THE RELATIONSHIP BETWEEN PERFORMANCE MANAGEMENT SYSTEM AND ORGANIZATIONAL PERFORMANCE AT THE STANDARD CHARTERED BANK KENYA LIMITED

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OCTOBER 2010
DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

Full name: Laurence Waka Ambetsa
REG NO: D61/P/8532/05

Signature…………… Date……………………

SUPERVISOR

This project has been submitted for examination with my approval as university supervisor.

Jeremiah Kagwe
Lecturer, University of Nairobi

Signature…………… Date……………………
DEDICATION

I dedicate this work to my loving parents, Mr. Livingstone Ambetsa and Mrs. Beverly Ambetsa, for always believing in me, for seeing me through my education and for constantly encouraging me to strive for excellence. I love you both and may God Almighty continue to shower you with everlasting blessings.
ACKNOWLEDGMENTS

I would like to thank Mr. Kagwe my project supervisor for his direction, assistance, and guidance. His recommendations and suggestions have been invaluable. Thank you!

Special gratitude goes to my parents, Mr. and Mrs. Ambetsa for their support, understanding and encouragement. Thank you!

Lastly, I would like to express my heartfelt gratitude to the entire staff of Standard Chartered bank Limited for their immense support and their invaluable input and cooperation especially during the data collection exercise. Many thanks and may God Almighty bless you all.
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ABSTRACT

This study was set out to investigate the relationship between performance management systems and organizational performance at Standard Chartered Bank Kenya Limited. The objectives of this study were to determine performance management system adoption at Standard Chartered Bank Kenya Limited and to assess the relationship between Performance Management System and Organizational performance at Standard Chartered Bank Kenya Limited.

This study adopted a case study design, which is most appropriate in the investigation of relationship between performance management systems and organizational performance at Standard Chartered Bank Kenya Limited. A sample of 15 heads of departments at Standard Chartered Bank Kenya Limited was selected using simple random sampling. The respondents were subjected to the study through an interview guide. The researcher used both primary and secondary data. Secondary data was collected by use of desk search techniques from bank’s publications, journals, and annual reports.

The study found that Standard Chartered Bank Kenya Limited has adopted performance management system and sets high-performance goals and coaches’ staff to improve performance. The bank always considers job analysis and job descriptions, customized performance appraisal forms and conducts valuable performance appraisals training. Profitability was ranked to have increased to a very great extent with the performance management system, followed by productivity. It can be concluded that the performance management system that has been set in place serves to improve the organizational performance.

The findings recommend that organizations should adopt the performance management systems, as they will gain a competitive edge over their competitors. A performance management system will help the organization hire talented people, place them in the right position, align their individual performance with the organization’s vision and strategic objectives, develop their abilities, and reward performance commensurate with contributions to the organization’s success. Further research could be undertaken to compare changes in the use of performance management systems in specific decision-making contexts pertaining to different groups of stakeholders, such as pricing and contract negotiation, reporting to funding bodies and disclosure.
of information to groups of professional staff, as well as adopting a more holistic approach.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study
The concept of performance management has been one of the most important and positive developments in the sphere of human resource management in recent years. The phrase was first coined by Beer and Ruh (1976) and only in the 1980s did it take a more continuous and integrated approach. There are different views on what performance is. It can be regarded simply as the record of outcomes achieved on an individual basis; it is a record of a person’s accomplishments. Successful organizations know that to win in today’s competitive marketplace 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 objectives, develop their abilities, and reward performance commensurate with contributions to the organization’s success (Varma, Budhwar, and DeNisi, 2008).

In Kenya as well as in all countries worldwide, organizations have realized that performance evaluation is the key to effective Human Resource Management (HRM) and the human resource is the most important factor for success in any organization. Bryson (1988) put forth that “The notion is that HRM involves the integration of people with businesses goals and strategies. People are viewed as strategic capital or resources which can be used for the purpose of attaining competitive advantage”.

1.1.1 The Concept of Performance Management
The term Performance Management (PM) has been used differently by everyone to discuss varied issues. In his Performance Management definition search article entitled ‘what is performance management for you?’ Bart (2000) recognizes the fact that this term has a two-fold meaning. The first is for performance appraisal or evaluation and the other meaning is for applied behaviour analysis in organization settings. The real difference between the two is how they treat the consequences. When used to describe appraisal or evaluation, consequences are delivered by the system, such as discipline or coaching. When used in behaviour analysis terms, consequences are delivered “real time” by an individual, whether by manager, peer team member
Managing employee or system performance facilitates the effective delivery of strategic and operational goals. There is a clear and immediate correlation between using performance management programs or software and improved business and organizational results (Daniels, 1999). The focus of employee performance management systems has been on performance planning and evaluation, rewards and discipline (Armstrong and Baron, 1998). The contemporary approach as advocated by strategic human resource management (SHRM) theorists sees performance management as a deliberate human resource intervention whose sole purpose is to align every employee’s work efforts with the objectives of the organization, manage these efforts on a daily basis, measure employees performance, reward them accordingly and stimulate individual development to enhance employees contribution to the organization’s success (Armstrong and Baron, 1998).

