

**PERFORMANCE MANAGEMENT AND EMPLOYEE SATISFACTION IN
INSURANCE COMPANY OF EAST AFRICA, KISUMU BRANCH**


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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
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DECLARATION

I declare that this research project is my original work and has not been presented for award of any degree in any university.

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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

In loving memory of my late brothers, Martin and Collins Robby, who always inspired me.

ABSTRACT

Performance management is concerned with enhancing employee performance at work as well as providing them with satisfaction. In its entirety, performance management is primary to the success of any organization considering the global competition and turbulence in the business arena. It is concerned with satisfying the needs and expectations of an organization's stakeholders; employees included.

This study was carried out to establish the employee performance management process used in Insurance Company of East Africa, Kisumu Branch. In addition, it was aimed at determining the influence of employee performance management process on employee satisfaction. It employed a case study research design. Data analysis was conducted using descriptive statistics such as the mean, percentages and frequencies. The data was further subjected to Pearson's Correlation analysis to determine the influence of performance management process on employee satisfaction.

The findings indicated that Insurance Company of East Africa, Kisumu Branch has an employee performance management process which incorporates: performance and development agreement; managing employee performance throughout the year and conducting formal performance review. The study therefore agrees with Gareth et al (2000) who suggest that organizations adopt employee performance management as a competitive strategy. The study also established that 66% of employees in the branch were satisfied with the employee performance management process in place.

The study further revealed that employee performance management process enhances employee satisfaction and vice versa. This concurs with Robson et al (2005) whose study suggested that organizations that implement "good practices", such as employee performance management, and who are achieving organizational results are likely to be closer to satisfying their staff. The organization, however, scored poorly in areas such as team work 44% and work environment where 34%. It is recommended that a similar study be replicated in the other branches or the organization as a whole to ascertain consistency with these findings, given that it was limited to one branch.

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CHAPTER ONE: INTRODUCTION

1.1 Background

The advent of global organizations, facilitated by modern technology, has seen competitive pressures increase and this has prompted businesses to review how their performance is managed, with specific reference to the human resource function. Globalization has indeed ushered in rapid change and organizations that ignore performance management as a competitive strategy risk being driven out of business (Gareth et al, 2000). Insurance companies are no exception.

Corporate performance management frames the condition, prospects and risks of an institution. The intent of corporate performance management is to improve overall corporate performance by providing the information required (through performance measures e.g. balanced score card among others) to make timely, informed and proactive decisions. Corporate performance management relies on a framework that links together the elements needed to plan, monitor and manage the business strategy of an institution, including performance measurements and the supporting technologies that can bring it all together (Robert & Norton, 2001). Corporate performance results from individual employee performance alongside other performance drivers. Employee performance management is, therefore, a component of corporate performance management.

1.1.1 Employee Performance Management

Davidson (2004) asserts that employees are the most valuable assets a corporation has and that they are the catalysts of any organization. Njenga-Orlale (2008) observes that the competitive advantage of any organization in a global economy depends primarily on how well its human resource is managed. Of course, the financial, technological, and other material resources are undoubtedly critical, but these resources are generated by the industrious and creative efforts of people, and it is also their ingenuity that also ensures that these resources are effectively deployed. This argument underscores the importance of employee performance management.

Performance management is concerned with actions taken to improve performance in order to achieve organizational, team or individual effectiveness. Improving performance is only achievable where there are processes of continuous development. This in turn addresses the core competencies of the organization and the capabilities of the individual and teams (Lawson, 1995). Employee performance management is the systematic process by which an organization involves its employees as individuals and members of a group in improving organizational effectiveness in the accomplishment of its mission and goals through participative goal setting, continuous performance monitoring and performance reviews. Employee performance management plays a significant role in the overall corporate performance. Armstrong (2006) asserts that the assumption underpinning human resource management practice is that people are the organization's key resource and organizational performance largely depends on them. Adoption of appropriate range of human resource policies and processes, therefore, makes a substantial impact on firm performance. Torrington et al (2005) state that, the approach in many organizations has traditionally centered on the assessment of performance and the allocation of reward. Performance is typically seen as the result of the interaction between individual ability and motivation. According to them, organizations are increasingly recognizing that planning and enabling performance have a critical effect on individual performance. They cite search variables as: clarity of performance goals and standards, appropriate resources, guidance and support from the individual's manager, as important to individual performance.

1.1.2 Employee Performance Management Process

Dessler (2008) identifies the building blocks of effective performance management process as composed of rewards, recognition and compensation which play a role in providing consequences needed to keep the employees' goal-directed performance on track. Armstrong (2006) views employee performance management process as a self-renewing cycle that incorporates: performance and development agreement; managing performance throughout the year and performance review.

Performance agreements form the basis for development, assessment and feedback in the performance management process. They define expectations on the form of role

profiles that set out role requirements in terms of key result areas and the competencies required for effective performance. The role profile provides the basis for agreeing on objectives and methods of measuring performance and assessing the level of competency reached. The performance agreement incorporates any performance improvement plans that may be necessary, and a personal development plan. It describes what individuals are expected to do as well as what support they will receive from the manager. The agreements emerge from the analysis of role requirements and the performance review. Measurement is an important concept in performance management. It is the basis for providing and generating feedback, it identifies where things are going well to provide the foundations for building further success, it also indicates where things are not going so well, so that corrective action can be taken. The objectives measured should be Specific, Measurable, Achievable, Relevant and Time bound (SMART).

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 therefore be treated as a natural function that all good managers carry out. To ensure that the performance management culture is built and maintained, it has to have the active support and encouragement of top management who must make it clear that it is regarded as a vital means of achieving sustained organizational success.

Although performance management is a continuous process, it is still necessary to have a formal review once or twice a year. This provides a focal point of key performance and development issues. Performance review meeting is the means through which the five primary performance management elements of agreement, measurement, feedback, positive reinforcement and dialogue can be put to good use. The review should be rooted in the reality of the employee's performance. It allows managers and individuals to take a positive look together at how performance can become better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their

results. Managers should be encouraged to adopt their proper enabling role: coaching and providing support and guidance (Ibid).

1.1.3 Employee Satisfaction

Employee performance management is generally aimed at enhancing employee performance at work as well as creating employee satisfaction. An employee who performs well by meeting their target is likely to derive greater satisfaction which motivates them to perform better. It is also true that a satisfied employee performs better than one who is not. Employee satisfaction refers to whether employees are happy and contented, and fulfilling their desires and needs at work (Jessica, 2002). While most organizations typically emphasize generating new business and cutting cost, a rapidly growing body of evidence points to an indirect yet undeniable correlation between employee satisfaction and financial performance. Numerous studies also support the idea that there exists a link between employee satisfaction and customer satisfaction, productivity and financial results (Greenberg, 2004). Mike (2005) cites a link between employee satisfaction and customer satisfaction. In his study which involved call centre employees, he discovered that call centres that had highly satisfied employees had correspondingly satisfied customers. In terms of industry comparison, he found out that the financial and insurance companies had the highest employee satisfaction. He ranked the top five important contributors to employee satisfaction as: feeling appreciated for the work they do; not working in a stressful environment; being valued and respected within the organization; availability of career opportunities for advancement within the organization; and effectively utilizing employee's knowledge and skills.

1.1.4 Employee Performance Management and Employee Satisfaction

Essentially, employee performance management is concerned with enhancing employee performance at work as well as providing them with (employee) satisfaction. Employee performance at work is inter-dependent with employee satisfaction in the sense that, when an employee performs well by meeting their goals, they derive satisfaction from this. This propels them to perform even much better.

Satisfied employees quite often display “ownership” of the organization in which they work. Peters & Austin (1986) argue that employees with a feeling of ownership with respect to either their organization or role are more likely to provide better levels of performance. Robson et al (2005) conducted a study that suggested that organizations that implement “good practices” covering a range of managerial aspects, and who are achieving organizational results are likely to be closer to satisfying their staff. Practices relating to people, performance management and organizational results also show association with employee satisfaction.

Armstrong (2000) opines that performance management should actually be called “Performance and development management”. According to him, performance management is concerned with satisfying the needs and expectations of an organization’s stake holders - owners, management, employees, customers, suppliers and the general public. He advocates for employee involvement and respect which is very important in creating employee satisfaction.

1.1.5 Insurance Company of East Africa (ICEA)

ICEA was established on 10th November, 1964 by three companies: Eagle Star Insurance Company, Welfare Insurance Company (both of United Kingdom) and New Zealand Insurance Company. This is represented by the three stripes on its shield.

