# PERFORMANCE MANAGEMENT IN THE KENYAN TELECOMMUNICATION SECTOR

**BY**
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**October, 2015**

# DECLARATION

This research project is my original work and it has not been submitted for examination in any other university. Where other sources of information have used, they have been acknowledged.

Signature ………………………..……　　　　　　　　Date…………………….

Rono Caroline Chepkoech

**Declaration by the Supervisor**

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

Signature ………………………..……　　　　　　　　Date…………………….

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# DEDICATION

To my parents for their absolute believe in me.

To my Siblings, Maureen, Vanessa, Kennedy, Emmanuel and Collins; my friend Betsy for their constant love and support.

## ACKNOWLEDGEMENT

The will of God cannot take your where His grace cannot sustain you. I thank God for His sustenance and I am eternally grateful.

My special appreciation goes to my supervisor Dr. X.N Iraki for his guidance, support and patience throughout the entire period of writing this project.

A heartfelt thank you goes out to my boss Mr. E. Ouko for providing me with enough resources, support and encouragement throughout my entire MBA. It would not have been possible to undertake this project without your guidance.

A special thank you goes out to my colleagues who covered for me when I needed to be away from the office, James and Samson.

My appreciation also goes to my friends; Betsy, Mary, Edna and Doreen, thank you for your encouragement& support from day one of this journey.

# ABSTRACT

Operational Performance has a major influence on the core activity of any business or organization. Effective performance management should evaluate and address employee developmental needs. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility improving work progress or other methods. The study sought to find out the status of performance management in the Kenyan telecommunications sector. The research design that was adopted in this research study is the descriptive survey design. The study targeted human resource managers and line managers in the telecommunications sector. A sample of 30 HR mangers and 10 line mangers was drawn using simple random sampling. Data was collected using a questionnaire. Descriptive statistics (frequencies and percentages) will be used to organize findings. Pearson correlation coefficient was also computed. The study found that majority of the respondents agreed that the organization operated a formal performance management system. Majority agree that performance planning was undertaken in the organization. Data gathering and annual reviews were conducted by the majority. Presence of performance management system had a strong positive correlation (r=0.76) with operational performance. Similarly, compliance with stages of performance management had a strong positive correlation (r=0.6) with operational performance. On accuracy of performance appraisals, forty percent agreed that the appraisal system is conducted fairly and transparently. However, 38% disagreed and 22% were undecided. Majority disagreed that Pas are fault finding tools. Perceived accuracy of performance appraisals had a strong positive correlation (r=0.65) with operational performance. From the findings, the study concludes that while performance management is conducted in the Telecommunications sector it is not adequately conducted to enhance operational performance. The study also concludes that performance appraisals are perceived to provide an unfair representation of employees' performance. The study recommended that companies in the Telecommunications sector should come up with a performance management system that is specific to the industry's characteristics. It was also recommended that employees should be provided with coaching, training and career development opportunities to enhance operational performance and change any negative perceptions the employees may have towards performance management.

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# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| OM | Operations Management |
| PAS | Performance Appraisal system |
| PA | Performance Appraisal |
| PM | Performance Management |
| SPSS | Statistical package for Social Sciences |

# CHAPTER ONE

# INTRODUCTION

## 1.0 Introduction

Chapter one seeks to introduce the problem under investigation by giving a brief background, stating the problem, identifying its objectives and research questions, outlining the basic assumption of the study and describing the organization of the study.

## 1.1 Background of the study

The background of the study sets the stage for the study and puts the topic into perspective. The statement of the problem indicates any gaps that may exist between the actual and the desired state and what the research hopes to obtain.

Brudan (2010) defines performance management as "a discipline that assists in establishing, monitoring and achieving individual and organizational goals." Performance management can also be defined as "the process of defining goals, selecting strategies to achieve those goals, allocating decision rights, and measuring and rewarding performance" (Verbeeten, 2008). According to Shane (2010) performance management is a systematic effort to improve performance through an ongoing process of establishing desired outcomes, setting performance standards, then collecting, analyzing and reporting on streams of data to improve individual and collective performance

Brudan's definition (2010) of performance management purports that performance management is aimed at individuals and organisations. However true this may be, Radebe (2013) indicates that the definition omits teams or groups which are the key components of organisations, without which it would be impossible for these organisations to achieve their goals. Amaratunga et al. (2001) and Verbeeten (2008) concur that "in the process of performance management, performance goals are established and performance, in pursuit of the attainment of the goals, is monitored or measured."

Performance management traces its origin to three approaches to management namely merit rating, management by objectives and performance appraisal. These systems have been operated as a top-down approach incorporating an annual meeting that dwelt on the past and were used mainly to determine merit pay (Owalla 2011). Most organizations have an elaborate performance management framework that is part of their wider Human Resource management structure. Performance management does not focus on individual employees as persons, but it focuses on the jobs, tasks, structures and procedures (Cole, 2002). Armstrong (2000) argues that the performance management process includes basic practices such as agreed objectives, agreed performance standards, personal development plans and review of actual performance against set objectives, performance standards and development plans. Further performance management practices include extensive training and management of development activities, incentive pay systems and performance management processes

Performance management system enables individuals develop their abilities, increase their job satisfaction and achieve to their own benefit and that of the organization as a whole. Performance management has been the main vehicle which managers communicates what is required from employees and gives feedback on how well they are achieving job goals. Effective performance management should evaluate and address employee developmental needs. Developing in this instance means increasing the capacity to perform through training, giving assignments that introduce new skills or higher levels of responsibility improving work progress or other methods

(OPM 2001). Radnor and Barnes (2007) report on the need for performance management to be more predictive than only providing feedback. They conclude that a greater understanding of the importance of performance indicators and how to use them to achieve strategic objectives is essential to all levels of the organization.

In Kenya, performance management was traditionally defined as the process of financial control, in which the mission and strategy are translated into budgets, and subsequently results are compared with budgets. However, as many Kenyan companies are trying to qualify for the International Organization for Standardization (ISO) standard, they are turning more and more to performance management. Those organisations that have done so show much better performance than their "scorecardless" competitors (Malinga, 2004).

Kenya has been ranked among the top five African countries with the fastest growth in telecommunication, infrastructure and mobile money innovations. The engine behind the rapid growth has been mobile telephony which has caused a mobile revolution in the country. Mobile penetration in Kenya is currently at 82.6 per cent with 33.6 million subscribers, proving that the mobile phone is fast becoming an important tool in transforming lives (Ogutu, 2015). Mwenesi (2014) reports that the contribution of the telecommunications sector to the Kenyan economy increased to 12.1 per cent in 2013 from 8.9 per cent in 2006, with growth attributed to factors such as international development agencies financing.

