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RESEARCH ARTICLE

ROLE OF HUMAN RESOURCE MANAGEMENT STRATEGY IN ORGANIZATIONAL PERFORMANCE IN KENYA: A CASE STUDY OF KENYA TEA DEVELOPMENT AGENCY LIMITED

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ABSTRACT

Most organizations today are undergoing some structural, operational, and business strategic changes with the aim of improving their performance. The organization's competitive strategy may include mergers and acquisitions, downsizing to increase efficiency, internal operations, or the acquisition of automated production technology. These strategic decisions determine the demand for skills and human resource. Incompetent and unbalanced: resourcing, training, development, reward, and appraisal methods have led to poor performance. The aim of this study was to establish the efficiency of recruitment and selection methods and the types of rewards used to motivate staff. This study was a descriptive research, a case study of Kenya Tea Development Agency (KTDA). It employed instrument triangulation consisting of questionnaires, interviews, and observation. The findings of this study indicated that an effective recruitment and selection, training and development as well as reward and appraisal strategy contributes to improved organizational performance. The study recommended that KTDA should improve its overall operational efficiency by applying appropriate cost effective technology. This organization should also have a clearly defined and articulated corporate strategy, and improve in its risk management. KTDA should focus on external marketing and value addition so that it can compete globally.

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INTRODUCTION

The need to improve performance has recently gained prominence in organizations as part of their efforts to enhance achievement of their goals and objectives and generally improve the welfare of stakeholders. Business organizations are striving to work with slimmer but more efficient HR to optimize returns. This has called for effective array of Human Resource Management (HRM) practices prompting organizations to undergo some structural, operational, and business strategic changes and one of the initiatives has been the use of HRM strategy. A more profound realization is the fact that HR is the most valued asset in an organization and that there is a need to develop a more comprehensive and coherent approach to HRM that motivates employees (Armstrong, 2006). Unlike the traditional approaches to HRM, today's organizations recognizes the importance of identifying with the employees and this has called for HRM strategy that help enhance performance so as to ensure high returns at a reduced cost. As competition increases and the dynamics of the organizational environment contexts change, most organizations are looking inwards to discover an apt platform upon which they can enhance their performance. An organization can create human competencies/capital upon which a competitive advantage can be created and sustained.

Indeed, HRM strategy is assuming greater recognition in charting out organizations fate. It addresses the HR implications of an organization strategy and their facilitation in a changing environment. Strategic HRM acknowledges the fact that people are the sources of strategic options, reservoirs of innovation and creativity, solutions for organizational problems and challenges unlike other organizations resources and this gives HRM its strategic relevance. Laursen (2003) considers a HRM system that is conducive to innovation, and this system is dominated by firm's internal and firm's external training, and the complementarities between new HRM practices influence financial performance positively. Guest (2002) builds a case for building the worker into the analysis of HRM by incorporating worker altitude and behaviour in the study of the HRM –performance relationship and that certain HR practices are associated with higher work and life satisfaction. Increased competition has led to recent changes in business environment among them privatization and restructuring of organizations. This changing business environment has also signified the need for organizations to search for new ways to survive and enhance their performance. One of the possible solutions for organizations to respond effectively and efficiently to these changes is to embrace the use of HRM strategy to improve on their performance. It is commonly accepted that the people working for an organization are one of its main assets and one of the factors in determining its performance. Workers qualities,

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attitudes and behavior in the workplace together with other factors, play an important role in determining an organizations performance hence success or lack of it (Stoner et al., 2002). Although this type of resource is one in which organizations do not have complete control, there do exist certain strategies to enable them exert their influence on the quality and performance of the human capital on which they rely. The HRM strategy that they adopt will have a vital influence in this area and thereby on the performance achieved by the organization (Cole, 1997).

The tea industry is facing a challenging business environment due to stiff competition emerging from other tea producer countries like Vietnam, Argentina, and Malawi. It is also facing increased competition from other beverages and changes in consumer preferences. This unfavourable situation also applies to the Kenyan tea industry, and KTDA has had to deal with a more competitive business environment. To ensure Kenyan tea remains competitive in the global market, KTDA has embraced the use of HRM strategy as one of the initiatives to improve its performance and be able to lead the organization in achieving its objectives and goals.

