

**PERFORMANCE MANAGEMENT AT THE SACCO SOCIETIES
REGULATORY AUTHORITY (SASRA)**

BY:

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS FOR AWARD OF MASTER OF BUSINESS
ADMINISTRATION (MBA) DEGREE, UNIVERSITY OF NAIROBI**

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DECLARATION

I certify that this proposal is my original work and has not been presented previously for a degree in University of Nairobi or any other university for examination purpose.

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D61/73016/2009

DECLARATION

This proposal has been has been submitted for examination with my approval as a University supervisor.

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DEDICATION

A lot of gratitude to my wife, who believed in me, stood by me during my school days and encouraged me to soldier on when the going was tough. To my daughter and sons who withstood my continued absence in pursuit of this degree. Appreciation to my parents for inculcating in me the values of hard work and patience, my friends and colleagues and in particular Norah, Anne and Charles for their support throughout this time. May the almighty lord bless you all.

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ACRONYMS AND ABBREVIATIONS

GDP : Gross Domestic product

GoK : Government of Kenya

MDGs : Millennium Development Goals

OECD : Organization for Economic Co-operation and Development

SACCO : Savings and Credit Cooperative Society

SASRA : Sacco Societies Regulatory Authority

SMART : Specific, Measurable, Achievable, Relevant and Time framed

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ABSTRACT

The study's objective was to identify performance management practices in Sacco Societies Regulatory Authority. The researcher adopted case study research design as this type of study research describes in depth the characteristics of behavior or condition and is the most appropriate for studying a subject in detail to bring up the unique issues such as set in the objectives of this study. The type of data collected was qualitative in nature and was collected using an interview guide. The interview got information about the performance management practices employed in Sacco Societies Regulatory Authority. Interview method was preferred due need for detailed information about the management thoughts and behaviors and the need to explore new issues in depth. The researcher interviewed the chief manager human resources and administration under whose docket performance management is premised. It was expected that most of the data was qualitative and was collected from a single organization, and thus was analyzed using content analysis technique. The results were then presented systematically in line with the literature reviewed and where applicable appropriate tables were used. From the research findings, it can be concluded that SASRA had in place all of the reviewed performance management practices. Based on the study's conclusions, the researcher made several recommendations for policy and practice as well as for further research.

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

Performance management is the systematic process by which an organization involves its employees, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of its mission and goals. According to Lockett (1992) performance management aims at developing individuals with the required commitment and competencies for working towards the shared meaningful objectives within an organizational framework. Performance management frameworks are designed with the objective of improving both individual and organizational performance by identifying performance requirements, providing regular feedback and assisting the employees in their career development.

Sacco Societies Regulatory Authority is a public entity and like all public institutions, has embraced performance management aimed at ensuring flexibility in the face of fast changing operating environment and for continuous improvement in the quality of services delivered to its stakeholders. Performance management provides an essential mechanism through which the Authority can measure its performance against set objectives with a focus on addressing deviations from its strategic goals. It is in cognizance of the importance of performance management that at the time of inception, a five year strategic plan covering the period 2010-2015 was developed to premise all the Authority's activities to be accomplished during the planning period. This provides a clear framework within which execution of all activities are to be done thus ensuring that deviations from set performance goals can be identified

through continuous monitoring and corrective actions taken to ensure that performance of the entire organization is in line with its corporate goals.

1.1.1 Performance management practices

According to Dressler (1997) performance management is a systematic approach to managing people, goals, measurement, feedback, and recognition as a way of motivating employees to achieve their full potential in line with the organization's objectives. Performance management is a continuous process and is concerned with improving both results and quality of working relationships. It is an ongoing, systematic approach to improving results through evidence based decision making, continuous organizational learning, and a focus on accountability for performance. In recent years, many organizations are trying to create a 'performance culture', which is incorporated of several strategies in order to develop individuals' contribution to the overall success of the organization. Armstrong (2006) asserts, the aim of performance management is to establish a high performance culture in which individuals and team takes responsibility for the continuous improvement of business process and for their own skills and contributions within a framework provided effective leadership.

Successful organizations are discovering performance management as critical business tool, one that plays an important role in translating business strategy into results (Waka, 2010). Success with performance management doesn't happen automatically though. It requires work. Those individuals responsible for implementing and maintaining the performance management system must ensure that

their management teams understand the potential of effective performance management and is committed to its success. According to Whetten and Cameron (1991) managers often become frustrated because they do not understand the causes of observed problems. They continue to measure performance without diagnosis and management of the entire spectrum of performance issues. Positive performance management contributes to the development of the employee and to the productivity of the company. It is a process which cannot be ignored, yet it is often neglected because it is regarded as time-consuming, costly and irrelevant. Performance management process sets the platform for rewarding excellence by aligning individual employee and group accomplishments with the organization's mission and objectives and making the employee, groups and the organization understand the importance of a specific job in realizing outcomes. By establishing clear performance expectations which include results, actions and behaviors, it helps employees and groups in understanding what exactly is expected out of their jobs. Setting of standards help in eliminating those jobs which are no longer of any use. Through regular feedback and coaching, it provides an advantage of diagnosing the problems at an early stage and taking corrective actions.

