PERFORMANCE MEASUREMENT PRACTICES AND EMPLOYEE PRODUCTIVITY IN THE INSURANCE FIRMS IN KENYA

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

2015
DECLARATION

This project is my original work and has not been presented for a degree in any other University or any other award.

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D61/62582/2013

This project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

Dedicated to my dad and mum (Mr. And Mrs. Buri) for the guidance and moral support you have given me throughout my life. To my sister Wairimu Buri, you rock! May God bless and favour you always.
ACKNOWLEDGEMENTS

I take this opportunity to thank the Almighty God for His sufficient grace and blessings upon my life and for seeing me through the completion of this project and my education as a whole.

The work of carrying out this study needed adequate preparation and therefore called for collective responsibility of many personalities. The production of this research document has been made possible by invaluable support of many people. While it is not possible to name all of them, recognition has been given to a few. I would like to thank my supervisor; Mr. E. Akello for his guidance and support throughout the project. I am greatly indebted to Mr. Michael Mwangi for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to you.

The various professionals and my friends in the insurance industry cannot pass without my special acknowledgement for taking time off their busy schedule to provide me with all the information I needed in the course of the research. Without their immense cooperation, this project would not be a reality.

A special thanks to my family, words are not enough to express how grateful I am to my mother, for all of the sacrifices that you’ve made on my behalf. Your immense support and prayers sustained me this far.

To my friend Magdalene Ng’etich and study group members, there is no better way to repay you for your unfailing support whenever I was stuck through this journey. You were always willing to help and give your best suggestions. Thank you all and may the Almighty God bless you lavishly.
ABSTRACT

This study sought to shed light on the performance measurement practices practiced by insurance firms in Kenya, to establish the level of employee productivity in these firms and if there is a relationship between performance measurement practices on employee productivity in Kenya and sought to achieve three objectives. These were to “determine the extent of adoption of performance measurement practices by insurance firms in Kenya, to establish the level of employee productivity of insurance firms in Kenya and to determine relationship between performance measurement practices and employee productivity of insurance firms in Kenya.” Primary data was collected by the use of questionnaires distributed amongst 30 insurance firms in Kenya. Data collected was analysed using both descriptive and inferential statistics. SPSS (17) and Microsoft excel software packages were used to conduct the analysis. Results indicate that most insurance firms used the Balanced Scorecard performance measurement model and the strength of the relationship between employee productivity and each of the performance measurement practises reported was moderate.

Current study, though with some limitations in term of response and scope of study has served the purpose of initiating researching on performance measurement in the insurance industry, which can be used as a basis for further study and benefit to the management of organizations in the service industry. The study recommended Further research can be carried out to firms in other service sectors to establish the performance measurement practices used and if they influence the productivity of the employees. This would enable managers to focus on the issues that positively influence both individual and organizational performance.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations are increasingly seeking to develop, motivate and increase the performance of their employees in a variety of operational, market and human resources oriented applications (Gungor, 2011). It has been observed that performance is highly related to organizational performance as effective and efficient employee performance will positively influence organizational performance. According to Chan and Lynn (2001), the organizational performance criteria should not only include employee morale, profitability, marketing effectiveness, customer satisfaction, but also employee productivity.

In order to organize effectively, organizations must rethink how they hire, train and reward their employees; therefore the employees could be encouraged to be competitive. Performance measurement is a critical tool of aligning the employee behavior with the organizational goals, objectives and expectations during the employee working life. The performance measurement achieves its objectives through clarifying job responsibilities and expectations, setting clear targets, and providing information to enable make human resource decisions such as promotions, reorganizations and talent management.

However, despite the advantages associated with the performance measurement, there are challenges in effective performance management (Lawrie, 2000). The management often fails in giving honest and candid developmental feedback to the employees due to fear of straining the working relationships with key people under them. These key people are often the people which the management depends on to achieve their work deliverables (Cardy & Dobbins, 2004). On the other hand, the employees perceive their managers as being ineffective in the discussion of their performance and in helping them develop their work skills. Some employees may also not value the importance of performance feedback and how it affects their career prospects (Idemobi & Onyeizugbe, 2011). This study focuses on analyzing and exploring the impact of performance management system on employee productivity.
1.1.1 Performance Measurement Practices

