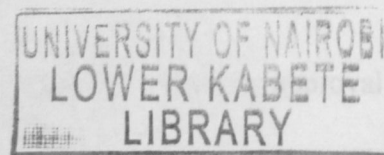


**EMPLOYEES' PERCEPTION OF THE EFFECTIVENESS OF  
PERFORMANCE MANAGEMENT PRACTICES AT HARAMBEE  
SACCO LTD**

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

**OCTOBER, 2012**

**DECLARATION**

I hereby declare that this is my original work and has not been submitted for any award at any other institution.

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

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**MAY THE ALMIGHTY GOD BLESS YOU ALL!**

## DEDICATION

I wish to dedicate this project to my family and in particular my spouse Deborah and my grandmother for the support and encouragement, my daughter Clara, my Mum, my brother Josephat, my sisters Mary and Francisca for giving me the reason to study and work hard. Also to all who have contributed to the success of this MBA program, for their efforts and continued support and encouragement.

## ABSTRACT

The quality of Human resources of an organization is essential to its success. Thus every organization must seek to improve the quality of its work force. The most important area which can be ignored in human resources management is the performance management practices. For the organization to ensure that its objectives are converted into results is through perfecting the performance management practices. These performance management practices include the goal setting, performance review/appraisal, reward, employee training and development, career planning and succession management. The importance of performance management practices can only be appreciated with a clear understanding of its direct impact on employees' performance. An improvement in organization's performance is as a result of an employee improved performance which is because of good performance management practices.

The objective of this study was to determine employee perception of the effectiveness of performance management practices at Harambee SACCO Society LTD. To meet this objective, the researcher used a descriptive survey which was appropriate to gather all the necessary information. The researcher targeted one hundred and thirty six (136) employees but the respondents were one hundred and twenty seven (127) employees. The primary data was collected using questionnaires dropped to the respondents and picked later. The collected data was analyzed using descriptive statistics which included frequencies, mean, standard deviation and percentages. It was presented in tables and charts.

The study established that there is positive relationship between performance management practices and the employees' perception about the effectiveness in the organization. Performance management practices enhances employee motivation, career, allows employees to take higher responsibilities, enhance commitment to work and promote relations among employees and also between the employees and the management. Performance management practices if well integrated with organizational objectives leads to high efficiencies and effectiveness in the performance of the employees hence improving quality and productivity.



## TABLE OF CONTENTS

Declaration .....	ii
Acknowledgement .....	iii
Dedication .....	iv
Abstract .....	v
List of tables.....	viii
<b>CHAPTER ONE: INTRODUCTION .....</b>	<b>1</b>
1.1 Background of the study .....	1
1.1.1 Employee perception.....	2
1.1.2 Effective Performance Management Practices.....	2
1.1.3 Harambee SACCO .....	5
1.2 Research problem.....	6
1.3 Research Objective.....	8
1.4 Value of the study .....	8
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>10</b>
2.1 Introduction.....	10
2.2 Performance management.....	10
2.3 Performance Management Practices .....	13
2.3.1 Goal setting.....	14
2.3.2 Performance Review /appraisal .....	15
2.3.3 Reward.....	17
2.3.4 Employee Training and Developing.....	18
2.3.5 Career planning .....	19
2.3.6. Succession management.....	20
<b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>	<b>22</b>
3.1. Research Design.....	22
3.2. Population.....	22
3.3. Data Collection.....	22



3.4. Data Analysis .....	23
<b>CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION .....</b>	<b>24</b>
4.1 Introduction .....	24
4.2 Demographic Data of Respondents.....	24
4.2.1 Respondent's Department .....	24
4.2.2 Job Level .....	25
4.2.3 Gender .....	25
4.2.4 Years of Service .....	26
4.2.5 Age .....	27
4.2.6 Level of Education .....	27
4.3 Perception of employees about effectiveness of performance management practices.....	28
4.3.2 Performance appraisal/review .....	30
4.3.3 REWARD.....	32
4.3.4 Employee training and development.....	34
4.3.5. Career Planning .....	35
4.3.6. Succession management.....	37
4.4.1 Integration of organizational objectives and goal setting.....	39
<b>CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS.....</b>	<b>43</b>
5.1 Introduction .....	43
5.2 Summary of findings.....	43
5.3 Conclusions .....	46
5.3 Recommendations .....	46
5.4 Recommendations for further research .....	47
<b>REFERENCES.....</b>	<b>48</b>
<b>APPENDIX 1: QUESTIONNAIRE.....</b>	<b>1</b>

## CHAPTER 4 LIST OF TABLES

### 1.1 Background of the study

Table 4.1: Departments.....	24
Table 4.2: Job Level.....	25
Table 4.3: Gender.....	26
Table 4.4: Years of Service.....	26
Table 4.5: Age Brackets.....	27
Table 4.6: Level of Education.....	28
Table 4.7: Perception about goal setting.....	29
Table 4.8: Performance appraisal .....	31
Table 4.9: Reward.....	33
Table 4.10: Employee training and development .....	34
Table 4.11: Career planning.....	36
Table 4.12: Succession Management.....	37
Table 4.13: Integration of organizational objectives and the performance management practices .....	39

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the study

In Kenya today, successful organizations know that to win in today's competitive marketplace they must attract, develop and retain talented and productive employees. The most serious challenge facing the organizations is finding how they can improve the effectiveness of their organization to become more competitive. Winning organizations get their competitive edge from ensuring that performance management practices help to develop the "whole person" employees, hiring the right talented people, place them in the right position, align their abilities and reward performance commensurate with contributions to the organization's success (Varma, Budwar, and Denisi, 2008).

According to Armstrong and Barron (1998), performance management has several aims and reasons as to why it is conducted in organization. Performance management practices are aimed at assisting in achieving sustainable improvements in an organization overall performance, serving as a lever for change in developing a more performance-oriented culture, increase employee motivation and commitment, improving team spirit and performance, offering a mechanism for regular dialogue and improved communication between individual employees and their managers, providing an outlet for employees to express their aspirations and concerns and to give individual employees the means to develop competencies, improve job satisfaction and reach their full potential to their own benefit and that of the organization. Performance management practices concept has been one of the most important and positive developments in the sector of human resources management. Performance management raises the bar for organizational management. It aims to improve decision making at all organizational levels.

In order to improve performance, most organizations have come up with performance management systems. Wolfson (1998) outlined that boredom and frustration at work is often the result of employee's lack of involvement with the company's goals and a feeling that their ideas are not wanted or listened to as a result staff turnover increases and a negative impact on the level of customer service and quality. In Kenya as well as in



all other countries worldwide, organizations have realized that performance management is the key to effective Human Resource Management.

### **1.1.1 Employee perception**

According to Robins et al (2000), perception can be defined as the process by which individuals in an organization can organize and interpret sensory impressions in order to give meaning to their environment. Employees' perception can therefore be stated as how employees are able to give meaning to the events or activities that occur in the organizations environment. One of the most critical areas that greatly influence employee perception is on performance management practices.

All organizations have a face to their performance management system – what it is perceived to be by its many stakeholders. These perceptions and attitudes about the system often influence behavior and motivation. A negative perception of the system may lead a manager to not take the process seriously, fail to document performance, or not provide feedback to employees. A positive perception of the system, on the other hand, may lead a manager to utilize the system to help employees develop and achieve their performance objectives Gallup (2008). Wagner (2006) has done extensive research on managerial performance discussions with subordinates and has found that when employees receive feedback on their progress, they are not only more engaged, but also more likely to perceive the performance management process to be fair and valuable. In turn, they also view their compensation as more fair, are more likely to stay with the organization, and even recommend it as a great place to work.

### **1.1.2 Effective Performance Management Practices**

According to Jackson (2001), performance management is a formal, structured process used to measure, evaluate and influence employees' job-related attitudes, behaviours and performance results. Performance management helps to direct and motivate employees to maximize their efforts on behalf of the organization. Also miller and Monge (1986), defined performance management as the integration of employee development with results based assessments. It encompasses performance appraisal, objective setting for



individuals and department, appropriate training programmes and performance – related pay. Managing employee or system performance facilitated the effective delivery of strategic and operational goals. There is a clear and immediate correlation between using performance management programs and improved business and organizational results (Daniels, 1999).

The primary goal of any appraisal system is performance management. To manage and improve their employee's performance, managers must explore the causes of action plans and empower workers to find solutions and use performance focused communication, (Lawson 1995.) Effective Performance management is concerned with the actions taken to improve performance in order to achieve organizational, team or individual effectiveness. Improving performance is only achievable where there are effective processes of continuous development. This in turn addresses the core competencies of the organization and the capabilities of individuals and teams. Effective Performance management is all about a shift in scope from just registering the corporate results for accounting purposes to effectively managing a rich and balanced set of organizational performance aspects, ultimately helping to establish the enterprise's strategic identity, (Lawson, 1995).

