INFLUENCE OF PERFORMANCE MANAGEMENT PRACTICES ON EMPLOYEE PERFORMANCE AMONG SELECTED MONEY TRANSFER COMPANIES IN NAIROBI COUNTY

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ABSTRACT

Performance management practice is being witnessed in every organization in response to changes in global competitiveness and advancement in technology. As a result, employee performance has been attributed to workplace conditions that appear to cause employees to underperform individual workplaces or the profession altogether, as opposed to focusing on factors associated with employees who transfer or quit. It is against this reason that this research was undertaken to investigate the influence of performance management system on employee performance among money transfer companies in Kenya. The study was guided by one general objective and two specific objectives: To establish how performance appraisal and reward system influence employee performance among money transfer companies in Kenya. The study adopted descriptive research designs with employees of money transfer companies in Kenya staff being the target population. Purposive sampling was used to select a sample size of 30% of the target population of 63 employees. Self-administered questionnaires were used as data collection instruments. The questionnaires were pre-tested for reliability and validity. Qualitative and quantitative data was analyzed by the help of Statistical Package for Social Scientist’s Software (SPSS). Data was analyzed using descriptive statistics. The findings of this study showed that employee performance is influenced by employee appraisal and reward Systems. The human resource management should formulate and implement an active reward policy linked to the overall money transfer companies strategy, money transfer companies should establish an active training and development policy formulated for their employees.

Keywords: Performance Appraisal, Reward System, Employee Performance
INTRODUCTION
Performance management comprises all activities that guarantee that organizational objectives are constantly being attained in an efficient and effective manner. Normally, performance management focuses on the organizational performance, employees, departments, and to some extent, the processes that are usually employed to build a service or product, as well as other key areas in an organization that would lead to employee productivity (Homayounizadpanah & Baqerrkord, 2012). Baron and Armstrong (2007) define performance management as an integrated and strategic approach towards enhancing the employee and organizational productivity by bettering the performance of employees through developing the individuals and team’s capabilities. It is at this point that the employee is made aware of what is clearly expected of them and it is agreed upon between supervisor and employee. Monitoring or measuring performance is another crucial stage. Here the process is kept in check to evaluate progress and make any corrective action and changes as may be deemed necessary. Feedback of performance results follows ensuring that the employee and the supervisor agree on continuous developments in the process. Performance management is actually a broad term that was initially used in the 1970s to depict a technology-science entrenched in application methods basically intended to assist the institutional managements to manage both results and behavior, which are the two vital aspects of what is commonly identified as performance (Homayounizadpanah & Baqerrkord, 2012).

In Africa formal and informal means have been in use. Formal means have been through Commercial Banks and informal means have been through friends and agents popularly known especially in the Somali community as Hawalas. In Kenya, money transfer services were offered by entities that fall in three categories: formal providers (that include Commercial Banks and the Kenya Postal Corporation (POSTA), by semi-formal providers (like, courier and bus companies), and by informal services or means (for instance, by bus conductors and friends) (Kabucho, Sander and Mukwana, 2003). These money transfer services provided by formal and semi-formal providers are charged a high fee, that is, a minimum that is in excess of kshs.100 per transaction. The banks, particularly, do not view the poor as viable customers because often their transaction sizes are small and many live in remote areas beyond reach of branch networks (Wambari, 2009). The informal means, on the other hand, are riddled with the risks of the money getting lost or being converted to personal use by those entrusted with the task of delivering money. As well, the use of informal providers may lack confidentiality because receipt of money will be known to those delivering and others to whom they may disclose.