Kenya has witnessed significant growth in the telecommunications sector as demonstrated by the number of mobile telephone subscribers, the number of Internet users and broadcasting stations, since the advent of its liberalization in the 1990s.The market players in the mobile services sector are Safaricom Kenya, Airtel Networks Kenya, Telkom Kenya (Orange) and Essar Telcom Kenya

(Yu). In the fixed services, there are two main players: Telkom Kenya and Popote wireless. In internet and data services, the market players are the four mobile operators, the two fixed network operators and ISPs such as Kenya Data Networks (KDN), Jamii Telecom, Access Kenya and Wananchi Online (Waema and Ndungu, 2012).

Telecommunications plays a large role in the day-to-day lives, addressing challenges facing Kenyans in general. Particular sectors such as finance, health, education, agriculture and the Government are quickly embracing technology for dissemination of information, enhancement of service delivery and to reach their customers more effectively and efficiently. In the health sector, telecommunications is used to provide health tips and improve access by the general public to quality healthcare. In education, Telecommunication enables more children to affordably access learning content. However, telecommunication development faces many challenges, including inadequate infrastructure and high costs, lack of skills, insufficient financing and coping with global competition (Ogutu, 2015).

### 1.2 Statement of the problem

Performance management can make or break a business. Highly dedicated and competent workers can take a company to new heights and achieve long-lasting success. Employee performance management is a formal system of ongoing employee enrichment designed to make your employees more productive and efficient by investing in their personal and professional development. A lot of research has gone into performance management in other sectors of the economy such as education, health, and manufacturing and banking however, in the telecommunications sector performance management practices have seldom been addressed. Bad performance management costs a lot and delivers little. It is against this backdrop that the researcher sought to find out the status of performance management in the Kenyan telecommunications sector.

### 1.3 Objectives of the study

The study aims at fulfilling the following objectives:

(i) To establish effect of performance management practices on operational performance

(ii) To find out the effect performance appraisal accuracy on performance management

### 1.4 Significance of the study

The findings of the study may aid the human resource managers and line managers of companies in the Telecommunications sector to develop or improve implementation of performance management. Employees in the sector may also benefit by learning of the importance of performance management and therefore reduce any negative perceptions the may have. The findings generated by the current study will add to the body of literature on performance management. Researchers and scholars may use the findings of this study as reference material.

### 1.5 Assumptions of the study

The researcher assumed that performance management are prepared and administered correctly by the HR department or line managers. The researcher assumed that the respondents will answer all questions and fill in the questionnaires distributed and return them on time. The study also assumed that the respondents will be truthful in their responses.

## 1.7 Organization of the study

This study comprises of five chapters. Chapter one seeks to introduce the problem under investigation by giving a brief background, stating the problem, identifying its objectives and guiding questions, giving limitation and delimitation of the study, outlining the basic assumption of the study and describing the organization of the study. The second chapter will provide the literature review related to performance appraisals as affected by the four study variables. The summary of literature review, theoretical and conceptual framework of the study will also be presented in this chapter. The third chapter will deal with research methodology which will comprise of research design, target population, procedure, research instrument, instrument validity and reliability, data collection and analysis. The fourth chapter will consist of data analysis in relation to the stated objectives and guiding questions and discussion of the finding. Lastly, the fifth chapter will consist of summary of the study findings, giving conclusions, recommendations and suggestions for further study.

## 1.8 Summary

In the foregoing chapter, performance appraisals as tools of performance measurement were introduced. The background information shows that their use has been declining and in some cases replaced by other tools. Gaps in the research were also identified. The purpose of the study was stated and the specific objectives which the study intends to achieve were also indicated. The significance of the study identified the major beneficiaries of the research findings. Delimitations and limitations of the study defined the scope of the study. Assumptions of the study were also stated.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

The literature review presents literature on approaches adopted by Telecommunication organizations in performance management. The literature review aims to bring out the knowledge already existing in relation to performance management, bring out what is still not known about performance management in the telecommunications sector and show the existing research gap and thus the need for the proposed study.

## 2.2 Theoretical framework

### 2.2.1 Expectancy theory

In a nutshell the expectancy theory states that individuals have different sets of goals and can be motivated if they believe that: there is a positive correlation between efforts and performance. Favorable performance will result in a desirable reward. The reward will satisfy an important need. The desire to satisfy the need is strong enough to make the effort worthwhile (Lawler, Porter & Vroom, 2009).

Develop by Victor Vroom; expectancy theory assumes that behavior results from conscious choices among alternatives whose purpose it is to maximize pleasure and to minimize pain. Vroom realized that an employee's performance is based on individual factors such as personality, skills, knowledge, experience and abilities. He stated that effort, performance and motivation are linked in a person's motivation. He uses the variables Expectancy, Instrumentality and Valence to account for this (Porter & Lawler, 1968).

Vroom (1964) theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events (Salaman et al, 2005).

### 2.2.2 Goal Setting theory

The theory began with the early work on levels of aspiration developed by Kurt Lewin and has since been primarily developed by Dr. Edwin Locke, who began goal setting research in the 1960's. The research revealed an inductive relationship between goal setting and improved production performance. A goal is the aim of an action or task that a person consciously desires to achieve or obtain (Locke & Latham, 2002; Locke & Latham, 2006). Goal setting involves the conscious process of establishing levels of performance in order to obtain desirable outcomes. This goal setting theory simply states that the source of motivation is the desire and intention to reach a goal (PSU, 2014). If individuals or teams find that their current performance is not achieving desired goals, they typically become motivated to increase effort or change their strategy (Locke & Latham, 2006).

The decision to set a goal results from dissatisfaction with current performance levels. Setting a goal should include setting a structure that directs actions and behaviors which improve the unsatisfactory performance. Setting a goal will change a person's behavior in order to work towards achieving the set goal. Goal-setting theory predicts that people will channel effort toward accomplishing their goals, which will in turn affect performance (Locke & Latham, 1990). Locke and Latham (2002) found a direct linear relationship between goal difficulty, level of performance, and effort involved. This relationship will stay positive, as long as the person is committed to the goal, has the requisite ability to attain it, and doesn't have conflicting goals (Locke & Latham, 2006). Locke and Latham's goal setting theory states that several conditions are particularly important in successful goal achievement. These include goal acceptance and commitment, goal specificity, goal difficulty, and feedback (O'Neil & Drillings, 1994). In case the performance improves it will result in achievement of the performance management system aims (Salaman et al, 2005).

