THE CHALLENGES FACING CENTRAL BANK OF KENYA IN IMPLEMENTATION OF PERFORMANCE MANAGEMENT APPRAISAL SYSTEM (PMAS)

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Declaration

This research project is my original work and has not been presented for a degree in any other University for the Award of Degree/Diploma.

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D61/70064/2008

This project has been submitted for examination with my approval as the University Supervisor.

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Dedication

This project is dedicated to my family members; my loving parents Hannah Kimoi Murgor and the late William Cherop Murgor. Thanks for the gift of life and for all your love. I dedicate this project to you to thank you for all the efforts and resources in bringing me up and giving me an education.

To my loving wife, Margaret Murgor for her encouragement throughout the course of my studies and my children, Elaine Cheruto and Tonia Chepkoech. Thank you for your unconditional support, inspirations and co-operation especially during my absence.

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Definition of Key Terms

- **Performance Management and Appraisal System (PMAS) -** This is a process of setting performance parameters, monitoring, reviewing and appraising performance.
- **Key Results Areas (KRAs) –** These are objectives or a set of desired outcomes.
- **Target –** This is an expression of how much of an outcome needs to be achieved for one to be considered successful in achieving a KRA.
- **Rating –** This is a performance measure using a rating scale agreed and applied in the whole organization.
- **Weight –** It is an assigned value that reflects the level of priority and importance attached to any particular KRA.
- **Weighted Rating –** This is a reflection of how well the individual has performed factoring in the weight of the objective. It is computed by multiplying the percentage performance by the weight.
- **Appraisal –** This is the final measurement of performance that is done at end of every year.
- **Perspective –** It is a general area in which specific measures need to be agreed and delivered.

Abstract

In the recent past, especially in the last five years there has been an upsurge in the use of Performance Management Appraisal System. This is for purposes of gauging employee performance against targets. The CBK has not been left out on this and for the last about four years it has been trying to implement its PMAS. PMAS is aimed at increasing efficiency and productivity and a competitive edge at the CBK.

However, the implementation of PMAS has not been without challenges. This study therefore is aimed at finding out the challenges facing CBK in the implementation of PMAS.

The research had two objectives first, to determine the challenges facing CBK in implementation of PMAS and second, to establish the strategies adopted by CBK to cope with these challenges. This research adopted the use of the case study design. In-depth interviews on top management staff were used in the collection of data. Data was analyzed and presented by use of content analysis. From the findings it was observed that CBK faces many challenges including systemic and behavioral resistance, a turbulent external environmental and poor planning, among others. The Bank adopted strategies such as training, sensitization, effective communication and restructuring, among others to deal with these challenges. It is hoped that the findings of this research will be of great significance to CBK managers, the Government and the public in general.

CHAPTER ONE: INTRODUCTION

1.1 Background

Organizations depend on the external environment for their resources in the production of goods and services so as to satisfy the needs and wants of their customers. Besides the resources provided by the environment, the very environment, offers opportunities which require to be tapped by the firm, as well as threats which need to be handled by organizations (Ansoff, 1990).

The current business environment is particularly turbulent. Environmental turbulence implies that the changes there in are surpriseful, unpredictable, discontinuous and rapid. The ever changing political, economic, social and technological factors in the environment call for organizations to align their internal capabilities with the external environmental demands so as to emerge victorious in the attainment of the firm's objective. For a mismatch between the internal and external environment is a sure recipe for failure (Aosa, 1992). This calls for the company employees to not only come up with but also implement strategies to assure maximum return on investment. However, much of the time, strategy implementation has in the recent past become a milestone in the corporate world both in the private and corporate sectors of the economy in general (Porter, 2000).

In the banking industry there has been tremendous strategy implementation in line with the changing economy, and competitive climates. This has not been possible without implementation hitches. The Central Bank of Kenya particularly, has been faced with great challenges on how to deliver competitive service in a coalition Government whose public expectations hinge on quality service and product delivery. For the CBK to deliver on its mandates, her employees must perform above expectations. For them to perform well, their performance must be above board. But this is only possible if the performance of CBK employees is measurable against fool proof benchmarks. Employees could only be appraised by use of a performance management appraisal system (PMAS) that could pass the test of time. It is believed that the performance management appraisal system

(PMAS) that is being implemented at CBK would go along way to ensure effective service delivery (www.centralbank.go.ke). Unfortunately, the implementation of PMAS at CBK would face resistance to change by employees. In addition, the current IT systems may not have been put in place to effectively implement PMAS. These and many other impediments constitute the challenges of strategy implementation of PMAS by the Central Bank of Kenya.

1.1.1 Challenges of Strategy Implementation

Strategy formulation without strategy implementation could be likened to the ideas of a great golden chick that has never given birth to any golden eggs. Strategy implementation is the process through which the organizations chosen and intended strategies are made to happen. Implementation therefore, is the action phase of the strategic process, which includes strategy formulation, analysis of the alternative strategies and choice of the strategies to be adopted (Muthuya, 2003).

Success of strategy requires that the structure and strategy need to be matched under supportive of each other. The information systems must be adequate for purposes of reporting back and strategy implementation evaluation (Kungu, 2007). Because of the difficulties experienced in strategy implementation, the implementation processes has never been short of challenges. The challenges come in the form of resistance to change, non involvement of all stakeholders, employees psychological non preparedness, a poorly formulated strategy and an ill prepared firm system for accommodating the new strategy, among others. (Thompson et al, 2005).

For the Central Bank of Kenya, just like any other firm, the implementation of the PMAS strategy is apparently experiencing several general challenges or those peculiar to the CBK. The implementation of PMAS strategy requires a thorough understanding of the Bank's strategic plan by all employees. This is because PMAS is based on the strategic plan of the CBK (www.centralbank.go.ke). This means that employees must understand the link between the bank's strategic plan and the PMAS. This is not apparently the case

as majority of the employees, one year down the line since PMAS was commissioned, are yet to be taken to seminar on PMAS (CBK Feb, 2010 monthly newsletter).

At the same time it is important that the systems are put in place to allow for easy appraisal to be undertaken. The use of automation and quality computerized system to be used by the CBK is yet to be established. The CBK has not yet fully automated its operations as at March, 2010 (www.centralbank.go.ke). Strategy implementation requires that all employees are psychologically prepared for the implementation of a new strategy. This creates a sense of strategy ownership thereby reducing resistance to change (Njiru, 2007).

The psychological preparedness could be achieved through several team building, retreats, internal communications or even the hiring of an external change manager. These processes especially hiring an external consultant need to be undertaken by the CBK. This is to avoid high levels of employee suspicion in the implementation of PMAS. It is also important to note that while the lower management employees need to understand the core implementation details of the PMAS strategy, a few members of the top management do not quite understand what PMAS is all about. This is quite evident in the results received from top management team's appraisal reports on PMAS.

Some of the management staff do not understand what appraisal means leave alone having the right training on performance management appraisal (CBK notice board).
Other challenges to implementation of strategy include lack of financial resources inadequate communication of strategy to staff, wrong firm structure, poor leadership and inadequate communication and information of systems (Mwita, 2007). Johnson et al (2005) see ensuring control, managing knowledge, coping with speed of change and increased levels of uncertainty in business and responding to globalization as challenges to strategy implementation.

Designing a workable reward system to support strategy implementation is a challenge. The role of the reward system is to align the wellbeing of organization. Without an ample

pay off the system breakdown and the managers will be left with less workable options of barking orders, trying to enforce compliance and depending on the goodwill of other employees (Thompson et al, 1998). People who implement strategic plans should participate in their development (Andrews, 1980). This creates a sense of belonging and teamwork towards the attainment of the implementation of strategy.

Other researchers such as Wilson (1996) have argued that there are some general barriers to strategy implementation. This include too many and conflicting priorities, the top team does not function well; a top down management style; inter-functional conflicts; poor vertical communication and inadequate management development. All of these factors could greatly offer significant challenges to strategy implementation of PMAS at CBK.

1.1.2 The Performance Management and Appraisal System (PMAS)

The Performance Management Appraisal System (PMAS) is a process aimed at incorporating the Bank's corporate strategy by drawing its direction and inspiration from the Bank's Vision and Mission. This is achieved by aligning the departmental objectives with the key goals, performance objectives and targets for staff. For management, PMAS is a tool for determining an employee's progress at different times through an integration of employees and organizations goals.

The system also relies on mutual agreement of objectives and targets between the staff member and line supervisor before the period under review. It is the extent of achieving these agreed objectives on which the staff member will be appraised by the line supervisor. PMAS instrument is an employee's performance management tool that captures performance plan and appraisal criteria. The instrument is used to link individual employee's job description to the Bank's strategic plan.

PMAS incorporates performance perspectives, performance targets, and percentage performance, among others as general parameters in which specific measures need to be agreed and delivered. PMAS has identified four (4) performance perspectives namely;

Financial, Service, Risk and Staff. These have been brought out clearly by the Central Bank of Kenya (www.centralbank.go.ke). Performance targets on the other hand assesses the quantifiable performance outputs required of an individual employee for each of the performance perspectives agreed and set before performance. Percentage Performance is a derivative arrived at by dividing actual performance by target performance multiplied by 100% as shown below:

$$Percentage\ Performance = \left(\frac{Actual\ Performance}{T\arg et\ Performance} \right) \times 100\%$$

This measures the actual percentage performance of employees. This computation of Percentage Performance has been utilized by other renowned firms particularly the Kenya Revenue Authority (www.kra.org.ke)

Performance management is required as a process of setting performance targets, monitoring, measuring and evaluating the actual performance against set and agreed targets. It also involves taking appropriate action on achieved performance. PMAS also uses rating. Here conversion of the percentage performance using the rating scale that is agreed and applied across the whole organization is used to rate employee performance. Reviews are also undertaken during PMAS. This is a process of monitoring performance progress at predetermined intervals during the year under review.

Equally, a criteria called SMART is utilized in the setting of key results areas (KRA)/ objectives. It enables one to be rigorous and infuses clarity and simplicity in the CBK/objective setting process. Smart stands for Specific, Measurable, Achievable and Realistic objectives. Specificity requires that the objective has a clear outcome, which is unambiguous and which is easy to have a shared understanding of. Measurable requires that, to the extent possible, the outcome be quantifiable and that the information for measuring be available when needed. Achievable/Attainable requires that the outcome is a real-life phenomenon, and that it is relevant to the well-being of the organization.
Realistic requires that the objective addresses sufficiently the needs of the stakeholders, and also take account of the constraints that exist in its environment. One should end up

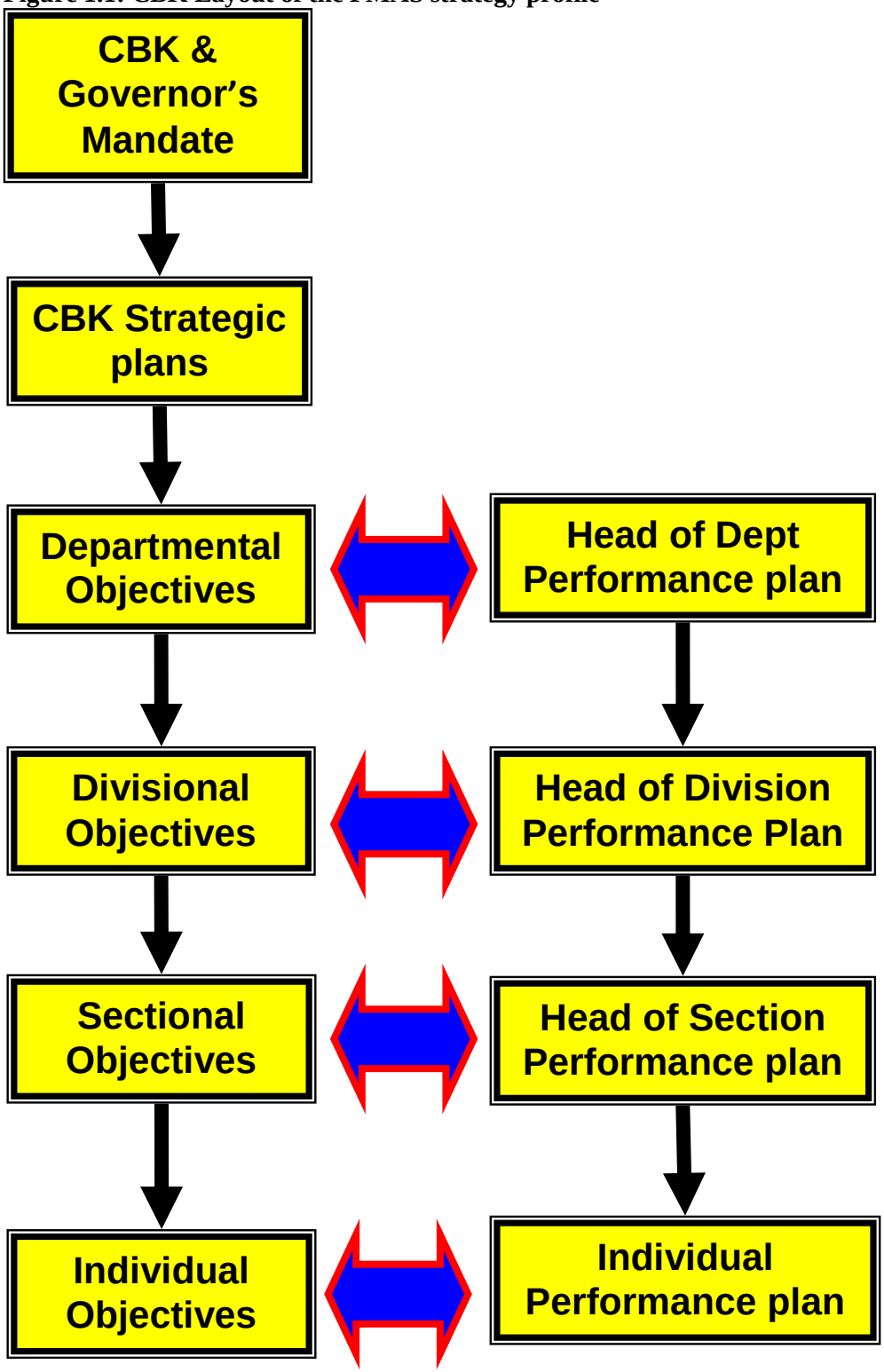
with a balanced objective, which, while not aiming for the sun, is challenging enough. Timed/Time-bound requires that the objective be achieved within a certain timeframe.

Performance Management and Appraisal System (PMAS) have several objectives. Performance Management and Appraisal System (PMAS) is a process of achieving organizational objectives through individual employee performance. It links individual performance to the Bank's strategic plan. Individual employee performance plans are aligned to organizational objectives through performance goals and targets that are mutually agreed upon between an individual employee and his or her line supervisor in advance. Actual performance is evaluated against the set goals. Appropriate actions are taken depending on the outcome of the evaluation.

As a strategy, PMAS enhances objectivity and minimizes subjectivity in performance appraisal as it is based on agreed targets and evaluation criteria. It encourages participative management that involves input from both the individual employee and the line supervisor. It links individual employee performance to the Bank's strategic plan. PMAS increases objectivity and reduces subjectivity in the staff appraisal process.
It allows performance planning and identification of areas of intervention to improve future performance of employees. While it provides an objective and fair basis to acknowledge the efforts of staff members, it also provides regular feedback on performance to staff and management.