The performance measurement is a critical tool of aligning the employee behavior with the organizational goals, objectives and expectations during the employee working life. The performance measurement achieves its objectives through clarifying job responsibilities and expectations, setting clear targets, and providing information to enable make human resource decisions such as promotions, reorganizations and talent management. However, despite the advantages associated with the performance measurement, there are challenges in effective performance management (Lawrie, 2000). The management often fails in giving honest and candid developmental feedback to the employees due to fear of straining the working relationships with key people under them. These key people are often the people which the management depends to achieve their work deliverables (Cardy & Dobbins, 2004). On the other hand, the employees perceive their managers as being ineffective in the discussion of their performance and in helping them develop their work skills. Some employees may also not value the importance of performance feedback and how it affects their career prospects (Idemobi & Onyeizugbe, 2011).

Organizations which do not integrate ongoing performance measurement and feedback into their management development programmes tend to experience lower than expected performance improvements and higher dissatisfaction and turnover (Longnecker & Fink, 2001). The revolution of performance measurement has spread into many disciplines including construction and facilities management (Bassioni et al., 2004; Pitt & Tucker, 2008). Performance measurement metrics enable rewarding of the most productive employees and implementation of the corrective measures for the underperforming employees (Esu & Inyang, 2009).

Traditional performance measurement practices focused on financial measures. However they have faced various criticisms such as lack of strategic focus, measuring only one aspect, being historical in nature and not providing information for productivity measurement and improvements (Rose, 1995). As such, on their own, they lack the ability to guide the firms in its efforts to achieve excellence. Modern performance measurement practices recognize the multidimensional views of performance measurement, link performance to strategy and presents a balance view...
of the system (Nely et al., 2005). Modern performance measurement practices include use of Balanced Score Card perspective, Benchmarking, Performance Contracting, focusing on Key Performance Indicators and Total Quality Management philosophy.

1.1.2 Employee Productivity

Productivity is a measure of the quantity and quality of work done, considering the cost of the resources used (Millar, 2007). Udo-Aka (1983) defined productivity as a measure of overall production efficiency, effectiveness and performance of individual organization. Akerele (1991. 50) contends that productivity is the “measure of how well a nation’s resources are utilized for accomplishing a set of results… reaching the highest level of performance with the least expenditure of resources, including human resources”. This is a synthesized definition of productivity. Akerele (1991. 51) further maintained that: Productivity is an attitude of the mind. It is the mentality of progress and constant improvement of that which exists. It is the certainty of being able to change that which exists. It is the certainty of being able to do better today than yesterday. It is the will to improve on the present situation, no matter how good it may look. It is the continued effort to apply new techniques and it is the faith in human capabilities.

The employee productivity is concerned with the final and specific outputs desired from the employee considering the resources spent on the employee (Baron & Armstrong, 2007). The employee productivity involves measuring the time spent in the production of the desired outputs from an employee. The employee involves also the measurement of the employee related costs incurred by the organization in the production of desired output (Esu & Inyang, 2009). Productivity has often been confused with efficiency. Efficiency is generally seen as the ratio of the time needed to perform a task to some predetermined standard time.
1.2 Insurance Firms in Kenya

Early insurance practice was reported in Europe for over one thousand years with the earliest being marine insurance. However, insurance was unknown in Kenya until the early part of the 20th century. It is the early European settlers who introduced insurance in Kenya. In 1904, the London and Lancashire Insurance Company appointed agents for fire business in Nairobi. In 1922, Royal Exchange Assurance opened a branch office in Kenya and was followed by the Commercial Union in 1929 (Wachira 2008). Until the late 1970s, the Insurance industry in Kenya operated in a rather stable environment. There was little demand for services, the products offered were standardized, government supervision was minimal and competition relatively low. However, following the issuance of the government directive in 1978 which required all foreign insurance companies to be incorporated in Kenya by 1980 and the introduction of the insurance Act CAP 487 of the laws of Kenya, the industry has since experienced tremendous challenges.

Many insurance companies sprung up in the 1980s and many more companies were incorporated in the 1990s following the liberalization of the economy. This move has seen the number of registered insurance companies grow from 15 in 1978 to 39 in 2001 and more than 40 in 2012. This, together with the collapse of the giant state owned Kenya National Assurance in 1996 has intensified competition in the industry. The industry was also put on the spot when leading medical insurers Mediplus and Strategies folded up in 2003 and 2005, in controversial circumstances.

