PERFORMANCE MANAGEMENT PRACTICES AMONG STOCKBROKING FIRMS IN KENYA

BY

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DECLARATION

This project is my original work and has not been submitted to any other university or college for an award of a certificate

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DEDICATION

This project is dedicated to:

My parents,

PROF. AND MRS. NGATIA

for all your encouragement

My daughter,

ANTOINETTE WARUGURU

for always keeping me accountable throughout the project

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ABSTRACT

Performance management is seen as an approach to managing people and performance in order to achieve organizational goals. Performance management is meant to establish a high performance culture in which employees in the organization take responsibility for improvement of business processes and for their own skills and contribution within a framework of effective leadership. Performance management requires the co-ordination of multiple key practices. The more practices that are in place, the more effective the performance management system.

The objective of this study was to establish the performance management practices of the stock broking firms in Kenya. The study focused on the practices that are at the core of performance management. These are goal setting, employee development, training managers to carry out performance appraisal, performance appraisal, performance feedback and finally performance reward and recognition.

The study established that the stock broking firms carry out the performance management practices to a great extent. 'Best practices' among the stock broking firms were also identified. Most of the stock broking firms hold their line managers accountable for performance management. The findings of the study also reveal that management of the stock broking firms need to understand the importance of the performance management practices.

In order to have effective performance management systems, the managers of stock broking firms will need to pay more attention to training of managers to carry out performance appraisal and performance reward and recognition. These are the performance management practices that the firms focused on the least.

CHAPTER 1: INTRODUCTION

1.1 Background

Employers want employees who perform their jobs well. Performance management is used to identify, communicate, measure and reward employees who do just that. Performance management system design is one of the key methods Human Resource Management uses to contribute to organizational performance. When strategies have been defined, they must be translated to department or unit level actions. Those actions must be assigned to individuals who must be held responsible and measured on whether the actions occurred and how well they were done (Mathis & Jackson, 2008).

Performance management is a formal, structured process used to measure, evaluate and influence employees' job related attitudes, behaviors and performance results. It helps to direct and motivate employees to maximize their efforts on behalf of the organization. Organizations with effective performance management define clear performance goals and measures, conduct performance appraisals and provide ongoing feedback. In addition, other Human Resource practices that are central to effective performance management include linking performance results to rewards and consequences and providing employees with opportunities for career planning and development (Jackson et al, 2009).

1.2 Performance Management Practices

Performance management refers to managing all elements of the organizational process that affect how well employees perform. The performance management process may thus encompass goal setting, worker selection and placement, performance appraisal, compensation, training and development and career management-in other words, all those parts of the human resource process that affect how an employee performs (Dessler, 2008). The overall aim of employee performance management is to establish a high performance culture in which individuals and teams take responsibility for the continuous improvement of business processes and for their own skills and contribution within a framework provided by effective leadership. Performance management of staff is part of the core business of managers. It is important therefore that managers commit time to implement employee performance management processes (Haas & Kleingeld, 1998).

Performance management is the principal set of practices by which control is manifested in organizations. It links individuals' goals and responsibilities to the objectives of the business, and integrating major interventions - appraisal, rewards, training & development - thereby facilitating strategic fit (Gratton et al, 1999).There is a widespread realization that performance management practices have the capability to determine the motivational level of employees. Identification by employees with the organization in terms of adherence to its values, goals and desired behaviors is assumed to bring about a strong culture and be conducive to organizational success. Every organization should develop its own performance management model fitting to its organizational culture and objectives (Kandula, 2003). Performance management is comprised of the following set of core elements: goal setting, employee development (and coaching), performance evaluation, feedback, and rewarding performance (Smither & London, 2009).

Performance management begins with goals. When choosing goals and objectives, there are several approaches an organization can take. In top-down goal setting, each unit manager sets broad goals supporting the organization's strategy, and each employee is assigned objectives that are aligned with and support those broad goals. In bottom-up goal setting, direct reports develop individual goals and the manager integrates them into larger unit goals (Harvard Business School Press, 2009). In Management by objectives (MBO), each employee's major areas of responsibility are clearly defined in terms of measurable expected results or 'objectives' (Stoner et al, 2003). Another goal setting approach is the use of a performance contract which is a written agreement between employer and employee and sets out the achievement expectations of the employee and the standards of his or her performance (Bhatta, 2006). The balanced scorecard is results based, uses multiple measures and provides employees with a direct line of sight between the organization's goals and theirs. It balances financial and non-financial considerations, short term and long term goals and past and planned results (Shields, 2007).

Employee development is used by many organizations to improve organizational performance. The shift in emphasis from performance appraisal to performance management has focused attention on the important role of coaching in employee performance and development (Smither & London, 2009). Coaching is developing a person's skills and knowledge so that their performance improves, leading to the achievement of organizational objectives. It is the responsibility of line managers (Armstrong & Baron, 2004). Training of employees is carried out in order to give employees information and skills necessary to perform their jobs. Off-the-job training takes place outside the organization when there is no internal capacity to train employees and yet they need to be trained quickly. On-the-job training is the most common and is done by the manager or supervisor who must teach and show employees what to do (Mathis & Jackson, 2008).

Traditionally, performance appraisal systems have provided a formalized process to review employee performance. They are centrally designed, usually by the Human Resource function, requiring each line manager to appraise the performance of their staff, usually each year (Torrington et al, 2008). Performance appraisal is carried out annually, biannually or sometimes quarterly by a supervisor to a subordinate. It helps employees understand their roles, objectives, expectations and performance success (Snell & Bohlander, 2010). Timely and specific feedback on the progress in achieving goals can have a positive reinforcement effect on task focus and effort (Shields, 2007).

Performance is consistent when feedback is associated with an effective goal-setting process. Feedback works best when it is 'real time', objective, provided while in progress and linked to goals and rewards (Berger & Berger, 2008). Reward or compensation that people receive for their contribution to an organization includes monetary and non-monetary components. It does not simply compensate employees for their efforts; it also has an impact on the recruitment and retention of talented people (Price, 2007). Rewards vary by organization and may consist of pay increases, bonus payouts, special awards, or other ways to directly recognize the degree to which the individual contributed to the company's overall performance (Berger & Berger, 2008).

1.3 Stock-broking Firms in Kenya

A stockbroker is a market professional who buys and sells securities on behalf of clients at a stock exchange in return for a brokerage commission (Capital Markets Authority, 2009). In Kenya, a stockbroker is one of the market intermediaries that have been licensed by the Capital Markets Authority (CMA) in order to operate in the Kenyan capital markets. The Capital Markets Authority has currently licensed 17 stockbrokers who are members of the Nairobi Stock Exchange (Capital Markets Authority, 2009). These have been listed in Appendix 1. A stockbroker must be a member of the Nairobi Stock Exchange in order to transact on behalf of clients (Capital Markets Authority, 2002).

