

**CHALLENGES OF IMPLEMENTING PERFORMANCE
MANAGEMENT SYSTEM AT THE KENYA ELECTRICITY
GENERATING COMPANY (KENGEN) LIMITED**

**BY
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE
OF MASTER OF BUSINESS ADMINISTRATION (MBA)
SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

OCTOBER, 2013

DECLARATION

I certify that this research project is my original work and has not been presented for any degree in any other university or institution of learning. Information from other sources have been duly acknowledged. No part of this work should be reproduced without my permission as the author.

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

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ACKNOWLEDGEMENT

Special thanks go to my principal supervisor, Ms. Florence Muindi for her counsel, guidance and internship throughout my study. I equally acknowledge the contribution and guidance of Professor K'obonyo of University of Nairobi, for moderating as well as broad review of my project paper.

Special gratitude goes to my parents to Mr. and Mrs. David Muthangya and Ms. Rose Maluki for their support, understanding and encouragement throughout the journey of my life.

To the management and staff at KenGen Co. Ltd for their support during my study especially the staffs who participated in the study as interviewees.

Last but not least, I give thanks to the Almighty God for the gift of life, good health and wisdom. May He forever look upon me with favour.

DEDICATION

This research study is dedicated to my wife Beatrice Mawia and my two children Hilda Mutanu and Albert Mumo for the tireless sacrifices of their precious family time throughout the entire MBA program and especially during this research project.

ABBREVIATIONS AND ACRONYMS

KENGEN	Kenya Electricity Generating Company
PMS	Performance Management System
4DX	Four Disciplines of Execution
LTD	Limited
KRA	Key Result Area
KPI	Key Performance Indicator
PDP	Personal Development Plan
SMART	Specific, Measurable, Attainable, Realistic, Time bound.

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ABSTRACT

An Employees' Performance Management System has become a business imperative in today's competitive business arena, where organizations are constantly working to improve their performance and profitability. The purpose of this study was to investigate the challenges of implementing performance management systems at KenGen. The research design was a case study. Data was collected using an in-depth interview guide. The collected data was analyzed using content analysis method. The respondents were from top and middle level management staff namely managers and Chief Officers. The study findings reviewed that, there were various PMS implementation challenges in all components of PMS at KenGen. The main challenges included; lack of clear link between annual corporate planning cycle and performance planning cycle, setting of weak performance measures, complexity of the evaluation tool , under-utilization of performance monitoring tools like tracking sheets and performance boards, inadequate performance feedback mechanisms, difficulties in implementing PDP's, lengthy approval for bonus payment, inactive participation of line managers , the existing culture which is not enabling, existing matrix structure which led to double reporting, lack of union involvement and long turnaround times in performance management activities. From the above findings, it can be concluded that implementation of PMS in KenGen faced varied challenges in all the five components. It was very difficult to manage the existing bi annual evaluation system as it made it difficult to achieve turnaround times in other performance activities in prevailing organizational culture and attitudes amongst staff. The researcher recommends that annual planning and budgets should be synchronized with performance management cycle. Corporate goals should be translated to individual goals when planning performance. Evaluation tool should be specific to certain categories of staff. Feedback and rewards should be timely while high performance and enabling culture should established to support the implementation of PMS. Future research could investigate the extent to which these findings can be generalized to other public sectors in central and county governments. A cross sectional study across a number of institutions within the sector can also be done to make comparative analysis.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Performance Management has become a critical component of Human Resources Management in today's dynamic, customer driven market place. An efficient performance management system equips and energizes people to take responsibility for their performance and the accomplishment of superior results. Indeed, it has been shown that the use of performance management improves the performance and overall quality of an organization (Rodgers, 1990). According to (Varma, Budhwar and Denisi, 2008), successful organizations know that to win in today's competitive marketplace, they must attract, develop and retain talented and productive employees. Indeed, 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 organization's vision and strategic objectives, develop their abilities and reward performance commensurate with contributions to the organizations success

Performance management must achieve what it sets out to achieve in the manner in which it is expected to achieve it. Too often the reality does not match the vision. Grand designs can readily produce edifices that crumble to dust (storey, 1983). He explains that poor motivation and self-esteem due to inadequate feedback on their performance, little or no communication, unfairness, lack of transparency, and equity as some of the main features leading to failure of performance management systems. In realization of the importance of Performance Management System in driving

organizational excellence, factors which compromise the effectiveness of the performance management systems must be explored to ensure they are avoided for successful implementation of the performance management system in the organizations. A well-functioning and appropriately implemented performance management system can deliver real, bottom-line business results. However, those results do not come overnight. According to (schein,1992) , organizations tend to focus on automating the employee performance management process first, before moving into more complex, more strategic talent management initiations such as goal management and succession planning. The factors that influence the implementation of an employee performance management system include: the level of involvement of employees in the design of the system; the extent to which the system is understood and supported by the managers; extent to which corporate goals are aligned with individual and team goals, how specific measurable achievable, realistic and time specific the goals are, extent to which the system enables the supervisors to provide ongoing feedback to spilt and whether the system is linked to compensation (Jacelyne – Tse, 2008).

1.1.1 Performance Management System

Armstrong and Murlin, 1994 defines Performance management is a systematic process for improving organizational performance by developing the performance of individuals and teams. It is a means of getting better results by understanding and managing performance within an agreed framework of planned goals, standards and competency requirements. It is concerned with output-the achievements of results and with outcomes – the impact made in performance, the process required to achieve these results (competences) and the inputs in terms of capabilities (knowledge, skill

and competence) expected from the teams and individuals involved (Armstrong and Baron, 2006).

