

EFFECTIVENESS OF EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM AT  
KENYA NATIONAL AUDIT OFFICE

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## DECLARATION

This Management Research Project is my original work and has not been presented for a degree programme in any University.

Signed 

Date 13/11/2010

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This Management Research Project has been submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

To my father and late mother Wilkister Nyamoita, who taught me from my tender age the virtue of hard work and shaped me to who I am today. They saw my capabilities and made me understand and came to the realization that the sky is my limit and I can make it in life through hard work and determination.

To my husband and friend Patrick Chonde and my children Frank, Harriet and Ian who prayed and encouraged me during examinations, who persevered my absence as I concentrated on my MBA programme including attending lectures and group discussions during evenings and weekends.

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Special thanks and recognition to my dedicated and selfless househelp, Paskalia Ndungwe without whom I would not have achieved my dream. Thanks for taking care of my children when I had to be in college during weekends, public holidays and evenings. Thank you for all your understanding, co-operation and support which you gave me during the entire period of my study. May the Almighty God richly bless you in a very special way and reward you because you deserve it.

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## ABBREVIATIONS

|         |  |
|---------|--|
| KENAO   | Kenya National Audit Office                                  |
| ICPAK   | Institute of Certified Public Accountants of Kenya           |
| IAS     | International Auditing Standards                             |
| KASNEB  | Kenya Accountants and Secretaries National Examination Board |
| CPA (K) | Certified Public Accountants of Kenya                        |
| PIC     | Public Investment Committee                                  |
| PAC     | Public Accounts Committee                                    |
| FAHR    | Finance Administration and Human Resource                    |
| KRA'S   | Key Result Areas   |
| PSRS    | Public Sector Reform Secretariat                             |
| TNA     | Training Needs Assessment                                    |
| WB      | World Bank   |
| AfDB    | African Development Bank                                     |
| IMF     | International Monetary Fund                                  |



## **ABSTRACT**

The Government in its endeavour to transform the public sector from the culture of laxity, laziness and complacency to a business oriented culture, introduced employee performance management system as one of the Public Sector Reform's (PSRs) policies to improve service delivery, offer quality, effective, and efficient service to satisfy both internal and external customers and also achieve the National Vision "Kenya Vision 2030".

The objective of the study was to evaluate the effectiveness of employee performance management system at the Kenya National Audit Office. The study established that the Kenya National Audit Office has adopted the employee performance through government directive and International Financial Institutions need for quality reporting standards. The World Bank (WB) in particular needed reforms so as to meet the donor target demands through application of International Financial Reporting Standards (IFRS's)

Primary data was collected through an interview which was conducted with the help of an interview guide. Ten senior managers in charge of performance management were interviewed and were able to express the strengths and weaknesses of employee performance management at Kenya National Audit Office.

The study revealed the strengths of employee performance such as production of timely reports due to commitment and dedication of staff and improved quality, efficient and effective service. The study also identified weak areas, where staff are resistant to change, and rewards and sanctions are ineffectively applied due to the long bureaucratic processes and regulations. There is need to clearly define the rewards so that staff work towards them and sanctions or disciplinary cases should take the shortest time possible.

The study recommends that the management shed off the bureaucratic tendencies and adopt best practices of rewarding. It is difficult to encourage employees to perform unless they know that their compensation is tied to performance. Rewards act as a motivating factor to excellent performance and staff feel sacrosanct in the organization they work for.

## CHAPTER ONE: INTRODUCTION

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### 1.1. Background

The current trend of global changes and huge challenges in the corporate world are an indicator that effective systems and processes must be in place in order to support and maintain the focus on improvement, offer quality service to satisfy customers and compete with organizations in the same industry. The increasing competition from businesses across the world means more to being more careful about the kind and choice of strategies that an organization makes in order to remain competitive. The desire of remaining competitive in the corporate world has led to the concept performance management system (Armstrong, 2003).

According to Dessler (2004), performance management system is a holistic process which involves all parts of the organization. Ordinarily, when one thinks of an organization, he thinks of employees, training and development, hard work and motivated employees in order to achieve the required results, and also a competent management to direct the employees to achieving organizational goals as laid down in the organizational strategic plan. The goals should be "SMART" that is specific, measurable, acceptable, realistic to achieve and time-bound with deadlines to satisfy the demand of external and internal customers in both products and service delivery (Porter, 1998).

#### 1.1.1 *Performance Management*

The concept performance management was coined by Beer and Ruh (Armstrong, 2003) in 1976 and was never recognized as a distinctive approach until the mid 1980's out of the realization that a continuous and integrated approach was needed to manage and reward performance. Performance related-pay and appraisal systems never delivered the results the people expected. Performance appraisal which has been absorbed in performance management has remained discredited as a bureaucratic system or "red tape" owned by the Human Resource Department rather than the line managers, teams and associates. Performance management has been defined as a strategic and integrated approach to delivering sustained success to organizations by improving the performance

of the people who work in them by developing the capabilities of teams and individual contributors (Becker, 1964). Performance Management Committees are formed in the public sector to implement and validate performance reports, Heads of Departments are required to guide officers under their purview on how to set targets and to link the targets to the organization's priority objectives and goals (Ndambuki, 2008).

According to Kane (1996), performance is something that a person leaves behind and that exists apart from the purpose. Armstrong and Baron (2005) define performance as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction and economic contributions. The Oxford English Dictionary defines performance as the accomplishment, execution, carrying out, working out on anything ordered or undertaken. The accomplishments are outputs which must have been done well to bring about the results achieved.

Performance management is basically concerned with performance improvement in order to achieve organizational, team and individual effectiveness. Lawson (1995) states that performance management is to get the right things done successfully based on the principle of agreement or contract rather than management by command. He emphasizes development and the initiation of self-managed learning plans as well as the integration of individual and corporate objectives contributing as a whole to improving organizational effectiveness.

### ***1. 1.2 Employee Performance Management System***

Armstrong and Baron (2005) define performance management system as a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. It establishes shared understanding about what is to be achieved and an approach to leading, and leading people which will ensure that organizational objectives are achieved. They go on to stress that it is a strategy which relates to every activity of the organization set in the context of its human resource policies, culture, style and communications. The nature of the strategy depends on the organization's context and can vary from one organization to another.

According to Argyris and Schon (1996), the fundamental goal of employee performance management system is to establish a culture which individuals and groups take responsibility for continuous improvement of business processes and for their own skills and contribution and is a holistic process, bringing together many of the elements which make up the successful practice of people management, including in particular learning and development.

It is a complex process involving all parts of the organization and is likely to be misunderstood. It is strategic, setting broader issues and longer-term goals to be achieved by the organization and also integrating or linking the various aspects of the business, people management, individuals and teams. It incorporates performance improvement throughout the organization for individual, team and organizational effectiveness, continuous development of individuals and teams to improve performance and also manage behaviour by ensuring that individuals are encouraged to behave ethically and foster better working relationships by following work etiquette or a code of conduct (Adler, 1991).

Performance management system addresses what are called intangible assets, including such vital elements as the knowledge of the workers and efforts to customize products and services. Consultants may be used in designing the performance management system but managers play an important role as guides for the development process. The system provides managers with guidance in moving the organization towards the desired direction of the vision, mission and strategic plan of the organization. Employees' perception of performance management system is extremely important because employees' attitudes to work system influence their behaviour ( Myres, 1964).

### ***1-1.3 Kenya National Audit Office***

Kenya National Audit Office is a statutory agency (semi-autonomous) established by the Act of Parliament (Cap 412), charged with the responsibility of auditing accounts of

Central Government, Local Authorities, State Corporations, National Assembly and Commissions established under the Constitution of Kenya. It is an Office established under the Exchequer and Audit Act (cap 412) and the Public Audit Act, 2003 which merged Office of the Controller and Auditor General and Auditor General (Corporations) into one entity. Section 105 of the Constitution of Kenya, stipulates the role of KENAO as an overseeing agency in public finance and public governance.

KENAO also conducts special audits as well as examinations of the economy, efficiency and effectiveness with which the Government, a Local Authority or a State Corporation utilizes its resources. These audits provide assurance to the people of Kenya that funds appropriated by Parliament on their behalf have been spent wisely and for the purposes intended. The reports generated from the audits are presented to the public through the National Assembly (Parliament).

## **1.2 Statement of the Problem**

Organizations have faced many challenges including competition from businesses all over the world prompting them to be much more careful about the choice of strategies they adopt to remain competitive and achieve organizational objectives or goals as stipulated in the strategic plan. Everyone and everything in the organization must be done in a way that ensures that strategies are implemented effectively. This situation has put more focus on effectiveness, that systems and processes in the organization are applied in the right way to the right things to achieve results. All of the results across the organization must continue to be aligned to organizational goals to achieve the overall results desired by the organization for it to survive and thrive in the competitive world. It is through performance management system that the organization and its various parts can be said to be co-ordinating to achieve the required performance results.

The concept performance management system has been one of the most important developments in Human Resource Management in recent years. The government in its endeavour to achieve Vision 2030 and transform the public sector from a culture of poor governance and poor management practices introduced Public Sector Reforms Strategy

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(2003) and developed policies that were to enhance accountability and transparency in the public sector. Kenya National Audit Office adopted the policies in an endeavour to transform itself from the culture of poor service delivery to a more business-oriented culture or environment that would drive to internal and external customers' satisfaction. Performance management greatly focuses on service delivery, increased human capacity, and individual and team development.