According to Beer and Ruth (1990) performance management comprises of (1) recognition of a manager's role in dealing with subordinates, (2) emphasis on development and evaluation, (3) the identification of an individual's strengths and developmental needs, and (4) an integration of the results achieved and how they were achieved. In terms of the management of an organization, performance management "involves, tracking actual performance along the measurement dimensions established

in goals, feeding back information to relevant subsystems, taking corrective action if performance is off target, and resetting goals so that the organization is continually adapting to external and internal reality” (Rummler and Brache, 1995).

1.1.2 Savings and credit co-operatives industry

Cooperatives, as economic enterprises and as self-help organizations, play a meaningful role in uplifting the socio-economic conditions of their members and their local communities. Over the years, cooperative enterprises have successfully operated locally owned people-centred businesses while also serving as catalysts for social organization and cohesion. With their concern for their members and communities, they represent a model of economic enterprise that places high regard for democratic and human values and respect for the environment. As the world today faces unstable financial systems, increased insecurity of food supply, growing inequality worldwide, rapid climate change and increased environmental degradation, it is increasingly compelling to consider the model of economic enterprise that cooperatives offer. The cooperative sector, especially in developing countries, also presents itself as an important element that can contribute to the realization of the Millennium Development Goals (MDGs) by 2015. In terms of percentage of a country’s GDP attributable to cooperatives, the proportion is highest in Kenya at 45 per cent.

1.1.3 Sacco Societies Regulatory Authority

Sacco Societies Regulatory Authority is a State Corporation established by an Act of parliament through the enactment of the Sacco Societies Act of 2008 to license,

supervise and regulate deposit taking savings and credit co-operatives in Kenya. Prior to the enactment of the Act in 2008, the Ministry of Co-operative Development and Marketing was responsible for registering and supervising of all savings and credit co-operatives in Kenya. The need for the establishment of the Authority arose out the realization that although the sub-sector controlled billions of shillings as savings, there existed no prudential regulatory framework to regulate their business thus posing a major financial risk to the financial sector and the country at large.

Sacco Societies Regulatory Authority currently has a total staff population of fifty three (53) deployed in the various functional departments and units namely; Human Resources and Administration, Finance and Planning, Sacco Supervision, Policy, Research and Development, Legal, Internal Audit and Corporate Communications. To date Sacco Societies Regulatory Authority has licensed 120 deposit taking savings and credit co-operatives out of a total target of 215 that carry out deposit taking Sacco business. At appendix 2, The Sacco Societies Regulatory Authority organizational structure is indicated.

1.2 Research problem

Today's world is characterized by rapid changes in technology, a more diverse workforce, ever changing government regulations, worldwide competition, and the growing complexity of things in general. To meet these challenges, most institutions both public and private have made a commitment to provide timely and quality services to achieve organizational goals. Performance management represents a state-

of-the-art tool for improving public sector performance and the more reason why all public institutions now consider it an essential tool for enhancing good governance, accountability and rapid results in the public sector. It is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills, performance, behaviour and contributions. It is about sharing expectations. Managers can clarify what they expect individuals and teams to do; likewise, individuals and teams can communicate their expectations of how they should be managed and what they need to do in their jobs. It follows that performance management is about interrelationships and about improving the quality of relationships and results between managers and individuals, between managers and teams, between members of teams and so on, and is therefore a joint process, which all organization should embrace.

Sacco Societies Regulatory Authority is a young state corporation established by an Act of Parliament of 2008 with a mandate to license, supervise and regulate deposit taking savings and credit co-operative societies in the country and operationalized in October 2010. The broad mandate and the huge expectations from Sacco members for prudential regulation of these institutions hitherto not regulated call for a well thought out strategic approach in ensuring that the regulated savings and credit co-operative societies' members get value for money and at large ensure the financial sector of the economy achieve the enshrined vision 2030 goals especially improved savings and more financial inclusion for the Kenyan public. It is in cognizance of the importance placed on this sub-sector of the financial sector, that Sacco Societies Regulatory

Authority started by developing systems and structures aimed at enhancing performance and efficiency in its service delivery.

Mureithi (2008) in his study on reasons for slow adoption of performance management concept in non-governmental organizations operating in Nairobi found out that more emphasis has been placed on performance planning and contracts and very little on performance monitoring and training. As a result the full beneficial effects of proper performance management implementation cannot be enjoyed by the non-governmental organizations. Obiye (2002), in his study on the survey of preferred methods, raters and uses of performance appraisals by employees in selected tertiary public institutions in Nairobi found out that while all respondents had the full knowledge and understanding of the components of performance management, the only important parts in the components were planning and contracts. They admitted the need for training in performance management for their employees. Few studies on performance management have been undertaken in organizations and some of these include; performance management in Kenya Commercial Bank (Njagi, 2003), employee performance management in court registry (Oresi, 2007), employee performance in Postal Corporation of Kenya (Abdi, 2008), and Adundo's (2007) research on performance management in Kenya Revenue Authority.

