes basic characteristics such as gender of the respondent, age, level of education job position and number of years worked.

4.2.1Gender of the respondents

The respondents were asked to indicate their gender. Figure 1 shows the results.

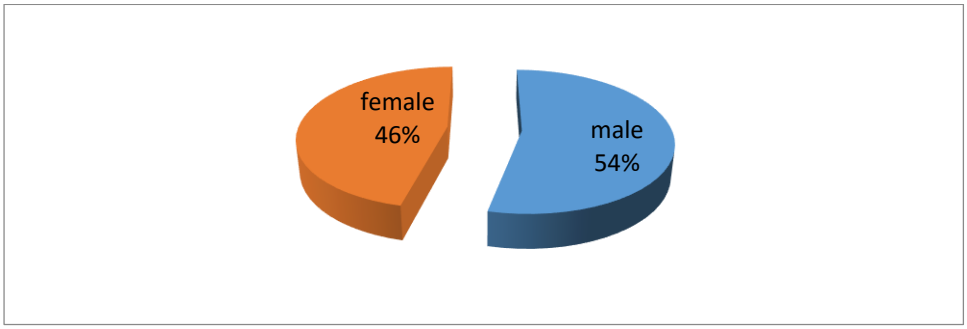

Figure 1: Gender of the respondents

Results in figure 1 show that 54% of the employees are males while only 46% are females. This implies that majority of people who works in Deposit Taking Sacco's are males. This agrees with a study by Ellis, Cutura, Dione, Gillson, Manuel & Thongori (2007) that in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 74%:26%. Other studies that have identified male domination in the formal and informal sectors include Gakure (2001) and Gakure (2003).

4.2.2 Age of the respondents

The respondents were asked to indicate their age. Figure 2 shows the results.

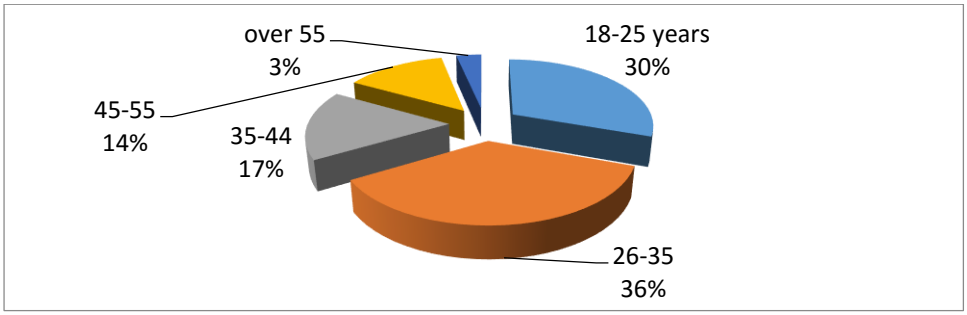

Figure 2: Age of respondents

Results in figure 2 show that 36% of employees in Deposit Taking Sacco's are aged between 26-35 years, 30% of the employees are aged between 18-25 years, 17% have their age between 35-44 years and 14% are between 45-55 years while only 3% are aged above 55 years. This indicates that majority of the people who work in Deposit Taking Sacco's are young. According to the Population Situation Analysis Report for Kenya (2014) the trend of population growth for persons aged 24-34 years has increased from about 12% in 1999 to nearly 15% in the year 2009. Therefore the finding of this study reflects the current trend of the Kenya population indices.

4.2.3 Length of service

The respondents were asked to indicate the duration they have worked in the organization. Results are presented in Figure 3.