In the 2007 - 2012 Strategic Plan, the KENAO places greater focus on quality and efficient audit services. In order to achieve this goal, the KENAO is expected to continuously monitor and evaluate the performance of its staff and that of the Office as a whole. This forms the basis for the introduction of performance management system in the Office. Managing the Performance of employees is of great importance to an organization as it improves performance of the overall organization. In an attempt to offer quality and efficient audit services, Kenya National Audit Office undertakes a quarterly evaluation of performance pertaining to staff and audit function. It also looks at internal placements of staff, where transfers are done at regular intervals, and Training Needs Analysis (TNA) carried out for staff training and development to equip them with knowledge to be able to remit timely reports to Parliament in programmes such as; Audit Programming and Documentation, Preparation of Work Plans, Computer Applications, Change Management Programs, Leadership Programs for Management, and Customer Care.

A few studies have been undertaken on employee performance management system in organizations and these include; Performance Management in Kenya Commercial Bank (Njagi, 2003), Employee Performance in Court Registry (Oresi, 2005) and Performance Contract in Kenya Revenue Authority (Adundo, 2007), Employee Performance in Postal Corporation of Kenya (Abdi, 2008), amongst others. These studies revealed that performance management is more effective in profit making institutions as staff are more aggressive in meeting their targets.

Although few studies have been done on performance management, none has been carried out at the Kenya National Audit Office. The study seeks to establish the effectiveness of employee performance management system in KENAO in transforming the Constitutional Office from the culture of laziness, laxity and complacency to a more results-oriented culture, and whether it is a success indicator in the government's endeavour to implement the Public Sector Reforms (PSRs), among them being the employee performance management system for efficient, quality and effective service delivery.

### **1.3 Research Objective**

The objective of the study was to evaluate the effectiveness of employee performance management system at Kenya National Audit Office.

### **1.4 Significance of the Study**

The following categories of persons will benefit from this study:

The Kenya National Audit Office Management will use the knowledge to identify the benefits of implementing an employee performance management and how this will effectively improve the quality of services in its audit operations, develop confidence in staff and reduce turnover.

The study will be important to professional bodies such as Institute of Certified Public Accounts of Kenya (ICPAK) which will use the knowledge to formulate regulatory policies of the accounting/Auditing profession especially in the use of International Accounting/Auditing Standards as part of developing technical competency in the profession. The Kenya Accountants Secretaries National Examination Board (KASNEB) in the learning and development of examinations of accountants/Auditors.

The academicians both in private and public universities will use the knowledge to improve their curricular while responding to the market demand for the quality of



students they produce and how these students will contribute to the delivery of services in their various professions.

The government will find this knowledge useful in formulating policies relating to employee performance management in order to enhance efficiency, effectiveness and quality service delivery in the public sector and retain a professionally competent workforce.

Most importantly the study will assist the Kenya National Audit Office employees to acknowledge that change is important and will find this knowledge useful in enhancing their performance towards the mission of the organization and enable them identify areas for personal and professional development.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

In this chapter relevant literature by different authors has been reviewed on the concept of employee performance management processes in modern organizations, the benefits and the related challenges faced in an endeavour to implement employee performance management processes in those organizations both in private and public sector.

#### 2.2 Performance Management

Performance management has been defined as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them by developing the capabilities of teams and individual contributors (Dessler, 2004). It is a strategy that has been associated with employers ensuring that their employees are driven towards achieving the organizational goals as outlined in its vision and mission. Porter (1998) notes that clarity of mission may be the single most important asset of an enterprise as it focuses attention on the main purpose of the organization and align organizational goals, priorities and practices with it.

Performance management is a management approach, which seeks to get the most out of the human resource. The pressure for improved performance to meet more intense global competitive advantage explains why many organizations are setting higher standards for employees and are not retaining those who do not meet those standards. Performance management processes are being used to identify underperformers from high-flyers and such processes emphasize positive improvement and development plans for individuals and teams (Mercer, 1995).

Usually rewards are related to performance and some form of appraisal scheme lies at the heart of this process. There are many different types of appraisal systems; Qualitative appraisal which is in the form of a relatively structured interview in which the appraiser develops a report on the performance of the appraisee. Alternatively, a quantitative

appraisal may be employed in which the appraiser ranks performance along a likert scale - excellent, good, adequate and inadequate. The appraisee will be seen at regular time intervals, and will be given feedback on job performance. The assessment of individuals is normally based against some specified performance standards, often related to a job description. A job description sets out the purpose of a job, where it fits in the organization structure, the context within which the job holder functions and the principal accountabilities of job holders, or the main tasks they have to carry out (Armstrong, 2003).

Performance review process clarifies the competencies and connects performance to behaviour. Apart from identifying high performing individuals who are committed to the organization, the data will identify individuals who may represent resource inefficiency and necessary steps to be taken. The resulting information of individual performance allows for creation of goals and improvement targets. Otieno (2009), states that at review meetings individual objectives and targets are established for the subsequent time period and individual development plans are created which set out how employees will work towards the targets. The review meeting will also include an assessment of performance over the previous period against targets and acts as a basis for making plans for the future.

Engelmann and Roesch, (1996) note that during review, concentration is on what has happened and why it has happened so that data obtained is used for planning purposes. Obtaining a historical perspective through analysis is a necessary part of performance review and reaching a consensus on what should be done forms a very important integral part of the discussion. This assessment will often be linked to rewards if an individual has met or exceeded targets and this person will be entitled to performance related-pay. Performance related pay is a system of relating pay to levels of achievement of work-based objectives or targets which enhances mutual commitment to the organization.

Appraisal provides an excellent framework for designing training and development Programmes. The review will act as a basis for establishing ways of improving

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performance. Learning and development goals form an integral part of the performance management and must be tied in with the reward system of the organization, so that employees see themselves as worthwhile in their own right and valued by the organization. Appraisal should be seen by the organization as an excellent vehicle for creating programmes for employee development and motivation (Maslow, 1954).

Performance management is about managing the organization. It is a natural process of management, not a system or a technique (Fowler, 1990). It is also about managing within the business context which constitutes of the internal and external environment. The internal and external environment will affect on how performance management is developed, what it sets out to do and how it operates for total satisfaction for both the internal and external customers.

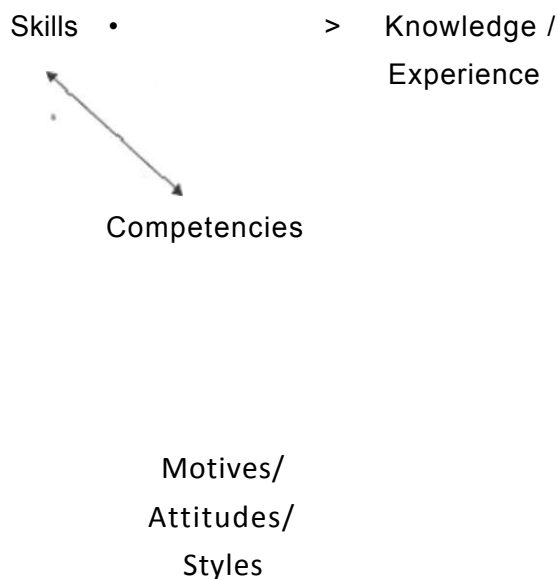
Performance management concerns all staff and rejects the cultural assumption that only managers are accountable for the performance of their teams and replaces it with the belief that responsibility is shared between managers and team members. Armstrong and Murlis (2004) note that managers should regard people who report to them as customers for the managerial contribution and services they provide. Managers and their teams are jointly accountable for results and in agreeing with what they need to do and how they do it, in monitoring performance and taking action.

Performance management is a process for measuring outputs delivered compared with expectations expressed as objectives. It focuses on targets, standards and performance measures or indicators. It is also concerned with inputs in form of knowledge, skills and competencies required to produce the expected results. The input requirements assist in identifying the developmental needs in terms of knowledge, skills and competencies to be acquired (Pedler, 1989). It provides a framework in which managers can support their team members rather than dictate to them, and its impact on results is more significant as it acts as a transformational tool rather than an appraisal process.

The effective or superior performance model (Figure 1) below articulates that excellent performance is achieved through a combination of skills, knowledge, experience and competencies, if focused on clear motives, attitudes and styles. This model can be used in raising the performance bar, expectations; individuals and teams can align their behaviour with organizational strategy and each individual can use it to understand what he/she needs to do to achieve and help achieve the goals of the organization as a whole (Holton, 2005).

Figure 1: Effective or Superior Performance Model

Source: Holton, E.F. (2005). An integrated model of performance: Bounding the theory and practice. *Advances in Developing Human Resource Resources*. Vol, 1, pp3.



Performance and development reviews provide those involved with the opportunity to reflect on past performance as a basis for making development and improvement plans. They enable those concerned to get together and engage in dialogue about the individual's performance and development and the support provided by the manager is an essential factor in performance management. The reviews are regarded as a conversation

with a purpose, which is to reach firm and agreed conclusions about the individual's development and if possible identify any areas for improvement and how such improvements will be achieved (Adair, 1973).

