EFFECTS OF PERFORMANCE MANAGEMENT ON ORGANIZATION EFFECTIVENESS: CASE OF KENYA COMMERCIAL BANK HEADQUARTERS, NAIROBI, KENYA

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ABSTRACT

Organizations are operating in an environment that is continuously evolving due to factors of change such as globalization, technology and demographics. Human resource development (HRD) interventions are one way of ensuring the organization keeps up with those changes and remains competitive. Human resource development interventions are measures of continuously enhancing the abilities and performance of the employee using the available means. This study sought to provide more empirical evidence on the effect of human resource development interventions practices on organizational effectiveness at Kenya Commercial Bank, Headquarters. The objective was to: examine the effect of performance management on organizational performance. The study adopted descriptive research design. It targeted a population of 250 employees of Kenya Commercial Bank headquarters, Nairobi. A sample size of 153 was used for the study being determined by using Slovian’s formula. Data was collected using a self-administered questionnaire given to the banks staff. A pilot study at Equity Bank headquarters Nairobi, was also used to identify challenges in the research instrument. Data was analysed through descriptive statistics and results presented in tables as percentages. The study established that the PMS contributed to improve the company’s productivity (54.7%). The study concluded that performance management as an HRD intervention practices significantly affects organizational effectiveness. Recommendations of the study were that: Organizations need to practice human resource development interventions that can work within their institutions by looking inward to identify the resources available and explore them; Organizations should always Conduct a Needs analysis before employing any HRD Intervention for it to be effective; a cross sectional survey would suffice to understand the effect of HRD on the Banking sector in Kenya.

Key Words: Performance Management, Organization Effectiveness

INTRODUCTION

Human resource development is a structure of advancing employee competencies through continuous planned activities and programs either within or outside the organization to enable it achieve its goals. It maximizes the compatibility individual staff and the firm on the goals of the organizations. In a broadest sense, development of human resource can be recognized as comprehensive societal process observant on the interaction of the individual, organization, national and global needs (Wickramasinghe, 2013). Human resource development is viewed in most organizations as a division within the broader “umbrella” of human resource management labelled training and development (T&D). While in reality, it has outgrown that title because of its expansive role. According to Vinesh (2014), human resource management encompasses not just training and development but also developing career and the organization as a form of investing in the organization through its people as a strategy of managing human resource.

Globally, there has been extended shift in how human resource development interventions are debated and applied. This has basically been due to realignments in the global environment as technological innovations change, talent shifts and structures within the organizations demand a global look. According to McGraw and Kramer (2016), the global concept of human resource development interventions goes beyond mere sharpening of skills and competency development. In the United States, interventions that develop humans in organizations are perceived as a force, one that revolutionize human resource development (Haslinda, 2009).

A study conducted in Malaysia by Abdullah (2009) established the crucial role of played by human resource development in that country. According to the study, the government of Malaysia has focused human resource development within the sector of manufacturing which is a third of the country’s workforce. The study highlighted that in 1992 Malaysia enacted a human resource development act which required a one percent contribution from organizations of their annual gross salary towards funding of employees training and development activities as a form of human resource development intervention. The organizations which practices these interventions are granted tax exemptions from exports as well as being provided support in the form of finances and also infrastructure. The study established that by implementing HRD interventions within organizations in the manufacturing industry it enables development of both the team and the individual as well as the improvement of process at work.

Regionally, a study was conducted in Ghana by Otoo and Mishra (2018) considering small and medium scale enterprises within the sector of manufacturing and trade. The study’s purpose was to evaluate the intervention used in the development of personnel on the effectiveness of companies, with specific attention on competencies of workers. The outcome of this study confirmed that interventions used in human resource development particularly in small and medium enterprises influenced competencies in employees through sharpening of skills and competencies hence leading to performance and work productivity.

In Kenya, a study was conducted at the Kenya Commercial Bank by Gathungu and Corvera (2015). The study sought to examine interventions of personnel development in relation to the overall management expertise of executives within commercial banks. It concentrated on KCB in Kenya. According to Gathungu and Corvera (2015), employees reported improvement managerial skills once HRD interventions were introduced. The bank employees who benefited from HRD interventions yielded a promising change in all managerial expertise of the bank executives of Kenya Commercial Bank Limited.
Statement of the problem
The banking industry has had to re-evaluate how it’s providing its services in the wake of the growing demand for accountability, efficiency and value for money. The arrival of contemporary practices in banking administration has been marked by rapid growth of targets and pressure in achieving the expectations of stakeholders and customers together with measurement and compliance with regulatory standards (Adenji, Osibanjo & Abiodun, 2012). The human resource has therefore started attracting a different type of attention as organization seek to utilize them to achieve organizational success and effectiveness. In addition, they posit that human resource development intervention is crucial in the banking sector and plays an integral role in providing leadership, corporate culture and communication, reinforcing the human resource management system and reducing turnover. Researchers for the past two decades have demonstrated that human resource development interventions are crucial determinants of organizational performance (Ngui, 2014). Banks are being forced by globalization, increased customer numbers, extreme competition and a risk of being exposed to high credit, to establish new ways of ensuring their survival (Aldaibat & Irtaimeh, 2012). They argue that human resource development intervention is one of the strategies banks are exploring to enhance their competitiveness in their new organizational arena which includes a developing knowledge organization, emerging technologies and enhanced customer satisfaction which all require the “human equation”.