Dereck et al (2005), state that, the approach in many organizations has traditionally been 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. They further argued that organizations are increasingly recognizing that planning and enabling performance have a critical effect on individual performance. According to them, the organization must have variables such as; clarity of performance goals and standards, appropriate resources, guidance and support from the individual's manager as important to individual performance.

Best-practice organizations implement performance management systems that are results-driven and aligned with the organization objectives. Performance management effectiveness is held to be an important driver in terminating valuable outputs such as employee commitment, (Daniels, 1999). Armstrong, (2001) suggested that performance

management is not a form of exercise where personnel managers spend time chasing up line managers to complete their appraisal forms and return them to the personnel department. He outlines that the process includes, basis themes such as; Agreed objectives, agreed performance and personal development plans, a review of performance against objectives and a review of achievements against the personal development plan. According to his arguments, performance management practices include extensive and relevant training and management development activities, incentivized pay systems and performance management processes.

Dessler (2003) suggested that the performance management practices may include goal setting, workers selection and placement, performance appraisal, compensations training and development and career management. Performance management practices generally can be termed as ways and means through which manager defines the employee's goals and work, develops the employee's capabilities and evaluates and rewards the person's effort.

According to Armstrong (2001), the essential component of a performance management system include, performance plan, which is negotiated between a manager and employee for a given period, usually a year. During the year, management gives employees feedback on their performance and may suggest how it can be improved. The performance is appraised at the end of the year to reward or develop the employee. The cycle is then completed with a new performance plan. It is only through a well designed performance management system that organization gets power to retain the best employees, give these employees reasons to maintain their good performance, deal with poor performers appropriately and attract the needed type of employees for the organization. Philpott and Sheppard (1992), performance management practice is a means of getting results from a whole organization by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements.

### 1.1.3 Harambee SACCO

Harambee Co-operative Savings and Credit Society started from a merry-go-round into a leading institution. The Sacco was set up by a handful of small income earners and struggling subordinate staff at the Office of the President in 1970. From a single unit at the office of the President, Harambee Sacco has now been devolved into 155 delegate or electoral branches across Kenya, serving members in the remotest of locations in the country. Their vision is to remain the largest Sacco in membership and be the leader in quality of assets, savings and credit in Africa. Their mission is to continuously improve financial products, adopt leading-edge practices in service and give competitive returns to their members. Their motto is empowerment, development and security. The organization is the biggest in membership base Sacco in Kenya and Africa.

Harambee Sacco has two major divisions which are:-Back Office Service Activities (BOSA) and Front office Service Activities (FOSA) which operates along the banking sector. BOSA offers services such as development loan, emergency loan, school/college fees loan, Jisaidie loan, mkombozi loan, share (savings) boost product, save as you earn (SAYE), salary advance, retirement savings account insurance premium loan and instant loan. FOSA offers services such as Member savings accounts, FOSA personal loan, salary advance, FOSA loan advance, FOSA instant loan, FOSA saving account, FOSA emergency loan, FOSA bridging finance produce and FOSA M-Banking. Sacco Society Limited is divided into three main divisions, which are General Manager's Division, Operations Divisions and Finance Division. General Manager's Division includes; Information and Communication Technology (ICT), Marketing Team, Legal Services, Security Services, Compliance / Internal Unit and Credit Monitoring Unit. Operations Division includes; Loans Department and Human Resource. Finance Division includes; Financial Accounting, Cash Office Service and Dispatch, Members Personal Account (MPA), Credit Management/ Collection and Procurement.

Harambee Sacco draws its membership from Ministries and State Corporations such as Office of the President, Office of the Prime Minister, Department of Defence, Kenya Police, Administration Police, Directorate of Personnel Management National Security



Intelligence Service (NSIS), Ministry of Home Affairs, Ministry of Immigration and Registration of Persons, Ministry of Labour and Human Resource Development, Ministry of Education, Ministry of Lands, Ministry of Roads, Ministry of Finance, Ministry of Energy, Ministry of Trade, Ministry of Industrialization, Ministry of Public Works, Ministry of Environmental and Natural Resources, Ministry of Tourism and Wildlife, Ministry of Agriculture, Ministry of Public Health and Sanitation and Ministry of Medical Services among others. ([www.harambeesacco.com](http://www.harambeesacco.com)).

## **1.2 Research problem**

Competition has become one of the biggest challenges faced by organizations prompting them to be more careful about the choice of strategies they adapt to stand out and remain on the cutting edge and achieve organizational objectives or goals as stipulated in the strategic plan. In achieving competitive advantage, performance management is one of the areas that need more concentration. How employees perceive the performance management practices is quite important in achieving the organization's goals and objectives. Employees' perception is how employees are able to give meaning to the events or activities that occur in the organizations environment. One of the most critical areas that greatly influence employee perception is on performance management practices (Robins et al 2000). The process of performance management is one of the most recent developments in the sphere of human resource management. According to Armstrong (2001), many companies now make use of this process since it has proved to be a strategic and integrated process that delivers sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities to individual contribution and teams. Everyone and everything in the organization must be done in a way that ensures that the strategies are implemented effectively. In order to ensure better organizational performance, employee performance management practices are aligned towards the achievement of organizational goals which in turn are aimed at creating a very strong link between business objectives and individual links. To ensure that this is achieved the organization must ensure that the employees are involved in performance management. Price (2007) outlined the importance of performance management practices as in providing a checking mechanism



for resourcing policies and procedures, evaluating the quality of recruits and hence the underlying decision making process. It also monitors employee's commitment and the relevance of their working behaviour to business, as well as providing rationale for an organization's pay policies.

The micro-finance industry is operated in a liberalized economy and competition among the players is no exemption. Harambee SACCO as a micro-finance institution has adopted performance management practices without exemption for them to remain competitive in the finance industry. The success that results from managing people effectively and efficiently is often not transparent as to its source, and therefore virtually impossible to duplicate. Harambee SACCO, been the largest SACCO in Kenya and more so in Africa with a population of one hundred and fifty two employees, the application and adoption of performance management practices is of paramount importance to them and are well put into action for right purpose. In order to translate strategies into results then Harambee SACCO has embraced performance management practices. (<http://www.harambeesacco.com/membership2.html>).

Several studies have been conducted about the performance management concept in organizations. Obiye (2002), in his study on the survey of preferred methods, raters and uses of performance appraisals by employees in selected tertiary public institutions in Nairobi found out that while all respondents had the full knowledge and understanding of the components of performance management, the only important parts in the components was planning and contracts. They admitted the need for training in performance management for their employees. Mutoek (2008) in his study on performance appraisal practices among media houses, found out that performance appraisal which is part of performance management are used to enhance performance and career progression. Amimo (2003) in his study, Relationship between performance management principles and firm performances, a survey of companies quoted in the Nairobi Stock exchange, cited little knowledge about performance management in the Kenyan situation and insisted on the need for studies to be done in this area. Nginyo (2010) in her study employee performances management practices among insurance companies in Kenya,

found out there was a general dissatisfaction on the level of application of the various performance management practices. Mzemo (2010) in her study on employee participation in performance management concluded that employees had less influence on their final results and so they may not be committed to their work because there was high participation in setting of targets which is at the initial stage of the performance management process but low participation at later stage.

As much as effort on the above research has been applied, no research has been done to show the employees perception of the effectiveness of performance management practices in Harambee SACCO and more so in all SACCOs in Kenya to help guide the organization on how to achieve effective results and gaining competitive edge against upcoming players through effective performance with the complex organizational framework. The study therefore intends to come up with a conclusion that provides an insight into the effectiveness of performance management practices in Harambee SACCO.

This provides the rationale of the purposed study which seeks to provide an answer on the following question, how employees perceive the effectiveness of performance management practices at Harambee SACCO Ltd?

### **1.3 Research Objective.**

To determine employee perception of the effectiveness of performance management practices at Harambee SACCO LTD.

### **1.4 Value of the study**

The research was of great importance to the management in the organization i.e. Harambee SACCO by encouraging them to embrace performance management practices to achieve competitive advantage.

The study enabled the employees of other SACCOs have the information in-depth and understand that performance management has a great impact on their personal individual performance.

The study contributed to wider knowledge both in research and academics in the area of performance management. It also added to the existing knowledge and stimulate further research on different aspects of performance management practices.

This chapter gives the overall and intensive collection of data covering the effectiveness of performance management practices.

## 2.3 Performance management

Performance management in today's business environment, it is a broad, sweeping, living system, characterized by ongoing interactions, feedback and mutual ownership. In this chapter relevant literature by different authors on the concept of performance management will be reviewed and will give light on how organizations have to increasingly use performance management practices to communicate organizational objectives and set goals. Performance management includes activities that goals are consistently being met in an effective and efficient manner, Brignall, (2000). Performance management can be regarded as a proactive system of managing employee performance for driving the individuals and the organizations toward desired performance and results which is achieved through striking a harmonious alignment between individual and organizational objectives for accomplishment of excellence in performance and meeting organizational goals. The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for continuous improvement of business processes and for their own skills and contribution Harrell-Lewicki, (1987).