These studies revealed that performance management was more effective in profit making institutions as staff was more aggressive to meet their targets. Nginyo (2010) in her study of employee performance management practices among insurance

companies in Kenya found out that training and development is an important aspect in managing performance as it enables the transfer of acquired knowledge. Lack of integration of performance management with organizational objectives was also found to lead to underperformance. Kirui (2005) on his study of the relationship between performance of Saccos and the level of management capacity and Peck (2006) in his study on management capacity found out that low management capacity often leads to poor performance in Saccos. After reflecting on the studies carried out in on the concept in the past, none covered performance management in Sacco Societies Regulatory Authority yet it plays a critical role in the social-economic development of the country. The study therefore aimed at answering the following research question: what are the performance management practices at Sacco Societies Regulatory Authority?

1.3 Research Objective

The objective of this research was to identify performance management practices in Sacco Societies Regulatory Authority.

1.4. Value of the Study

This study is of great value to Sacco Societies Regulatory Authority and other public institutions as very few researchers have focused on performance management in the public sector. The research also provides users in the public, private sectors and policy makers with valuable information on how to view performance management and possible solutions in future implementation of performance management. In

CHAPTER TWO: LITERATURE REVIEW.

2.1 Introduction

This chapter discusses the literature reviewed to providing a theoretical grounding for the study. It also identifies the research issues that are being addressed. It also provides the conceptual framework and a detailed outline of the underlying concepts and variables of performance management.

2.2 The concept of performance management

There are different views on what performance is. It can be regarded simply as the record of outcomes achieved on an individual basis; it is a record of a person's accomplishments. The oxford English dictionary defined performance as the accomplishment, execution, carrying out and working out of anything ordered or undertaken. This refers to outcomes as well as results being achieved. A more comprehensive view of performance is thus achieved if it is defined as embracing both behaviour and outcomes. Behaviours emanate from performance and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right the product of mental and physical effort applied to tasks and can be judged apart from results" (Brumbach, 1988).

Performance management is a means of getting better results from a whole organization by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. The

fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for continuous improvement of business processes and for their own skills and contribution (Johnson and Scholes, 2000).

Performance management should operate within the ethical consideration of mutual respect, procedural fairness and transparency.

Performance management satisfies the needs and expectations of all stakeholders. In particular employees are treated as partners whose interests are respected and whose opinions are sought and listened to. Performance management recognizes that needs of stakeholders will not always coincide and each party must thus be accorded the due respect (Waka, 2010). Communication and involvement through continuous dialogue between managers and members of their teams establish mutual understanding of what is to be achieved. Performance management operates as a partnership between the organization and each individual working in it. Both parties contribute to the definition of objectives, Performance management is sometimes used to imply organizational targets, frameworks like the balanced scorecard, measurements and metrics, with individual measures derived from these (Biketi, 2010). This measuring of performance management has compared with the softer developmental and motivational approaches to aligning the individual and the organization which is aimed at improving performance (Torrington et al, 2008).

Armstrong and Baron (2004) define performance management as a process which contributes to the effective management of individuals and teams in order to achieve

high levels of organizational performance. As such it establishes shared understanding about what is to be achieved. They go on to stress that it is a strategy which relates to any activity of the organization set in context of its human resource policies, culture, style and communication systems. The nature of the strategy depends on the organizational context and can vary from organization to organization. In other words, performance management should incorporate performance improvement, development and management of behaviour.

According to Armstrong (1994) performance management assists in this integration of corporate and individual objectives, by means of communicating these objectives, and underpinning the core values of an organization. Performance management specifically aims at improving the following aspects of performance: achievement of objectives; knowledge, skill and overall competence; and day-to-day effectiveness. Armstrong (1994) furthermore identifies specific aims of performance management to be: the achievement of sustainable improvement in organizational performance; a lever for change in developing a more performance-orientated culture; a tool to increase the motivation and commitment of employees; a tool to assist in the development of a constructive and open relationship between individuals and their managers, ensuring continuous communication regarding work actually done throughout the year; and a means of focusing attention on the attributes and competences required to perform effectively and on what should be done to develop them.

Hartle (1995) regards a performance management programme to exhibit the following features: there is a shared vision of organizational objectives, communicated to all employees; individual performance targets are related to both business and wider organizational objectives; regular reviews of progress towards objectives set, are conducted; from the reviews, training, development and reward outcomes are identified; and it allows for changes and improvement to overall performance.

Armstrong (1994) argues that measurement is a key aspect of performance management. It makes no sense to define objectives or performance standards, while there is no agreement on how the performance will be measured. Performance measures provide evidence of whether the intended result has been achieved, and the extent to which the results have been achieved. Previously, performance was only seen in terms of individual motivation and individual performance. There has, however, been a change of emphasis, because the performance of individuals is the result of systems that are implemented and controlled by factors outside the control of the individual. Torrington & Hall (1995) clarified the concept of organizational performance, by reviewing three aspects of organizational performance as, total quality management, identifying and meeting customer needs, both external and internal, and learning organizations.