Problem Statement

Kenya Tea Development Agency has been facing a challenging business environment especially due to stiff and increased competition due to changes in consumer tastes and preferences (*KTDA Journal, 2006*). Incompetent, poor and unbalanced: HR management, resourcing, remuneration, training, and experience led to poor performance of this organization before its privatization in the year 2000. Low quality HR led to low quality customer service as quoted in the journal. Lack of recruiting people with the right combination of education, work experience, attitude, and creativity also contributed to high staff turnover leading to poor performance. Inadequate pay and lack of positive reinforcement and motivation to the staff also led to underperformance. Lack of continuous training and development in the organization then was also another possible cause of poor performance. This may have contributed to low skilled employees who were not quite innovative to come up with new ideas and products that would have helped KTDA have a competitive advantage (*KTDA journal, 2006*).

In order to facilitate training and development, recruitment and selection, and appraisal, at KTDA, appropriate HRM strategy had to be engaged, with the overall aim of enhancing performance. The strategy aimed to equip the HR to provide quality service to the customers and be able to lead the organization in achieving its objectives and goals. However, the contribution that HRM strategy has played has not been clearly assessed or defined. There has been no sufficient information and evaluation on the role this strategy has contributed since it was embraced. This study sought to determine the role of HRM strategy as one possible way of enhancing organizational performance, taking into consideration the dynamic business environment under which KTDA operates. In addition, there was need to study the contribution of HRM strategy in order to determine whether, through its use, KTDA has been able to formulate and

implement profitable opportunities, which would help it maximize its returns on investment.

Objective of the Study

The overall objective of the study was to determine the role of Human Resource Management strategy in organizational performance.

Research Questions

The study was guided by the following research questions

1. How efficient are the recruitment and selection methods used in Kenya Tea Development Agency?
2. How effective are the training and development methods used in Kenya Tea Development Agency?
3. What types of rewards are used to motivate staff in Kenya Tea Development Agency?
4. How effective are the appraisal methods used in Kenya Tea Development Agency?

Conceptual Framework

The conceptual framework of this study consisted of the following variables: Efficient recruitment and selection, effective training and development, reward and appraisal. These variables influence the performance of the organization. In this particular study, they influence the performance of Kenya Tea Development Agency. This is illustrated in Fig. 1.

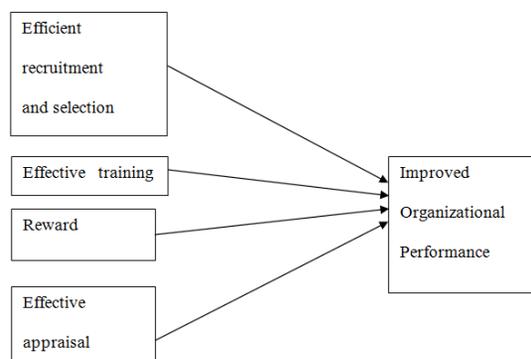


Fig. 1. Relationship between HRM strategy and Organizational Performance

METHODOLOGY AND MATERIALS

Research Design

The study was a qualitative descriptive research. According to Berg (2001) such qualitative research helps in analyzing information in a systematic way in order to come to some useful conclusions and recommendations on the social settings and the individuals who inhabit these settings. Qualitative research also involves taking notes when interviewing the respondents and from these notes identifies keywords/phrases that keep on re-occurring. From these, the researcher develops themes which will help answer research questions. Qualitative research is conducted through an intense and /or prolonged contract with a field or life situation. In descriptive studies, accuracy is the major consideration and in such a study, there

should be minimum bias and maximum reliability. It is concerned with specific prediction with narration of facts and characteristics of situation or community and the objective is to obtain complete and accurate information (Berg, 2001). Descriptive research usually includes surveys and fact-finding enquiries. Its major focus is the state of affairs as it exists at present (Gall et al., 1996). Mugenda and Mugenda (1999) define descriptive research as a process of collecting data in order to test hypotheses or to answer questions concerning the current status of the subjects in study.

Qualitative data is more in depth and provides detailed answers. It provides information about the phenomenon being studied, and established patterns, trends and relationships from the information gathered. The qualitative research provides greater depth to response and understanding which forms a link with the respondents. Qualitative research is typically rich with detail and insights into participants' experiences of the world and thus more meaningful. It helps in gaining new perspectives on things about which much is already known (Hoepfl, 1997).