### 2.3 Operations management

Operations management is an area of management concerned with overseeing, designing, and controlling the process of production and redesigning business operations in the production of goods or services. It involves the responsibility of ensuring that business operations are efficient in terms of using as few resources as needed, and effective in terms of meeting customer requirements. It is concerned with managing the process that converts inputs (in the forms of raw materials, labor, and energy) into outputs (in the form of goods and/or services), (Wikipedia). The transformation can occur at all levels within an organisation – from a task within a department to operational level across departments and even at strategic level through the supply chain.

### 2.4 Performance management

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There exists the crucial difference between performance measurement systems in public and private sector in especially in the question of specific indicators. Private companies tend to measure both tangible and intangible fields of activity. The main indicators usually are: level of customer satisfaction, level of efficiency, quality and quantity (such as completion) characteristics, timelessness and costs. In other words, the aim of the performance measurement system in private organizations is to cover an organization's total span of activities and expenditure (Zaytseva, 2010).

The private leadership is more concentrated on the results and profit, on the efficiency of the well done job, while the public leadership is concentrated on distributing powers between different levels of governance. Different styles of leadership characterize the two sectors: participative leadership for private organization which encourage the support and collaboration, even implication of the employees, and directive leadership for the public administration that incorporates rules, control and indications (Demeter and Țapardel, 2013).

Performance management helps a firm to optimize the contribution of all people, units and activities at all times. In today's competitive and dynamic environment, performance management has become the only way in which a firm will justify its existence to not only its owners but also to the stakeholders in its environment.

### 2.5 Performance appraisals

Performance appraisal provides the feedback essential for discussing strengths and weaknesses, as well as improving performance (Alan, 2004). Regardless of the employee's level of performance, the appraisal process provides an opportunity to identify issues for discussion, eliminate any potential problems and set new goals for achieving high performance (Barker, 2000). A developmental approach to appraisal recognizes that the purpose of a manager is to improve job behavior, not simply to evaluate past performance.

Bohlander & Sherman (2001) indicate that appraisers can expect to gain the following benefits if they carry out appraisals in a thorough and conscientious manner: the opportunity to measure and identify trends in performance of staff; better understanding of staff, their fears, anxieties, hopes and aspirations; the opportunity of clarifying the appraiser's own objectives and priorities, with a view to giving staff a better view of how their contribution fits in with the work of others; enhanced motivation of staff, by focusing attention on them as individuals; developing staff performance; and identifying opportunities for rotating or changing the duties of staff.

The process of performance appraisal, according to De Cenzo and Robins (1988), includes the following five steps: establishment of standards, communication of expectations, information flow, comparison state, correction action. Establishment of standards that should evolve out of the job descriptions of the employees is measured and has clear objectives. Communication of expectations: where once the standards are set the employees need to be informed of these standards so as to serve as a basis of performance. Information flow: there needs to be enquiry about the actual performance on the ground through written reports, oral presentations and statistical reports. Comparison state: This is the comparison of the actual performance against the expected performance levels. Correction Action: Upon the employee performance appraisal, the necessary adjustments shall be put in motion so as to maximize performance.

Williams (2002) identifies globalization, increased competition and the increasingly individualistic rather than collective employee relationship as some of the major drivers contributing to the increased visibility of performance management systems (PMS). Faced with fast moving and competitive environments, companies are constantly searching for unique ways in which to differentiate themselves from their competition and are increasingly looking to their "human resources" to provide this differentiation. This has led to much interest in the performance of employees, or more importantly, how to get the most out of employees in order to sustain competitive success.

**2.6 Telecommunications sector in Kenya**

Since 2000, Kenya's Telecommunications sector has outperformed all other segments of the economy, growing by 23% during the decade to 2011 (World Bank, 2012). The Telecommunications sector is dominated by the success of mobile phone penetration and concomitant innovative new services driven by this, especially that of mobile money and mobile apps, for which Kenya has a strong reputation. The IT services sector is less well developed; it is led by international companies rather than domestic players, and is much smaller in terms of revenue and influence on the economy.

The Kenyan telecommunications sector has registered substantial growth, thanks to competition introduced in most market segments by the industry regulator, the Communications Authority of Kenya (CA). Kenya now has one national operator, two regional telecommunications operators, 51 Internet service providers, two Internet exchange points, 20 public data network opera-tors, 8 Internet backbone gateway operators, 6 VSAT hub/commercial VSAT operators, 19 local loop operators and two mobile operators. The number of phone subscriptions has grown from the equivalent of one per 1,000 adults in 1999 to the equivalent of nearly one per adult in 2010; Internet usage rates for 2010 were around four per ten adults. Person-to-person mobile money transactions at the end of 2010 were equivalent to around 20% of GDP with two of every three Kenyan adults being users (Heeks, 2011).

Telecommunications has featured prominently in the Kenyan government's development policies, as evident in the Poverty Reduction Strategy Paper (2001–04), the Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC, (2003–07)), and the Kenya Vision 2030. Within Vision 2030, the Telecommunications sector is one of the areas intended to contribute to economic growth and job creation through business process offshoring (BPO) flagship projects (GoK, 2007: 14-15). Overall, the government views telecommunications as tools to promote efficiency in delivery of public services, as a productive sector, and as an enabler of development of all sectors, in order to meet the challenges of the 21st century. To optimize the sector's contribution to the development of the entire economy, the government is currently offering investment opportunities to the private sector, and has formulated policies to enhance competition in the sector (Adera et al., 2014).

Availability of trained manpower in the telecommunications sector is an important resource. The Kenya government has recognized this by introducing computer education in schools and other learning institutions, while the private sector has responded to the demand of skilled computer operators by setting up commercial computer training colleges in major urban centers all over the country. In the year 2001, over 150,000 Kenyans passed through basic computer skills training colleges and since 1980s, Kenyans who have undergone computer skills training in the country, stands at an estimated 1.1 million people (EPZ, 2005). Mwenesi (2014) reports that telecommunications has assumed an increasingly strategic role in the Kenyan economy in recent years. Between 2000 and 2012, the country's wider transport and communications sector, of which telecommunications is a part, grew at a compound annual growth rate (CAGR) of 7.7 per cent, outperforming all other sectors of the national economy.