Employees are a crucial element in the functioning of an organization and should therefore enjoy some level of seriousness. Through human resource Development, organizations are able to harness an individual’s potential by identifying their own needs hence providing continuous stimulation and satisfaction. Literature has shown that indeed there is a positive effect of HRD interventions on Organizational effectiveness. In Kenya, few studies have rather been done at a macro level. It would therefore be interesting to investigate the diverse aspects of HRD interventions practices in a specific organization, as a single entity. Therefore, more empirical evidence is needed to show that, HRD intervention practices produce desirable and positive effects in Organizational Effectiveness, at KCB, Headquarters, Nairobi.

Objective of the Study
The objective of this study was to examine the effect of performance management on organizational effectiveness at Kenya Commercial Bank. The study was guided by the following research question;
- What are the effects of performance management on organizational effectiveness at Kenya Commercial Bank?

LITERATURE REVIEW
Resource Based Theory
The resource-based view theory also known as resource-based theory first emerged from Barney (1991) though it has since been revised by other scholars. The theory was developed to best portray the manner in which firms have attained viable competitive advantage. The theory states that organizations with strategic resources have a competitive advantage over those who don’t have. Strategic resource is defined by Barney (1991) as a rare, valuable, not easy to imitate and non-substitutable asset. The hypothesis affirms that an organization is capable of achieving better when it brings together its distinct resources to propel entire positions of the firm (David, 2013). According to this theory, competitive advantage is gained by an organization when it implements strategies that the competitor cannot copy. Resources that are considered to be enabling competitive advantage should be unique, tactical, unravelled, cannot be substituted, suitable and static (Ling & Jaw, 2011).

The theory suggests at searching the inside of an organization to identify its source of competitive advantage that it can use as a resource. The theory
is so viewed to take an inside out approach by first identifying valuable resources within it to formulate strategies. Resources in this case include manpower, skills, patent, technology and finances. Barney (2013) asserts that an organization which utilizes its palpable and impalpable resources is able to sustain its competitive advantage. It is the focus of this view that the quality of the available personnel in the firm have the ability to quickly learn and adapt as compared to its competitor. The human resource benefits from interventions such as experience, insights, judgments, training and relationships within the organization. The hypothesis allows for comprehension of the basis upon which resources are administer strategically and effectively. The hypothesis is based on the notion that firms compete on the strength of the abilities and resources (Peteraf & Bergen, 2013).

KCB bank has its human resource that it utilizes in implementing a variety of intervention in order to attain the targets of the firm. Other resources are also deployed by the bank to strategically position it the competitive world. The bank therefore has to expose its critical resource in this case, its personnel, so that it can achieve its main objective which is organizational effectiveness. Thus, making it a relevant theory in explaining how organizations manage and best utilize its resources to achieve competitive advantage and organization effectiveness.

**Empirical Review: Performance Management**

Human performance is a measure of an individual’s participation to the firm within two loosely associated aspects: attaining the organizations results as expected and employees expressing the organizations behaviour as required by them (Berger & Berger, 2011). Performance management is therefore defined by Kinicki, Jacobson, Peterson and Prussia (2013) as a set of techniques and managerial behaviour purposive at outlining, stimulating, calculating and developing the predicted achievement of staff which has inference on the achievement of both the firm and the individual. Cardy and Leonard (2011) opine that performance management in vital and requisite element of individual and organizational effectiveness. Researchers (Berger & Berger, 2011) have alluded that an assessment of individual performance is provided by a system of effective performance management. Performance management has the ability of making employees more competitive if well managed, and can assist in organizational performance (Du Plessis, 2015). It is critical to effectively manage individual performance in every organization for it to be possible for them to properly execute the organizations strategies and be able to achieve set strategic objectives. Focus is more often placed on strategy formulation than on the implementation process which needs employees good perform in the organization. Dobson (2011) argues that performance management assists align units of an organization with processes of operation and individuals with objectives and goals that are predefined and created based on a common strategy.