The layout of CBK in PMAS strategy is best illustrated in Figure 1.1

Figure 1.1: CBK Layout of the PMAS strategy profile



Source: CBK notice board

1.1.3 The Central Bank of Kenya

The Central Bank of Kenya was established in 1966 through an Act of Parliament – (the Central Bank of Kenya Act of 1966). The establishment of the Bank was a direct result of the desire among the three East African states to have independent monetary and financial policies. This led to the collapse of the East Africa Currency Board (EACB) in mid 1960s. The Board of Directors of the Bank consists of eight members who include the Governor, who is also its chairman, the Deputy Governor, who is the deputy chairman, the Permanent Secretary to the Treasury who is a non-voting member and five other non- executive directors.

All members are appointed by the President to hold office for a term of four years and are eligible for reappointment once, provided that a Board member shall hold office for not more than two terms. The executive management team comprises the Governor, the Deputy Governor and fifteen heads of department who report to the Governor. The Bank operates from its head office in Nairobi and has branch offices in Mombasa, Kisumu and Eldoret. The Bank also owns the Kenya School of Monetary Studies (KSMS) which is headed by an executive director answerable to the Governor. The Bank has recently opened a currency centre in Nyeri while plans are underway to open others in Nakuru, Kisii, and Meru regions.

The vision of the Central Bank of Kenya is to offer world class banking service and delivery. The Central Bank of Kenya's principal objective is formulation and implementation of monetary policy directed to achieving and maintaining stability in the general level of prices. The aim is to achieve stable prices – that is low inflation – and to sustain the value of the Kenya shilling. The second objective is to foster the liquidity, solvency and proper functioning of a stable market based financial system, (Monthly Economic Review, Oct. 2009). The secondary objectives are to formulate and implement foreign exchange policy, hold and manage its foreign exchange reserves, license and supervise authorized dealers in the money market, among other objectives.

1.2 Statement of the Problem

In the recent past organizations including banks have sought to create greater flexibility in responding to environmental turbulence, (Balogun and Johnson, 2004) in reaction to the competitive environment. The possible causes of failure of the majority of the firms in the implementation process of their strategic plans are due to inadequacy of the firm's understanding and effectively addressing those challenges. Also most of the management team in firms perceive performance appraisal as a task which is not only unwelcome but difficult (Cardy, 1998). Majority of the people are uncomfortable giving and receiving appraisals and yet most of the appraisals have been criticised for having many errors and being biased (Forsyth, 2002). This is inspite of the great role played by performance appraisal in firms. The differences in perceptions of performance appraisals, have led to fears, reluctance, misunderstanding and even friction at the level of performance appraisal implementations.

The main goal of any corporate firm is to maximize on wealth. This is possible through customer satisfaction. To attain this goal, employees must adopt to PMAS. Unless this is done, organizations will lose out on their super performance to competitors keen on PMAS implementation. The CBK must also utilize PMAS to satisfy its customers. While a lot of energy has been expended on the formulation of PMAS, relatively less effort has been invested in the implementation of PMAS at CBK. Infact, PMAS implementation is already experiencing resistance from employees two years down the line since its launch. If its implementation fails, it will ultimately drain the tax payer's money. The role that Central Bank of Kenya plays in the national economy is quite critical in that it occupies a leadership position in as far as the economy is concerned. As a supervisor of all commercial banks, its staff is expected to surpass their performance targets for economic prosperity. It is therefore imperative that crucial performance and performance measurement strategies are put in place to ensure that CBK performs competitively. It is here then that implementation of Performance Management Appraisal System (PMAS) becomes a key issue at CBK as it will be used in the measurement of performance. Performance Management Appraisal System (PMAS) implementation is also an issue for investigation due to the glaring gaps in this area of study.

Several studies on Performance Appraisal have been undertaken by various scholars, Gichira (2001) for instance looked at Employee Performance Management Practices in the Private Security Services Industry. Amimo (2003) looked at Relationship between Performance Management Principles and Firm Performance, a survey of companies quoted at NSE. Similarly Njagi (2003) did a survey of the Application of Performance Management Principles in the Kenya's Commercial Publicly Quoted Companies while Momanyi (2008) looked at Performance Appraisal Practices among Mass Media Houses in Kenya. However, all these researches do not touch on the Central Bank of Kenya. They are more general on Performance Appraisal than specific. This therefore leaves a knowledge gap to be investigated. Given the foregoing, what then are the challenges facing the Central Bank of Kenya and the strategies adopted to cope with the same in implementing Performance Management Appraisal System (PMAS)?

1.3 The Research Objectives

The objectives of the study will be: -

i. To determine the challenges faced by Central Bank of Kenya in the implementation of Performance Management Appraisal System (PMAS).

ii. To establish the strategies adopted by Central Bank of Kenya to cope with the challenges of Implementing Performance Management Appraisal System (PMAS).

1.4 Importance of the Study

The research findings will equip the CBK management with the necessary PMAS tool that will enhance the Bank's performance. The findings will also be of great value to the CBK management as it will unearth the challenges faced in the implementation of PMAS and the strategies adopted to cope up with those challenges.

Implementation of PMAS will go along way in partial fulfilment of the Government's vision 2030 whose key benchmarks is on performance management. This will ultimately be a great achievement as it will also boost the Government's image internationally as one of the Government whose Central Bank is living in the spirit of globalization. This will therefore attract the much needed direct foreign investment.

The Kenyan people shall benefit from efficient and effective service delivery. This is because Performance Management Appraisal System (PMAS) is hinged on the creation of sustainable competitive advantage by the CBK, which competitive advantage must be transformed into customer satisfaction through quality service and product delivery. The customer is the Kenyan people.

The findings will also immensely benefit scholars as it will contribute to the body of existing knowledge on the subject under investigation. The study will also serve as a point of reference for future scholars as it will give suggestions on recommendation for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy Implementation

Strategy implementation is concerned with the implementation of strategy into action through organizational structure and design, resources planning and the management of strategic change (Johnson & Scholes, 1999). The concepts of strategy and challenges in strategy implementation are usually similar. Whether, it is the implementation of performance management appraisal systems (PMAS), marketing or production strategy, such similarities are bound to exist save for contextual and firm specific differences.

Most research in Strategy implementation has focused on earlier stages of the strategic management process, namely, analysis and formulation (Johnson & Scholes, 2008). Research to date has failed to recognize that it is at the implementation stage where the process most often breaks down. A number of disparate approaches to strategic management have emerged in the field, and each of them has different and often contrasting implications for how strategies should be developed and executed.

‘’Great strategies are worth nothing if they cannot be implemented’’. Better a first-class implementation procedure for a second-class strategy than vice versa. Strategies will not exist unless the organisation’s managers have thought through what needs to be done, when and by whom, using which resources, to achieve what objectives (Porter, 1985). However, despite the importance of the strategic execution process, far more research has been carried out into strategy formulation than into strategy implementation (Alexander, 1985; Dess, 1984, Gupta, Hennart, & Hill, 1993). The reasons why strategic researchers have paid less attention to this area may be because they have viewed strategy implementation as “a mere detail of the planning process” rather than an area of investigation in its own right. Alexander (1985) argues that although research into strategy implementation may be more complex and challenging than researching aspects of strategy formulation, it is nevertheless seen as a less glamorous area of inquiry. However, much of the weakness in the practice of strategic management emerges in the

process of implementation rather than in the conception of strategy. For example, Mintzberg, and Quinns, (1996) claim that more than half of the strategies devised by organizations are never implemented due to unexpected difficulties faced during the execution stage. Given the significance of this area, both academics and practitioners acknowledge that there is a lack of understanding about strategy implementation. For example, surveys carried out by both Gopinath and Hoffman (1995) and Pearce and Zahra (1992) investigating the views of CEOs and strategic management professors about key research areas in the strategic management field identified strategy implementation as the most important area for future research inquiry.

Strategy implementation typically affects all the facets of the organization (Thompson & Strickland, 1998). Once strategies have been formulated they require to be implemented. This is the actionalization or actualization of strategy, otherwise they will be of no value (Aosa, 1992). Well thought out strategies which cannot be implemented are just valueless to the firm. The implementation is seen where the firm resources and actions are tied to strategic priorities and key success factors are identified and performance measures and reporting system are aligned (Koskei, 2003).

Strategy implementation is more difficult than formulation. Implementation of strategy does not always follow strategy formulation it at times creates resistance in its own accord which could easily render the strategic planning efforts inconsequential. A competitive strategy can only see the light of day through utilization of the HRM. The key challenge then is how well the HRM is coordinated in terms of PMAS.

There are several approaches to strategy implementation. First, Strategy Implementation Viewed From the Planning Approach. This approach is the oldest and most influential in the strategic management field. The development of it goes back to the late 1960s, beginning with the writings of Chandler (1962), Ansoff (1965), and Andrews (1980). The strategy process is seen as the outcome of rational, sequential, planned, and deliberate procedures. Profit maximization, cost cutting, high market share, and other tangible results are therefore seen as the ultimate aims of the strategy implementation process.

Strategy formulation and implementation are considered as two separate stages, with more emphasis given to the strategy formulation area (Andrews, 1980; Schendel & Hofer, 1979). The issue of implementation is seen as purely tactical and as an activity that is carried out by staff in middle and lower levels. It is claimed that strategies should be developed by top management, and apart from minor adjustments, these executives should not deal with implementation once they have developed the strategy. The other main propositions of this school include well-specified plans with clear objectives, timetables, budgets, and resource allocations, clear lines of responsibility, limited participation in strategy development, and minimum discretion for all levels of implementers (Kay,1993).

Secondly, Strategy Implementation Viewed From the Learning Approach. The view held by strategic management theorists such as Johnson (1999), Mintzberg (1990), Quinn (1996), and Pettigrew and Whipp (1991) is that strategy implementation is not a neat sequential and rational process due to the complex and dynamic environment. It is claimed that strategies tend to emerge rather than be the outcome of a strict planning process and that successful companies, such as Honda often seem to have achieved their competitive position without going through the processes of analysis, formulation, and implementation that the planning view advocates. Strategies are developed and executed in an incremental, trial-and-error way by mainly middle managers and as such, strategy formulation and implementation are not considered separate stages (Mintzberg, 1987). Internal politics and organizational culture are seen as key areas in implementing strategies, and it is claimed that without considering organizational culture and internal politics, it is difficult to implement any strategy successfully. Empirical research findings by Wernham (1984), De Geus (1988), James (1994), Johnson (1987), and Pettigrew, Ferlie, and McKee (1992) also support the appropriateness of the learning school, in which implementation processes are found to be interactive and incremental rather than rational and sequential.

Thirdly, Strategy Implementation Viewed From the Contingency Approach. This approach originated from empirical research undertaken by Burns and Stalker (1961) and

Lawrence and Lorsch (1967), which indicated that successful strategy implementation is not achieved by and associated with a simple single set of factors. Instead, it depends on certain variables and factors within the internal and external environment of the company. The effectiveness of the strategy implementation process depends on how multiple factors interact within any one situation. In other words, strategies can be more effectively carried out if they are chosen to match the situation, especially the extent of agreement about the strategy, the degree of capacity and coordination of the implementation system, and the stability and the complexity of the environment and the organization. Put another way, Berman (1980) claims that the process of strategy implementation cannot be uniform for all situations, invariable over time and homogeneous across organizational levels, and therefore, implementors need to search for matching and switching approaches to accomplish their strategies successfully.

Fourthly, Strategy Implementation Viewed From the Configurational Approach. Authors such as Mintzberg (1990), Richardson (1994) and Johnson and Scholes (1997), have attempted to combine all these previous approaches into one single perspective to eliminate the disadvantages that they perceive are present in each single/individual approach.

This combined approach is titled the configurational school or the comprehensive approach, and it aims to offer a general solution to assist in the development and implementation of strategies. The major difference between the contingency school and the configurational school is that the first view adopts an “it all depends” approach, whereas the second one is concerned with “getting it all together” (Stacey, 1993b). Dissimilar to the previous schools of thought, this view advocates that in a company, every level of management (top, middle, and lower) should participate and cooperate in both formulating and implementing strategies. In this approach, strategy development and implementation is seen as an episodic process, and it is claimed that all the above approaches can be combined and used together, although sometimes one approach may be in a more leading position for a certain period of time (Bailey & Johnson, 1992; Johnson & Scholes, 1993; Mintzberg, 1987). The central notion of this view is that

focusing on only one view or only a few factors, such as strategy or structure, is inadequate. Implementation can only be achieved through a desirable fit among certain factors or variables, such as organizational structure, culture, people, communication systems, resources, control, and so forth (Stonich, 1982; Waterman, Peters, & Phillips, 1980). However, it is claimed that even the configurational school has limitations, and therefore, scholars and practitioners should look beyond the configurational view (Mintzberg, 1996; Stacey, 1993b).

Fifth, Strategy Implementation Viewed From the Complexity Approach. The central concepts of chaos and complexity emerged in the physical and biological sciences during the three decades of the 1960s, 1970s, and 1980s and began to reach a wider audience in the 1990s. The view held by strategic management theorists such as Levy (1994), Mintzberg and Quinn (1996), Pascale (1990), Stacey (1993, 1995, 1996a, 1996b), is that organizations are adaptive systems that take the form of nonlinear negative and positive feedback loops connecting individuals, groups, functions, and processes within an organization to each other, and connecting an organization to other systems in the environment. It is claimed that due to these nonlinear feedback loops, any small change or development within or outside the organization can have significant and unexpected implications for the firm; this is often titled the butterfly effect.

In terms of implementation, this means that managers need to identify and evaluate the emerging patterns continuously within and outside the company and then develop and implement decisions rapidly. In addition, they also need to consider the implications of this implementation process not just on a specific part of the company but also on other functional areas and on customers and competitors as well (Glass, 1996; Stacey, 1995, 1996a). Stacey (1996a, 1996b) believes that successful companies are those that operate in some state of nonequilibrium or bounded instability. He argues that it is not good for companies to aim to achieve a fit between the environment and internal resources of company, particularly because certain variables such as organizational structure, culture, and the company's environment are constantly moving or evolving. Managers must therefore implement strategies without achieving any type of harmony between internal

and external factors. Stacey (1993) also suggests that companies should attempt to develop diverse cultures and informal working groups and networks and allow for the emergence of internal conflicts among departments and groups. These mechanisms will help to challenge existing mental models and will allow the complexities and dynamics of the strategy development and implementation process to be better understood. Eventually, this will allow, and perhaps force, the company to invent and create new ways of developing and implementing strategies. It is also suggested that there might be some regularities and order in chaos, and therefore, managers should look for emerging patterns within chaos and complexities (Stacey, 1993).

Contrary to the previous approaches, this view advocates that companies should not have clear aims and objectives for their long-term future. Instead, managers need to understand, evaluate, and interpret the complexities and dynamics of the (environmental) situation as an ongoing process and respond to emerging patterns rapidly if they are to be successful. This may require continuous modification of a company's structure and culture to incorporate new and relevant values and norms (Lane & Maxfield, 1996; Stacey, 1993).