Stockbrokers' interests are represented by an association called Kenya Association of Stockbrokers and Investment Banks (KASIB), which upholds good practice and promotes high professionalism standards in the Kenyan Stockbrokerage Industry (Kenya Association of Stockbrokers & Investment Banks, 2010). Stockbrokers provide investors with information on the performance of shares. Some are pure brokerage houses and others have converted to investment banks, which have a larger capital base and are able to undertake projects that will allow them to raise capital for their clients. Most brokerage firms are split into sections like customer care, sales and operations (Bharadia, 2006).

1.4 Statement of the Problem

In its most positive form, performance management will help individuals not only to understand what is expected of them but also how they contribute to achieving organizational goals (Armstrong & Baron, 2004). It has been argued by Gratton et al (1999), that performance management practices determine the motivation of employees which in turn makes the employees identify with the organization's goals and values bringing about organizational success. The more practices an organization implements, the more effective the performance management program (Oakes, 2007). Stock broking firms are small family owned businesses with only few that have over the years hired professional management teams (Kimani, 2009). These firms are growing and are faced with the challenge of effectively managing the performance of their employees so as to ensure organizational success. Stock broking firms therefore stand to gain from adopting performance management practices which will give their employees a clear understanding of their individual goals and how they fit into the larger organization.

There are few studies that have been done on employee performance management practices in Kenya. These include; Gichira (2001) who studied employee performance management practices in the private security services industry and based his study on security guards. The author's findings were limited to the security services industry and therefore do not apply to stock broking firms; Njagi (2003) on the other hand did a survey of the application of performance management principles in the Kenyan commercial banking industry. The author's findings were also limited to the banking industry which has well established commercial banks. To the best of the researcher's knowledge there is no study that has been done on employee performance management practices among stock broking firms in Kenya. The current study seeks to fill this knowledge gap by establishing the performance management practices currently used by the stock broking firms.

1.5 Objective of the Study

The objective of this study is:

i. To establish the performance management practices among stock broking firms in Kenya.

1.6 Significance of the Study

1) The study will help Stock broking firms' managers know the importance of practicing performance management, and also learn about the various practices available, which will lead to improved employee performance and the success of their organizations.
2) The study will be helpful to the industry regulator, The Capital Markets Authority (CMA), by providing information that will assist in carrying out a more in-depth audit of the key personnel of its licensees at the end of the year.
3) The study will also help scholars, other researchers and the general public understand the practices that ensure the successful implementation of a performance management system in organizations.

CHAPTER 2: LITERATURE REVIEW

2.1 Performance Management Practices

Organizations with effective performance management define clear performance goals and measures, conduct performance appraisals and provide ongoing performance feedback. In addition, other human resource practices that are central to effective performance management include linking performance results to rewards and providing employees with opportunities for career planning and development. Performance management is essential for organizations to meet their strategic objectives; it also enhances motivation and productivity, supports the achievement of the organization's strategic goals and facilitates strategic planning and change (Jackson et al, 2009).

Performance management needs to be line driven rather than Human Resource driven and therefore mechanisms need to be found to make this happen. The incorporation of line managers alongside Human Resource managers in a working party to develop the system is clearly important as it not only takes into account the needs of the line in the system design, but also demonstrates that the system is line led (Torrington et al, 2008). Many organizations and their Human Resource managers have realized that performance management practices are just equal to high employee performance. But it has remained a puzzle as to what constitutes performance management practices. However, the more practices an organization implements, the more effective the performance management program (Oakes, 2007).

The responsibilities of Human Resource Professionals include ensuring that the organization's performance management practices are aligned with the internal organizational contexts, reflect the state of the art knowledge, and meet legal standards. They also ensure that well designed practices are implemented appropriately. Performance management practices are more effective when Human Resource

Professionals support managers, hold them accountable for their appraisals and support employees (Jackson et al, 2009). This study will focus on the following key practices as identified by the various experts, goal setting; employee development; training managers on how to conduct a performance appraisal meeting; performance appraisal; performance feedback and performance reward and recognition.

2.1.1 Goal Setting

Defining goals and their measures is an important part of the performance management process. When goals have a direct and obvious link to strategic goals and the firm's success factors, two benefits occur. First, employees better understand their organization's strategic focus and how their job fits with it. Second, the goals direct employee behaviors towards activities that are consistent and supportive of the organization's strategy. It appears that most organizations make sure that individual and team goals are tied to organizational goals (Jackson et al, 2009). Managers are responsible for translating department goals, which are cascaded down from the organization's strategic goals, into specific objectives that can be addressed by individuals. When linking their own performance goals to the organization's strategic goals, employees develop meaning and value to their work and are thus stimulated to succeed. When employees understand the impact and meaning of their actions, they find their work more motivating (Bernthal et al, 2003).

How goals are set in an organization depends on the organization's culture and management practices. The two most common methods are top-down and bottom-up. In top-down goal setting, each unit manager sets broad goals supporting the organization's strategy, and each employee is assigned objectives that are aligned with and support those broad goals. This approach is most appropriate with employees who need close supervision, who are new or are not familiar with the unit's or organization's goals. In bottom-up goal setting, direct reports develop individual goals and the manager integrates them into larger unit goals. It is most appropriate when employees are fairly self directed and clearly understand the business strategy and customer needs of the organization as a whole as well as their roles within the organization (Harvard Business School Press, 2009).

Another goal setting approach is the use of a performance contract which is a written agreement between employer and employee and sets out the achievement expectations of the employee and the standards of his or her performance. The agreement generally provides a basis for monitoring, reviewing and managing performance (Bhatta, 2006). In Management by objectives (MBO), each individual's objectives are cascaded from organizational goals. Top managers agree their own specific objectives compatible with the organizational goals but restricted to their own areas of responsibility. Subordinates do the same at each lower level, forming an interlocked and coherent hierarchy of performance targets. Hence Management by Objectives lies within the strategic way of thinking that forms a key element in Human Resource Management (Price, 2007).

The balanced scorecard is results based, uses multiple measures and provides employees with a direct line of sight between the organization's goals and theirs. It balances financial and non-financial considerations, short term and long term goals and past and planned results. It entails setting and communicating strategically aligned goals and measuring and rewarding goal achievement (Shields, 2007).