Drucker (1993), states that a business is not defined by its name, statutes or articles of incorporation, it is defined by the business mission. This sets out the starting point of the performance management system and aims at ensuring that each of the activities in the employee's targets are aligned to the corporate goals and contribute to its achievement and parts of the overall objectives and goals of the organization.

### **2.3. Employee Performance Management System**

All organizations manage performance whether they recognize it or not. Organizations or companies without a formal management system convey their expectations informally based on who they hire, who they fire, how they give raises and who is reprimanded or praised by a manager. The problem with this approach is that it is inherently inconsistent and leaves employees feeling unsure of what the management expects of them and how, or if, they will be recognized for doing a good job. An organization that develops a carefully considered employee performance management system links the organization's goals to performance targets and directs employees' expectations and rewards resulting to a more motivated workforce successful organization (Hornsby and Kuratko, 1999).

Performance management processes have come to the fore in recent years to provide a more integrated and continuous approach to the management of performance than was provided by merit rating or performance appraisal methods (Kessler, 1993). The processes are part of a holistic approach to managing performance which is the concern of everyone in the organization. Performance management is based on the principle of Management by agreement or contract rather than management by command. It emphasizes development, self-managed learning plans and integration of individual and corporate objectives.

The objectives as part of management processes are intended to bring about change and should cover all the important aspects of the job, Key Result Areas (KRA's) and never focus on one area at the expense of the other. They play a major role in providing for an integrated and coherent range of human resource management processes which are mutually supportive and contribute as a whole to improving organizational effectiveness (Armstrong and Baron, 1998).

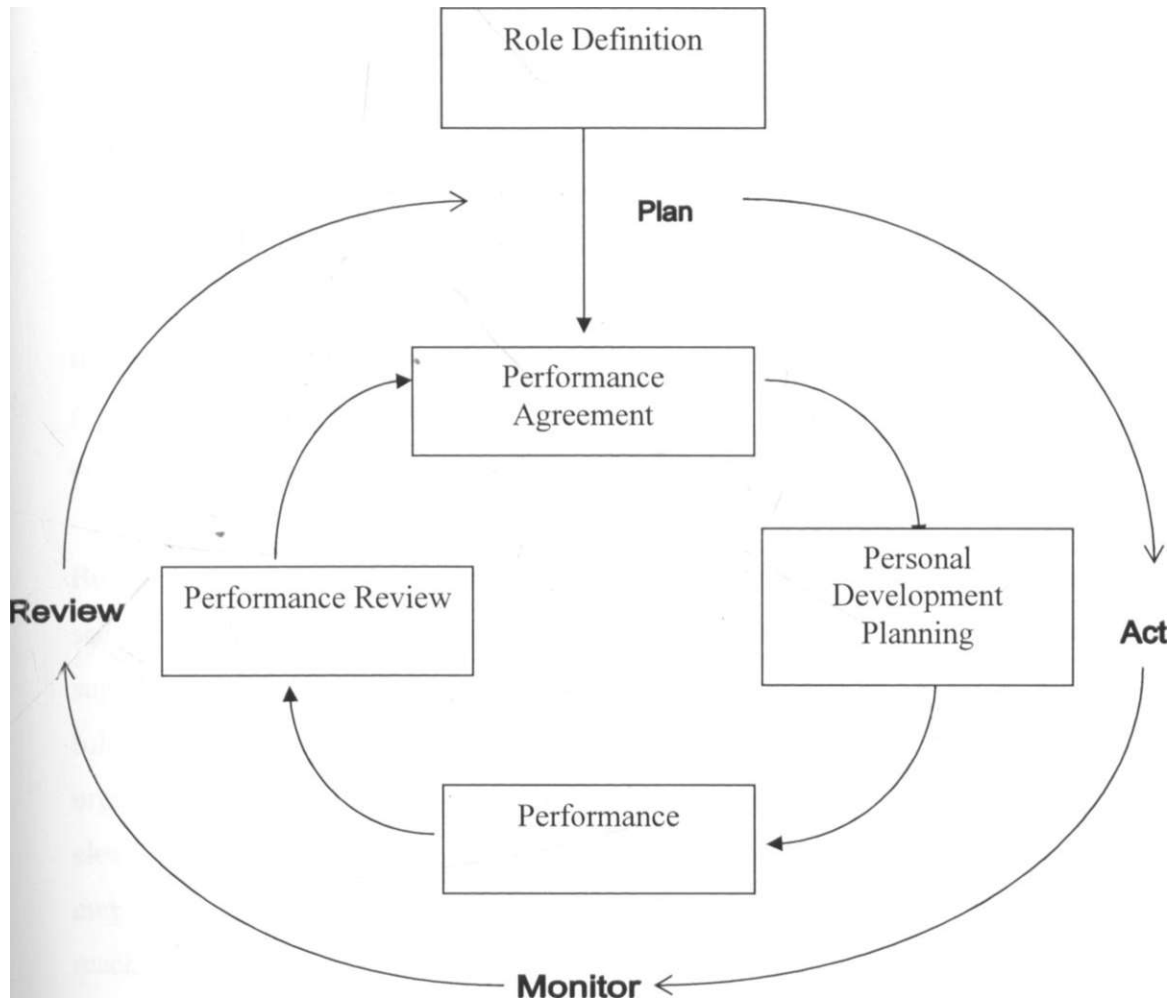
Performance management systems consist of a range of activities, engaged in by an organization to enhance the performance of a target person or group, with the ultimate purpose of improving organizational effectiveness. Roberts (2003) identified several processes and activities that fit this definition including policy deployment, the use of performance appraisal systems, feedback and communication. Performance management system characterizes formal and informal performance reviews, performance review focus and the degree of participation in decision making. These elements indicate that performance management system should be formally designed in an organization, and should also take shape in daily practice (Abdi, 2008).

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Armstrong and Baron (1998) define performance management system as a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. It establishes shared understanding about what is to be achieved and an approach to leading, and leading people which will ensure that organizational objectives are achieved. They further assert that it is a continuous self-renewing cycle as diagrammatically shown in Figure 2 below:-

Figure 2: The Performance Management Cycle

Source: Armstrong, M. (2001). A Handbook of Human Resource Management Practice. 8<sup>th</sup> Edition. Kogan Page, pp 476.



Covey (1989) states that failing to plan is planning to fail. Planning is a fundamental step in performance management process cycle and provides the foundation for an effective process. Planning helps to encourage commitment and understanding by linking the employee's work with the organization's goals and objectives. The planning phase also establishes expectations of how the work is to be performed. Results, rather than activities, should be the focus in evaluating performance. Expectations should be clearly stated and the results measurable. As an employee one needs to clearly understand what<sup>ls</sup> expected of him and how the work done will be measured or evaluated. Mutual



commitment must be established between the leader and the subordinate with respect to expectations. There is no recipe for gaining commitment, but open and honest two-way communication is an important first step. The subordinate should be prepared to discuss his responsibilities, past accomplishments and future plans openly and honestly with the leader.

A performance management system has an impact on an organization in three areas; business strategy, employee management, and employee development. Understanding the potential benefits in each area helps in designing a performance management system that produces the best results for the organization. One of the purposes of performance management is to align the behaviour of the employees with the business strategy. The performance management system set up should align the strategic goals of the organization with those of the employees (Hofstede, 1980).

Business strategy, employee management and employee development help employees to see the performance management as an effort to give them the incentive, information and support they need to contribute to the organization's success and to be rewarded for their role in that success. This is accomplished by clearly communicating the goals of the organization and their role towards achieving those goals. They also need to understand clearly how their contribution will be recognized and rewarded. It must be clear to the employees that management is committed to helping them, not hindering them in reaching their full potential (Khatri, 2000).

An effective management system must be tied to employee management practices such as staffing, compensation and training. Increases in employee compensation base-pay as well as incentive pay are linked to employees' annual performance welfare. Employees who perform well in relation to certain performance criteria are given top priority for base-pay increases and bonuses. It is difficult to encourage employees to perform in certain ways or to accomplish outlined goals unless they know that their compensation is tied to performance (Gerhart and Wright, 2004).

Aligning performance management with the training and development programs is a critical success factor. The performance management system identifies gaps and deficiencies in employees' knowledge or skills which in turn enable the management to adjust the training and development efforts accordingly. The performance review feedback reinforces the employees' knowledge that they are pursuing the right strategies and developing the proper skills. Constructive criticism allows the employees to know where they can improve (Delaney and Husselid, 1996).

Coaching is a new practice which is overriding other practices like mentorship and training. The growing popularity of coaching is attributed to new perceptions on how organizations should be run, with many moving from authoritarian or autocratic management to situations where the employees are given space to discover their potential and talents (Nandhoka, 2008). Few years ago, coaching was seen as a way of improving the output of underperforming employees in the organization and being embraced as a way of sharpening the skills of the organization's current and future leaders whether it is in the private or public sector small or big organization.