ICEA was incorporated on the same year and started writing general business on 1st January, 1965. The company entered life assurance business in 1966. It had an initial establishment of about 50 staff at both its Nairobi and Mombasa offices. In 1976, the foreign share holders sold their interests to a group of pioneering local investors. It thus became the first major privately owned local insurance company. It acquired City House in 1977, but currently has a number of residential properties spread across Nairobi’s premier locations ICEA is therefore a composite insurance company whose products and services include both Life Assurance and General Insurance. Currently, the company has about 762 employees; 262 permanent employees and a sales force of about 500.

satisfaction. Mike (2005) conducted a study that painted the insurance industry as amongst the industries that have the highest level of employee satisfaction. According to Carpittella (2003), employee satisfaction has numerous effects on an organization's business. He asserts that businesses that excel in employee satisfaction issues reduce turn over by 50% from the norm, increase customer satisfaction to an average of 95%, lower labour cost by 12% and lift pretax margins by an average of 4%. These ultimately impact positively on corporate performance.

A number of studies have been undertaken on employee performance management: Employee Performance Management Process: A Case Study of Postal Corporation of Kenya (Abdi, 2008); Employee Performance Management Practices in the Kenya Local Government Sector: A Case Study of City Council of Nairobi (Njenga-Orlale, 2008); Employee Performance Management in Court Registry (Oresi, 2005), amongst others. To the best of the researcher's knowledge, no study has been carried out on Performance Management and Employee Satisfaction in ICEA- Kisumu Branch. This study, therefore, is aimed at filling in this knowledge gap.

1.3 Objectives of the study

- i) To establish the employee performance management process used in Insurance Company of East Africa, Kisumu Branch.
- ii) To determine the influence of employee performance management process on employee satisfaction in Insurance Company of East Africa, Kisumu Branch.

1.4 Significance of the study

Managers in governmental and non-governmental organizations will use the findings of this study to put in place effective employee performance management processes and policies that create employee satisfaction hence improved performance.

The government will benefit from the findings of the study as it makes decisions that relate to policies that govern effective employee performance management in creating employee satisfaction e.g. remuneration, rewards, performance contracting, etc.

The employees will use the findings of this study, as a base, to negotiate with their employers for fair and effective performance management processes and procedures that would satisfy them.

The scholars will find the findings of this study useful in making references.

CHAPTER TWO: LITERATURE REVIEW

2.1 Performance Management

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 coined by Beer and Ruh in 1976, but it did not become recognized as a distinctive approach until the mid 1980's. It grew out of the realization that a more continuous and more integrated approach was needed to manage and reward performance. This was because the crudely developed and hastily implemented performance related pay and appraisal systems were all too often failing to deliver the results that, somewhat naively, people were expecting from them. Performance management rose like a phoenix from the old-established but somewhat discredited systems of merit rating and management by objectives (Armstrong, 2000). He views employee performance management as a strategic and integrated process that delivers sustained success to organizations by improving the performance of people who work in them by developing the capabilities of individual contributors and teams. It is based on agreement of objectives, knowledge, skill and capability (competence) requirements, performance, improvement and personal development plans. It involves the joint and continuing review of performance against these objectives, requirements, plans and the agreement and implementation of improvement and further development plans. It is holistic – covers the whole organization, departments, teams and individuals. Performance management is strategic in the sense that it is concerned with broader issues facing a business, if that business is to function effectively in its environment and the general direction which covers competence or capability level and achievements as well as objective setting and reviews.

Jackson et al (2009) define performance management as a formal, structured process used to measure, evaluate and influence employee's job related attitudes, behaviors and performance results. They say that performance management helps to direct and motivate employees to maximize their efforts on behalf of the organization. The scholars, further, state that organizations with effective performance management define clear performance goals and measures, conduct performance appraisals, and provide ongoing feedback.

Performance management in its fullest sense is based on the belief that everything that people do at any level contributes to achieving the overall purpose of the organization. It is therefore concerned with what people do (their work), how they do it (their behavior) and what they achieve (their results). It embraces all formal and informal measures adopted by an organization to increase corporate, team and individual effectiveness and to continuously develop skills, knowledge and competence. It is not left for Human Resources Department (that appraises annually) and forgotten (Armstrong, 2000).

Performance management is a means of getting better results from a whole organization, or teams and individuals within it, by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. It is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way that increases the probability that it will be achieved in the shorter or longer term. According to Armstrong, performance management should be called "Performance and Development management". Armstrong and Baron (1998a) describe performance management as "a strategic and integrated approach to deliver sustained success to organizations by improving performance of the people who work in them and by developing the capacity of teams and individual contributors.

Performance management is concerned with satisfying the needs and expectations of an organization's stake holders - owners, management, employees, customers, suppliers and the general public. In particular, employees are treated as partners (in enterprise) whose interests are respected, who have a voice on matters that concern them, and whose opinions are sought and listened to. He asserts that, performance management should respect the needs of individuals and teams as well as those of the organization, recognizing that they will not always coincide (Armstrong, 2000). He, further, argues that performance management is concerned with communication and involvement. That it creates a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information and the organizations mission, values and objectives. This, he

says, establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved.

Winstanley and Stuart-Smith (1996) identify ethical considerations or principles in performance management. These include: respect for the individual – people should be treated as “ends in themselves” and not merely as “means to other ends”; mutual respect – the parties involved in performance management processes should respect each other’s needs and pre-occupations; procedural fairness – the procedures incorporated in performance management should be operated fairly so as to limit the adverse effect on individuals; transparency – people affected by decisions emerging from performance management processes should have the opportunity to scrutinize the basis upon which decisions were made.

Fletcher (1993:38) pointed out that the real concept of Performance Management was associated with an approach to creating a shared vision of the purpose and aims of the organization, helping employees to understand and recognize their part in contributing to them and, in so doing, enhancing the performance of both individual and the organization. He emphasized that appraisal is only one element in performance management; though it plays a pivotal role in that it provides a vehicle through which strategic goals can be transformed into performance at the individual level. Lansbury and Quince (1988) added that the true value of performance management lies not in its being a management tool but in improving mutual communication within the organization. Thus the process needs to be a continuous one in order for feedback loop to function. Only through an effective performance management system can an organization ensure its employees are pursuing its goals and behaving in ways with its vision statement.

Performance management is a process that unites goal setting, performance appraisal, and development into a single, common system whose aim is to ensure that the employee’s performance is supporting the company’s. The distinguishing feature of performance management is that it explicitly measures the employee’s training, standards setting, appraisal, and feedback relative to how his or her performance should be and is contributing to achieving the company’s goals. It does not mean

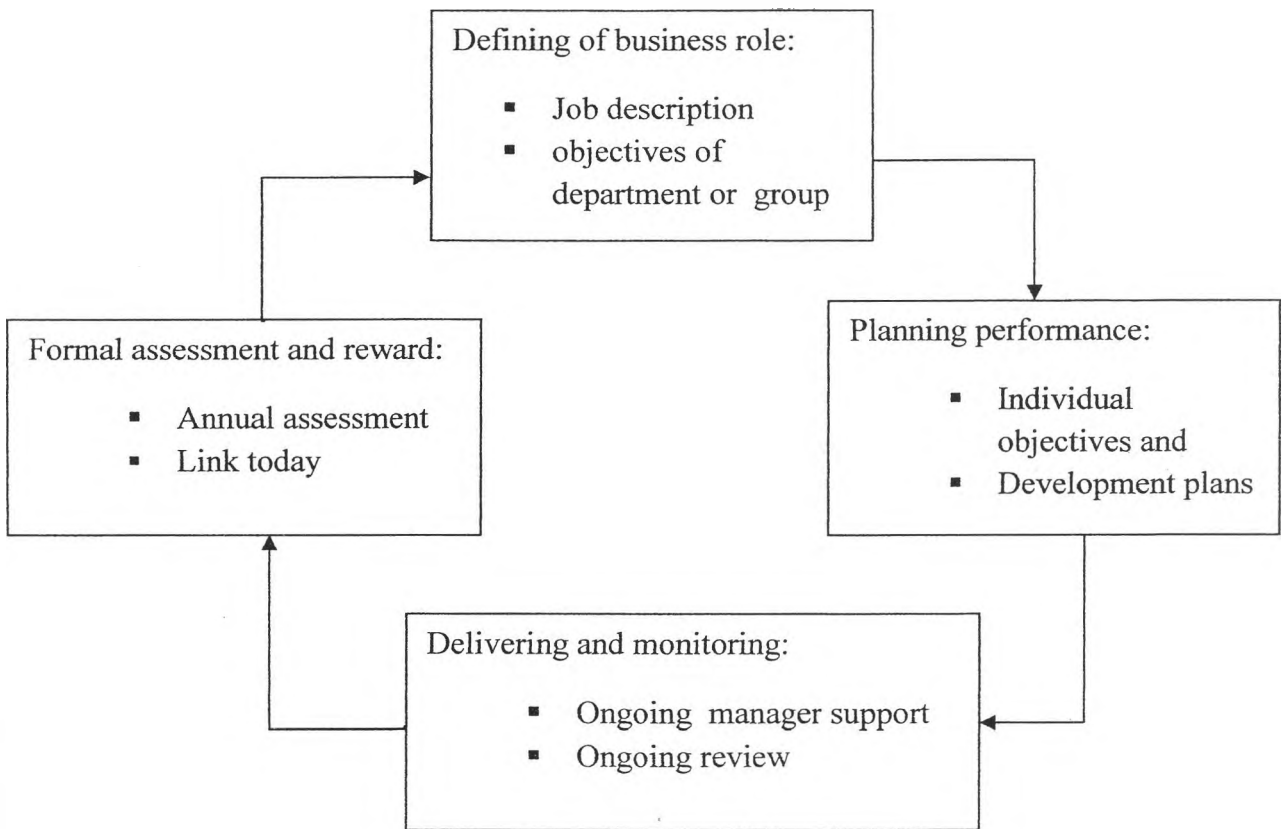
meeting with a subordinate once or twice a year to review their performance but daily or weekly interactions to ensure continuous improvement in the employee's capacity and performance. It also means ensuring that the employee has training he or she needs to perform the job (Dessler, 2008). Mabey and Salaman (1995) state that the essence of performance management is establishing a framework in which performance by individuals can be directed, monitored, motivated and rewarded, and whereby the links in the cycle can be audited. According to them, motivation is an element of Performance Management.

