THE MODERATING EFFECT OF CORRUPTION, NEPOTISM AND TRIBALISM ON THE RELATIONSHIP BETWEEN STRATEGIC HUMAN RESOURCE MANAGEMENT PRACTICES AND PERFORMANCE OF PARASTATALS IN KENYA

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ABSTRACT

As globalization and competition becomes a real phenomenon, there is more emphasis to link strategy and organization performance. To compete effectively, organizations must adopt ways of enhancing their competitive advantage and profitability. This study sought to determine the moderating effect of corruption, nepotism and tribalism on the relationship between SHRM practices and performance of parastatals in Kenya with both quantitative and qualitative approaches. A population of 9600 was targeted in 32 purely commercial parastatals in Kenya. A sample of 240 respondents was selected from 10 parastatals using cluster random sampling technique. Cluster sampling allows study of parastatals in the clusters as they are involved in different businesses. The respondents included CEOs, senior managers, supervisors and other staff in each of these parastatals. Primary data was obtained from the respondents through self-administered questionnaires and interviews. Questionnaires were administered through drop and pick later method. Interviews were conducted by use of an interview guide. Data was analyzed using both descriptive and inferential statistics with the use of Statistical Package for Social Science (SPSS version 22). Descriptive and inferential statistics were used for analysis. The study findings indicated that the performance of parastatals was deteriorating and facing much competition from other industries. The study concluded that strategic human resources management practices have a significant positive effect on the performance of parastatals. When all this practices (recruitment, training, decentralized teams and employee reward) were used, it was found that there was improved performance in the parastatals. However when the moderating variable was added into the model, the study found a negative and significant effect on
performance. The study therefore concludes that corruption, nepotism and bribery had a negative and statistically effect on the relationship between strategic management practices and performance of parastatals. The study recommends that change management should be encouraged to wipe out corruption in the recruitment and selection processes so as to have the competent employees who will enhance organizational performance. The top management should be in support of the changes so as to make the strategic human resource management practices effective in the organization if any success is to be achieved.

**Key Words:** Corruption, Nepotism, Bribery, Tribalism, Performance, Parastatals
1. Introduction

The significance of Strategic Human Resource Management (SHRM) practices on organizational performance is still a major debate among academics and practitioners today. The question as to whether there exists a SHRM system that is always positively related to organizational performance, or if this relationship depends on organizational factors and employee outcomes has not been fully answered with respect to public institutions. Previous studies on other parts of the world have mainly focused on the private sector firms (Rodriquez & Ventura, 2003; Bae & Lawler, 2000). It has been argued further that SHRM practices can convert human resources into a strategic asset, given the potential for complementarities between practices and organization resources (Pfeffer, 2005; Purcel, Kinnie, Hutchinson, Rayton, & Swart, 2003). It is argued that how SHRM practices are engaged can determine significantly the organizational success.

Kenya Institute of Management (KIM) developed a model called the Organizational Performance Index (OPI) which is a tool that drives organizations in Africa towards excellent performance and competitiveness (Kenya Law Report, 2012). The performance of organizations is measured against global standards and benchmarks. The key parameters include systems thinking, competitiveness, standards and continuous improvement. The OPI model rates participating organizations using a scale of 1-10 using both its internal and external processes. It uses seven global determinants which are Leadership and Management, Human Resource, Customer focus and marketing, financial aspects, Innovation and technology, Corporate Social Responsibility, environmental focus productivity and quality. Organizations are then assessed according to specific indicators to their particular industry. Parastatals are therefore some of the organizations which must be assessed because they play a key role in the economy of Kenya. This therefore poses another challenge on parastatals to improve their performance rating. Waiganjo, Mukulu, and Kahiri, (2012) noted that performance measurement is important for organization as a means of continuous improvement and also as a means of determining whether or not an organization is achieving its objectives. The traditional management approaches and models are no longer adequate to award a parastatal a sustainable competitive advantage. This study therefore wishes to bridge the knowledge gap in the area of strategic human resource management on performance of parastatals in Kenya.