2.1.2 Employee development

Employee development is the main way most organizations use to improve organizational performance. It requires an understanding of the processes and techniques of organizational, team and individual learning. To keep development separate from performance and salary discussions, development reviews may be held at other times, for example the anniversary of joining the organization (Armstrong & Baron, 2004). Development refers to activities intended to improve competencies over a longer period of time in anticipation of the organization’s future needs. Development activities may improve performance in one’s current job, but that is not typically the main objective. A common approach to development is giving people ‘stretch’ assignments. Often the expectation for a stretch assignment is that the employee’s performance may not be optimal, but a great deal of valuable learning will occur that should prove useful in the future (Jackson et al, 2009).

Although employee development can occur through formal training and education, in the context of performance management more emphasis is usually placed on development through ongoing coaching (usually from supervisors) and other less formal approaches to development such as mentoring, task force assignments, and learning from challenging. The shift in emphasis from performance appraisal to performance management has focused attention on the important role of coaching in employee performance and development. Ideally coaching is integrated into the organization’s overall talent management strategy, and investments in coaching are aligned with business strategy (Smither & London, 2009). Coaching is increasingly recognized as a significant responsibility of line managers, and can play an important part in a personal development plan. It takes place during review meetings, but also and more importantly should be carried out throughout the year (Armstrong & Baron, 2004).

Development can also be done through educational courses undertaken during a career and frequently done on a part-time basis leading to a diploma or a master’s degree. In addition, there are consultancy courses that vary from half-day to several weeks in length and they concentrate of specific skills or knowledge such as, developing management, interviewing or disciplinary skills. Development can also be done through mentoring which offers a wide range of advantages for the development of the mentee. The mentor may occasionally be the individual’s immediate manager, but usually it is a more senior manager in the same or a different function. Mentoring enhances career advancement, competence and effectiveness in a managerial role (Torrington et al, 2008).

Another form of development is career development which meets the current and future needs of the organization and the individual at work, and this increasingly means developing employability. Career success is seen through the eyes of the individual, and can be defined as individual satisfaction with career through meeting personal career goals, while making a contribution to the organization. Career development makes the organization attractive to potential recruits and enhances the image of the organization by demonstrating recognition of employee needs. It encourages employee commitment, motivation and performance (Torrington et al, 2008).

2.1.3 Training appraisers

Managers and supervisors are not adequately trained for the appraisal task and provide little meaningful feedback to subordinates. Because they lack precise standards for appraising subordinates' performance and have not developed the necessary observational and feedback skills, their appraisals often become non-directive and meaningless. Therefore training appraisers can vastly improve the performance appraisal process. Training is especially essential for those who have recently been promoted to jobs in which conducting performance appraisals is a new experience for them. Without training, managers and supervisors often 'repeat the past'. This repeat means they appraise others much as they have been appraised in the past, which often will have been done inaccurately (Snell & Bohlander, 2010). Many managers do not have a great deal of confidence in their ability to handle appraisal interviews effectively, and they see appraisal as being akin to professional counseling, and feel ill-equipped to take it on. Their confidence needs to be built up through the training process (Fletcher, 2004).

Training of senior managers who are very busy can be done in three ways. First, shorter courses for more senior and more experienced people, a better, second option is trying to break up the training so that they can attend on a couple of separate sessions and finally, thanks to technology, a training package that is delivered through their personal computers and which they can work through in their own time. The last option allows the managers to revisit aspects of appraisal on which they feel they need to reinforce their learning (Fletcher, 2004). Certain types of training have been shown to have a large positive impact on rating accuracy. The training method that is most effective in improving rating accuracy is the frame of reference training. It impacts on rating accuracy by aligning the personal performance theories of individual appraisers with the performance theory embraced by the organization. The trainees are shown various video taped examples of behaviors which they must relate to the appropriate performance dimensions and rating categories (Krausert, 2009).

Behavioral observation training aims to improve the recognition and recall of concrete behaviors. It is based on the assumption that better observation and recall of concrete behaviors results in increased accuracy. It is done through lectures. A third training strategy is rating error training. It however only moderately increases accuracy. It includes lectures, videos and subsequent group discussions. The fourth training strategy is performance dimension training which covers the relationship between certain behaviors and performance dimensions. It has a moderate positive impact on rating accuracy (Krausert, 2009).

2.1.4 Performance appraisal

Performance appraisal is a central component of performance management in most organizations. It involves evaluating performance based on the judgments and opinions of subordinates, peers, supervisors and other managers and even employees themselves. For many Human Resource decisions, employees must be compared to each other directly. Special recognition cannot be given without knowing who the best performer is in the group, who should be laid off and who are the weakest performers to let go (Jackson et al, 2009). Performance appraisals are one of the most versatile tools available to managers. They are used as a basis for compensation and other Human Resource functions such as planning, promotion, transfer and layoff decisions (Snell & Bohlander, 2010).

Ownership of the performance appraisal system is important. If it is designed and imposed by the Human Resource function, there may be little ownership of the system by line managers. As with other Human Resource functions, if the support of top management is lacking, the appraisal program will not be successful (Snell & Bohlander, 2010). Appraisal can either be informal or formal. Informal appraisal is conducted on a day-to-day basis. The manager spontaneously mentions that a particular piece of work was performed well or poorly. It is an excellent way to encourage desirable performance and discourage undesirable performance before it becomes ingrained.

Formal appraisal usually occurs semi-annually or annually. It lets the employees know formally how their current performance is being rated, to identify employees who deserve merit raises, to locate employees who need additional training and to identify candidates for promotion (Stoner et al, 2003). Different formats are also used to carry out performance appraisal. In non-referenced formats, the rater is forced to evaluate the individual or team and make comparisons to others. In absolute standards format, the appraisers assess performance in relation to specified criteria and do not make direct comparisons among employees. For some jobs, or some aspects of a job, the results achieved are more important than the behaviors that lead to them and therefore the results based format is used (Jackson et al, 2009).

Sometimes employees are asked to evaluate themselves on a self appraisal form. The self appraisal is beneficial when managers seek to increase an employee's involvement in the review process. A team appraisal recognizes team accomplishment rather than individual performance because in a team setting, it may be nearly impossible to separate out an individual's contribution. Customer appraisal seeks evaluation from both external and internal customers (Snell & Bohlander, 2010).