Specifically, a case study method was used to collect data. It involved careful and complete observation of a social unit. The method study involves a depth rather than breadth that involves an intensive investigation of a particular unit under consideration. The research was carried out in Nairobi and targeted the personnel at KTDA head office, who have a role in the formulation and implementation of HRM strategy. This was meant to gauge the effectiveness and efficiency of the strategy within the organization before and after implementation and how it has enabled it to improve performance and meet its goals, objectives and maintain a competitive advantage. This organization was chosen because it was within the reach of the researcher. The researcher was also able to access information from which to draw a sample having inquired about the information source from the authority.

Participants

Target population refers to the larger population to which the researcher ultimately would like to generalize the results of the study (Berg, 2001). It is thus the entire group the researcher is interested in. In this study, the target population were the organizations that have embraced HRM strategy. The participants in this study were the staff and section managers of KTDA limited head office, HRM department who are 21 in total. This constituted all employees in Training and development section, Salaries, compensation and benefits section, Employee relation section, Health and safety section and Human resources/Personnel records section.

Instrumentation

The study employed instrument triangulation consisting of questionnaires, interview-guide and observation method. Data was collected using open-ended questionnaires because this enabled the researcher to collect information more easily and within reasonable time. It also allowed for free response answer from the respondent's own words. Questionnaires are easy to administer and easy to obtain information from many people. The respondents also have greater confidence in their

anonymity, and thus feel free to express views they feel might be disapproved of or get them in trouble (Royce et al., 1993). The open-ended questionnaire was designed to permit free response from the subject rather than one limited to stated alternatives. The respondents were given the opportunity to answer in their own terms and in their own frames of reference. An interview guide helped the researcher achieve a personal in-depth interview that was appropriate to generate more and higher quality ideas on a personal response basis and enabled the researcher to probe deeper the issues that did arise. It gave the opportunity for eliciting information and to observe both the subject and the total situation to which he/she is responding to. Observation method was used for the purpose of description of settings, activities and the meanings of what was observed from the perspective of the respondents. It was used to supplement the questionnaires and enhance the information from the interviews. Observation led to deeper understanding and enabled the researcher to see things that respondents themselves were not aware of, or that they were unwilling to discuss, with the aim of counter checking the information. Observation is done at the same time the researcher is interviewing the respondents (Berg, 2001). Observation is a primary way of gaining social data, as the observer is oriented to a clear-cut research response. It tells us a great deal about behavioral patterns (Berg, 2001).

Data Collection

The organization was identified through purposive sampling since it has embraced HRM strategy. Purposeful sampling is a sampling technique that allows a researcher to use cases that have the required information with respect to the objectives of his or her study. Cases of subjects are therefore handpicked because they are informative or they possess the required characteristics (Mugenda & Mugenda, 1999). A purposive sample is a sample selected in a deliberative and non-random fashion to achieve a certain goal (Hoepfl, 1997). In such a sample, the researcher will consciously seek out respondents at both ends of a spectrum as well as some in the middle to ensure that all view points are adequately represented. The researcher identifies important sources of variation in the population and then selects a sample that represents this variation. Purposeful sampling seeks information-rich cases that can be studied in depth under which maximum variation sampling will be undertaken.

The sample was selected in such a way that findings based on it were likely to correspond closely to those that would be obtained if the population were studied. In this study, a census was carried which was heterogeneous because it comprised of all employees from the four sections. This census was a fairly representative sample of the organization's total staff which helped the researcher come up with data. This census was also convenient to the researcher in terms of time and cost.

Data was collected through delivering the research instrument by the researcher to the would-be respondents. Questionnaires were delivered and the respondents were given two weeks to fill in. A schedule of when interview would be conducted was prepared by the researcher after the respondents were contacted and interview data confirmed. The interviews which took one and half hours to two hours were all conducted by

the researcher at the workplace of the respondents. This made it possible for the researchers to use observation method. The interviewers took detailed notes during the interviews to ensure accuracy of the content because the participants expressed reservations about recording the interviews. Four sectional managers were interviewed: Head of human resource operations, Employees relations manager, Training, and development assistant manager, and Salaries, compensation and benefits assistant manager. The researchers interviewed one informant per day so that they could transcribe the information obtained immediately after each interview session to verify accuracy and completeness of the notes taken. An interview guide was used during interviews and the researchers made observations while interviewing the respondent. The collected data was then processed and tabulated for easier analysis. Secondary data entailed review and content analysis of both theoretical and empirical data and also organizational journals, institutional publications and internet sources.

Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information collected (Mugenda & Mugenda, 1999). The steps in the data analysis of this research were:

- 1) Data organization where the qualitative data collected from questionnaires and field notes from the interviews was edited and "cleaned up" as data was being organized.
- 2) Creating categories, themes, and patterns where the researcher detected various categories in the data, distinct from each other. The researcher then established the relationships among these categories and themes using codes manually. The researcher developed themes both major and minor that helped answer research questions.
- 3) Analyzing and interpreting information. Once the themes, categories, and patterns had been identified, the researcher evaluated and analyzed the data to determine the adequacy of information and the credibility, usefulness, consistency of hypotheses. The researcher closely evaluated the usefulness of information in answering the research questions and this data was analyzed according to the number of responses per question. The qualitative data from the responses was categorized and classified into relative ideas and opinions of the researcher and categories were analyzed qualitatively.
- 4) Writing the report which gave a vivid descriptive account of the situation under study. The report gave an analytical view, citing the significance and implications of the findings. It also showed how different or similar the findings were, compared to the researchers expectations, and derived from literature review.

FINDINGS

According to the findings of this study, majority of the respondents suggested that effective appraisal is a factor which has affected performance of KTDA positively. The results of this study revealed that performance evaluation is used in the organization at all levels and its objectives are derived from the corporate strategies. Performance evaluation is done yearly, but with continuous monitoring and feedback

process to all the employees. The findings indicated that the employees of KTDA have clearly defined roles and responsibilities, and managers are able to easily identify the training needs following the appraisal. The findings of this study indicated that KTDA has used appraisal strategy to improve on its performance and have a competitive edge in the market. They further showed that employees of KTDA are motivated as reward is based on their performance, and this has contributed to the attainment of individual and organizational goals.

The results of this study further indicated that effective training and development contributes to improved organizational performance of KTDA as suggested by the majority of respondents. Training and development help to enhance and learn new skills, knowledge, and competency of the employees to better their performance in a business environment as the respondents suggested. The findings of the study showed that training and development which is integrated with the reward system and appraisal motivates the employees to work hard. The results of this study indicated that before training and development is carried out at KTDA, training needs assessment is carried out making it easier to design training programs. The results of this study indicated that efficient recruitment and selection has improved KTDA'S performance due to matching individuals training and experience to job requirements. Following the correct procedure to select the best candidate, has contributed the organization ending up with skilled and competent employees who do not need retraining in some areas. Recruitment and selection is pegged in qualification, skills, and competence, and hence the organization is able to attain its goals and objectives. The following response from the training and development assistance manager summarize how the employees are motivated to improve on their performance:

"Training plays a dual function of fully utilizing our employees' knowledge, skills and abilities to improve on their job performances as well as increasing on their job satisfaction leading to greater productivity."

Most of the respondents in this research cited that KTDA follows the laid down practices, procedures and policy, during recruitment and selection, as outlined clearly in the policy manual, and these procedures are strictly adhered to. ISO procedures are also subjected to audits demands that different procedures be followed at KTDA. Besides, internal and external audits of this exercise are also carried out to establish whether they meet audit demands. According to the findings of this research, majority of the respondents suggested that they would attribute improved organizational performance to the reward package offered by the organization. They cited that the reward system has provided performance based pay, which motivates employees leading to higher productivity and a reduction in employee turnover. The reward percentage is offered in due consideration of cushioning the employees against high cost of living. These respondents cited that better salaries and incentives contribute to improved performance of KTDA. The following response from the salaries, compensation and benefits assistant manager summarize how the employees are motivated to improve on their performance:

“KTDA uses a total reward strategy approach to attract, retain, motivate and satisfy its employees. Both intrinsic and extrinsic are offered to reward both short as well as long term achievements.”

DISCUSSION

The objective of this study was to determine the role of HRM strategy in organizational performance. Based on the research questions: (How efficient are the recruitment and selection methods used in Kenya Tea Development Agency? How effective are the training and development methods used in Kenya Tea Development Agency? What types of rewards are used to motivate staff in Kenya Tea Development Agency? How effective are the appraisal methods used in Kenya Tea Development Agency?), it was found that when training and development, appraisal, reward and recruitment and selection are integrated, the result is improved organizational performance. The respondents acknowledged the use of appraisal strategy and attributed performance evaluation strategy as a factor affecting performance.