According to Kenya Economic Development report (2004), parastatals in Kenya are among the largest employers in Kenya, in addition to the tax opportunities they present. These organizations...
have great potential in driving Kenyan economy. These organizations need to respond to greater global and national imperatives and challenges to compete effectively in local and global markets. This study focused on the fitness of SHRM strategies of Kenya’s parastatals. There is need to understand the effect of SHRM strategies on parastatal performance since currently there is a lot of interest in this area. In particular there is need to have documented information on the effect of employee resourcing strategies, training and development strategies, decentralized teams strategies and employee reward strategies on the performance of parastatals in Kenya.

The relationship between SHRM practices and parastatal performance may be moderated by various variables including corruption. Corruption may take various forms including bribery, nepotism and tribalism. Bribery is the act of paying or receiving undue inducement to acquire certain services. Nepotism and tribalism in parastatals describes situations in which an appointed public official exploits his or her position to favour relatives or tribesmen in obtaining jobs, advancement, or other preferential treatment (Bellow, 2003). Public officials may hire or promote their relatives or tribesmen over better-qualified candidates (Farahmand, 2013). Nepotism and tribalism in Kenya is indeed a real phenomenon in organizations (Gommans and Musumbu, 2014). It persists since it provides an avenue via which goodies and favours trickle down from those in power to their kin and tribesmen. There may be no meritocracy as people are given jobs based on relationship regardless of their qualifications (Jones, 2012). There is need to understand the influence of corruption, nepotism and tribalism on the relationship between SHRM practices adopted by the parastatal and its performance.

2. Statement of the problem

The relationship between SHRM practices and parastatal performance may be influenced by corruption, nepotism and tribalism. The word “corruption” has social, moral, political, economic meanings that can all be expressed in definitions. In that sense all definitions of corruption can be regarded as working definitions since they vary according to the purpose for which they are used (UNDP, 2008). For example, in order to enforce an anti-corruption law, a precise definition is needed to ensure that procedural fairness is observed in operational activities of detecting and prosecuting corruption. Consequently legal instruments for prosecution have typically defined specific conducts such as bribery or nepotism with the term corruption retaining a more general
meaning or an ‘umbrella’ definition (Anechiarico & Jacobs, 1996). In current international use, it’s defined as the misuse of entrusted power for private gain. This definition acknowledges that “corruption” cannot be prevented as a single behaviour or offence. Instead it is more a convenient term for many types (Gorta, 1998) or even syndromes (Johnston, 2005) of behaviour that have in common a breach of a relationship of trust that undermine a specific historical or social institution, in this case government (Miller, Roberts & Spence, 2005).

Nepotism and tribalism involves favoritism based on kinship or ethnicity (Bellow, 2003). Padgett and Morris (2005) showed that favouritism may play a role during the hiring process an organization. Simon, Clark and Tifft (1966) indicated that favouritism may be prevalent in organizations and is based on relationship regardless of merit. Nepotism and tribalism has to do with a wide range of practices relating to favoritism. In this sense, it implies to hire and engage a non-qualified or less qualified person as a result of family or tribal union. For the purpose of this study, nepotism and tribalism is the showing of special favour or unfair preference to a relative or tribesman in conferring a position, job or other privileges (Jones, 2012).

Favouring individuals with family or tribal connections over other candidates for a position may be counter-productive. It may decrease the efficiency of the organizations by giving responsibilities to people who are not qualified to handle them. It can also generate conflicts between employees and within the hierarchy and decrease commitment on the part of employees who lack such connections. By giving an unfair advantage to well-connected people, nepotism and tribalism lowers ethical standards in organizations. This is turn may encourage other forms of favouritism and corruption, such as absenteeism or embezzlement of funds. It also erodes public trust. While generally the behavior and attitudes toward nepotism and tribalism vary according to cultural background, nepotism is a very sensitive issue in human resource management and has a significant influence on organizations. Nepotism and tribalism as a social phenomenon can be found anywhere in the world, nevertheless it remains one of the least-studied subjects. Information on influence of corruption, nepotism and tribalism on the relationship between SHRM practices and parastatal performance remain scarce. Previous findings concentrated on different angles of it and were presented mainly as case-studies by countries focusing on family-owned business (Sharma, Chrisman and Chua, 1996; Song & Werbel, 2007; Osland, De Franco & Osland 1999).
In fact, family-owned businesses are the only cases where nepotism is described as a mechanism, without being called as such (Sharma, Chrisman and Chua, 1996).