Employee performance management is key in enabling the employee to understand what is expected and the order of priorities. In addition, goals themselves are seen to provide motivation, and this is based on goal setting theory originally developed by Locke in 1968 and further developed with practical applicability (Latham & Locke, 1990). Torrington et al (2005) point out that for goal to be motivating; they must be sufficiently specific, challenging, but not impossible, and set participatively.

2.1.1 Steps in Performance Management System

Torrington et al (2005) agree with the assumption that before it is able to plan and manage individual performance, the organization will have made significant steps in identifying the performance required of the organization as a whole. In most cases, they say this will involve a mission statement so that performance is seen within the context of an overriding theme.

Fig.2. 1: Steps in a typical performance management system



Source: Adopted from Torrington et al (2005) PP 263

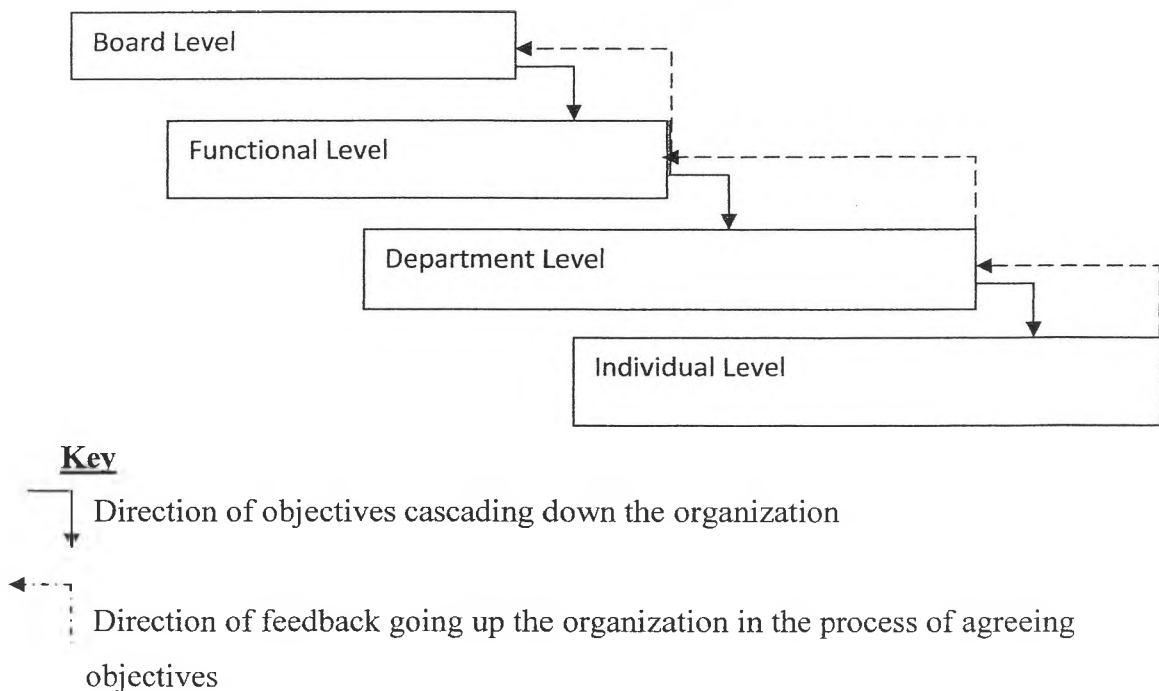
2.1.1.1 Business missions, values, objectives and competencies

Bevan and Thompson (1992) clarified that Performance Management organizations were likely than others to have an organizational mission's statement and to communicate this to employees. In addition, many organizations will identify the strategic business objectives that are required within the current business context to be competitive, and that align with the organization's mission statement. Many

organizations will also identify core values of the business and the key competencies required. Each of these has a potential role in managing individual performance.

Organizational objectives are particularly important, as it is common for such objectives to be cascaded down the organization in order to ensure that individual objectives contribute to their achievement (Torrington et al, 2005)

Fig. 2.2: An objective setting cascade



Source:Adopted from Torrington et al (2005) pp. 264

2.1.1.2 Planning performance: shared view of expected performance

Individual objectives derived from team objectives and an agreed job description can be jointly devised by manager and employee. These objectives are outcomes/results oriented rather than task oriented, are tightly defined and include measures to be assessed. The objectives are designed to stretch the individual, and offer potential development as well as meeting business needs. The objectives should be prioritized. Many objectives use the acronyms “SMART” to describe individual objectives or targets (i.e. Specific; Measurable; Appropriate, Relevant and Timed) Torrington et al (2005).

Moving staff to a different view of how their personal objectives contribute to team and organizational objectives is an important part of the performance management process. As objectives are met, managers and their staff need to have a brief review meeting to look at progress in all objectives and decide what other objectives should be added, changed or deleted. Performance expectation need to be understood and, where possible to involve a contribution from the employee. Incorporating employee input and using “what” statements are likely to generate a higher degree of employee ownership and commitment (satisfaction). Planning the support, development and resources necessary for employees to achieve their objectives is imperative. Without this support it is unlikely that even the most determined employees will achieve the performance required. It is recommended that there is a personal development plan which would underpin the achievement of objectives (Ibid).

2.1.1.3 Delivering and monitoring performance

While the employee is working to achieve the performance agreed, the manager retains a key enabling role. Organizing the resources and off – job training is clearly essential. So too is being accessible. There may well be unforeseen barriers to the agreed performance which the manager needs to deal with, and sometimes the situation will demand that the expected performance needs to be revised. The employee may want to sound out possible causes of action with the manager before proceeding, or may require further information. Sharing “inside” information that will affect the employees’ performance is often a key need. On-going coaching during the task is especially important. Managers can guide employees through discussion and by giving constructive feedback. They are in a position to provide practical job experiences to develop critical skills and competencies that the employee needs and can provide job related opportunities for practice. Managers can identify potential role model to employees, and help to explain how high achievers perform too well. (Ibid)

On going review is an important activity for employees to carry out in order to plan their work and priorities and also to highlight to the manager well in advance if the agreed performance will not be delivered by the agreed dates. Joint employee/ manager review is essential so that information is shared, for example, information on employee progress or organizational changes which have a bearing on the agreed

objectives. Both need to share perceptions of how the other is doing in their role and what they would do that would be helpful. These reviews are normally informal, although a few notes may be taken of progress made and actions agreed. They need not be part of any formal system and therefore can take place when the job or the individuals involved demand, and not according to preset schedule. The purpose of the review is to facilitate future employee performance, and provide an opportunity for the manager to confirm that the employee is “on the right track”, or redirect him or her if necessary. They thus provide a forum for employee reward in terms of recognition of progress. A “well done” or an objective signed off as completed can enhance the motivation to perform well in the future (Ibid).

2.1.1.4 Formal performance review

Regular formal reviews are needed to concentrate on developmental issues and to motivate the employees. Also, an annual review and assessment is needed, of the extent to which objectives have been met which may well affect pay received. Studies have shown that review was only seen as fair if the target set were seen as reasonable, managers were seen to be objective and judgments were consistent across the organization.