The main goal of performance management is to ensure that the organization as a system and its systems work together in an integrated fashion for accomplishing optimum results or outcomes. Armstrong (2003) states that performance management is a holistic approach that covers every aspect of the organization and is based on the belief that everything that people do at work at any level contributes to achieving the overall purpose of the organization. On the basis of empirical evidence, Armstrong and Baron (2002) highlighted two central propositions used to justify performance measurement. People, either as individuals or teams, put the greatest effort into performing well if they



## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

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know and understand what is expected of them and have had an involvement in specifying those expectations. And employee's ability to meet performance expectations is based on; individual's level of capability, the degree of support provided by management and the processes, systems and resources made available to them by the organization.

According to Merrell, (1995) argues performance management processes or practices are being used to identify under performers from high-flyers and such practices emphasize positive improvement and development plans for individuals and teams. Appraisals conducted by employers or line managers, results to rewards on excellent performer lies in the process of performance management. Training and development goals should be aligned with the reward system of the organization in accordance to performance management practices in the organization. This enables the employees to see themselves as worthwhile in their own right and valued by the organization.

The performance management approach has become an indispensable tool in the hands of the corporate as it ensures that the people uphold the corporate values and trend in the path accomplishment of the ultimate corporate vision and mission. It is a forward looking process as it involves both the supervisor and also the employee in a process of joint planning and goal setting in the beginning of the year or the stipulated time by management, Miller, (1986). Performance Management is focused on enabling goal clarity for making people do the right things in the right time with the aim of achieving the capacity of employees to the full potential in favor of both the employee and the organization by defining the expectations in terms of roles, responsibilities and accountabilities, required competencies and the expected behaviors Varma (2008).

When new situations arise, updating objectives and work plans becomes a major issue in performance management hence provisions must be made for updates and amendments. This may include discussing what the employee has done and achieved their shortfalls in achieving the objectives and reasons for them. Then to improve performance an agreement must be reached on the changes to be made to objectives and actions required, Armstrong, (2001). Review meeting are likely to be more effective if both parties – the

manager and the employee know about it in advance and have prepared themselves effectively. Therefore performance management is a process and not an event. Performance management ensures that the needs and expectations of stakeholders, owners, management, employees, customers, suppliers and the public, that is it ensures that not only the organization achieves its goals and objectives; it also achieves its social corporate goals. Communications and involvement through, continuous dialogue between managers and employees establishes mutual understanding of what is it is to be achieved, Armstrong, (2001). He further argues that Performance Management operates as a partnership between the organization and each individual working in it. Both parties contribute to the definition of objective, tasks, standards and performance measures, monitoring progress sand developing performance.

Lawler (1986), highlights that Performance Management is about ensuring that managers themselves are aware of the impact of their own behavior on the peoples they manage and are encouraged to identify and exhibit positive behavior. Performance management is about establishing a culture in which individuals and groups take responsibility for the continuous improvement of business process and of their own skills, behavior and contributions.

Performance management should be seen as a joint process through dialogue among the employers (management) and the employees and should be seen as a top-down assessment thus it should be regarded as a flexible process and not as a system. According to Armstrong (2006), performance management is a process and not a system. The use of 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 continuous and argue that, it involves managers and those whom they manage acting as partners, but within a framework that sets out how they can best work together. Performance management is termed as a process because it involves review meetings which are likely to be more effective if both parties – the managers and the employees know about It in advance and

have prepared themselves effectively. (Daniels, 1999) argues that, the managers must create the right atmosphere, use praise, invite self-appraisal and discuss performance not personality. He also cites that, despite careful training and guidance, some managers will be better at conducting review meetings than others therefore it is good to evaluate their performance before using the report as a basis for any decision. Performance Management helps organizations make more efficient use of their financial, human, material and other resources. Performance management is based on the principle of management by contract and agreement rather than management by command. It relies on consensus and co-operation rather than control or coercion (Armstrong 2006).

### **2.3 Performance Management Practices**

Employee management practices focus on future performance planning and improvement rather than on retrospective performance appraisal, Armstrong (2006). He further argues that Performance management practices provide the basis for regular and frequent dialogues between managers and individuals about performance and development needs. To be effective performance management practices must be aligned with the organizational internal environment, particularly its business strategy and organizational culture. Also, Performance management practices must be aligned with its external environment, taking into consideration the legal environment, the labor markets, and national culture, Jackson (2009).

Many organizations and their HR managers have realized that high performance management practices are just equal to high employee performance. According to Cummings and Worley (2005), Performance Management is an integrated process of defining, assessing and reinforcing employee work behaviors and outcomes. Performance management includes practices and methods for goal setting, performance appraisals, and reward systems which influence the performance of individuals and work groups. Dessler, (2002), outlines Performance Management Practices as goals setting, worker selection and placement, performance appraisal, compensation, training and development and career management while Armstrong (2003) summarizes performance management practices to include vigorous recruitment and selection procedures, extensive and relevant



training, management development, incentive pay systems and performance management process. Jackson (2009) outline Performance Management Practices as defining goals and their measures, performance appraisal, providing feedback, performance – based incentives and development and career planning.

### 2.3.1 Goal setting

The foundation for performance management is a role profile that defines the role in terms of key results expected, what role holders need to know and be able to do (Competencies) and how they are expected to behave in terms of behavioral competencies and upholding the organization's core value, (Armstrong 2006). Employees must know what they need to do to perform their jobs successfully. Generally, planning is the initial stage in performance management practices for it entails setting performance expectations and goals for individuals and groups to channel their efforts toward organizational goals. When planning, it is important to involve the employees since it will help them understand the performance expectations need and where possible, (Armstrong 2006). When individuals participate in a group goal-setting procedure, the level of performance and commitment to achieve the goals increases, Participation involves contributing to the deliberations, not having someone, such as a coach, impose goals on the group, (Lawler, & Hackman, 1969).

Setting the goals or objectives of employee, performance management manager and employees should jointly participate. These objectives describes something that has to be accomplished which when both parties are involved will result on an agreement on what the role holder has to achieve. This is an important part of the Performance management process of defining and managing expectations and forms the point of reference for performance reviews (Armstrong 2001). Cummings and Worley (2005) argues that employee performance planning affects performance through influencing what people think and do by focusing their behaviour in the direction of goals, energize behaviour, motivate people to put forth the effort to reach difficult goals that are accepted and clarifies duties and responsibilities. Participation convinces employees that the goals are achievable and can increase motivation and performance. When goal-setting, one should

emphasize task-evaluation not comparisons with others. Short-term or immediate goals can provide more opportunities for task-mastery and evaluation than long-term goals, and so motivation can be increased. Competition produces social comparisons and so is not as important for affecting performer application as is commonly claimed, (Harackiewicz, Abrahams, & Wagerman, 1987).

According to Derek & Laura (2005), objectives are designed to stretch the individual, and offer potential development as well as meeting business needs and be prioritized. The objectives should be 'SMART' i.e. specific, Measurable, Appropriate, Relevant and Timely. According to Armstrong & Baron (2004), achieving objectives, the performance can be measured through; achievement of objectives, competences, quality, contribution to team, customer care, working relationships, productivity, flexibility, skills / learning targets, aligning personal objectives with organizational goals, business and financial awareness. Generally, performance planning involves agreement between the manager and the individual on what the latter needs to do to achieve objectives of the organization, raise standards, improve performance and develop the required competencies. Goal setting involves managers and subordinates jointly establishing and clarifying employees' goals. It affects performance through influencing what people think and do by focusing their behaviour in the direction of goals, energize behaviour, motivate people to put forth the effort to reach difficult goals that are accepted and clarifies duties and responsibilities, Armstrong & Baron (2004).

### **2.3.2 Performance Review /appraisal**

Although performance is a continuous process, it is still necessary to have a formal review or assessment once or twice yearly. This will enable concentration on development issues and to motivate the employee. According to Dessler, (2008) performance appraisal is any procedure that involves; setting work standards, assessing the employee's actual performance, relative to the standards and providing feedback to the employee with the aim of motivating them to eliminate performance deficiencies or to continue performing above par. Performance appraisal can also be defined as a formal, structured process used to measure, evaluate and influence employee's job-related

attitudes, behaviors and performance results, Jackson (2009). Performance appraisal is intended to engage, align, and coalesce individual and group effort to continually improve overall organizational mission accomplishment. It provides a basis for identifying and correcting disparities in performance. Thus, it is activities oriented. It also may provide the basis for other personnel actions which typically include: performance pay, training and career development, promotion and placement, recognition and rewards, disciplinary actions, and identifying selection criteria. Its success depends primarily on the system and measures (criteria), culture, and the perceived attitudes and needs of participants— i.e., their degree of “engagement” with their jobs, (Todd Grubb2007).

