
THE EFFECT OF SUPPORTED REGULATIONS ON ORGANIZATIONAL PERFORMANCE OF COMPANIES LISTED IN THE NAIROBI SECURITIES EXCHANGE IN KENYA

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Abstract

Purpose: The purpose of the study was to establish the effect of supported regulations on organizational performance of listed companies in the Nairobi Securities Exchange in Kenya

Methodology: Descriptive and correlation survey research designs were employed. Stratified simple random sampling technique was applied in drawing a sample of 224 respondents from population of 534 top managers of the ten stratum of the NSE listed companies in Kenya

Results: The correlation between supported regulations and organizational performance was weak and positive (0.252) and significant (0.000). The correlation coefficient of 25.2% indicates that the combined effect of the predictor variables have supported regulations have a moderate and positive correlation with acceptance of organization performance. The correlation between organization performance and type of work, types of flexibility, management support, was 0.495, 0.275 and 0.699 respectively with all variables bearing a statistically significant relationship. The regression results showed that the goodness of fit for the regression between organization performance and supported regulations was satisfactory. An R squared results of 0.063 which is 6.3% of the variance in supported regulations by listed companies are explained by the variances in the organization performance.

Policy recommendation: It is recommended that companies should reinforce supported regulations in order to enhance company performance. This would be by formulating well written down policies that ensure favorable working conditions. The job applicants would be attracted to work in an organizations that are perceived to satisfy the needs of its employees by providing competitive compensation and providing a conducive work environment by enhancing work life balance practices for all the employees. This would further help to retain talent for effective organizational performance.

Keywords: Supported regulations, organization performance, Nairobi Securities Exchange

INTRODUCTION

Formal work flexibility has been an important step toward increasing work life balance and enhancing performance. The understanding of work flexibility dates back to year 2010 when the

workplace flexibility comprehensive policy solution was released in America to expand the American's access to work flexibility. Work flexibility generally refer to a practice in organizations where employees are able to choose when they work and where they work from so long as they fulfil their working obligations in doing so (Grzywacz, Carlson& Shulkin, 2008).

Flexible work options are among the many Work-Life Balance (WLB) initiatives being advanced by many organizations as they seek to enable their employees reconcile their work life and family responsibilities (Ruhm, 2005). The work arrangement provides options other than the traditional workplace expectation that employees must work continuously and full-time and do so consistently in the office. Kossek and Lee (2011) argues that, this focuses on relatively short-term personal situations while ignoring longer-term career implications. However, the implementation of flexible working hours is an effective stage to increase productivity without increasing the work force (Cushway, 1994). As business continue to rapidly adapt to the changing business conditions, smart organizations are keenly seeking to reduce costs incurred in terms of work space and maximize profits. Given that employment situations all over the world has become more competitive and unstable, many companies and organizations have inclined to present more flexible employment conditions, focusing on prospective tribulations (such as lower demand of the market) and the possibility of lay-offs (OECD, 2002).

Critical success factors for enhancing performance in organizations by (Armstrong, 2011) include; incorporating management support, promoting a corporate culture, developing effective communication and speed response to customers, having in place effective organizational structures, supported regulations and analyzing competitors. Adopting work flexibility is essential for organizations experiencing the need to be efficient, flexible, innovative and adaptive. Flexible working arrangements are increasingly offered by organizations in order to remain competitive through the recruitment and retention of top performing employees. The employer is more concerned with performance rather than presence of employees at work place and flexible working is becoming a standard element of normal business practice, driven by employee demand for more autonomy in managing their work-life balance, by improved technology.

In the Western world, flexible working is acknowledged to be a driver of economic growth with governments calling for changes in working practices. In the UK for example more than three quarters of the public (79%) and around two-thirds (69%) of Members of Parliament (MPs) believe that more needs to be done to help organizations implement flexible working to stimulate economic growth. Work flexibility play a phenomenal role in the attainment of personal and professional goals (Kossek&Kalliath, 2005). Work flexibility may also limit the number of hours spent by employees in traffic when company policy dictate the traditional 8-5 time schedule which has a negative effect on individual and company productivity (Mwembi et al, 2015).

1.2 Problem Statement

Several companies, however, are experiencing declining productivity and some have even been delisted from the NSE in the last decade. In Kenya there has been a growing concern on

companies' productivity in the face of global competitiveness and the 24 hours economy. Often, this has resulted to staff lay offs, down sizing, companies being under receivership and even companies closures. In this regard, companies in Kenya will need to device ways and strong performance strategies in order to remain competitive in the global market.

However, managers and practitioners still lack adequate guidance for attaining optimal performance yet many of the problems experienced by the companies put under statutory management were largely attributed to employees' output. There is also rapid change in the world of work today for instance, the millennial present varying work demands and seek autonomy from their employers.

