

Mediation Effect of Employee Outcomes in the Relationship between Human Resource Management Practices and Performance of Firms Listed on the Nairobi Securities Exchange.

Sagwa E. V*¹; K'Obonyo² & Ogutu M².

¹Department of Business Administration and Management, Technical University of Kenya,

²Department of Business Administration, University of Nairobi

Abstract

Much of the research demonstrating the link between Human Resource Management Practices (HRMP) and firm performance has focused on the moderating roles of variables. The mediating role of employee outcomes in the relationship between HRMP and firm performance relationship has not been established using Nairobi Securities Exchange (NSE) listed firms, yet theory and empirical studies have demonstrated that employee outcomes mediate in the HRMP-firm performance relationship. This study was motivated by the desire to fill this gap in knowledge. The objective of the study was to determine whether the effect of HRMP on firm performance is mediated by employee outcomes. The research design was cross sectional descriptive survey. Data was collected using a self-administered questionnaire, from a population of 60NSE listed firms. The response rate was 60%. Descriptive statistics, correlation and regression techniques were used to analyze the data. The results of the study show a statistically significant relationship between HRMP and firm performance. The Baron and Kenny approach was used to test for mediation. The results show that the relationship between HRMP and firm performance is not mediated by employee outcomes. The finding that employee outcomes do not mediate in the relationship between HRMP and firm performance was surprising. It was also contrary to expectation and even contrary to previous studies. The study contributes to our understanding of the effect of employee outcomes in the HRMP- firm performance link of NSE listed firms. It was recommended that firms have to ensure that they align employee outcomes with HRMP that can enable them to attain and sustain a superior competitive advantage in their markets.

Keywords: Human resource management practices (HRMP); employee outcomes; firm performance

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