Literature reveals that the mobile money is faster, cheaper, more reliable, and safer (Jack & Suri 2011). The benefits of cashless transaction including less opportunity for fraudulent and criminal activities, and mobile money technology (Wishart 2006) have increased adoption rates among SMEs in the capital city (Mbogo 2010). In other studies, it was being found that about 96% of employees indicated that the organization had implemented and sensitized staff on performance management practices through seminars and the results revealed that the goal setting, rewards and recognition, training and development all had positive impact especially on productivity. It was also concluded that there could be more influence on productivity than performance management practices (Okumu, 2012). There is no known study on how performance management practices have been perceived by employees in money transfer companies, which is currently the sole distributor of electricity in the country, and this study intended to fill this gap.
In Kenya, money transfer services are offered by entities that fall in three categories: formal providers, semi-formal, and by informal services (Kabucho, Sander and Mukwana, 2003). Formal means have been through Commercial Banks and informal means have been through friends and agents popularly known especially in the Somali community as Hawalas. This transfer of funds from one business to another is done through a verification process, which involves both parties. In the report on „Developing Mobile Money Ecosystems“ Beth Jenkins Director of Policy Studies, CSR Initiative, Harvard Kennedy School, says that MMTS (Mobile Money Transfer Service) subscribers in markets such as South Africa, Kenya, the Philippines, Japan, and elsewhere are using mobile money for transactions and services including domestic and international remittances, bill payment, payroll deposit, loan receipt and repayment, and purchases of goods and services ranging from prepaid airtime to groceries to bus tickets to micro insurance. There is no limit to the range of transactions and services for which mobile money could eventually be used. This study focused on three categories of money transfer companies in Kenya.

Statement of the problem

Using performance management systems strategy ensures that employees not only fulfill their responsibilities but do so to the best of their abilities and up to expectations. Performance management practices allow an organization to tap the full potential of employees. A good performance management practices helps in providing them with a clear picture of what is expected from each one of them and what they need to accomplish. Measuring the performance of every employee is also important because it ensures that tasks are efficiently completed on time and on or under budget. It also points out any shortcomings of either the staff, and helps managers to take the appropriate corrective actions. Performance management practices gives organizations the tools to instill the desired qualities in the employees in order to get the job done (Fenwick, De Cieri and Welch, 1999).

Money transfer companies faces challenges which include retention of employees, growth of the organization, conflicts with supervisors and lack of opportunities for promotion; having little or no say in decisions that affect them, fear of losing their jobs through downsizing or outsourcing. Through this study the researcher was able to bring out clearly the link between performance management systems strategy and employee commitment in the bank (Elisha, 2015).

Kotter and Heskett (1992) studied organizations which had no culture of performance management system. Thus, the comparative analysis revealed that performance management system serves as vital component for increasing company profitability. Effective performance management system requires considerable effort and commitment from the human capital management practitioner as well as seniors of the organization (Holsinger and O'Neill, 2003). Majority of the failure reported was due lack of senior management support in the organization (Charan, 1999).

Kithuku (2012) conducted a research on effects of performance appraisal on job satisfaction at KCB Group. Mukanzi (2013) carried out a research on the influence of human resource management practices on firm performance in the Kenyan banking industry in 2013. A thorough research found no studies had been conducted on performance management practices and employee performance in Money transfer companies. Previous studies have dwelt on effects of performance appraisal on job satisfaction while my study focuses on effects of performance management practices on employee performance. This research therefore sought to fill the gap by
answering the following question. What is the influence of performance management practices on organizational performance among money transfer companies in Kenya?

Objectives of the Study

The purpose of this study was to investigate the influence of performance management practices on employee performance among money transfer companies in Kenya. The specific objectives were:

- To investigate the influence of performance appraisals on employee performance among money transfer companies in Kenya
- To determine the influence of reward systems on employee performance among money transfer companies in Kenya

LITERATURE REVIEW

Theoretical Review

Instrumentality Theory

Instrumentality is the belief that if we do one thing it will lead to another. In its crudest form, instrumentality theory states that people only work for money. The theory emerged in the second half of the nineteenth century with its emphasis on the need to ratio native work and economic outcomes. Instrumentality theory has its roots in Taylorism, i.e. scientific management of time, together to get worker to work much harder than average and around then unless they are assured a large and permanent increase in their pay. This is based on the principle of reinforcement as influenced by Skinner’s (1974) concept of conditionally the theory that people can be conditioned to act in certain ways if they are rewarded for behaving as required. It is also called the law of effect. Motivation using this approach has been and still is widely adopted and can be successful in some circumstances. But it is based exclusively on a system of external controls and fails to reorganize of number of human needs. It also fails to appreciate the fact that the formal control system can be seriously affected by the informal relationship exists between workers (Michael Armstrong, 2006)

Strategic reward structures for example cost of living adjustment that are timely and periodic reinforces employee performance in relation to monetary factors in motivation.