At Standard Chartered Bank Kenya Limited, there are many different ways to contribute but ultimately high performance and personal commitment are at the heart of everything they do, and these are the yardsticks by which performance is measured. The organization operates a rigorous performance management system aimed at continually driving up levels of achievement. Performance discussions are part of what the organization does and are embedded into the day-to-day activities of the organization. Therefore, the bank takes on performance management as a continuous process with some fixed annual points in the process but the core of its success is the sharing of feedback on progress and identifies any steps that are necessary to achieve or exceed agreed outcomes.

1.1.2 Performance Management Systems and Organizational Performance

Performance management is a management tool to equip managers, supervisors, employees and stakeholders at different levels with techniques to regularly plan, continuously monitor, periodically measure and review performance of the organization in terms of indicators and targets. Performance management has been identified as a means of enhancing organizational control over employees, constructing a consistent statement of managerial expectation, and promoting a view of the firm (Carlton & Slowman, 1992). Performance management is held to be an important driver in determining valuable outputs, such as employee commitment.
Identification by employees with the organization in terms of adherence to its values, goals and desired behaviours is assumed to bring a strong culture and be conducive to organizational success (Porter, 1996). Performance management is a means of getting better results from a whole organization by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. Performance management system is a framework which describes how performance management will be addressed and implemented in the organization. It also describes the roles of the various stakeholders involved in the process (Johnson and Scholes, 2000).

A performance management system, in and of itself, is an accountability system. It shows everyone from senior executives to front-line employees what business results they are accountable for and sets expectations for how they should go about achieving results. But, to be effectively implemented, the process needs to start at the top. Senior executives need to clearly define the organizations strategic priorities and communicate them throughout the organization. The strategic priorities are the make or break, action-oriented targets the organization must focus on in order to move the organization toward its vision such as improving the customer retention rate or accelerating speed to market of products. Organizational performance is best defined as the ability to set ambitious goals and then achieve them. Employee performance management system provides cascading goals functionality that transforms each employee's goals into an individual scorecard that can be aligned directly to the corporate strategy (Varma, Budhwar, and DeNisi, 2008).

Responses from numerous organizations that had implemented performance management system and had been using it for approximately three years, the average dollar value of positive changes attributable to the system equaled $750,000 for the three-year period. Improvements were seen in employee productivity, customer satisfaction, employee job satisfaction, quality of products and services, degree of innovation, and financial performance (Davis and Rodgers, 2006).

1.1.3 Performance Management System in Kenyan Banks

The banking industry in Kenya comprises of 49 financial institutions with 43 commercial banks, one operating non-bank financial institution, two mortgage finance companies and two building societies. The competition for survival and growth within the industry is extremely intense- this
poses a major challenge owing to the poor performance of the economy in the recent past, decline in the inflow of investments and shrinkage of profits (CBK, 2005). The Kenyan banking institutions have high-priority objectives which are published on their intranets. From those high-priority objectives, business unit, departmental, and unit objectives are established which are then cascaded into individual’s performance plans, starting at the executive level.

The Kenyan banking industry is seemingly relentless focused on self-improvement continues apace with its recent adoption of performance management solutions. A compelling benefit financial institutions gain from increasing operations transparency is the ability to ensure the linkage between strategic initiatives and daily activities. PMS allow managers across an enterprise to view a consistent stream of daily performance data, at varying degrees of granularity. And the imperative to increase operational transparency is more compelling than ever the Central Bank of Kenya insists on more rigorous disclosure. PMS solutions allow the financial organizations to meet two critical challenges. PMS help address the compliance needs of banks, and they also enable timely decisions that can ensure the efficiency and improved performance demanded by stakeholders in the Kenyan banking industry.

Standard Chartered Bank Kenya Limited was formed through a merger of two banks; The Standard Bank of British South Africa, founded in 1863, and the Chartered Bank of India, Australia and China, founded in 1853. Standard Chartered Bank opened its branches in Kenya in January 1911, with 2 branches; one at Treasury Square in Mombasa and the other on Kenyatta Avenue in Nairobi. Today, the Bank has an excellent franchise, with a network of 32 branches strategically located across the country, 84 Automated Teller Machines (ATMs) and 1,040 employees. Standard Chartered Bank Kenya Limited has continued to make good progress over the years building on the record income and profits posted in the previous periods. It continues to benefit from the growth opportunities across the target market segments and the continued deliberate focus on capital and liquidity strength remains a source of competitive advantage (Standard Chartered, 2010).