2.1.5 Performance feedback

Performance management is an ongoing process, punctuated by formal performance measurement and formal feedback sessions intended to improve future performance. In feedback sessions, supervisors and subordinates meet to exchange information, including evaluations of performance and ideas on how to improve. The feedback makes employees aware of any problems and should address the importance of change where applicable. Follow up is essential to ensuring that agreements reached during the feedback session are fulfilled. Follow up can be as simple as a pat on the back or a compliment or as tangible as a note placed in the employee's file or a token reward (Jackson et al, 2009).

When feedback is associated with meaningful goals and positive consequences (for example, pay, recognition or special awards), performance is improved to a much higher level than when feedback is given alone. The best kind of feedback is when there is actual data about current performance that is not filtered by the judgments of management, but instead provides information on the causes of the results and highlights the factors that are within the individual's control (Berger & Berger, 2008). Continuous feedback facilitates performance by helping employees to refocus their behaviors when they get off track. During performance reviews managers can provide more specific feedback relative to goals to help employees identify strengths and areas for development.

Multi-source feedback is used in organizations with a flat structure and multiple reporting lines and wider spans of command for managers. It involves gathering input about a person's performance from co-workers, customers and individuals familiar with the employee's performance (Bernthal et al, 2003). Upward feedback is a process whereby managers receive comments and criticisms from their subordinates. This may be facilitated by an intermediary to organize the process and maintain a positive and nonacrimonious climate. Upward feedback is not an appraisal as such and is not linked to standardized competencies. Because it is not a formal appraisal, managers do not need to fear being judged (Price, 2007).

2.1.6 Performance reward and recognition

Performance management, if carried out properly, can motivate people by functioning as a key component of the total reward process. The total reward concept emphasizes the importance of considering reward in all its aspects as an integrated and coherent whole. All elements of total reward - namely base pay, performance pay, employee benefits and non-financial rewards are linked together. Reward management policies should take into account the aspirations, expectations and the needs of employees as stakeholders in the organization. Employee involvement is crucial to the development of reward policies and programs. Their comments on existing practices should be listened to and acted upon (Armstrong & Stephens, 2005).

Performance related pay can be related to the performance assessment of the individual group (team), department or company. There are several ways to reward employees in an organization. Merit pay is paid as part of a person's annual increase on the basis of overall performance appraisal. It is an effective motivator though usually undermined by budget constraints. Individual incentives can be given and include unconsolidated payments or gifts such as holidays, golf sets or vouchers. Bonuses are paid to all staff in an organization, department or team and are used to reinforce corporate identity and performance. Profit related pay is a scheme in which employees are allocated payment equivalent to an agreed proportion of the organization's profits. Option schemes are offered to senior managers and they allow them to benefit from the continued success of the organization through the purchase of shares. This is seen as an important incentive to motivate people who can dramatically affect the prosperity and even survival of the business (Price, 2007).

One of the ways that performance management provides non-financial motivation is through recognition. Recognition takes place during the normal dialogues between managers and their team members, but performance management can also generate information on the use of the more formal approaches that can be used in a recognition scheme (Armstrong & Baron, 2004). Recognition is one of the items that most employees cite as missing from their workplaces. The small interactions on a daily basis are what make a real impact on employees. When you praise someone, hold team meetings, keep staff informed about changes, express confidence in someone's ability, and even when you give someone a warm smile, you are using recognition. You are communicating that you recognize the importance and value of others and this is the motivating power of recognition. With effective recognition, you will find that employees are more willing to get involved with problem solving and they will rely less on the manager to find the solutions (Podmoroff, 2005).

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

The research design adopted the descriptive design which deals with the when, what and how of phenomenon. The secondary design was cross-sectional design since the respondents were only interviewed at one point in time. The study describes the performance management practices currently existing in the stock broking firms and to what extent they are in use.

3.2 Population of the study

The population of the study comprised all the 17 Stock broking firms in Kenya. The current list as per the Capital Markets Authority's records (2009) has 17 firms, all of which were interviewed; hence the study is a census study.

3.3 Data collection

Primary data was used and it was collected using a questionnaire. The questionnaire was divided into two parts. The first part of the questionnaire captured demographic data on the stock broking firms. The second part captured the current performance management practices in the stock broking firms. The questionnaire was administered using the drop and pick method. The respondents were the head of Human Resource function in the firm.

3.4 Data analysis

Data analysis was done using descriptive statistics, more specifically the means, standard deviations and frequencies. The objective of the study seeks to explain the current performance management practices that are currently being used by the stock broking firms. The various practices identified were ranked in terms of the mean and standard deviation. This helped to identify practices that are highly applied and those that are least applied.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

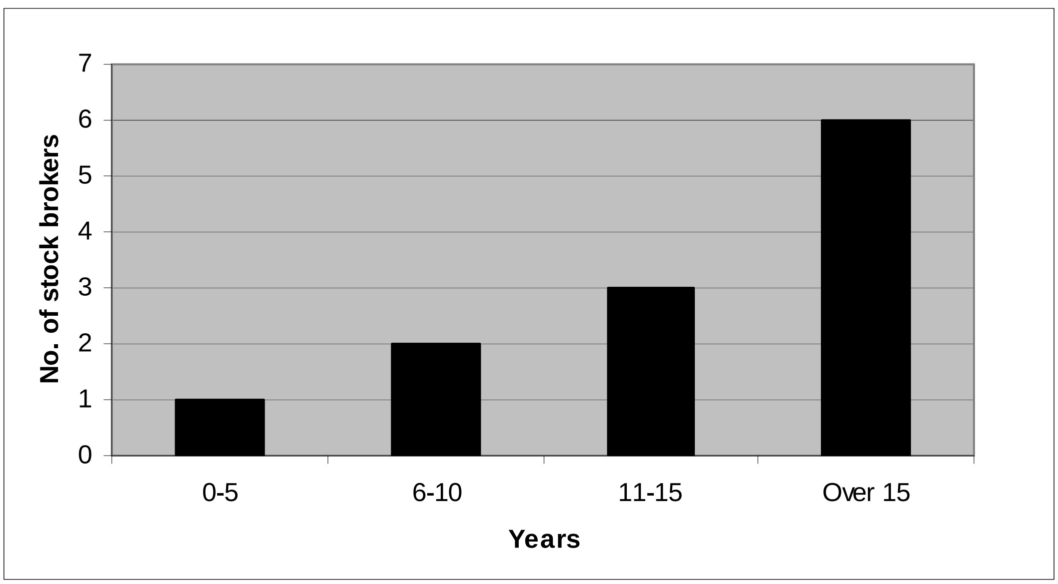
4.1 Response rate

Of the 17 questionnaires administered, a total of 12 were received duly completed. The response rate was 70%.