### 2.7 Performance management and operations management

Operations management refers to the activities, decisions and responsibilities of managing the resources which are dedicated to the production and delivery of products and services. The part of an organization that is responsible for this activity is called the operations function and every organization has one as delivery of a product and/or service is the reason for existence (Slack, Johnston & Chambers, 2007). Operations managers are the people who are responsible for overseeing and managing the resources that make up the operations function. The operations function is also responsible for fulfilling customer requests through the production and delivery of products and services.

The operations manager is in charge of the duties and responsibilities of the employees and how their performance results in the success or failure of the product. He should have efficient leadership skills to manage and supervise the employees toward the achievement of the businesses goals. Poor performance on the side of the employees reflects poorly on his management skills thus the operations manager should ensure the employees are properly trained in the business. Performance Management helps organizations align operational activities with strategic business priorities via the deployment of balanced scorecards, metrics and a closed-loop performance management system (Busi & Bititci, 2006).

Operational Performance has a major influence on the core activity of any business or organisation. Essentially it is the measurement and management of key resources within the organisation that are required to deliver products or services to client and customers. Radnor and Barnes (2007) explain that performance management at operational level is linked to operational management, as its focus is the achievement of departmental, project or group objectives. Although it is aligned with corporate strategy, its focus is more functional.

### 2.8 Effect of performance appraisal accuracy on performance management

In a broad sense, performance appraisal is a control system that is used by many organizations to specify the behavior that employees must perform in accordance with organizational objectives, and include of objectives setting, performance assessment and performance feedback. In a narrow sense, performance appraisal is performance assessment. Performance appraisal can change employee's work attitudes and behaviors, and has an important influence on individual and organizational performance. When effective, the appraisal process reinforces the individual's sense of personal worth and assists in developing his/her aspirations. Its central tenet is the development of the employee (Maund, 2001). Available studies such as Kingoina (2011); Luthra & Jain (2012); M'mbui (2011) and Baswetty (2010) suggest that use of performance appraisals can enhance employee performance and hence organizational performance.

Accurate appraisals are crucial for the evaluation of recruitment, selection, and training procedures. Appraisal can determine training needs and occasionally counseling needs. It can also increase employee motivation through the feedback process and may provide an evaluation of working conditions and it can improve employee productivity, by encouraging the strong areas and modifying the weak ones. Further, employee evaluation can improve managerial effectiveness by making supervisors more interested in and observant of individual employees (Auerbach, 1996). According to Maund (2001), appraisal is a key component of performance management of employees. Performance management aims at improving performance appraisals by shifting the focus away from just an annual event to an on-going process thus improving the whole performance appraisal process.

Even when a performance evaluation program is structured appropriately, its effectiveness can be diluted by the improper use of subjective, as opposed to objective, measures (Caron, 2006). Objective measures are easily incorporated into an appraisal because they are quantifiable and verifiable. Subjective measures have the potential to dilute the quality of worker evaluations because they may be influenced by bias, or distortion as a result of emotion. To overcome the effects of prejudice, Roberts, (2002) observes that many organizations train appraisers to avoid six common forms of bias: cross-cultural, error of central tendency, halo effect, leniency and strictness, personal prejudice, and recency effect. The recency effect is a corollary of the natural tendency for raters to judge an employee's performance based largely on his most recent actions rather than taking into account long-term patterns.

Gomez Mejia et al (2004) define rater error as an error in performance appraisals that reflects consistent biases on the part of the rater. Halo error, the tendency to rate similarly across dimensions, is one of the most prominent rater errors. Halo and horn errors can cause uniform negative ratings as well as uniform positive ones. Personal bias may also cause rater error. Consciously or unconsciously, a supervisor may systematically rate certain workers lower or higher than others on the basis of race, national origin, gender, age, or other factors.

According to Cole (2002) rater bias occurs when a rater's values, beliefs or prejudices distort the rating. For example, if a manager has strong dislike of certain ethnic groups, this bias is likely to result in distorted appraisal information for some people. Roberts (2002) add that it is possible for appraising supervisors to have biased feelings about anything from the way employees part their hair to the style of clothes they wear. Some supervisors may also display partiality toward members of a certain race, religion, sex, or age group.

### 2.9 Summary and gaps

Reviewed literature has highlighted issues on performance management, performance appraisals and use of performance appraisals in performance management. Literature review also focused on significance of performance appraisals in operations management, Telecommunications sector in Kenya and the use of performance management in the Telecommunications sector. The researcher notes that empirical evidence of performance management in the telecommunications sector is lacking. Majority of studies on performance have been done in the financial, education and health sectors. This creates a knowledge gap. The purpose of this study therefore is to find out the status of performance management in the Telecommunications sector.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This section deals with methods that were used to carry out this study. It comprises of research design, target population, sample size and sampling procedures, research instruments, instruments validity, instrument reliability, data collection procedures and data analysis techniques.

## 3.2 Research design

The research design that was adopted in this research study is the descriptive survey design. Descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals (Orodho, 2005). The advantage of descriptive survey design is that it allows the researcher to test many variables.

## 3.3 Target population

The study target human resource managers and line managers in the telecommunications sector. Human resource managers are selected because they are responsible for preparing, administering and communicating information relating to performance appraisals. The line managers were also selected as they are the ones who directly perform performance reviews on the employees. Kenya has one national operator, two regional telecommunications operators, 51 Internet service providers, two Internet exchange points, 20 public data network operators, 8 Internet backbone gateway operators, 6 VSAT hub/commercial VSAT operators, 19 local loop operators and four mobile operators.

### 3.4 Sampling procedure

Stratified random sampling was used to draw a sample. A stratified random sample is a random sample in which members of the population are first divided into strata, and then are randomly selected to be a part of the sample (Burn, 2010). In this study the researcher divided the human resource and line managers according to the sub-sector where their company falls and then picked 30% of the population in each as recommended by Bailey (2011). This gave the study a sample of 35 managers as shown in Table 3.1.