1.3 Research Objective

- i. To determine effect of supported regulations on organizational performance of companies listed in the Nairobi Securities Exchange

2.0 LITERATURE REVIEW

2.1 Theoretical framework

The researcher relied on supported regulations and flexible work model by Al Rajudi (2012). The supported regulations model identifies the flexible work arrangements components and link them to employee productivity that leads to the performance of the organization.

2.2 Empirical Review

Supported regulations was measured by reduced absenteeism, employee loyalty, staff retention, and competitive advantage (Kossek and Van Dyne, 2008). A decrease in employees' absenteeism and work-related stress enables workers to give optimum attention to their work (Baltes et al., 1999). In support of reduced absenteeism, the supportive regulations ensures that, childcare provisions enhance young people's feeling of entitlement. Presence of employees at their work station is likely to influence their company performance. Staff retention is paramount to any organization. Some theoretical arguments point to flexible work arrangements as a talent retention tool (Grzywacz, Casey and Jones, 2007). Due to changes in demographics employers have used flexible work arrangements as a way of retaining employees in organizations.

In the age of globalization it is increasingly easy for employees across the world to compare and contrast work-life policies, including flexible work arrangements, within a single company. Some policies may be viewed as U.S. oriented, but that does not preclude a demand for such provisions in other parts of the world. A necessary prerequisite is that they are adapted to the local environment where they are implemented (Anderson, 2004). Supported regulations are important to any organization because the policies serves as a basis of fairness to both the employer and the employee and provide frame work within which both the employee and the employer operate. How effective the policies are outlined helps in reducing conflict between the employee and employer and guides on how effectively an organization carries out its mandate and determines its performance (Cooke, 2012). Factors to consider in supported regulations

include the ideological culture of a country as well as the social, economic and political environment. One aspect to look at is the general attitude towards work and family within a country. Before introducing specific measures such as FWAs, it is important to establish how these values impact the work environment. Are work and family seen as distinctive wholes or are they integrated? What is the work ethic like- do people feel a need for flexible work arrangements or are they already experiencing harmonious lives? Such values may vary from country to country, but may also vary from one industry to another (Friedman *et al.*, 1998).

Organizational policies, procedures, structures and systems decide the extent to which employees are engaged in an organization. It has been evident from previous research that amiable organizational policies and procedures are extremely important for employee engagement and the eventual achievement of the business goals (Konard&Mangel, 2000). Important policies and procedures may include fair recruitment and selection, flexi-timing, aid in balancing work and life, and fair promotional polices. Studies by Reynolds, (2005) show that the recruitment policy of an organization has a direct impact on future employees' engagement and commitment. Bloom (2006) argue that an organization's flexible work-life policies have a notable positive impact on employee engagement.

A survey by Konrad and Mangel (2000) revealed that a third of employees in the small and medium enterprise were experiencing problems with flexible working arrangements where there were no clear policies and flexible work programs. From the survey, Halpern (2004) noted that in United Kingdom, 32% of the surveyed companies that thought work flexibility would impact negatively on productivity were not ready to incorporate the flexible work practice in their work operations.

The job characteristic theory as advanced by Hackman & Oldham (1976) was applied. The theory is related to a proposed frame work that studied how particular job characteristics affected job outcomes and job satisfaction. The framework stated that there are a number of core job characteristics that impact on job outcomes; the degree to which a job requires a variety of different activities in carrying out the work and involves the use of different skills and talents of the individual, task Identity; the degree to which the job requires completion of a 'whole' and identifiable piece of work – that is, one that involves doing a job from beginning to end with a visible outcome (Hellriegel, Jackson & Slocum,1999).

In the context of this study, the researcher argued that job autonomy, which is degree to which the job gives the employee substantial freedom, independence, and discretion in scheduling the work and in determining the procedures to be used in carrying it out is related to supported regulations

2.3 Conceptual Framework

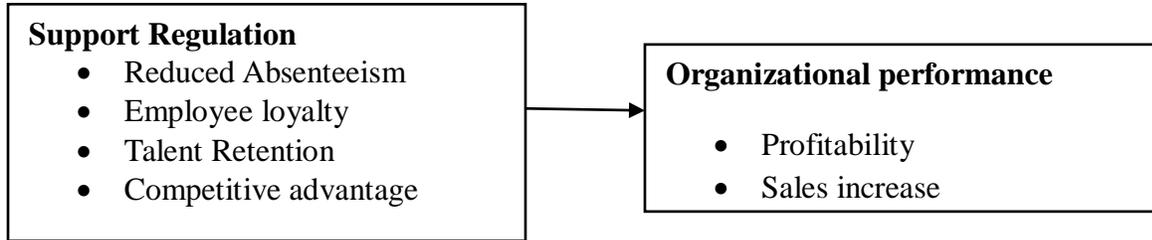


Figure 1: Conceptual Framework

3.0 METHODOLOGY

The study adopted descriptive and correlation survey research designs. The researcher used stratified simple random sampling technique to draw a sample of 224 respondents from a population of 534 top managers of the ten stratum of the NSE listed companies in Kenya. Primary data was obtained by use of questionnaires. Cronbach’s alpha was used to test the reliability of the measures in the instrument.