According to Cummings and Worley (2005) performance Appraisal represents an important link between goal setting and process and reward systems. Managers should do three things well in the process of Performance Management. Namely; define performance through goal setting, measures and assessment; facilitate performance by identifying obstacles to good performance and providing resources to accomplish objectives; and encourage performance by providing a sufficient number of rewards that people care about and doing so in a timely and fair manner. Allan Price (2007), pointed out that performance appraisal can be basically conducted for contradictory strategic themes. These strategic themes include reward driven integration and development – driven integration. Reward-driven integration emphasizes performance on a related pay, based on short-term targets with a consequent – undervaluing of any Human Resource activities. While development – driven integration, here the appraisals are used to provide information for developing an organization’s people geared for long-term objectives.

Dessler (2008) asserts that performance appraisal from a practical point of view; most employers still base pay and promotional decisions on the employee’s appraisal. Also it plays an integral role in the employer’s performance management process. The result of performance appraisal sets the employer and employee develops a plan for correcting any deficiencies, and to reinforce the things that subordinate does right. He also pointed out that the performance appraisals should serve as a very useful career planning process



simply because they provide an opportunity to review the employee's career plans in light of his or her exhibited strengths and weaknesses.

### **2.3.3 Reward**

Brignall and Modell (2000) outlines that evaluation of employee performance against agreed goals helps in making key employee reward decisions. The big challenges of following this strategy are identifying the real performers, providing a competitive compensation to retain and motivate them and improve employee skills and competencies to maintain the business competitiveness. The effective implementation of employee performance management system can help an organization meet these big challenges of improving employee performance. Maslow's need hierarchy theory (1943), supposed to be a motivation basis has been used to interpret the entire spectrum of human behavior. Maslow proposed that motivation is a function of five basic needs-physiological, safety, love, esteem and self-actualization-which are arranged in the predictable stair-step fashion and he explained that a person's physiological needs must be firstly met followed by safety needs, and so on up the need hierarchy. When designing total reward strategy, employees' multifarious needs must be well considered, Maslow's points will help the organization reach its expectation.

Pearce Robinson, (1997) states that reward system should align the actions and objectives of individuals with objectives and needs of the firm's strategy. Financial incentives are important reward mechanisms because they encourage managerial success when they are directly linked to specific activities and results. Intrinsic non – financial rewards such as flexibility and autonomy in the job are important managerial motivators. Negative sanctions such as withholding of financial and intrinsic rewards for poor performance are necessary to encourage managers' efforts. Cummings and Workley (2005) suggested that organizational rewards are powerful incentives for improving employee and work group performance. It can also produce high levels of employee satisfaction.

Reward systems interventions are used to elicit and maintain desired levels of performance. To the extent that rewards are available, durable, timely, visible and

performance contingent, they can reinforce and support organizational goal, work designs and employee involvement. Total reward strategy is a holistic approach aligning with business strategy and people strategy; it encompasses everything employees value in their employment relationship like compensation, benefits, development and the work environment (Kaplan, 2007). This newly coming management approach acts according to the circumstance, helps with costing savings, brings about maximum return on the rewards strategy adoption, and builds up employment brand, all of which are likely to contribute to both short-term and long-term goals of an organization. As a reward strategy of effectiveness, it's able to gain enough good information of employees and conduct objective analysis, so that the organization can make wise decisions and assess their influences internal and external (Zhou, 2009).

#### **2.3.4 Employee Training and Developing**

Effective performance management requires empowering workers to improve their performance. The supervisors in addition to creating a supportive, empowered work environment, the supervisor clarify performance expectations, provide immediate feedback and strive to eliminate unnecessary rules, procedures and other constraints (Gomez et al (2010). Human resource development makes a major contribution to the successful attainment of the organization's objectives and that investment in it benefits all the stakeholder of the organization. He also argues that Human resource development should always be performance-related designed to achieve specified improvement in corporate, functional, team and individual performance and make a major contribution to bottom – line results.

According to Armstrong (2006) Development is an unfolding process that enables people to progress from a present state of understanding and capability to future state in which higher –level skills, knowledge and competencies are required, while training is the use of systematic and planned instruction activities to promote learning. It involves the use of formal processes to impart knowledge and help people to acquire the skills necessary for them to perform their jobs satisfactorily.

### 2.3.5 Career planning

Hall & Associates (1986) had defined a career as a lifelong process made up of a sequence of activities and related attitudes or behaviors that take place in a person's work life. It is also viewed as: a pattern of work related experiences, such as job positions, jobs duties or activities, work related decisions; and subjective interpretations of work related events, such as work aspirations, expectations, values, needs and feelings about particular work experiences, that span the course of a person's life (Greenhaus, et al. 2000). Leibowitz et al., (1986) define career planning as a process by which individuals determine their skills, interests, and values. Moreover, these authors contend that people consider which options "fit them, and set goals and establish plans for achieving their expectations. Furthermore, Leibowitz et al., (1986) argue that individuals are responsible for initiating their own career planning as well as identify their skills, values and interests, and seek out their career options in order to set goals and establish their career plans. Baruch (2004) points out that career is the property of individuals, but for the employed, it is organizations that will plan and manage employee careers. However, during the last few decades the notion that individuals are also responsible to cater to and build their own careers, instead of leaving it entirely to the organization to manage, has been well documented. For career planning to be effective, career development is major concern. Career development is about the development of employees that is beneficial to both the individual and organization, and is a complex process.

Greenhaus et al., (2000) suggests that career development is an ongoing process by which individual's progress through a series of stages, each of which is characterized by a relatively unique set of issues, themes, and tasks. Hall and Associates (1986) define career development as the outcomes emanating from the interaction of individual career planning and institutional career management processes. Leibowitz, Farren and Kaye (1986) contend that career development involves an organized, formalized, planned effort to achieve a balance between the individual's career needs and the organization's work force requirements. Lee (2000) confirmed that career planning, management and development are important HR management initiatives that have potential to increase



employees' job satisfaction and organizational commitment, an empirical study has not been applied to develop and test a comprehensive model of these relationships

### **2.3.6. Succession management**

Succession management secures future leadership capability, which is critical for driving organizational performance that wins in the changing world of work (De Cieri). It is an active and vital ongoing business process, embracing dynamic market imperatives to integrate the identification, assessment and development of talent with long-range strategic planning, Lamoureaux (2009). Succession planning is a valuable tool by business firms to develop talented employees to implement their strategies and achieve their organizational objectives. Succession plans, it is argued, are essential to the success and long-term development of business organizations. There are strong positive correlations between such features as line-manager involvement, non-political succession criteria, the credibility of succession-planning staff, review and feedback, effective information systems, and degree of formalization on the one hand, and HR performance on the other.

Lamoureaux (2009), suggested that actively managing succession is key to achieving strategic viability. It unlocks the potential for business direction, continuity, retention of high-value talent and institutional knowledge, and it builds a formidable culture that will outpace the competition. Enterprise-wide performance depends on the effectiveness, depth and breadth of an organization's succession management efforts. Baruch (2004), outlined five key steps involved in developing an effective succession management process: Review and refine with executive leadership the strategic business imperatives required for success; Determine critical roles required to achieve the business imperatives and also assess current and future leadership capabilities; Conduct systematic talent reviews integrated with the business planning process; Reinforce the execution of development plans; and Monitor progress against success measures and adapting where necessary. Succession management is at the core of strategic, long-term organizational viability. Aligning talent with business strategy in this way enhances the prospects of

delivering on short- and long-term objectives. Having a solid, systemic approach to succession management is essential for organizational growth and sustainability.

“The time and attention given to the execution of development plans and ensuring the achievement of desired outcomes serves to accelerate the capability and capacity of a company’s leaders and drives competitive advantage”

### 3.1. Research Design

The researcher used a descriptive survey. It was deemed preferred because it allowed a researcher to describe a unit in details, in context and holistically. This was appropriate for the research because there was an in-depth investigation of the employee perception on the effectiveness of performance management practices in Harambee SACCO. It was also appropriate because the study was carried out in all employees of Harambee SACCO Ltd.

### 3.2. Population

The research was conducted on the targeted Harambee SACCO Ltd employees. The total population of Harambee SACCO employees is one hundred and thirty six (136). Since the population was small, the researcher collected data from all the employees of the organization but the filled and collected questionnaires were one hundred and twenty seven (127) to come up with a comprehensive and informed conclusion and findings.

### 3.3. Data Collection

The study was based on primary data collection. A questionnaire was distributed to the employees and collected later, i.e. “drop-and-pick later method”. This gave the respondents ample time to be able to respond to the question efficiently and effectively. The questionnaire consisted of two sections: Section A and Section B. Section A was meant to get the background information of the employee and the organization. Then section B was targeting the information about the employee perception in performance management practices.

## CHAPTER THREE: RESEARCH METHODOLOGY

### Introduction

This chapter describes the research methodology that will be used in the study. These include the research design, population, data collection, and data analysis techniques.