What is noticeable is that the customers are concentrated in the major towns and the products have remained very traditional. This means that the increase in the number of companies to forty nine (49), as at the end of 2014 (AKI report 2014), offering insurance services has increased at a greater pace than the number of customers seeking the service leading to severe competition. Gross written premium in 2014 was Kshs. 157.21 billion representing a 20.3% growth compared to 2013. Following the opening up of the Uganda and Tanzania Insurance markets and increased emphasis on globalization and regionalization, the industry now faces greater competition from its neighbours. With the growth on the number of providers, it would be expected that the Insurance penetration would have been enhanced. Insurance penetration is calculated as the ratio of percentage of total insurance premiums to the gross domestic product.
Unfortunately, this has not been the case with Insurance penetration at 2.92% as per AKI 2014 report. Insurance penetration is calculated as the ratio of the percentage of total Insurance premiums to gross domestic product.

1.3 Statement of the Problem

Since the beginning of industrialization, arguments that alternative system for managing employees and organizing their work might lead to superior employee performance and in turn superior organizational performance (Cappelli & Neumark, 1999). As such, employee performance measurement practices date back to the industrial revolution (Webb & Webb, 1965; Common, 1970). With time, the practices have become more sophisticated, differentiated, and revolutionized by various developments both in the market as well as industry (manufacturing vs. service). Consequently, various alternative measurement systems have been proposed, amongst them: Balanced Scorecard, Business Excellence Model, Key Performance Indicators, Performance Contracting (Meng & Minogue, 2011).

At the centre of all the alternative performance measurement practices is the need to fully integrate the human element thus overcoming the limitations of earlier practices namely limiting control and decision making autonomy of employees, integrating psychological and social needs of the employees (Cappelli & Neumark, 1999). The authors further observe that studies attempting to estimate benefits associated with the employee performance measurement practices are suggestive of important effects but taken on a group, remain inconclusive. Current study seeks to contribute to this knowledge gap.

As mentioned earlier, the development and adoption of these performance measurement practices has followed industry development for instance, performance management practices suitable for service industry must accommodate the unique nature or characteristic of the industry. The intangibility and inseparability of service provider, service and service recipient make the development and adoption of the practices, a complex endeavour.
A number of studies have been done on performance measurement and employee productivity. For example, Muindi (2012) examined employees perception of effectiveness in performance management practices and concluded that the employee are able to improve on their performance, meet the set targets and offer quality services by being creative and innovative and thus the organization benefits through improved services to its customers and it shows that the human resources are a valued resource that has to be accorded all the performance management practices i.e. goal setting, performance appraisal reward, training, career planning and succession management in order to improve on their performance. Omondi (2013) also examined the talent management practices at CFC Stanbic bank and noted the performance management process is well defined though a key weakness is that it is perceived by a number of employees as subjective and used by some managers as a tool for settling scores. Sarrico, Maria and Manatos (2012) also examined school performance management practices and school achievement and found that incorporation of performance measures into performance management is incipient and most acknowledge the difficulty of going from measurement of results into improvement actions.

The various studies fail to link employee productivity to the various performance measurement practices adopted by the organizations. This study therefore based on the foregoing decision sought to attempt to answer the question; is there a relationship between performance measurement practices and employee productivity in the insurance industry in Kenya?

1.4 Research Objectives

i. To determine the extent of adoption of performance measurement practices by insurance firms in Kenya.

ii. To establish the level of employee productivity of insurance firms in Kenya.

iii. Determine relationship between performance measurement practices and employee productivity of insurance firms in Kenya.
1.5 Value of the Study

The results of this research would be beneficial in providing new insights into various performance measurement practices required for successful operational performance of insurance firms in Kenya. The study findings would be of great importance to academic research, as it would contribute to both theoretical and practical knowledge on the maintenance performance measurement practices in manufacturing industries in Kenya. Scholars would find it important as it would increase the body of knowledge in this area. It would also assist the researchers in doing further studies on the same.

With respect to policy, the study would guide policy makers like the Ministry of Devolution and Planning as well as Salaries and Remuneration Commission in choosing decision making process that is appropriate for the organizations as well as the employees’ welfare in the insurance industry in Kenya.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter examines the theoretical review, the theoretical literature, the conceptual review, the conceptual framework, the summary of reviewed literature, and the research gaps.