4.2 Years the organization has been in operation

The respondents were asked to indicate the number of years their organization has been in operation. The responses were analyzed and the findings presented in figure 1.

Figure 1: Distribution of firms by years of operation



Most of the stock broking firms have been in operation for 11 years and above, with half being in operation for over 15 years. This means that most of these firms have a long life span. The lifespan of the organization is important because it means that the firm has had a chance of establishing and updating its performance management practices.

4.3 Ownership status of the organization

The respondents were asked to indicate the ownership status of their organization. The responses were analyzed and the findings presented in table 1.

Table 1: Ownership status of the organization

Ownership	**Frequency**	**Percentage**
Wholly owned subsidiary of an international company	1	8.5
Partially owned subsidiary of an international company	1	8.5
100% Kenyan	10	83
Total	**12**	**100**

The table above shows that 83% of the stock broking firms are 100% Kenyan with 8.5% of the said firms being a wholly owned subsidiary of an international company and 8.5% being a partially owned subsidiary of an international company. Classifying the stock broking firms in terms of ownership status is important in determining whether the differences in their performance management practices are based on ownership.

4.4 Number of employees

The respondents were asked to indicate the number employees in their organization. The responses were analyzed and the findings presented in figure 2 below.

Figure 2: Distribution of firms by number of employees

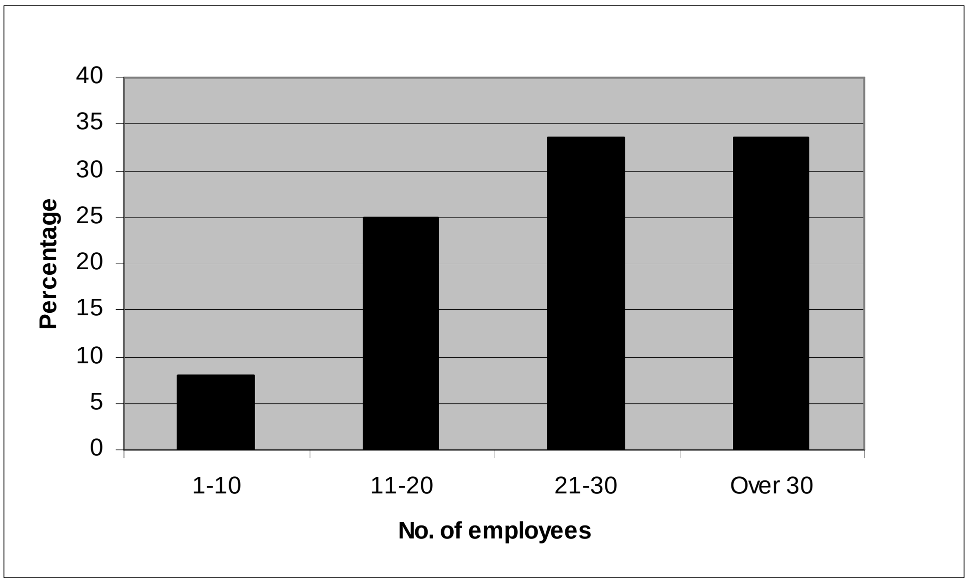


Figure 2 shows that 8% of the firms had 1-10 employees, 25% had 11-20 employees, 33.5% had 21-30 employees and 33.5% had over 30 employees. In Kenya, a micro enterprise is defined as having 1-9 employees, a small enterprise has 10-49 employees and a medium sized enterprise has 50-99 employees. This confirms that majority of the stock broking firms studied were small enterprises.

4.5 Number of branches

The respondents were asked to indicate the number of branches that their organizations had. The results were analyzed and presented in table 2 below.

Table 2: Number of branches.

Branches	**Frequency**	**Percentage**
0	7	58
2	2	17
3	2	17
8	1	8
Total	**12**	**100**

The findings indicate that out of the stock broking firms studied, 58% had no branches, 17% had 2 branches, 17% had 3 branches and 8% had 8 branches. 80% of the stock broking firms with branches were 100% Kenyan while 20% was a partially owned subsidiary of an international company.

4.6 Performance Management Practices

The research findings indicate that all the stock broking firms practice performance management. This means that the firms understand the importance of effectively managing the performance of their employees.

4.7 Performance Management Practices in Stock broking Firms

The respondents were asked to indicate the extent to which they carry out the performance management practices. A Likert scale was used to collect the data on a scale of 1 to 5, 1 point being very high extent, 2 being high extent, 3 being indifferent, 4 being low extent and 5 being a very low extent. The results were summarized using the means and standard deviations and are presented in table 3 below.

Table 3: Performance Management Practices in Stock broking Firms

Performance Management practice	Mean	Standard Deviation
Goal setting	1.67	0.65
Employee development	1.92	0.51
Training managers to carry out performance appraisal	2.08	1.44
Performance appraisal	1.73	0.90
Performance feedback	1.75	0.62
Performance reward & recognition	2.42	1.00
Average Mean & Standard Deviation	**1.93**	**0.85**

- The findings indicate that the performance management practices had an average mean of 1.93 and a standard deviation of 0.85. This implies that the stock broking firms carry out the performance management practices to a high extent.

- Goal setting had a mean of 1.67 and a standard deviation of 0.65. This shows that stock broking firms practice goal setting to a high extent. The management of these firms have realized that goal setting contributes to the success of their firms. By regularly tracking the progress made against performance goals the firms are able to recognize and reward employees for performance and exceptional effort.

- Employee development had a mean of 1.92 and a standard deviation of 0.51. This indicates that stock broking firms practice employee development to a high extent. Employee development is the main way to improve organizational performance. In order to remain competitive, the stock broking firms ensure that they have well developed employees who are available to address the key competitive challenges. These firms will also be able to retain superior talent and stimulate employees to perform at peak levels.

- The extent to which the firms trained managers to carry out performance appraisal had a mean of 2.08 and a standard deviation of 1.44. This indicates that the stock broking firms train their managers to a high extent to carry out the performance appraisal process. This practice had the highest deviation from the mean. This is due to a third of the stock broking firms practicing it to a low extent. By training their managers to carry out performance appraisal, the stock broking firms prepare their managers to be able to manage performance, provide motivation and identify problems that interfere with performance.

- The extent of application of performance appraisal had a mean of 1.73 and a standard deviation of 0.90. This shows that the stock broking firms practice performance appraisal to a high extent. The firms give their employees feedback on their past performance and also their future potential. They therefore have a good foundation for making compensation decisions, promotions and lay off decisions.