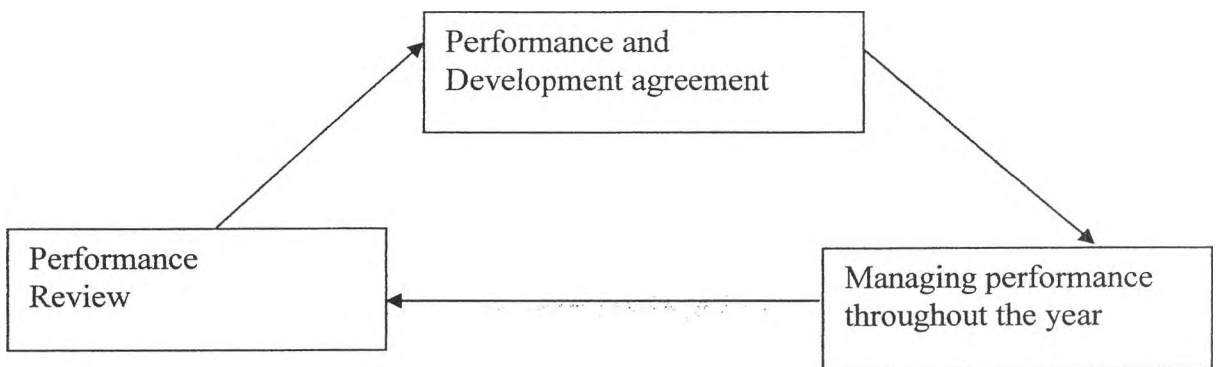
2.1.1.5 Reward

This could be monetary or non – monetary. Performance Management has a base on expectancy theory which states that individuals will be motivated to act provided they expect to be able to achieve the goals set, believe that achieving the goals will lead to other rewards and believe that the rewards on offer are valued. Victor Vroom’s (1964) expectancy theory of motivation recognizes that in the process of motivation the extent to which the individual feels they can realistically achieve the target will have an influence on whether they are motivated even to try (Torrington , et al 2005). According to the expectancy model there are various needs that workers seek to satisfy. Some of these can be and should be satisfied off the job.

2.1.2 The Process of Employee Performance Management

Armstrong (2006) opines that performance management should be regarded as a flexible process as opposed to a system. He argues that the term system implies a rigid, standardized and bureaucratic approach that is inconsistent with the concept of performance management as a flexible and evolutionary, albeit coherent, process that is applied by managers working with their teams in accordance with the circumstances in which they operate. He alludes to the fact that managers and their subjects should act as partners within an acceptable framework. According to him, performance management is a self renewing cycle as illustrated below:

Fig. 2.3: Employee Performance Management Cycle



Source: Adopted from Armstrong (2006) pp.504

2.1.2.1 Performance agreements

Performance agreements form the basis for development, assessment and feedback in the performance management process. They define expectations on the form of role profiles that sets out role requirements in terms of key result areas and the competencies required for effective performance. The role profile provides the basis for agreeing on objectives and methods of measuring performance and assessing the level of competency reached. The performance agreement incorporates any performance improvement plans that may be necessary, and a personal development plan. It describes what individuals are expected to do as well as what support they will receive from the manager. The agreements emerge from the analysis of role requirements and the performance review. An assessment of past performance leads

to an analysis of future requirements. The two processes can take place at the same meeting

Measurement is an important concept in performance management. It is the basis for providing and generating feedback, it identifies where things are going well to provide the foundations for building further success, it also indicates where things are not going so well, so that corrective action can be taken. The objectives measured should be Specific, Measurable, Achievable, Relevant and Time bound (SMART).

2.1.2.2 Managing performance throughout the year

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 therefore be treated as a natural function that all good managers carry out. To ensure that the performance management culture is built and maintained, it has to have the active support and encouragement of top management who must make it clear that it is regarded as a vital means of achieving sustained organizational success.

2.1.2.3 Performance review

Although performance management is a continuous process, it is still necessary to have a formal review once or twice a year. This provides a focal point of key performance and development issues. Performance review meeting is the means through which the five primary performance management elements of agreement, measurement, feedback, positive reinforcement and dialogue can be put to good use. The review should be rooted in the reality of the employee's performance. It allows managers and individuals to take a positive look together at how performance can become better in the future and how any problems in meeting performance standards and achieving objectives can be resolved. Individuals should be encouraged to assess their own performance and become active agents for change in improving their results. Managers should be encouraged to adopt their proper enabling role: coaching and providing support and guidance.

2.2 Employee Satisfaction

Employee satisfaction is the sense of contentment employees experience at work. Satisfied employees add positive value to an organization. Satisfaction allows employees to work in a more pleasant manner which stimulates better performance

Susan (2010) explains that Employee satisfaction refers to whether employees are happy and fulfilling their needs at work. Factors contributing to employee satisfaction at work, according to her, are: treating employees with respect; providing regular employee recognition; empowering employees and offering above industry average benefits and compensation. Freeman (2003) says that the success of any organization is directly linked to the satisfaction of the employees who embody that company.

Employee satisfaction is measured by anonymous employee satisfaction surveys administered periodically to gauge employee satisfaction in areas such as: management; understanding of mission and vision; empowerment; team work; communication and co-worker interaction (Susan 2010). Other methods of measuring employee satisfaction is through exit interviews as well as meeting employees in small groups and asking the same question verbally. Employee Satisfaction is a measure of how happy workers are with their jobs and working environment. Modic (2005) says that employees are assets with feet. They are the only resource companies have that make a conscious decision to return the next day. Kash (2003) opines that organizations should focus on its employees besides the obvious customers.

The effects employee satisfaction has on organization's business are numerous. Some studies show that businesses that excel in employee satisfaction issues reduce turn over by 50% from the norm, increase customer satisfaction to an average of 95%, lower labour cost by 12% and lift pretax margins by an average of 4% (Carpittella, 2003). Greenberg (2004) asserts that profit and growth are stimulated directly (and primarily) by customer loyalty. Customer loyalty is a direct consequence of customer satisfaction which is heavily influenced by customer perceptions of the value of services they receive. Value is created by satisfied, loyal and productive employees.

According to Clark (2001), even the most admired companies- Intel, Coca coal, and General Electric (GE), to name a few- each embrace the same basic company cultural values: team work, customer focus, innovation and fair treatment of employees. Studies have also revealed that excessive employee turn over is usually the result of “people that like what they do, but not where they do it” (Greenberg. 2004). There needs to be a culture of participation in the organization which in turn creates higher retention (Leibowitz, 2003). When employees do participate in the organizations they feel more valuable, especially when they see the “results stemming from their actions” (Calder & Douglas, 1999). Enabling employees to freely contribute in an organization can have a substantial positive effect in a company. Keeping employees informed and getting them involved in decision that affect their work builds trust and feelings of self- worth.

2.3 Employee Performance Management and Employee Satisfaction

Essentially, employee performance management is aimed at enhancing employee performance at work as well as providing them with (employee) satisfaction. Employee performance at work is inter-dependent with employee satisfaction in the sense that, when an employee performs well by meeting their goals, they derive satisfaction from this. This propels them to perform even much better.

Satisfied employees quite often display “ownership” of the organization in which they work. Peters & Austin (1986) argue that employees with a feeling of ownership with respect to either their organization or role are more likely to provide better levels of performance. Robson et al (2005) conducted a study that suggested that organizations that implement “good practices” covering a range of managerial aspects, and who are achieving organizational results are likely to be closer to satisfying their staff. Practices relating to people, performance management and organizational results also show association with employee satisfaction.

Armstrong (2000) opines that performance management should actually be called “Performance and development management”. According to him, performance management is concerned with satisfying the needs and expectations of an organization’s stake holders - owners, management, employees, customers, suppliers

and the general public. He advocates for employee involvement and respect which is very important in creating employee satisfaction. He further views performance management as concerned with communication and involvement, factors which create a climate in which a continuing dialogue between managers and the members of their teams takes place in order to define expectations and share information and the organization's mission, values and objectives. This establishes mutual understanding of what is to be achieved and a framework for managing and developing people to ensure that it will be achieved. The mutual understanding is a contributing factor to employee satisfaction.

Winstanley and Stuart-Smith (1996) identify principles in performance management, factors that if observed can create employee satisfaction. They point out: respect for the individual – people should be treated as “ends in themselves” and not merely as “means to other ends”; mutual respect – the parties involved in performance management processes should respect each other's needs and pre-occupations; procedural fairness – the procedures incorporated in performance management should be operated fairly so as to limit the adverse effect on individuals; transparency – people affected by decisions emerging from performance management processes should have the opportunity to scrutinize the basis upon which decisions were made.

Employee satisfaction, according to Greenberg (2004), results primarily from internal high-quality support services and policies that enable employees to deliver results to customers. He further says that while there is no question that money is important, it does not buy employee satisfaction. While employees want to be fairly compensated for their efforts, they also want to be challenged and treated with respect. He suggests that to increase employee satisfaction, organizations should: understand why people are working and commit to helping them achieve their goals on the job (through performance management); develop a plan that will assist them in getting where they want to go; empower them; allow them participate in business decisions; communicate organization's expectations to them; recognize their expectations; recognize their accomplishments and follow up their efforts. This amounts to effective performance management which contributes to employee satisfaction.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A case study design was used. It was deemed the most appropriate design for the study because the analysis focused on one institution. According to Mugenda & Mugenda (1999), a case study is an in-depth investigation of an individual, group, institution or phenomena. Young (2000) states that a case study is a very powerful form of qualitative analysis that involves a careful and complete observation of a social unit; be it a person, family, an institution or even an entire community.

3.2 Population of the study

Population of the study comprised all the 38 employees of the Insurance Company of East Africa, Kisumu Branch (ICEA Profile In-house Magazine 25th Issue, 2009). The study adopted the census method because of the small population.