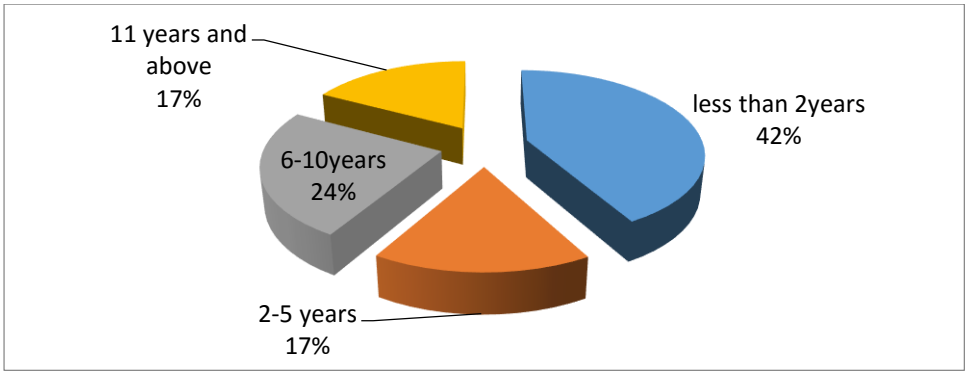

Figure 3: Length of service

Results in Figure 3 show that 42% of the respondents had worked in the Deposit Taking Sacco for less than 2 years, 17% had worked in the Deposit Taking Sacco for 2-5 years, and 24% had worked in the Deposit Taking Sacco for 6-10 years while 17% had worked in the Sacco for above 11 years. This implies that majority of the respondents had not worked in the organization for a long period. This finding is inconsistent with that of Ngui (2014) who found out that 65% of the respondents have worked in the sector for over five years, a period considered long enough for an employee to understand the operations of their respective duties

This finding is consistent with that of Randoy et al, (2006) who found out that one's experience depends on the number of years of service in the sector involved. It is assumed that the longer one worked in an organization, the more they understand the organization and hence the higher the ability to articulate issues pertaining to the organization (Afande, 2013)

4.2.4 Level of education

The respondents were asked to indicate their highest level of education. Figure 4 shows the results.

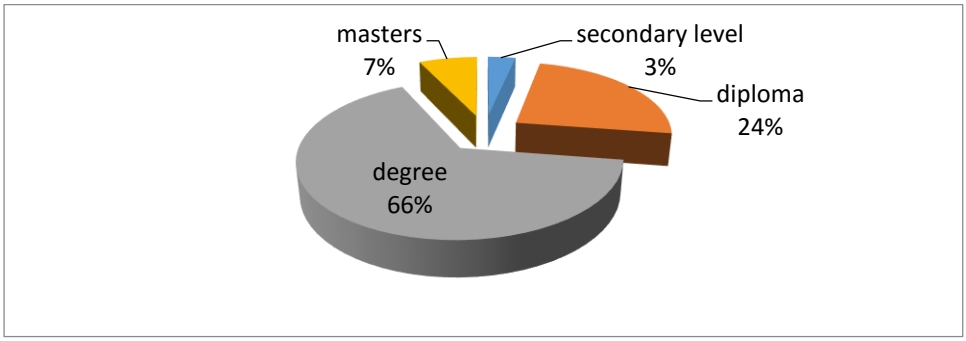

Figure 4: level of education

Results in Figure 4 show that 7% of the respondents had their highest level of education being masters level, 66% of the respondents had their highest level of education being degree level, 24 % of the respondents had their highest level of education being diploma level while only 3% had their highest level of education being secondary level. This implies that the employees working in the Deposit Taking Sacco are skilled for the job. In addition, regarding to this study, it means that the respondents were able to read the questionnaire on their own and thus better

response achieved. This finding is inconsistent with that of Adegoroye, Oladejo & Moruf, (2012) who found out that firm performance depends on academic qualification.

4.2.5 Cadre

The respondents were asked to indicate their current cadre in the Sacco. Figure 5 shows the results

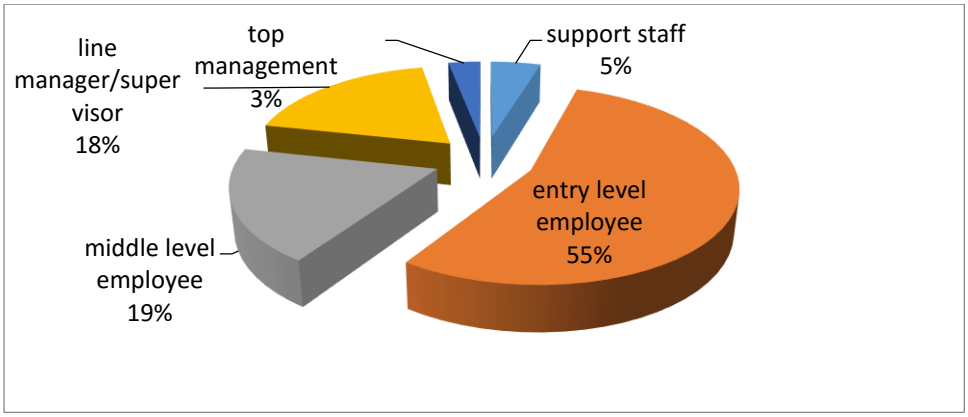

Figure 5: cadres

The results in figure 5 show that 55% of the employees are at the entry level of job position 19% are middle level employees, 18% are managers or supervisors, 5% are support staffs while 3% are top managers**.** This indicates that most of the people in DTS in Kenya have not been trained enough to handle management positions.