- Performance feedback had a mean of 1.75 and a standard deviation of 0.62. This means that the stock broking firms practice performance feedback to a high extent. By providing real-time feedback to their employees, stock broking firms are able to achieve better results. This is especially true when the feedback is associated with meaningful goals and positive consequences. Performance is improved to a higher level.

- Performance reward and recognition had a mean of 2.42 and a standard deviation of 1.0. This indicates that the stock broking firms practice performance reward and recognition to a high extent. The stock broking firms have a structured reward system that is able to make a distinction between excellent and average performance. These can then be compensated accordingly. The firms are also able to retain high performing employees because they are adequately compensated. By effectively recognizing the performance of their employees, the stock broking firms are able to motive them to take on more responsibility.

4.8 Performance Management by Stock Broking Firms

The respondents were asked to indicate their level of agreement with the need to incorporate the activities listed in the questionnaire into their performance management system. These activities form the most important parts of the performance management practices that they carry out. A Likert scale was used to collect the data on a scale of 1 to 5, 1 point being highly agree, 2 being agree, 3 being indifferent, 4 being disagree and 5 being highly disagree. The results were summarized using the means and standard deviations and are presented in table 4 below.

Table 4: Performance Management by Stock Broking Firms

Performance Management Activity	**Mean**	**Standard Deviation**
Mission statement is communicated and reinforced in the organization	1.67	0.49
We have regular communication about progress in achieving organizational objectives	1.58	0.51
We align employees goals and aspirations with those of the organization	2.25	0.87
We involve our employees in the goal setting process	2	0.6
Our staff members have personal development plans	2	0.77
Employee development is a key practice in our performance management system	2.17	0.83
Our performance appraisal system allows employee participation	1.92	0.51
We base career progress on performance appraisal	1.75	0.62
Top management of our firm supports performance management	1.67	0.65
Our managers are held accountable for effective implementation of performance management	1.67	0.49
We associate performance feedback with meaningful goals	1.92	0.67

We give continuous performance feedback to our employees	2.17	0.57
We link reward & recognition to our employees performance	2	0.74
Our reward policies take into account aspirations, expectations and needs of employees	2.33	0.78
Recognition is part of the value system within our organization	2.08	0.81
We use positive rewards to increase desired performance	1.92	0.79
Performance management in our firm is integrated with other Human Resource functions	1.82	0.6
Average Mean and Standard Deviation	**1.94**	**0.66**

The findings indicate that the performance management activities had an average mean of 1.94 and a standard deviation of 0.66. This implies that the stock broking firms have incorporated these activities into their performance management systems. That is, they have incorporated the most important activities as part of their performance management practices.

Communication and reinforcement of the mission statement in the organization had a mean of 1.67 and a standard deviation of 0.49. This shows that stock broking firms agree to communicating and reinforcing their mission statement throughout their firm. The mission statement inspires their employees and provides them with a focus and direction for setting lower level goals and objectives. It also forms the cornerstone of goal setting and communicating the firm's goals to all the employees.

Regular communication about the progress of achieving organizational objectives had a mean of 1.58 and a standard deviation of 0.51. This means that the stock broking firms regularly communicate the achievement of organizational objectives. They track the progress towards the achievement of goals and objectives and employee performance is aligned to goals and changing work conditions.

Alignment of employees' goals and those of the organization had a mean of 2.25 and a standard deviation of 0.60. Involving employees in goal setting had a mean of 2 and a standard deviation of 0.60. These activities are part of the goal setting practice. Stock broking firms agree that they align their employees' goals with those of the firm. The employees are able to understand their organization's strategic focus and how their jobs fit with it. They also agree to involving employees in the goal setting process. Their employees therefore feel a sense of ownership over their plans and this makes them highly support goal setting in the firm.

The high mean and standard deviation for these two activities is due to the fact that some stock broking firms do not undertake or are indifferent to them. The employees in these firms may not be having a sense of ownership to the goal setting process and are therefore not motivated to achieve the firm's goals. This is a weakness in the performance management system of these firms and it could contribute to a lower success rate than the other firms.

Whether staff members have a personal development plan had a mean of 2 and a standard deviation of 0.77. Employee development being a key practice in the performance management system had a mean of 2.17 and a standard deviation of 0.83. This suggests that the Stock broking firms agree that employee development is a key practice in their performance management system. They have improved the ability of their workforce to implement their business strategy and have created for themselves a competitive advantage. They will therefore be able to attract more potential recruits because they provide training and development activities which facilitate career development.

The stock broking firms also agree that their employees have personal development plans. Their managers are involved in the growth and development of their employees. Together with the employees, the managers design growth and development plans which help the employees achieve important professional development goals. The high mean and standard deviation of these two activities is because of some stock broking firms who are indifferent to them. These firms could be diluting the image of their firm to potential recruits. They could also be having a low employee commitment and motivation.

Allowing employee participation in performance appraisal had a mean of 1.92 and a standard deviation of 0.51. Basing career progress on performance appraisal had a mean of 1.75 and a standard deviation of 0.62. This shows that stock broking firms agree to employee participation during performance appraisal and they base career progress on performance appraisal. These firms encourage employees to assess their own performance and take responsibility to improving their performance. Performance appraisal in stock broking firms facilitates career progression by allowing managers and employees to take a positive look at how performance can become better in the future.

Associating feedback with meaningful goals had a mean of 1.92 and a standard deviation of 0.67. Giving continuous performance feedback to employees had a mean of 2.17 and a standard deviation of 0.58. This means that Stock broking firms agree that they associate feedback with meaningful goals and they also give continuous performance feedback to their employees. They report a higher level of performance because they provide rewards for the achievement of performance goals and objectives. By providing their employees with continuous feedback, the employees re-focus their behaviours when they get off track. This is because the feedback is immediate and timed.

Linking reward and recognition to employee performance had a mean of 2 and a standard deviation of 0.74. Reward policies that take into account the aspirations, expectations and needs of employees had a mean of 2.33 and a standard deviation of 0.78. Recognition as part of the value system within the organization had a mean of 2.08 and a standard deviation of 0.81. Use of positive rewards to increase desired performance had a mean of 1.92 and a standard deviation of 0.79. These activities are part of the performance management practice of performance reward and recognition. The Stock broking firms agreed to incorporating these activities into their performance management system.

By linking reward and recognition to performance, the stock broking firms acknowledge the contribution of their employees to the firm's mission. By taking account of employee aspirations, expectations and needs when developing reward policies, they have involved the employees in the process. This has gained the support of the employees in the reward system of the firm. Recognizing employee performance has communicated that the management of these firms value their employees and this makes the employees feel more connected to their work. Positive rewards have also been used to bring out the desired performance and motivation in the employees.