1.2 Statement of the Problem
Performance Management has over 25 years of proven results. It does improve both organisational success and the way the organisation manages their most valuable resource – the
people who make everything possible. Bart further states that results achieved with Performance Management differ from a 10% increase in production/safety behaviour and so on to almost 40% (Bart, 2000). Successful organizations are discovering performance management as a critical business tool, one that plays an important role in translating business strategy into results. Success with performance management doesn’t happen automatically, though. It requires work. Those individuals responsible for implementing and maintaining the performance management system must ensure that their management team understands the potential of effective performance management and is committed to its success (Border, 1999).

The success of an organization is built on its human asset—its teams, their leaders and how they work and learn together. Business leaders often develop strategies, which are inconsistent with the realities of the business enterprise itself, or the realities of the marketplace. This is common and reflects the additional concerns of changing conditions. They also struggle with the relationship of their intended strategy and performance management. This makes implementation difficult, and it reflects the human side of business (Border, 1999). According to Bart (2000), the organization, the staff, and how they work is the crucial, differentiating factor in achieving competitive edge. The success that results from managing people effectively is often not transparent as to its source, and therefore virtually impossible to duplicate. Good performance management has two components—behavioural and systems/processes. It requires identifying and managing the links between micro level (individual), meso level (groups), and macro level (organisational) processes. The links are the information, which is extracted, communicated and acted upon (Bart, 2000).

At Standard chartered Bank Kenya Limited, performance management system is the process through which managers ensure that employee activities and outputs are congruent with the organization’s goals. It is central to gaining competitive advantage. Effective human resource practices relate to the bank’s performance by contributing to employee and customer satisfaction, innovation, productivity, and development of a favorable reputation of the bank in the industry. There is thus the need to evaluate performance management system at Standard Chartered Bank Kenya Limited to assess whether the benefits attributable have been reaped and whether performance management system has impacted on the bank’s performance. The upsurge of interest in multidimensional PM in the management accounting literature has been dominated by
efforts to design effective systems for this purpose (Fitzgerald et al., 1991; Lynch and Cross, 1991; Kaplan and Norton, 1992).

However, comparatively little attention has been paid to the social processes whereby such systems are implemented (Ittner and Larcker, 1998), or how they come to be used in the way they are. The approach guiding previous research is mainly one of rational instrumentalism; hence power relationships and political bargaining processes, studies of which would enhance our understanding of systems implementation and use (Markus and Pfeffer, 1983; Baier et al., 1986), have largely been ignored.

Mureithi (2008) in his study on reasons for slow adoption of performance management concept in non-governmental organizations operating in Nairobi found out that more emphasis has been placed on performance planning and performance contracts and very little on performance monitoring and training. As a result the full beneficial effects of proper performance management implementation can not be enjoyed by the NGO’s. Obiye (2002), in his study on the survey of preferred methods, raters and uses of performance appraisals by employees in selected tertiary public institutions in Nairobi found out that while all respondents had the full knowledge and understanding of the components of performance management, the only important parts in the components was planning and contracts. They admitted the need for training in performance management for their employees.

Ngolovoi (2001), in his study on the perceived social and psychological effects of performance appraisal in selected international donor organizations in Kenya found out that performance appraisal had a positive effect on the international donor organizations by promoting a positive attitude towards donor relations. Mzenge (1983) in his study on employee performance appraisal at the Teacher’s Service Commission found out that monitoring and appraisal systems were put in place to check on the implementation of performance for the individual employee and the organization objectives and their achievement as a result. None of the previous studies has dealt with Performance Management System been adopted at Standard Chartered Bank Kenya Limited. Based on this evaluation, there is a gap in literature to warrant a research to be conducted in this organization. This study therefore intends to provide an insight into the adoption of performance management concept in Standard Chartered Bank and also if it has had
any impact on the banks’ Performance.

This study sought to answer the following research questions:

i. How has Performance Management System been adopted at Standard Chartered Bank Kenya Limited?

ii. What is the relationship between Performance Management System and Organizational performance at Standard Chartered Bank Kenya Limited?

1.3 Objectives of the Study

The objectives of this study were:

i. To determine Performance Management System adoption at Standard Chartered Bank Kenya Limited.

ii. To assess the relationship between Performance Management System and Organizational performance at Standard Chartered Bank Kenya Limited.

1.4 Value of the Study

The research will be of importance to Standard Chartered Bank Kenya Limited since it will enable the bank evaluate the effect of performance management System on the banks performance. The Bank will be able to know how effective Performance Management can be in determining the success or failure of its operations, especially in achieving its goals and objectives. This will act as a basis upon which improvement can be sought in the work place through performance planning, performance agreement, appraisals and evaluations, continuous training & development.

This study will add to the existing body of knowledge on the role of performance management System, the benefits accruing, and the conditions for consideration. It will make significant contribution to performance management in Kenya as it will provide a lot of insight about how performance management impacts to organizations. Consequently the study will encourage and reinforce interest of managers in Performance Management System as tool for remaining competitive in today’s rapidly changing workplace.