The 1998 IPD research project (Armstrong and Baron, 1998) revealed that in many instances performance management practices had moved on since 1992. It was now regarded as a number of interlinked processes. It was seen as continuous process, not as a once – a year appraisal, focused on employee development rather than on performance related pay, shift towards getting line managers accept and own performance management and use of different performance management systems in different parts of the organization and for different people. Performance management arrived in the later 1980's partly as a reaction to the negative aspects of merit rating and management by objective (MBOs). Its strength is that it is essentially an integrated approach to managing performance on a continuous basis. It is also holistic – it pervades every aspect of running a business.

Jacelyn – Tse (2008) defines an employee performance management system as the process of motivating employees through setting goals, measuring progress, giving feedback, coaching for improved performance and rewarding achievements. An employee performance management system comprises of five distinct components that can be broadly defined as planning work, continually monitoring performance, developing the capacity to perform, periodically rating performance and rewarding good performance. According to Armstrong (2010), a performance management system is a set of interrelated activities and processes that are treated holistically as an integrated and key component of an organization's approach to managing performance through people and developing the skills and capabilities of its human

capital, thus enhancing organizational capability and the achievement of sustained competitive advantage.

According to (Lee, 2005), the real goals of any PMS are threefold – to correct poor performance, to sustain good performance and to improve good performance. All performance management systems should be designed to generate information and data exchange so that the individuals involved can properly dissect performance, discuss it, understand it and agree on its character and quality. An effective performance management system encourages managers and associates to work together, communicate openly and provide feedback regularly. Until people focus on communication, cooperation and collaboration skills, appraisal forms remain vehicles for failure and appraisals go on evoking fear and suspicion (Rodgers, 2004).

1.1.2 Challenges of Implementation of Performance Management Systems

Bart, (2000) asserts that in order to guarantee successful implementation, an employee's performance management system should balance consistency and flexibility. The performance management challenge in organizations has many dimensions in today's business environment and creating focused initiatives to overcome these challenges is not a silver bullet approach. In many cases remuneration schemes are driving the performance system, which creates a number of long term consequences in organizational behavior and culture. In other cases senior management are so focused on scorecard management to hold people accountable that

the creation of the scorecard is not aligned with business focus areas, but rather a number of deliverable projects and tasks.

The first challenge is the lack of alignment due to various organizational processes being created in isolation. The link between Strategy development, budgeting and operational planning is developed by different groups of people with different frameworks being used. The performance management system lacks alignment between individual performance, departmental performance and organizational delivery and so all systems default back to financial measurements (Williams, 1998). The second challenge happens at various levels of the organization in that poor measures are developed, in many cases targets are set but no relevant measure is put in place. In other cases no data can be collected or is kept as evidence to track performance (Armstrong, 2008)

The Leadership and Management challenge has a huge impact on integrating and aligning a management system to deliver a comprehensive performance management system. The commitment and understanding of leadership and management of the requirements for achieving a workable performance system is critical to performance success (Armstrong, 2001). Managing a performance system in an organization requires a disciplined framework; it requires the organization to work off one master plan broken down into relevant parts and areas of responsibility. The management responsibility at various levels needs to understand the contracting, measurement development and appraisal process very well and apply it consistently.

Management needs to appreciate that performance management is not an event but something that is managed daily but recorded and reported at certain times through reviews and appraisals (Ed Lawler, 2005). The management of poor performance is normally a reactive action, but in many cases it is delayed and therefore turns into a discussion that is difficult to make relevant. Another reason poor performance is not managed on time is the lack of valid measurements and the collection of required evidence and measurement data. The solutions for these challenges are embedded in a comprehensive approach ensuring alignment or planning, management and performance systems

1.1.3 Kenya Electricity Generating Company Limited (KenGen)

The initial KenGen stands for Kenya Electricity Generating Company. KenGen is a limited liability company, 70% owned by the government of Republic of Kenya and 30% by the public. It is the leading electric power generating company in Kenya, accounting of about 80% of the country's 1,708 MW installed capacity (KenGen Monthly Newsletter, March, 2013). The company uses various sources to generate electricity ranging from hydro, geothermal, thermal and wind. Currently it has an installed capacity of 1500 MW which it sells in bulk to Kenya Power & Lighting Company which distributes the power to consumers. The company is now in operating in a liberalized market and is in direct competition with several independent power producers who between them produce about 20% of the countries electric power. It has a workforce of about 2000 staff distributed in 22 different sites where its plants are located (www.KenGen.co.ke)

KenGen performance management system is divided into three levels. At the Individual level, employees sign a performance agreement with the supervisor and are evaluated bi annually. At the team's level, four disciplines of execution (4DX) is used to determine execution levels and an Execution Quotient Survey is conducted after two years on six drivers of execution namely, clarity and commitment to goals, Translation into action, Enabling, Synergy, and Accountability. At the corporate level, Balance Score Card framework is used to translate the strategy into action through cascading process. The KenGen 5-step performance management process entails; performance agreements sign off, measurements and reporting (monitoring), performance evaluation, developing of personal Development and succession plans, and lastly rewards/consequence management (www.KenGen.co.ke)

1.2 Research Problem

For performance management to achieve desired results there is need for an elaborate and effective employee Performance Management System. Unfortunately, the failure rate of implementation and usage of PMS is estimated to be around 70% which causes a potentially very useful management technique to be rejected by many organizations(Neely and Bourne, 2000).Armstrong (2001) asserts that for Performance Management System to lead to higher quality service delivery, the systems must focus on employee development. He adds that if an organization has not established an effective system of continuous development, then performance will likely fall and objectives will not be met, as employees are able to follow clear guidelines.