2.2 Tools and Factors in Strategy Implementation

A firm can only benefit from a strategy if that strategy is implemented. The change from formulation to implementation sets the stage for three interrelated issues such as the establishment of objectives, the development of specific functional strategies and communication of specific policy guidelines to steer action (Pearce & Robinson, 1997). Some of the tools and factors to be considered in strategy implementation include objective, functional strategies, conscience strategies and institutionalizing the strategy.

2.2.1 Objectives

Effective strategy implementation requires well developed objectives with clarity. These objectives must relate to the overall company strategy. Objectives if well formulated act as guidelines for action, and team building efforts (Alexander, 1985). These objectives must be measurable and specific on what is to be achieved. The objectives must be linked to the long term objectives, be integrated and co-ordinated within the SBUS, otherwise they may impeach strategy implementation. Also, the objectives must demonstrate consistency in terms of stating what objective is to be accomplished, when it will be done, and how it will be measured upon being implemented. The specific objectives must also have prioritized, be flexible, acceptable, understood, achievable and suitable.

The real success rate for strategy implementation is 30% (David, 2004). This low rate is discouraging, especially since a growing number of companies in recent years have invested considerable resources to develop strategic planning skills. Companies obviously need to improve strategy implementation activities, but the paces of these activities and the implementation itself have many problems. Primary objectives are somehow forgotten as the strategy moves into implementation, and the initial momentum is lost before the company realizes the expected benefits. The cause isn't easy to explain, but it can be attributed to a variety of problems.

Traditional strategy implementation concepts overemphasize structural aspects, reducing the whole effort to an organizational exercise. Ideally, an implementation effort is a "no boundaries" set of activities that doesn't concentrate on implications of only one component, such as the organizational structure. When implementing a new strategy, it's dangerous to ignore the other components because strategy implementation requires an integrative point of view. You need to consider not only the organizational structure, but the soft facts as well--the cultural aspects and human resources perspective. Taking into account both the soft and hard facts (like turnover, operating profit, and profitability ratios) ensures that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, this integrative interpretation allows the firm to develop implementation activities that are realistic. It might seem like strategy

implementation is an insurmountable obstacle. It isn't. But you should concentrate on four key success factors: culture, organization, people, and control systems and instruments.

2.2.2 Functional Strategies

Functional level strategies constitute the short term plan for a key functional area within a company. They give more special details about the grand strategy; they aim at the attainment of maximum resources utilization. They address issues of co-ordination interaction to deliver firm goals within single function (Hax & Mayluf, 1996).

2.2.3 Concise Policies

Implementation of strategy requires concise policies which guide the thinking decisions and actions of managers. Such policies provide the guidelines for establishment and control of firm operation in line with the strategic objectives. They guide employee expectations and knowledge of what is required of them thereby increasing chances of successful strategy implementation (Harvey, 1988). The communication policies guide on what should be done.

2.2.4 Institutionalization of Strategy

A new strategy must permeate the very day-to-day life of the company to be effectively implemented (Pearce & Robinson, 1997) such institutionalization requires a fit between processes such as structure, resources systems, leadership or the people and culture. In terms of structure tasks are divided for clarity and efficiency. The interdependent relationships must be structured in congruence with the strategy chosen for ease of implementation. Structure balances specialization with integration. The formal framework by which jobs are divided, grouped and co-ordinated must agree with the strategy.

In term of organization, strategy implementation considers two aspects of your organization--its structure and its decision-flow processes. Structure deploys accountabilities so the company can achieve its goals and objectives and, ultimately, its

mission. The enterprise's mission and goals are the general and specific accountabilities of top management. The goals then are subdivided into objectives that are delegated to the next level of executive management. In effect, a strategy defines both the firm's direction and top management's job.

Decision-flow processes, however, are the vehicles companies use to integrate results into coherent patterns for developing, implementing, and controlling decision making. Research studies indicate that less than 5% of the typical workforce comprehends their organization's strategy. Without understanding the general course of strategy, employees can't contribute to an effective implementation. What's necessary to help reach this goal is a higher degree of transparency in the decision-making process.

One reason strategy implementation processes frequently result in problems or even fail is that the assignments of responsibilities are unclear. Who's responsible for what? To add to this problem, responsibilities are diffused through numerous organizational units that tend to think in only their own department structures. That's why cross-functional relations are critical to an implementation effort. Bureaucracy makes this situation even more challenging and can make the whole implementation a disaster. To avoid power struggles between departments and within hierarchies, you should create a plan with clear assignments of responsibilities regarding detailed implementation activities. Through this approach, responsibilities become evident, and you can avoid potential problems before they arise.

Institutionalizing strategy also requires a supportive organizational leadership. Top management actions signal and symbolise the seriousness in the level of commitment of the implementation of a given strategy. The amount of energy and pressure exerted on implementation by the top management will ultimately create pressure on the subordinate to follow suit in strategy implementation. Hence, the top management should take the front lane in the provision of the vision, initiative, motivation and unwavering motivation in strategy implementation. This is because Human resources represent a valuable intangible asset, and recent research indicates that it is progressively becoming the key success factor within strategy implementation projects. In the past, one of the major

reasons why strategy implementation efforts failed was that people were conspicuously absent from strategic planning. This just doesn't work. Employees have to be considered part of strategy implementation in general. Implementing strategic change requires the confidence, cooperation, and competencies of the organization's technical and managerial people, so the continual development of a company's vital asset--human resources--is a very high priority.

Another priority is managing change. It's a great challenge to deal with potential barriers to change because implementation efforts often fail when an underestimation of these barriers is done. Experience shows that barriers against the implementation of the strategy can lead to a complete breakdown of the strategy. These barriers are psychological issues, ranging from delay to outright rejection, and companies need to pay more attention to them. After all, strategy implementation consists mostly of psychological aspects, so by changing the way employees' view and practice strategy implementation, senior executives can effectively transform change barriers into gateways for a successful execution (Githinji, 2005).

Since change is part of the daily life within an organization, since to emphasize communication regarding the changes to push the implementation process forward. One problem: The required communication with employees about the strategy implementation is frequently delayed until the changes have already crystallized. Hence the need to focus on two-way communication because it solicits questions from employees. In addition, communication should cover the reasons employees are performing new requirements, tasks, and activities because of the strategic implementation. This type of communication about organizational developments should take place both during and after an organizational change. It's essential to communicate information to all levels, and don't forget that the way you present a change to employees greatly influences their acceptance of it. To deal with this critical situation, you must develop an integrated communications plan. Such a plan is an effective vehicle for focusing employees' attention on the value of the selected strategy. It's indeed a big challenge to communicate this plan effectively and in a way that everybody understands it.

Beyond change management and communication, the behaviour of individual employees needs to be considered. Individual personality differences often determine and influence implementation, and different personality types require different management styles. For the purpose of strategy implementation, you should create a fit between the intended strategy and the specific personality profile of the implementation's key players in the various departments of the organization must be created.

Next is teamwork. Teamwork plays an important role within the process of strategy implementation. When it comes down to implementation activities, however, this is often forgotten, even though it's indisputable that teams can play an important part in promoting the implementation. To build effective, cohesive teams within strategy implementation, the firm should consider using the Myers-Briggs typology, which has proved to be a useful tool in determining personality differences. Recognizing different personality types and learning how to manage them effectively is a skill that should be learnt. In fact, more than one million Myers-Briggs Type Indicators (MBTI[TM]) surveys are performed each year in corporate settings for team building and management development. More than any other field of activity, implementation is the area that benefits most from a trained and personality-sensitive management team.

To generate acceptance for the implementation, middle managers must help formulate the strategy. More often than not, however, middle managers and supervisors have important and fertile knowledge that's seldom tapped in strategy formulation. As long as these managers are a part of the strategy process, they will be more motivated because they see themselves as an important part within the process. The form to make sure that happens. As a result of involving managers and supervisors, the firm can increase chances for a smooth, targeted, and accepted strategy implementation. That's why involving employees is an important milestone to making strategy everyone's everyday job. Without understanding the general course of strategy, employees can't contribute to an effective strategy implementation. That's exactly why the involvement of middle managers seems to be appropriate--to increase the general strategic awareness. At the same time, it promotes an integrative understanding of the strategic direction and helps to accomplish a strategic consensus.

Control system instruments and organizational resources are also part of institutionalizing strategy an essential question for managers is how to assess performance during and after the implementation. This assessment or control function is a key aspect of the implementation processes. In order to provide top management with reasonable assurance that strategic initiatives can be executed and are, indeed, being implemented as intended, a control system is required to develop and provide the necessary information. Such a control system focuses on critical issues. For example, one of the most critical points within strategy implementation processes is time restrictions. Many executives underestimate the amount of time needed and don't have a clearly focused view of the complexities involved when implementing strategies. Basically, it's difficult enough to identify the necessary implementation steps and even more difficult to estimate an appropriate time frame, the firm has to determine the time-intense activities and harmonize them with the time capacity. One way to figure this out is through fine-tuning with the affected divisions and the managers responsible for them. In addition to the probable time frame, you should calculate an extra buffer for unexpected incidents. To facilitate the implementation in general, you should use tools to support the processes adequately. Two implementation instruments help here: the balanced scorecard (BSC) and supportive software solutions (Mintzberg & Quinn, 1996).

A popular and prevalent management system, the BSC considers financial as well as nonfinancial measures to translate a company's strategic objectives into a coherent set of performance measures. When it comes to meeting the criteria of a strategy-implementation instrument, it's an excellent fit. The individual character of each balanced scorecard ensures that the company's strategic objectives are linked to adequate operative measures. As a consequence, it provides even more than a controlling instrument for the implementation process--it offers a comprehensive management system that supports the steering of the process. A strategic planning system can't achieve its full potential until it's integrated with other control systems like budgets, information, and reward systems. The balanced scorecard provides a frame to integrate the pieces of the strategic planning initiative and meets the requirements that the strategic planning system itself can display.

In the context of implementing strategies, companies neglect software solutions. IT support is becoming more and more important because information tools must be available and adequate to allow strategic decision makers to monitor progress toward strategic goals and objectives, track actual performance, pinpoint accountability, and--most important--provide an early warning of any need to adjust or reformulate the strategy. Unfortunately, this seems to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operating environment of a company's day-to-day business.

The strategy implementation perspective demands systems with criteria different from those of conventional systems. How well the system can monitor and track the implementation process should be the center of interest. In the past, implementation-related activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes. The supportive application of adequate software solutions can be more than helpful to improve the quality of strategy implementation. In addition, a software solution is a starting point to define clear assignments of responsibilities throughout the organization's implementation processes. The advantage is that the responsibilities can be defined within a software solution and the responsible managers have to commit themselves to specific goals. Basically, this is an excellent approach to track the progress of the implementation and the individual managers' achievement of objectives.

Equally, the organizational resources such as the financial, the physical, the technological and the human resource must be evaluated and aligned with the chosen strategy to facilitate effective implementation. The firm must have adequate resources to carry out each part of the strategy to be implemented (Harvey, 1988). Finally, all the organizational systems must also be in tandem with the desired strategy for ease of implementation. Such systems include those of budgeting, training, costing, and accounting (Mintzberg & Quinn, 1996).

Last but not least to be considered for institutionalization of strategy is culture. Each organization possesses its own culture, i.e., a system of shared beliefs and values. The

corporate culture creates and, in turn, is created by the quality of the internal environment; consequently, culture determines the extent of cooperation, degree of dedication, and depth of strategic thinking within an organization. An important element in this context is the motivation of the employees, which determines the potential and force for a significant change within the corporation's system. Before change can occur, the organization and its cultural values have to be "unfrozen" to understand why dramatic change is even necessary. While the need for change may be apparent to the top executives, it isn't always obvious to the rest of the organization.

Top management's principal challenge in the cultural context is to set the culture's tone, pace, and character--to see that it's conducive to the strategic changes that the executives are charged with implementing. When implementing strategy, the most important facet is top management's commitment to the strategic direction itself. In fact, this commitment is a prerequisite for strategy implementation, so top managers have to show their dedication to the effort. At the same time, this shows a positive sign for all affected employees.

To implement strategy successfully, senior executives must not assume that lower-level managers have the same perceptions of the strategic plan and its implementation, its underlying rationale, and its urgency. Instead, they must assume they don't, so the executives must persuade employees of the validity of their ideas. Culture is a great ingredient in institutionalizing strategy. The shared beliefs, values and thinking of the firm thus the corporate culture must be aligned with the strategy. This compatibility will influence ease of implementation of strategy (Aosa, 1992).

2.3 Challenges of Strategy Implementation

Many firms' strategic plans frequently remain in the form of untouched documents, failing to materialize as a part of the firm or its people. Research indicates that 90% of organizations fail to effectively execute their strategic plans. The reasons for this are varied, but most hinge on the fact that strategy implementation is resource intensive and challenging. Nonetheless, strategic planning remains a top priority among successful firms, based on the fundamental notion that an effective strategy offers unique

opportunities for market differentiation and long-term competitive advantage. Some of the challenges of implementation of strategy have got to do with financial and other resource constraints, lack of understanding and strategy ownership, and inconsistency and lack of continuity among others, Muthuya (2003).

2.3.1 Financial and other Resource Constraints

Successful implementation of strategy calls for resource configuration such that the firm identifies the resource requirements and how those resources could be utilized to create value in the implementation of strategy. Adequate analysis of the resource capability of the firms is therefore a prerequisite for effective strategy implementation. (Johnson & Scholes, 1999). All too often, firms dedicate substantial internal and external resources to a strategy development process, but ultimately, fail to move the firm in the direction identified or realize the benefits of their investment. Why is it that so many firms fail in strategy implementation? The most common reasons include:

2.3.2 Lack of Understanding and Strategy Ownership

A lot of the time company employees do not understand clearly what the new strategy is all about. And because of this, they do not own the strategy. Implementing a strategy which is foreign to employees is a great constraint. Here then we have insufficient employees buy-in**.** In conducting strategic planning, firm leaders and employees involved in the process develop a strong understanding of the business imperative behind the chosen strategy and the need for change in order to achieve firm goals. However, employees removed from the process may struggle to identify with the goals and strategies outlined by firm leaders. These employees may not see a need for change, and without understanding the background and rationale for the chosen strategy, these employees may never buy-in to strategic plan and, as a result, will passively or actively interfere with the implementation process.

2.3.3 Inconsistency and Lack of Continuity

Lack of continuity and inconsistency could pose serious strategy implementation challenges. Top management may leave the organization as soon as the implementation process has begun thereby allowing room for adjustments to the original strategy. Again, new strategies may be brought on board before the final execution of the current strategy. The existence of an ever changing business environment adds to the complexity of implementing a strategy which may not be in line with the environmental dynamics (Thompson & Strickland, 1996).

As a consequence insufficient leadership attention may cause problems to strategy implementation. Too often, firm leaders view the strategy development process as a linear or finite initiative. After undergoing a resource intensive strategic planning process, the firm's Managing Director and Executive Committee members may find themselves jumping back into billable work or immersing themselves in other firm matters, mistakenly believing that writing the plan was the majority of the work involved. Within weeks of finalizing the plan, strategies start to collect dust, employees lose interest, and eventually, months pass with little or no reference to the plan or real action from firm leaders to move forward with implementation.