**Table 6.1 Sampling frame**

| TELECOMMUNICATIONS sub-sector | Total population | Sample size |
|---|---|---|
| National operators | 1 | 1 |
| Regional telecommunication operators | 2 | 1 |
| Internet service providers | 51 | 15 |
| Internet exchange points | 2 | 1 |
| public data network operators | 20 | 6 |
| Internet backbone gateway operators | 8 | 2 |
| VSAT hub/commercial VSAT operators | 6 | 2 |
| Local loop operators | 19 | 6 |
| Mobile operators | 4 | 1 |
| Total | 113 | 35 |

The study involved 35 HR managers and 10 line managers making the total sample 45 as it included two sets of managers in 10 of the organisation. Simple random sampling was used to pick individual employees to participate in the study.

### 3.5 Methods of data collection

The study utilized primary data. Data was collected using a questionnaire. The questionnaire was self-administered and contained both open-ended and closed questions. Majority of the questions in the questionnaire were Likert scale type questions to increase response rate and ease computation of inferential statistics. Likert scale is preferred because it is simple to construct, likely to produce a highly reliable scale and easy to read and complete for participants (Breakwell et al., 2007). The questionnaire was used because it is faster, less costly and it covers a wide perspective to the study (Kothari, 2004).

### 3.6 Methods of data analysis

Descriptive statistics (frequencies and percentages) were used to organize findings. Pearson correlation coefficient (r) was also computed. Pearson correlation was used to analyse the effect of performance management on operational performance. Pearson correlation was preferred because it is able to establish the strength and direction of the relationships between the independent and the dependent variable. Microsoft Excel and SPSS were used for data analysis. The figures of the findings were presented in percentage and frequency distribution tables.

# CHAPTER FOUR

# DATA ANALYSIS, FINDINGS AND INTERPRETATIONS

## 4.1 Introduction

The purpose of this study was to find out the status of performance management in the Kenyan telecommunications sector. The main objectives of the study is to find out the effect of performance management practices on operational performance as well as the effect of performance appraisal accuracy on performance management. This chapter presents the results of the data analysis as well as interpretation of the same.

## 4.2 Response rate

Questionnaires were distributed to 35 human resource managers and 10 line managers of companies in the telecommunications sector. 35 questionnaires were returned fit for analysis. This represents a response of 77% which is above the 70% threshold recommended by Mugenda and Mugenda (2010).

## 4.3 Characteristics of participating companies

The study sought to establish the characteristics of the companies from which respondents were drawn from. This included age of the company, size of the company, services and products offered and ownership.

### 4.3.1 Age of the company

Findings in Figure 4.1 show that 31% of telecommunications companies had been in operation from between 15 and 20 years while 30% had been in operation for over 20 years. The findings therefore show that majority of the companies from where the respondents had been drawn from had been in operation for quite some years. This means that the company is expected to have a better experience in dealing with the employees and established policies and procedures.

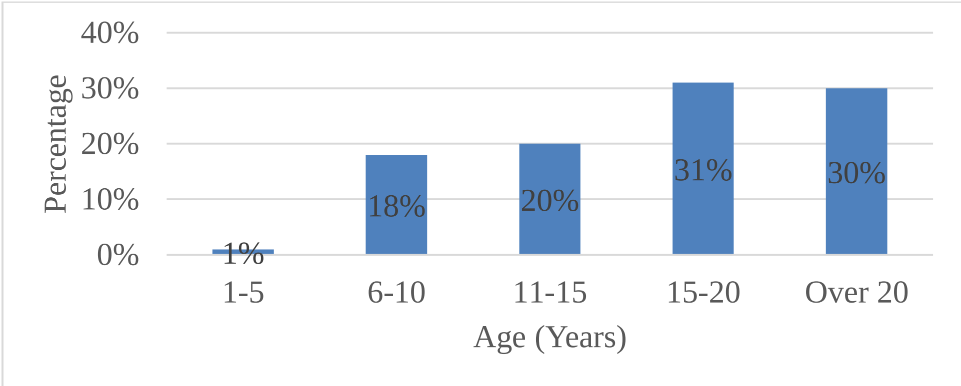


**Figure 8.1 Age of the company**

### 4.3.2 Size of the organization

Majority (52%) of the organizations had between 501 and 1000 employees while 23% had over 1000 employees as presented in Table 4.1. The findings show that majority of the telecommunication companies are in different stages of growth as indicated by the number of employees. In Kenya, the term is MSME stands for "micro, small and medium enterprises". Maximum number of employees = 10000.Micro Enterprises = up to 10 employees Small = 10 to 50 Medium = 150 to 1000(Wikipedia)

**Table 8.1 Size of the organization**

| Number of employees | Frequency | Percentage |
|---|---|---|
| 1 - 250 | 5 | 14% |
| 251-500 | 4 | 11% |
| 501-1000 | 18 | 52% |
| Over 1000 | 8 | 23% |
| Total | 35 | 100% |

### 4.3.3 Major products offered

The major product offered by companies in the telecommunications sector was internet (78%). Other products were mobile money (8%) and television services (6%) as shown in figure 4.2. This may be attributed to the high demand for internet services. The growing demand for internet services in the country is a trend telecommunications operators are now taking serious, wanting to reap the most out it. This is the same as a report by the communications authority website which shows that the number of internet users in Kenya has grown to reach 26.1 million translating to 64.3 per 100 inhabitants with access to internet. The number of data/internet subscriptions grew by 10.8 percent to reach 16.4 million during the second quarter of the 2014/15 financial year, October to December 2014.

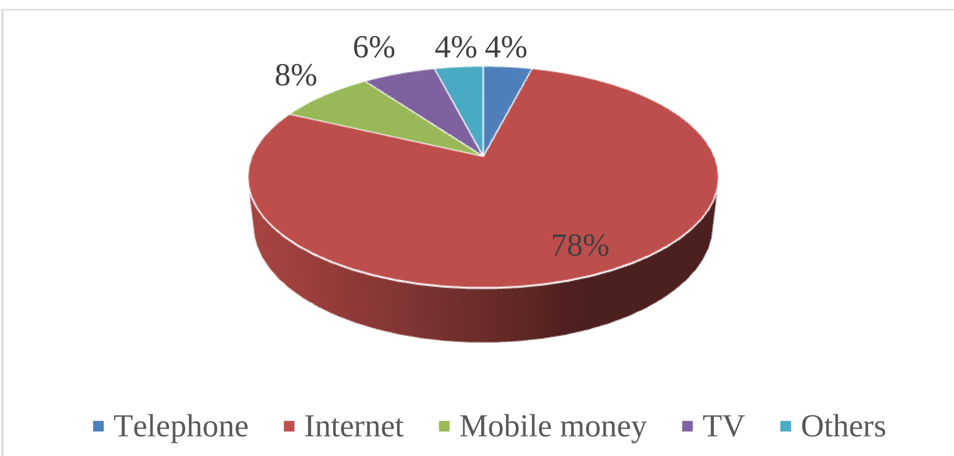


**Figure 8.2 Major products offered**

### 4.3.4 Ownership of Telecommunications companies

Majority (60%) of the telecommunications companies in the study were privately owned while 36% were publicly owned. The findings therefore show that the private sector controls much of the Telecommunications industry. This may be attributed to the strong regulatory framework and incentives given by the government to investors in the telecommunications sector.