Other researchers will get valuable information regarding performance management in the
banking sector. They will be furnished with relevant information regarding performance measures. The study will enlighten them through the provision of knowledge on the relationship between performance management and organizational behaviour in the banking field. This study will also add to the existing knowledge and stimulate further research on different aspects of Performance Management.
CHAPTER TWO: LITERATURE REVIEW

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

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

Performance management is a tool, which the personnel managers are with the ultimate goal of securing a competitive advantage of the organization. Performance management is the approach that constitutes personnel management in holistic sense firmly set within the context of business planning and strategy (Daniels, 1999). Sisson further adds that by concentrating on the macro issues of strategy and planning and all the organizational politics that are involved, the need to get the right micro processes of the actual techniques and procedures of each of the component part of personnel management could get lost. It is comparable to concentrating on the architecture of a building and ignoring the importance of bricks.

Performance management is a means of getting better results from a whole organization by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for continuous
improvement of business processes and for their own skills and contribution (Johnson and Scholes, 2000). Performance management should operate within the ethical considerations of mutual respect, procedural fairness and transparency. According to both Bart (2000) and Armstrong (2001), Performance Management is primarily concerned with Performance improvement; this helps to achieve organizational, team and individual effectiveness. It is also concerned with Employee development: performance improvement is not achievable unless there are effective processes of continuous development. Performance management should really be called ‘performance and development management.

It satisfies the needs and expectations of stockholders, owners, management, employees, customers, suppliers and the general public. In particular employees are treated as partners whose interests are respected and whose opinions are sought and listened too. Performance management recognizes that needs of the stakeholders will not always coincide and each party must thus be accorded the due respect. Communication and involvement through continuous dialogue between managers and members of their teams establishes mutual understanding of what is it is to be achieved. Performance management operates as a partnership between the organization and each individual working in it. Both parties contribute to the definition of objectives, tasks, standards, and performance measures, monitoring progress and developing performance (Armstrong, 2001).

2.2.2 Performance Management as a Process

Probably the main criticism that has rightly been made about the application of Performance management is that it has been introduced as a top-down and rigid system that seeks easy solutions to complex problems, which it will inevitably fail to deliver. It is much better to regard performance management as a flexible ‘process’ not as a system. The use of the term ‘system’ implies a rigid standardized and possibly bureaucratic approach that is inconsistent with the concept of performance management as an evolutionary process applied by managers working with their staff in accordance with the circumstances in which they are working (Armstrong 2001). As such it involves managers and those whom they manage operating as partners but within framework that sets out they can best work together. This framework has to reduce the degree to which performance management is a top-down affair, and it has to be congruent with the way in which any particular organization functions. Performance management has to fit
process based flexible organizations. In these circumstances—which are increasingly the norm—it has to replace the type of appraisal system that only a hierarchical and bureaucratic organization.

Performance Management consists of organizing, automating and analyzing these key performance indicators in the context of the business processes, methodologies and systems that produce them. Performance Management helps businesses make more efficient use of their financial, human, material and other resources. Organizations frequently identify one or more of seven elements as the most “challenging” when implementing performance management systems. These are not insurmountable obstacles, but elements that require the greatest attention and work. If not addressed, they can cause the performance management system to fail (Sumlin, 2006).

2.2.3 Criteria for performance measures

Performance management in organizations is measured in a variety of ways. It can be measured through Objectives or goals, which describe something to be accomplished, by individuals, departments and organizations over a period of time. They can be expressed as targets to be met (such as sales) and tasks to be completed by specified dates. They can be work-related, referring to the results to be attained, or personal, taking the form of developmental objectives for individuals. Objectives need to be defined and agreed. They will relate to the overall purpose of the job and define performance areas - all the aspects of the job that contribute to achieving its overall purpose. Targets then need to be set for each performance area. Alongside objectives are performance standards. They are used when it is not possible to set time-based targets, or when there is a continuing objective, which does not change significantly from one review period to the next and is a standing feature of the job. These should be spelled out in quantitative terms if possible, for example, speed of response to requests or meeting defined standards of accuracy (Sumlin, 2006).

Individual input measures may include competence, skills and experience and the extent to which new skills are applied in the job, potential to develop and/or acquire new skills and progress to next career level, behaviours associated with developing and knowledge sharing, and communication skills and other traits which enhance team roles (Houldsworth and Jirasinghe, 2006). Team measures include individual contribution to the team through involvement in cross
team projects, support for other individuals to achieve their objectives and participation in cross organisation initiatives by providing timely input, understanding of team role and engagement scores (Houldsworth and Jirasinghe, 2006). As set out to Armstrong and Baron (1998), performance measures should be related to the strategic goals and measures that are organizationally significant and drive business performance (Armstrong and Baron, 1998).

The performance measures should also be relevant to the objectives and accountabilities of the teams and individuals concerned they are only effective if they are derived from statements of accountabilities and/or are based on well-researched capability frameworks. They need to focus on measurable outputs, accomplishments and behavior that can be clearly defined and for which evidence can be made available. They need to indicate the data or evidence that will be available as the basis of measurement and they should also be verifiable-provide information that will confirm the extent to which expectations have been met. Performance measurement should be as precise as possible in accordance with the purpose of the measurement and the availability of data as well as provide a sound basis for feedback and action (Armstrong and Baron, 1998).