Integration of performance management with other human resource functions had a mean of 1.82 and a standard deviation of 0.60. This shows that the Stock broking firms agree that their performance management system is integrated to other systems in human resource. Their systems therefore promote the same objectives, eliminate duplication of data and streamline the reporting processes.

CHAPTER 5: DISCUSSION, SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Discussion

The Stock broking firms have realized that Performance Management is essential in order to meet their goals and objectives and to enhance the motivation and productivity of their employees. This has been shown by the high extent to which they carry out the performance management practices.

The greater use of some of the practices could be because they have been identified as being the core elements of performance management. These are goal setting, employee development, performance appraisal and performance feedback. These are the practices that are given more attention by the stock broking firms. The low use of some of the practices by the stock broking firms as part of their performance management systems could be due to a lack of understanding of the importance of these practices.

The low level of practice in some of the performance management activities could be due to neglect of training managers on how to conduct performance appraisal. This could be due to the fact that in some of these firms, managers spend more time learning about their areas of specialization, for example marketing, operations, and finance as opposed to learning about how to effectively manage their subordinates. Linking performance with reward and recognition might also have been neglected in some firms and this could mean that employees are being rewarded for reasons other than their performance; this could lead to reduction in their level of motivation to achieve the goals of the firm.

The stock broking firms were asked to indicate the lifespan of their firms. This was to determine whether the lifespan of the firm affected the extent to which they practiced performance management. The findings showed that the age of the firm was not a determining factor in the performance management practices. This is consistent with the study by Bernthal et al (2003) which noted that the consistency of the performance management practices is the quality that most accurately predicts the overall effectiveness of the performance management system. This could explain why the age of the firm was not a determining factor of the extent to which the stock broking firms practiced performance management. The number of employees and the number of branches also did not affect the extent to which the firms practiced performance management.

83% of the stock broking firms indicated that the line managers are held accountable for performance management and 17% indicated the human resource manager as accountable. The firms that had the line managers accountable for the management of employee performance showed a higher level of use of the practices. This means that they are better able to manage the performance of their employees. It is important to hold line managers accountable for employee performance since they are directly in charge of employees' performance. The Human Resource Managers should only act as advisors for the line managers.

5.2 Summary

The study set out to establish the current performance management practices that the stock broking firms in Kenya engage in and to what extent. The research problem highlighted that it is important to have proper performance management practices because they determine the motivation of employees, among other things, which in turn makes them identify with the organization's goals and values thereby bringing about organizational success. It also highlighted that the more practices an organization implements, the more effective the performance management system. The study therefore aimed at confirming the existence of the performance management practices and the extent of their use among stock broking firms in Kenya.

The research findings reveal that all the stock broking firms studied engage in the performance management practices to varying degrees. Majority of the stock broking firms have the line managers accountable for performance management. The minority of the stock broking firms have the Human Resource manager as accountable officer. The firms that have the line managers as accountable show a higher level of incorporation of the practices into their performance management systems. This means that the line managers are involved in designing and implementing the performance management systems in their firms and therefore rendering the system effective in managing the performance of their employees.

The most common practices among the stock broking firms studied are goal setting, employee development, performance appraisal and performance feedback. The least common practices are the training of managers to conduct performance appraisal and performance reward and recognition. These findings were irrespective of the age of the firm, number of employees and ownership status of a stock broking firm.

The research findings reveal some of the 'best practices' namely, goal setting, employee development, performance appraisal and performance feedback. It is also important to point out that the stock broking firms have not fully developed their performance management systems and this is shown by the level of indifference and disagreement to incorporating some of the practices.

5.3 Conclusion

Conclusions made from the research findings are that the stock broking firms have embraced performance management as a way of improving employee performance and organizational success. They engage in the performance management practices to a great extent. Where the line managers are held accountable for performance management, there is a much higher level of use of the performance management practices.

By not focusing on training of managers to carry out performance appraisal, the stock broking firms will not be able to know the repertoire of skills available in the firms and therefore will not be able to effectively plan for their future Human Resource needs. By not linking performance to reward and recognition, the firms could be increasing the level of de-motivation of employees as they could be feeling that their efforts of going the extra mile in their jobs does not matter to the firm. This could lead to wastage of time and other resources by the employees as well as a high staff turnover.

5.4 Recommendations

There is a great need to know and understand the various practices that should be incorporated in a performance management system so as to make it more effective in improving performance of employees. The more practices they incorporate the more effective their performance management system will be. The stock broking firms will need to train their line managers on how to implement an effective performance management system that is consistent throughout the firm.

The firms that have left the accountability of performance management to the Human Resource manager should shift this role to the line managers. The Human Resource department should only act as a policy maker and advisor to the line managers. Senior managers, lead by the Chief Executive Officer should show their support to the fair use of the performance management practices in the firms. This will demonstrate to the employees that they are committed to making the performance management system work for the good of everyone in the firm.

Line managers need to receive training on performance management by attending relevant courses held in private and public universities and colleges as well as attending workshops or short courses. They could supplement this by reading books and magazines that focus on performance management; acquiring membership of Human Resource institutes, whether locally or internationally or by subscribing to websites on the internet that have a lot of authentic information on performance management. The stock broking firms that are subsidiaries of international companies should borrow performance management practices from their parent companies and adapt them to their firm. This is because their parent companies are well established and more knowledgeable on performance management in relation to a wide range of cultures.

In order to improve their performance management systems, the stock broking firms need to clearly define their performance management policies and incorporate more of the performance management practices. They also need to effectively link performance of their employees with reward and recognition in order to increase their motivation towards achieving the goals of the firm. By not incorporating all the practices of performance management to a very high extent, the stock broking firms are limiting the continuous improvement of the performance of their employees and this could lead to a stagnation of their organizational success. This will make the firms that do not incorporate the performance management practices to a very high extent lose their competitive edge in the market

5.5 Limitations of the study

As much as this study has been completed successfully, there were some limitations encountered along the way. Some of the stock broking firms did not complete the questionnaires. 2 of the firms indicated ‘internal procedures’ as the reason for not completing the questionnaires. The other 3 firms received the questionnaires but did not complete them despite several visits and follow up phone calls.

Some of the stock broking firms did not have Human Resource managers and the questionnaires were completed by other managers responsible for employees in the firm. Some of the respondents took a long time to respond because they were away on leave and those they delegated their duties to were reluctant to complete the questionnaires. A minority of respondents did not respond to one statement in the questionnaire. Some of the respondents misplaced the questionnaires and replacements had to be provided both hard copy and by email.