2.2 Performance Management Practices
The focus on performance management is increasing, and several authors have given this topic some attention (e.g. Caligiuri, 2006; Cascio & Bailey, 1995; Wright & Nishii, 2004; Briscoe & Schuler, 2004; Engle et al., 2008). According to Cascio and Bailey (1995), performance management is the terrain of global performance management systems and largely uncharted.

According to Otley (2009), a general performance management considers such problems: “What are the key objectives that are central to the organization’s overall future success, and how does it go about evaluating its achievement for each of these objectives? What strategies and plans has the organization adopted and what are the processes and activities that it has decided will be required for it to successfully implement these? How does it assess and measure the performance of these activities? What level of performance does the organization need to achieve in each of the areas defined in the above two questions) and how does it go about setting appropriate performance targets for them? What rewards will managers (and other employees) gain by achieving these performance targets (or, conversely, what penalties will they suffer by failing to achieve them)? What are the information flows (feedback and feed-forward loops) that are necessary to enable the organization to learn from its experience) and to adapt its current behavior in the light of that experience?” (Otley, 2009:365,366).

Performance measurement has been receiving an increasing attention over the last two decades. Just as the well-known adage says, “If you cannot measure it, you cannot improve it” (Hamel & Prahalad, 1994). Neely (1998) gave seven reasons why performance measurement is on the managerial agenda: the changing nature of work; increasing competition; specific improvement initiatives; national and international
quality awards; changing organizational roles; changing external demands; and the
power of information technology. A comprehensive literature review shows that
various models have been developed to measure the performance of organizations,
which may include the Balanced Scorecard (BSC), The Business Excellence Model
(BEM), the key performance indicators (KPI), Performance Contracting, etc. Although
these models come from different backgrounds, all of them have achieved
considerable success for the improvement of organizations’ performance. This can be
seen from various efforts made by a large number of researchers and practitioners for
the application of these models in their own fields.

The Balanced Scorecard (BSC) is a strategic performance management system used
by many companies in the international business environment. According to Kaplan
and Norton (1992; 1996a), the creators of BSC, this tool can balance both the
financial and non-financial measures that a company uses. It is separated into four
perspectives – customer perspective, internal business perspective, innovation and
learning perspective and financial perspective. According to Gumbus and Lussier
(2006), the BSC can be used in both large and small businesses if employees are
working towards achieving the same targets and strategic goals.

A study by Chavan (2009) discussing the growing importance of balanced scorecard
performance system explored issues that organizations face in building and
implementing scorecard systems. He used a case study on Australian organizations to
depict the real world examples of organizations that have confidence in the “Balanced
scorecard performance system” so that other organizations can follow suit. His study
concluded that balanced scorecard approach may require some substantial changes in
the culture within organizations. The balanced scorecard requires understanding,
commitment and support from the very top of the business down. Based on business
principles and corporate objectives the balanced scorecard is tailored for each part of
the organization to allow each part of the organization to allow each to contribute in a
holistic way to the corporate objectives. The process of creating the balanced scorecard
is a fairly involved process which requires a lot of understanding and
commitment and for some business unit leaders, a lot of help too.
Mann (2008) in his study on creating awareness of business excellence models, aimed to share findings from a major international study, focusing on how custodians of business excellence models (BEM) at the national level. His methodology consisted of a literature review, three surveys and a series of focus groups and key informant interviews in sixteen countries worldwide. Having randomly sampled organizations, he found that custodians of Business Excellence Models reported awareness had generally increased in their countries and various examples of good promotional practice from model custodians worldwide are reported. His study concluded despite the prevalence of national Business Excellence Model, awareness among organizations of their national framework maybe lower than estimated.

The most common performance measurement tool is the use of the performance dashboards on diverse issues such as sales performance dashboard for sales staff and operations dashboard for operations staff. The sales performance dashboard measures the performance of sales achieved against the set targets on a periodic basis such as weekly and against diverse products or services (Lawrie, 2000). The dashboard at a glance is able to show the exact position of the sales staff in the context of his achievement per sales product, his aggregated performance and his performance against his peers (Cardy & Dobbins, 2004. The operations dashboards operate in a similar manner in which there is analysis of the achievement of different operational targets in comparison to the set targets (Idemobi & Onyeizugbe, 2011).