Leading strategy implementation requires a balancing act – the ability to work closely with employees in order to build cohesion and support for the firm's strategy, while maintaining the objectivity required in order to make difficult decisions. Strategy implementation frequently fails due to weak leadership, evidenced by firm leaders unable or unwilling to carry out the difficult decisions agreed upon in the plan. To compound the problem, employees within the firm often fail to hold leaders accountable for driving implementation, which ultimately leads to a loss of both the firm's investment in the strategy development process as well as the opportunities associated with establishing differentiation in the market and gaining a competitive advantage.

2.3.4 Weak or Inappropriate Strategy

During the course of strategic planning, the lack of a realistic and honest assessment of the firm will lead to the development of a weak, inappropriate or potentially unachievable strategy. A weak strategy may also result from overly aspirational or unrealistic firm leaders/employees who adopt an ill-fitting strategy with respect to the firm's current position or market competition. Without a viable strategy, firms struggle to take actions to effectively implement the plan identified. Hence Resistance to change is yet another factor in strategy implementation. The difficulty of driving significant change in an industry rooted in autonomy and individual employee behaviors is not to be underestimated. More often than not, executing on strategy requires adopting a change in approach and new ways of doing things. In the context of banks, this translates to convincing members of the firm, and in particular employees, that change is needed and that the chosen approach is the right one.

By developing an awareness of these hurdles and traps which lead to failure in implementation, firms can learn how to adapt their approach and develop tools to assist them in more successfully executing on their strategy. As a first step in ensuring the successful implementation of the firm's strategy, firm leaders must take early and aggressive action to institutionalize the strategy within the firm. The top management and other key leaders must demonstrate visible ownership of the firm's strategy, communicating clearly with employees about the details, value and importance of the strategy to the firm. Members of management should also seek input and support from key opinion leaders and rainmakers early-on and request their help in championing the strategy to other employees within the firm. Over time, such actions will assist in generating buy-in among employees, leading to greater overall support for the strategic plan and the changes inherent in its execution.

Having successfully sold the main tenets of a strategic plan to the employees, firm leaders must then reorient themselves around the task at hand: strategy implementation. This is where the real work begins. To facilitate more effective execution, leaders should take the following critical actions:

2.3.5 Implementation Support Structure

To support effective implementation, firm leaders should ask the question: does the firm have the right leadership, governance and operational structure required to support effective implementation? Are the right people serving in the right places? Very often, firm leaders demonstrate the behavior of dynamic and influential visionaries. However, such leaders may lack an attention to detail and the organizational skills required to effectively drive day to day action. By assessing whether the firm has the right people in the right places, a firm can better ensure that visionary firm leaders are appropriately supported by individuals who can get the daily actions of implementation done.

New strategy may not be remodelled to fit a particular organizational structure. The biggest challenge for effective strategy implementation at this level then is to match structure to strategy. In any case, when the organization modifies its strategy the corporate structure may be rendered irrelevant. This puts the firm in a quagmire as to whether to embrace the new strategy and destroy the existing structure or retain the existing structure and fail to embrace and implement the new strategy (Campbell et al, 2002).

Next, those successful at implementing strategy give thought to their organizational structure. They ask if their intended strategy fits their current structure. And they ask a deeper question as well... "Is the organization's current structure appropriate to the intended strategy?" We're reminded here of a client we worked with some years ago. The company was experiencing problems implementing its strategy calling for the development of two new products. The reason the firm had been unable to develop those products was simple... they had never organized to do so. Lacking the necessary commitment for new product development, management didn't establish an R&D group. Rather, it assigned its manufacturing engineering group the job of new product development... and hired two junior engineers for the task. Since the primary function of the manufacturing engineering group was to keep the factory humming, those engineers kept getting pulled off their "new product" projects and into the role of the manufacturing support. Result – no new products.

2.3.6 Implementation Planning

A fundamental and critical step in moving forward with strategy execution involves planning. Implementation planning entails developing a detailed outline of the specific actions and sub-actions, responsibilities, deadlines, measurement tools, and follow-up required to achieve each of the firm's identified strategies. Implementation plans often take the form of detailed charts which map the course of action for firm leaders over a 24-36 month time period. Achieving a level of detail in these plans provides for a tangible and measurable guide by which both the firm and its leaders can assess progress in implementation over time.

First, organizations successful at implementing strategy develop detailed action plans... chronological lists of action steps (tactics) which add the necessary detail to their strategies. And assign responsibility to a specific individual for accomplishing each of those action steps. Also, they set a due date and estimate the resources required to accomplish each of their action steps. Thus they translate their broad strategy statement into a number of specific work assignments.

2.3.7 Lack of Satisfactory Compensation

Employees who receive adequate salaries, fringe benefits, promotions and awards will much of the time work overtime to implement a new strategy. This is also especially the case if the new strategy promises to increase their perks. Accordingly, the reward and compensation structure of the firm must be in tandem with the strategy of the firm for purposes of effective implementation. A strategy which factors in the incentives pegged on the attainment of the targets in the strategy is most likely to be implemented successfully (Johnson & Scholes, 1999).

2.3.8 Alignment of Management Processes

Successful implementation of a firm's strategy also requires alignment of the firm's management or employee compensation system, performance management approach, and

other related practice group and team management structures and processes with the firm's chosen strategy. The most common (and perhaps critical) example of a structure necessitating alignment is that of employee compensation. Very often firms adopt strategic plans which require employees collaboration and teamwork in order to achieve success, yet fail to modify the employees compensation system to reward such activities. Failure to align management processes and structures with a newly adopted strategy frequently results in a stall out of implementation efforts, as members of the firm direct individual behaviors to align with the firm's historic rewards system, and not the newly stated strategy.

2.3.9 Measurement, Follow up and Accountability

A key component of success in implementation involves holding firm leaders and employees accountable for actively driving and supporting execution. Whether individuals are assigned discreet implementation activities e.g. hire lateral IP partner or asked to participate in ongoing efforts to support strategic initiatives, e.g. expand existing clients, measurement and follow up is required. What actions have been taken to expand work for existing clients, and how much new business has been generated from these efforts? By following up and assessing progress in implementation at regular intervals (e.g. monthly or quarterly), firms can more effectively determine whether current implementation activities and assignments are working, or whether a different approach is needed. Such assessments are crucial in ensuring that action is taken and progress is made on strategy execution.

2.3.10 Incorporating Organizational Learning

As an evolving and recurring process, effective strategy creation and implementation necessitates ongoing review of the firm's chosen direction. The strategic planning process entails periodically evaluating the firm's strategy in light of internal and external changes and incorporating lessons learned into the implementation plan. This key component of strategy implementation ensures that the firm's strategy remains dynamic and drives ongoing competitiveness in the market.

In the context of Central Bank, strategic planning represents a methodology for developing a shared organizational view of the desired direction for the firm and outlining the process

by which the firm will move in that direction. For many firms, movement along the firm's chosen strategy can be intensely challenging, and too often, implementation efforts fail. In order to realize the potential and value in a firm's strategy, bank leaders must dedicate themselves to driving successful implementation. This requires planning, resources, time, attention, leadership and courage. Yet, the investment in implementation is not without its rewards. By focusing the necessary energy on implementation, your firm's strategy will no longer be the one collecting dust. If implemented properly, your firm's strategy will be living and breathing inside your firm and driving your firm towards market differentiation and competitive advantage (Aosa, 1992).

2.3. 11 Human Resource Factors

Organizations successful at strategy implementation consider the human resource factor in making strategies happen. Further, they realize that the human resource issue is really a two part story. First, consideration of human resources requires that management think about the organization's communication needs. That they articulate the strategies so that those charged with developing the corresponding action steps (tactics) fully understand the strategy they're to implement.

Second, managers successful at implementation are aware of the effects each new strategy will have on their human resource needs. They ask themselves the questions... "How much change does this strategy call for?" And, "How quickly must we provide for that change?" And, "What are the human resource implications of our answers to those two questions?" In answering these questions, they'll decide whether to allow time for employees to grow through experience, to introduce training, or to hire new employees.

2.3.12 Resistance to Change in Strategy Implementation

The implementation of a new strategy usually portends resistance to change and conflict. Employees, more often than not resist a new way of doing things based on parochial or related reasons such as anxiety, fear of economic loss, change of status quo or uncertainty (David, 2004) for effective strategy implementation, firm leadership must have the ability to change resistance to change. Above all, top management must be in a position to

manage organizational politics effectively towards strategy implementation.

Related to the above is Linkage - The Foundation for Everything Else. Many organizations successfully establish the above five supporting factors. They develop action plans, consider organizational structure, take a close look at their human resource needs, fund their strategies through their annual business plan, and develop a plan to monitor and control their strategies and tactics. And yet they still fail to successfully implement those strategies and tactics. The reason, most often, is they lack linkage. Linkage is simply the tying together of all the activities of the organization...to make sure that all of the organizational resources are "rowing in the same direction."

It isn't enough to manage one, two or a few strategy supporting factors. To successfully implement your strategies, you've got to manage them all. And make sure you link them together.

Strategies require "linkage" both vertically and horizontally. Vertical linkages establish coordination and support between corporate, divisional and departmental plans. For example, a divisional strategy calling for development of a new product should be driven by a corporate objective – calling for growth, perhaps –- and on knowledge of available resources –- capital resources available from corporate as well as human and technological resources in the R&D department. Linkages which are horizontal –- across departments, across regional offices, across manufacturing plants or divisions – require coordination and cooperation to get the organizational units "all playing in harmony." For example, a strategy calling for introduction of a new product requires the combined efforts of – and thus coordination and cooperation among–the R&D, the marketing, and the manufacturing departments.

2.4 Concept of Performance Management Appraisal System (PMAS)

Performance appraisal (PA) is one of the important components in the rational and systemic process of human resource management. The information obtained through performance appraisal provides foundations for recruiting and selecting new hires, training and development of existing staff, and motivating and maintaining a quality work force by adequately and properly rewarding their performance. Without a reliable

performance appraisal system, a human resource management system falls apart, resulting in the total waste of the valuable human assets a company has. There are two primary purposes of performance appraisal: evaluative and developmental. The evaluative purpose is intended to inform people of their performance standing. The collected performance data are frequently used to reward high performance and to punish poor performance. The developmental purpose is intended to identify problems in employees performing the assigned task. The collected performance data are used to provide necessary skill training or professional development.

The purpose of performance appraisal must be clearly communicated both to ratees and rates, because their reactions to the appraisal process are significantly different depending on the intended purpose. Failure to inform about the purpose or misleading information about the purpose may result in inaccurate and biased appraisal reports (Kungu, 2007). A performance appraisal system is an integral employee practice of the macro human resources (HR) framework of an organization. It is a formal--and at times informal--and documented process of the performance of workers, professionals and other staff members of an organization. All professionally managed businesses and enterprises have performance appraisal systems to measure the intrinsic worth and work performance of employees and encourage, motivate and reward them based on their performances.

A performance appraisal system is part of the HR planning process of an organization. Well-defined structures, frameworks and procedures define a workable and effective performance appraisal system. A systematic and timely use of the system reflects the commitment of business owners, enterprise top management and HR personnel toward their employees and extended workforce. Its deployment and usage involves detailed and periodic assessment and grading of an employee's overall performance, future potential, organizational commitment and the resulting promotions and rewards.

Performance appraisals can be done semi-annually or annually depending on specific organizational policies. Some appraisals can be of shorter duration for new inductees and trainee employees. IT firms and many technology-centric businesses tend to have quarterly performance appraisals of employees. An employee's performance over the

defined period is placed under scrutiny. He is evaluated on various parameters and organization-centric metrics such as teamwork ethic, consistency in job performance, individual performance, professional attitude, goal orientation and targets achieved.

The HR department of an organization plays a strategic role in establishing an organization's performance appraisal system. HR personnel and occasionally external HR management consultants devise the structured templates, employee evaluation worksheets, detailed questionnaires and other performance evaluation documents. Business unit managers, supervisors and other project leaders fill up the forms, develop and scrutinize reports generated and formally assess the employees along with the HR team. Rewards, revised compensation packages, incentives and pay raises are then given based on the recommendations and reviews of respective managers.

During the course of employment in an organization, most employees work under or report to immediate supervisors or managers. An immediate boss or senior executive often has the closest and up-front view of an employee's work ethic, specific roles and responsibilities, capabilities and overall performance during a particular time period. The inputs, reports and reviews of employees under her stewardship play a crucial role in an organizational performance appraisal system and can often make the difference between a timely promotion and maintaining of status quo.

An effectively framed and accepted performance appraisal system showcases the professional working standards and governance ethics of an organization. Performance appraisals and reviews keep employees competitive and committed about their defined roles and responsibilities. HR top management use tools and techniques in performance appraisal systems to keep track of the regular performers and occasional laggards and nonperforming employees. This checks-and-balances system and the cycle of rewards and benefits keep employees motivated and impacts long-term organizational performance.

Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities. Performance

management is a whole work system that begins when a job is defined as needed. It ends when an employee leaves your organization. Many writers and consultants are using the term “performance management” as a substitution for the traditional appraisal system. I encourage you to think of the term in this broader work system context.

Firms should also develop Clear Job Descriptions. Here, select appropriate people with an appropriate selection process. Negotiate requirements and accomplishment-based performance standards, outcomes, and measures and provide effective orientation, education, and training also provide on-going coaching and feedback. Conduct quarterly performance development discussions. Design effective compensation and recognition systems that reward people for their contributions, provide promotional/career development opportunities for staff. At the same time assist with exit interviews to understand WHY valued employees leave the organization. There is a need for performance Management, Evaluation, Review, and Improvement

2.4.1 Critical Criteria of Developing a Performance Appraisal System

In order for performance appraisal information to be useful, the PA system must be able to consistently produce reliable and valid results. Measurement items in the performance appraisal system must be designed in such a way that the results of rating are consistent regardless of the raters and the timing of the assessment. Another critical criterion in developing a PA system is the validity of the measurements. It is important to make sure that the appraisal items are really measuring the intended performance or target behavior. If they are not, the PA system encourages the wrong kind of work behaviors and produces unintended, frequently negative, organizational outcomes. For instance, if the number of traffic violation tickets issued is an item in performance appraisal of police officers, it encourages them to sit on a corner of a street and pull over as many violators as possible during heavy traffic hours. The true purpose of a police force, which is public safety, may become secondary to issuing a large number of tickets for many officers.

The first important step in developing a PA system is to determine which aspects of performance to evaluate. The most frequently used appraisal criteria are traits, behaviors, and task outcomes. Also many employees are assessed according to their traits, such as

personality, aptitudes, attitudes, skills, and abilities. Traits are relatively easy to assess once a ratee gets to know rates. But traits are not always directly related to job performance. Trait-based assessment lacks validity and thus frequently raises legal questions.

Similarly for many jobs, performance is so broadly defined or so conceptual in nature—such as ensuring public safety in the police department—that it is hard to come up with reliable performance measures. In such cases, desirable behaviors can be identified and assessed in the belief that such behaviors lead to successful performance. Such behavior-focused assessment encourages employees to adopt desirable behavioral patterns in the workplace.

Finally when information about task outcomes is readily available, it is the most appropriate factor to use in evaluating performance. When an organization has a clear and measurable goal as in the case of a sales force, this approach is recommended. However, it has its own pitfalls. There is a problem if employee behaviors are not directly related to the task out-come. Too narrow a focus on measuring out-come only sometimes results in unintended negative consequences. When sales staffs narrowly focus on target sales figures to increase their performance measure, for example, they are encouraged to help a few large-volume customers and to ignore many smaller buyers. This may result in poor customer service on the floor.