Process Theory

In this theory, the emphasis is on the psychological processes or forces that affect motivation as well as on basic needs. It is also known as cognitive theory because it is concerned with people perceptive of their working environment and the ways in which they interpret and understand it according to Guest (1992) process theory provides a much more relevant approach to motivation than the theories of Maslow and Herzberg, which he suggests have been shown by extensive research to be wrong process or cognitive theory can certainly be more useful to managers than needs theory because it provides more realistic guidance an motivation techniques as explained. Laid down procedure with chain of commands and reporting a structure reinforces the psychological process of motivation especially in grievances procedures. In addition to consistent employee appraisals gives the management a clearer picture on employee value to an organization.

Review of Study Variables

Performance Appraisals

Performance appraisal has been described as “the process of identifying, observing, measuring, and developing employee performance in organization” (Carrol & Scheider, 2012). This definition is very important, because it comprises all important components needed for the well-performed appraisal process. Identification criteria orientate the appraisal
process to the determination of what has to be examined and the performance related criteria. The observation component means that the supervisors need to frequently observe the identified characteristics (Moulder, 2011).

According to Hee and Jing(2018) in their study, Human resource management practices on employee performance in manufacturing sector in Malasia, based on the findings of this empirical research, training and development has the strongest impact on employee performance, followed by performance appraisal. The current data has provided employer sufficient evidence for the human resource department of the organization in designing the best suitable solutions for improving the employee performance. Nevertheless, the immediate solutions might not applicable for long term objective in talent management because the employees" performance is heavily influenced by ability, motivation and opportunity which are changing rapidly with development of technology. On top of that, the direction of organization, the internal policy and external competitive environment of the business also influence the expectation of employees. It is very important for the organization to take note that enhancing employee performance using HRM practices is a big issue for the development of an organization especially it might bring destructive effects to the organizational efficiency if it was not properly designed and implemented.

**Reward systems**

According to Gichuki (2014), in his study and the influence of PM on employee productivity in Civil Service. More specifically, the study sought to determine the extent to which performance appraisal, explore the extent to which training and development and determine the extent to which rewarding systems influence employee productivity in Immigration Department of Kenya.

Performance appraisal gives recognition for good performance and suggests changes to improve departmental services and outcomes hence create room for improvement of productivity. The study concluded that Training and development (T&D) promotes encourage staff to be creative with a high percentage. Therefore, to increase and maximize employee productivity, the Immigration Department needs to maximize the use of development of performance appraisal and review employee performances on an ongoing basis. The department should also train and develop employee needs with proper knowledge and skills and reward performances’ not only to motivate them, but also reduce staff turnover.

**Conceptual Framework**

![Conceptual Framework](Image)

**Independent Variables**

**Dependent Variable**

**Figure 1: Conceptual Framework**

**Source: Author (2018)**

**Literature Review**

**Performance Appraisal**

Performance appraisal includes comparing the employee performance with standards. Often the standards may be referred to a metric used. The metrics used should enable management to compare employee performance to others and how he or she contributes to the overall of the team success. Supervisors should approach the appraisal process.
from the perspective that it is of the planning, organizing, leading, and controlling function. When employees understand what is expected of them and the criteria upon which they will be evaluated, they believe the process is administered fairly, performance appraisal serves as a powerful motivation tool. While performance appraisal is a daily, ongoing aspect of the supervisor's job, the purpose of the formal system is to evaluate, document, and communicate job achievements in understandable and objective terms, as well as secondary results of employee effort compared with job expectations (Leonard, 2010).

Performance management is perhaps the most prominent example of an HR process that is fairly easy to design but incredibly difficult to introduce and operate effectively. The problem is getting line managers to do it consistently and well, as was confirmed by the outcome of e-reward survey established that more training or caching for managers was most popular method of dealing with issues. A number of respondents were reviewing the process and some seeking greater support from top management (Armstrong & Brown, 2006).