2.3 Key Theories of Performance Measurement and Employee Productivity
The study will be guided by the Goal setting theory, Systems theory and the Organisation theory

2.3.1 Goal Setting Theory
The goal setting theory was formulated inductively on basis of empirical research and is based on Ryan’s (1970) premise that conscious goals affect action. The prime axiom of goal setting theory is that specific difficult goals lead to higher performance that when people simply strive to do their best (Locke, 1966; Locke & Latham, 1990). However, the challenging goals do not necessarily lead such desirable personal organisational outcomes but results from goal setting critically depend critically on
issues pertaining to goal commitment, task complexity goal framing, team goals and feedback. Goals affect performance through four mechanisms; they serve as a directive function in that they direct attention and efforts towards goal relevant activities and away from goal irrelevant activities, they have an energizing function in that high goals lead to greater efforts than low goals, they affect persistence in performance and lastly goals affect action indirectly by leading to arousal, discovery and/or use of task relevant knowledge and strategies (Wood & Locke, 1990).

Goal performance relationship is strongest when people are committed to their goals. Factors facilitating goal commitment include the factors that make goal attainment important to people and their belief that they can attain the goal (self-efficacy). Goals are outcome to aim for and a standard for judging satisfaction. The goals thus serve as inflection point or reference standard for satisfaction versus dissatisfaction (Mento, Locke, & Klein, 1992). Accordingly, for any given trial, exceeding the goal provides increasing satisfaction as positive discrepancy grows and not reaching the goal creates increasing dissatisfaction as negative discrepancy grows.

2.3.2 Systems Theory

According to systems theory approach, an organisation is comprised of many parts whereby the organisation is a whole and its various departments are subsystems within it (Peter Senge, 1990). The systems theory is characterised by five principles that is personal mastery, shared vision, mental models, and team learning and employee identification (Lawrie, 2000). In respect to performance management and system thinking an organisation has to evaluate performance, job responsibilities, and functions from a systems point of view.

Since the organizations are examined from the context of the sub systems within in it, then all the sub systems must perform optimally in order for the organization to wholly perform productively. The performance measurement ensures that the employees productivity is measured in relations to the set subsystem target to enable each subsystem achieve its target and hence the whole organization meet its objectives (Lawrie, 2000). The poor performance of an employee has an effect of minimizing that sub system’s performance and hence its ability to meet its set target.
2.3.3 Organization Theory

Organisational theory according to Jeffery Pfeffer in his book New directions for organizational theory, provides an interdisciplinary focus on the effects of social organisations on behaviour and attitudes of individuals within them, effect of individual characteristics and action on organisation, the performance, success, and survival of organisations, the mutual effect of environments including resource and task, political and cultural environments on organisations and vice versa and finally concerns with the epistemology and methodology that undergird research in each of this topics (Lawrie, 2000). The organisational theory is on the premise that business organisations are formed to deliver goods or services in to consumers in such a manner that they can realise profit at the conclusion of the transactions (Esu & Inyang, 2009).

The primary objective of the organizations being to make profits then they must organize their resources including the human resource in a manner that the primary goal is achieved (Mento, Locke, & Klein, 1992). In this context, every employee must meet their set targets which are in line with the organization’s objectives for the organization to deliver its results to the shareholders (Wood & Locke, 1990). The employee productivity must therefore be measured in this context to ensure compliance with the work expectations.

2.3.4 Empirical Review of Performance Measurement Practices and Employee Productivity

The conceptual framework will be based on the research objectives. The performance measures can be grouped into six general categories that are effectiveness, efficiency, quality, timeliness, productivity and safety. The effectiveness examines the degree to which the process output. The efficiency indicates the degree to which the process produces the required output at a minimum resource cost. On the other hand, the quality aspect checks on the degree to which a product or service meets customer requirements and expectations. The timeliness aspect measures on whether a unit of work was done correctly and on time. The productivity checks on the value added by the process divided by the value of the labour and capital consumed. Finally, safety measures the overall health of the organization and the working environment of its employees.
There are several performance measurement practices that can be used including the benchmarking, critical success factors, balanced scorecard and the business excellence models. The benchmarking process is the comparison with other businesses in the industry with a view of highlighting the best industrial practices and promoting their adoption (Mutuku, 2013).