2.4.2 Who Evaluates

The most common raters of performance are employees' immediate supervisors, who are usually in the best position to know and observe the employees' job performance. They are also responsible for employees' work. Their evaluation is a powerful tool in motivating employees to achieve successful and timely completion of tasks. However, as a result of working together over a long time with the same employees, the immediate supervisor may build up a fixed impression about each employee and use it every time he or she has to evaluate performance.

Some companies find that subordinates are in an excellent position to observe and evaluate their managers' performance, especially when it comes to measuring effective management of their department. While there is merit in asking subordinates to evaluate how they are managed, such evaluation may turn into a popularity contest. Accurate and objective assessment may not be obtained if employees are fearful of possible retaliation from their supervisors. Anonymity of the evaluators is key to the successful use of subordinates for objective evaluation.

Other raters who are frequently used in some companies include peers, customers, and the employees themselves. Peer evaluation is particularly useful when teamwork and collegiality are important to successful task performance. Peer pressure is sometimes a powerful motivator in encouraging teamwork among members. Customer satisfaction is vital to a company's success and can be used in performance appraisal. Many companies systematically collect performance information from customers, typically through anonymous surveys and interviews. Self-assessment is also a useful means, especially when the performance appraisal is intended to identify the training and development needs of potential employees.

Each of these raters contributes to assessing certain aspects of performance. Since job performance is multidimensional in nature, it is important to use different raters or a combination of multiple raters depending on the goal of a performance appraisal system. This multirater evaluation, or so-called 360-degree feedback system, Kaplan (1993), is becoming increasingly popular among many American corporations, including General Electric, AT&T, Warner Lambert, and Mobil Oil.

2.4.3 Performance Appraisal Methods

To ensure the reliability and validity of a PA system, a company must design the evaluation process carefully and develop appropriate measuring scales. Among the many assessment methods developed by human resource management experts, commonly used ones include the Graphic Rating Scale, Behaviorally Anchored Rating Scale, Narrative Technique, Critical-Incident Method, Multiperson Comparison Method, Forced Choice Method, and Forced Distribution Method.

The Graphic Rating Scale is the simplest and most popular method for performance appraisal. The Graphic Rating Scale offers a list of areas related to job performance. A manager rates each employee on the listed areas according to a numerical score. Although this method is relatively simple and quick to complete, some experts question its validity and reliability. Without elaborate description, appraisal items and scores are subject to various interpretations of raters.

In order to overcome pitfalls of the Graphic Rating Scale, numerous other methods have been developed. The Behaviorally Anchored Rating Scale (BARS) offers rating scales for actual behaviors that exemplify various levels of performance. Because raters check off specific behavior patterns of a ratee, PA results of BARS are more reliable and valid than those of the Graphic Rating Scale. Human resource managers must carefully analyze each job and develop behavior patterns pertinent to various levels of performance for the job before they use the BARS.

The Narrative Technique is a written essay about an employee's job performance prepared by a rater. The essay typically describes the rate's job-related behaviors and performance. Without standard performance description, it is a cumbersome task for raters to write an essay for several employees. For example, a rater can be asked to describe the activities, achievements, and level of performance of the employee in a completely open-ended format (unstructured narration). Alternatively, the rater can be provided with some structure to use in the evaluation; for example, "Describe briefly the activities, achievements, and level of performance of the staff member in the following areas: (1) work habits, (2) planning and organizing the tasks, (3) management skills, communications, and development of others."

The performance review form at a college asks an evaluator to describe the activities, accomplishments, and creative works of the professors in the areas of (1) teaching and (2) research/creative activity. A dean of the college writes about the professor's teaching performance: "Dr. Michael Johnson has been nominated by his students for the Outstanding Teacher Award several times during his service. He introduced many teaching innovations into his classes. His teaching record is exemplary." In the area of

creative activity, the dean writes: "Dr. Johnson has a strong and productive research record with a defined focus in organizational leadership. His research has been recognized with several awards given by professional organizations. His creative activity is exemplary."

Similar to the Narrative Technique is the Critical-Incident Method, which involves keeping a running log of effective and ineffective job performance. For example, the PA log of an employee, Mr. Campbell, contains Unsatisfactory Incidents as follows: 1/28/2000: "Refused to try a new work procedure," and 2/15/2000: "Argued with a customer about the origin of error in the paperwork." The log also contains Satisfactory Incidents as follows: 1/20/2000: "Volunteered to help Charlie complete his assignment in time"; 2/19/2000: "Trained new employees in safety regulations."

The Multiperson Comparison Method asks raters to compare one person's performance with that of one or more others. It is intended to effectively eliminate the possibility of giving the same rating to all employees. In order to separate performance scores among multiple employees, the Forced Choice or Forced Distribution Methods are adopted. Raters must choose one high performer from the list of employees or distribute certain scores to employees at different ranks. For example, only one top person will get 40 percent, two second-rank persons 20 percent, and the bottom one person 10 percent. The Paired Comparison Method is a special case of the Multiperson Comparison Method. Everyone in the evaluation pool is compared against everyone else as a pair and recorded "plus" or "minus" when the target ratee is better or worse, respectively, than his/her comparison. The final performance ranks are determined by the number of positives.

2.4.4 Subjectivity and Objectivity

Accuracy is critical to performance appraisal. In order to obtain accurate performance information, raters must provide objective and unbiased ratings of employees. But, because it is almost impossible to develop a perfectly accurate performance checklist, managers' subjective opinions are frequently called for. Many companies use some combination of subjective and objective assessment for actual performance appraisal. Yet there are numerous problems in the actual assessment of employee performance, mainly

due to rater bias. Some raters tend to rate all employees at the positive end rather than to spread them throughout the performance scale; this is called "leniency." Alternatively, "central tendency", which places most employees in the middle of the scale, also raises concern about possible appraisal error.

Another common error in performance appraisal is the halo effect. This occurs when a manager's general impression of an employee, after observing one aspect of performance, influences his/her judgment on other aspects of the employee's performance. Researchers have found that personal preferences, prejudices, appearances, first impressions, race, and gender can influence many performance appraisals. Sometimes raters' personal opinions or political motives creep into the performance appraisal process. They intentionally inflate or deflate performance ratings of certain employees as a way to punish them or promote them out of the department.

Using unreliable and unvalidated performance appraisals may cause a legal problem. A number of court cases have ruled that the performance appraisal systems used by many companies were discriminatory and in violation of Title VII of the Civil Rights Act. In order to avoid legal problems, companies must develop an appraisal system based on careful job analysis and establish its reliability and validity. They must give clear written instructions to raters for completing evaluations and provide them adequate training if necessary. The company must allow employees to review the results of the appraisals. Human resources departments must play a key role in the development and implementation of an effective performance appraisal system.

2.5 Concepts of Performance Measurement

Tangent (2004) pointed out that, measurement of performance and productivity had garnered significant interest recently among both academics and practitioners with much progress made on establishing performance management system (PMS). This includes a portfolio of measures aimed at balancing more traditional single focus view on profitability. Greller (1998) noted that business performance measurement has a long time been on the management agents but argues that, what is not immediately obvious is why business performance measures are an integral part of planning and control cycle

and managers must have been planning and controlling the deployment of resources since the first organization was established.

Bernardin (1996) defined performance measurement as the process of quantifying action, where measurement is the process of quantifying and action correlates with performance. They further propose that performance should be defined as the efficiency and effectiveness of action. On the basis of these definitions, Tangent (2004) proposes three definitions of performance management; the process of quantifying the efficiency and effectiveness of action: a metric used to quantify the efficiency and /or effectiveness of an action, and the set of metrics used to quantify the efficiency and effectiveness of an action.

Conclusively, Performance measurement can be defined as the process of determining expectations for performance measuring, evaluating and recording performance relative to those expectations and providing feedback. Some of the concepts of performance measurement include quality improvement, process improvement, efficiency and for compensation purposes. All these contribute in the successful measurement of performance. Performance management systems are important in all organizations and their study can give an indication of the extent of their use.

2.5.1 Evaluation of Performance Systems

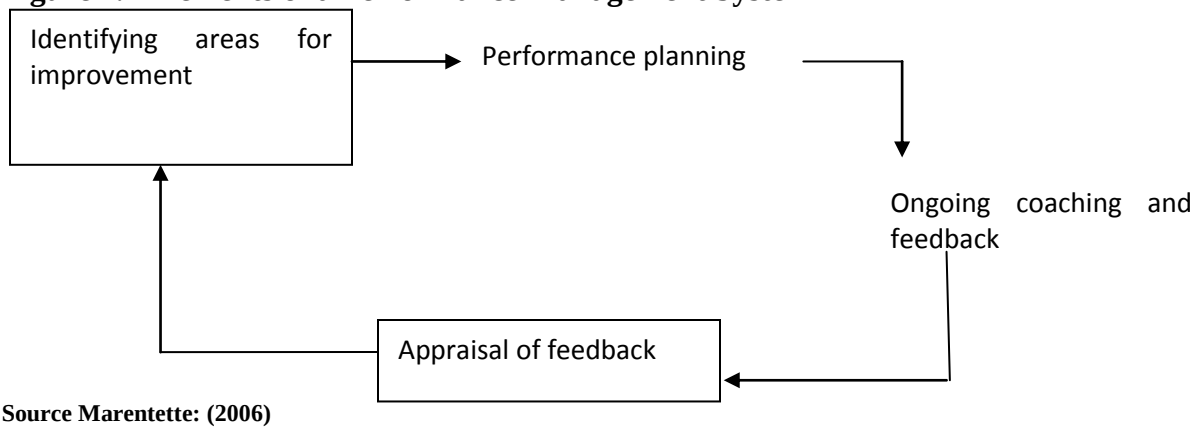
The industrial and agrarian revolutions were the key milestones that shaped the pattern of performance measurement. This is because, firms discovered better and cheaper ways of accomplishing stated tasks. Firms were evaluated in the quantities of output as well as the profitability in a trading period. DeNisi et al (1997) states that measures that were used to evaluate firms at that time included profitability, rate of capital employed and return on investment. It can be seen that these measures were purely financial and dealt with quantity only. This created a problem in terms of others factors. For example, the figures were stated in absolute terms but no attempts were made to consider other factors such as quality. If for example two firms produced the same output during a given period, it was assumed that the two firms were operating at par. This may not have been the case since

the quality levels of the same output may differ. Such thoughts led researchers to want to study other factors beside the financials that played a role in performance measurement. This trend has been observed particularly in the last fifteen years. Firms have gone a step further and are now using other principles such as quality, time, cost and flexibility in terms of the systems of measuring performance. The financials are still used to date but in conjunction with modern approaches of performance measurement.

2.5.2 Performance Management System

Performance management systems typically have the four elements of performance planning, ongoing coaching and feedback and appraisal of accomplishments and identifying areas of improvement (Marentettle, 2006). These elements are interconnected and constitute a cycle. They start with planning to set employee and employee expectancy whose performance in guided through the strategic plan period by continuous coaching and feedback. At the end of it employee performance is evaluated, which evaluation is shared among employees for improved performance. This is best illustrated by Figure 2.1

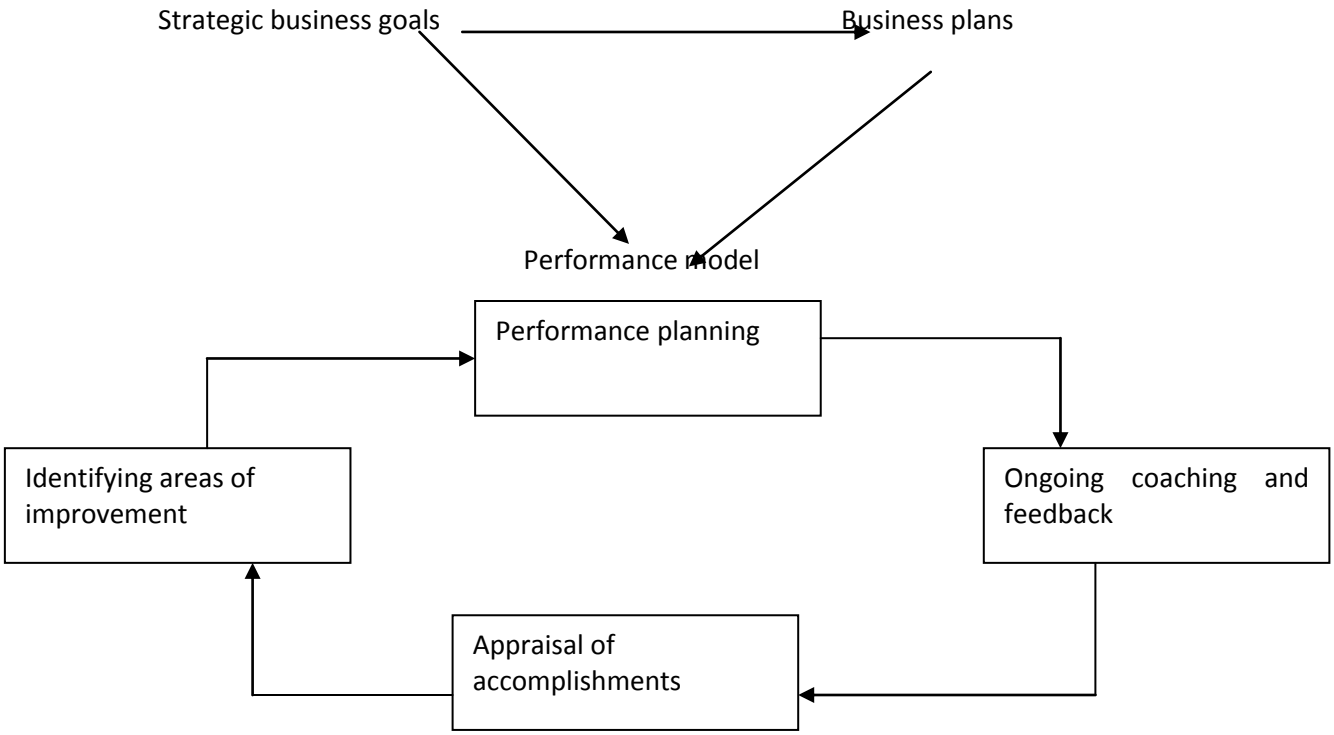
Figure 2.1 Elements of a Performance Management System



Source Marentette: (2006)

An improved performance system requires a build up of strategic approach which enables a link between employee performance and the firm's operating results. This is possible only if the performance needs are translated into a performance model as shown in Fig 2.2

Figure 2.2: Improved Performance Management System



Adopted from: Society for HRM survey Report, 2000: 27

Linking firm goals with staff development attracts top management support in strategy implementation.

2.5.3 Approaches of Performance Appraisal System

Performance appraisal is a multistage process involving several activities, which can be administered using a variety of approaches. Some of these approaches are considered below, based on Einstein and LeMere-Labonte, 1989; and Monga, 1983:

The Intuitive approach entails a situation a supervisor or manager judges the employee based on their perception of the employee's behaviour. There is also the Self-appraisal approach: Employees evaluate their own performance using a common format.