The chief executives have found it necessary that they need someone to bounce-off the ideas to employees and get an objective feedback. There is growing need to coach future organization leaders and avert future crisis. Many organizations fall because of poor management and the top management are always looked up to for a solution and usually are under pressure to increase efficiency by abandoning strategies that have failed and adopting new management skills (Kaheru, 2004).

Effective performance management system provides employees with direction and support in carrying out their responsibilities and has a positive impact on worker satisfaction and other employee outcomes. The results out of it are increased innovation, higher level of customer service and lower turnover of employees (Martell and Carroll, 1995). Elements of performance system involve a number of performance standards, methods to measure and evaluate performance based on those standards (performance

appraisal), tools to improve performance such as reward structures and sanctions for staff and feedback (Cole, 1996).

The performance appraisal discussion takes place when criteria and measurement standards have been set and performance information has been gathered. Employers must communicate the information to each employee through appraisal and is regarded as the responsibility of the employee's direct supervisor (McClelland, 1973). The performance appraisal is necessary as it communicates weaknesses or deficiencies on the part of the employee. It can be a difficult time for the supervisor and the employee alike as both try to avoid the negative side of performance. The performance appraisal should be conducted on a consistent basis, depending on management agreement and this could be annually, biannually, quarterly, or even weekly.

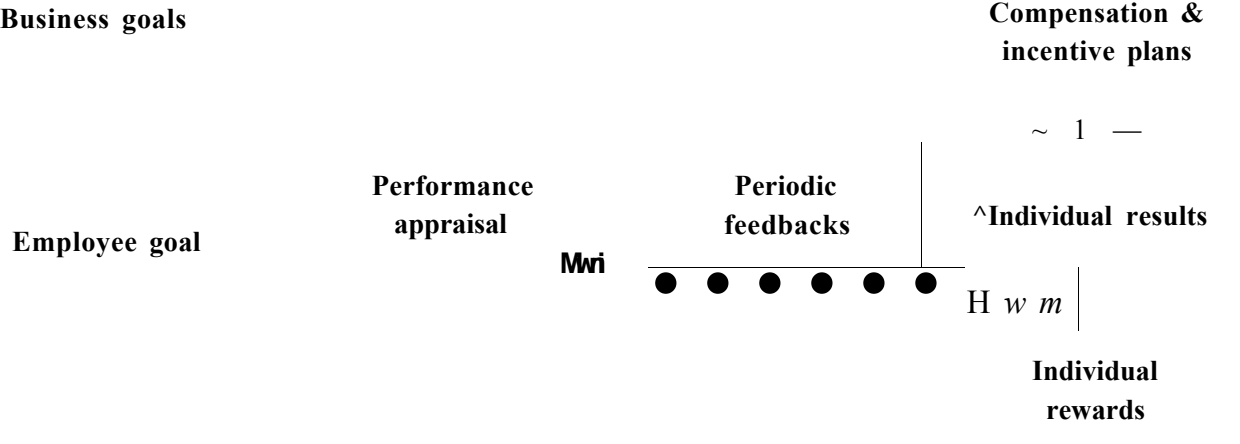
Employees should be well-informed of the general time of the year, month or week that appraisal will take place, and they should be notified well in advance of the specific time and location. The appraisal should be scheduled for a private location where interruptions such as phone calls will not cause distraction. Enough time should be scheduled so that the supervisor is able to fully communicate the necessary information and the employee is able to get answers to questions or concerns. If the supervisor conveys negative information, such as under-performance or deficiencies in performance, a plan should be discussed at the meeting that establishes how the employee can make the improvements, acquire the skills or implement the changes that will address the concerns before the next appraisal period (Gerhart and Wright, 2004).

Poor performance is addressed through the development of goals with the employee and periodic feedback on how to achieve the goals. Gaps in knowledge or skills for high performance is tackled through education and training programmes. The supervisor supports the employee in cases of deficiencies as he never sets out to improve on himself and the supervisor is essential for successful performance management and should ensure that high performance is rewarded. Great results should generate great rewards (Sison, 2003).

A well-designed employee performance management system as illustrated in figure 3 below; (Performance Management System Design) will align business goals with the employee goals and consider other employment practices such as staffing, performance appraisal, feedback, compensation and training, identify gaps in the employees' knowledge or skills, enabling the employee to adjust to his training and development efforts. An effective performance management system is imperative for every organization that seeks to achieve financial success and efficiency in delivery of services. Far from being a burdensome exercise characterized by tense performance appraisals, a performance management system is one of the primary mechanisms by which an organization increases the value of its most valuable assets who are employees (Lynham, 2002).

Figure 3: Employee Performance Management System Design

Source: Lynham, S.A. (2002). Managing Employee Performance for Business Success. *Journal of Business*, Vol.3, pp6. Cornell University



Performance management policy rests on the premise that business environment is ever changing. Employees must be given the opportunity to learn and grow with the organization. The policy of growth is implemented through a framework based on goal-

setting, monitoring, recognition and rewarding performance. It is also aimed at enabling the organization to identify and deploy talents effectively to achieve the organization's and employees' career aspirations. The performance management system in an organization is to encourage the development of career aspirations and talent of employees against business needs which develops an environment of ongoing dialogue and communication between employees and line managers. The performance management regime that ignores employees' personal and career aspirations is ineffective and is bound to fail (Adler, 1991).

Armstrong and Baron et al stress that at its best, performance management system is a tool to ensure that managers manage effectively, people or teams that are managed know and understand what is expected of them, have the skills and ability to deliver according to the expectations of customers, are supported by the organization to develop the capacity to meet these expectations, are given feedback on their performance and have the opportunity to discuss and contribute to individual and team aims and objectives. It ensures that managers are aware of the impact of their own behaviour on the people they manage and are encouraged to identify and exhibit positive behaviours. It is a continuous cycle which encompasses planning where expectations are defined and expressed as objectives which are to be achieved by the organization.

Lawler (2003) notes that performance management is becoming more important for today's high performance organizations as the relationship between employees and the organizations they work for has changed, and developing a mutually beneficial relationship is important to achieving more in terms of performance, as there is need for rules and guidelines governing performance as a result of uniformity and globalization in the business environment in recent years.

In designing and implementing a new management performance system, the manager must play a role in the process, educating employees about the importance of the system, deciding on financial and non-financial implications, reviewing and updating what is set in place. This indicates that the system should reflect the aims, goals and mission of the

employer and the results to be achieved in terms of cost, quality, quantity or time. Lawler further notes that the elements making up the performance management system should serve as part of a powerful behavioural tool to achieving organizational goals.

Nancy (2005) notes that the evolution of performance management as a new Human Resource Management model reflects a change on organization's emphasis on planning, supervision, directing, co-ordination, controlling and budgeting as emphasized by Fayol (1954) on the principles of management, but asserts that this change has been accompanied by recognition of the importance of the employee and the institution with regards to work performance and the strategic mission of the organization.

Performance in organizations is usually focused on employees themselves but it should be holistic process which involves all elements of the organization (Porter, 1998). These elements are; departments (computer support, Administration, sales), processes (billing, budgeting, product development), programmes (implementing new policies and procedures to ensure a safe work place or delivery of services, products or services to internal and external customers, projects (automating the billing process, moving to a new building), teams or groups organized to accomplish a result for internal or external customers' satisfaction.

The overall goal of employee performance management system (Smith, 1995) is to ensure that the organization and all of its sub-systems (departments, teams, and employees) are working together in an optimum fashion to achieve the results desired by the organization. Achieving the overall goals requires several ongoing activities including identification and prioritization of desired results, measuring progress towards those results, setting standards for appraising results, tracking and measuring progress toward results, exchanging on-going feedback and communication, among those participants working to achieve results, periodically reviewing progress, reinforcing activities that achieve results and intervening to improve progress where needed.

Mercer (2005) notes that employee performance management system is not easy to implement but it should be owned by everyone in the organization and especially line managers. The personnel departments should never be the only ones to be guardians of performance management as it places more emphasis on personal development and helps individuals not only to understand what is expected of them but also contribute to achieving organisational goals.

### **2.3 Benefits of Employee Performance Management System**

Performance management system creates a shared vision throughout the organization and helps to establish and support appropriate leadership and management styles. The targets set align each employee's performance towards the mission and to achieve this, each unit of the organization is expected to have a performance management system that is understood by all employees in the organization (Swanson, 2001).

The set goals drive all staff towards the same direction and this reduces confusion and ambiguity among employees. Clear expectations, requirements and definition of roles provides for individual and team development. Definition of roles supports an employee in performance and also helps the supervisor in assessing and guiding the employee in developing his abilities, identifying the training needs, and weak areas or deficiencies in individual members of staff (Otieno, 2008).

Abdi (2008) states that employee performance management system seeks to create a new performance culture which places greater emphasis on the importance of motivation, development and optimal utilization of human resources towards the achievement of a client focused and results-oriented policy framework. The policy framework addresses recognition and reward for job performance. Recognition makes employees feel worthwhile members of staff, put more effort in achieving organizational goals and increase productivity.

Debra (2004) notes that employee performance management system empowers employees and supervisors in the organization as the line managers own the

responsibility to supervision within their own jurisdiction and employees become active participants in goal setting. They are responsible for their own competence development to achieve the organization's objectives. Empowerment creates recognition on employees and acts as a motivator for self-development. A motivated employee puts more effort on any responsibility assigned to him as he feels a worthwhile person who remains loyal to the customers and his organization.