It should be comprehensive, covering all the key aspects of performance, so that a family of measures is available, bearing in mind, as stated by Walters (1995), that ‘effective performance is measured not merely by the delivery of results (however outstanding) in one area, but by delivering satisfactory performance across all the measurers’. Perhaps one of the most important concepts of performance management is that it is a continuous process that reflects normal good management practices of setting direction, monitoring and measuring performance and taking action accordingly. Performance management should not be imposed on managers’ as something ‘special’ they have to do. It should be treated as a natural function, which all good manages carry out (Armstrong, 2001).

Conventional performance appraisal systems are usually built around an annual event, the formal review that tends to dwell on the past. This is carried out at the best of the personnel department, often perfunctorily and then forgotten. Managers proceed to manage without any further reference to the outcome of the review, and the appraisal form was buried in the personnel record system. A formal often-annual review is still an important part of performance management framework but is not the most important part. Of equal, if not greater prominence is, the
performance agreement and continuous process of performance management. That the organization is a ‘learning organization’ in the sense that it is constantly developing and applying the learning gained from experience and the analysis of the factors that have produced high levels of performance (Daniels, 1999).

Updating objectives and work plans is a major issue that arises from managing performance throughout the year because as new situations arise, provisions must be made for updates and amendments. This involves discussing what the jobholder has done and achieved, his shortfalls in achieving the objectives and the reasons for them. Then agreeing on changes to objectivities and actions required to improve performance. In traditional merit rating or performance appraisal schemes, the annual appraisal meetings was the key event—in fact, in most cases the only event in the system. Line managers were often highly skeptical about the process, which they felt was imposed on them by the personnel department. A typical reaction was ‘not another new appraisal scheme; the last didn’t work’ (Daniels, 1999).

Review meetings are likely to be more effective if both parties—the manager and the individual know about it in advance and have prepared themselves effectively. Among other helpful tips the manager must create the right atmosphere, use praise, invite self-appraisal and discuss performance—not personality. Despite careful training and guidance some managers will be better at conducting review meetings than other therefore it is good to evaluate their performance before using the report as a basis for any decision. A survey done in confidence or a review of the form by a senior manager may help (Daniels, 1999).

2.3 Performance Management Systems
The performance management system has over 25 years of proven results. It can improve the way the organization manages its most valuable resource—the people who make everything possible. Performance management implementations follow a time-tested process that ensures implementation success. At the same time, every performance management implementation is customized to meet the individual client requirements. This combination of proven technology with specialized care is the reason performance management delivers improved and measured business results every time. The essential components of a performance management system include a performance plan, which is negotiated between a manager and employee for a given
period, usually a year. During the year management gives employees feedback on their performance and may suggest how it can be improved. The performance is appraised at the end of the year to reward or develop the employee. The cycle is then completed with a new performance plan. It is only through a well-designed performance management system that an organization gets power to retain the best employees, give these employees reason to maintain their good performance, deal with poor performers appropriately and attract the needed type of employee for the organization (Armstrong, 2001).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter is concerned with the various steps that facilitated execution of the study to satisfy the study objectives. These steps include: research design, population of interest, sample data collection instruments and procedures and, data analysis.

3.2 Research Design
This study adopted a case study design, which is most appropriate in the investigation of relationship between performance management and organizational performance at Standard Chartered Bank Kenya Limited. This gave the required observation of the kind of strategies prevalent and factors affecting the organization performance and how these are being addressed.

3.3 Data Collection
The study selected 15 respondents as heads of departments at Standard Chartered Bank Kenya Limited using simple random sampling. The respondents were subjected to the study through an interview guide. The researcher used both primary and secondary data. Secondary data was collected by use of desk search techniques from published reports and other documents. Secondary data included the bank’s publications, journals, and annual reports.

Primary data was obtained through interview guides. The interview guides were structured to contain both closed and open-ended questions (see appendix I). The closed ended questions enabled the researcher to collect quantitative data while open-ended questions gave the respondent to collect qualitative data. The interview guide was divided into two sections. Section one was concerned with the general information about the respondents. Section two dealt with the performance management system at Standard Chartered Bank Kenya Limited. The target respondents were head of departments in the organization.

3.4 Data Analysis
Data from the completed questionnaires was summarized, coded and tabulated. Descriptive statistics such as mean; standard deviation and frequency distribution were used to analyze the data. This was then presented as frequency distribution, means, percentages, and standard
deviation were used to analyze the data. Data presentation was done by the use of charts, graphs, percentages and frequency tables. Inferential statistics was used in drawing conclusions. Data in part A of the questionnaire was analyzed using frequency distributions and percentages to determine the profile of respondents. Data in part B was analyzed using mean scores and standard deviations to determine the adoption of performance management system and its impact on performance of Standard Chartered Bank Kenya Limited. Mean scores of the likert scale were used to determine the impact of performance management system on organizational performance.
CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION

4.1 Introduction
This chapter presents a detailed discussion of the research findings in an attempt to achieve the research objectives. Data analysis is carried out based on the objectives of the study.