4.0 RESULTS FINDINGS

4.1 Response rate

This refers to the percentage of subjects who respond to questionnaires. Previous studies have demonstrated that a response rate of 50% is adequate for analysis and reporting. Specifically, Mugenda & Mugenda (2003) assert that 50% is adequate, 60% is good and above 70% is very good. The number of questionnaires administered totaled to 224 those that were properly filled and returned were 162. This represented 72% response rate. The achieved response was more than 70% which was considered very good.

Table 1: Response Rate

| Response | Frequency | Percent |
|--------------|------------|------------|
| Successful | 162 | 72 |
| Unsuccessful | 62 | 28 |
| Total | 224 | 100 |

4.2 Descriptive Results

The objective of the study was to determine the effect of supported regulations on organizational performance of companies listed in the Nairobi Securities Exchange

4.2 Descriptive Results

Table 2: Supported Regulations

| Statement | Disagree | Neutral | Agree | Strongly Agree |
|---|----------|---------|--------|----------------|
| In this company, there are policies on flexible work this helps to employees to have a work life balance | 6.20% | 6.80% | 51.2% | 30.20% |
| My company involve staff on the selection of available flexible work options | 2.50% | 6.20% | 62.3% | 24.10% |
| My company considers the suitability of applicability of various flexible work options based on the type, level and degree of job | 4.30% | 6.30% | 39.50% | 43.20% |
| The policy on internal recruitment has contributed to staff performance | 0.60% | 5.60% | 66.0% | 26.50% |
| My companies ensures there is favorable working condition in order to attract employees to the company | 4.90% | 4.90% | 64.20% | 28.40% |
| This company, operates an open door policy that helps to enhance relationship between staff and management. | 6.20% | 9.90% | 51.2% | 22.80% |

The study sought to establish whether the NSE listed companies had in place work flexibility (flexible work) policies. Flexible work policies helped employees to have a work life balance. The flexible work policies in the NSE listed companies were important to management support. The results on table 2 indicate that 81% of the respondents agreed that their company had the flexible work policies that helped the employees to have a work life balance, 13% of the respondents disagreed with the statement while 6% neither agreed nor disagreed with the statement.

Further the study sought to establish whether the NSE listed companies involved employee in the selection of the available flexible work options. The selection of flexible of the work flexibility was a crucial to organizational performance. The results on table 2 show that 86% of the respondents agreed with the statement that their company involved staff on the selection of the available flexible work option, 9% of the respondents disagreed with the statement while 5% of the respondents were neutral on the statement.

On the statement of suitability and applicability of flexible work options, the study sought to establish whether the NSE listed companies considered the suitability of applicability of the

various flexible work options based on the type, level and degree of job. Suitability of applicability of the flexible work options was key determinants of supported regulations. The results on table 4.18 indicated that a majority 93% of the respondents agreed with the statement that, their company considered the suitability of applicability of various flexible work options, 6% of the respondents disagreed with the statement while only 1% of the respondents were neutral on the statement.

Further the study sought to establish the extent to which policy on internal recruitment had contributed to staff performance. Policy on internal recruitment was a determinant in supported regulations. The results on table 2 showed that a majority 90% of the respondents agreed with the statement that the policy on internal recruitment in their companies had contributed to staff performance, 9% of the respondents disagreed with the statement while 1% neither agreed nor disagreed with the statement.

On the statement of favorable conditions, the study sought to establish whether the companies listed in the NSE ensured there was favorable working condition in order to attract employees. Favorable working condition was a key determinant in supported regulations. The results on table 2 indicated that a majority, 80% of the respondents agreed that their company ensured there was favorable working condition in order to attract employees to their company, 16% of the respondents disagreed with the statement, while 4% of the respondents were neutral on the statement.

Finally, on the statement of open door policy, the study sought to establish whether the NSE listed companies operated on an open door policy. Open door policy in a company was crucial for supported regulations. The results on table 2 indicated that a majority, 87% of the respondents agreed that their company operated on an open door policy that enhanced relationship between staff and management, 8% of the respondents disagreed with the statement, while 4% of the respondents neither agreed nor disagreed with the statement.

4.3 Relationship between Career Management and Organizational Performance

Table 3 shows the relationship between the independent and dependent variable.