This research found out that during appraisal, the management of KTDA sets realistic performance goals of all employees. This increases individual and organizational productivity leading to increased profits. The aspect of goal setting has provided focus and targets to the employees. They are able to improve on their weak areas, and also meet their work deadlines. Besides, this method has been used as one of ways motivate staff, as reward is pegged on performance, hence integrating reward and appraisal strategy at KTDA. Performance evaluation is also used as a tool to retain productive staff. Performance based reward structure makes this organization attract and retain talent. It has been used as a benchmark to evaluate performance of the organization and meet the current market standards and organization goals. Training and development is also one of the ways to motivate employees and this finding illustrates that training and development of employees is integrated with reward system and appraisal. The results of this study indicate that training and development at KTDA has helped it to assess the training needs and identify the performance gap, making it easier to design training programs. Further training is carried out depending on the results. The employees are also motivated to develop and manage their careers. The training objectives are developed to meet each individual training need so that they can acquire knowledge in their area of specialization and improve performance of the organization. A training calendar is designed based on the needs of each department at KTDA.

The findings of this study showed that majority of the respondents suggested there is no difference in efficiency of organizational business operation before and after implementation of training and development strategy. They described the nature of efficiency of training and development based on the following elements:

1. Profits-According to the results of this study, it has increased as there is efficiency performance owing to reduction of wastages and the quality of work has improved to meet clients' standards leading to improved performance.
2. Information accuracy-This research shows that there is better and accurate information as the employees are fully

computer compliant. This leads to efficient information and faster decision making.

3. Timely information-Findings of this study show that information is readily available in demand bases and there is reduction of error from the system-generated information. The decision making process is made faster.
4. Employee turnover- This research indicates that employees are motivated to perform better, retention is high and the general employee turnover is low.

This study established that in the process of merging training and development with KTDA'S current business requirements, the organizational had transition structure, which focused in where KTDA is going. This transition is reflected on the basis of:

1. Financial investment-According to the findings of this study, there has been added budget in order to build capacity and improve output. A lot of cash has also been invested in the acquisition of computers and also in the ICT training of all staff. This has led also to less wastage and increase in shareholders wealth.
2. Training of welfare-This research shows that there has been regular training of all staff as KTDA is committed to training all its employees especially on how to use computers. They have been trained on all aspects affecting the organization's business strategy, and this has made easier training is more effective and based on one's training needs.
3. Restructured organizational hierarchy- According to the findings of this study, KTDA's organizational structure has been reviewed and restructured to be in line with market requirements, and also to accommodate all staff. To promote teamwork and lot of coordination and co-operation changed to reflect the importance of ICT department, which has been elevated, with more personnel at the senior levels. During the restructuring process, there has been retrenchment and voluntary early retirement exercises to allow a leaner and efficient management of the organization.

This organization has faced the following hurdles: (a) Budgetary constraints/financial resources inadequate at that time, (b) Lack of qualified trainers in some of the fields, (c) The training materials were not relevant, and (d) There was resistance to change/training by some of staff. Many organizations are reluctant to embrace this strategy due to high costs, lack of foresight and uncertainty, dynamic business environment, lack of training, culture, loss of manpower during training session, nature of business may not be driven by market demands, and the fact that results take time to be realized. The results of this study indicated that efficient recruitment and selection has improved KTDA'S performance due to matching individuals training and experience to join requirements. Following the correct procedure to select the best candidate has contributed the organization ending up with skilled and competent employees who do not need restraining in some areas. Recruitment and selection is pegged in qualification, skills and competence, and hence the organization is able to attain its goals and objectives. The majority of the respondents in this research cited that KTDA follows the laid down practices, procedures and policy, during recruitment and selection, as outlined clearly in the policy manual, and these procedures are strictly adhered to. ISO procedures are also subjected to audits demands that different procedures be followed at KTDA. Besides, internal and

external audits of this exercise are also carried out to establish whether they meet audit demands. Recruitment and selection has affected the organization's business performance on the basis of: Employee turnover which has been high in some of the departments, it has been conducted to the fact that it has been high as some have felt they are too qualified and have left for greener pastures. Some of the employees hired with minimal experience have to be trained on the job and their trainers feel they have not been rewarded accordingly and they have opted to leave. Productivity has improved as right employees are placed on the right for and there is alignment of skills and knowledge for right jobs. Also, new best employees bring new ideas. Training is not as frequent as it is done when a performance gap training need has been identified. This is so because selection is due to have professionally qualified in areas of operation and some of those selected are easy to train and understand. This limits training and also frequency of training. Client satisfaction has improved as there is more understanding of client's needs, as qualified staff for a job appreciates the value of customers.