4.2 Analysis of General Information
15 questionnaires were distributed to heads of departments at Standard Chartered Bank Kenya Limited. However, only 12 were completed and returned, representing an 80.00% response rate.

4.2.1 Gender of the Respondents
The study sought to find out the gender of the respondents. It captured the gender of the respondents. Table 4.1 shows their response.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>8</td>
<td>66.67%</td>
</tr>
<tr>
<td>Female</td>
<td>4</td>
<td>33.33%</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 4.1 shows that 66.67% of the respondents interviewed were in male with 33.33% the respondents being female.

4.2.2 Length at the bank
The study sought to find out how long the respondent had worked with the bank which is captured in table 4.2.

<table>
<thead>
<tr>
<th>Length</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-7 years</td>
<td>5</td>
<td>41.67%</td>
</tr>
<tr>
<td>7-10 years</td>
<td>4</td>
<td>33.33%</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>3</td>
<td>25.00%</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
From the table above it is evident that most of the respondents had worked for the bank between 3-7 years. 41.67% of the respondents had worked for the bank for 3-7 years, 33.33% are had worked for the bank for between 7-10 years and the rest 25.00% for above 10 years.

4.2.3 Bank Performance
The study sought to find out the performance of the bank, which is captured in table 4.3 below.

Table 4.3: Bank Performance

<table>
<thead>
<tr>
<th>Performance</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>8</td>
<td>66.67%</td>
</tr>
<tr>
<td>Very good</td>
<td>4</td>
<td>33.37%</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table 4 shows that majority (66.67%) of the respondents rated the performance of the bank as excellent, while the rest, 33.37% rated the performance of the bank as very good. This indicated that on averages the performance of the bank as very good.

4.3 Findings
The objectives of this study were to determine performance management system adoption and the relationship between performance management system and organizational performance at Standard Chartered Bank Kenya Limited. The following were the findings:

4.3.1 Extent that Performance Management has been communicated
The respondents were asked to indicate the extent to which performance management has been communicated to the staff. The results are as indicated in the table 4.4 below.

Table 4.4: Extent that Performance Management has been communicated

<table>
<thead>
<tr>
<th>Communication</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Great extent</td>
<td>9</td>
<td>75.0</td>
</tr>
<tr>
<td>Very great</td>
<td>3</td>
<td>25.0</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100.0</td>
</tr>
</tbody>
</table>

As shown in the table, majority of the respondents (75.0%) indicated that performance management been communicated to the staff to a great extent. The rest (25%) indicated that
performance management has been communicated to the staff to a very great extent.

4.3.2 Performance Management Systems

The respondents were then asked to rate on a scale of 1 to 5; (1= Not clear at all, 2= To a less extent, 3= To a moderate extent, 4= To a great extent, 5= To a very great extent) the extent to which performance management system factors applied to Standard Chartered Bank Kenya Limited. The results are as indicated in the table 4.5 below.

**Table 4.5: Rating Of Performance Management Factors**

<table>
<thead>
<tr>
<th>Performance Management System Factors</th>
<th>Very great extent</th>
<th>Great extent</th>
<th>Moderate extent</th>
<th>Total</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
<td>Frequency</td>
<td>Frequency</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To what extent does the bank attract and retain talented people?</td>
<td>10</td>
<td>2</td>
<td>-</td>
<td>12</td>
<td>1.17</td>
</tr>
<tr>
<td>Are there well-defined job descriptions and performance expectations?</td>
<td>9</td>
<td>3</td>
<td>-</td>
<td>12</td>
<td>1.25</td>
</tr>
<tr>
<td>To what extent is the Performance Review meeting conducted in a friendly and helpful way?</td>
<td>7</td>
<td>3</td>
<td>2</td>
<td>12</td>
<td>1.58</td>
</tr>
<tr>
<td>To what extent are employee’s individual goals aligned with the company’s vision, values and strategic objectives?</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>12</td>
<td>1.5</td>
</tr>
<tr>
<td>To what extent is coaching carried out to improve performance?</td>
<td>10</td>
<td>2</td>
<td>-</td>
<td>12</td>
<td>1.17</td>
</tr>
<tr>
<td>To what extent does the bank recognize and reward performance?</td>
<td>10</td>
<td>2</td>
<td>-</td>
<td>12</td>
<td>1.17</td>
</tr>
<tr>
<td>To what extent does the bank train employees for the Future?</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>12</td>
<td>1.33</td>
</tr>
<tr>
<td>To what extent has the bank customized a performance appraisal system that is unique to its needs and demands</td>
<td>9</td>
<td>3</td>
<td>-</td>
<td>12</td>
<td>1.25</td>
</tr>
</tbody>
</table>

The respondent indicated that Standard Chartered Bank Kenya Limited attracted and retained talented people, does coaching to improve performance, recognizes and rewards performance, all of which had means of 1.17. The respondents further indicated that the bank has well-defined job description and performance expectations, a customized performance appraisal system that is
unique to its needs and demands as indicated by the means of 1.25. The bank trains employees for the future and the performance review meetings are conducted in a friendly and helpful way.