3.3 Data collection

Primary data was collected using a semi-structured questionnaire. The questionnaire had three parts. Section A focused on the respondents' biographical details. Section B gathered data on the employee performance management process used in the branch. Section C gathered data on the influence of employee performance management process on employee satisfaction. The questionnaire was administered through "drop and pick later" method.

3.4 Data Analysis

Data analysis was conducted using descriptive statistics such as the mean, percentages and frequencies. Descriptive statistics was used to enable the researcher to meaningfully describe the distribution of scores. The collected data was further subjected to Pearson Correlation analysis to establish how performance management process influences employee satisfaction.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Response rate

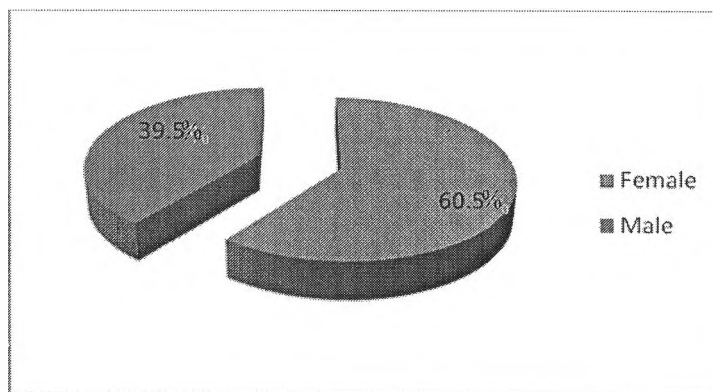
The response rate was 100%. The study targeted all the employees working in Kisumu Branch and all of them responded.

4.2 Demographic Characteristics

The respondents' gender, age, marital status, highest level of education and length of service were analyzed and the results presented below.

Majority of the respondents (60.5%) were female while male respondents comprised only 39.5%.

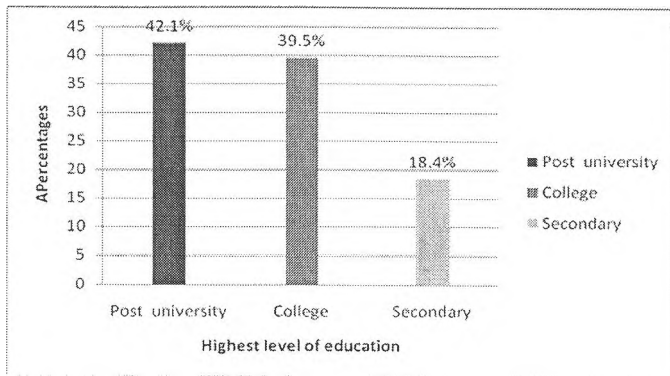
Figure 4.1: Gender Representation



42.1% of the respondents indicated that they were between 19-25 years; 21.1% between 26-35 years; 18.4% between 46-54 years and another 18.4% between 46-54 years. The findings indicated that 60.5% of the respondents were single while 39.5% were married.

The findings revealed that 42.1% of the respondents had post university qualifications; 39.5% college level qualifications and 18.4% secondary level qualifications.

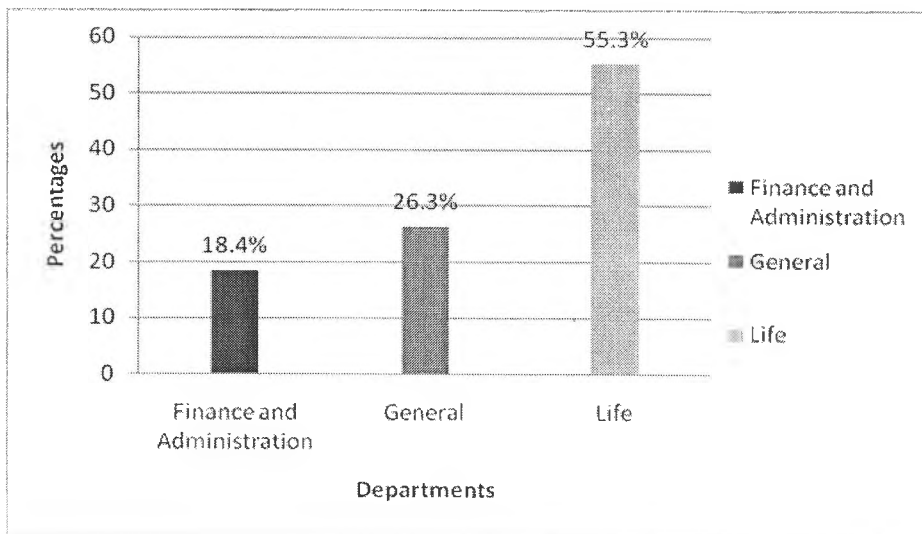
Figure 4.2: Highest level of Education



With regard to their length of service in the organization, 39.5% of the respondents intimated that they had served for 11-15 years; 21.1 % for 6-10 years; 18.4% for 1-5 years and other 21.1% for less than 1 year.

It was evident from the findings that there are three departments at the Branch level: Finance and Administration, General and life departments. The departments had a respondents' distribution of 18.4%; 26.3% and 55.3% respectively.

Figure 4.3: Respondents current department



4.3: Performance Management Process

61% of the respondents indicated that the organization involved them in target/goal setting. This intimates the participative approach taken by the organization to instill commitment to and ownership for the targets. Goal/target setting involves managers and subordinates jointly establishing and clarifying employee goals. It affects performance by influencing what people think and do by focusing their behavior on the direction of goals, energizing behaviour and motivating people to put forth the effort to reach challenging goals that are acceptable. It also clarifies duties and responsibilities.

The participative approach is also important since it ensures that the targets set are within the abilities of individual employees in addition to convincing employees that the targets are achievable. This in turn ensures that the employees are committed to achieving the targets. This finding supports the views of Torrington et al (2005); Fletcher (1993:35); Latham & Locke (1990); Cummings & Worley (2005) and Armstrong & Baron (2004).

Regarding communication of performance expectations to the employees, 61% of the respondents were in agreement. Generally, communication of performance expectations enables the employees to understand what is expected of them as well as allowing the organization to hold the employees accountable for the targets that have been participatively set. Employees are usually more motivated to exhibit behaviour for which they are held accountable. This finding conforms to the views of Lansburry and Quince (1998); Fletcher (1993:38); Torrington et al (2005) and Armstrong (2000).

82% of the respondents confirmed that employee performance was monitored throughout the year and corrective action taken appropriately. This implies that while the employees worked to achieve the performance agreed on, their managers played a key enabling role of availing the resources that they required, and offered on the job as well as off the job training. In addition, they availed themselves for coaching, guiding and counseling employees whenever necessary as well as giving incentives to encourage good performance. It also suggests that the organization carried out joint

employee/manager review to ensure that information regarding perceptions of how the other is doing in their role was shared as well as what they would do to remedy the situation.

The on-going review was proactive and aimed at facilitating future employee performance, apart from being an opportunity for the manager to confirm that the employee was “on the right track” or redirect them if necessary. To the employees, the on-going review was important in enabling them to plan their work and priorities; and also to highlight to the manager well in advance if the agreed performance would not be delivered by the agreed dates. The finding agrees with the views of Torrington et al (2005); Armstrong (2000); Trivedi (2007); Dessler (2008) and Armstrong & Baron (2004)

Concerning training of employees to improve performance, 80% of the respondents expressed affirmation. Performance management, essentially, is geared towards improving employee performance and enhancing employee satisfaction. Training is one of the measures undertaken by the management of different organizations to improve employee and ultimately corporate performance. ICEA therefore played its noble role of training the employees in order to improve their ability to perform the tasks required of them by the company as well as making better use of human resources. The findings, therefore, echo the assertions of Graham & Bennett (1998); Armstrong & Baron (1998a); Mullin (2007); Cole (2006); Armstrong & Baron (2004) and Armstrong (2000).

63% of the respondents indicated that the organization recognized good performance. This implies that in its efforts to encourage good performance, the organization appreciated the employees’ input. The recognition could be through offering material or non-material rewards. It could be in form of pay rises, bonuses, promotions, awards, recommendation letters or even verbal commendation. Recognition is important because it reassures the employees that their contributions are valued and appreciated. This in turn motivates and creates loyalty in the employee. Recognition in essence is one of the building blocks of an effective performance management process,

alongside rewards and compensation. This finding concurs with Dessler (2008); Torrington et al (2005); Vroom (1964) and Maslow (1954).

With respect to rewarding of good performance by the organization, 79% of the respondents were in agreement. Organizations, the world over have a great interest in improving the performance of their employees in order to compete fairly with the rest. Special attention is therefore given to the human resource; an asset that makes conscious decision to return to work and perform their duties. This organization therefore seems to have made a deliberate attempt to reward the performance of her employees in order to encourage them to perform better. The rewards given could be monetary or non-monetary. Scholars who support the rewarding of employee performance include: Vroom (1964); Torrington et al (2005); Steers & Porter (1991); Shirley & Walsh (2000); Cummings & Worley (2005); Pearce & Robinson (2007); Thompson & Strickland (2007) and Scott (1989).