The use of the balanced scorecard is of relevance to the hypercompetitive insurance sector in Kenya as the insurance are facing an increasing threat to organizational performance and excellence (Ngenoh, 2013). This is due to increasingly knowledgeable and demanding customers and activist shareholders which has changed the competitive environment from competition based on ability to invest in and manage physical (or tangible) assets to competition based on knowledge and the ability to exploit intangible and soft assets (like human capital, information systems, intellectual capital, brand development, research and development etc.) (Musomba, 2012).

The use of the balanced score card in the performance appraisals is used to confront the aspects that make it difficult to competitively enhance the organizational performance (Ogoye, 2013). This barriers include the vision barrier, people barrier, resource barrier which is misallocation of time, energy, and money to processes that are critical to the organization and lastly the management barrier where by management allocates little time to strategy, and much time to short-term tactical decision-making (Nduku, 2014). This is because the balanced score card is based on the four perspectives that is the customer perspective, financial perspective, internal business perspective and the innovation and learning perspective (Muteti, 2014).

According to PMBOK Guide (2007), the mostly used performance measures can be grouped into one of six general categories, as indicated in Table 1.1
Table 1.1 Categories of Performance Measurement

<table>
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<tr>
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<th>Category</th>
<th>Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Effectiveness</td>
<td>A process characteristic indicating the degree to which the process output (work product) conforms to requirements (Are we doing the right things?)</td>
</tr>
<tr>
<td>2</td>
<td>Efficiency</td>
<td>A process characteristic indicating the degree to which the process produces the required output at minimum resource cost. (Are we doing things right?)</td>
</tr>
<tr>
<td>3</td>
<td>Quality</td>
<td>The degree to which a product or service meets customer requirements and expectations.</td>
</tr>
<tr>
<td>4</td>
<td>Timeliness</td>
<td>Measures whether a unit of work was done correctly and on time. Criteria must be established to define what constitutes timeliness for a given unit of work. The criterion is usually based on customer requirements.</td>
</tr>
<tr>
<td>5</td>
<td>Productivity</td>
<td>The value added by the process divided by the value of the labor and capital consumed.</td>
</tr>
<tr>
<td>6</td>
<td>Safety</td>
<td>Measures the overall health of the organization and the working environment of its employees.</td>
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Productivity is a performance measure encompassing both efficiency and effectiveness. It is important, therefore, to know who the productive workers are. Productivity is a performance measure encompassing both efficiency and effectiveness. High performing, effective organizations have a culture that encourages employee involvement. Therefore, employees are more willing to get involved in decision-making, goal setting or problem solving activities, which subsequently result in higher employee performance (Hellriegel, Slocum & Woodman, 1998). Encourage a more modern style of participatory management, raise employee productivity and satisfaction, and even lower workers” compensation rates. (Madison, Wisconsin, 2000).

According to Miller and Monge (1986), job satisfaction increases productivity through bringing high quality motivation and through increasing working capabilities at time of implementation. There is evidence that participative climate has a more substantial effect on worker’s satisfaction then participation in specific decision and it appears that participation in goal setting does not have strong effect on productivity. Participation has a strong effect on both job satisfaction and productivity (Bhatti & Quereshi, 2007).
These studies however have not linked employee productivity to the various performance measurement practices adopted by the organizations. This study therefore attempt to answer to find out if there is a connection between performance measurement practices and employee productivity. The study seeks to find out if the progress and adoption of these performance measurement practices has followed industry development for instance, performance management practices suitable for service industry that must accommodate the unique nature or characteristic of the industry.

2.4 Conceptual Framework

Figure 2.1 Conceptual Framework
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter consisted of the research design, target population, sampling, data collection instrument, data analysis and presentation.

3.2 Research Design
Descriptive research design was used in the study. Descriptive design was appropriate because it involved collecting data in order to test questions concerning attitudes and opinions on the current status of subjects of the study. It is used to test attitudes and opinions about events, individuals or procedure (Gay, 2003). Kothari (1995) notes that descriptive survey design is concerned with describing, recording, analyzing and reporting good conditions that exist or existed. Engelhart (1972) argues that descriptive methods are widely used to obtain data useful in evaluating present practices and in providing the basis for decision-making.

3.3 Target Population
The target population for this study consisted of all insurance companies in Kenya. According to Insurance Regulatory Authority (2014), there are 47 registered insurance companies which will comprise the population.

3.4 Sampling
A simple random sample of 30 companies was selected. Since each company has at least five departments (claims, underwriting, marketing, finance and legal), the total sample size of at least 100 respondents was used as all employees in the departments were interviewed.