On this understanding, KenGen situation is not different. In the year 2008, Ken Gen embarked on transformation journey in order to sustain its leadership in market share and enhance its growth capacity to cater for increasing market demand expected to reach 15,026MW by 2030 (Ken Gen extract “utilizing geothermal energy in Kenya, February 20th ,2013). In response to this, the company initiated a growth strategy with performance management as a crucial focus to drive the strategy execution hence the implementation of the KenGen 5-step performance management system. Although, the implementation of the PMS started five years ago, there are significant challenges facing the implementation and full benefits have not been realized. The rate of adoption among staff has been very low, in addition to substantial resistance.

The implementation of the performance management processes faces serious bottlenecks and the uptake of the performance management system has thus been dismal. Performance agreements and expectations are not set properly with weak measures leading to overrating of staff across the board .eg an average score in the last two years is 85% (Exceptional performer), “The Generator, Ken Gen Monthly Magazine (2012).The bi-annual Performance evaluation exercises is not completed on time and usually overlap each other among other issues. There is thus the need to examine the performance management system at KenGen with the aim of exploring challenges facing its successful implementation and hence realization of the full benefits of the system to achieve its full intention of driving and enabling strategy execution at KenGen.

A structured discussion about the factors influencing successful implementation of employee performance management system in general seems to be missing (Bourne et al, 2002). Studies conducted on employee performance management systems include Elzinga (2008), who carried out a survey to determine the role of behavioral factors in the use of performance management system at Shell International and concluded that behavioral factors played a major role in the success of any PMS. Waka (2010) carried out a study on the survey on the extent to which Kenya Commercial Bank implemented performance management system and how the system improved productivity among employees in the bank. He found out that PMS that had been set in place served to improve the organizational performance. A study by Gichimu (2010) on factors hindering success of PMS concluded that design, Implementation, context and use of an employee PMS influence the success and effectiveness of the system. The studies concentrated on the Impact and success factors of PMS in general terms. To the best of researchers' knowledge, no study has explored the challenges facing successful implementation of performance management system specific to KenGen ; leading to the research question which this study seeks to address: what are the challenges of implementing performance management system at KenGen?

1.3 Research Objective

- i. To establish the challenges facing successful implementation of Performance Management System at KenGen.

1.4 Value of the Study

Ken Gen will appreciate the factors that have influenced the implementation of its present employee performance Management System and where necessary re design the system to reap maximum benefits. Secondly, study will be useful to business organizations across East Africa and especially in power subsector. It will provide an insight to what employee performance management is and how to ensure successful implementation of the PMS in their organizations. A number of future researchers will find valuable information from this research on Performance Management System and its implementation. It 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 provide 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 Management System

A performance management is a set interrelated activities and processes that are treated holistically as an integrated and key component of an organization's approach to managing performance through people and developing the skills and capabilities of its human capital, thus enhancing organizational capability and the achievements of sustained competitive advantage. Armstrong, (2010). It can be argued that performance management is essentially a process, one of managing performance. It can be regarded as a natural function of managing that involves the activities of planning, monitoring, analyzing and reviewing. The term performance management system is in general use and not mechanistic. The justification for this is that it requires the application of a number of interrelated activities that are dealt with as a whole, which is what system does.

As Katz and Kahn (1996) wrote, systems are basically concerned with problems of relationship; of structures and of interdependence. Williams (1998) took a systems view when he identified three models of performance management; Performance

management as a system for individual performance, a system for managing organizational performance and as a system for managing individual and organizing performance. Jaclyn –Tse (2008) defines an employee PMS as the process of motivating employees through setting goals, measuring progress, giving feedback, coaching for improved performance and rewarding achievements. An employee PMS comprises of five distinct components that can be broadly defined as; planning work ,continually monitoring performance, developing capacity to perform, periodically rating performance and rewarding good performance. U.S office of personnel management (2008)’’ Setting the stage for performance management today’’ pp1. The performance management system has over 25 years of proven results. It can improve the way organization manages its most valuable resources-the people who make everything possible. Performance management implementation follow a time tested process that ensures implementation success.

At the same time, every performance management implementation is customized to meet the individual client requirement. 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 an employee for a given period, usually a year. During the year, management gives employee 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 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 employee, give these employees reasons to maintain

good performance, deal with poor performance appropriately and attract the needed type of employee for the organization (Armstrong 2001).

2.3 Implementation of Performance Management System

Employee performance management is the systematic process by which an organization involves its employee, as individuals and members of a group, in improving organizational effectiveness in the accomplishment of the organizations' mission and goals. An employee PMS comprises of planning work and setting expectations; continually mentoring performance; developing the capacity to perform; periodically rating performance in a summary fashion and rewarding good performance (US Office of personnel management, 2008) .These five components of an employee PMS are reviewed in greater detail below.

2.3.1 Planning Work and Setting Expectations

Planning is the first component of an employee PMS. It entails setting performance expectations and goals for individual to channel their efforts towards achieving organizational objectives. Performance expectation and standards should be specific, measurable, understandable, verifiable and achievable. Employee performance plans should be flexible so that they can be adjusted to cater for changing work requirements (US Office of Personnel management; 2008).

Performance planning entails defining not only what is to be achieved but how those concerned will know that it has been achieved. This forms the basis of generating feedback information for use not only by managers but also by individuals to monitor

their own performance (Lawrence S, 2002). In an effective PMS, employees know the expectation and responsibilities of their job and have a sense of fulfilling them. An employee performance management system can give employee members and supervises the plat form for changing direction and emphasis (storey, 1983).

2.3.2 Monitoring Performance

Ongoing monitoring provides the opportunity to check how well employees are meeting pre-determined standards and take corrective action. By monitoring continually, performance can be identified at any time during the appraised period and assistance provided to address such performance rather than wait until the end of the period (Armstrong, 2008).The employee PMS is designed to get two people to talk, it provides informal and formal methods of ensuring that line managers and employees talk constructively about performance planning and development.