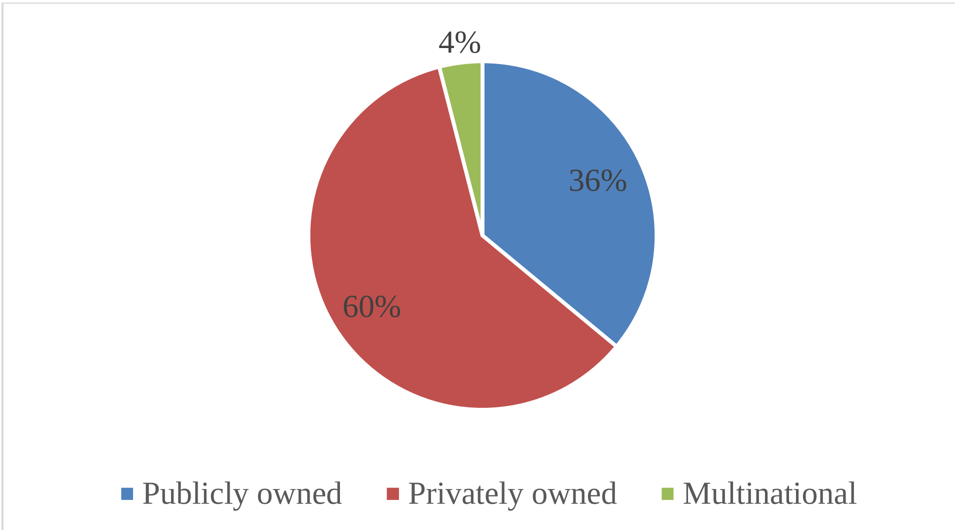


**Figure 8.3 Ownership of Telecommunications companies**

### 4.4 Performance management practices in Telecommunications companies

The study sought to establish the performance management practices in Telecommunications companies. The findings would enable the study establish the effect of performance management practices on operational performance.

**Table 8.2 Performance management practices in Telecommunications companies**

| | Agree | Uncertain | Disagree |
|---|---|---|---|
| The organization operates a formal performance management system. | 82% | 2% | 16% |
| The following processes are part of the existing performance management system: | | | |
| ➢ Coaching | 22% | 2% | 76% |
| ➢ Training and development | 44% | 5% | 51% |
| ➢ Career management and development | 36% | | 64% |
| ➢ Succession planning | 18% | 2% | 80% |
| Performance planning is undertaken in the organization | 68% | 3% | 29% |
| The stages of performance management during which communication to employees has taken place: | | | |
| ➢ Goal setting | 38% | | 62% |
| ➢ Data gathering | 54% | 2% | 44% |
| ➢ Mid-term reviews | 44% | 4% | 52% |
| ➢ Annual reviews | 72% | | 28% |
| Procedures regarding the performance management system are not generally understood by the employees. | 54% | 4% | 42% |
| The organization uses techniques such as observation, assessment & development centers, and checklists for assessing performance. | 62% | | 38% |
| There is a formal system for evaluation of performance management practices of the organization. | 38% | 12% | 50% |
| Evidence of performance is gathered throughout the year. | 64% | | 36% |
| The employees undergoes performance appraisal because the system requires it (bureaucratic chore). | 40% | 38% | 22% |
| The performance management system has yielded measurable benefits to the company such as improved morale, productivity, quality, work methods operational performance | 48% | 14% | 38% |

Findings in Table 4.3 show that majority (82%) of the respondents agreed that the organization operated a formal performance management system. However, Coaching, Training and development career management and development, succession planning were not conducted. The findings are in disagreement with Govender (2014) that the line managers understood performance coaching as a process to address and close the performance gaps of their employees. Majority (68%) agree that performance planning was undertaken in the organization. Data gathering (54%) and annual reviews (72%) were conducted by the majority of the companies. However, goal setting and midterm reviews were not always performed. This is in agreement with Desmond Tutu (2015) who found that line managers and supervisors do not involve employees in setting targets or goals of the Company

Majority (54%) of the respondents agreed that procedures regarding the performance management system are not generally understood by the employees. This is consistent with Akoto (2013) who found that the purpose of appraisal was not clear to the staff, while the results of appraisal were not discussed with the appraisees. Sixty two percent agreed that the organization uses techniques such as observation, assessment & development centers, and checklists for assessing performance. Half (50%) of the respondents disagreed that there is a formal system for evaluation of performance management practices of the organization. Majority (64%) of the respondents indicated that evidence of performance is gathered throughout the year. The findings are in agreement with O'Reilly et al. (2009) who found that opportunities for setting out performance expectations and planning, supporting and reviewing performance were sometimes under-developed or not sufficiently deployed.

Forty percent agreed that the employees undergo performance appraisal because the system requires it (bureaucratic chore). This is in agreement with Yu (2008) who found that the current performance measurement system is partially automated making alignment efforts futile In addition; forty eight percent agreed that the performance management system has yielded measurable benefits to the company such as improved morale, productivity, quality, work methods operational performance. This is in agreement with the expectancy theory Vroom (2009) which states that individuals have different sets of goals and can be motivated if they believe that there is a positive correlation between efforts and performance.