The discussions during annual review include the setting of individual goals, consideration and review of goal achievements, values and behaviour expected of all employees, leadership behaviours for managers, short-term and long-term development planning and an annual performance summary. The follow-ups and feedback support every employee to achieve the set goals and develop professionally and personally (Locke and Latham, 1988). The meetings promote constructive discussion and criticism between a member of staff and his supervisor and clarify the areas to be improved and this is implemented at the discretion of the supervisor.

Regular reviews and follow-up contribute to employee motivation and growth as it is the responsibility of the supervisors to make all employees feel as though they are ambassadors for the company and adjust to culture change that will support the ways of working environment (Burnes, 2000). The system treats employees fairly and with respect as it considers the privacy and integrity of employees sacrosanct. The changing business environment necessitates that employees should be given the opportunity to learn and grow within the organization through goal setting, monitoring, recognition and rewards. The organization should also be able to identify and deploy talents effectively to achieve the organization's and employees career aspirations (Argyris, 1957).

Employee performance management system is concerned with satisfying the needs and expectations of all the organization's stakeholders - owners, management, employees, customers, suppliers and the public. According to McGregor (1960), reward has impact on employee performance. In recognition of this, an organization has to improve the



terms and conditions of remuneration so that staff are motivated while performing their work.

Performance appraisal as part of the employee performance management system means evaluating an employee's current or past performance relative to the person's performance standards. Appraisal involves; setting work standards, assessing the employee's actual performance relative to these standards, providing feedback to the employee with the aim of motivating that person to eliminate deficiencies or to continue to perform above par.

Appraisals provide information upon which promotions and salary decisions are made, provide an opportunity for the supervisor and the subordinate to review his/her related behaviour, and this provides an opportunity for planning on how to correct any deficiencies unearthed by appraisal and enforce things to be done right. It is part of the organization's career planning process because it provides an opportunity to review the person's career plans in light of his or her strengths and weaknesses. It also helps the subordinate to better manage and improve the organization's performance (Dessler, 2003).

Appraising performance is both a difficult and an essential supervisory skill. The supervisor who rates his appraisee too high or too low does a disservice to the appraisee, organisation and to himself (appraiser). The supervisor must understand the basic appraising techniques, to avoid problems that can cripple appraisals and know how to conduct appraisals fairly (Armstrong, 2003) Performance appraisal plays a critical role in one's promotion, salary increment and responsibility allocation as it portrays one's potentialities in the work environment.

The staff are careful that no bad comments are made about their performance. Although performance is discussed between the supervisor and the subordinate, misunderstandings occur when both disagree on certain items on the appraisal form and can leave an everlasting enmity. Every organization must be committed to offering quality service to

its clients and also be committed to treat its employees fairly and with dignity. People are treated with respect and are an end in themselves and not merely as means to other ends (MacDonald and Smith, 1996).

The employee performance management system ensures that the correct processes are used in order to achieve the projected goals as laid down in the mission (Ndambuki, 2008). The Human Resource Department serves as a policy making and advisory tool by providing advice and assistance regarding the appraisal tool to use, but leaves final decisions on procedures to operating heads. Human Resource Department prepares forms and procedures and insists that all departments use them. It also encourages and trains supervisors to improve their appraisal skills and monitors the appraisal system to ensure that the format and criteria used comply.

Performance management system helps in defining a job description for each individual in the organization. The performance appraisal process includes; defining the job, appraise performance and provide feedback. Defining the job means that the subordinate and superior have to agree on the duty and the standards required. Appraising performance means comparing the subordinate's actual performance and the standards that have been set. Performance appraisal usually requires one or more feedback sessions.

Appraisals fail because the subordinates are not aware of what is expected of them as good performance, problems with the forms or procedures used to appraise the performance, a lenient supervisor might rate as too high a subordinate who is sub-standard. Other problems include arguing and poor communication between the subordinate and supervisor which undermines the interview and feedback session (Dessler, 2004).

A department sets priority objectives from which performance targets will be derived. The performance targets are agreed upon by the appraisee and the supervisor at the beginning of the appraisal period. The performance indicators or proof of performance

are completed by the appraisee in consultation with the supervisor at the beginning of the appraisal period. At the end of the appraisal period, the supervisor is able to measure the results achieved using the Likert rating scale. The results are unachievable without a proper staff training and development plan. The appraiser has to assess the training needs of the appraisee. This includes duration of training including on the job training. The comments by the appraisee and the supervisor enable the organization to evaluate the training needs or make a Training Needs Assessment (TNA) of every member of staff. The Government embraces highly on staff training so as to be efficient and offer quality service as required by the Public Sector Reform Secretariat (PSRS) (Muthaura, 2006).

Performance appraisal as part of employee performance management system has promoted constructive discussion between a staff member and his supervisor and clarifies work performance to be improved. Stiff bureaucratic processes are dropped as the line manager deals directly with the employee. Informal performance reviews have explicitly or more implicitly encouraged face to face interactions between the supervisor and the subordinate tying performance with personal development discussions. This gives notion of the importance of staying in touch with the employee and meeting them frequently. Regular interactions provide the opportunity to offer the employee specific, behavioural and timely feedback. (Roberts, 2003).

Professional excellence is given priority as all staff are directed towards the mission of the organization and employee performance management system creates shared vision throughout and helps establish and support appropriate leadership and management styles to achieve organizational goals. Organizational objectives are easily attainable through proper planning and implementation of performance policies. Staff development and education equips the staff with the technical skills required to perform their work efficiently (Kotter, 1990).

At the beginning of the performance system, the role of the staff is clearly defined and the work plan shows clearly what each member of staff is to do for a specified period, performance standards, behaviours and competencies required. The clarity of the role

reduces confusion and ambiguity. Expectations are clearly defined and requirements as providing for individual and team development (Armstrong, 2003). Clarity of roles motivates employees, goals and expectations provide reinforcement for feedback and opportunities for self-development. The employee feels empowered and recognized when the job is clearly defined.

Employee performance management system helps individuals and teams achieve their specific objectives in order to succeed in organizational roles, develop their skills and abilities at a professional and competence level in order to achieve organizational goals. These goals involve long-term as well as short-term development over an individual's entire career with the organization. Well-trained and competent employees remain loyal to their internal and external customers. Staff turnover is reduced and the costs of new employments are reduced (Oresi, 2005).

Employee performance management system provides climate and environment that supports rewards and communication. Communication or feedback reinforces the employees' knowledge that they are pursuing the right strategies and developing the proper skills. Constructive criticism allows employees to know where they can improve. Rewards motivate employees creating a feeling of recognition and appreciation by the management, empowering employees to be creative and innovative in their work. (Maslow, 1954).

Evaluating employees\* development needs has increased the capacity of the employees to perform through multiple intervention processes that includes training, coaching, mentoring, counselling, guiding, giving assignment that introduces new skills or higher levels of responsibility and improving work processes and other relevant methods. Training encourages good performance, strengthens job related skills and competencies and helps employees to keep up with change in the work place. Good performance is as a result of effective use of human capital, compensation, internal staffing and doing a Training Needs Assessment (TNA) (Davis, 2006).

Performance is rated based on the work achieved. This may lead to awards, promotions, retention in the service beyond fifty five (55) years although the retirement age has been revised and extended to sixty (60) years. Those who have performed well in the past have been retained in the service after attaining fifty five (55) years and their contracts renewed based on their performance. Sanctions and rewards are instituted on performance and one may be a higher -flyer depending on his output (Muthaura, 2009).

In order to make a performance management system a success, the line managers must be regularly involved and this results to improved organizational performance, both the structure of the performance management system and the performance driven behaviour of the organization need to be of high-quality. The people should be treated as ends in themselves and not merely as means to other ends (Armstrong, 2003).

#### **2.4 Challenges in Employee Performance Management System**

Implementation is difficult as bureaucratic processes hinder immediate decision making on the side of line managers which makes it difficult for line managers to make decisions on certain issues. Some line managers themselves have not grasped the techniques or the processes of performance management system. The top management of organizations is not well-sensitized on how the performance management system operates making it difficult to adopt changes immediately (Ndambuki, 2008).

The political regulatory policies all over the world are a hindrance to independent decisions by a department or government agency. This hampers especially the staff training and development which is critical in staff performance. It is possible that some members of staff are never trained as a result of lack of funds unless they have taken their own initiative. In an endeavour to improve delivery of services the organization has to plan and organize on how to empower the employees with the right knowledge and skills (Cole, 2000).

Lack of trained supervisors in matters pertaining to performance management leads to ambiguity in definition of roles and makes it impossible for the performance management

system to succeed. Unclear roles make it impossible for the employees to draw their own work plans. Line managers may rate their subordinates highly and others lowly unrealistically. Employees' are unable to prioritize their tasks.

Lack of proper job descriptions has complicated development of individual work plans and lack of computers and Information Technology skills to facilitate drawing up work plans. The subordinates are not aware of their targets as their roles are not clearly defined and are called upon to multi-task making it difficult to set clear targets for themselves and standards making feedback difficult (Armstrong, 2003).