Walters (1995) views performance management as being concerned with directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization. It is a process of performance planning (goal

setting), performance monitoring and coaching, measuring (evaluating) individual performance linked to organizational goals, giving feedback, rewarding based on achievements against set performance and required competences, and working out a plan for development (Maiya et al., 2011). In this regard, performance management is a series of processes rather than a management system (Armstrong and Murlis, 1994). The key ideas of performance management are that the principal dimensions of a person's work can be defined precisely in performance terms, allowing measurement over agreed periods of time that also takes account of particular constraints within the situation of performance.

Williams (2003) indicates that performance management reforms, at least implicitly, assume an integrated management cycle in which information on performance, outputs, and outcomes of administrative action and its consideration in political decision-making processes are essential to create and maintain effective and efficient government. Hood (1991) argues that the performance management doctrines of measuring performance and greater emphasis on output controls are typically justified with the accountability requiring clear statements of goals, and efficiency requiring "hard look" at objectives, as well as a "need to stress results rather procedures". Despite the fact that performance measurement was not really new to public policy and administration (the performance management focuses on performance measurement and management, in order to improve decision making and effectiveness.

According to Cunningham and Harris (2001), performance management advocates argue that if accountability is extended beyond inputs to outputs and outcomes, results control will achieve accountability and motivate effectiveness, assuming results are measurable and results control is possible. As a consequence, Hyndman and Eden (2002) indicate that it could be argued that much greater prescription as to what should be provided in terms of performance measures by agencies, and the provision of detailed guidance and support in developing performance measurement and performance reporting systems, would lead to better systems being developed more quickly.

2.3 Performance management practices

Performance management can at best be seen as a process that supports the achievement of business strategy through the integration of corporate, functional, departmental, team and individual objectives. Within this process, the organization establishes an environment that allows for clear communication of its mission and goals to employees and in which they are also encouraged to contribute to the formulation of these objectives (Armstrong and Murlis, 1994). In this respect, performance management integrates both a top-to-bottom and a bottom-up approach to strategy formulation and implementation. As noted by Bratton and Gold (2007) the adoption of a performance management system therefore represents an attempt by an organization to show a strategic integration of human resource management processes, which can together be linked to the goals and direction of an organization.

2.3.1 Role definition or role profile

Role definition sets a road map and provides basis for performance management framework. It starts with “Purpose of role” that is overall aim. The primary focus is to make the job holder understand what job is expected from her or him. Secondly, it outlines the “key result areas” which define in detail, the agreed objectives, main output areas and performance standards. In other words the manager and employee should know what functions will have to be performed by the job holder. Lastly, are the “key competencies” This step deals with organizational or generic competencies about the behavior, required to perform the role effectively. These behavioral competencies include teamwork, communication, customer focus, develops others, Problem solving, leadership and many more. These competencies provide the basis for personal development program (Armstrong, 2005).

2.3.2 Performance agreements

Performance agreements which are also known as performance contracts include; objectives and standards of performance where the objectives should be “SMART”. In this abbreviation S=specific, M=measurable, A=achievable, R=relevant and T=time framed. SMART aim is to direct the people objectives towards organizational objectives. Role of definition plays important role. This integration is achieved when everyone is fully aware of organizational functions and individual as well as team goals (Armstrong, 2005). Performance standard is in fact, a statement of conditions that are used when time based targets are not possible to set for an employee. It may be possible that their essential nature may not change from one performance period to

other regardless of any special circumstances, that's why they are standing or continuing objectives.

2.3.3 Performance measurement

After the definition of what is to be achieved the next important step is to define how the achievement will be measured. Performance measure provides the evidence whether intended results have been achieved or not and to which extent the job holder has done his/her job efficiently. This data help in supplying a good base for feedback to managers and help an employee monitor his/her own strength and weaknesses. Measures can be categorized, in finance, output such units produced; impact for instance innovation or standard attainment; reaction such as judgment of customers, colleagues; or time for instance speed of response, delivery times (White, 1995).

Jones and Kettle (2003) observe that over the past three decades, criticisms about government performance have surfaced across the world from all points of the political spectrum. They note that critics proclaim governments to be inefficient, ineffective, too large, too costly, overly bureaucratic, overburdened by unnecessary rules, unresponsive to public wants and needs, secretive, undemocratic, invasive into the private rights of citizens, self-serving, and failing in the provision of either the quantity or quality of services deserved by the taxpaying public. In short, as a rule government performance fails to meet expectations. This "failure" has a price. The nature of the cost we all pay for government failures is not necessarily of the same kind or of the same magnitude.