### 4.5 Accuracy of performance appraisals

The study sought to find out the accuracy of performance appraisals used in performance management in the Telecommunications sector. The findings will enable the study find out the effect performance appraisal accuracy on performance management

**Table 8.3 Accuracy of performance appraisals**

| | Agree | Uncertain | Disagree |
|---|---|---|---|
| The appraisal system is conducted fairly and transparently | 40% | 22% | 38%% |
| Performance appraisals is a fault finding tool | 38% | 8% | 54% |
| Performance appraisals are not a good measure of employees job performance | 62% | 2% | 36% |
| Relationship between the employees and the person administering the appraisal affects the performance appraisal process | 52% | 4% | 44% |

Forty percent agreed that the appraisal system is conducted fairly and transparently. However, 38% disagreed and 22% were undecided. The finding is in agreement with Werunga (2014) who found that employees do not like being appraised and consider performance appraisal feedback as a direct attack on their autonomy, they do not feel comfortable with the comments they are given especially when the targets have not been attained. Majority (54%) disagreed that performance appraisal systems are fault finding tools. This is in disagreement with Serakwane (2008) who found that Performance appraisal processes are often considered to be unpleasant and time consuming. Majority (62%) of participants also agreed that performance appraisals are not a good measure of employees' job performance. Further, 52% of the respondents agreed that relationship between the employees and the person administering the appraisal affects the performance appraisal process. The findings are in agreement with O'Reilly et al. (2009) who found that management groups experienced difficulties when managing individual performance, exacerbated by a general dislike of having to tackle issues of poor performance.

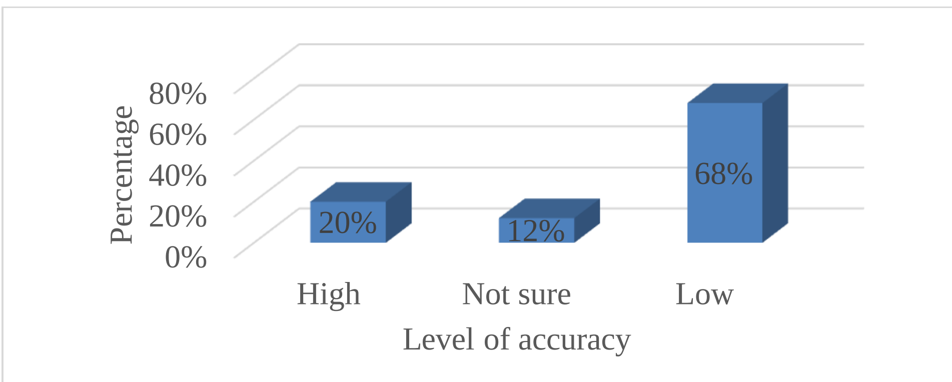


**Figure 8.4 Perceived accuracy of PAS**

Majority (68%) of the respondents felt that performance appraisals had a low accuracy in representing employee performance. This is in agreement with Waples (2013) who indicated that despite the functional importance of performance appraisals in organizational settings, rating inaccuracies persist

## 4.6 Performance of companies in the Telecommunications sector

Forty four percent rated the operational performance as fair, 33% indicated that it was low while 23% indicate that it was high. The findings therefore show that operational performance varied wildly across different companies in the Telecommunications sector. This may be attributed to the fact that telecommunications firms have various specializations such provision of ICT and mobile services. In addition, firms in the study were of different sizes as shown in Table 4.1.

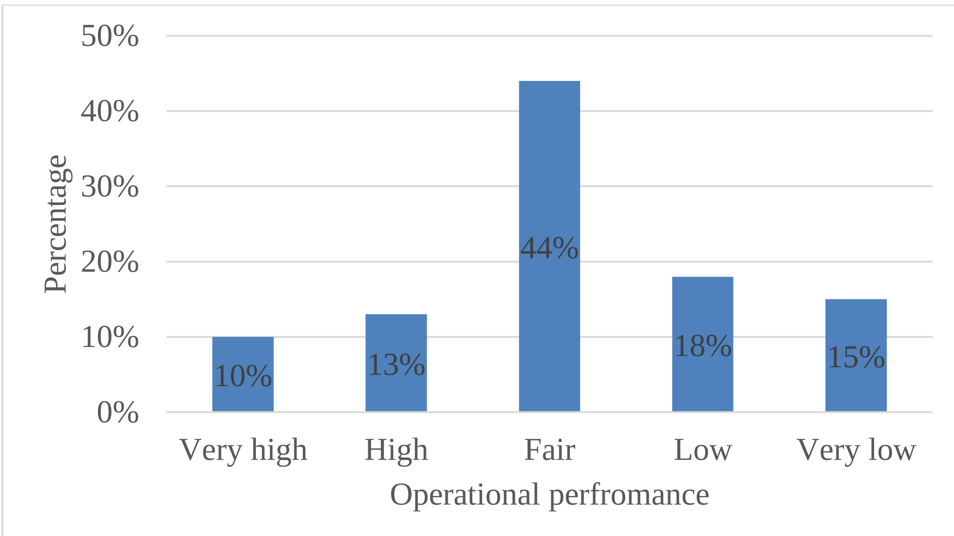


**Figure 8.5 Operational performance**

## 4.7 Effect of performance management on operational performance

Person correlation analysis was conducted to find out the effect of performance management on operational performance

**Table 8.4 Effect of performance management on operational performance**

| | Pearson correlation coefficient (r) |
|---|---|
| Presence of performance management system | 0.76 |
| Performance planning is undertaken | 0.54 |
| Stages of performance management observed | 0.6 |
| Evaluation of performance management system | 0.58 |

Presence of performance management system had a strong positive correlation (r=0.76) with operational performance. Similarly, compliance with stages of performance management had a strong positive correlation (r=0.6) with operational performance. The findings are therefore in agreement with Kingoina (2011); Luthra & Jain (2012); M'mbui  (2011) and Baswetty (2010) who found that well conducted performance management can enhance employee performance and hence organizational performance.

### 4.8 Effect of PA accuracy on operational performance

Person correlation analysis was conducted to find out the effect of performance management on operational performance.

Perceived accuracy of performance appraisals had a strong positive correlation (r=0.65) with operational performance. This means that a performance appraisal that is high on rater accuracy improves operational performance of a firm. The finding is in agreement with Cole (2002) who found that Cole (2002) accurate appraisals are crucial for the evaluation of recruitment, selection, and training procedures.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter provides the conclusion of this study and is divided into the summary of findings, conclusion, recommendations for policy, the limitation of the study and lastly the suggestions for further research based on the objectives of the study.

## 5.2 Summary of findings

Performance management system enables individuals develop their abilities, increase their job satisfaction and achieve to their own benefit and that of the organization as a whole. Performance management has been the main vehicle which managers communicates what is required from employees and gives feedback on how well they are achieving job goals. The study sought to find out the status of performance management in the Kenyan telecommunications sector. The research design that was adopted in this research study is the descriptive survey design. The study targeted human resource managers and line managers in the telecommunications sector. A sample of 30 HR mangers and 10 line mangers was drawn using simple random sampling. Data was collected using a questionnaire. Descriptive statistics (frequencies and percentages) will be used to organize findings. Pearson correlation coefficient (r) was also computed.