5.6 Suggestions for further research

The current study aimed at identifying the performance management practices that currently characterize stock broking firms in Kenya. Further research could be done on the challenges that the stock broking firms faced as they implemented their performance management systems and how they managed to overcome them. Further research could also be done on the need to align the goals of employees with those of the stock broking firms and how to reward employees as they work towards achieving those goals. This is because these seem to be practices that have not been given much attention by the stock broking firms as is evident in the research findings.

When there is ambiguity about who is accountable for managing employee performance, the performance management system will not achieve continuous performance improvement. The stock broking firms need to put mechanisms in place that allow for the line managers to be accountable for the performance of employees while the Human Resource Managers remain advisors. Further research could be done on the mechanisms that need to be put in place in order for the line managers to be fully accountable for performance management in stock broking firms.

The list of performance management practices in this study is not exhaustive. The study focused on the ones that are at the core of Performance Management. These were goal setting, employee development, performance appraisal, training managers to carry out performance appraisal, performance feedback and performance reward & recognition.
Previous studies included other practices that are not found in this study. Gichira (2001) did a study on Employee Performance Management Practices in the Private Security Services Industry. The performance management practices that the researcher identified that are not in this study include performance planning, performance elements and

performance standards. Nginyo (2010) did a study on Employee Performance Management Practices among Insurance Companies in Kenya. The researcher identified employee performance planning and career management which are not included in this study. Further research could be done on the extent of use of these practices in stock broking firms.

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Appendix I: List of Stock Broking Firms in Kenya

1. Drummond Investment Bank Ltd
2. Dyer & Blair Investment Bank Ltd
3. Suntra Investment Bank Ltd
4. Reliable Securities Ltd
5. CFC Financial Services Ltd
6. Kingdom Capital Ltd
7. Genghis Capital Ltd
8. Afrika Investment Bank Ltd
9. ABC Capital Ltd
10. Sterling Investment Bank Ltd
11. Apex Africa Investment Bank Ltd
12. Faida Investment Bank Ltd
13. NIC Capital Ltd
14. Standard Investment Bank Ltd
15. Kestrel Capital (EA) Ltd
16. African Alliance Kenya Securities Ltd
17. Renaissance Capital (Kenya) Ltd

Source: Capital Markets Authority list of licensees, 2009.

Appendix II: Introductory letter

University of Nairobi
School of Business
Department of Business Administration
P.O Box 30197
Nairobi

Human Resource Managers
Stock broking firms
Nairobi

Dear Sir/Madam,

<u>RE: DATA COLLECTION</u>

I am a postgraduate student at the University of Nairobi, School of Business. In order to fulfill the degree requirements, I am undertaking a management project on **'Performance Management Practices among Stock broking firms in Kenya'.**

You have been selected to form part of this study. This is to kindly request you to assist me collect data by filling out the accompanying questionnaire. I will collect it from your office. The information data you provide will be used exclusively for academic purposes. I assure you that the information you give will be treated confidentially.
Your cooperation will be highly appreciated.

Yours faithfully,

<u>Josephine Ngatia</u>
Student
D61/P/7052/04

Appendix III: Questionnaire

Section A: Demographic data

1. Name of the organization……………………………………………………….
2. How many years has your organization been in operation?
   i. 0-5 years [ ]
   ii. 6-10 years [ ]
   iii. 11-15 years [ ]
   iv. Over 15 years [ ]
3. What is the ownership status of your organization?
   i. Wholly owned subsidiary of an International company [ ]
   ii. Partly owned subsidiary of an International company [ ]
   iii. 100% Kenyan company [ ]
4. How many staff members does your organization have?
   i. 1-10 [ ]
   ii. 11-20 [ ]
   iii. 21-30 [ ]
   iv. Over 30 [ ]
5. Does your organization have branches?
   i. Yes [ ]
   ii. No [ ]
6. If yes, how many?.....................................
7. Does your organization carry out performance management practices?
   i. Yes [ ]
   ii. No [ ]

Section B: Performance management practices.

8. To what extent are the practices below a part of performance management in your organization?

Performance management practices		Very high extent	High extent	Indifferent	Low extent	Very Low extent
(i)	Goal setting	( )	( )	( )	( )	( )
(ii)	Employee development	( )	( )	( )	( )	( )
(iii)	Training of managers to carry out performance appraisal	( )	( )	( )	( )	( )
(iv)	Performance appraisal	( )	( )	( )	( )	( )
(v)	Performance feedback	( )	( )	( )	( )	( )
(vi)	Performance reward & recognition	( )	( )	( )	( )	( )

9. To what extent do you agree with the following statements regarding your organization?

Performance management		Highly agree	Agree	Indifferent	Disagree	Highly disagree
(i)	Mission statement is communicated and reinforced throughout our organization	( )	( )	( )	( )	( )
(ii)	We have regular communication about progress in achieving organizational objectives	( )	( )	( )	( )	( )
(iii)	We align employees goals and aspirations with those of the organization	( )	( )	( )	( )	( )
(iv)	We involve our employees in the goal setting process	( )	( )	( )	( )	( )
(v)	Our staff members have personal development plans	( )	( )	( )	( )	( )

(vi) Employee development is a key practice in our performance management system.	( )	( )	( )	( )	( )
(vii) Our performance appraisal system allows employee participation	( )	( )	( )	( )	( )
(viii) We base career progress on performance appraisal	( )	( )	( )	( )	( )
(ix) Top management of our firm supports performance management	( )	( )	( )	( )	( )
(x) Our managers are held accountable for effective implementation of performance management	( )	( )	( )	( )	( )
(xi) We associate performance feedback with meaningful goals	( )	( )	( )	( )	( )
(xii) We give continuous performance feedback to our employees	( )	( )	( )	( )	( )
(xiii) We link reward and recognition to our employees' performance	( )	( )	( )	( )	( )
(xiv) Our reward policies take into account aspirations, expectations and needs of employees	( )	( )	( )	( )	( )
(xv) Recognition is part of the value system within our organization	( )	( )	( )	( )	( )
(xvi) We use positive rewards to increase desired performance	( )	( )	( )	( )	( )
(xvii) Performance management in our firm is integrated with other Human Resource functions	( )	( )	( )	( )	( )

10. Who is held accountable for performance management in your organization?

i. Human Resource Manager [ ]

ii. Line Managers [ ]

THANK YOU