3.5 Data Collection
The study utilized primary data. Primary data was obtained through use of structured and semi-structured questionnaires that were given to the employees. The questionnaire for this research was developed based on the objectives of the study by comprising three parts. Part A covered the demographic characteristics of employees; part B will consisted of questions on performance management practices to the managers and supervisors which were measured using a Likert scale of five, while
part C shall contain questions relating to employee productivity using likert type scale. The questionnaires were administered through drop and pick method.

3.6 Data Analysis
Questionnaires were sorted out and each questionnaire given a unique identification number before data entry. These numbers were entered and used as a check out for any inconsistencies in the data. The data was checked by the researcher to ascertain their completeness and internal consistency. The study collected quantitative data. Responses in the Lickert scale were assigned numerical values to make quantitative analysis possible.

Quantitative data was analyzed using descriptive statistics. Objective one sought to determine performance measurement practices adopted by insurance industry in Kenya. Analysis was done using descriptive statistics, whereby various practises were ranked using the mean and standard deviation. Objective two sought to determine the level of employee productivity in the insurance industry; similarly, various aspects of employee productivity were evaluated and ranked using mean and standard deviation. The third research objective sought to determine relationship between performance measurement practices and employee productivity in the insurance in Kenya.
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field. It presents analysis and findings of the study as set out in the research methodology to determine the extent of adoption of performance measurement practices by insurance firms in Kenya, to establish the level of employee productivity of insurance firms in Kenya and determine relationship between performance measurement practices and employee productivity of insurance firms in Kenya. The findings are based on information that was collected by set of questionnaires from employees who work in the insurance firms chosen randomly.

4.2 Response rate

Of the total 100 respondents who received questionnaires, 72 duly filled and returned the questionnaires. This represents 72% response rate which is a good response.

4.3 General Information of Respondents

The information captured in this section was meant to establish the length of interaction of the respondents with their work systems and whether they had the requisite knowledge that would assist them in responding to the issues that were to be addressed. The general information captured included the gender, age, level of education, number of years worked for the organization and employment terms. The findings were as presented in this section

4.3.1 Distribution of respondents by Gender

Chart 4.1 shows the distribution of the respondents based on gender. Majority (55.6%) of the respondents were male, while only 44.4% were female. These proportions were considered representative of both sexes.
4.3.2 Distribution of respondents by Age

Table 4.1 shows the distribution of respondents based on age group.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 - 34 yrs</td>
<td>34</td>
<td>47.9</td>
</tr>
<tr>
<td>35 - 44 yrs</td>
<td>28</td>
<td>39.4</td>
</tr>
<tr>
<td>45 - 54 yrs</td>
<td>8</td>
<td>11.3</td>
</tr>
<tr>
<td>Above 5 yrs</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Research Data

Majority of the respondents (47.9%) were aged between 25-34 years, while only (1%) were above 55 years of age. Respondents aged between 25 and 44 years were almost evenly distributed for the five age categories. That means that the workforce is relatively young and are in the learning stages thus can be versatile.

4.3.3 Distribution of respondents by Education level

Chart 4.2 shows the distribution of respondents based on their level of education.
Majority of the respondents (65.3%) had a first degree while over (19.4%) had at least a master’s degree. This information is displayed in chart 2. This means they have a sound understanding of the questions being asked and could interpret them.

4.3.4 Distribution of respondents by years of service

Table 4.2 shows the distribution of respondents based on years they have been in service.

<table>
<thead>
<tr>
<th>Years of service</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5 yrs</td>
<td>48</td>
<td>67.6</td>
</tr>
<tr>
<td>6 - 10 yrs</td>
<td>16</td>
<td>22.5</td>
</tr>
<tr>
<td>11 - 15 yrs</td>
<td>2</td>
<td>2.8</td>
</tr>
<tr>
<td>Above 15</td>
<td>5</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Research Data
Majority of the respondents (91.7%) had below 15 years of experience, while the minority (6.9%) had more than 15 years. This shows that these are relatively young taskforce but actually understand what is going on in their organisations.

4.3.5 Distribution of respondents by Employment terms

Chart 4.2 shows the respondents based on their employment terms

Chart 4.2: Respondents’ distribution (%) by employment terms

Source: Research Data

Based on the chart, majority of the employees (93.1%) were on permanent employment terms.