### 5.2.1 Performance management practices

The first objective of the study sought to establish effect of performance management practices on operational performance. The study found that majority (82%) of the respondents agreed that the organization operated a formal performance management system. Majority (68%) agree that performance planning was undertaken in the organization. Data gathering (54%) and annual reviews (72%) were conducted by the majority. Sixty two percent agreed that the organization uses techniques such as observation, assessment & development centers, and checklists for assessing performance. Half (50%) of the respondents disagreed that there is a formal system for evaluation of performance management. Presence of performance management system had a strong positive correlation (r=0.76) with operational performance. Similarly, compliance with stages of performance management had a strong positive correlation (r=0.6) with operational performance.

### 5.2.2 Accuracy of performance appraisals

The second objective of the study sought to find out the effect performance appraisal accuracy on performance management. On accuracy of performance appraisals, Forty percent agreed that the appraisal system is conducted fairly and transparently. However, 38% disagreed and 22% were undecided. Majority (54%) disagreed that Pas are fault finding tools. Majority (62%) of participants also agreed that Performance appraisals are not a good measure of employees' job performance. Further, 52% of the respondents agreed that relationship between the employees and the person administering the appraisal affects the performance appraisal process. Majority (68%) of the respondents felt that performance appraisals had a low accuracy in representing employee performance. perceived accuracy of performance appraisals had a strong positive correlation (r=0.65) with operational performance.

## 5.3 Conclusion

### 5.3.1 Performance management practices

From the findings, the study concludes that performance management yields measurable benefits on operational performance by improving general morale, productivity quality and work methods of employees. The study also shows that while performance management is conducted in the telecommunications sector it is not adequately conducted to enhance operational performance. Majority of the procedures of performance management such as coaching and succession are not done by majority of the companies. Further, training and career development which is very necessary is only done by a number of companies.

### 5.3.2 Accuracy of performance appraisals

The study also concludes that performance appraisals are perceived to provide an unfair representation of employees' performance. Employees do not feel that the process of preference management is conducted fairly. In addition, the employees take performance appraisals only because the system requires it. This has a retrogressive effect on performance management.

## 5.4 Recommendations for policy

i. Companies in the telecommunications sector should come up with a performance management system that is specific to the industry's characteristics.

ii. Operations managers should consider the utilization of performance management policies and the restructuring of the same to help in maximizing the potential that can be garnered by effective employee utilization.

iii. HR managers in the telecommunications sector should ensure that there is a formal system for evaluation of performance management practices of the organization.

iv. Employees should be provided with coaching, training and career development opportunities to enhance operational performance and change any negative perceptions the employees may have towards performance management.

## 5.5 Limitations of the study

The study is limited to firms in the telecommunications sector. Generalization of findings to other sectors should therefore be carried out with caution. Much of the data in the study is self-reported and therefore some data may be affected by response bias. Junior employees were also not included in the study.

## 5.6 Suggestions for further study

A similar study should be carried out in the telecommunications whilst including junior employees. Other aspects of performance management such as balanced scorecard and 360 degree appraisal should be studied in the telecommunications sector. Studies should also be carried out to find out why companies in telecommunications sector do not conduct training and coaching for performance management.

There is need to undertake further study on performance management effect on operational performance especially in other service sectors that are highly dependent on the employee workforce to improve organizational operations.

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# APPENDIX

## Appendix I: Questionnaire

The objective of this questionnaire is to collect data on the status of performance appraisals in the telecommunications sector. Kindly read the items carefully and provide a response that best represents your opinion. To provide confidentiality, do not indicate your name on the questionnaire. The questionnaire has several sections. Please answer accordingly with a tick in the provided gaps.

### Section A: Socio-demographic information

1. How long has the organisation been running? ...................................................................

2. What is the size of the organisation?...................................................................................

3. What are the major products that the organisation is offering?

…………………………………………………………………………………………………

………………………………………………………………………………………………….

4. Is the organisation

Locally owned [ ] Privately owned [ ] Other (Specify) [ ] …………………………………..

### Section B: Performance Management practices

Kindly indicate with (√) the extent to which you agree or disagree with the statements below.

**KEY: 5**= Strongly Disagree **4=** Disagree **3**=Uncertain **2**= Agree **1**= Strongly agree

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 5. | The organization operates a formal performance management system. | | | | | |
| 6. | The following processes are part of the existing performance | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | management system: | | | | | |
| | ➢ Coaching | | | | | |
| | ➢ Training and development | | | | | |
| | ➢ Career management and development | | | | | |
| | ➢ Succession planning | | | | | |
| | Performance planning is undertaken in the organization | | | | | |
| 7. | The stages of performance management during which communication to employees has taken place: | | | | | |
| | ➢ Goal setting | | | | | |
| | ➢ Data gathering | | | | | |
| | ➢ Mid-term reviews | | | | | |
| | ➢ Annual reviews | | | | | |
| 8. | Procedures regarding the performance management system are not generally understood by the employees. | | | | | |
| 9. | The organization uses techniques such as observation, assessment & development centers, and checklists for assessing performance. | | | | | |
| 10. | There is a formal system for evaluation of performance management practices of the organization. | | | | | |
| 11. | Evidence of performance is gathered throughout the year. | | | | | |
| 12. | The employees undergoes performance appraisal because the system requires it (bureaucratic chore). | | | | | |
| 13. | The performance management system has yielded measurable benefits to the company such as improved morale, productivity, quality, work methods operational performance | | | | | |

**Section C: Accuracy of Pas**

Kindly indicate with (√) the extent to which you agree or disagree with the statements below.

**KEY:** **5**= Strongly Disagree **4=** Disagree **3**=Uncertain **2**= Agree **1**= Strongly agree

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| 14 | The appraisal system is conducted fairly and transparently | | | | | |
| 15 | Performance appraisals is a fault finding tool | | | | | |
| 16 | Performance appraisals are not a good measure of employees job | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | performance | | | | | |
| 17 | Relationship between the employees and the person administering the appraisal affects the performance appraisal process | | | | | |

**Section C: Business performance**

18. How would you rate the operational performance of the company?

Very high [  ] High [  ] Not sure [  ] Low [  ] Very low [  ]