61% of the respondents affirmed that their supervisors gave them regular feedback concerning their performance. This implies that while performance was being monitored throughout the year, the employees were given feedback based on their performance. Feedback was also possibly given after a formal performance review. Performance reviews, generally, involve providing feedback to the employees; effective feedback is helpful to the employees because it improves their performance. Providing feedback on performance is one of the critical aspects of appraisal process. Performance management is a shared commitment to improve performance - feedback facilitates “the sharing”.

Performance management organizations are characterized by multiple sources of feedback to aid improvement, for example, self, peers, customers, subordinates, management amongst others. Jackson et al (2009) support this finding. They view feedback as an important element of performance management because it enables managers and supervisors to provide guidance to the employees. Other scholars who hold the same view are: Trivedi (2007); Cummings & Worley (2005); Longenecker & Fink (2001) and Beardwell and Claydon (2007).

87% of the respondents affirmed that they understood how performance was defined and measured at work. This normally takes place during the planning of performance. The employees need to know the behaviour that will be measured and how it will be measured. This is made possible by “SMART” objectives or clearly expressed performance expectations. By involving employees in objective setting, they are able to develop an understanding of the expected performance and how it will be measured. Measurement is an important concept in performance management process. It is the basis for providing and generating feedback. A number of scholars hold the view that it is necessary that the employee understands how performance is defined and measured. They include, among others: Torrington et al (2005); Armstrong (2000); DeCenzo et al (1998) and Armstrong & Baron (2004).

81% of the respondents confirmed that they were aware of the concept of employee performance management. This means that the organization practiced employee performance management which is important in creating a competitive edge in a globalized business environment. The major implication of employee performance management is an improved workforce that contributes to corporate performance. This conforms to the views held by Gareth et al (2005); Armstrong (2006); Jackson et al (2009); Mabey and Salaman (1995) amongst others.

The respondents generally agreed (100%) that the appraisal process was participative. This implies that the employees perceived the process to be fair. Generally, it is important that the employees are informed about the behaviours required of them; made to understand how they are going to be appraised and assured that the appraisal will be conducted in a fair and equitable manner. A number of scholars support this finding. These include: Dessler (2008); Graham & Bennett (1998); Robinson & David (1998); DeCenzo (1998) and Winstanley & Stuart- Smith (1996).

82% of the respondents indicated that the organization did communicate her mission statement to the staff during induction. Performance management organizations, according to Bevan & Thompson (1992); Armstrong and Baron (2004); Torrington et al (2005), are more likely than others to have an organizational mission statement which is communicated to all employees. Mission statement is a formal, short, written

statement of the purpose of an organization. It guides the actions of the organization, spells out its overall goals, provides a sense of direction and guides decision making. Generally, it provides a framework or a context within which the company's strategies are formulated. In addition, many organizations will identify the strategic business objectives that are required within the current business context to be competitive and that align with the organization's mission statement. Organizational objectives which emanate from the mission statement are particularly important, as it is common for such objectives to be cascaded down the organization in order to ensure that individual objectives contribute to their achievement. Other scholars who support this finding are Drucker (1973) and Gaebler & Osborne (1992). They posit that clarity of mission statement may be the single most important asset of an enterprise.

90% of the respondents affirmed that performance expectations were expressed in terms of "SMART". This implies that the objectives were designed to stretch the individual, and offer potential development as well as meeting the business needs. Generally, the goal/ target should be challenging but realistic in addition to being specific. This is because when given specific goals, workers perform better because ambiguity is reduced. Amongst the scholars who agree with this finding are: Cummings & Worley (2005); Torrington et al (2005) and Latham & Locke (1984).

Generally, it is evident that ICEA, Kisumu Branch has an employee management process. The average percentage of the respondents who registered affirmation was 77%.

4.4: Influence of Employee Performance Management Process on Employee Satisfaction

4.4.1: Provision of resources

In order to enhance performance at work, employees need to be provided with the resources that they require to have work done. An employee can not be empowered without being given the necessary resources. Inadequacy of resources can even lead to role conflict since the employees will not know how to allocate the scarce resources

available. The resources required may include, and are not limited to: new skills, equipment, technology, information and finances. The scholars who support this view include Thompson et al (2007); Greenberg (2004); and Garfield (1993). With regard to the opportunity to learn new skills in the company, 82% of respondents generally agreed. All the respondents agreed, generally, that they had sufficient equipment and technology to perform their jobs well. An equivalent percentage also agreed that they knew whom to approach in case they needed additional equipment. The respondents were all in agreement that they had access to all the necessary information required to complete their jobs.

Based on the above findings, it is clear that the majority of the respondents were satisfied with the provision of resources they needed to enhance their performance. The percentage of the respondents who exhibited satisfaction was 96%.

4.4.2: Training and development activities

Training has the important dual function of utilization and motivation. By improving employees' ability to perform the tasks required by the company, training allows better use to be made of human resources; by giving employees a feeling of mastery over their work; and of recognition by management, their satisfaction is increased. Training is an element of performance and development agreement in the employee performance management process (Graham & Bennett, 1998; Mullins, 2007; Armstrong, 2000 and Cole, 2006). These scholars view training as a major motivating factor in performance management and as a way of giving employees opportunities for self improvement and development to meet the challenges and requirement of new responsibilities, equipment and technology. It is basically aimed at enhancing employee performance at work. 71% of the respondents generally agreed that they got the training they needed to perform their jobs better as opposed to 2.6% who disagreed. With respect to the liberty of suggesting good training programmes to their company, 61% of the respondents exhibited satisfaction.

The findings above indicate that the respondents were generally satisfied with the training elements. The percentage of the respondents who displayed satisfaction was 66%.

4.4.3: Career advancement

Career is a related series of jobs in an ascending order or status and responsibility. Advancement on the other hand refers to the degree of potential occupational upward mobility within an organization. Career advancement motivates employees to perform better in their roles besides filling employees with feelings of security resulting from the likelihood that his or her job opportunities will increase as their career progresses. Robbins & Judge (2007); Susan (2010); Graham & Bennett (1998) and Freeman (2003) share the view that career advancement contribute to employee motivation and subsequent satisfaction.

61% the respondents indicated that they were aware of the promotion opportunities in their company while 39% disagreed. With regard to provision of performance training which increased employees' skills and promotion opportunities, 82% of the respondents displayed satisfaction. All the respondents were satisfied with the opportunity to progress within the company. Another 63% of the respondents agreed that they knew what was expected of them in their jobs. 61% of the respondents were satisfied with the way promotions were handled in their company while 39% were not.

The findings above reveal that the respondents were generally satisfied with the career development. The percentage of the respondents who exhibited satisfaction was 73%.

4.4.4: Communication procedures

Communication processes used organizations have a great effect on how they function. Communication promotes a coordinated approach to issues and programmes in an organization. Many companies, according to scholars, have formal arrangements that encourage their employees to submit suggestions regarding efficiency, safety or welfare. The benefits are manifold: leads to more efficient methods and creates greater job satisfaction, amongst others. The scholars who root for communication procedures in organizations include: Davidson et al (2001); Liebler & McConnel (1999) and Graham & Bennett (1998).

60% of the respondents were satisfied with the employee suggestion programme in place while 40% were not. Regarding regular newsletters and notices meant to keep employees informed, 74% of the respondents exhibited satisfaction. 76% of the respondents generally showed satisfaction with the grievance procedure available to them in resolving disputes between employees and management. The findings indicated that 58% of the respondents were generally satisfied with the regular meetings organized for performance updates.

Generally, the respondents were satisfied with the communication procedures that were put in place to enhance employee performance and satisfaction. The percentage of satisfied employees was 67%.

4.4.5: Management interventions

Management plays a pivotal role in the employee performance management process. They avail the resources needed for good performance amongst other performance drivers. Graham and Bennett (1998); Greenberg (2004) and Susan (2010) assert that the purpose of management is to ensure that the resources (including human resources) are used in such a way that the employer obtains the greatest possible benefit and the employees also obtain both material and psychological rewards from their work.

The findings indicated that 74% of the respondents were satisfied with how the senior leaders established a clear direction for the company. 82% exhibited satisfaction with how the supervisors took personal interest in helping them to get ahead in their jobs. Concerning the relationship between management and employees, 50% of the respondents displayed satisfaction. 74% of the respondents were in agreement that management treated others with respect. Regarding provision of timely feed back for improving employee performance, 58% indicated satisfaction. 76% of the respondents indicated that they could trust their supervisors.

Generally, the respondents were satisfied with the management interventions aimed at improving their performance. The percentage of those who displayed satisfaction was 69%.