The extent to which, SHRM impacts on organizational performance has emerged as the central research question in the personnel/HRM field (Becker & Gerhart, 1996). Although initial results indicate that some SHRM practices may have a positive effect on organizational performance, most scholars suggest that more conceptual and empirical work is required (Brewster, 2004; Cardon & Stevens, 2004; Zhu, 2004). According to a presidential task force on parastatal reforms in Kenya of 2013 (GOK, 2013), most parastatals continue to perform poorly relative to the resources allocated to them. This sector has received limited research attention in the past. More importantly, considering that the research findings obtained in the private sector locally and globally have limited generalisability to the Kenyan parastatals, lead to the support to the current study, which seeks to fill the existing knowledge gaps. The purpose of this study is to analyze the relationship between SHRM practices and parastatal performance in Kenyan. Reviews of past studies conducted in Kenya on organizational performance indicate that the researchers examined other contextual issues that influenced performance but not SHRM practices (Iravo, Ongori & Munene, 2013; Dimba & K’Obonyo, 2009; Njuguna, 2008). Information on moderating effect of nepotism and tribalism on the relationship between SHRM practices and parastatals performance is lacking. It is against this background that this study was undertaken in order to address the research gap, and also to provide a better understanding of the relationship between SHRM and parastatal performance in Kenya in both financial and non-financial terms.

3. Purpose of the Paper

The purpose of this paper was to determine the moderating effect of corruption, nepotism and tribalism on the relationship between strategic human resource management practices and performance of parastatals in Kenya.

4. Literature Review

4.1 Corruption, Nepotism, Tribalism and Bribery

Corruption has permeated many sectors of the Kenyan economy including parastatals. According to a report by presidential taskforce on parastatals, corruption is one of the contributing factors to poor performance of parastatals (GOK, 2013). The costs of corruption are readily apparent in the
economy and the polity and early systematic analysis of corruption produced economic and political studies of the nature and quality of corruption (Rose-Ackerman, 1998; Mauro, 1998; Tanzi, 1998). The costs of corruption identified in this period included lost resources wasted on unproductive expenditure (such as bribes) and misallocated to those with power or money, public official effort diverted from the public interest to self-dealing and, at the political level, unstable government and alienated citizens (Klitgaard, 1988). Over time other unfavourable consequences of corruption have been documented including increased costs of doing business, unfair allocation of public entitlements, poor quality consumer products and reduced public safety (Rose-Ackerman, 1998).

Hellman, Jones and Kaufmann (2003) and Kaufmann and Kraay (2002) have provided rich data on how nepotism and tribalism produces poorer economies. They reported that potential employees without connections are shut out and the inefficient in the organizations are protected. Mulder (2008) argues that previous work experience and education are two important factors in today's modern nepotism and tribalism. He explains that people who enter into the organization based on the relationship and bribery lack the necessary competencies and qualifications (Khatri & Tsang, 2003). According to Pearce, Branyczki and Bakacsi (1994), nepotism and tribalism places loyalty and obligations to one’s family and tribe over obligations to one’s employer. It cannot reasonably be expected for people to abandon the love and support of their families for a particular job. Nepotism and tribalism is damaging because any claims that family and tribe members make must take precedence over any organizational requirements (Pearce, Branyczki & Bakacsi, 1994). Nepotism, tribalism and bribery damages exactly the kinds of social relationships that make for a humane and tolerable workplace that foster organizational performance (Pearce et al. 2011). Nepotism and tribalism are bad for employees who are forced to weigh conflicting obligations, it’s bad for co-workers who become demoralized when they suspect the worst, and they are bad for organizational performance (Pearce et al. 2011).