### 3.1. Research Design

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### 3.4. Data Analysis

The research was quantitative in nature. Descriptive statistics technique was used to analyze the findings from the questionnaire. The descriptive statistics includes measure of central tendency (mean scores), percentages, measure of variability (standard deviation) and measure of relative frequencies was used to show the employee perception in performance management practices. The results were presented in tables.

Out of the one hundred and thirty six (136) targeted respondents, one hundred and twenty seven (127) were successful, giving a rate of ninety three point three eight (93.38) percent.

#### 4.2 Demographic Data of Respondents

This section covers the general information about the respondents who took part in survey exercise. The general information covers respondent's department, job level, gender, years of service, age and level of education.

##### 4.2.1 Respondent's Department

The departments of the respondents may have an implication on employee's perception of the effectiveness of performance management practices. When the researcher enquired about the departments the respondents gave their findings as tabulated below.

S.NO	DEPARTMENT	RESPONSE* FREQUENCY	RESPONSE %
1	FINANCE	60	47.24
2	HUMAN RESOURCES	5	3.94
3	INTERNAL AUDIT	3	2.36
4	OPERATIONS	40	31.5
5	MARKETING	4	3.15
6	PROCUREMENT	2	1.58
7	INFORMATION TECHNOLOGY	6	4.72
8	GENERAL MANAGER'S OFFICE	7	5.51
	TOTAL	127	100.00

Table 4.1: Departments

## CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

### 4.1 Introduction

The objective of the study is to determine the perception of employees of the effectiveness of performance management practices at Harambee Sacco Society Ltd. The data was collected using research questionnaire that was administered and later collected. Out of the one hundred and thirty six (136) targeted respondents, one hundred and twenty seven (127) were successful, giving a rate of ninety three point three eight (93.38) percent.

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g)	INFORMATION TECHNOLOGY	6	4.72
h)	GENERAL MANAGER'S OFFICE	7	5.51
	TOTAL	127	100.00

**Table 4.1: Departments**

From the above analysis in table 4.1, the majority of the respondents are in finance department at 47.24%, followed by operations department at 31.5%, then general manager's office at 5.21%, then information technology department at 4.72%, followed by human resources at 3.94%, followed by marketing at 3.15%, then internal audit at 2.36% and finally procurement at 1.58%. This means that organization has most employees in finance and operations and the least in procurement department. All departments were covered in the study and hence the study was a representation of the organization

#### 4.2.2 Job Level

The job level of the respondents had a significant contribution on the employees' perception on performance management practices. The researcher's findings of job level were as tabulated in the table below.

S/NO	JOB LEVEL	FREQUENCY	PERCENTAGE
a)	SENIOR MANAGEMENT	9	7.09
b)	MID LEVEL MANAGEMENT	38	29.92
c)	UNIONISABLE STAFF	80	62.99
	TOTAL	127	100.00

**Table 4.2: Job Level**

From the above analysis in table 4.2, the majority of the respondents are in the category of lower cadre at 62.99%, followed by middle management at 29.92%, then the top management at 7.09%. This indicates that the organization has more employees in the lower cadres i.e. unionisable staff. This is a normal distribution in a hierarchical organization.

#### 4.2.3 Gender

Gender has effect on the perception of the respondents. The perception about the effectiveness of performance management practices differ between the genders thus



causing a significant implication. When the respondents were questioned about their gender the outcome was as tabulated below.

GENDER	FREQUENCY OR RESPONSE	PERCENTAGE OF RESPONSE
MALE	76	59.84
FEMALE	51	40.16
TOTAL	127	100

**Table 4.3: Gender**

From the above analysis in table 4.3, it is indicated that male respondents were the majority at the response rate of 59.84% while the females had a response rate of 40.16%. This ascertains that the organization has more male than female employees, and that the difference is not significant.

#### 4.2.4 Years of Service

The respondents were required to indicate the years of service at the organization because this might have an implication on their perception on the performance management practices. The findings were as tabulated below.

YEARS OF SERVICE	FREQUENCY OF RESPONSE	PERCENTAGE OF RESPONSE
0 – 5 Years	15	11.81
6 – 10 Years	24	18.90
11 – 15 Years	30	23.62
16 – 20 Years	45	35.43
21- 25 Years	9	7.09
26 – 30 Years	3	2.36
Above 30Years	1	0.79
Total	127	100.00

**Table 4.4: Years of Service**

From the above table 4.4, it indicates that majority of the employees have been working in the organization for 16 – 20 years at 35.43% of the respondents, followed by 11- 15 years at 23.62 %, then 6 – 10 years at 18.9%, then 0 – 5 years at 11.81% followed by 21 – 25 years at 7.09%, then 26 – 30 years at 2.36% and finally above 30 years at 0.79%. This means that most of the employees have been working with the organization for over 5 years and hence are able to develop a perception on the effectiveness of performance management practices.

#### 4.2.5 Age

The respondents were asked to indicate their age bracket. This is because age indicates how long the employee have been in the organization hence affects the perception of the employee of performance management practices.

AGE BRACKET	FREQUENCY OF RESPONSE	PERCENTAGE OF RESPONSE
20 – 30 Years	12	9.45
31 – 40 Years	30	23.62
41 – 50 Years	78	61.42
51 – 60 Years	7	5.51
Above 60	0	0.00
Total	127	100.00

**Table 4.5: Age Brackets**

From the above analysis in table 4.5, most of the respondents are aged between 41 and 50 years at 61.42%, then 31 – 40 years at 23.62%, then 20 – 30 years at 9.45%, then 51 – 60 years at 5.51% and finally no respondents above 60 years. This indicates that most of the employees are middle aged (31-50), this is normal distribution of working population.

#### 4.2.6 Level of Education

The respondents were asked to indicate their level of education because this might have an implication on their perception of the effectiveness of performance management

practices as the more learned an employee is the more they tend to question management and the level of education is likely to impact on employee performance.

S/No	LEVEL	FREQUENCY	PERCENTAGE
a)	Post Graduate	6	4.72
b)	Graduate	19	14.96
c)	Diploma	38	29.92
d)	Secondary	28	22.05
e)	Others(Certificate)	36	28.35
Total		127	100.00

**Table 4.6: Level of Education**

From the above analysis in table 4.6, most respondents had diploma level of education at 29.92%, followed by certificate level at 28.35%, those with secondary level were at 22.05%, graduate level at 14.96%, then finally post graduates at 4.72%. This means that the majority of the staff had diploma education and secondary level and only a few have university education.

### **4.3 Perception of employees about effectiveness of performance management practices.**

This section covers the employee's perception of the effectiveness of performance management practices in the organization. The performance management practices include goal setting, performance appraisal/review, reward, employee training and development, career planning and succession management.

On scale of 1-5 where, 1 means no extent at all, 2 is mild extent, 3 is fairly high extent, 4 is high extent and 5 is great extent, those with a mean score  $> 1 - < 1.5$  were treated as no extend at all,  $> 1.6 - < 2.5$  were treated as low extend,  $> 2.6 - < 3.5$  was moderate,  $> 3.6 - < 4.5$  was high extent the  $> 4.5$  and above was great high extend. Employees were asked their perception about the effectiveness of performance management practices in the organization. The collected data was analyzed and the findings were as tabulated below.



### 4.3.1 Goal setting perception

The researcher was focused to know how the employees perceive different practices about goal setting as one of the performance management practices. This is because goal setting is the initial stage in performance management practices for it entails setting performance expectations and goals for individuals and groups to channel their efforts towards organizational goals. The employees should be made aware of what is expected of them.

S/NO	Employee perception	Mean	Std. Deviation
1	Participation in goal setting	1.91	1.109
2	Efficiency in communication of performance expectation	3.32	.925
3	Goal setting increases customer demand	3.28	1.021
4	Participation in idea generation	3.85	.960
5	SMART and achievable goals	3.65	1.019
6	Effective and efficient resources for goal accomplishment	3.31	.957
	Total mean	<b>19.32</b>	
	Mean of mean	<b>3.22</b>	

**Table 4.7: Perception about goal setting**

The respondents were asked give their perception about goal setting and the analysis in table 4.7 shows the findings. When the respondents were asked about their perception on whether staffs are encouraged to participate in generating ideas and solutions, the mean score was 3.85. This indicates that the respondents had high extent perception about the encouragement accorded by the organization on idea generation. The respondents had also a good view on goals set to be achievable and SMART with a mean score of 3.65. This indicates that the goals are achievable and realistic hence easily converted to results. The respondents gave the view that performance expectations are efficiently communicated with a mean score of 3.32. This indicates that employees know their

expectations hence working towards them hence improving performance. When the respondents were asked about their perception about whether the organization provides effective and efficient resources to accomplish the goals set, the mean was 3.31. This indicates that the organization focused to achieve the goals set. The respondents also had a good view that performance goals are set to stretch people, reflecting ever-increasing customer demand with a mean score of 3.28. This indicates that the employees had a moderate perception that performance goals are set to stretch people, reflecting ever-increasing customer demand. About their participation in goal setting the mean score was 1.91 indicating that there was low extent perception for the respondents to be involved in the goal setting exercise.