According to Jones and Kettle (2003) the alleged success of market-driven solutions and business techniques such as customer satisfaction surveys, balance scorecards (BS), focus groups or certification of compliance with standards issued by organizations like the International Standards Organization (ISO) added momentum to the traditional pressure on the public sector to be more like business. This pressure was augmented within government by the growing ranks of public sector managers and analysts educated in business schools and public management programs.

According to Gianakis (2002), while within the private sector the discussion about the revolutionary and not-so-revolutionary use of performance measurement was closely linked to the debate on increasing the effectiveness of strategic management systems and narrowing the gap between ambitious strategies and the annual planning, the debate within the public sector has been more complex. Here, from the very beginning, the discussion concentrated on the idea of improving external accountability and increasing internal efficiency at the same time. Performance measurement is seen as a tool for improving public budgeting, promoting a better reporting system and modernizing public management.

2.3.4 Competency assessment

Next is the assessment stage that includes the discussion consisting of competency profile which has been defined in role definition of job holder. Discussion may consist

of clarification of expectations of manager how these competencies are perceived by manager and what he/she actually wants under these competencies details.

2.3.5 Performance development plan

Jackson (2002) opined that some cultural assumptions underlie human resource management with regards to developing employees: he deliberated through an example which highlighted the distinction between the hard and soft approaches on developmental aspects, appearing in the strategic human resources management literature. The hard approach assumed the employees in the organizations as mere resources to achieve the objectives of the organization, where as the soft approach viewed the employees more as valued assets capable of development (Tyson and Fell, 1986). The need for organizations to develop their employees is compelling because a sound training and development plan has its contributions to increase productivity and quality of work.

The development strategy reduces staff turnover and absenteeism and also helps in improving motivation among the employees. In order to stay ahead of competition, training and development plan must incorporate innovation and reinvention and this is only possible when training encompasses a wide range of learning actions. Therefore, an ideal training shall become part of a company-wide strategy and it must be is linked to business goals and organizational performance.

2.3.6 Performance monitoring

The distinction between performance monitoring and evaluation is an important one. Performance monitoring can be defined as a continuous process of collecting and analyzing data to compare how well a project, program, or policy is being implemented against expected results (OECD, 2002). The central activity of performance monitoring is the collation of data to facilitate the reporting of performance indicators, that is to say quantitative or qualitative variables that allow for the identification of changes produced by a specific intervention, activity, project, programme or policy (OECD, 2002). Performance monitoring is an integral component of performance management, whereby management control systems respond to performance information in a manner conducive to the improvement of performance. Evaluation, on the other hand, can be defined as the "judgment of interventions according to their results, impacts and needs they aim to satisfy" (OECD, 2002). In contrast to performance monitoring, evaluation particularly in a public sector context is often understood to be concerned with summative assessments of the success or failure of specific programmes and projects in achieving their stated goals.

Effective performance management requires managers to have access to performance information that gives a balanced view of organizational performance without overwhelming managers with data or overburdening their organization with reporting requirements. The aim of producing a small but balanced set of indicators to support strategic decision-making has given rise in recent years to the idea of "dashboards". The purpose of a dashboard is to present a small set of performance measures on a

regular and structured basis to strategic decision-makers. These performance indicators should focus attention on activities of greatest importance to an organization and its stakeholders, thereby minimizing the data collection burden.

2.3.7 Performance review

This is the more formal evaluation stage where performance review over the specified period takes place in which achievements, performance agreements and development plans are analyzed and can lead to performance ratings. Performance can be rated in different ways. It can be measured on the basis of whether the type of judgment called for is relative or absolute evaluation (Nel et al., 2008). Relative judgment relates to comparisons of employees doing the same jobs against each other and provides the supervisor with superior subjective influence which may be seen as unfair and lacking credibility. In contrast, absolute judgments ask the supervisors to make judgments based solely on performance standards thereby creating conditions where feedback to the employee is more specific and based on dimensions of performance.

Sherman et al. (1996) classify performance appraisal techniques into three main categories; those measuring traits, behaviours or results. The authors observe that trait approaches continue to be popular. These systems have inherent subjectivity and can be difficult to administer. Behavioural approaches provide more action oriented information and therefore may be suited for development. The results oriented approach, also management by objectives focuses on the measurable contributions that employees make to the organization. Management by objectives is a philosophy

of management that rates performance on the basis of employee achievement of goals set by mutual agreement between employee and manager. (Sherman et al., 1996).

2.3.8 Performance reward

According to Viteles (1932) money is not always the answer to ensure that the employees in companies are constantly working. Thus, there is a need for managers to consider other factors as well. Examples of this include recognition, status and job security. During the early 20th century, it was not uncommon to come across another research study that concluded that a good job performance stems from the employee's satisfaction level with his/her job satisfaction. Thus, most researchers during such an early period usually made conclusions that stated how happy workers are those that are most productive. Recent studies however have shown that this is not always true.