5. Methodology

This research adopted quantitative and qualitative approaches. Quantitative approach was used because the data collected through questionnaires from respondents was analyzable using the standard statistical tools. Qualitative approach was also adopted in this study which was collected through interview guide, it was used because qualitative data is more in depth and provides detailed
answers (Berg, 2001). The target population for the study was all C.E.Os, managers, supervisors and other support staff of the purely commercial parastatals. This study targeted all the 32 purely commercial parastatals. The sampling technique used was cluster sampling as it allows study of parastatals in the cluster as they deal with different businesses (Mugenda & Mugenda, 2003). Cluster sampling technique guarantees that each cluster is represented in the sample and is more accurate in reflecting the characteristics of the population (Kothari 2004). In this sampling method, sampling error is considerably reduced. Using the sampling frame, 10 parastatals were selected from 32 purely commercial parastatals that are in different categories. This represents more than the 30% of the accessible population that is generally recommended by Mugenda & Mugenda (2003) who recommend that 30% of the accessible population is enough.

A sample of 240 respondents was selected through stratified random sampling. This study estimated that around 80% of the parastatals have embraced SHRM practices.

Table 1: Representative samples of different categories for the ten parastatals

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Number per parastatal</th>
<th>Representative Sample (n)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEOs</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Managers</td>
<td>3</td>
<td>30</td>
</tr>
<tr>
<td>Supervisors</td>
<td>6</td>
<td>60</td>
</tr>
<tr>
<td>Other support staff</td>
<td>14</td>
<td>140</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24</strong></td>
<td><strong>240</strong></td>
</tr>
</tbody>
</table>

Data was collected, coded and analyzed using SPSS version 20.0. The findings were presented in form of tables and pie charts and discussions and interpretation of the same given.

6. Results and Discussions

6.1. Response Rate

The number of questionnaires, administered to all the respondents, was 240. A total of 187 questionnaires were properly filled and returned from the parastatals in Kenya. This represented an overall successful response rate of 78%. According to Mugenda and Mugenda (2003), a response rate of 50% or more is adequate. Babbie (2004) also asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

6.2. Descriptive Statistics
The fourth objective of the study was to determine the moderating effect of corruption, nepotism and tribalism on the relationship between strategic human resource management practices and performance of parastatals in Kenya. Results shows that 71.6% of the respondents agreed that corruption was rampant in the parastatal, 66.9% agreed that the practice of nepotism, tribalism and bribery was rampant in the parastatal and 62.1% agreed that nepotism, tribalism and bribery played a role in employee recruitment and selection. Furthermore, 65.2% of the respondents agreed that nepotism, tribalism and bribery played a role in operations of decentralized teams, while 56.7% agreed that nepotism, tribalism and bribery played a role in training and development and 57.2% agreed that nepotism, tribalism and bribery played a role in employee reward. Finally, 62.6% of the respondent agreed that there was relationship between Nepotism, tribalism and bribery on parastatal performance. The mean score for responses for this section was 3.63 which indicates that majority of the respondents agreed that corruption, nepotism and bribery was a key determinant of performance of parastatals. Corruption has permeated many sectors of the Kenyan economy including parastatals. The study findings are in agreement with Okyere-Kwakye, Nor and Nor, (2010), who argued that nepotism and tribalism affects the quality of human resource in an organization as candidates are hired due to their family or tribal affiliations rather than their requisite skill. They place a negative and unproductive cost on the existing employees in the organization and impede organizational justice, motivation and harmony resulting in a higher rate of turnover on the part of productive employees. Nepotism and tribalism leads to discriminatory practices in an organization which negatively impact organizational efficiency (Bellow, 2003).

6.3. The Moderating effect of Corruption, Nepotism & Bribery on the relationship between SHRM Practices and Performance

This section provides results of analysis on the effect of the independent variable on the dependent variable before and after introducing a moderating variable. The independent variable herein is; strategic human resource practices with corruption, nepotism and bribery as the moderating variable. R square also referred to as coefficient of determination and significance tests were done to determine the effects of the predictor variables on the dependent variable. The R square and the overall significance of the model were analyzed before and after introducing the moderating variable to independent variable. The introduction of the moderating variable introduces an interaction effect on the prediction strength of the independent variable on the dependent variable.
The interaction effect leads to either a stronger or weaker prediction power of the independent variable on the dependent variable. In this study, interaction effect was created by use of the product between predictor variable and the moderating variable.