According to this study, KTDA is still facing some challenges in its recruitment and selection strategy, and these are: (a) Political interference and discrimination based in catchments areas, (b) Retention and attraction of the right candidates and staff reward package, (c) Interference by recruitment and selection board, (d) Competition from other organizations, (d) High advertisement costs, and (d) Canvassing. From the findings of this study, KTDA is trying to overcome these challenges by: (a) Continuous review of the compensation and benefits package, (b) Improved remuneration package and incentives, (c) Provide a conducive working environment, (d) Group advertisements, (e) Conducting multiple interviews in a day, (f) Reduce staff turnover through enhanced motivation, and (f) Head hunting for some positions.

According to the findings of this study, the financial and non-financial rewards offered by this organization are: Annual salary increments and continuous review of salaries, bonuses, car and staff loans, pension, shopping vouchers, medical cover and medical allowance, trainings and certificates upon completion, long service awards, recognition letter, holiday taps, promotion, leave, traveling allowance, staff welfare matters, x-mas party. Majority of the respondents cited the following as evidence of improved organizational performance.

1. Overall organization operations results to high levels of client satisfaction, high return to shareholders, motivated staff, and low employee turnover.
2. Efficiency in work flow majority because of computerization leading to timely quality service delivery to meet their clients' requirements.
3. Increased productivity hence more profits to the organization which will enable it to venture into new market openings.
4. Improved service delivery to customers while operating within the set budget, and also exceeding the set production target with minimum cost at agreed time frame.
5. Integration of every factor in the organization is felt, like salaries, morale and better client's relationship.

According to the findings of this research, most organizations are reluctant in embracing HRM strategy due to the high cost especially in the first implementation phase. Also, the dynamic business environment under which organization exist in has made organizations reluctant to implement the HRM strategy. The results reveal that the reward strategy is integrated with appraisal strategy, as reward is pegged on performance. Further more, training and development of KTDA'S employees is also undertaken in line with the appraisal and reward system, as each individual training need are identified through appraisal and rewards given accordingly to each employees performance. The aim or recruitment and selection is to match an individuals training and experience to job requirements, and the potential candidates have a chance to develop their careers. The reward system promotes a performance based pay, which contributes t motivated employee. The findings of this study suggest that HRM strategy intervention would improve organizational performance at KTDA limited. The conclusion and recommendations of this study are discussed in chapter five.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. Efficient recruitment and selection, effective training and development, reward and effective appraisal, influence performance of KTDA positively. However, despite the role these four variables play, the findings of this study did reveal that HRM strategy of this organization need to be enhanced so as to achieve higher levels of organizational performance and sustain it. There is still room for improvement of the current HRM strategy of this organization. Since embracing HRM strategy, KTDA performance has improved and part of its business growth has been attributed to this strategy.
2. From the findings of this study, there have been a number of challenges to successful use of HRM strategy. These include:- Competitions from other organizations especially in retention of employees, keeping a continuous organizations culture, maintaining a remuneration package in line with other organizations, and operating in a dynamic business environment.
3. Kenya Tea Development Agency has been addressing these problems through communication with the employees and offering competitive remuneration package.
4. Human resource management strategy has contributed to better performance of this organization as the findings of the study revealed. It has enabled KTDA to have optimal, competent employees at all time. Despite the challenges KTDA has been facing, it has implemented new organizations structures which are in line with the corporate strategy which have helped it define its purpose and goals.

Recommendations for Practice

This study has the following recommendations to make:

1. Kenya Tea Development Agency should remain innovative in order to remain competitive in the

market. It should improve overall efficiency of its operations by applying new and appropriate technology that is cost effective.

2. The organization should have a clearly defined and articulated corporate strategy, which would ensure that departments align with the overall organizational goals. The organization should continuously link its strategy with the business units.
3. There should be review of overall performance by analyzing the feedback from the customers and taking corrective actions.
4. Kenya Tea Development Agency should focus on external marketing, use better marketing strategies and value addition, so that it can compete globally.
5. The organization should employ cost reduction strategy such as use of cheaper sources of fuel and should improve in its risk management.

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