Johnson et al. (2010) conducted a study on how an employee's motivation can encourage an increase in commitment to his/her work. Based on the information gathered by the researchers, it was found out that when employees work in groups, they are likely to be more motivated in their respective jobs, as a result of collective interaction. One of the main reasons for this is that employees are able to be more conscious of the social norms that they adhere to, the values and the goals that they follow, especially those that are being encouraged by the company itself. This can be described to be a 'notion of identification' and is one of the identified motivating factors, (O'Reilly & Chatman, 1986).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology used in the study. It includes the research design, data collection techniques and data analysis techniques.

3.2 Research design

The research design used in this study was a case study. This is a strategy for doing research which involves an empirical investigation of a particular phenomenon within its real life context where boundaries between phenomenon and its context are not clearly evident. Chandran (2004) indicates that case study is an in-depth investigation of an individual or a group or an institution with a primary motive to determine factors and relationships that have resulted in the behaviour of the study.

3.3 Data Collection

The data collected was qualitative in nature and was collected using an interview guide. The interview got information about the performance management practices employed in Sacco Societies Regulatory Authority. Interview method was preferred due need for detailed information about the management thoughts and behaviors and the need to explore new issues in depth. An interview guide is vital to the success of the interview process as it ensures that the interviewer can zero in on the right questions and minimize mistakes that are based on gut feelings and first impressions.

The researcher interviewed the chief manager human resources and administration under whose docket performance management is premised.

3.4 Data Analysis

Mugenda and Mugenda (2003) describe data analysis as the process of data coding, data entry and the common methods used in data analysis. It was expected that most of the data was qualitative and was collected from a single organization, and thus was analyzed using content analysis technique. Therefore, collected data was edited, coded and analyzed for completeness and consistency using content analysis. Content analysis allows the researcher to understand the underlying content. The results were then presented systematically in line with the literature reviewed and where applicable appropriate tables were used. A summary and recommendations based on the findings was drawn and presented as part of this study.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter outlines background information relating to the study's respondents and data analysis and findings on performance management practices the challenges at Sacco Societies Regulatory Authority. The data was analyzed using content analysis and findings presented using appropriate graphs and tables.

4.2 Demographics

Content analysis was undertaken systematically in accordance with the respondent's responses during the interview session which was conducted with the chief manager human resources and administration in SASRA.

Table 4.1: Respondent's demographics

Particulars	Response
Name of department	Human Resources and Administration
Position and responsibility at the department	Chief Manager, Human Resources and Administration
No. of years worked in SASRA	Two and half years

Source: Research Data

Table 4.1 illustrates the respondent's demographics and indicates that the respondent worked in the Human Resources and Administration department as the Chief

Manager, Human Resources and Administration for a period of two and a half years. Consequently, the data and information gathered from the respondent was deemed to be relevant in answering the study's research question and objectives.

4.3 Performance management practices

This section highlights the respondents' responses as regards to performance management practices at SASRA. The researcher was interested in knowing the respondent's understanding of performance management which from the interview session, the respondent indicated that: "Performance management is the process through which an organization manages its human resources with the aim of enhancing effectiveness in its processes in order to achieve its corporate goals." This finding is in line with Johnson and Scholes (2000) who defined performance management as a means of getting better results from a whole organization by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.

The respondent also indicated that the key objectives of Sacco Societies Regulatory Authority performance management framework included: enhancing effectiveness in service delivery to the citizenry; cultivating a culture of ownership in the Authority's activities through involvement of all staff in the performance management process; ensuring equity and fairness in sharing of responsibilities, growth and reward; attracting and retain high caliber staff in all cadres of staff; enhancing communication among at all levels; and providing a clear framework through which deviations from

the corporate objectives can be identified and corrected in good time as well as improving on good performance.

The study also indicated that Sacco Societies Regulatory Authority's performance management framework as follows: The Authority's performance management framework brings together the strategies, plans, policies, indicators and performance measures that enable employees, managers and other stakeholders to see how SASRA 'measures up' in comparison to its own previous performance and in comparison to other financial regulatory bodies; It is designed to provide a consistent approach to the way service performance and quality is managed, monitored, reviewed and reported at all levels in the organization i.e.: corporate, departmental and service level; The Authority's performance management framework is informed by the Authority's strategic plan and the Government of Kenya performance management guidelines that are issued to all public institutions annually; The strategic plan provides the activities to be undertaken and a roadmap on how and when the activities are to be undertaken. This assists the individual departments to draw work plans that document the activity to be undertaken, responsibility, the budget, performance indicators and the timelines; The GoK performance management framework is actualized in the form of performance contracting that involves the signing of a performance contract between the Authority's Board of Directors through the Chairperson and the Accounting Officer (PS) of the parent Ministry (Ministry of Co-operative Development and Marketing); The signed performance contract together with other activities drawn from the strategic plan are then cascaded down to all staff through performance appraisals that are reviewed after every six (6) months. This review gives an opportunity to individual members to ensure that performance

activities are in line with the performance objectives for the period with a view to addressing any deviations from the performance objectives.