4.3 Influence of Staffing Practice on Innovation Performance of Deposit Taking Sacco's in Kenya.

The fifth objective of the study was to establish the influence of staffing practice on Innovation Performance of Deposit Taking Sacco's in Kenya.

4.3.1 Reliability Results for staffing practice

The result for reliability test for staffing practice is presented it table 2 below.

Table 2: Reliability coefficient

Variables	Number of items	Cronbach's Alpha	Comment
Staffing Practice	7	0.705	Reliable

Table 2 shows the reliability results. Staffing practice was reliable since the cronbach alpha was above 0.7 which was used as a cut-off of reliability for the study. Therefore the internal consistency reliability of the measure was excellent. This indicates that the data was reliable since a Cronbach's alpha coefficient value of 0.794 was obtained on the research variables. This was above 0.70 and an alpha coefficient higher than 0.70 signifies that the gathered data has a relatively high internal consistency and could be generalized to reflect the respondents' opinions on the study problem.

4.3.2 Descriptive Statistics

The respondents were requested to indicate their level of agreement on the statements on staffing practice. Results are presented in Table 3.

Table 3:Staffing Practice.

Statements	strongly disagree	disagree	not sure	agree	strongly agree	Mean	Std. Dev
Employees in my organization are selected on the basis of business-aligned competencies and rigorous performance requirements	15.5%	45.9%	2.7%	26.7%	9.1%	2.68	1.27
The staffing process at SACCOs entails concerted efforts by management to ensure implementation enduring success of organizational goals	20.6%	34.8%	2.7%	29.4%	12.5%	2.78	1.39
Practicing an effective staffing process in SACCOs has positive relationship in stimulating innovation performance.	5.4%	30.7%	10.5%	29.7%	23.6%	3.35	1.28
Effective selection system based on modern and need-based tests is essential to affect desirable selection.	17.9%	6.8%	10.1%	38.9%	26.4%	3.49	1.41
Staffing has an important role to play in ensuring worker performance and positive organizational outcomes.	0.0%	6.4%	3.4%	37.2%	53.0%	4.37	0.83
Average						**3.33**	**1.24**

Results in table 3 revealed that majority of the respondents who were 61.4% (15.5% +45.9%) disagreed that employees in their organization are selected on the basis of business-aligned competencies and rigorous performance requirements. 55.4% disagreed that The staffing process at SACCOs entails concerted efforts by management to ensure implementation enduring success of organizational goals.

The results also revealed that majority of the respondents who were 53.3% agreed that practicing an effective staffing process in SACCOs has positive relationship in stimulating innovation performance. 65.3% agreed that effective selection system based on modern and need-based tests is essential to affect desirable selection and 90.2% agreed that staffing has an important role to play in ensuring worker performance and positive organizational outcomes.. Using a five point scale likert mean, the overall mean of the responses was 3.33 which indicates

that majority of the respondents agreed to the statement of the questionnaire. Additionally, the standard deviation of 1.24 indicates that the responses were varied. The results herein imply that staffing practice influence innovation performance.

Further, the respondents were asked to rate the recruitment process in their organizations. Table 4 below show the results.

Table 4: Recruitment Process

Recruitment process	Frequency	Percent
very good	56	18.9
good	929	31.1
average	131	44.3
below average	17	5.7
Total	296	100

The results in table 4 showed that 18.9% of the respondents indicated that the recruitment process in their Sacco is very good, 31.1% said it is good, 44.3% indicated that it is average while 5.7 said it is below average. These results show that most DTSs in Kenya have a good recruitment process and this may contribute to high innovation performance. Collins (2006) confirmed that the beliefs of job seekers about the company as a potential employer, "employer knowledge (including familiarity, reputation and image) strongly predicted both interest in applying for a job and actual application behaviors. Effective recruitment strategies are a pivotal aspect of procuring and retaining high-quality talent to contribute to organization's success.

