

Abstract

Purpose

– Strategic human resource management (SHRM) practices are used by large foreign multinational companies to improve their performance. The purpose of this paper is to establish the direct or indirect relationship between SHRM practices and firm performance.

Design/methodology/approach

– SHRM practices are conceptualized as independent variables measured through a bundle of distinct practices. Organizational performance as a dependent variable is measured using constructs of image, interpersonal relations, and product quality. The model is tested with data from 50 large foreign multinational companies operating in Kenya.

Findings

– Results of this paper show that the SHRM practices that best predict firm performance are training and development and compensation systems. The relationship between the use of SHRM practices and firm performance does not hold across the five bundles of what are considered as “high performance work practices”. This paper also assumes that the relationship between SHRM practices and firm performance is indirect through motivation.

Research limitations/implications

– Cross-sectional data from 50 large manufacturing companies in Kenya are used, and it would be interesting to test this model for more industries and countries.

Practical implications

– Results of this paper have shown that the SHRM practices that best predict firm performance are training and development and compensation systems.

Originality/value

– To the best of the author's knowledge, this is the first large-scale empirical paper of the influence of SHRM practices on firm performance, using data from large foreign manufacturing companies operating in Kenya.