4.3.3 Designing the Performance Appraisal System

The respondent’s were then required to evaluate and rate how often factors were considered when designing the performance appraisal system by the bank. Means for the factors were established in order to provide a generalized feeling of all the respondents. Always responses were coded 1, sometimes responses were coded 2, and never responses were coded 3. Means closer to one implied that the factor was rated always by most respondents, Means closer to 2 implied that most respondents rated that the factor sometimes, while means closer to 3 implied that the factor was rated as never by the respondents. The results are as indicated in the table 4.6.

<table>
<thead>
<tr>
<th>Table 4.6: Designing the Performance Appraisal System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Analysis and Job Descriptions</td>
</tr>
<tr>
<td>Customized Performance Appraisal forms</td>
</tr>
<tr>
<td>Setting High-Performance Goals</td>
</tr>
<tr>
<td>Conducting Valuable Performance Appraisals Training</td>
</tr>
<tr>
<td>Coaching to Improve Performance</td>
</tr>
</tbody>
</table>

The respondents indicated that Standard Chartered Bank Kenya Limited always sets high-performance goals and coaches’ staff to improve performance, which had means of 1.17. The respondents further indicated that the bank always considered job analysis and job descriptions, customized performance appraisal forms, conducts valuable performance appraisals training as indicated by the means of 1.25, 1.33 and 1.42 respectively.

4.3.4 Impact of Performance Management System

The respondents were asked to evaluate the extent to which the following had increased with the performance management system at Standard Chartered Bank Kenya Limited. The factors were
to be rated on a scale of 1-5 with 1= To a very great extent, 2= To a great extent, 3= To a moderate extent, 4= To a less extent, 5= Not clear at all. These were analyzed by mean rankings of the responses obtained, which are as shown in figure 4.1 below.

**Figure 4.1: Impact of Performance Management System**

![Impact of Performance Management System: Mean Rankings](image)

It is illustrated in Figure 1 above that profitability (mean 3.9) was ranked to have increased to a very great extent with the performance management system, followed by productivity. The findings suggest that employee morale and product innovation were rated to have increased to a great extent by majority of the respondents. Though all the factors were rated to have increased, retention of top performers got a lower ranking (3). This is probably because of the competition which is thriving in the environment and the banks are always head hunting for new staff so as to maintain their image, performance and reputation.

**4.6 Discussion**

The deployment of a successful Performance Management System requires a willingness to evaluate existing business processes and a comprehensive analysis of business and operational requirements. When implementing a Performance Management System, an organization must form a project team whose members have experience in not only designing and developing Performance Management Systems but also understand how managers typically evaluate performance, make decisions, and analyze data. They must ultimately understand how business decisions are made. Selecting the right Performance Management toolset is also of critical
importance. Creating a successful Performance Management System is to define in advance the business processes employed to produce, extract, gather, update, and disseminate data and to calculate, share, and discuss Performance Management analysis and conclusions. The keys are to carefully plan, communicate and document these crucial activities so that they are well understood throughout the organization and that the system is flexible enough support decision-making at the personal, departmental and organizational level.

Successful organizations know that to win in today’s competitive marketplace 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 objectives, develop their abilities, and reward performance commensurate with contributions to the organization’s success.

The benefits of effective performance management systems include improved productivity in that there is improvement in both the way people work and the outcomes they produce. It was also noted that there is improved employee morale resulting from on-time performance appraisals and rewards commensurate with employee contributions. The bank strives to retain top performers which makes employees who feel accomplished in their work become loyal employees. The performance management system results in increased profitability as loyal employees deliver higher levels of service that result in customer loyalty.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter discusses the results gathered from the analysis of the data, as well as the conclusions reached. The chapter incorporates the various suggestions and comments given by the respondents in the interview. Findings have been summarized alongside the objectives of the study, conclusions have been drawn from the study and the recommendations for action are also given.

5.2 Summary of the Findings
Majority of the respondents interviewed at Standard Chartered Bank Kenya Limited were male. Majority of the respondents had been with the bank for between 3 to 7 years. Majority of the respondents rated the performance of the bank as excellent. The findings indicated that on average the performance of the bank was very good. The respondents indicated that performance management had been communicated to the staff to a great extent. They further indicated that Standard Chartered Bank Kenya Limited attracts and retains talented people; it does coaching to improve performance, recognizes and rewards performance. The respondents indicated that the bank has well-defined job description and performance expectations, a customized performance appraisal system that is unique to its needs and demands. The bank trains employees for the future and the performance review meetings are conducted in a friendly and helpful way.