Poor management and lack of proper governance in the public sector are a challenge to performance management system. The executives consider it as routine for the government to introduce certain regulations but implementing them is difficult. The poor attitude towards change among the executives and employees and lack of transparency and accountability has hindered performance towards efficiency and quality service delivery. Staff are struggling to meet the standards as they were not used to setting targets in their work. Equally important is the resistance to change by employees and managers as it is a new system which has been introduced and most staff are resistant to adopting it as they view it negatively (Oginga, 2008).

Lack of full autonomy in relation to decision making is a stumbling block in making independent decisions. The line managers have to consult all the time in order to be given direction and authority as pertaining to staff from the Ministry of State for Public Service. The staff are not enjoying the autonomy or independence as it should be (Abdi, 2008). When staff are promised autonomy and it is half- implemented, they are never fully committed to the objectives of the organization as it is outlined in its strategic plan and vision 2030 (Adundo, 2007).

Lack of clear and defined job descriptions makes it impossible for employees to make work plans which lay out targets to be achieved during a certain period. Clear job description provides employees with direction and support in carrying out their

responsibilities and has a positive impact on worker satisfaction and other employee outcomes. The results out of clear job description is increased innovation, higher level of customer service, lower turnover of staff and acts as a link to organizational employee performance targets and gives an employee clear direction regarding what is expected of him/her and how they will be rewarded. The result is more motivated workforce and a more successful organization (Hornsby, 1999).

There are legal implications involved in performance management system. Performance appraisals and the overall performance management system are tied to important events such as pay raises, bonus distribution and even employee termination. The management and managers should obtain appropriate legal advice in relation to their performance management processes so that they can ensure that they are in compliant with the law and avoid costly litigations. Lack of prior legal knowledge puts the management at stake to be involved in legal cases in Industrial Courts with employees (Dessler, 2004).

Employee performance management system can only succeed if all line managers understand it, and this can only succeed if thorough sensitization is done to staff Units or departments of the organization set a clear direction for the future through an annual planning and follow-up process to manage the organization's objectives, targets and goals in such a way that a common understanding is built throughout the organization without interfering with the work of line managers who may have defined the roles of each employee working under him (Armstrong, 2003).

Lack of clear Schemes of Service which are to define each officer's role and give a linkage between an individual's performance and career development. The Schemes of Service emphasize experience and seniority as tools for promotion without any linkage to performance management system and the individual's overall performance. They also fail to capture the competence-based performance assessment and recruitment since Key Result Areas (KRAs) are not given priority when developing job descriptions (Gateere,

Lack of computers and Information Technology skills lead to delays in preparation of work plans and targets. It is unfortunate that whenever change occurs, employees are never sensitized before roll-out but after realizing that the goals cannot be achieved is when management embarks on training employees. Resistance to change shows that sensitization ought to be carried out before the implementation. Lack of early sensitization is a hindrance to most employees adopting appropriate changes in the public service (Otieno, 2008).

Most challenges in the performance appraisal system stick out, making it difficult for the system to be wholly owned by all the stakeholders. Among the urgent measures that require to be taken for the successful implementation of the system include, training of all supervisors on work planning and target setting, linking of work plans and targets for funding, defining all jobs clearly so that each employee knows and understands what his expected output or role is.

Training on computers is mandatory for all staff to be Information Technology compliant. The availability of computers has made delivery of services faster and efficient. The creation of computer labs have enabled employees to access data without difficult. Employees are encouraged to focus more on their core jobs and avoid ad hock assignments which are outside their core functions and the culture of making quarterly reports has been reinforced and made mandatory for all employees (Muthaura, 2008).

Successful organizations know that to win in today's competitive market place they must attract, develop and retain talented and productive employees. Winning organizations get their competitive edge from a performance management system that helps them hire talented people, place them in the right position, align their individual performance with the organization's vision and strategic contributions to the organization's success (Jaffee,



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This chapter highlights the research design method used in the study, unit of study, data collection method and how data was analyzed and presented.

#### **3.1 Research Design**

The research was conducted through case study. A Case study allows a researcher to describe a unit in detail, in context and holistically (Orodho, 2003). It also allows an in-depth and detailed investigation of the organization under study; bring about deeper insight and better understanding of the problems faced by Kenya National Audit Office in implementing the employee performance management system.

#### **3.2 Data Collection**

The study was carried out in Kenya National Audit Office Headquarters where departmental head offices are located. It is also where most policies are drafted and piloted before being cascaded to other regions. It was important to get detailed information on employee performance management. The interview guide attached and indicated as Appendix I was used to administer questions to the respondents. Senior Managers at the grade of Deputy Auditors-General and Directors of Audit marked Appendix II who are in-charge of administering employee performance management system in Kenya National Audit Office were interviewed. The selection of the ten senior managers was judgemental and purposive in order to collect the desired information. Secondary data was also used in the study collected through KENAO Strategic Plan, Government Circulars and Public Service Update and other related documents.

#### **3.3 Data Analysis and Presentation**

The research was qualitative in nature. Descriptive analysis of data collected gave a detailed explanation of the state of affairs as it existed. In qualitative research, the feelings and insights of the respondents are considered important (Orodho and Kombo, 2003), and this would not only lead to fact findings, but also formulation of important

principles of knowledge and provide a solution to significant problems. Content analysis technique was used to analyze data to determine its usefulness, consistency, credibility and adequacy from which objective explanation from key findings, were interpreted and conclusions drawn about the issue under research.

## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter is based on the analysis of data collected by the researcher through in-depth interviews of Senior Managers at the grade of Deputy Auditors-General and Directors of Audit at the Kenya National Audit Office. It includes highlights on respondents' profiles, employee performance management, organizational and employee objectives, performance appraisal, staff training and development, rewards and sanctions.

#### **4.2. Respondents' Profiles**

The respondents were long-serving officers in Kenya National Audit Office and therefore had a wealth of experience and knowledge in the audit function and performance, as each had quite a number of staff under him and were in charge of performance management in the organization. Responses were obtained from all the ten respondents who had been identified as they were available and never went out to the field for audit inspections. All the questions on the interview guide were answered.

#### **4.3 Employee Performance Management System**

Employee performance management system was introduced in the Kenya National Audit Office through a government directive to enhance performance and improve service delivery in the public sector. It enables the staff to remain focused and directed to the organizational goals and objectives which must be SMART (specific, measurable, acceptable, realistic to achieve and time-bound with deadlines) and are derived from the Strategic Plan (2007 - 2012) composed of nine pillars.

The strategic objectives are important as they guided in decision making and described how the organization would accomplish its mission. The supervisors are able to track employee performance, identify their competencies and weaknesses and recommend on areas of improvement in order to achieve organizational goals as outlined in the Office mandate.

#### **4.4 Organizational and Employee Goals**

Employee performance management system has its basis on organizational goals and objectives which are derived from the organization's Strategic Plan. Kenya National Audit Office has a five year (5) Strategic Plan from which departmental and individual performance targets emanate. The targets and work plans are derived from the strategic plan which is anchored on the National Vision "Kenya Vision 2030". At the beginning of the financial year, the Auditor-General and the senior management from the five (5) departments meet for strategic planning and prepare Departmental work plans based on the nine pillars of the Strategic Plan from which employee expectations are laid.

The Departmental heads meet with staff under their direct supervision to discuss and ensure that the objectives and performance targets of the department are understood. Individual work-plans are derived from the departmental work-plans and the officer's job description. The work-plan will describe the performance targets or expected results on specific assignments and activities for which the staff member is responsible during the performance year. The branch heads meet with the staff under their direct supervision to discuss and ensure that the objectives and performance targets of the department are understood, determination of success and observation of well-defined values and ethics are all agreed upon. It is also at this stage that the staff has to identify a professional development goal to be achieved. This conforms with the current practice that performance objectives and targets should be drawn from the organizational goals.

Work-plans enable staff to remain directed and focused towards achieving their targets, but the challenge was lack of clear objectives and staff setting the objectives, as there was no formal training to employees to ensure understanding and adoption of the practice. The employees were yet to understand it as it was a new concept that had recently been introduced in the public service and sensitization and training was on-going to all staff. It was noted that personal development plans for staff were never discussed during goal setting and training of staff was randomly done leading to some staff being trained, while others were never trained at all.

## **4.5 Performance Appraisal**

A top performing organization has a performance appraisal in place that evaluates employee performance against the organization's strategic objectives and the goals set for the job. Additionally, employees are provided with feedback on ways to learn and grow in their position. Kenya National Audit Office has performance appraisal in place and is carried out annually. A good performance appraisal can only be achieved if the goals or targets are clearly defined and constructive criticism allows the employees to know where they can improve.

### **4.5.1 End of the Year Appraisal**

Monitoring performance throughout the year culminates in performance appraisal which is a formal assessment of employees' performance in a systematic and planned way. It was emphasized that appraising a subordinate is a manager's work and it is by it that a manager discharges his responsibility of assisting and teaching his subordinates. It was noted that it was mandatory for every employee to be evaluated and appropriate personnel records kept under custody for future reference.