Overall the respondents had fairly high extent perception of the encouragement to participate in generating ideas and solution, that the organization is committed in setting achievable and SMART goals, also that the performance expectations are communicated efficiently, that the organization provides effective and efficient resources for goal accomplishment, and that goal are stretch people, reflecting ever-increasing customer demand. The respondents had a no extend at all perception about them being involved in the goal setting process.

The standard deviation of the perception about participation in goal setting was high. This shows that there was no consensus from the employees' of perception of effectiveness of performance management practices in terms of goal setting in participation of goal setting.

#### **4.3.2 Performance appraisal/review**

The researcher collected data to know the perception of employees about the effectiveness of the performance management practices. The researcher aimed at collecting data to know whether performance appraisal is carried out for the right purpose, that is, to develop the 'whole person' in the employees. The respondents' perception on performance appraisal as part of the performance management practices was as following.

S/NO	Employee perception	Mean	Std. Deviation
1	Performance appraisal	4.39	.605
2	Self appraisal	3.22	1.098
3	Link between goal setting and reward	3.28	.975
4	Fair performance appraisal	3.58	.988
5	Staff benefit from being appraised	3.94	.962
6	Management's concern	1.50	.700
7	Results develop correction for deficiencies	3.76	1.052
8	Efficiency in feedback communication	3.42	1.050
	Total	<b>27.09</b>	
	Mean Of Mean	<b>3.39</b>	

**Table 4.8: Performance appraisal**

From the analysis in the table 4.8, the respondents gave a feedback of various areas in terms of performance appraisal. About whether the organizations conducts performance appraisal, the mean score is 4.39. This indicates that the employees have high extend of perception of the effectiveness of performance appraisal. The respondents were asked whether the performance appraisal is developed so that all staff can benefit from it, the mean score was 3.94. This indicates that the performance appraisal serves the right purpose of identifying where the employees have weakness and the correct measures to take in order to rectify the issue in hand and to know how to improve the employee as a whole. The respondent also gave 3.76 mean score on whether the performance appraisal develops a plan for correcting and deficiencies and to reinforce the things that subordinate does right. This means that the respondents have a high extent perception that performance appraisal is based on building the whole person being appraised. Respondents were asked if the performance appraisal is a fair method, the mean score is 3.58 meaning that the respondents had a high extent perception that the performance appraisal is conducted professionally and for the right purpose. When asked about whether the feedback on performance is communicated effectively in the organization, the respondents gave a mean score of 3.42 showing that there is a moderate perception



from the employees and they get to know what to do and not to do. The respondents also gave a mean score of 3.28 of the perception that performance appraisal in the organization represents a link between goal setting and reward which is main reason for conducting performance appraisal. About the self appraising the mean score is 3.22 indicating that the respondents had a moderate perception that they appraise themselves before being so that they can be able to know their weaknesses and strengths and know how to overcome their weaknesses to build on their strengths hence improving performance. Finally, when respondents were asked to give their perception about whether the management doesn't care about them when it comes to appraisal time, they run through the motions to get the job done, the mean score is 1.5. This indicates that the respondents had a no extent at all perception that management doesn't care about their employee's welfare hence promoting the relationship between the employees and the employer.

Overall, the respondents had a high extent of perception that performance appraisal is being conducted in the organization. That staff benefits from being appraised, that results develop correction for deficiencies, that performance appraisal is a fair method. The respondents had moderate perceptions that there is efficiency in feedback communication, that there is link between goal setting and reward in performance appraisal and that employee appraise themselves before being appraised. However the respondents had a no extent at all perception about whether the management doesn't care when it comes to performance appraisal.

The standard deviation about Efficiency in feedback communication, Results develop correction for deficiencies and whether the employees conduct Self appraisal were high. This shows that the employees does not have a consensus about the variable thus indicating more light needs to be shade to the employees about performance appraisal.

#### **4.3.3 REWARD**

When the respondents were asked to give their perception on reward as part of the performance management practices, they gave out their perception as tabled below. The aim of this study was to show whether reward system used in the organization is good

and encouraging and to know whether there is good alignment between the reward and performance of the employees.

S/NO	Employee perception	Mean	Std. Deviation
1	Good and encouraging reward system	3.31	.930
2	Actions and objectives alignment	3.37	1.060
3	Maintenance of desired levels	3.24	.998
	Total	<b>9.92</b>	
	Mean of Mean	<b>3.31</b>	

**Table 4.9: Reward**

From the analysis in table 4.9, respondents had different views in terms of reward in the organization. When the respondents were asked to give their perception of whether the reward system aligns the action and objectives of the individuals with those of the organization, the mean score is 3.37 showing that the respondents have a moderate perception that the organization caters for their actions and objections when setting organizational objectives. About whether there is a good and encouraging reward system the mean score is 3.31. Indicating that the employees have a moderate perception that the reward system is well designed and caters for their needs and that their services are well rewarded. And about whether the reward system interventions are used to elicit and maintain desired levels of performance, the mean score was 3.24 showing moderate perception.

Overall the respondents had a moderate perception that the reward system aligns the actions and objectives of the individuals with those of the organization. That there is a good and encouraging reward system in the organization and finally that the reward system interventions are used to elicit and maintain desired levels of performance.

The standard deviation about whether reward system aligns the actions and objectives of the individuals with those of the organization was high. This calls for the organization to come up with means and policies that will have a consensus between the employees'

perception in the matters concerning the reward system as one of performance management practices.

#### 4.3.4 Employee training and development

The researcher sought to get the information about the employee's perception of the effectiveness of employees training and development. Employee training and development enhances commitment to work and helps employees to cope with emerging new technologies. It also enhances career building, motivation and enables the employees to take higher responsibilities. When the respondents were asked to give their perception on employee training and development as part of the performance management practices, they gave out their perception as tabled below.

S/NO	Employee Perception	Mean	Std. Deviation
1	Conducting staff training	4.27	.955
2	Impact of training	4.24	.852
3	Management focus on staff development	3.97	1.054
4	Regularity in attending conferences, courses and workshops	3.21	1.028
5	Employee motivation for attending the conferences	1.31	.542
6	Personal development encouragement	3.62	1.147
	Total	<b>20.62</b>	
	Mean Of Mean	<b>3.44</b>	

**Table 4.10: Employee training and development**

From the analysis in table 4.10, respondents were asked whether the organization conducts staff training, the mean score was 4.27 indicating that the employees had a high extent perception that the organization is conducting good training to its staff. Respondents were of the view that the training has a great impact to them for it assists them in improving their performances with a mean score of 4.24. Respondents were asked whether the management focuses lots of energies on staff development, the mean score was 3.97. This indicates that the management is concerned with improving the



employees' knowledge and skills hence promoting performance thus high extent in the employees' perception. About whether the organization encourages personal development, the mean score is 3.62. Indicating that, the respondents had a high extend that they get all the necessary support and encouragement from the management in terms personal development. When the respondents were asked whether they regularly attend courses, conferences and workshops to keep a breast with the developments in their field of work, they showed a high extent of perception with a mean score of 3.21. The respondents had a no extent at all perception that they attend courses just to get away from work, because their work does not interest them, the mean score is 1.31. This means that the respondents got to know the reasons for attending training and conferences.

Overall, respondents had a high extend perception that the organization conducts training for its staff, that training assists them in performance improvement, that management focusing lots of energies on staff development and that the organization encourages personal development. The respondents had a moderate perception that they regularly attend courses, conferences and workshops. The respondents had a no extend at all perception when asked whether they attend courses to get away from work.

The standard deviation about whether the management focuses lots of energies on staff development, and that the organization encourages personal development were high. This clearly shows that there was no consensus from the employees on these perceptions because employee training and development are normally allocated to the employees who critically needs to on their performance.

#### **4.3.5. Career Planning**

Career planning is the property of individuals, but for employed, it is organizations that will plan and manage employee careers. The researcher wanted to know the whether the employees are encouraged to have a career plan and it should be made for performance improvement. The respondents were asked to give their perception on career planning as part of the performance management practices; they gave out their perception as tabled below.

S/NO	Employee perception	Mean	Std. Deviation
1	Management's career planning encouragement	4.23	.847
2	Skills interest and values determined through career planning	4.35	.810
3	Staff performance linked to career development	3.13	1.076
4	Balance between career need and organizational work force requirements	4.08	1.131
	Total	<b>15.79</b>	
	Mean of Mean	<b>3.95</b>	

**Table 4.11: Career planning**

From the analysis in table 4.11, the respondents also had a great extend perception that career planning helps them determine their skills, interest and values, at a mean score of 4.35. This indicates career planning a lot in advancing on their way of things effectively and efficiently. The respondents were asked whether they are encouraged by the management to have a career planning, and the mean score was 4.23. This indicates that the employees had a high extend perception that the organization gives encouragement its staff to have a career planning. The respondents were also asked to give a perception response about whether there is a balance between career need and organizational work force requirements, the mean score was 4.08. This shows that there is a high extend of the perception that career need and organizational work force requirements hence great impact in performance. When asked about whether the organization links staff performance to career development, the mean was 3.13. This Indicated a moderate perception that the organization is concerned in ensuring that career development goes hand in hand with the staff performance.