Successful organizations view performance management as force to be harnessed. Performance management intervention ensures that organizations achieve competitive advantage through working as individuals and together as teams. Performance management is relied upon by many organizations to remain competitive. This is because performance management assist employees in knowing what is required of them and guarantee line managers that the behaviour of employees will be at par with the goals of the organization (Jain & Gautam, 2014). The bottom line according to George and Slabber (2014) is to properly manage employees and their performance. In today’s continuously changing environment, the survival of organizations depends on it identifying their current position, making clear the goals and being able to operate in a more effective way. Such objectives can only be achieved by an organization through the assistance of a performance measurement system. George and Slabber (2014) reiterates that performance
management is an approach that is integrated and strategic to enhance the ability of the organization. Performance management is based on the principle factor that of a share process between individual employees, their managers or teams of which they should take advantage of. Performance management involves dialogue and consensus on objectives, demands, plans on development and training and performance at work. George and Slabbert (2014) opine that many organizations have begun to appreciate performance management as process that stimulates and strengthens employees in achieving their set goals through creating a conducive environment. Performance management is an essential function in the management of employees due to its ability to sustain an organizations competitive advantage which contributes to the overall effectiveness of the organization.

Carrol and Scheider (2012) define performance appraisal as a process by which an organization identifies the performance of employees through the identification, observation, measuring and developing their performance. According to Sission (2005), organizations can utilize employee appraisal scheme as a means of showing how staff are seen by the organization as well as how they should be managed and developed. Berger and Berger (2011) opine that an employee’s development and performance is provided for by systems of performance management such as assessments in order to identify competencies required by the organization. Brown and Benson (2013) state that performance appraisal should be tied to the process of improving performance which can be a strategy of identifying training needs, solving existing problems and supporting career development.

Jackson and Schuller (2012) opine that performance management can create a good working environment that is positive to the employees drive to experiencing high level of profitability and productivity. Performance management process is considered to be the most effective and requisite development in the management field as it produces enhanced engagement levels, retention and employee productivity (Fletcher, 2002). An effective performance management system should develop strategies for successful performance, permit performance feedback and allow for a system of equitable reward.

An organizations performance relies mainly on its employee’s abilities, availability of resources and relevance of their skills. This is the reason behind the human resources role in performance and issues encompassing the organizational development. Performance management therefore becomes a vehicle with which the goals of an organization and those of an individual are aligned (Thwala, 2015). One-way technique of improving the performance of staff within an organization is through appraisal. Performance reviews are tied to the goals contributing to the organizations. The outcomes of performance management can contribute to enhancements in performances at work and hence the overall performance of the organization such as increased productivity (Odhiambo, 2015). According to Huselid (2009), performance management practices foster high performance and have significant statistical and economic impact on corporate financial performance as well as employee outcome (productivity and turnover).
METHODOLOGY
The study adopted descriptive research design. Descriptive research design was used because it gives a realistic description of the existing phenomena and therefore making it capable of generalizing facts. Kombo and Tromp (2006) opine that a descriptive study is not a mere fact-finding mission, but also, may result in solving a problem based on the conception of valuable insights. The study targeted a population of 250 administrative employees from the different cadres in the institution. It made use of stratified random sampling. According to Kombo and Tromp (2006), proportionate sampling divides the population into homogeneous subgroups and then takes a simple random sample in each subgroup. The employees of Kenya Commercial Bank were stratified to form the stratus depending on the three levels of management: senior, middle and junior level.

The study made use of Slovin’s formula to calculate the sample size for the population under study. The population sampled was divided into subgroups (strata’s), therefore, a single survey would not provide the data required. This formula was used to allow sampling for each subgroup (strata) to provide more accurate results. A population sample of 154 was used for the study.

The researcher developed a set of questionnaires for purposes of collecting data from the staff of KCB bank in Kenya. The main reason for using this research instruments is to allow an elevated number of participants to be contacted with ease and within financially sound levels (Mugenda & Mugenda, 2013). A questionnaire of good standard allows for quantifiable responses to be acquired in satisfying questions of the study. The questionnaire guided the respondents in answering pertinent areas of importance to the study. The questionnaires were composed of closed questions to elicit structured responses from the respondents. A Likert scale using five-point responses was utilized to measure extent of the responses to be provided in the questionnaires. Secondary data was also involved in the data collection. It involved past data that was collected and tabulated through the use of graphs, charts, reports and tables. The secondary data was obtained from journals, newspapers, textbooks, research reports and internet. A drop and pick approach was adopted in distributing the questionnaires to the respondents. The questionnaires were picked at an agreed time between the researcher and the respondents.