The respondents indicated that Standard Chartered Bank Kenya Limited always sets high-performance goals and coaches’ staff to improve performance. The bank always considers job analysis and job descriptions, customized performance appraisal forms and conducts valuable performance appraisals training. Profitability was ranked to have increased to a very great extent with the performance management system, followed by productivity. Though all the factors were rated to have increased, retention of top performers got a lower ranking. This is probably because of the competition which is thriving in the environment and the banks are always head hunting for new staff so as to maintain their image, performance and reputation.
5.3 Conclusions
The study focused on the relationship between performance management system and organizational performance at Standard Chartered Bank Kenya Limited. From the findings it can be concluded that Standard Chartered Bank Kenya Limited holds a favorable image in the market, which is consistent with the market trends, and the reputation that it enjoys in the banking sector. It can also be concluded that the performance management system that has been set in place serves to improve the organizational performance. It has been common thinking of ongoing performance management for employees, for example, setting goals, monitoring the employee's achievement of those goals, sharing feedback with the employee, evaluating the employee's performance, rewarding performance or firing the employee. Performance management applies to organizations, too, and includes recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. There are numerous, major methods and movements to regularly increase the performance of organizations. Each includes regular recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. It can thus be concluded that performance management system at Standard Chartered Bank Kenya Limited improves organizational performance. There is however need to continually improve the performance management system so as to better the results of the bank as a whole.

5.4 Recommendation for Policy Analysis and Practice
Successful organizations are discovering performance management as a critical business tool, one that plays an important role in translating business strategy into results. Success with performance management doesn’t happen automatically, though. It requires work. Those individuals responsible for implementing and maintaining the performance management system must ensure that their management team understands the potential of effective performance management and is committed to its success. With that commitment in place, pursuing the facets of performance management will sustain momentum and secure a successful system implementation.

Successful organizations in today’s competitive marketplace must attract, develop, and retain talented and productive employees. Winning organizations will 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 objectives, develop their abilities, and reward performance commensurate with contributions to the organization’s success.

5.5 Limitations of the study
These study findings have to be viewed in account of the following shortcomings that occurred in the course of the conduct of the study. The respondents studied in this research were from one organisation and conclusions drawn from this study may not be representative and therefore they cannot be generalized to other industries. The study also only captured the members of the one focus group thus excluding other important stakeholders like the members of the public from giving their views.

5.6 Recommendations for Further Studies
Further research could be undertaken to compare changes in PM use in specific decision-making contexts pertaining to different groups of stakeholders, such as pricing and contract negotiation, reporting to funding bodies and disclosure of information to groups of professional staff, as well as adopting a more holistic approach. The core concepts of integration and balance in PMS design and use are complex phenomena that may require intensive studies of the intended and actual use of various performance measures for different purposes.
REFERENCES


APPENDIX

Appendix I: Interview Guide

SECTION A: Background information

1. Gender: Male [ ] Female [ ]

2. Position in the organization ________________________________________________

3. How long have you worked with the bank?
   - Below 3 years
   - 3-7 years
   - 7-10 years
   - Above 10 years

4. How do you rate your Bank’s performance?
   - Excellent
   - Very good
   - Good
   - Poor

SECTION B: PERFORMANCE MANAGEMENT SYSTEM

5. To what extent has Performance Management been communicated to the staff?

   Not at all ( ) Little extent ( )
   Moderate extent ( ) Great extent ( )
   Very great extent ( )

6. To what extent do the following performance management system factors apply Standard Chartered Bank Kenya Limited? Please tick the most appropriate option using the provided scale of:
   1. Not clear at all
   2. To a less extent
   3. To a moderate extent
   4. To a great extent
   5. To a very great extent

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent does the bank attract and retain talented people?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are there well-defined job descriptions and performance expectations?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To what extent is the Performance Review meeting conducted in a friendly and helpful way?</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To what extent are employees individual goals aligned with the company’s vision, values and strategic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
objectives?

<table>
<thead>
<tr>
<th>To what extent is coaching carried out to improve performance?</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent does the bank recognize and reward performance?</td>
</tr>
<tr>
<td>To what extent does the bank train employees for the Future?</td>
</tr>
<tr>
<td>To what extent has the bank customized a performance appraisal system that is unique to its needs and demands</td>
</tr>
</tbody>
</table>

7. How often are the following factors considered when designing your performance appraisal system?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Always</th>
<th>Sometimes</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Analysis and Job Descriptions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customized Performance Appraisal forms</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coaching to Improve Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. To what extent have the following increased with the performance management system? Please tick the most appropriate option using the provided scale.

<table>
<thead>
<tr>
<th>Factor</th>
<th>To a very great extent</th>
<th>To a great extent</th>
<th>To a moderate extent</th>
<th>To a little extent</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Morale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retention of Top Performers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

20. Any other comments………………………………………………………………………………………. 
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