Communication is a consistent part of the day to day work of both supervisor and employees (Pettigrew, 1986). In their discussion and conclusions, Bourne et al state that the task of implementing and using an employer PMS is far from complete at the end of the design stage and that specifically the factors determining the successful implementation of the system is a problem which has hardly been researched, and for which few technique are currently available.

2.3.3 Evaluating Performance

Employer PMS should provide a convenient means of summing up performance judgments so that high or low performances can easily be identified. Performance ratings should let people know where they stand at least in the mind of the manager and can provide a basis for predicting potential on the somewhat dubious assumption that people who perform well in their existing jobs will perform well in the future in different jobs. This is dubious because past performance is only predictor of future performance when there is a connecting link (Pettigrew, 1986).

According to Schein (1984), employer PMS that apply numerical ratings work against the primary goals of performance management because it is not only difficult to achieve consistently between raters but ratings are likely to be biased and largely subjective judgments, which could lead to an unfair and discriminatory system. The theory underpinning all rating methods is that it is possible as well as desirable to measure the performance of people on a scale accurately and consistently and categorize them accordingly. As Denisi and Pitchard (2006) comment: “Effective performance appraisal systems are those where the raters have the ability to measure employee performance and the motivation to assign the most accurate ratings”.

2.3.4 Developing the Capacity to Perform

As an employee and their manager agree on the performances standards; they should consider any requirements for better support or guidance such as skills and developed needs required to effectively perform in the role. Carrying out the processes of employee performance management provides an excellent opportunity to identify

developed needs. During planning and monitoring of work, deficiencies in performance become evident and can be addressed. Areas for improving good performance also stand out and action can be taken to help successful employees improve even further (US Office of personnel management, 2008). Training and developing is an important investment for employers which, if carried out diligently and regularly, can give handsome returns.

2.3.5 Rewarding Good Performance

The effective implementation of employee PMS can help an organization meet these big challenges of improving employee performance (Brignall and Modell, 2000). Performance management can play important part in total reward system in which all reward elements are linked together and treated as an integrated and coherent whole. These elements comprise base pay, contingent pay, employee benefit and non financial rewards which include intrinsic reward they are from the work itself (Armstrong, 2010 4th Edition). Even when employees need to improve in an area, constructive and skillful performance feedback- the heart of performance management can be positive, forward looking and energizing (Ittner and Lecker, 1998)

2.4 Challenges of PMS Implementation

(Storey, 1983) explains that poor motivation and self-esteem due to inadequate feedback on their performance, little or no communication, unfairness, lack of transparency, and equity as some of the main features leading to failure of performance management systems.

2.4.1 Poor Integration and Alignment

Performance management has to be approached from an integrated perspective. Synergy has to be created between the performance management system and strategic planning, human resource management processes, organizational culture, structure and all other major organizational systems and processes. Individual, team and organizational strategic objectives must be harmonized. Without integration, no performance management system can succeed on its own, no matter how good the performance management system may be (Saravanja, 2004).

2.4.2 Complexity Issues of the System and the Tool

Performance management system should operate flexibly to meet different circumstances of the organization, and have to be accepted by all staff as a natural component of good management and work practice, transparent and operate fairly and equitably (Armstrong and Baron, 2002). The system has to be also flexible enough to include core competencies which are the common attributes, type, level and quality of skills and behaviors that employees are expected to demonstrate so that the organization can meet its objectives (Common Wealth Secretariat, 1996). Moreover, for a system to be easily implemented and to produce the intended result it has to be clear, simple (as much as possible), and requires the necessary skills for effective and efficient implementation of the system.

2.4.3 Leadership Support

Regarding leadership and performance several studies support that effective change in an organization's culture comes from able, strong and committed leaders. The PMS

needs to be driven by the strategy and senior management of an organization without which the system will be ineffective. In this way senior management must do more than simply articulate the need for effective performance appraisal, they must be role models of effective performance management behaviour which is the critical element in their providing leadership with respect to the performance management system (Carter et al, 2001).

According to (Armstrong, 2001), the implementation of the performance management system has to be supported and driven by top leadership and management. Leadership has to be committed to implementing the performance management system. Leaders should be encouraged to develop the capacity to create a shared vision, inspire staff and build a performance management system that drives the entire organization towards a common purpose.

2.4.4 Resistance to Change

According to (Reynolds, 2004) the only constant business in life is change that could be large or small, rapid or slow, planned or unplanned, controlled or not controlled from implementation of a new system. Change in an organization can be introduced by internal forces like new strategy, new technology, employee attitude and behaviors and external forces like technological environment, the economic environment, the political and legal environment, social conditions, and competitive environment.

The change management aspect of performance management should be managed strategically. The organization's top leadership must drive the change process. Resistance to change should be managed proactively. A communication process

should be put in place which will explain the benefits of the performance management system communicate progress with the implementation and reduce uncertainties, fears and anxieties. Mechanisms must be put in place to ensure the objectivity of performance ratings and judgments, and to reduce favoritism and bias. Performance management should be a continuous process and not an activity conducted once or twice a year. Performance feedback should be timely and continuous. A rewards system, comprising both monetary and nonmonetary rewards, should be developed to reward high performers. Mechanisms must be put in place to deal with non performers (Armstrong, 2001).

2.4.5 Skills Gaps

Reynolds (2004) makes the point the "improvement and learning are casually related. All those involved in the performance management system must possess appropriate knowledge, attitudes and skills to utilize the system. The following are major skills required: Development of performance indicators, key results areas, core management competencies and performance agreements, Measurement of performance indicators, Communication of results and feedback, Monitoring and evaluation of the performance management system (Armstrong, 2010). Proactive training and development interventions should be implemented to ensure that the users of the performance management system are continuously developed. Special emphasis should be given to soft skills and the behavioral aspects of performance (Saravanja, 2004).