4.3.1 Role definition

The respondent indicated that this entails a prescribed or expected behavior associated with a particular position or status in a group or organization. In this regard the respondent strongly felt that SASRA needed to relook at each employee's job description and placement to ensure that skills match with the job done and that no one feels wasted or misplaced. He indicated that a job evaluation process had commenced and that it would address this concern. This finding reflects Armstrong (2005) view that role definition sets a road map and provides basis for performance management framework and that the primary focus is to make the job holder understand what job is expected from her or him.

4.3.2 Competency assessment

The respondent indicated that competency assessment is an ongoing process of continually building knowledge and skills. This is done through continuous training of employees to address performance gaps occasioned by skills gaps. This has been a major challenge to the Authority due to financial constraints since over 80% of our budget comes from the exchequer. However much has been done with donor funding to the Authority's staff concerned with the core business.

4.3.3 Performance development plan

The respondent indicated that a performance development plan focuses on enhancing the performance levels of the employees. It provides additional motivation to exceed the targets assigned. It assists in setting goals and provides the direction to attain them. A well-defined Performance Development Plan is important from an organization's point of view as its growth depends highly on how the employees perform. The Authority being a relatively young institution has so far adopted benchmarking as a strategy by learning from other similar regulatory bodies and much has been learned and implemented. This finding is in line with Jackson (2002) that some cultural assumptions underlie human resource management with regards to developing employees and that the need for organizations to develop their employees is compelling because a sound training and development plan has its contributions to increase productivity and quality of work.

4.3.4 Performance monitoring

The study's findings indicated that there has been regular monitoring and evaluation of the performance of the Authority in order to ensure it is operating as efficiently and effectively as possible for the public and other stakeholders. On this, the Authority having implemented its performance management framework last year (December 2011), constantly monitors staff performance to ensure that gaps in achievement of set targets are addressed through one on one discussion between the supervisor and the employee. This has been successful as it has helped in identifying training programs aimed at addressing performance gaps.

This finding supports Armstrong (2005) view that effective performance management requires managers to have access to performance information that gives a balanced view of organizational performance without overwhelming managers with data or overburdening their organization with reporting requirements and that these performance indicators should focus attention on activities of greatest importance to an organization and its stakeholders, thereby minimizing the data collection burden.

4.3.5 Performance agreement

The respondent indicated that performance agreements aim at documenting timelines and deadlines agreed on in meeting specific performance targets. These are agreed upon at the beginning of the performance period. It is mutually agreed between the supervisor and the employee. However limited capacity amongst the supervisors delayed the process by three (3) months. This findings indicate that performance agreement at SASRA has been able to ensure that performance agreements include objectives and standards of performance that are “SMART”, hence the aim is to direct the people objectives towards organizational objectives (Armstrong, 2005).

4.3.6 Performance review

The study’s findings indicated that performance review is done two times a year (mid-year and end of year). Ideally, they highlight areas that need developing, recognition and rewarding of employees for their recent performance and address issues such as

promotions, training needs and identify problem areas that might need improving. This has enabled the Authority to have a training program based on need. This finding indicates that SASRA adopts absolute judgments, whereby the supervisors make judgments based solely on performance standards, thereby creating conditions where feedback to the employee is more specific and based on dimensions of performance as discussed by (Nel et al. 2008). According to Nel et al. (2008) such performance review is in contrast to relative judgment which relates to comparisons of employees doing the same jobs against each other and provides the supervisor with superior subjective influence which may be seen as unfair and lacking credibility.

4.3.7 Performance reward

The research findings indicated that the Authority's reward system is based on the need to attract and retain high quality staff that are motivated. Financial rewards are an important component of the reward system, but there are other factors that motivate employees and influence the level of performance. The Authority has developed a reward policy as a guide to performance reward. So far the Authority has rewarded performance through promotions of good performers. This finding is in line with Viteles (1932) who indicated that money is not always the answer to ensure that the employees in companies are constantly working. Thus, there is a need for managers to consider other factors as well. Examples of this include recognition, status and job security.

4.3.8 Performance measurement

The respondent indicated that performance measurement is a key component of the Authority’s performance management process and involves collection and reporting information regarding the performance of individual staff member with the aim of identifying and tracking progress against organizational goals, identifying opportunities for improvement and comparing performance against both internal and external standards. However, it was indicated that this has been done once.

Table 4.2: Correctly and incorrectly done performance management activities

Correctly done	Incorrectly done
Performance development plan	Role definition
Performance monitoring	Performance review
Competency assessment	Performance agreement

Source: Research Data

Table 4.2 illustrates that respondent’s consideration as to the top three (3) things that Sacco Societies Regulatory Authority did correctly or incorrectly in performance management implementation activities since 2011. According to the table, performance development plan, performance monitoring and competency assessment were correctly done while, role definition, performance review and performance agreement were incorrectly done. This finding indicates that SASRA’s performance management implementation process was good in planning, monitoring and assessing performance management.