The Group approach requires that employee is evaluated by a group of persons. On the other hand the trait approach is the conventional approach. The manager or supervisor evaluates the employee on the basis of observable dimensions of personality, such as integrity, honesty, dependability, punctuality, etc.

There is also appraisal based on achieved results. In this type of approach, appraisal is based on concrete, measurable, work achievements judged against fixed targets or goals set mutually by the subject and the assessor. At the same time there is the behavourial method. This method focuses on observed behaviour and observable critical incidents.

In addition to the above approaches there are several techniques of performance appraisal, each with some strong points as well as limitations. Oberg (1972) has summarized some of the commonly used performance appraisal techniques. Firstly the assessor writes a brief essay providing an assessment of the strengths, weaknesses and potential of the subject. In order to do so objectively, it is necessary that the assessor knows the subject well and should have interacted with them. Since the length and contents of the essay vary between assessors, essay ratings are difficult to compare. Secondly there is the Graphic rating scale. A graphic scale 'assesses a person on the quality of his or her work (average; above average; outstanding; or unsatisfactory).' Assessment could also be trait centred and cover observable traits, such as reliability,

adaptability, communication skills, etc. Although graphic scales seem simplistic in construction, they have application in a wide variety of job responsibilities and are more consistent and reliable in comparison with essay appraisal. The utility of this technique can be enhanced by using it in conjunction with the essay appraisal technique.

At the same time the field review method could also be used since individual assessors differ in their standards, they inadvertently introduce bias in their ratings. To overcome this assessor-related bias, essay and graphic rating techniques can be combined in a systematic review process. In the field review method, 'a member of the HRM staff meets a small group of assessors from the supervisory units to discuss each rating, systematically identifying areas of inter-assessor disagreement.' It can then be a mechanism to help each assessor to perceive the standards uniformly and thus match the other assessors. Although field review assessment is considered valid and reliable, it is very time consuming.

The Forced-choice rating method is another technique that could be utilised. Unlike the field review method, the forced-choice rating method does not involve discussion with supervisors. Although this technique has several variations, the most common method is to force the assessor to choose the best and worst fit statements from a group of statements. These statements are weighted or scored in advance to assess the employee. The scores or weights assigned to the individual statements are not revealed to the assessor so that she or he cannot favour any individual. In this way, the assessor bias is largely eliminated and comparable standards of performance evolved for an objective. However, this technique is of little value wherever performance appraisal interviews are conducted.

Another technique is the critical incident appraisal method. In this method, a supervisor describes critical incidents, giving details of both positive and negative behaviour of the employee. These are then discussed with the employee. The discussion focuses on actual behaviour rather than on traits. While this technique is well suited for performance review interviews, it has the drawback that the supervisor has to note down the critical incidents as and when they occur. That may be impractical, and may delay feedback to

employees. It makes little sense to wait six months or a year to discuss a misdeed, a mistake or good display of initiative.

At the same time management by objectives could be utilised. The employees are asked to set or help set their own performance goals. This avoids the feeling among employees that they are being judged by unfairly high standards. This method is currently widely used, but not always in its true spirit. Even though the employees are consulted, in many cases management ends up by imposing its standards and objectives. In some cases employees may not like 'self-direction or authority.' To avoid such problems, the work standard approach is used.

Other methods include; the work standard approach**.** In this technique, management establishes the goals openly and sets targets against realistic output standards. These standards are incorporated into the organizational performance appraisal system. Thus each employee has a clear understanding of their duties and knows well what is expected of them. Performance appraisal and interview comments are related to these duties. This makes the appraisal process objective and more accurate. However, it is difficult to compare individual ratings because standards for work may differ from job to job and from employee to employee. This limitation can be overcome by some form of ranking using pooled judgment.

There is also the ranking method**.** Some of the important forms of ranking for performance appraisal are given below, based on Oberg, 1972; and Monga, 1983: Firstly is the alteration ranking method. The individual with the best performance is chosen as the ideal employee. Other employees are then ranked against this employee in descending order of comparative performance on a scale of best to worst performance. The alteration ranking method usually involves rating by more than one assessor. The ranks assigned by each assessor are then averaged and a relative ranking of each member in the group is determined. While this is a simple method, it is impractical for large groups. In addition, there may be wide variations in ability between ranks for different positions.

There is the use of Paired comparison. The paired comparison method systematizes ranking and enables better comparison among individuals to be rated. Every individual in the group is compared with all others in the group. The evaluations received by each person in the group are counted and turned into percentage scores. The scores provide a fair idea as to how each individual in the group is judged by the assessor.

Person-to-person rating could also be used. In the person-to-person rating scales, the names of the actual individuals known to all the assessors are used as a series of standards. These standards may be defined as lowest, low, middle, high and highest performers. Individual employees in the group are then compared with the individuals used as the standards, and rated for a standard where they match the best. The advantage of this rating scale is that the standards are concrete and are in terms of real individuals. The disadvantage is that the standards set by different assessors may not be consistent. Each assessor constructs their own person-to-person scale which makes comparison of different ratings difficult.

The checklist method is another scale for use. The assessor is furnished with a checklist of pre-scaled descriptions of behaviour, which are then used to evaluate the personnel being rated (Monga, 1983). The scale values of the behaviour items are unknown to the assessor, who has to check as many items as she or he believes describe the worker being assessed. A final rating is obtained by averaging the scale values of the items that have been marked.

Behaviourally anchored rating scales (BARS) have also been widely used: This is a relatively new technique. It consists of sets of behaviourial statements describing good or bad performance with respect to important qualities. These qualities may refer to inter-personal relationships, planning and organizing abilities, adaptability and reliability. These statements are developed from critical incidents collected both from the assessor and the subject.

Finally, there is also the use of assessment centres. This technique is used to predict future performance of employees were they to be promoted. The individual whose

potential is to be assessed has to work on individual as well as group assignments similar to those they would be required to handle were they promoted. The judgment of observers is pooled and paired comparison or alteration ranking is sometimes used to arrive at a final assessment. The final assessment helps in making an order-of-merit ranking for each employee. It also involves subjective judgment by observers.

A performance appraisal system could be designed based on intuition, self-analysis, personality traits, behaviourial methods and result-based techniques. Different approaches and techniques could be blended, depending on the goals of performance appraisal in the organization and the type of review. For example, management by objectives, goal-setting and work standard methods are effective for objective coaching, counselling and motivational purposes. Critical incident appraisal is best suited when supervisor's personal assessment and criticism are essential. A carefully developed and validated forced-choice rating can provide valuable analysis of the individual when considering possible promotion to supervisory positions. Combined graphic and essay form is simple, effective in identifying training and development needs, and facilitates other management decisions.

2.6 Components of the Appraisal Format

Key performance areas, self-appraisal, performance analysis, performance ratings and counselling are the important components of a performance appraisal system oriented to development of human resources in an organization. The appraisal format should be designed in consonance with the objectives of the performance appraisal system, and generate information on a number of important aspects, (Rao, 1985). First is Identification of key performance areas. The first step in an appraisal process is identifying key performance areas and setting targets for the next appraisal period. This may be done either through periodic discussions or at the beginning of the year, as in research institutions.

Secondly there is the self-appraisal by the subject. At the end of the appraisal period, employees appraise their own performance against the key performance areas, targets and

pre-identified behaviour. Information on these issues is provided in an appraisal format. The employees also write their self-evaluation reports and hand them to their supervisors.

Thirdly, is the analysis of performance. The supervisor reflects on the performance of the employee, and identifies the factors which facilitated or hindered the employee's performance. The manager then calls the employee for a discussion to better understand his or her performance and provide counselling on further improvements. During this discussion, appraisal records (such as notes, observations, comments, etc.) are exchanged. The manager then gives a final rating and recommendations regarding the developmental needs of the individual. These are shown to the subject and his or her comments are recorded on the appraisal form. The appraisal form is then transmitted to the personnel department for the necessary administrative action. The personnel or human resource development department uses these forms for identifying and allocating training, rewards and other activities.

The fourth component is identification of training needs. The use of a development-oriented performance appraisal system is based on a good understanding of the concept of human resources development. The need for developing employee capabilities, the nature of capabilities to be developed, and the conditions under which these capabilities can be developed have to be appreciated. During the discussion between the supervisor and the employee, the development needs of the subject are identified and goals set for the next period. Also there is Identification of qualities. The supervisor may also identify the qualities required for current as well as future tasks, and assess the employee's potential and capabilities to perform jobs at higher responsibility levels in the organization.

2.7 Challenges of Performance Management Appraisal Systems

Organizations frequently identify one or more of seven elements as the most "challenging" when implementing performance management systems. These are not insurmountable obstacles, but elements that require the greatest attention and work. If not addressed, they can cause the performance management system to fail. These challenges include: Measuring/evaluating dimensions, Keeping leaders focused, Linking job

descriptions to performance management, and Implementing performance management for staff. At the same time the challenges incorporate linking compensation to performance management, Matrix management and keeping the system alive (Kungu, 2007).The best way to keep these challenges from undermining a performance management implementation is to meet them head-on. Collected here from extensive DDI consulting experience are actions an organization can take to turn the challenges into opportunities for success.

2.7.1 Measuring/Evaluating Dimensions

Measuring/evaluating performance in dimensions (or competencies) is usually the most difficult part of performance management, and for good reason. Dimensions represent a new level of discussion for most firms. Since firms are generally less comfortable discussing and giving feedback on behaviors, and because they are more subjective and less quantifiable than objectives, they tend to avoid this area. To evaluate performance in dimensions requires collecting performance data.

The accuracy of the evaluation is dependent on the quality of the data gathered. Performance data is obtained through observations of behaviors or, less ideally, by inferring behaviors through knowledge of results. An example of the latter might be assessing performance in planning and organizing based on the content of a project plan (Mintzberg & Quinn, 1996). In performance management training, the best type of data is a complete behavioral example, or STAR (acronym for Situation/Task, Action, and Result). The complete behavioral example is at the heart of evaluating performance in dimensions, and it is important that people understand the behavioral example concept and consistently gather data in this format. In terms of how much data is needed to accurately assess performance in dimensions, three to four.

2.7.2 Development Dimensions

Performance Management Challenges behavioral examples per dimension are generally adequate. Some behavioral examples are more relevant to the individual's performance plan, and it is the relevance rather than the frequency of observation that determines the

accuracy of evaluations. What's needed is an adequate, representative sample, both positive and negative, of the person's key actions/behaviors relevant to each dimension.

The actual evaluation of the data, once gathered, will be subjective. One would not want, for example, to objectively assess performance on how many behavioral examples are obtained; i.e., three behavioral examples equals "met expectations," six equals "exceeded," etc. As explained above, behavioral examples are not all equal; counting the number of examples to determine the dimension rating simply does not produce an accurate evaluation. The leader and the person being evaluated should determine to what degree their data contain examples of actions/behaviors that met, exceeded, or failed to meet expectations. This isn't as difficult, or unreliable, as it may seem in the beginning. The leader and individual being evaluated will make a subjective judgment—from factual data—as to overall performance in the dimension. If they have access to the CBK software, they can rate each key action/behavior and the program will automatically calculate a recommended rating for the dimension (www.centralbank.go.ke). Another important element in successfully measuring dimensions is describing appropriate key actions/behaviors in the performance plan. These not only set expectations, they are critical in helping classify behavioral examples into dimensions and then evaluating performance.

Some suggestions for actions that aid in the evaluation/measurement of dimensions include: First provide additional skill building. Here, firms should sponsor roundtable discussions where peers can share what works and what doesn't with one another, deliver specific training focused on sub-topics such as dimensions, development planning, self tracking, or feedback and deliver training on behavior observation, based on assessor training techniques. Secondly, Implement Behaviorally Anchored Rating Scales (BARS). Firms should provide specific behavioral examples for points on the rating scale to guide evaluators using Competencies to Build a Successful Organization (Byham and Moyer, 1996).

2.7.3 Keeping Leaders Focused

Keeping leaders appropriately focused on performance management can prove difficult. Three important tactics that can make a difference are to: keep the topic of performance management constantly "in front" of leaders, keep them involved with the system and its implementation, and make them successful practitioners/models in its use. Some suggestions to help the implementation/steering team will promote executive focus:

2.8 Other Performance Management Challenges of Performance System

2.8.1 Getting on Agendas at Staff Meetings (Especially Senior Management)

Effective performance management system may face problems with getting the right agenda for the meetings. This requires a briefing of executives on the most common and critical issues surfacing in workshops: Share how strategic focus is being addressed in individual plans, facilitate problem-solving sessions to identify solutions for critical issues, communicate upcoming plans for training, new tools, preview bulletins, newsletters, other communications to be released and run mini-refresher sessions on performance management topics.

2.8.2 Lack of leadership-one-on-one coaching (especially to CEO and other senior management)

Systems suffer from lack of leadership. Hence firms need to assist leaders in developing performance plans, help prepare leaders for difficult performance management discussions, invite leaders to author performance management articles, have leaders, attribute organizational success to the performance management system or training. And the same time firms should reiterate the importance of performance management to the organization or their department and use the complete behavioral example format (i.e., STAR) to report actions taken by others.

Equally Poll leader opinions are necessary in dealing with challenge of performance management. Firms should periodically ask what leaders think is working or not working about performance management in their organization and report back the findings and

planned actions. At the same time the lack of leader refresher training is a challenge to performance systems. Firms should re-deliver specific training units, such as self tracking, feedback, coaching, or reviewing performance, deliver supplemental training on specific topics, such as on rater accuracy or reviewing performance, in a just-in-time manner a few weeks prior to the start of end-of-cycle performance reviews and have leaders host and/or co-facilitate some of the refresher training sessions. This involvement increases commitment and learning and maintains focus.

2.8.3 Inadequate Use of Performance Management System for Performance Management Accountability

Firms suffer from systems accountability. Hence it is required that all leaders have at least one objective related to their use of the performance management system, such as completing planning, mid-year and end-of-year review discussions with each employee.

2.8.4 Lack of Audit leaders' Performance Management System Use

A problem of lack of systems audit could be dealt with having senior executives randomly select a sampling of completed performance plan/review documents each year and scrutinize the quality of objectives, data gathered, and assessment of performance. Follow-up with the leaders where appropriate to provide coaching.

2.8.5 Linking Job Descriptions to Performance Management

Having direct links between job descriptions and individual performance plans and appraisals is critical in some industries and can have legal implications. For example, in the health care industry, health care providers are audited by the Joint Commission on Accreditation of Healthcare. Performance Management Challenges Organizations (JCAHO) and are required to demonstrate such links in their audits. The most common challenge is keeping job descriptions up to date. Performance plans in a good performance management system will maintain a current view of the expectations and accountabilities for an individual or team. To keep the performance plans and job descriptions in alignment, therefore, it is important to maintain currency in the

organization's job descriptions. Some suggestions for establishing the appropriate linkage: Refresh the job description thus eliminate any responsibilities or competencies no longer relevant to the position also update terminology in the job description to reflect that used in the performance plan (i.e., Key Result Areas [KRAs], objectives, dimensions), Develop behavioral-based job descriptions. Also require that job descriptions be reviewed at the beginning of each performance cycle.