**Reward system**

A performance-based compensation system would help employees understand the existence of direct link between effort and performance. Merit pay may include direct compensation, as well as cash benefits and stock options. However, to successfully implement merit pay, organizations would need to establish high and challenging performance standards, develop accurate performance appraisal and in the art of giving feedback to employees (Cascio, 2003). In addition to monetary compensation, business organizations in the country should also use non-monetary compensation as a way of motivating employees. Recognition for work well done and annual prizes, such as employee of the year award are important incentives. Several organizations already use such non-monetary rewards. They need, however to integrate such practices in their formal compensation packages.

Employers should also consider cost of living in determining compensation levels. Most employers are paid monthly, generally at the end of the month. To help employees better manage their pay, which is often insufficient, a bi-monthly payment would be preferable. However, the success of such payment installments will depend on the characteristics of each company and potential costs involved (Randall, Susan and Yadong, 2003).

**METHODOLOGY**

A research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected (Kothari, 2004). The researcher used a descriptive design. This design was ideal because it allowed data to be collected and reported the way the situation was on the ground without data manipulation of findings. The target population was the trustees of money transfer company’s staff and management were the respondents of the study, Board of Directors, finance and administration, senior staff and support staff, who add to 63 employees. Primary data was collected through structured open and closed ended questionnaire administered to respondents. The researcher used semi structured interview schedules containing both structured and open ended (unstructured) questions that enabled the researcher get the in-depth data which were not be possible to get using a questionnaire only. The data were sorted, edited, validated and coded, entered and cleared to detect missing values. Correlation regression analysis was used to analyze data using SPSS. The Statistical Package for Social Scientists (SPSS) computer
software was used specifically for the purpose of analyzing the quantitative data.

RESULTS

Descriptive analysis

This section presented descriptive analysis findings on the independent (Performance appraisal and Reward Systems) and dependent variable (employee performance) of the study.

Table 1: Influence of employee appraisal on Employee Performance

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal techniques makes me work harder than expected</td>
<td>46</td>
<td>3.93</td>
<td>1.234</td>
</tr>
<tr>
<td>Performance appraisal makes me work at my normal pace</td>
<td>46</td>
<td>3.57</td>
<td>1.386</td>
</tr>
<tr>
<td>Appraisal cycles makes me work below expectation due to how it is conducted</td>
<td>46</td>
<td>4.07</td>
<td>1.248</td>
</tr>
<tr>
<td>Performance appraisal makes me better understand what should be doing</td>
<td>46</td>
<td>3.23</td>
<td>1.584</td>
</tr>
<tr>
<td>Performance appraisal is used as a decision-making tool for the increasing my performance</td>
<td>46</td>
<td>4.11</td>
<td>.824</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

The respondents were therefore required to rate their responses on a likert scale of 1-5 where: 1= Strongly Agree; 2= Agree; 3= Neutral; 4= Disagree; 5= Strongly Disagree. The analysis in table 1 above showed that all the respondents in the category agreed that; Performance appraisal was used as a decision-making tool for the increasing employee performance, at a mean of (4.11) and a standard deviation of (0.824), Appraisal cycles made employee work below expectation due to how it was conducted, at a mean of (4.07) and a standard deviation of (1.248), the same with appraisal techniques made employee work harder than expected at a mean of (3.93) and a standard deviation of (1.234), performance appraisal made employee work at my normal pace with a mean of (3.57) and a standard deviation of (1.386), and performance appraisal made them better understand what they were doing at a mean of (3.23) and a standard deviation of (1.584).

These findings were in agreement with Malcolm and Jackson (2002) and that the benefits of performance appraisal are the identification of high performers and poor performers as well as the identification of strengths and development areas.