Validity is narrated by Cohen, Manion and Marrison (2011) as the level by which objects or items in a test sample represent the content to be measured by the designated test. It is opined by Mugenda and Mugenda (2013) that a professional in a particular field of study can be used to measure validity. The researcher therefore engaged the expert opinion of the supervisor to make suitable corrections based on the comments pointed out to emend the content validity of the instrument. This assisted the study to collect suitable data that met the standards. To validate construct validity, the study adopted Cronbach Alpha (α) scale to determine internal validity. A value of 0.90 was found using SPSS. A value of 0.70 or more is recommended by Miller, Woehr and Hudspeth (2002) to be adequate to retain variables.

The study ensured its reliability by subjecting the research instrument to a pre-test. It is during the pilot testing that the pre-test was conducted. Reliability according to Mugenda and Mugenda (2013) is the measure of the level to which the instrument of research produces results that are consistent or data after replicated studies. Berg (2012) opines that a line of questioning that is both systematic and consistent is crucial in ensuring a study is reliable and that it can be replicable. The study utilized a standardized questionnaire with a systematic and consistent line of questioning to collect data from the respondents.

RESULTS
Effect of performance management on organization effectiveness
The respondents were asked a series of questions to establish various aspects of performance
management. A 4-point Likert scale was deployed for this purpose. The respondents were asked if the current performance management system was compatible with the organization structure. The majority of the respondents (64%) indicated that they were satisfied with its compatibility, 24% indicated they were partially satisfied, 10% indicated they were not satisfied while 2% had no opinion. The respondents were asked if the PMS contributed to improve the company’s productivity. The majority of the respondents (54.7%) indicated they were satisfied with its contribution to improving productivity, 39.3% indicated they were partially satisfied, 4% indicated they were not satisfied while 1.3% indicated they had no opinion. The respondents were asked if the executives were trained to make effective use of the PMS. The majority of the respondents (71.3%) indicated that they were satisfied that the executives were trained in making effective use of the PMS, 18% indicated they were partially satisfied, 6% indicated they had no opinion while 4.7% indicated they were not satisfied. The respondents were asked if PMS encouraged continuous feedback between the appraiser and the appraise. The majority of the respondents (76.7%) indicated they were satisfied that the PMS encourages continuous between the two parties, 14% were partially satisfied, 6% indicated they were not satisfied while 3.3% indicated they had no opinion. The respondents were asked if promotion was directly based on the appraisal ratings. The majority of the respondents (52.7%) were partially satisfied that promotion was directly based on the appraisal ratings, 21.3% indicated they were satisfied, 17.3% indicated they were not satisfied while 8.7% indicated they had no opinion. The findings were contained in table 1.

Table 1: Effects of performance management

<table>
<thead>
<tr>
<th></th>
<th>Satisfied</th>
<th>Partially satisfied</th>
<th>Not satisfied</th>
<th>No opinion</th>
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<tbody>
<tr>
<td>Current PMS is compatible with organization structure</td>
<td>64%</td>
<td>24%</td>
<td>10%</td>
<td>2%</td>
</tr>
<tr>
<td>PMS contributes to improve company’s productivity</td>
<td>54.7%</td>
<td>39.3%</td>
<td>4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Executives are trained in effective use of PMS</td>
<td>71.3%</td>
<td>18%</td>
<td>4.7%</td>
<td>6%</td>
</tr>
<tr>
<td>PMS encourage continuous feedback appraiser &amp; appraise</td>
<td>76.7%</td>
<td>14%</td>
<td>6%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Promotion directly based on appraisal ratings</td>
<td>21.3%</td>
<td>52.7%</td>
<td>17.3%</td>
<td>8.7%</td>
</tr>
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</table>

The results of the study indicated that majority of the respondents were satisfied that the current PMS was compatible with the organizational structure; the PMS contributed to improving the company’s productivity; the executives were trained to make effective use of PMS; the PMS encouraged continuous feedback between the appraiser and the appraise. According to Holl (1991), the more compatible the PMS is to the structure of the organization, the more it is likely to be implemented.

CONCLUSION AND RECOMMENDATION

Based on the outcome of the study, performance management positively affects organizational effectiveness at Kenya Commercial Bank. The study established that the performance of the employees had been appraised in the near past. The current performance management system was compatible with the organizational structure; the PMS contributed to the organizations productivity; the executives had been trained on how to effectively use the PMS; the PMS had encouraged continuous feedback between the appraiser and the appraise;
and that promotion was partially based on the appraisal ratings.

To begin with, in order for KCB Bank to achieve maximum effectiveness, it needs to identify other HRD intervention strategies that can work with its organization. An inward looking of the available resources, can enable it identify possible interventions, relevant and unique to its composition and structure.

The success of the HRD intervention relies on properly identifying the needs of the employees and those of the organization and aligning them. Therefore, a needs analysis should first be conducted, to identify the needs of employees to enable the organization to deploy the best HRD intervention.

REFERENCES