The results indicate that corruption, nepotism & bribery had a weak moderating effect on SHRM practices (R squared change of 0.009) which translates to 1.59% change in the R-square. Results show that after introducing the moderating variable (corruption, nepotism & bribery) the R-square improved from 0.558 to 0.567 and was significant (0.047), however the significance deteriorated from (0.000 to 0.047). This means corruption, nepotism & bribery moderate SHRM practices negatively and statistically significant. These findings are in line with Hellman, Jones and Kaufmann (2003) and Kaufmann and Kraay (2002) have provided rich data on how nepotism and tribalism produces poorer economies. They reported that potential employees without connections are shut out and the inefficient in the organizations are protected. Mulder (2008) argues that previous work experience and education are two important factors in today's modern nepotism and tribalism. He explains that people who enter into the organization based on the relationship and bribery lack the necessary competencies and qualifications (Khatri & Tsang, 2003).

In order to determine the significance of coefficients Table 2 shows the coefficients of the regression equations for both models. Model 1 indicates that the coefficient of organizational performance was positive and significant. In model 2 the coefficient of SHRM practices became negative and significant after moderation at 95% level of confidence. The Beta values for variables are SHRM practices was 0.965 and -0.019 for SHRM practices*corruption. This is indicative that corruption moderated the relationship between SHRM practices and performance of parastatals in Kenya.

Corruption, nepotism and bribery place a negative and unproductive cost on the existing employees in the organization and impede organizational justice, motivation and harmony resulting in a higher rate of turnover on the part of productive employees. Nepotism and tribalism leads to discriminatory practices in an organization which negatively impact organizational efficiency (Bellow, 2003). Similarly, according to Arasli and Tumer (2008), nepotism, tribalism and bribery negatively affects work environment. Teams are unable to function optimally. It is likely to affect access to training and development opportunities amongst the employees within
the organization. It is likely to compromise on reward system. All these may demoralize the employees and consequently lowering parastatal performance.

Table 2: Overall Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>0.49</td>
<td>0.231</td>
<td>2.12</td>
</tr>
<tr>
<td></td>
<td>SHRM Practices</td>
<td>0.892</td>
<td>0.058</td>
<td>0.747</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>0.426</td>
<td>0.232</td>
<td>1.838</td>
</tr>
<tr>
<td></td>
<td>SHRM Practices</td>
<td>0.965</td>
<td>0.069</td>
<td>0.808</td>
</tr>
<tr>
<td></td>
<td>SHRM Practices*Corruption</td>
<td>-0.019</td>
<td>0.009</td>
<td>-0.115</td>
</tr>
</tbody>
</table>

*Dependent Variable: Performance*

The equations for moderations were captured in the following equations;

\[
\text{Performance} = 0.49 + 0.892 \times \text{SHRM Practices} + \varepsilon
\]

\[
\text{Performance} = 0.426 + 0.965 \times \text{SHRM Practices} - 0.019 \times \text{SHRM Practices*Corruption} + \varepsilon
\]
7. Conclusions

The study concludes that strategic human resources management practices have a significant positive effect on the performance of parastatals. When all these practices (recruitment, training, decentralized teams, and employee reward) were used, it was found that there was improved performance in the parastatals. Therefore, human resource managers in organizations that want to boast their performance should endeavor to adopt SHRM practices that enhance the abilities of their workforce, and create for them opportunities to use their skills within the workplace. However, when the moderating variable was added into the model, the study found a negative and significant effect on performance. The study therefore concludes that corruption, nepotism, and bribery had a negative and statistically significant effect on the relationship between strategic management practices and performance of parastatals.

8. Recommendations

Corruption, nepotism, and bribery which were found to moderate negatively the relationship between SHRM practices and performance, HR managers should recognize the contribution of the vices to organizational success. The study recommends that change management should be encouraged to wipe out corruption in the recruitment and selection processes so as to have the competent employees who will enhance organizational performance. The top management should be in support of the changes so as to make the strategic human resource management practices effective in the organization if any success is to be achieved.

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