2.4.6 Managing Rewards

Applying benefit packages serves to avoid turnover, to build loyalty and commitment, to build sustainable competitive advantages (Dessler, 1998). Like any other employees public servants require recognition of their achievements to maintain their motivation and innovation. Most motivational theorists stress intrinsic motivation (i.e., the job itself) rather than extrinsic motivation (i.e., money and other benefits). Since work groups are part of the larger organizational system, employee's behavior will be influenced by how the organization evaluates performance and what behaviors are rewarded (Robbins, 1996). However, establishing rewarding system, which is Credible and sustainable, it must avoid any risk of serious challenge to the performance management methodology, which may be subject to resistance (www.ddiworld.com.)

A reward system that rewards high performance and discourages low and mediocre performance must be put in place. According to (Armstrong, 2001) a comprehensive and holistic reward system, which includes various rewards such as financial rewards, public acknowledgments, merit awards, promotions, greater work responsibilities, learning and study opportunities, should be developed and communicated to staff. Much greater emphasis must be given to non-monetary rewards. Mechanisms must be put in place to take corrective action against low performers.

2.4.7 Communication Challenges

To alleviate misconceptions and to ensure that the benefits and implementation of PMS are well understood, organizations should communicate contentiously until all

employees are aware of and become part of the implementation process (Commonwealth Secretariat 1996); a proactive communication strategy and process must be followed throughout the implementation of the performance management system. In the planning and design phases, good communication will enable buy-in from the major stakeholders. Users of the system must be trained to communicate professionally and developmentally during the process of conducting performance appraisals and when communicating outcomes and feedback. Communication is one of the most critical success factors of the entire performance management system. Effective communication requires the provision of relevant information, ensures buy-in from the users of the system, reduces fears and anxieties, reduces resistance to change, and generates commitment to the system (Saravanja, 2004).

2.4.8 Organizational Culture

Fundamentally, performance management systems are manifestations of and powerful mechanisms for supporting the organization's work culture. Therefore, any discussion of performance management system would be incomplete before exploring the meaning/context of culture and its impacts on performance management system enabling one to suggest the type of culture that supports identification and development of an appropriate culture to an organization. Culture management will involve influencing behaviour, attitudes and beliefs through process (Blunt and Jones, 1992). And changing attitude is up to individuals as long as they accept that their attitude needs to be changed. The challenge for managers is that people will not change their attitudes simply because they are told to do so. They can only be helped through counselling approach to understand that certain changes to their behaviour

could be beneficial not only to the organization but also to themselves (Armstrong 1996).

In a review of the literature on employee PMS in manufacturing organizations, Lohman et al (2004) concluded that most papers appear to deal with a “green field” situation in which employee PMS are designed more or less in isolation, independent from existing systems in the organization. This greatly impacts their successful implementation. Dewaal, (2004) who undertook research focusing on the technicalities of designing and implementing an employee PMS identified eighteen behavioral factors that are important for the implementation and use of a PMS. He grouped them into five areas namely managers understanding, managers attitude, PMS alignment, PMS focus, and organizational culture. Additional studies are required to substantiate his conclusions

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 included: Research Design, Data Collection and Data Analysis.

3.2 Research Design

The design of this research is a case study, which was believed to be most appropriate in the investigation of challenges of implementing Performance Management System at KenGen. It helped examine in details the pertinent issues hindering successful implementation of performance management system at KenGen. Case studies are of particular value when one is seeking help on investigating a problem in which interrelationships of a number of factors are involved, and in which it is difficult to understand the individual factors without considering their relationships with each other (Kothari, CR, 2004). This is the situation at KenGen. A case study therefore enabled the researcher to collect in depth data on the population being investigated.

3.3 Data Collection

The study used an interview guide to collect data. The researcher administered research questions, explained and clarified difficult ones using various, unstructured, probing tactics to allow vast and rich data collection. Given that the objective of the study was to explore challenges facing implementation of Performance Management System at KenGen, there was thus a need to use a data collection method that would

provide a researcher with space for flexibility in data collection, hence the need of an interview guide.

The interview guide consisted two parts: part A on the personal profiles of the respondents and part B on the challenges facing the implementation of PMS at KenGen. Data was collected from key informants that included some key staff in middle level management staff that were deemed to have managed the PMS or closely interacted with the system in the course of doing their work. 20 staff members participated in the study which represented 10% of the top and middle level management.

3.4 Data Analysis

The collected data was analyzed using content analysis because the solicited data was qualitative in nature. Cooper, (2003) argues that content analysis measures the semantic content or the ‘what’ aspect of the message. Its breadth makes it flexible and wide ranging tool that may be used as a methodology or as a problem specific technique. He opines that content analysis guard’s selective perception of the contents and provides rigorous application and validity criteria. Content analysis, much of the time is used to arrive at inferences through a systematic and objective identification of specific messages and relating them to trends.

Being a case study where respondents are drawn from one organization, and since the interview conducted was open ended, with no limitation to the respondent’s in their answers, then content analysis was the most appropriate method of analysis and presentation. The technique will use a set of categorization for making valid and

replicable inferences from the data collected. This technique is appropriate because once the collected data is subjected to content analysis; the researcher will be able to learn more about the underlying attitudes, biases and repeating themes.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The objective of this study was to investigate the challenges facing implementation of Performance Management System at KenGen. Data was collected through the use of in-depth interviews and analyzed using content analysis method. Of the 20 respondents who were the target sample in the study, the researcher was able to interview 17 respondents. The response rate was 85% and this was used as the bases for conclusions. The findings and discussions of the study are presented as below:-

4.2 General Information on Respondents

The respondents of this study were top and middle level management staffs who had extensive experience on the PMS in the company. General information position, level in the structure, Departments and Operational areas they worked and the years of experience was given as below;

4.2.1 Position and Level of the Respondents in the Organization

Out of the 17 respondents interviewed, two were Managers, eight were Chief Officers, Four were Senior Officers and three were officers. Two respondents were in Level two, eight in level three and seven in level Four, all of which are in top and Middle level management. Thus, all the respondents interviewed were in senior positions in the company and there in good position to give reliable information on the challenges facing implementation of PMS in Ken Gen.