4.4.6: Team work

A team is a special sort of group. All teams are groups, but groups do not necessarily behave as teams. The defining characteristic of a team is that its members voluntarily co-ordinate their work in order to achieve group objectives; they are highly inter-dependent and are expected to help each other out. Teamwork eliminates discord amongst workers hence effective in enhancing employee performance (Clark, 2001; Graham & Bennett, 1998).

Only 48% of the respondents indicated that the meetings they had with their co-workers and supervisors helped them to perform their jobs. This is a manifestation of dissatisfaction. With regard to people from whom they could seek help when they had work related problems, only 42% indicated satisfaction. The percentage of those in agreement being below average, this was considered a display of dissatisfaction. The findings further indicated that only 42% of the respondents agreed that they had regular meetings amongst the various departments in the company.

Based on the findings above, it is evident that the respondents were dissatisfied with the interventions that the company had put in place to enhance team work. The percentage of those who exhibited satisfaction was only 44%. The organization therefore scores poorly in team work.

4.4.7: Work environment

Jessica (2003); Herzberg (1959); Syptak (1999) assert that work environment plays a cardinal role in enhancing employee satisfaction. The environment in which people work has a tremendous effect on their level of pride and for the work they do. Thus, making employees comfortable at the place of work can make a difference in their productivity. Only 40% of the respondents agreed that they were able to balance personal and professional responsibilities. The percentage in agreement being below average, it translates to dissatisfaction. Regarding being frequently stressed in their jobs, only 18% disagreed. This implied that they were stressed. All the respondents indicated agreement that they were worried about losing their jobs. This meant that they felt insecure in their jobs. 79% intimated that they could leave work to attend to personal matters whenever need arose, this depicts flexible work arrangements.

The findings above indicate that the branch scores poorly in work environment as a parameter used to measure satisfaction except in allowing employees time to attend to personal matters whenever necessary. A paltry 34% of the respondents exhibited satisfaction with the work environment.

4.4.8: Job Satisfaction

Job satisfaction describes how contented an individual is with their job. It creates employee satisfaction hence greater performance (Carpitella, 2003; Oyeyemi, 2001; Heckert et al, 1993). All the respondents agreed that they were proud to be employees of the company. Regarding having a personal feeling of satisfaction from their work, 79% of the respondents were in agreement. All the respondents were in agreement that their jobs were boring and monotonous; they were therefore dissatisfied. An equivalent percentage admitted to being appreciated at work. Concerning having a genuine concern for safety in the company, 82% of the respondents were in agreement.

From these findings, a majority of the respondents were satisfied with their jobs except on the monotony of their jobs. The percentage of those who exhibited satisfaction was 72%.

4.4.9: Recognition

Recognition of employees' efforts is one way of encouraging good performance given that it raises employee satisfaction and boosts their morale. It is one of the building blocks of an effective employee performance management process (Dessler, 2008; McNeese, 1997; Mullins, 2007). 61% were generally satisfied that the company rewarded hard work. Regarding feed back about their good work, only 40% displayed satisfaction. 79% of the respondents were in agreement that that their promotion opportunities depended on their good work contrary to 21% who disagreed. With respect to adequate recognition for the work done, 79% displayed satisfaction while 21% objected. 61% of the respondents felt ignored while they discussed problems or solutions hence they were dissatisfied in this aspect.

Although the respondents generally displayed satisfaction with recognition as an intervention geared towards creating employee satisfaction, they were specifically dissatisfied with the manner in which feed back concerning good performance was provided as well as how their opinions were handled while discussing problems or solutions. The percentage of the respondents who exhibited satisfaction was 60%.

4.4.10: Compensation

Good compensation and benefits normally contribute to employee satisfaction. An organization that gives its employees above industry benefits and compensation is quite often characterized by a higher rate of employee retention (Susan, 2010; Scheir, 1998; Lawler, 1981). 60% of the respondents agreed that they were told clearly about their compensation and benefits when they joined the company. All the employees affirmed that they were paid adequately for their responsibilities. 82% of the respondents felt that the benefits in their company were not as good as they were in similar companies. They therefore registered dissatisfaction to this extent. All the respondents agreed that they were given responsibilities commensurate with their qualifications. 63% of the respondents affirmed that they were given responsibilities commensurate with their experience.

Based on these findings, the respondents were generally satisfied with the compensation and benefits offered by the organization. The percentage of the respondents who exhibited satisfaction was 68%.

4.4.11: Communication

Davidson et al (2001); Liebler & McConnel (1999) and Graham & Bennett (1998) view communication as consisting of all the processes by which information is transmitted and received. According to Erstad (1999), communication enables those at the top in management to tell the rest about the strategy, their vision and the position of the organization relative to its customers and competitors. It also means that those at the top have to listen to and act upon the views of those in the front line, particularly ideas for performance improvement. He sees communication as being key to employee empowerment; an ingredient of employee satisfaction.

61% of the respondents indicated that they usually knew much before important activities took place. Concerning management communication, only 34% of the respondents admitted to hearing important changes through rumours; to this extent they were dissatisfied. 92% affirmed that their suggestions were sought regarding work-related issues. Another 90% of the respondents indicated that they felt free to express work-related issues.

It is thus clear that the respondents were generally satisfied with communication processes except management communication about important changes. 77% of the respondents exhibited satisfaction with the communication processes.

The overall findings of the study regarding employee satisfaction with the employee performance process point to the fact that a majority of the employees are satisfied. The average percentage of the employees who exhibited satisfaction with the employee performance management process was 66%. However, it is important to note that the organization scored poorly in work environment 34% and teamwork 44%. The respondents expressed greatest satisfaction with tools and other resources 96%

Table 4.1 Relationship between Employee Performance Management and Satisfaction

Y1	Pearson Correlation	1											
	Sig. (2-tailed)												
X1	Pearson Correlation	-0.6521739	1										
	Sig. (2-tailed)	0.3445668											
X2	Pearson Correlation	0.5884187	-0.38375132	1									
	Sig. (2-tailed)	0.3111021	0.01738584										
X3	Pearson Correlation	0.6394442	-0.41702883	0.245388	1								
	Sig. (2-tailed)	0.5465423	0.00919449	0.1375569									
X4	Pearson Correlation	0.1644784	0.16447839	0.622171	0.39441	1							
	Sig. (2-tailed)	0.3237482	0.32374815	3.043E-05	0.014274								
X5	Pearson Correlation	0.6394442	-0.41702883	-0.245388	0.364589	0.39441	1						
	Sig. (2-tailed)	1.5436084	0.00919449	0.1375569	0.014274								
X6	Pearson Correlation	-0.6521739	0.62217102	0.383751	-0.41703	0.164478	0.41703	1					
	Sig. (2-tailed)	0.154E-06	3.0432E-05	0.0173858	0.009194	0.323748	0.009194						
X7	Pearson Correlation	0.359078	0.0041913	0.0158544	0.20101	0.025482	0.20101	0.004191	1				
	Sig. (2-tailed)	0.3525409	0.98007579	0.9247326	0.226241	0.879297	0.226241	0.980076					
X8	Pearson Correlation	-0.3837513	0.58841869	-0.225806	-0.24539	0.622171	-0.24539	0.588419	0.015854	1			
	Sig. (2-tailed)	0.0173858	0.00010213	0.1728361	0.137557	3.04E-05	0.137557	0.000102	0.924733				
X9	Pearson Correlation	-0.6522771	0.63422103	0.019921	-0.801	0.640372	0.801	0.634221	0.65228	0.634221	1		
	Sig. (2-tailed)	0.114E-06	1.9073E-05	0.9055043	1.55E-09	1.49E-05	1.55E-09	1.91E-05	9.11E-06	1.91E-05			
X10	Pearson Correlation	-0.3837513	0.58841869	-0.225806	-0.24539	0.622171	0.24539	0.588419	0.015854	0.015854	0.015854	1	
	Sig. (2-tailed)	0.0173858	0.00010213	0.1728361	0.137557	3.04E-05	0.137557	0.000102	0.924733	0.924733	0.924733		1

Based on the correlation table above, it is evident that tools and other resources (X1); training (X2) and career development (X3) had a strong positive correlation of 0.0622; 0.588 and 0.0639 with a strong positive significance of 0.344; 0.311 and 0.557 to performance management (Y1), respectively. Procedures (X4) had a positive correlation of 0.1645 and communication (X5) 0.0639 while having a weak significance of 0.32 and 0.153. It is, further, shown that teamwork (X6), work environment (X7), job satisfaction (X8), recognition (X9) and compensation benefits (X10) had a positive correlation of .0652, 0.369, 0.3837, 0.6522 and 0.383 with a strong significance of 0.695, 0.693, 0.694 and 0.498 and 0.367 respectively.