The overall perception from the respondents had a high extend perception that career planning helps them determine their skills, interest and values, , that they are encouraged by the management to have a career planning, and that there is a balance between career need and organizational work force requirements. Also the respondents had a moderate perception about whether the organization links staff performance to career development.

This means that the employees get high support and encouragement in terms career planning.

There was high standard deviation about whether organization links staff performance to career development and that there is a balance between career need and organizational work force requirements. The organization based on these findings should encourage the employees more to have a career planning schedule.

#### 4.3.6. Succession management

Succession management is critical for driving organizational performance that wins in the changing world of work. This is a valuable tool by business firms to develop talented employees to implement their strategies and achieve their organizational objectives. The respondents were asked to give their perception on succession management as part of the performance management practices; they gave out their perception as tabled below.

S/NO	Employee perception	Mean	Std. Deviation
1	Top management support management succession	3.86	1.118
2	Organization encourages upward mobility	4.13	1.039
3	Succession is essential to success and long term development	4.24	.980
4	Succession is essential for growth and sustainability	4.54	.588
	Total	16.77	
	Mean of mean	4.2	

**Table 4.12: Succession Management**

From the analysis in table 4.12, when the respondents were asked whether succession is essential for growth and sustainability, the mean was 4.54, showing that the employees had great extent perception and believes that succession is an essential tool in performance management practices that promotes growth. When the respondents were asked whether management succession is an essential to the success and long term development in the organization, the mean is 4.24. This indicates that the employees have high extend of perception and values the efforts of the organization in management



succession practices. About whether the organization encourages upward mobility, the mean score was 4.13. This shows that the respondents had high extent of perception hence the staff have the motivation that their efforts will be rewarded. And finally respondents were asked whether the top management supports management succession, the mean was 3.86. This indicates that the respondents have a high extent perception that the management trains the employee who will replace those who are about to retire or resign for various reasons.

Generally, perception from the respondents had a great extent perception that succession management is essential for growth and sustainability, the respondents had a high extent perception that succession management is essential to success and long term development, and that the organization encourages upward mobility, that top management supports management succession. This clearly indicates that there was no consensus from the employees on these perceptions because succession management practices are normally allocated to the employees who are critically fit for the management.

The standard deviation about whether top management supports management succession was high, indicating that there was no consensus that the top management supports management succession.

#### **4.4. Integration of organizational objectives and the performance management practices.**

Generally an organization should integrate organizational objectives and the performance management practices in order to achieve objectives effectively and efficiently. The respondents were asked about their perception whether the organizational objectives are well integrated with the performance management practices. The findings were gathered and presented as shown below.

#### 4.4.1 Integration of organizational objectives and goal setting

S/NO	Employee perception	Mean	Std. Deviation
1	Integration of organizational objectives and goal setting	4.02	1.155
2	Integration of organizational objectives and employee training and development	4.43	.822
3	Integration of organizational objectives and career planning	3.91	1.151
4	Performance appraisal	4.27	.980
5	Integration of organizational objectives and rewards and incentives	3.86	1.029
6	Integration of organizational objectives and succession management	3.86	1.233
	Total	<b>24.35</b>	
	Mean of mean	<b>4.06</b>	

**Table 4.13: Integration of organizational objectives and the performance management practices**

From the analysis in table 4.13, the respondents had a high perception that there is integration of organizational objectives and employee training and development at a mean score of 4.43. This indicates that the respondents are convinced that the organization is concerned about developing its employees to improve on their performance in order to enhance the achievement of its goals. When the respondents were asked about whether there is good integration of the organizational objectives and performance appraisal, the respondents' mean score was 4.27. This shows that the employees had a high extend perception that the organization is doing its best in integrating the organizational objectives and performance appraisal hence achieving the main reason of the developing the whole person when performance appraisal is conducted. When the respondents were asked about whether there is good integration of the organizational objectives and goal setting, the mean was 4.02. This indicates that the employees have high extend perception of the way organizational objectives are

integrated with goal setting. This leads to high performance because the employees know very well about the objectives of the organization hence works towards the achievement of them. When the respondents were asked about the integration of the organizational objectives and career planning, the respondents' had a mean of 3.91. This shows that the respondents had a high extend of perception that the organizational objectives are integrated with career planning hence setting goals which a SMART and achievable. Finally there was a tie in the perception about whether there is an integration of the organizational objectives and rewards and incentives and about whether there is good integration of the organizational objectives and succession management at a mean score of 3.86. This indicates that the respondents had a high extend of perception that their efforts towards the achievement of the goals and objectives are rewarded and that succession management is being practiced in the organization hence making leadership in the organization easier and upward mobility is highly encouraged.

Overall the respondents had high extend perception that there is integration of organizational objectives with all the performance management practices in the organization hence giving the organization an upper hand in achieving its objectives. This enables the organization to achieve competitive advantage hence large market share.

The standard deviations about whether there is an integration of organizational objectives and succession management, goal setting, and career planning were high. This indicated that there no consensus in the perception among the respondents about the integration of organizational objectives and succession management, goal setting, and career planning.

#### **4.5 Interpretation of Results**

The majority of the respondents are in finance department, followed by operations department, then general manager's office, then information technology department, followed by human resource, followed by marketing, then internal audit and finally procurement. This means that organization has most employees in finance and operations and the least in procurement department. All departments were covered in the study and hence the study was a representation of the organization. The organization has more



employees in the lower cadre i.e. unionisable staff. This is a normal distribution in a hierarchical organization. It also has more male than female employees, and that the difference is not significant, with most of the employees been working with the organization for over 5 years and hence are able to develop a perception on the effectiveness of performance management practices. Most of the employees are middle aged (31-50), this is normal distribution of working population. The majority of the staff had diploma education and secondary level and only a few have university education.

About goal setting, the respondents had fairly high extent perception of the encouragement to participate in generating ideas and solution, that the organization is committed in setting achievable and SMART goals, also that the performance expectations are communicated efficiently, that the organization provides effective and efficient resources for goal accomplishment, and that goal are stretch people, reflecting ever-increasing customer demand. The respondents had a no extend at all perception about them being involved in the goal setting process. When the employees were asked about performance appraisal, the respondents had a high extent of perception that performance appraisal is being conducted in the organization. That staff benefits from being appraised, that results develop correction for deficiencies, that performance appraisal is a fair method. The respondents had moderate perceptions that there is efficiency in feedback communication, that there is link between goal setting and reward in performance appraisal and that employee appraise themselves before being appraised. However the respondents had a no extent at all perception about whether the management doesn't care when it comes to performance appraisal.

The respondents gave the following response about reward system in the organization. The respondents had a moderate perception that the reward system aligns the actions and objectives of the individuals with those of the organization. That there is a good and encouraging reward system in the organization and finally that the reward system interventions are used to elicit and maintain desired levels of performance. About employee training and development, respondents had a high extend perception that the organization conducts training for its staff, that training assists them in performance improvement, that management focusing lots of energies on staff development and that

the organization encourages personal development. The respondents had a moderate perception that they regularly attend courses, conferences and workshops. The respondents had a no extend at all perception when asked whether they attend courses to get away from work.

About career planning, the respondents had a high extend perception that career planning helps them determine their skills, interest and values, , that they are encouraged by the management to have a career planning, and that there is a balance between career need and organizational work force requirements. Also the respondents had a moderate perception about whether the organization links staff performance to career development. This means that the employees get high support and encouragement in terms career planning. When the respondents were asked about succession management, the perception from the respondents had a great extend perception that succession management is essential for growth and sustainability, the respondents had a high extend perception that succession management is essential to success and long term development, and that the organization encourages upward mobility, that top management supports management succession. This clearly indicates that there was no consensus from the employees on these perceptions because succession management practices are normally allocated to the employees who critically fit for the management.

Overall the respondents had high extend perception that there is integration of organizational objectives with all the performance management practices in the organization hence giving the organization an upper hand in achieving its objectives. This enables the organization to achieve competitive advantage hence large market share. The standard deviations about whether there is an integration of organizational objectives and succession management, goal setting, and career planning were high. This indicated that there no consensus in the perception among the respondents about the integration of organizational objectives and succession management, goal setting, and career planning.

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents summary, conclusion and recommendations of the study in line with the purpose of the study aimed to determine employees' perception of the effectiveness of performance management practices at Harambee SACCO LTD.

### **5.2 Summary of findings**

The objective of the study was to establish employees' perception of the effectiveness of performance management practices at Harambee SACCO LTD. The following is the summary of the findings.