4.2.2 Departments of the Respondents

The respondents were drawn from all the departments. The departments were represented as follows; Two in Human Resources, two Administration, eight in Operations, three in Finance, and two from Business Development department. All the departments were represented as the PMS was being implemented in all departments.

4.2.3 Operational Areas of the Respondents

Four respondents were from central office, three other respondents were from Eastern Hydro, Four from Olkaria, three from western Hydro and Three from Thermal Power Stations. All the operational areas in KenGen were covered and thus the conclusions for this study can be generalized for KenGen.

4.2.4 Years of Experience

Results indicated that out of Seventeen interviewees, fifteen had worked in KenGen for between 11-15 years and two had worked for between 21-15 years. This indicates that all the interviewees were highly experienced and had Substantial information about Performance Management in KenGen before and after introduction of PMS.

4.3 Challenges Facing Implementation of PMS at KenGen

The main objective of this study was to investigate the challenges facing implementation of PMS in KenGen. The challenges were classified into various components of performance management system at KenGen including performance

planning and expectations, Performance monitoring, performance evaluation, performance development and rewards management.

4.3.1 Challenges under Performance Planning and Setting Expectations

At the beginning of the performance period, the supervisor and the employee develops a plan for performance, to include: performance goals, expected behaviours, individual development plan (IDP) goals, and a plan for documenting and discussing performance throughout the year. At KenGen, performance, planning at the same time with the bi- annual evaluations. In the process of performance evaluation dialogue, the expectations for the next review period are agreed upon, documented in a KRA form and signed off. There are several challenges being experienced on this process;

With performance planning and setting expectations at KenGen, the findings indicated that corporate annual planning cycle was not linked to performance management cycle and this affected the process of cascading of corporate goals to individual goals. For instance, the planning cycle exercise for the financial year 2013/2014 which was supposed to be conducted in the month of June 2013 had not been done four months later and was not in synchrony with the two evaluations. This interfered with the cascading of corporate goals and hence inconsistencies in performance planning.

From the interviews also, it was reviewed that most staff lacked skills in setting of SMART performance measures and standards. It was found that most staff could not identify and document their KRA's and KPI's and this affected other processes like monitoring and evaluation. Participation in cascading exercise of cooperate goals exercise was low such that it had not trickled down to the lowest management staff. For instance cascading exercise conducted in January to April 2012 for July to December 2012 evaluation period only covered 57% of the targeted staff that year. This resulted in delays in planning of performance and signing of performance.

The findings also showed that most supervisors failed to understand and communicate the linkages between corporate goals and individual goals and hence there was no clear line of sight. This was demonstrated by the quality of the performance measures that were being set. The in adequate skills by the some of the supervisors in guiding their staff to generate meaningful performance indicators contributed to poor performance planning.

4.3.2 Challenges in Monitoring of Performance

Throughout the performance period, the supervisor should be aware of and monitor the employee's performance, noting opportunities to provide constructive feedback. The supervisor should keep clear, specific documentation of the employee's performance for use in feedback sessions, formal performance conversations and the final evaluation. In KenGen, monitoring of performance is done through weekly performance board meetings or the 'dash boards'. Monthly and quarterly reporting is also used to monitor performance of employees. Performance is documented by using 'tracking sheets' which are kept in hard or soft copies and are retrievable but this is not without challenges;

The results indicated that the tracking sheets for monitoring performance were not being used consistently and effectively. The usage of tracking sheets and performance board meetings to monitor individual and team performance was very low. For instance, in the year 2012, it was demonstrated that the highest weekly performance board attendance was 43 out of 52 weeks with lowest showing 12 weeks out of 52 weeks. Tracking sheets in many instances were not being updated. It was reported that most staff had not owned the process and resisted the meetings while others changed some particulars on the board without holding actual meetings. Findings also indicated that there was no frame work for giving continuous feedback on staff performance. Formal feedback sessions were not being done. Also, the formal feedback from evaluation results was not consistent and sometimes missed or delayed due to overlapping of the two evaluations.

The results also showed that strained relationships and conflicts among some supervisors and employees affected smooth implementation of PMS as giving feedback on performance became very difficult. The study discovered that most supervisors did not engage their staff in routine discussions on performance throughout the performance cycle.

4.3.3 Challenges under Evaluation of Performance

At the end of the performance evaluation period, the supervisor compiles the performance documentation to write the employees evaluation and discuss the year's performance with the employee. In the case of KenGen, two evaluations are conducted each year. An automated evaluation tool is used in which an employee

rates him/herself, then he is rated by the supervisor after which a dialogue is held and a final rating is agreed. The following challenges were found to be facing this process;

The findings indicated that delay of performance evaluation results was as a result of having bi-annual evaluations which could not be completed in time. It was also observed that the results from evaluations could not be implemented fully before the other review period started hence overlapping of the two evaluations. An example was given where evaluations for January to June 2013 had not been closed in October almost the end of the preceding review period that is July to December the same year.

Subjectivity in the process evaluations was a major challenge and this led to widespread over-rating by most of the supervisors. For instance, in the year 2011/2012, the average performance was 85% which is 'very good performer' in the companies rating scale. This was inconsistent to corporate performance of 64% as indicated by the Execution Quotient (XQ) survey results for the same year.