The R squared is a statistical measure of how well a regression line approximates real data points. It is a descriptive measure between zero and one, indicating how good one term is at predicting another. The variables had an R^2 of 0.747 denoting that a change in one independent variable (Performance indicator) explains 74.7% of the dependent variables and hence a significant relationship

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Summary

The study findings established that Insurance Company of East Africa, Kisumu Branch has in place an employee performance management process. The process was adopted to enhance employee performance at work as well as (employee) satisfaction. The findings, therefore, agree with Gareth et al (2000) who suggested that organizations adopt employee performance management as a competitive strategy considering the rapid change and the turbulence in the business arena courtesy of globalization. The findings, further, agree with Robson et al (2005) whose study revealed that organizations that implement “good practices” and who are achieving organizational results are likely to be closer to satisfying their customers. The average percentage of the respondents who affirmed that the organization had an employee performance management process was 77%.

The findings revealed, further, that 66% of the employees in Insurance Company of East Africa, Kisumu Branch were satisfied with the employee performance management process in place. However, the respondents exhibited little satisfaction with team work 44% and work environment 34%.

5.2 Conclusion

The study has discussed the employee performance management process used in ICEA, Kisumu Branch. It has also been demonstrated that the branch practices the same with an average of 77% agreeing against 23% who disagree. These findings concur with Dessler (2008) who identified the building blocks of effective employee performance process as composed of rewards, recognition and compensation. Armstrong (2006) echoes the same findings. He views employee performance management process as self-renewing cycle that incorporates: performance and development agreement; monitoring performance throughout the year and performance review.

It has also been established through the study that employee performance management process enhances employee satisfaction and vice versa. This concurs with Robson et al (2005) who conducted a study that suggested that organizations that

implement “good practices” covering a range of managerial aspects (including employee performance management), and who are achieving organizational results are likely to be closer to satisfying their staff. Peters & Austin (1986) also support these findings. They assert that satisfied employees quite often display “ownership” of the organization in which they work. They argue that employees with a feeling of ownership with respect to either their organization or role are more likely to provide better levels of performance. The study, however, established that the organization scores poorly in areas such as team work 43% and work environment 34%.

5.3 Recommendations

The findings of the study have generally shown that the employees are satisfied with the employee performance management process in place. However the respondents exhibited little satisfaction with team work interventions. It is my recommendation, therefore, that the management enhances team work by monitoring and strengthening the meetings between co-workers and supervisors besides arranging for regular meetings amongst the various departments in the organization to encourage team spirit. I also recommend that the management identifies accessible team leaders who can be consulted by team members whenever they have work related problems.

Owing to the dissatisfaction expressed by the respondents about their work environment, I recommend that wellness programmes are adopted by the organization to enable employees relieve themselves of work related stress. The organization should alternatively review its management structures and policies to incorporate ones that limit stress at work. The management should also restructure jobs to remove exceptionally stressful elements.

It is my recommendation as well that the management assures the employees about the security of their jobs by educating them on the laws that bolster the same.

5.4 Limitations of the study

Like any other research, this study was not without limitations. Owing to time and financial constraints, the study was restricted to the Kisumu branch and as such these findings may not, therefore, be generalized to represent other branches or the insurance industry as a whole.

5.5 Suggestions for further research

This study is important to those wishing to study various aspects of employee performance management and employee satisfaction in the insurance industry. As the study limited itself to one branch, many gaps exist. The study can be replicated in the other branches, the whole organization or even the industry as a whole.

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APPENDIX I



UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

Date 7th October 2010

TO WHOM IT MAY CONCERN

The bearer of this letter... Mr. ROBBY OTIENO WYCKLIFFE

REGISTRATION NO: D61/71344/2008

The above named student is in the Master of Business Administration degree program. As part of requirements for the course, he is expected to carry out a study on **Employee Performance Management and Satisfaction in Insurance Company of East Africa – Kisumu Branch**

He has identified your organization for that purpose. This is to kindly request your assistance to enable him complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated.

Thanking you in advance.

Sincerely,

THE COORDINATOR
UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
KISUMU CAMPUS
P.O. Box 825 - KISUMU.

MR. ALEX JALEHA

COORDINATOR, SCHOOL OF BUSINESS, KISUMU CAMPUS

APPENDIX II

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

Date.....

Dear Respondent,

RE: REQUEST FOR RESEARCH DATA.

I am a Master of Business Administration student at the University of Nairobi, specializing in Human Resource Management. As part of the Degree, I am required to conduct a research study on “**Performance Management and Employee Satisfaction in Insurance Company of East Africa (ICEA)**”.

You have been chosen to participate in the study and I will greatly appreciate your input in responding to all the items in the attached questionnaire. The study is purely academic. Kindly rest assured that all your responses shall be kept completely anonymous with utmost confidentiality. A copy of the study report will be availed to your branch office once it is compiled and approved.

Thank you.

Yours Sincerely,

Robby O. Wyckliffe.

MBA STUDENT

University of Nairobi

APPENDIX III: QUESTIONNAIRE

Kindly fill in this questionnaire as instructed.

PART 1: BIOGRAPHICAL DATA.

Please tick (✓) inside the box as appropriate.

Gender: Male () Female ()

Age: 19-25 () 26-35 ()

 36-45 () 46-54 ()

Marital Status: Single () Married ()

Highest level of Education:

 Primary level () Secondary level ()

 College level () University ()

 Post University () Others (Please specify) ()

Length of Service: Less than 1 year () 16-20yrs ()

 1-5 years () 21-25yrs ()

 6-10 years () Over 25yrs ()

 11-15 years ()

Which is your current department?.....

PART 2: PERFORMANCE MANAGEMENT

Kindly tick (✓) Yes or No as appropriate.

1. My organization involves me in target/ goal setting
Yes () No ()
2. My organization communicates to me her performance expectations
Yes () No ()
3. My performance is monitored throughout the year and corrective action taken by the management.
Yes () No ()
4. I have previously been trained in order to improve my performance
Yes () No ()
5. My organization recognizes good performance
Yes () No ()
6. My organization rewards good performance
Yes () No ()
7. My supervisor gives me regular feedback concerning my performance
Yes () No ()
8. I understand how performance is defined and measured at work
Yes () No ()
9. Are you aware of the concept of Performance Management?
Yes () No ()
10. The appraisal process is participative
Yes () No ()
11. Mission statement is communicated to all staff during induction
Yes () No ()
12. Performance expectations are expressed in terms of SMART
Yes () No ()

PART 3: EMPLOYEE SATISFACTION

To what extent do you agree with the following statements? (Kindly tick as appropriate)

RESOURCES	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
1. I have the opportunity to learn new skills in my company					
2. I have sufficient equipment/ technology to do my job well					
3. I know whom to approach incase of additional equipment requirement					
4. I have access to all the necessary information that I need to complete my job					
TRAINING	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
5. I get the training I need to do well					
6. I have the liberty of suggesting good training programs to our company					
CAREER	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
7. I am aware of the promotion opportunities in my company					
8. I am given performance training which increases my skills & promotion opportunities					
9. I have the opportunity to progress within the company					
10. I know what is expected of me in my job					
11. In general, promotions are handled fairly in my company					

PROCEDURES	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
12. The company has an employee suggestion program					
13. The company has regular newsletters/notices to keep the employee informed					
14. The grievance procedure available to me is a fair way to resolve disputes between employee and management					
15. The company organizes regular meetings for performance updates					
MANAGEMENT	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
16. Our senior leaders establish a clear direction for the company					
17. My supervisor takes a personal interest in helping me to get ahead in my job					
18. The relationship between management and employees is good					
19. Management treats others with respect					
20. My supervisor consistently provides me with timely feedback for improving my performance					
21. My supervisor is a person whom I can trust					
TEAM WORK	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
22. The meetings that I have with my co-workers & supervisor help me to get my job done					

23. There are people to whom I can go for help when I have work related problems					
24. We have regular meetings amongst the various departments in the company					
WORK ENVIRONMENT	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
25. I am able to balance personal & professional responsibilities					
26. I frequently feel stressed in my job					
27. I worry about losing my job (security)					
28. I can leave work to take care of personal matters if I need to.					
JOB SATISFACTION	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
29. I am proud to be an employee of the company					
30. I get a feeling of personal satisfaction from my work					
31. My job is boring and monotonous					
32. I always feel appreciated at work					
33. My company has a genuine concern for safety.					
RECOGNITION	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
34. My company rewards hard work					
35. I am usually communicated to about my good work through feed back					
36. My promotional opportunities depend upon my good work					
37. I receive adequate recognition for work that					

I do					
38. While discussing problems/solutions I think I am ignored					
COMPENSATION & BENEFITS	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
39. I was told clearly about my compensation & benefits when I joined the company					
40. I am paid adequately for my responsibilities					
41. I think the benefits in my company are not as good as they are in similar companies					
42. I am given responsibilities commensurate with my qualification					
43. I am given responsibility commensurate with my experience					
COMMUNICATION	Strongly Agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
44. I usually know much before important activities take place					
45. I usually hear about important changes through rumours rather than management communication					
46. I am often asked about my ideas / suggestion regarding things at work					
47. I feel free to express a critical opinion about work related issues					

THANKS FOR YOUR COOPERATION!