Table 4.3: Communication of performance management activities

Very good	Performance reward
Good	Performance development plan
	Performance monitoring
	Competency assessment
Fair	Performance measurement
	Performance review
Neither	Role definition
Poor	Performance agreement

Source: Research Data

Table 4.3 illustrates the respondent's description of the way in which the Sacco Societies Regulatory Authority performance management activities were communicated during the implementation phase. According to the table, the communication of performance reward was very good; communication of the performance development plan, performance monitoring and competency assessment was good; communication of performance measurement and performance review was fair; communication of role definition was neither good nor poor; while communication of performance agreement was poor. This finding indicates that there were still areas of concern in the overall performance management process at SASRA especially in regard to role definition and performance agreement.

The respondent further described the communication methods employed as predominantly top to bottom since; communication was mainly from the management down to employees and that communication at the implementation stage was done by the management. With regard to the challenges faced in the implementation of performance management at SASRA, the respondent indicated that the following areas require immediate attention to address the challenges faced in the implementation of performance management: communication to all staff on the Authority's performance management framework; involvement of all members of staff in decision making for buy in and ownership of the process; and, sensitization of staff on a regular basis on the Authority's performance management framework.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the study's findings in summary, draws out conclusions from the study's findings and outlines recommendations for policy and practice and suggestions for further study.

5.2 Summary of findings

Research findings indicated that performance development plan, performance monitoring and competency assessment were correctly done while, role definition, performance review and performance agreement were incorrectly done. It can therefore be concluded that despite the inclusion of all the reviewed performance management practices at SASRA, there was still need to review the way certain performance management practices were executed in order to ensure that all the performance management practices are correctly done. Research findings also indicated that the communication of performance reward was very good; communication of the performance development plan, performance monitoring and competency assessment was good; communication of performance measurement and performance review was fair; communication of role definition was neither good nor poor; while communication of performance agreement was poor.

Moreover, research findings indicated that certain areas required immediate attention to address the challenges faced in the implementation of performance management

including but not limited to communication to all staff on the Authority's performance management framework; involvement of all members of staff in decision making for buy in and ownership of the process; and sensitization of staff on a regular basis on the Authority's performance management framework.

5.3 Conclusions of the study

The researcher drew conclusions based on the study's objective which was to identify performance management practices in Sacco Societies Regulatory Authority. From the research findings, it can be concluded that SASRA had in place all of the reviewed performance management practices which included: role definition, competency assessment, performance development plan, performance monitoring, performance agreement, performance review, performance reward, and performance measurement. In relation to communication it can be concluded that communication of certain performance management activities at SASRA was inadequate, hence the need to increase and/or improve on various communication channels within the organization.

5.4 Recommendations

Based on the study's conclusions, the researcher made the following recommendations: the management of SASRA should ensure that role definition, performance review and performance agreement are correctly done by reviewing past performance management activities under the said practices and identifying existing gaps that can be improved on; Management and staff at SARSA should enhance overall communication on performance management within the organization

especially in communication of role definition and communication of performance agreement through increased communication and involvement through continuous dialogue between managers and members of their teams establish mutual understanding of what is to be achieved; challenges relating to the implementation of performance management at SASRA should be documented and various forums identified whereby such challenges can be addressed by all the stakeholders.

5.5 Limitations of the Study

The major limitations of this study related to time constraints and limited financial resources. The study's limitations were addressed in the following ways: time constraint was overcome by selecting a relatively small sample size that did not compromise the validity and reliability of the research findings, while the limited financial resources available were spent on research activities that could not be undertaken solely by the researcher.

5.6 Suggestions for further research

The researcher recommends that further research should be undertaken to investigate the factors affecting performance management and managers' perception of performance management practices and their impact on organizational performance within the Kenyan public sector.

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APPENDIX I: INTERVIEW GUIDE

To identify the performance management practices by Sacco Societies Regulatory Authority.

PART A: BACKGROUND OF THE RESPONDENT

1. Name of department.
2. What is your position and responsibility in the department?
3. How long have you worked in Sacco Societies Regulatory Authority?

PART B: PERFORMANCE MANAGEMENT PRACTICES

1. What is your understanding of performance management?
2. What would you describe as the key objectives of Sacco Societies Regulatory Authority performance management framework?
3. How would you describe Sacco Societies Regulatory Authority performance management framework?
4. Are there any specific areas that you feel strongly about with respect to the Authority's performance management implementation activities?
5. What do you consider to be the top three (3) things that Sacco Societies Regulatory Authority did correctly or incorrectly in performance management implementation activities since 2010?

6. How would you describe the way in which the Sacco Societies Regulatory Authority performance management activities were communicated during the implementation phase?
7. Would you describe the communication methods employed as predominantly top to bottom or bottom-up or inclusive? Explain?
8. In your opinion, what areas require immediate attention to resolve the challenges faced if any in the implementation of performance management?

APPENDIX II: SACCO SOCIETIES REGULATORY AUTHORITY ORGANIZATIONAL STRUCTURE