It was also found out that the automated 'KenGen dialogue evaluation tool' was lengthy, complicated and was not specific to different cadres of staff in the management. It was also reviewed that the same tool used for evaluating Chief Officers, was the same tool that was being used to evaluate junior management staff which led to inconsistencies of the results. The study also indicated that most staff had difficulties in using the automated evaluation tool in addition to delays by supervisors completing the evaluations in the system. This led to late submissions of appraisals forms by the supervisors and hence delays in closing evaluation periods.

Lastly the findings showed that lack of consequences for delayed submission of the evaluation forms led to laxity of employees completing the evaluation hence low coverage of the employees evaluated. For instance in July to December 2012 period, out of targeted 900 management staff, only 60% had completed the evaluations by the time of closure.

4.3.4 Challenges under Performance Development

Throughout the performance period, the supervisor should work and support employees in achieving development goals, remove obstacles in achieving development goals, review and implement their individual development plans. In the case of KenGen, at the time of evaluation, the employee agrees with the supervisor on a development plan usually training and sometimes mentoring or coaching, by filling a Personal Development Plan (PDP).

The findings reviewed that implementation of Personal Development Plans was low due to shortage of time as a result of the existence of bi annual evaluation in KenGen which led to time limitation in implementing the PDP's. The Training and Development needs of staff could not be implemented before the next evaluation and this brought apathy amongst employees in documenting their Personal Development needs. For instance, about 500 training requests on PDP's could not be implemented in six months before the other requests were generated.

From the interviews, it was very clear that most supervisors lacked commitment in developing the staff under them. The findings also indicated that the contents in the Personal Development plans were too general and did not capture the real training and development gaps of the employees, most of the proposals were rather 'wish lists' and personal aspirations of the employees without regard to identified performance gaps. There was no coaching and mentoring framework in place and coaching was being done in disorganized manner.

4.3.5 Challenges under Rewards and Consequence Management

At the end of the performance period (or within the period), you reward employee performance according to your organizations performance management system. Rewards are used to celebrate past performance and encourage future performance. In the case of KenGen after the completion of an evaluation, necessary approvals are sought to pay a performance bonus. This is meant to encourage and sustain performance.

The findings from the interview indicated that rewards for good performance were untimely and inconsistent. Most of the interviewees reported that bureaucracy and lengthy approvals for bonus by government departments and statutory requirements like Salary Remuneration Commission delayed payment of the bonus. A case in point is when bonus for July to December 2009 was paid in July 2012. This had brought a lot of disinterest and apathy amongst employees in participating in the next evaluations.

The study also reviewed that expectation of the bonus or lack of it in every evaluation period skewed the results of the evaluation for some employees. Some supervisors who lacked management courage would over rate the staff under them so that they could earn the full bonus and hence appear popular to them. The findings also indicated that non financial rewards like praise, recognition were rarely appreciated. And most staffs looked at the rewards as only monetary.

4.3.6 Other Challenges Facing Implementation of PMS at KenGen

From the interviews, there were other challenges which faced implementation of PMS in KenGen and they included; little involvement of line managers in managing performance in the company which led to low uptake of the system. Most of the line managers and supervisors lacked critical skills in managing performance and having right attitude and support for the system. There was a general feeling among line supervisors that the process of performance management was a sole responsibility of Human Resource Department.

The current culture was an obstacle to successful implementation of PMS as it did not emphasize on results and focus on achievement of corporate goals. The culture was reported as relatively democratic to provide meaningful consequences for poor performance. The findings also reviewed that employees did not have agility for change and were resistant to new changes including the PMS.

The findings also reviewed that current matrix structure being used in KenGen in some instances limited proper cascading of targets and tracking of performance. Some staff especially in power stations had two direct reports i.e. administrative and

functional reporting. For example, a Chief Finance officer would directly report to Operations Manager in the areas and Finance Manager in Head Office. This had effect on cascading of goals, monitoring and evaluation of performance.

Other challenges from the study findings included inadequate executive support, lack of union involvement, frequent changes of staff driving the system, issues of equity on rewards management, lack of skills by supervisors on evaluation, lack of continuous communication and adequate preparations for performance evaluations, lack of consequences for poor performance and long turn-around times on performance management activities.

4.4 Discussion of Findings

A solid performance management system is the cornerstone of organizational excellence. Communication, accountability and performance incentives are positive attributes of a PMS that enables an organization to reach its goals. The objective of implementing PMS at KenGen was to improve individual, team and organizational performance by setting clear and concise employee expectations; monitoring progress; aligning measurable individual goal with larger organizational ; recognizing and rewarding individual accomplishment, demonstrated competencies, and contributions to strategy. This in most cases cannot be achieved without experiencing challenges which must be overcome. This study confirms the findings of other researches, like Gichimu (2010) who conducted a study on factors hindering success of PMS and concluded design, implementation, context and use of an employee PMS influence the success and effectiveness of the system. Elzinga (2008), also carried out a survey to determine the role of behavioural factors in the use of performance

management system at Shell International and concluded that behavioural factors played a major role in the success of any PMS. Thus the implementation of performance management systems usually faces several challenges which can be overcome.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the research findings in chapter four are summarized, and a conclusion is drawn which forms the bases for recommendations. The chapter incorporates the various suggestions and comments given by the respondents in the interview.

5.2 Summary and Findings

The main objective of this study was to determine the challenges facing implementation of performance management system at KenGen. Twenty respondents were targeted to participate in the study but only 17 were available for the interviews represented 85% response rate. All respondents interviewed were from senior management and were drawn from all departments and stations. All respondents had extensive working experience and had interacted with the performance management system. The challenges identified was grouped into five PMS components which included performance planning and setting of expectations, monitoring of performance, performance evaluation, performance development, rewards and consequence management and other general challenges.