4.3.3 Correlation analysis

Correlation analysis was conducted between staffing practice (independent variable) and innovation performance (dependent variable). Results are presented in Table 5

Table 5: correlation matrix

		innovation performance	Staffing practices
innovation performance	Pearson Correlation	1.000	
	Sig. (2-tailed)		
Staffing practices	Pearson Correlation	.519**	1.000
	Sig. (2-tailed)	0.000	

Results in Table 5indicated that there was a positive and a significant association between staffing practice and Innovation performance (r=0.519, p=0.000) Organizational practices related to the sourcing, deployment, and upgrading of human capital have been identified in various literatures as influencing Innovation performance at the level of firms, and regional or

national Innovation performance. These practices are important constituent components of "innovation" or "dynamic capabilities" (Teece, 2007).

4.3.4 Regression Analysis

The results presented in table 6 present the model of fitness used of the regression analysis in explaining the study phenomena. Staffing practice structure was found explain 26.90% of the variations in the dependent variable which is innovation performance of Deposit Taking Sacco's in Kenya. This results further means that the model applied to link the relationship of the variables was satisfactory.

Table 6: Model Fitness

Variables	Coefficients
R	0.519
R Square	0.269
Adjusted R Square	0.267
Std. Error of the Estimate	0.621

In statistics significance testing the p-value indicates the level of relation of the independent variable to the dependent variable. If the significance number found is less than the critical value also known as the probability value (p) which is statistically set at 0.05, then the conclusion would be that the model is significant in explaining the relationship; else the model would be regarded as non-significant.

Table 7:Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	41.852	1	41.852	108.43	0.000
Residual	113.479	294	0.386		
Total	155.331	295			

Table 7 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of performance. This was supported by an F statistic of 108.43 and the reported p value (0.000) which was less than the conventional probability of 0.05significance level.

Regression of coefficient results were presented in table 8.

Table 8: Regression of Coefficients

	B	Std. Error	t	Sig.
(Constant)	1.016	0.134	7.606	0.000
Staffing practices	0.402	0.039	10.413	0.000

Regression of coefficients showed that staffing practice and innovation performance are related (r=0.402, p=0.000). Staffing practices has been found to affect both the ability to and the

motivation for employees to be creative, which are positively related to innovation performance (Jiang, 2012).

Thus, the model for the study is;

Innovation performance= 1.016 + 0.402 X

Where,

X= staffing practice

4.3.5: Hypothesis Testing

The hypothesis was tested by using the ordinary least square regression. The acceptance/rejection criteria was that, if the p value is greater than 0.05, the Ho is not rejected but if it's less than 0.05, the Ho fails to be accepted. The null hypothesis was that staffing practice does not have a significant relationship with innovation performance. The alternative hypothesis was that staffing practice had a significant relationship with innovation performance. Results in Table 7 above show that the calculated f-statistic of 108.43 was higher than the tabulated/critical f statistic (F $\alpha = 0.05$). The findings were further supported p-value of 0.000. This indicated that the null hypothesis was rejected hence staffing practice had a significant relationship with innovation performance.

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study also concluded that good staffing practices such as effective selection system ensures high innovation performance among the employees. According to earlier findings, staffing primarily aims at attracting maximum number of highly talented applicants and selecting the best in order to achieve competitiveness in the firm. The process entails concerted efforts by management to ensure implementation enduring success of organizational goals. Effective selection system based on modern and need-based tests is essential to affect desirable selection. Organizational practices related to the sourcing, deployment, and upgrading of human capital have been identified in various literatures as influencing Innovation performance at the level of firms, and regional or national Innovation performance. These practices are important constituent components of "innovation" or "dynamic capabilities".

From the regression results, the study concluded that good staffing practices have a positive and significant effect on innovation performance.

5.2 Recommendations

The study recommended for DTSs to come up with the process of identifying relevant qualities that are required of existing and potential applicants that will enable an appropriate match to occur between person and job. This should include such practices as those organizational practices that relate to the attraction, selection, training, assessment, and rewarding of employees.

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