Ensure that there is reference the job description to prepare performance plans. This is done through, use tasks listed in the job description to aid in identification of KRAs and objectives, use any competencies defined in the job description to aid in the identification of dimensions, make sure the KRAs cover all major responsibilities outlined in the job description and at the senior management level, ensure that the collective KRAs of the senior team support all the organization's critical success factors.

2.8.6 Implementing Performance Management for Staff

Implementing performance management for staff is much the same as implementing the system for managers for most organizations. An issue at the lower levels in some organizations is whether individuals will be held to performance "standards" required of everyone in the same position, or whether individuals have enough latitude in what they do to warrant a say in the content of an individualized performance plan. Where there is virtually no latitude for the employee, the time and energy devoted to the preparation of performance plans may be unnecessary energy. When that is the case, the structure of KRAs, objectives, and dimensions should still be utilized to ensure alignment with organizational strategy; the difference will be that most or the individual's entire performance plan will be mandated.

Some suggestions to make the implementation for staff successful include; Implement use of the new system from the top of the organization down and train everyone at the same level in the organization, or at the same level within a unit, before training those at the next lower level. This facilitates the leader's ability to share direction and provide coaching as those reporting to the leader come out of training. Also ensure organize homogeneous training for staff thus to the degree possible, populate training sessions

with individuals of similar position and/or function. This will make each training event most effective by promoting questions, discussions, and examples that are of interest to all the participants.

2.8.7 Lack of Alignment Compensation with Performance Management

To align compensation with performance system, the firm should reward what is being asked of the individual in the performance management system or, at least, is not in opposition. For example, if accountabilities in the performance plan are focused on quality, then the compensation system should not be rewarding primarily quantity also Just like the performance management system, align the compensation system with the organization's cultural and business strategies. At the same time separate pay and performance review discussions thus when having a performance review discussion, it is best to keep the discussion focused on the individual's performance. Any discussion about pay will draw the focus to pay and dilute the developmental benefits related to the performance discussion. Equally Link pay to performance use performance data as one element in determining a merit pay increase.

2.8.8 Communicate, Communicate

Performance systems suffer from a problem of lack of effective communication. Hence firms should create a performance management newsletter or have a regular performance management section in the organization newsletter to share success stories and provide tips and publish a senior leader's performance plan and/or performance review. This demonstrates that senior management uses the system just like everyone else and is an effective way to illustrate well-crafted performance objectives. Also Publish a letter from the CEO attributing organizational successes of the previous year to the performance management system, create a performance management hotline or voice mailbox to gather questions, concerns, and success stories and publish an employee "Bill of Rights" that lists an employee's rights in the performance management process (i.e., the right to be involved in establishing performance objectives, to receive coaching, etc.).

Equally firms should organize employee meetings with one-level-up leaders to discuss alignment of performance plans with critical success factors and prepare videos

periodically to deliver senior leaders' updates and encouragement on use of the performance management system.

2.8.9 Hold leaders accountable

Performance system suffers from accountability of leadership and management. Firms should require all leaders to have at least one objective related to their use of the performance management system and hold leaders accountable for monitoring the quality of subordinate leaders' performance plans and reviews with employees and the same time Evaluate performance management system. Conduct a survey of the performance management environment to pinpoint areas of strength and weakness. Take appropriate follow-up actions. Re-administer the survey over time to assess progress, evaluate the impact of the system implementation through focus group interviewing and spot check the quality of performance plans/reviews forwarded to Human Resources as well as have the instructors for leader training coach those leaders attending their respective workshops and inform the leaders that they will check their progress throughout the year. This will generate opportunities for instructors to check the quality of performance plans without the negative connotations of an overt audit.

2.9.0 Align systems

Lack of alignment of systems is also a challenge to performance management systems. Hence firm should align management systems with other organizational systems, such as: compensation, selection, career development, succession planning, and training and development. This ensures people are selected, assessed, rewarded, and promoted on the same factors.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design.

The research study was a descriptive case study of the Central Bank of Kenya. It was used to establish the challenges facing implementation of Performance Management Appraisal System (PMAS) by the Central Bank of Kenya.

The case study method provided much more detailed information on the subject under study. This study was descriptive in its very nature. This is because the variables measured described phenomena. A case study also has the advantage of being free from material bias in addition to affording the researcher an opportunity to undertake intensive investigation of the particular study unit or population-CBK. A case study focuses on one organization and involves an intensive study of the particular organisation under investigation. Case studies are of particular value when one is seeking help on investigating a problem in which interrelationships of a number of factors are involved, and in which it is difficult to understand the individual factors without considering their relationships with each other (Cooper and Schindler, 2003). This is the situation at Central Bank of Kenya.

A case study therefore, enables the researcher to collect in depth data on the population being investigated. This research was done using the case study design. A case study will offer detailed information about the Central Bank of Kenya. A case study will also allow the use of qualitative analysis which will involve a careful and complete observation of the CBK. Kothari, (2004,pg 113) says that a case study method is a form of qualitative analysis where a careful and complete observation of an individual situation or institution is done; efforts are made to study each and every aspect of the concerning unit in minute details and then from the case, data generalisations and inferences are drawn.

3.2 Data Collection

An in depth interview guide was used to obtain data. The guide contained open ended questions and closed ended questions. The researcher personally conducted the interview. An interview guide was more appropriate in this study for purposes of getting detailed information on area under investigation. Cooper (2003) argues that open ended questions used in intensive interviews help measure sensitivity or disapproval behaviour, discovers salience, or encourages natural modes of expression. Also Mugenda and Mugenda (1999) note that interview obtain in-depth data through the use of probing questions and allow collection of data relevant to the research objectives through clarifications of intended choices.

The researcher interviewed, Human Resource Department Director and the champions of PMAS in each respective Department in the Bank. This is because the Head of HR Departments is key in the implementation of PMAS in the Bank. Similarly, it is the HR Department that handles the affairs of staff within the Bank and therefore it is instrumental in being in the forefront in as far as implementation of PMAS is concerned.

The researcher also interviewed ten Departmental champions. The Performance Management Appraisal System champions are the ones with the necessary training and skills on PMAS particularly at the implementation level. The champions are also key in that they are the ones that formulated the PMAS instrument and therefore were appropriate in guiding the staff through all the necessary processes in order to implement fully PMAS in the Bank. They were therefore quite resourceful in their responses to the issues under investigations. The champions also were responsible for reviewing the necessary materials and conducting the training of senior management staff who then to impact the knowledge to the rest of staff members.

3.3 Data Analysis and Presentation

Data analysis and presentation was undertaken by use of content analysis. This is because the data collected was qualitative in nature. The responses were detailed in nature giving the challenges facing the implementation of PMAS and the strategies to cope with the same challenges. Cooper (2003) argues that the content analysis measures the semantic content or the ‘’what’’ aspect of the message. Its breadth makes it flexible and wide ranging tool that may be used as a methodology or as a problem specific technique. He opines that the content analysis guards against selective perception of the contents, provides rigorous application of reliability and validity criteria.

Content analysis, much of the time, is used to arrive at inferences through a systematic and objective identification of specific messages and relating them to trends. Researchers; Armule (2003), and Karambu (2004) have successfully used content analysis in their research. Mugenda and Mugenda (1999) observe that content analysis allows for systematic qualitative description of the composition of the materials under study. Its main purpose is to analyse given information for the purpose of determining the factors that explain a given phenomenon. Content analysis has been successfully used to conduct similar qualitative studies in the past for example in studies by Thiga (1999), Njau (2000) and Koskei (2003).

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the analysis and the findings of the study as set out in the research methodology. The method of data collection was done through the use of in-depth interviews. The interview guide contained both open ended and closed ended questions which were developed in line with the objectives of the study. The first objective was to determine the challenges faced by the CBK in the implementation of PMAS. The second objective of the study was to establish the strategies adopted by CBK to cope with the challenges of implementing PMAS. This chapter therefore captures not only the two objectives but also personal information of the respondents. The interviews were conducted by the researcher himself.

A total of eighteen interviewers including managers and PMAS champions were interviewed. This is a response rate representing 100% that is used as the basis for conclusions. Content analysis was utilized in data analysis and presentation. The findings and discussions of the study are presented below.

The vision and mission of the firm are quite central in the nature of business strategy adopted by any firm. Lack of clear understanding of the mission or core business of the firm and its vision thus where the firm wants to be, will impede any firm strategy findings identified vision as to be world class modern bank.

The findings indicate that CBK's vision has several impacts on the implementation of PMAS. First, vision keeps the staff focused on the goal/vision of the Bank. The study indicated that 50% of the respondents failed to clearly state the vision of the CBK. CBK also aspires to offer efficient service delivery. The set target of being a world class modern Central Bank is achievable but will require a lot of effort. The findings further indicated that about 40% of the employees do not put the maximum effort in PMAS. The Central Bank vision enhances the PMAS implementation since it is a performance measure in tandem with enhancement of output/productivity of staff in the Bank.

To ensure exceptional service is delivered, the vision was also found to set the tone and inclination of PMAS. It gave a guide on where the Central Bank wishes to be and therefore the focus for all efforts should be towards attaining it. PMAS is not only expected to enhance staff performance but it is also expected to re-align performance to Bank strategy. Consequently PMAS is one of the tools for achieving the Bank's vision.

4.2 General information on the Respondents

A total of eighteen managers were interviewed in which thirteen were males and six were females. Those interviewed have both undergraduate and postgraduate qualifications. Those with undergraduate qualifications were six while the rest of those interviewed had post graduate qualifications up to a masters` degree level. None of the respondents had a doctorate degree.

The findings also indicate that those interviewed are highly experienced. Results show that only five respondents had between zero to five years experience, two employees had an experience of between six and ten years and eleven to fifteen years respectively. The majority of the respondents (nine of them) have over 16 years work experience at CBK.

4.3 Challenges faced by CBK in PMAS Implementation

All the managers who participated in the interview are aware of the introduction and implementation of PMAS at the CBK. The interviewees concur that the main forces that necessitated the adoption of PMAS at CBK include globalization, the changing information technologies and recommendations from the Government especially from Treasury. The findings also indicate that the key objectives of PMAS implementation included; increased efficiency, standardization, value adding activities, synergistic operations and lower operating costs in addition to being compliant with Structural Adjustment Policies (SAPs). The internal factors which necessitated PMAS implementation included; the need to increase efficiency through minimization of errors, increase customer response, accountability and transparency and adopt new IT in line with the increased demands of the CBK.

From the study, challenges were found to face CBK in its implementation of PMAS. Foremost is resistance to change. This is accompanied by other challenges such as lack of adequate training on PMAS, systemic resistance, non IT compliance, lack of thorough grasp and understanding of PMAS as it relates to the vision and mission of CBK, and inadequate financial resources. The other challenges facing PMAS implementation were found out to be lack of adequate personnel, non involvement of employees in the formulation of PMAS and lack of adequate personnel in the PMAS implementation process.

4.3.1 Failure to relate Mission and Vision to PMAS

The CBK's mission to the PMAS objectives; This consequently posed great challenge in PMAS implementation. CBK mission affects the implementation of PMAS as it keeps the staff focused on the goal/vision of the Bank and the organization working in coordination for the same mission, clarifies and enhances jobs/duties which require priorities in order to actively promote Central Bank existence and; ensures that PMAS realizes the important functions expected by CBK under the mission. At the same time findings indicate that CBK mission guides the immediate focus of the Bank in attaining its long term vision. In relation to PMAS, it guides the derivement of individual targets to be achieved over a determined period of time. At the same time the mission empowers staff to sharpen their skills with a view to deploying the best tools and practices to achieve and maintain stable general prices. In the implementation of PMAS, the performance work plan for staff mirror Departmental vision and missions and ultimately gears towards the realization of the Central Bank of Kenya's mission and vision. This will definitely affect how implementation of PMAS shall be done.

Also, the set mission is cascaded down to Departmental levels, Divisions, Sections and to individual staff job descriptions. If this is not properly done the PMAS shall be a mirage. The mission assigns the roles, tasks and responsibilities to various functions of the Bank and therefore individual objective settings under PMAS. Findings indicate that the mission of CBK could not adequately assign duties to staff on PMAS because PMAS is new to CBK. CBK being a creation of an Act of Parliament; its mission is heavily

borrowed from the same Act. Findings indicate that PMAS is current management appraisal system that can change with new regimes. Hence the two don't have direct relationship. The study found out that the vision offers PMAS opportunity to benchmark with the best and transform itself to adopt modern practices. The level of understanding of the vision could therefore affect the implementation of PMAS. However while clear guide/strategy was put in place at the beginning of the financial year to be achieved as stipulated by PMAS, findings indicate that most staff did not understand leave alone having read the strategy. The goals set in advance as in any strategy were not equally understood by 50% of the respondents. However, CBK vision provides direction towards the strategy implementation and individual assigning of responsibilities geared towards achieving the overall objectives.

Findings also indicated that PMAS is aligned to CBK vision and it's meant to make the Bank realize its vision, the vision of the Bank will push staff to achieve it through performance management and hence benchmark with other Central Banks. The mission of the firm plays a great role in the firms business thus proper understanding of the mission will enhance strategy implementation. CBK's mission is to maintaining stability in the general level of prices, foster the liquidity, solvency and proper functioning of a stable market-based financial system. CBK also strives to formulate and implement foreign exchange policy, hold and manage its foreign exchange reserves and formulate and implement such policies as best promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems. At the same time CBK to act as banker and adviser to and as fiscal agent to the Government to issue currency notes and coins as well as attempts to enhance price stability, foster stable market based financial system and promote efficient reliable payment systems. The nature of the mission of CBK was found to have a greater bearing on the implementation of PMAS. The study findings indicate that even when 50% of the employees understood the mission of the firm, 10% of these employees failed to relate.

4.3.2 Duration Taken for Implementation Affects Success of Implementation

The findings indicate that PMAS implementation is also affected by the amount of time to implement it. PMAS is 4 years old and is still at pilot stage. It started 3 years ago and up to date that process is still being piloted. In fact some of the employees who joined the Bank 3 years ago have been hearing about the PMAS mystery and they are wondering how long it will take to fully implement. The findings indicate that taking too long to pilot the project (need more than 4 years), leave alone its implementation affects the realization of the PMAS. First, the initial drive/motivation is lost and its objectives distorted. Staff may not be as enthusiastic as they would have been with a faster implementation leading to fatigue among staff. Staff have become cynical on its success and have started to lose trust/confidence on the system.

Being a new change, PMAS will take between 3 to 5 cycles to perfect the system; hence it becomes very expensive because of the resources directed to it. However, staffs are apprehensive that if PMAS implementation takes unnecessarily too long it may lose the intended objective and may be overtaken by other developments when the implementation drags on and on, there is tendency to have a lethargic implementation or adoption of the process. Equally there has been adequate time for effective implementation of the knity gritty stages of this strategy, hence tendency to do things in a hurry and in a haphazard manner. This has affected PMAS implementation due to lose of focus and sight of what it initially set out to achieve.

4.3.3 Resistance to Change

The findings indicate that PMAS is experiencing lots of resistance in its implementation. Some top management at the very early stages of implementation were apprehensive about the PMAS change. PMAS meet resistance due to the negative attitudes from some of the management staff. Also employee resistance was found to be due to the anxiety, uncertainty and indifference surrounding PMAS implementation. Majority of staff were not too sure what exactly PMAS meant for their future.