The challenges under planning included; lack of clear link between annual corporate planning cycle and performance cycle and setting of weak performance measures and standards due to skills gaps. On performance monitoring, there was under-utilization of performance monitoring tools like tracking sheets and performance board meetings besides inadequate performance feedback mechanism. On performance development,

there were difficulties in implementing PDP's due to the nature of data captured and available time. The coaching and mentoring was not being used as a method of developing for performance. On performance evaluation, the evaluation tool being used was not specific to different cadres of staff. Also, there was subjectivity in rating due to weak measures and lack of skills by appraisers and the nature of the . In addition, there was lengthy approval process for bonus payment, inactive participation by line managers, the existing culture which is not enabling, existing matrix structure which led to double reporting, lack of union involvement and long turnaround times in performance management activities.

5.3 Conclusion

The study focused on challenges facing implementation of PMS at KenGen. From the findings, it can be concluded that PMS had been put in place in KenGen although it had faced various challenges in the process of its implementation. There were implementation challenges in all components of PMS including performance planning, monitoring, evaluation, development, and rewards management. The challenges in one component led to challenges in other components. It can also be concluded that the existing bi annual evaluation was a big challenge to KenGen in its implementation in the prevailing culture and organizational structure. The researcher concludes that the existing challenges are basically cultural and structural and can be overcome.

5.4 Recommendation for Policy Analysis and Practice

The researcher recommends that annual planning and budgets should be synchronized with performance management cycle. Corporate goals should be translated to individual goals when planning performance. Staff members should be skilled on coming up with meaningful performance measures. Evaluation tool should be specific to certain categories of staff while performance should be documented throughout the year. Feedback should be timely and any rewards should be timely and based on performance. High performing and enabling culture should be established to support the PMS.

Organization should ensure their corporate goals aligned to individual goals. Organization should focus more on performance planning as its success will affect other process of performance namely monitoring, evaluation and rewards. The goal theory developed by Latham and Locke (1979), underpins the emphasis in performance management on setting and agreeing objectives against which performance can be measured and managed. Goal theory supports the agreement objectives, feedback and reveals aspects of performance management. Performance planning in KenGen is not being done properly which has affected the other performance processes and hence the need by the researcher to explore the challenges.

5.5 Limitations of the Study

This study had several limitations, the most important of which are highlighted herein. This being a case study design, the researcher responses were limited to KenGen. A generalization of the findings to represent a wider and more diverse sample of

industries would have provided a broader insight on the subject and especially reveal any industry specific differences.

The study used interview as a method of data collection. This was limiting in the sense that the researcher did not get enough time to do extensive interviews. Some interviewees were hesitant in giving confidential information. The researcher was also limited by resources as he had to travel to offsite stations to conduct interviews.

5.6 Recommendation for Further Research

This research used a case study and focused on KenGen as a single entity. Future research could therefore investigate extent to which these findings can be generalized to other parastatals in the energy sector, and other government institutions. The sample used focused on KenGen only as an entity. Further research is recommended using a larger sample for the purposes of generalizations. A cross sectional study across a number of institutions within the sector can also be done to make comparative analysis.

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APPENDICES

APPENDIX I

INTERVIEW GUIDE

This Interview guide is designed to collect information on challenges facing Implementation of performance management system at KenGen. The information contained shall be treated in confidence and will only be for the purposes of this research.

Thank you for your time

SECTION A. Background information

1. Position in the organization _____
2. Name of the department _____
3. Name of the operational area _____

4. Position in the structure
 - a) Level 1
 - b) Level 2
 - c) Level 3
 - d) Level 4
 - e) Union

5. Years of services
 - a) 0 -5
 - b) 6 – 10
 - c) 11 – 15
 - d) 16 – 20
 - e) 21 – 25
 - f) 26 – 30

SECTION B: Challenges of implementing performance management system at KenGen

6. What are your views about implementation performance management system at KenGen.....
.....

7. To what extent are employees involved in coming up with performance agreements? Give reasons
.....
.....

8. What are the challenges of coming up with appropriate performance measures/standards?
.....
.....
9. What are some of the challenges faced during cascading of corporate goals to individual's goals?
.....
.....
10. What are the general challenges experienced during performance planning?
.....
.....
11. During performance planning why is focus given to key results area and key performance indicators? discuss
.....
.....
12. In your opinion, what role does weekly performance boards meetings play on performance monitoring?
.....
.....
13. What are the challenges of giving feedback on performance in KenGen ?
.....
.....
.....
14. What tools are used in monitoring or tracking performance at KenGen?
in your opinion, are they adequate?
.....
.....
15. What are some of the challenges experienced during monitoring of performance
.....
.....
.....

16. Is employee performance evaluated based on established performance standards?
if not discuss

.....
.....

17. What are some of the causes for delays in performance evaluations at KenGen?

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.....

18. How do supervisors in adequate skills and knowledge affect the objectivity of
performance evaluation? discuss

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.....

19. Discuss the effectiveness of performance evaluation tool being used in KenGen?

.....
.....

20. What are some of the challenges in implementing Personal Development Plans?

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.....

21. What is the impact of financial and non financial rewards in the implementation of
performance management system.....

22. What causes delays in paying out bonus to staff after performance evaluation is
completed?

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.....

23. What is the level of involvement of the line managers on performance
management?

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24. What are some of the challenges faced by line managers in the process of performance management?

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How do you rate the level of support by the management on performance management processes?

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25. Do you think the current culture at KenGen facilitates performance management process? Explain?

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26. How does the structure at KenGen affect the implementation of effective performance management system at KenGen?

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.....

27. In your opinion, do you think resistance to changes has affected the adoption of performance management system at KenGen? Explain

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28. What other challenges have affected implementation of performance management at KenGen

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29. In your opinion, what is main challenge affecting the implementation of PMS in KenGen?.....

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