Influence of Reward Systems on Employee Performance

The respondents were requested to show their level of agreement with the statements in relation to reward systems. The results were as shown in table 2.
Table 2: Role of reward Systems on Employee Performance

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary provided by my organization very frequently motivates us to give our best.</td>
<td>46</td>
<td>3.57</td>
<td>1.373</td>
</tr>
<tr>
<td>The rewards provided by my organization sometimes serve to improve on my productivity</td>
<td>46</td>
<td>4.28</td>
<td>0.871</td>
</tr>
<tr>
<td>My organization influences my productivity by linking the reward on job promotion</td>
<td>46</td>
<td>3.64</td>
<td>1.227</td>
</tr>
<tr>
<td>Commissions motivate me to be timely in completing my duties.</td>
<td>46</td>
<td>2.55</td>
<td>1.464</td>
</tr>
<tr>
<td>The rewards are varied and satisfactory</td>
<td>46</td>
<td>3.18</td>
<td>1.416</td>
</tr>
<tr>
<td>Reward opportunities encourage staff to be creative.</td>
<td>46</td>
<td>3.89</td>
<td>1.021</td>
</tr>
<tr>
<td>Appreciation by managers increases my success at work.</td>
<td>46</td>
<td>3.89</td>
<td>0.867</td>
</tr>
</tbody>
</table>

Source Author (2018)

Reward Systems on employee performance in the money transfer in Nairobi County. The respondents were therefore required to rate their responses on a likert scale of 1-5 where: 1= Strongly Agree; 2= Agree; 3= Neutral; 4= Disagree; 5=Strongly Disagree. All the respondents agreed that the rewards provided by their organization sometimes served to improve on their productivity at a mean of (4.28) and a standard deviation of (0.871), reward opportunities encouraged staff to be creative at a mean of (3.89) and a standard deviation of (1.021), same as reward opportunities encouraged staff to be creative at a mean of (3.89) and a standard deviation of (0.867), their organization influenced their productivity by linking the reward on job promotion at a mean of (3.64) and a standard deviation of (1.227), and direct marketing of security firms products improved customer loyalty, at a mean of (3.57) and a standard deviation of (1.373). Salary provided by their organization very frequently motivated them to give their best at a mean of (3.18) and a standard deviation of (1.416) and the rewards were varied and satisfactory at a mean of (2.55) and a standard deviation of (1.464).

CONCLUSION AND RECOMMENDATIONS

The findings suggested that employee appraisal leads to improved productivity. Performance reviews are focused on employee contributions to the organizational goals. Performance appraisal gives the staff the opportunity to express their ideas and expectations for meeting the strategic goals of the company. An effective appraisal system can enhance the motivation and performance of the employees leading to the completion of specified work or for attaining or exceeding specified performance targets.

Reward system as a component of the best human resource management practices that influence the performance of the employee performance of money transfer companies in Nairobi county was found to have a significant effect in terms of motivating employees and promoting teamwork that enormously contribute to the better performance of the organization that leads to the organization to achieve its objectives.

Recommendations

The study recommended that for the organizations to be relevant in the business environment there is a greater need of significant for the organizational management to practice the best human resource management practices since it influenced the performance of the money transfer companies that will enable the organization to achieve its objectives. Recruitment and selection as a component of best
human resource practices enable the organization to acquire the right people with relevant skills and profession that enhance efficiency in work performance that enable the organization to achieve its objectives as expected therefore best performance.

The study recommended that the organization should reward the employees for enhanced productivity levels. For every opportunity possible, the manager should formally recognize good employee efforts for enhanced work performance. The reward system should be varied to encourage the staff to be creative to meet the organization goals. This will increase the chances of the performance to be repeated and increased, while pointing out that poor performance will be discouraged. Bonuses should be used to enhance greater task interest and performance. Job promotion can be used to improve the employee performance in the organization. There should be a fair evaluation process to make the employee feel secure for enhanced productivity.

**Suggestion for further studies**

The study explored on the influence of performance reward systems and performance appraisal on employee performance on employee performance. For better insight on the same, investigations in the private and public sectors in other countries should be done in order to have general view on the influence of HRMP in the banking sector sectors. Further research in this area should focus on the influence of performance appraisal, health and safety, employee welfare, work-life balance and performance management among other aspects in HRMP on employee performance. Secondly, a study should be carried out on the influence of Human resource management practices on employee performance under the devolved government system in other economic sectors.

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