The appraisal is done annually, and the financial year starts from July to June of the following year and the summation of the year's performance is reflected in the performance appraisal. Although performance appraisal is an on-going process throughout the performance period, any milestones noted in the employees' performance are documented and maintained in the Appraisee's personal file. It was noted that documentation of bad performance left an everlasting enmity between the supervisor and the appraisee, as it will affect the appraisee in terms of promotions, salary increment and responsibility allocation.

The end of the year appraisal takes place at end of the reporting period. The appraisee fills in Appraisal Form (G.P. 247), which acts as a guide in the evaluation process. The supervisor and appraisee meet to discuss the overall performance over the whole appraisal period. Prior to the meeting, the appraisee prepares a preliminary report the extent to

which the set performance targets were achieved as agreed at the beginning of the financial year with clear indicators to support performance.

The supervisor assesses the extent the appraisee had achieved the performance targets taking into account any unforeseen developments that may have affected performance during the period. It was clearly noted that some supervisors never met with their appraisees to discuss performance. Lack of meetings between the supervisor and appraisee led to non-evaluation and lack of documentation in the appraisee's personal file. The supervisor was also required to assess the appraisee's core competences and values such as integrity, meritocracy and confidentiality, customer focus, teamwork and professionalism.

The appraisal was criticized as it was only an evaluative exercise rather than managing performance as managers tended to be biased in the assessment in over-rating or under-rating the appraisee. Conversely, the appraisal enabled the manager and the subordinate to discuss the performance with honesty and openness to identify the weak and strong points in performance. It was agreed that the Appraisal Form was a very important document for reference as the comments made by the manager determined one's promotion, transfer, assignment of any responsibility, training and development but was never referred to until another financial year, so the corrective purpose was ignored.

#### ***4.5.2 Performance Ratings***

The supervisor used the likert rating scale consisting of five ratings in his assessment: Excellent, good, fair, poor and very poor.

##### ***Excellent Performance - (100%+)***

This rating indicates that performance fully met all the targets and exceeded them in several areas and such performance elicited a reward, and triggered setting of higher and more challenging targets for the staff in the following performance year.

***Good performance- (100%)***

This is performance that fully met all the targets agreed upon in the work plan, and represented an acceptable level of performance. However, an appraisee at this level was encouraged and assisted in the following year to exceed set targets to qualify for excellent performance.

***Fair Performance - (80% -99%)***

This performance fully met some of the targets agreed upon in the work-plan. Performance at this level might call for training and development intervention to address the appraisee's shortcomings.

***Poor Performance - (70% - 79%)***

The targets agreed upon in the work-plan were partially met. The staff performing at this level are informed in their cautionary and warning letters of the more serious consequences of continued poor performance. Causes of poor performance are identified and appropriate action taken to address them.

***Very Poor Performance - (below 70%)***

The performance targets detailed in the work plan were not met and the employee should be informed in the warning letter of the risk of separation or dismissal should the very poor performance recur in the following year. The supervisor is required to identify the reasons for this type of performance and to communicate the same to the Ministerial Performance Management Committee for consideration.

It was noted that this method of rating is susceptible to unclear standards, leniency or strictness and bias. The supervisor would also be unable to define excellent, very good, fair and poor performance leading to strictness or biasness on the side of the appraisee. The supervisors need to be thoroughly trained on the appraisal method. In the case of biasness or strictness, the supervisor needs to keep a diary to compile negative and positive critical incidents as they occur during the appraisal period. Appraisal is a very important tool as it affects promotions, salary raises, and dismissals.

## **4.6 Uses of Performance Appraisal Results**

### ***4.6.1 Feedback***

Feedback is giving employees information on how they are doing as a result of appraisal. It forms an essential tool in the employee performance management as employees feel recognized and sacrosanct to the organization. Feedback is provided by supervisors and it is built on the job but the employees should be aware of their targets and standards as it acts as a self-regulating mechanism to performance and this is a situation that supervisors should endeavor to create on the grounds that prevention is better than cure and employees place themselves on a self-managed learning process. It was realized that feedback corrects repetition of mistakes and keeps staff focused on what is required of them. It was noted that public service culture inhibited free interaction between senior management and employees, and the bureaucratic processes were a barrier to flow of information, making it difficult to give feedback to staff promptly as required.

### ***4.6.2 Career Planning and Succession***

Appraisal results are important in career planning and succession. The concentration on what happened and why it happened leads to obtaining data that is used for planning purposes. The planning is for both the organization and the individual. The good performers are encouraged to face greater responsibilities ahead and this enables the organization to fill vacancies faster when they fall vacant. The results also enable the staff focused on their career and grasp opportunities quickly when they arise.

### ***4.6.3 Guidance and Counselling***

Organizational success begins with a culture that supports and encourages employees to do their best. Feedback is given to employees through appraisal forms, peers, supervisors and direct reports. The numerous discussions and contacts with the supervisor guided the employee to ensure that he met the targets and never fell away from the performance track. Necessary assistance is given by the supervisor whenever an employee required it. It was noted that feedback was crucial to an employee as the supervisors were able to



offer guidance and counseling to staff who are underperformers and they improved tremendously in their delivery of services or job performance.

#### ***4.6.4 Staff Interaction***

Feedback to employees made the supervisor and staff to interact, allowing room for improvement in their areas of performance and staff tended to own their objectives and strove to achieve their targets timely. The interaction created teamwork and oneness in job performance. The weakness in interaction is that the staff get to know the supervisor too well that when he instructs them they ignore and never perform. The commonly used methods of communication were circulars, newsletters, memos, fax, small text messages (sms), meetings, telephone conversations and the internet which has offered a faster way of giving feedback but there was laxity in staff taking action.

#### ***4.6.5 Mentoring and Coaching***

The role of a leader is that of a coach, counselor and mentor in guiding and developing employees. Every employee needs coaching to capitalize on his or her talents and successfully achieve job objectives. Coaching and mentoring have come to the fore in modern organizations as a result of enforced best practices in performance. A supervisor, who is assumed to be more experienced to perform on the job, advises and helps his subordinates who are less conversant with the job objectives, and are facilitated to perform their tasks. During discussions between supervisors and staff, employee excellence is encouraged and a good supervisor is always concerned about his subordinates' performance and advises them accordingly. It was noted that the bureaucratic environment inhibited mentoring and coaching as most supervisors did not care about their subordinate's performance.

#### ***4.6.6. Staff Training and Development***

Appraisal provides an excellent framework for designing training and development programmes. Organizations known for workplace excellence commit to employee training and development during both good and lean times as knowledge is power and the organization is as strong as the employees. Staff training and development plays an

important role in increasing the knowledge and the skills of the staff and it all depended on the policy and strategy that an organization had in empowering the employees with right knowledge and skills to improve performance.

Kenya National audit Office adopts professional excellence and has a positive policy on training and development enabling staff to have a personal motivation through development opportunities provided by the Office. Training and Development opportunities have been funded by the World Bank and African Bank through the Government. The funding has enabled the Office to have a pool of skilled and knowledgeable officers in their areas of specialization.

The Office has developed a systematic training through Training Needs Assessment (TNA), unlike before when staff were randomly picked for training. The Training Needs Assessment (TNA) is done by use of job descriptions, employee appraisal records, and training data kept by the Training Office. There are structured training programmes such as sponsorships on Information Communication Technology (ICT), Degrees in various fields, induction courses for newly recruited staff; in-service training for serving staff at Government Training Institutes (GTFs) and any training engagement that resulted to improved performance.

In an effort to assist staff develop their knowledge and skills, the Office has established within its premises, a library stocked with modern management books with two librarians in-charge, from which staff borrow books. Other staff carry out their private studies when they are on leave and this has increased the staffs knowledge capacity. The donor agencies have also assisted in stocking relevant books in the library. One weakness realized was that staff borrow books and they never return, but they are surcharged if books borrowed are not returned in time or lost.

It was noted that empowering staff with the necessary skills led to a pool of skilled manpower for the organization, and the existing skills were generally improved. The increase in knowledge and experience of employees culminated in improved job

performance resulting in improved production of timely reports and unearthing of corrupt deals and scandals. There has been improved service to customers, greater commitment of staff (increased motivation), increased value of employees' knowledge and personal growth opportunities for employees.

The major problem which was noted was that when employees have been trained in professional skills and competences they resign and join other organizations, which is a waste of resources on the side of Kenya National Audit Office and Government. The solution is to bond the staff to work for the organization for a certain number of years to apply the knowledge gained before they look for jobs in other lucrative organizations. The Government can also formulate policies on Government sponsorships to control exodus of employees after being sponsored for training in Government training institutes or colleges.

#### **4.7 Performance Results**

KENAO has the right employees who are well-trained in all areas of specialization due to Government support and donor agencies. All they needed was to shed off public service culture and attitude of laziness, laxity and complacency for better service delivery. There was pressure in the Office that there must be quality, effective and efficient service delivery and the result from performance were used in rewarding, sanctioning and training.

##### **4.7.1 Rewards**

Best organizations know that they get what they reward. Such organizations clearly outperform average organizations when it comes to rewarding their highest achievers. The reward system is partially institutionalized due to the semi-autonomous status of the Office. If fully operationalized an excellent performer attracts a bonus award of one month's basic salary. It was noted that performance results were used for promotion but strictly in accordance with the Scheme of Service; redeployment, and transfers of staff from one station to another on assignment or higher responsibility. Those who were excellent performers were never left out during promotion but were to be interviewed

along with others. However, it was realized that, the current model of interviewing job applicants did not reflect the complexity that the work environment entailed.