The organization has most employees in finance and operations and the least in procurement department. All departments were covered in the study and hence the study was a representation of the organization. Also most of the employees are in the lower cadres. This is normal distribution in any hierarchical organization. It has more males than females. This ascertains that the organization that the difference is not significant. Majority of the staff have more than 16 years of service in the organization who are middle aged hence a normal distribution of working population. Majority of the staff had diploma and secondary level education and only a few have university education.

When it comes to the different performance practices, the organization embraces them for it to stand out in the market and achieve the competitive advantage that enables it to be the largest Sacco and a market leader in membership. Goal setting being the base of performance management practices should be given the biggest concentration and the organization has done that but needs to much in terms of getting the employees being involved. About the efficiency in communication of the performance expectations, the employees shows some satisfaction as well as the goal setting increases customer demand, participation in idea generation, SMART and achievable goals and effective and efficient resources for goal accomplishment it is accorded high priority. This indicates that generally goal setting has a high impact on improving idea generation, and has the



least effect in employees' participation in goal setting. There was a high standard deviation of the perception about participation of employees in goal setting which is normal because goal setting is done by mid level of management and above with very little involvement of the unionisable staff.

The organization conducts performance review/appraisal provides a basis for identifying and correcting disparities in performance. Thus, it is activities oriented. It also may provide the basis for other personnel actions which typically include: performance pay, training and career development, promotion and placement, recognition and rewards, disciplinary actions, and identifying selection criteria. The respondents showed a great extent perception that the organization conducts performance appraisal is aimed at the right purpose. Thus the organization shows commitment of follow ups that the employees are committed to performance and improving employees' performance in the future. There was high extend of perception that the organization conducts performance appraisal and there was no extend at all perception that management does not care when it comes to performance appraisal. This is very normal in any organization for it to be able to stand out in the market. There is a high standard deviation about efficiency in feedback communication, results developing correction for deficiencies and that employees conduct self appraisal thus the organization should ensure there a consensus in its way in performance appraisal as one of the performance management practices.

The organization has an effective and efficient employee training and development program as study showed. This indicates that training is accorded high priority because it has improved services in the organization. The employees are satisfied by the way the organization carries out the training. Training enhances commitment to work and helps employees to cope with the emerging news technologies. It also enhances career building, motivation and enables employees to take higher responsibilities. Overall, respondents had a high extend perception that the organization conducts training for its staff, that training assists them in performance improvement, that management focusing lots of energies on staff development and that the organization encourages personal development. The respondents had a moderate perception that they regularly attend

courses, conferences and workshops. The respondents had a no extend at all perception when asked whether they attend courses to get away from work. There was high standard deviation that management focuses lots of energies on staff development and that the organization encourages personal development.

The respondents had a high extend perception that the organization has a good and encouraging reward system, that the actions and objectives of the individuals are aligned to those of the organization. The organizational rewards are powerful incentives for improving employee and work group performance. It can also produce high levels of employee satisfaction. Also they can reinforce and support organizational goal, work designs and employee involvement. Total reward strategy is a holistic approach aligning with business strategy and people strategy; it encompasses everything employees value in their employment relationship like compensation, benefits, development and the work environment. Since the research proved that the organization has a good and encouraging reward system, the employees are encouraged to improve their performance hence achieving the set goals. There was a high standard deviation that the reward system aligns the actions and the objectives of the organization.

The response about whether the organization encourages its members to have a Career Planning, indicating that the employees had high extend perception that career planning is one of performance management practices accorded high priority hence leading to high performance. Career is the property of individuals, but for the employed, it is organizations that will plan and manage employee careers. However, during the last few decades the notion those individuals are also responsible to cater to and build their own career. There was a high extend perception that career planning helps the employees determine their skills, interest and values. There is a moderate perception that the organization links staff performance to career development. There is a high standard deviation that the organization links staff performance to career development and that there is a balance between career need and organizational work force requirements.

The respondents were also requested to give their perception on whether the management practices succession management the overall perception was a high extend, implying that

## 5.4 Recommendations for further research

The scope of research carried out was limited only to one SACCO organization that of Harambee SACCO society LTD out of three thousand, two hundred and ten (3,210) registered SACCOs in Kenya this was a narrow scope. Therefore other researchers should conduct research in all the registered SACCOs to find out if all of them carry out their performance management practices in the same way or if a difference exists. Further gaps to be filled could be in reaching; how the performance management practices can be integrated with organizational objectives, the appropriate and effective performance management practices to be employed for employees to improve on their performance and the performance management practices in micro finance institutes in Kenya.

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#### SECTION 2: DEMOGRAPHIC DATA

Which departments are you stationed? .....

What is your job level or position? .....

What is your Gender?

Male ( ) or Female ( )

Years of service at Harambee SAUCO?

0-5 Years ( )      16-20 Years ( )      above 30 Years ( )

6-10 Years ( )      21-25 Years ( )

11-15 Years ( )      26-30 Years ( )

What is your age category?

20-30 Years ( )      51-60 Years ( )

31-40 Years ( )      above 60 Years ( )

41-50 Years ( )

What is your academic qualification?

First graduate ( )      Graduate ( )      others, specify ( )

Diploma ( )      Secondary ( )

## APPENDIX 1: QUESTIONNAIRE

This questionnaire is designed to collect information on the employees' perception on the effectiveness of the performance management practices in Harambee SACCO Ltd. The information obtained will only be used for academic purpose and shall be treated with confidence.

### SECTION A: DEMOGRAPHIC DATA

Which departments are you stationed? .....

What is your job level or position? .....

What is your Gender?

Male ( ) or Female ( )

Years of service at Harambee SACCO?

0-5 Years ( )    16-20 Years ( )    above 30 Years ( )

6-10 Years ( )    21-25 Years ( )

11-15 Years ( )    26-30 Years ( )

What is your age category?

20-30 Years ( )    51-60 Years ( )

31-40 Years ( )    above 60 Years ( )

41-50 Years ( )

What is your academic qualification?

Post graduate ( )    Graduate ( )    others, specify ( )

Diploma ( )    Secondary ( )

What do you like best about your current position?

What do you like least about your current position?

**SECTION B: EMPLOYEE'S PERCEPTION TOWARDS THE EFFECTIVENESS OF THE PERFORMANCE MANAGEMENT PRACTICES AT HARAMBEE SACCO.**

On a scale of 1 to 5 where

1 = no extend at all, 2 = mild extend, 3= fairly high extend, 4 = high extend and 5 = great extend

Indicate your perception with the following on how the following practices at Harambee SACCO.

	1	2	3	4	5
<b>Goal setting</b>					
I participate in the goal setting process					
Performance expectations are efficiently communicated					
Performance goals are set to stretch people, reflecting ever-increasing customer demand.					
Staffs are encouraged to participate in generating ideas and solutions.					



	1	2	3	4	5
The goals set in my organization are achievable and SMART, (specific, Measurable, Appropriate, Relevant and Timely.)					
My organization provides effective and efficient resources to accomplish the goals set.					
<b>Performance Appraisal/Review</b>					
My organization conducts performance appraisal					
I do appraise myself before being appraised.					
Performance appraisal in my organization represent a link between goal setting and rewards					
The Performance Appraisal (PA) method is a fair method.					
The Performance Appraisal is developed so that all staff can benefit from it.					
Management don't care about me when it comes to appraisal time, they run through the motions to get the job done.					
P- A results develops a plan for correcting any deficiencies and to reinforce the things that subordinate does right.					
Feedback on performance is communicated effectively in my organization.					

	1	2	3	4	5
<b>Reward</b>					
My organization has a good and encouraging reward system.					
The reward system aligns the actions and objectives of the individuals with those of the organization.					
Reward system interventions are used to elicit and maintain desired levels of performance.					
<b>Employee training and development</b>					
My organization conducts training for its staff.					
Training assists in performance improvement in my organization.					
Management focuses lots of energies on staff development.					
I regularly attend courses, conferences, workshops, etc to keep abreast with the developments in my field of work.					
I attend courses just to get away from work, because my work does not interest me.					
My organization encourage personal development					

	1	2	3	4	5
<b>Career Planning</b>					
I am encouraged by the management to have a career planning.					
Career planning helps me determine my skills, interests and values.					
My organization links staff performance to career development					
There is a balance between my career need and the organizational work force requirements					
<b>Succession management</b>					
Top management support management succession					
My organization encourages upward mobility					
Management succession is an essential to the success and long term development in the organization.					
Succession management is essential for organizational growth and sustainability					



Kindly indicate how well organizational objectives are integrated with the following practices on a scale of 1 to 5 where 1 = no extend at all, 2 = mild extend, 3= fairly high extend, 4 = high extend, and 5 = great extend.

<b>Performance management practices</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Goal setting					
Training and development					
Career planning					
Performance appraisal					
Rewards and incentives					
Succession management					

**Thank you for sparing time to complete this questionnaire. Be blessed.**