At the same time the old and new status quo were at parallel with each other. While minority managers were positive about the change, the majority still wanted to maintain

the status quo thereby restricting the change. However, the findings indicate that middle and lower managers were optimistic arguing that the new system would empower them. A few of this category suffered from fear of change as a basis for resistance to change.

The evaluation of the staff feelings and views about the change could be best illustrated in Figure 4.1

Fig. 4.1: Evaluation of Employee's Feelings/Views about Change

Employee Category	**Feelings/Views about the Change on PMAS**
Directors	- Uncertainty - Jittery - Fear of the unknown - Hidden agenda
Managers	- Anxious but supportive - Feeling of loss as they did not participate in formulation but they are in implementation. - Luke warm reception - Uncertainty - Lack of alternative choice
PMAS champions	- Anxious but supportive - Some feel empowered - Enthusiastic - Determined to show the way - Feelings of being in charge as they participated in the formulation.
Other employees	- Feeling of indifference - Majority feel threatened - Minority were enthusiastic/optimistic

Source: Study interviews

4.3.4 Other Challenges

The implementation of PMAS faced other challenges besides the above. These are best illustrated in Figure 4.2:

Figure 4.2: Other Challenges facing PMAS Implementation

Challenge
1. Lack of training
2. Systemic resistance
3. Planning not exhaustive
4. Lack of qualified and experienced trainers
5. Rush in implementation
6. Time constraints
7. Environmental turbulence.
8. Inappropriate organization structure.

Source: Study interviews

From Figure 4.2, some of the implementation of PMAS forced scenarios where employees had not been adequately trained to handle the content and input of PMAS. At the same time CBK had not structured the reporting system fully to accommodate PMAS. This therefore created confusion in the implementation due to problems to do with reporting, systems and lack of effective communication.

Systemic resistance also affected implementation of PMAS due to the fact that total computerization, physical infrastructural support and other CBK systems had not been put in place to actualize PMAS. Equally, the so called PMAS champions despite the training they were given did not have adequate experience in the PMAS management. This lack of trainers adversely affected PMAS implementation. In addition the implementation of PMAS was rushed and it skipped vital details in some of its variants. There was no efficient utilization of time by management on PMAS implementation. Challenges of implementation of staff appraisals were also seen .The challenges of implementing an appraisal system are specific to the method applied, size and complexity

of organizational operations, quality of the appraisers and attitude of appraisee among others. The following are some of the common pitfalls faced by performing raters, owners of the system in PMAS implementation.

First is the halo effect thus rating employee excellent in many categories when they excel only in one or a few of their assignments. Secondly, central tendency error putting every employee's performance in middle of the rating scales. Also, there is first impression challenge thus letting initial evaluations of employees overshadow actual performance during rating period. The similar to me effect resulted to rating employees appraisee because they mirror the rater's self image. There was also leniency/stringency thus awarding the appraisee very low or high ratings instead of finding any category in which the employee is average. Finally was contrast effect where there was evaluating an individual in relation to other employees` performance instead of job requirements. To deal with the above mistakes and maximize benefits of the appraisal system, performance raters should be well trained in administering successful appraisals.

4.4 CBK Strategies to deal with the Challenges

4.4.1 Non alignment of Mission and Vision for PMAS Objectives

Even when the part of the mission and vision of CBK is in line with some of PMAS objectives some of the employees lacked understanding of the company's mission and vision. To foster this, CBK first of all involved consultants PWC Ltd to merge the PMAS objectives with the CBK mission and vision. Once this was done, then employees' training and development took centre stage. Employees were trained in house and outside the CBK on PMAS. Ideally, the training of trainers was put in place to train employees. These were the PMAS champions. They are the ones charged with the change process to actualize PMAS.

Equally CBK communicated its mission and vision in all its correspondences, on notice boards, and internal websites. The PMAS objectives are also displayed along the corridors and conspicuous places of CBK buildings. This is to help sensitize PMAS content. There is also a booklet given to each employee on the PMAS strategy.

4.4.2 Time Constraint and Project Dragging

CBK moved ahead to solve the problem of haphazard implementation of some segments of PMAS by making new appointments to team up with existing staff to ensure that PMAS implementation is not only done with speed but by adequate staff. At the same time CBK revised its staff job descriptions to include the concept of accountability. Individual staffs in charge of PMAS were to be continuously held responsible as the implementation of PMAS progressed. This was enhanced together with reduction in implementation time.

Staff compensation including salary increments were also revised upwards together with other rewards pegged on effective and faster implementation of PMAS. Hence, CBK incorporated PMAS targets and measurement in employee duties and responsibilities with time lines within which certain tasks could be accomplished. At the same time employees have been made to sign performance contracting in relating to delivery of PMAS suddenly in some instances some threat and intimidation have been used on non compliant employees. Transfers, disciplinary action and even demotions have been applied to reduce resistance to change. However, this has been done at very limited level. Sensitization on change of staff attitude and CBK culture should have been vigorously done both in the media and or CBK. Also effective communication within CBK has been clearly done on PMAS hence more employees effectively understand the PMAS requirements.

4.4.3 Dealing with Resistance to Change

To deal with resistance to change, CBK management put in place several measures. First, CBK had to computerize, restructure and empower the systems in line with the PMAS requirements. Employee training, sensitization and development have also been continuous so as to make them understand how PMAS work and reduce resistance to change. CBK uses seminars, team building and in house training among others to reduce resistance to change. Employee involvement in all aspects of the PMAS has been done by CBK. This has made employees feel part and parcel of PMAS thereby reducing resistance to change.

CBK has also put in place perfect measurement on operations that may not be easily quantified. CBK applies lessons, suggestions and improvements in the next PMAS cycle as well as selling the system to the staff until they feel that they own it. Similarly there is continuous management commitment, support and ownership of PMAS. CBK management works towards formulating support policies for PMAS e.g. reward policy and also operationalize the PMAS section. These are critical success factors for PMAS.

By introducing job descriptions in the structure which are quantifiable / measurable and the introduction of performance measures, resistance to change has reduced. The management is aware and has embarked on aligning the structure to difficult situations where a job holder reports to more than one supervisor. These situations have been presented to management for resolution and are already aligned. The previous system had been marred by subjectivity in awarding staff performance – the attitude therefore is a wait and see, but has changed, and cannot be implemented effectively before preparing people for the change and CBK has embarked on changing culture and attitude, to align them with PMAS.

CBK has introduced change management agents, managers and training sessions on PMAS to reduce resistance to change. Although there have been no culture challenges, the Bank has engaged in appropriate communication and sensitization program to a positive culture, by encouraging staff to take up the new system which allows them to agree before and on what is expected of them over a period at the end of which the performance is measured and encouraging all to participate in duties and sharing with staff a lot on the benefits of the process is also a way of reducing resistance to change by CBK.

CBK HR provides training related to its implementation. CBK has introduced PMAS champions for every Department and managers for change to enlighten and educate staff on PMAS and change management in fact, HR has spearheaded the process; it has provided human resources to support the process. They have empowered the PMAS

champions and sent staff for training and ensure 100% support. HRM has supported the implementation by providing resources, assuming leadership of project, and championing this through dedicated team for this and are organizing courses for the system. CBK has a well developed physical infrastructure which can facilitate smoother implementation of PMAS. Its IT infrastructure supports PMAS in terms of tracking targets and record of evidence of work done. CBK has a good conducive environment which is necessary to motivate staff. Hygiene, noise, and smoke pollution may affect staff health for example time spent on medical care but that has been taken care of by CBK. Most tasks in CBK are driven by IT. If there is failure in IT, then performance of staff will be affected. CBK has perfected its IT. Efficient infrastructure will enable PMAS implementation effectively for example telephones, Reuters, environment and many others. Efficiency in service delivery is a key component towards the performance which bears on the implementation of PMAS.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary and Conclusions

The main objective of this study was to determine the challenges faced by CBK in the implementation of PMAS. This study also had the objective of establishing the strategies adopted by CBK to cope with the challenges of implementation of PMAS.

The implementation of PMAS faced both systemic and behavioral resistance. The structure of CBK had not been adequately aligned to PMAS requirements. The same applied to the IT and other physical infrastructural set up of the CBK. Also systemic resistance was due to staff incompetence and lack of advance training on PMAS among others. Behavioral resistance to PMAS implementation occurred by the negative altitudes by staff especially management cadre, indifference between involvement, poor planning and to some extent lacking support from top management and alignment of PMAS planning with PMAS implementation. PMAS implementation also faced huddles occasioned by the non alignment of CBK Mission/Vision with PMAS objectives, time constraints and dragging of the project as well as developments/emerging issues in the external business environment. Other challenges especially on performance appraisal included the hallo effect, central tendency error, first impression, similar to me effect and contrast effect among others.

On the part of strategies adopted to deal with the above challenges, CBK came up with various structures. The Bank sought the services of external consultants to team up with the local staff to train employees. The utilization of PMAS champions, change and other agents worked so well for CBK. At the same time the CBK did employ empowerment and involvement implementation of PMAS. Also CBK undertook structural enhancements such as IT to facilitate PMAS implementation. Increased communications such as open day, Audio video and bulletins were also used for effective communication and in dealing with resistance to change. CBK did a lot of sensitization and attempts to

change corporate culture to accommodate PMAS implementation. Equally, there was improved compensation for staff, negotiations and staff development to reduce resistance to change. All in all to effectively implement change there is a need to align the Bank systems with the strategy requirements. The employees across the board must be involved in both formulation and implementation of strategy.

5.2 Limitations

Time was a limiting factor. The researcher is a full time employee and therefore did not have adequate time to fully undertake the research. Equally the interviewees are a very busy lot who did not have adequate time to effectively respond to the interviews.

The unwillingness of the interviewees to correctly answer questions raised was another limitation. The interviewees were suspicious that the study would expose CBK to outsiders.

5.3 Recommendations for Policy and Practice

CBK needs to put in place a fully pledged Department of strategy. Such Department should be charged with coordinating the activities of strategy formulation and implementation at CBK. The Bank also needs in the current strategy, to align employee compensation to PMAS implementation. This will go along way in giving employees steam to meet and surpass PMAS targets.

Also, in any future strategies, CBK must involve employees at the formulation level so as have them as part and parcel of the change team and thereby reduce resistance to change. Finally change in strategy at time calls for change in the blood of employees. Since most of the employees have stayed at CBK for more than sixteen years it is appropriate to inject into the Bank fresh blood/fresh thinking.

5.4 Recommendations for Further Research

Given time and resource constraints, the researcher could not adequately cover the research study. It is recommended that further research be undertaken on the case for creation of the Department of Strategy at CBK. Similarly there is need to pursue study on the effect of the changes in political environment on the implementation of PMAS.

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APPENDICES

APPENDIX I: Letter to the Respondents

Donald K. Murgor,
School of Business Management
University of Nairobi
P.O. Box 60000 00200
Mobile No. 0720-270 940

Dear Respondent

RE: REQUEST TO RESPOND TO AN INTERVIEW

I am a postgraduate student in the above named university. I am currently undertaking a case study on the **"Factors Affecting PMAS Implementation at Central Bank of Kenya"** as a partial requirement towards the award of an MBA degree.

The purpose of the letter is to humbly request you to corporate by responding to the questions in the interview as precisely as possible.

Please note that the findings of the research are meant for academic purposes and shall be kept confidential. A copy of the findings will be forwarded to you for your records.

Thank you.

Yours faithfully,

Donald K. Murgor.

APPENDIX II: Interview Schedule

SECTION A: Background Details

1. Which position do you hold in the Central Bank of Kenya?

   _____

2. Your gender (To be filled by the researcher)

   _____

3. What are your academic qualifications?

   _____

4. For how many years have you worked in Central Bank of Kenya?

   _____

SECTION B: Factors affecting Strategy Implementation

1. a (i) What is the vision of Central Bank of Kenya?

   _____

   _____

   _____

   ii) How does Central Bank of Kenya vision affect the implementation of PMAS?

   _____

   _____

   _____

b (i) What is the mission of Central Bank of Kenya?

_____

_____

_____

ii) How does Central Bank of Kenya mission affect the implementation of PMAS?

_____

_____

_____

2. (i) How long has the PMAS implementation process taken place in Central Bank of Kenya?

_____

_____

_____

(ii) How does the amount of time that PMAS implementation has taken affect the overall implementation of this strategy?

_____

_____

_____

3. a (i) Do you understand clearly the objectives of PMAS?

_____

_____

_____

(ii) If YES, what are these objectives?

_____

_____

_____

(iii) How does your understanding of these objectives promote the effective implementation of PMAS?

_____

_____

_____

(b) (i) If your answer to 3 (i) is NO, how does this affect the effective implementation of PMAS?

_____

_____

_____

(ii) What are you doing to overcome this challenge of lack of clear understanding of PMAS?

_____

_____

_____

4. a (i) Do you think the current PMAS will address the needs of Central Bank of Kenya?

_____

_____

_____

(ii) If YES, give reasons.

_____

_____

_____

b (i) If NO, why do you think so?

_____

_____

_____

(ii) What is the way forward?

_____

_____

_____

5. Did you involve the participation of the lower level employees in formulation of PMAS strategy?

_____

_____

_____

(ii) If YES, why was this important in relation to implementation of PMAS?

_____

_____

_____

(iii) If NO, why?

_____

_____

_____

6. i) Are you happy with PMAS implementation at the Bank?

_____

_____

_____

ii. If your answer in 6 (i) is NO, what are your reasons?

_____

_____

_____

iii. If your answer in 6 (i) is YES, what are your reasons?

_____

_____

_____

7. a. i) In your opinion do you think the organizational structure of Central Bank of Kenya plays a significant role in the implementation of PMAS?

_____

_____

_____

(ii) If YES, state reasons

_____

_____

_____

b (i) If your answer is NO, why?

_____

_____

_____

(ii) What are you doing to align Central Bank of Kenya structure to PMAS strategy?

_____

_____

_____

8. (i) Do you find culture or attitude a problem in the implementation of PMAS?

_____

_____

_____

(ii) If your answer is YES, what are your reasons for this?

_____

_____

_____

(iii) What are you doing to cope with those challenges?

_____

_____

_____

9. (i) What about resource constraints? Do they also affect implementation of PMAS?

_____

_____

_____

(ii) If your answer is YES, state the reasons for this.

_____

_____

_____

10. To what extent does the HRM support implementation of PMAS?

_____

_____

_____

11.a (i) Do you find employees skills and experience necessary in PMAS implementation?

_____

_____

_____

(ii) If YES, to what extent?

_____

_____

_____

(iii) If NO, state your reasons

_____

_____

_____

(iv) What are you doing about it?

_____

_____

_____

12.(i) Do you think the physical infrastructure of Central Bank of Kenya has any bearing on the implementation of PMAS?

_____

_____

_____

(ii) If YES, state your reasons

_____

_____

_____

(iii) If NO, what are your reasons for this?

_____

_____

_____

13. How effectively has PMAS been communicated to company employees?

_____

_____

_____

14. a (i) Does the current level of employee compensation affect PMAS implementation?

_____

_____

_____

(ii) If YES, state your reasons.

_____

_____

_____

b (i) If NO, what are your reasons for this

_____

_____

_____

(ii) What are you doing to address this issue?

_____

_____

_____