There was widespread belief that the current method of interviewing left out staff who were highly committed, but had no time to prepare for their interviews with the thoroughness it deserved and some were naturally frightened and left the Selection Boards without answering any question. They ended up losing the promotion while with strategic preparation; the lazy and non-committed staff with political attachment and nepotism secured the promotions. As a result, people who do the work are demoralized.

#### **4.7.2 Sanctions**

Sanctions are more operational than rewards as staff who do not perform are sent cautionary and warning letters and finally followed by dismissal. Every employee who is an under-performer is placed in a disciplinary situation but is given an opportunity to state and defend his case. Fair performers are alerted through writing on the consequences of deterioration of performance. Poor and very poor performance attracts a warning letter and finally dismissal. There were also demotions in terms of responsibility if an employee did not perform according to the work requirements. It was argued that the Office acted faster on sanctions than rewards.

#### **4.8 Management Support**

The Kenya National Audit Office management is supportive of employee performance management, as the results of performance enabled them to identify employees requiring guidance and counselling and entrenching the practice through training and sensitization workshops. The challenges faced such as culture and resistance to change, lack of clear job descriptions for all cadres as well as challenges in the development of individual work plans and the setting of SMART (specific, measurable, achievable, realistic and time bound) targets are impediments to the successful implementation of the policy but are being addressed through regular staff sensitization workshops and seminars.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary, conclusions and recommendations of the research findings in line with the objective of the study.

First a summary of the finding in Chapter four is provided, conclusions of the study based on the objective of the study follows. The study recommends to the stakeholders regarding the findings, areas of further research to scholars wishing to do research on public institutions on the subject of employee performance management system.

### **5.2 Summary'**

The objective of the study was to evaluate the effectiveness of employee performance management system in the Kenya National Audit Office. The study established that the Kenya National Audit Office has adopted employee performance management system through government directive for quality, effective and efficient service delivery in the public sector. It was noted that employee performance management system was introduced as a result of poor service delivery in the public sector and need for quick response to both internal and external client needs. The World Bank also needed reforms in Kenya National Audit Office so as to meet the donor target demands through application of International Financial Reporting Standards (IFRS's).

Employee performance management system has its basis on organizational goals and objectives which are derived from the organization's Strategic Plan. Kenya National Audit Office has a five year (5) Strategic Plan from which departmental and individual performance targets emanate. The targets and work plans are derived from the strategic plan which is anchored on the National Vision "Kenya Vision 2030". At the beginning of the financial year, the Auditor-General and the senior management from the five (5) departments meet for strategic planning and prepare Departmental work plans based on

the nine pillars of the Strategic Plan from which employee expectations are laid and work-plans enable the staff to remain focused and directed.

The challenge was setting goals as the staff had not had formal training on setting individual targets. This is being resolved by sensitization and holding seminars and workshops to disseminate the knowledge of setting targets as the staff remained focused and directed toward the mission and vision of KENAO and consequently improving the overall performance of the organization. Targets enabled an employee to be fully committed to his work performance. The respondents said that bureaucratic processes hindered decisions on rewards and sanctions, lack of total independence for Kenya National Audit Office, adopting change by staff was difficult and lack of formal training on employee performance management system.

Kenya National Audit Office has a performance appraisal system in place which is very important in rewarding salary increases, promotions, demotions, transfers, and dismissals. The appraisal is documented but there are challenges faced such as biasness in appraisal and the supervisors are unable to rate performance as excellent, good, fair and poor. This has necessitated that supervisors are taken for seminars and workshops on performance appraisal for staff under their supervision. The appraisal records are also kept without being referred to until the next financial appraisal period unless staff has a disciplinary case. The records never play their role appropriately in monitoring performance.

The Office has developed a systematic training through Training Needs Assessment (TNA), unlike before when staff were randomly picked for training. The Training Needs Assessment (TNA) is done by use of job descriptions, employee appraisal records, and training data kept by the Training Office. There are structured training programmes such as sponsorships in Information Communication Technology (ICT), Degrees in various  
\* fields, induction courses for newly recruited staff; in-service training for serving staff at Government Training Institutes (GTI's) and any training engagement that resulted to improved performance.

The challenge was that after training, the staff resigned and looked for lucrative jobs elsewhere. The Office should look for a way of bonding these staff so that they offer services for a certain period of time before they leave the organization. This will reduce the training and recruitment costs and staff turnover as evidenced between years (2005 - 2010).

Rewards and sanctions have not been fully institutionalized due to the semi-autonomous state of the Office. Sanctions are more effective than rewards, but also disciplinary cases took too long before they were finalized due to long procedures followed. The Office should endeavour to institutionalize rewards, and the sanctions such as disciplinary cases should take the shortest time possible for staff to know their fate as quickly as possible.

### **5.3 Conclusions**

In regard to the objective of the study, the aim of the research paper was realized. It was realized that Kenya National Audit Office has employee performance management system in place but it is ineffective on the side of rewards. If rewards are institutionalized the performance management will be effective. The Authorized Officer is empowered to identify staff to be rewarded and this will be a motivating factor to great performers. The rewards have not been clearly defined, and staff are not sure of their fate whether they worked hard to improve on delivery of services or not.

The long bureaucratic processes should be shed-off to allow decisions pertaining to staff being made as quickly as possible. The poor interaction in public sector means that implementation of certain policies becomes difficult. The fast decision making and commitment of staff in the private sector leads to the assumption that performance management cannot be implemented in the public sector. Culture change, commitment of staff and rewards can improve performance. It is difficult to encourage employees to perform in certain ways or to accomplish outlined goals unless they know that their compensation is tied to performance. The staff can be motivated by rewards.

#### **5.4 Recommendations**

The study recommends that the Kenya National Audit Office should implement rewards and sanctions as this is the only way staff could be motivated and retained in the Office to avoid the high rate of staff turnover exhibited in the years 2005 - 2010. The young and energetic professionals after being trained and developed leave the Office to look for lucrative and well paying jobs elsewhere in other organizations. There is need to tie the performance management with rewards.

The study recommends that the Kenya National Audit Office management ties performance with rewards as this will be the only way of success and sustenance of the system, the management should empower the operations managers who are supervisors of performance and listen to their feedback as they listen to the grievances of their staff pertaining to rewards and sanctions. The implementation of rewards and sanctions should be more motivating than that of the mainstream Civil Service as it is a semi-autonomous Office.

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#### **5.5 Suggestions for Further Research**

This is an important study for those wishing to study various aspects of employee performance management system in the public, particularly this time when the government is fully committed to implementing the process in the public sector and the researchers should find out why management are resistant or not keen on rewards but act faster in sanctioning performance.

It has been established that private sector is more effective in employee performance management system; research could be done on the impact of rewards and sanctions on employee performance, its motivational role, and its effect on the organization as a whole. These would have an impact on employee morale and subsequent productivity of employees and the organization in general can be explored.



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**Appendix I - Interview Guide**  
**Section A - Bio Data**

Designation

Department

No. of years worked

What is your responsibility in Kenya National Audit Office

**SECTION B - EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM**

1. How many employees are in your Department?
2. Is there a formal employee performance management system in your organization?
3. What has prompted your organization to adopt a performance management system?
4. How are the employees informed of their objectives?
5. How does the organization encourage them to meet such objectives?
6. Are the performance targets for the employee set by the supervisor?
7. How often is your employee performance management process appraised?
8. What methods do you use in communicating with your staff about their performance?
9. Do you give performance feedback to staff under your supervision Yes/No?  
If yes how?
10. Has performance management processes improved employees' performance?
11. Are performance appraisal results linked to the reward or sanction system?
12. What influence does the organizational culture have on performance management processes?
13. What are some of the difficulties encountered when formulating performance management strategies?
14. Explain the efforts the organization is making to address challenges in performance management processes if any?
15. How is monitoring of performance conducted in your organization?
16. How do you rate your organization in terms of quality of workforce, efficiency and effectiveness in service delivery?
17. What steps has your organization taken to enhance staff skills and knowledge for quality service delivery?
18. What is the attitude of the management towards employee performance management?  
Are they Supportive?
19. How are the results of performance utilized? (Rewards, demotion, promotion, dismissal or training).
20. Is there a formal reward system to support performance?

<sup>w</sup>  
**Appendix II - Interviewee Schedule**

- |                           |   |
|---------------------------|---|
| 1. Deputy Auditor General | Central Government (CG)                           |
| 2. Deputy Auditor General | Local Authorities (LG)                            |
| 3. Deputy Auditor General | Specialized Audit                                 |
| 4. Deputy Auditor General | Corporations I                                    |
| 5. Deputy Auditor General | Corporations II                                   |
| 6. Director of Audit      | (FAHR) Finance, Administration and Human Resource |
| 7. Director of Audit      | Corporations                                      |
| 8. Director of Audit      | Local Government                                  |
| 9. Director of Audit      | Central Government                                |
| 10. Director of Audit     | Water Boards                                      |