Table 3: Relationship between Supported Regulations and Organizational Performance

| Variable | | Organizational Performance | Supported Regulations |
|----------------------------|---------------------|-----------------------------------|------------------------------|
| Organizational Performance | Pearson Correlation | | |
| | Sig. (2-tailed) | 1 | |
| Supported Regulations | Pearson Correlation | 0.252 | 1 |
| | Sig. (2-tailed) | .001 | |

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|----------------------------|---------------------|----------------------------|-----------------------|
| Organizational Performance | Pearson Correlation | | |
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| Supported Regulations | Pearson Correlation | 0.252 | 1 |
| | Sig. (2-tailed) | .001 | |

** . Correlation is significant at the 0.01 level (2-tailed).

From the results, organizational performance was positively correlated with supported regulations. It can be concluded that any positive change in the supported regulations on organizational performance, led to an increased acceptance of organizational performance. A regression analysis was further conducted to determine whether supported regulations was a significant determinant of organizational performance in the NSE listed companies in Kenya. Table 4 shows a model summary for supported regulations.

Table 4: Model Summary for Supported Regulations

| Model R | R Square | Adjusted Square | R | Std. Error of the Estimate |
|---------|-------------------|-----------------|------|----------------------------|
| 1 | .252 ^a | .063 | .058 | 3.64639 |

a. Predictors: (Constant), Supported Regulations

The results show that the goodness of fit for the regression between organizational performance and supported regulations was satisfactory. The R squared results 0.063 which is 6.3% of the variance in supported regulations by NSE listed companies are explained by the variances in the organizational performance. The correlation coefficient of 25.2% indicates that the combined effect of the predictor variables have supported regulations have a moderate and positive correlation with acceptance of organizational performance. An overall model was drawn to determine the significance of the variables. Table 5 shows the overall model.

Table 5: ANOVA for Supported Regulations

| Indicator | Sum of Squares | df | Mean Square | F | Significance |
|--------------|-----------------|------------|-------------|--------|--------------|
| Regression | 143.916 | 1 | 143.916 | 10.824 | .001 |
| Residual | 2127.391 | 160 | 13.296 | | |
| Total | 2271.307 | 161 | | | |

From the results, the model was significant as indicated by an F statistic of 10.824 that was supported by a p-value of 0.001. This probability value was less than the conventional probability of (0.05) hence this was an indication that since the probability value was 0.000,

there was a very low probability that the statement ‘the overall model was insignificant’ was true. It was therefore concluded that the statement was untrue. The study carried out a regression coefficient for the independent variable. Table 6 shows the regression coefficient of supported regulations.

Table 6: Regression Coefficient for Supported Regulations

| Variable | Beta | Std. Error | T | Significance |
|-----------------------|-------------|-------------------|----------|---------------------|
| Constant | 13.516 | 1.191 | 11.353 | 0.000 |
| Supported Regulations | 0.224 | 0.068 | 3.29 | 0.001 |

The results on table 6 indicate that supported regulations is statistically significant in explaining organizational performance of companies listed in the NSE.

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

The study sought to establish the effect of supported regulations on organization performance in companies listed in the Nairobi Securities Exchange (NSE), in Kenya. The results indicated that supported regulations has a significant effect on organizational performance.

The findings indicated that a majority of respondents agreed that their company had policies that lay down various FWAs and policies that lay down the applicability and suitability of various FWAs and that employees were aware of the FWA policies. That the FWA policies greatly contribute to employees’ loyalty to the company and the policies and regulations that support FWA enhanced the company’s competitive advantage. Majority of the respondents agreed that FWA policies has an influence in employees’ motivation. The findings implied that the existence of the supported regulations enhanced management practices such as the open door policy which was indicated improvement of relationship between staff and management and had a positive influence on the rate of staff retention in companies listed in the NSE.

The null hypothesis was rejected by regression results. This means that the supported regulations had a significant relationship with organization performance.

5.2 Conclusion

Study findings led to the conclusion that firms listed in the NSE have put in place supporting regulations to the operations of the organizations through the existence of flexible work arrangement policies, sensitization of employees on the policies and the availability of policies that govern selection of the available flexible work arrangements. This contributed to reduction in absenteeism, influenced the rate of staff retention and build on the staff loyalty to company as well as contributed to the competitive advantage of an organization. It was concluded that firms with effective supported regulations experienced superior company performance.

5.3 Recommendations of the study

The study recommended that supported regulations should be reviewed from time to time and maintained in order to enhance company performance. This would be by formulating well written down polices that govern work flexibility. The selection and application of various flexible work options. It is recommended that companies should reinforce supported regulations in order to enhance company performance. This would be by formulating well written down policies that ensure favorable working conditions. The job applicants would be attracted to work in an organizations that are perceived to satisfy the needs of its employees by providing competitive compensation and providing a conducive work environment by enhancing work life balance practices for all the employees to ensure that the company performance is enhanced.

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