4.4 Adoption of Performance measurement practices

The respondents were asked to state the extent to which various measurement practices were being used in their organizations. The factors were put in a scale of 1-5 where 1- strongly disagree, 2- disagree, 3-neither agree nor disagree, 4- agree and 5-strongly agree with practices put to question. Three performance measurement models were evaluated. Business Excellence Model, Balanced Scorecard and Performance contracting. The results are presented in this section
4.4.1 Adoption of the Balanced Scorecard

According to Kaplan and Norton (1992; 1996a), the Balanced Scorecard can balance both financial and non-financial measures that a company uses. It is separated into four perspectives: customer perspective, internal business perspective, innovation and learning perspectives.

The Balanced Scorecard had 10 statements dedicated to it. The results are summarized in table 4.3

Table 4.3: Evaluation of Balanced Scorecard

<table>
<thead>
<tr>
<th>Statement</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. We do consider the percentage of customers retained from last period</td>
<td>71</td>
<td>4.31</td>
<td>0.785</td>
</tr>
<tr>
<td>ii. We are keen to reducing the number of customer complaints</td>
<td>72</td>
<td>4.19</td>
<td>0.833</td>
</tr>
<tr>
<td>iii. We are keen on the number of new customers per given quarter</td>
<td>72</td>
<td>4.18</td>
<td>0.893</td>
</tr>
<tr>
<td>iv. We measure the time taken to settle a customer claim</td>
<td>72</td>
<td>4.13</td>
<td>0.804</td>
</tr>
<tr>
<td>v. We measure the percentage of sales from new products</td>
<td>71</td>
<td>4.06</td>
<td>0.809</td>
</tr>
<tr>
<td>vi. Our company does evaluate customer satisfaction through market survey</td>
<td>70</td>
<td>3.83</td>
<td>1.076</td>
</tr>
<tr>
<td>vii. We value suggestions given by employees</td>
<td>72</td>
<td>3.75</td>
<td>0.931</td>
</tr>
<tr>
<td>viii. We monitor our employee turnover</td>
<td>71</td>
<td>3.73</td>
<td>0.925</td>
</tr>
<tr>
<td>ix. We monitor the percent of customer complaints settled on first contact</td>
<td>72</td>
<td>3.65</td>
<td>0.952</td>
</tr>
<tr>
<td>x. We measure hours of in-house training per employee</td>
<td>72</td>
<td>3.22</td>
<td>0.953</td>
</tr>
<tr>
<td>Grand Mean</td>
<td></td>
<td>3.91</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data

The results in Table 4.3 indicates the respondents considered the percentage of customers (M = 4.31) and that they were keen to reducing the number of customer complaints (M= 4.19), followed closely by sentiments from respondents that felt that their firms measure the hours taken to train employees with a mean score of 4.18. They also agreed that they measure time taken to settle a customer’s claim (M=4.06), however their response was not as positive with the following statements; “our company does evaluate customer satisfaction through market survey (M=3.83), we value suggestions given by employees (M=3.75), we monitor our employee turnover
(M=3.73), we monitor the percentage the percentage of customer complaints settled on first contact (M=3.65) and we measure hours of in-house training per employee with a mean score of 3.22”.

Similarly, it is observed that of the 10 statements used, five of them obtained a mean score above 4 (out of possible maximum of 5), implying that the respondents strongly agreed/identified with the practises within their organizations. The other five statements obtained mean scores between 3 and 4, thus moderate manifestations within the firms. All in all, the balanced score card model had a mean score of 3.91 (which is higher than the mean score obtained for BEM and PC), thus can be said to be more dominant in insurance firms.

This is in consonance with Kaplan and Norton (1996) that, that most organizations have devoted little effort to measuring the outcomes or drivers regarding employee skills and organizational alignment. Efforts that advance, re-train or re-skill employees are often overlooked when developing strategic objectives. Exposing strategic information that can potentially impact employee job performance is inadequately planned. Aligning individuals, teams and departments or groups with the organization's strategy to drive long-term objectives is inconsistent and sporadic.

### 4.4.2 Adoption of Performance Contracting

Kumar (1994) defines performance contracting a Memorandum of Understanding rooted in an evaluation system which not only looks at performance comprehensively but also ensures improvement of performance by making the autonomy and accountability aspect clearer and more transparent. While OECD (1999) defines performance contracts as a range of management instruments used to define responsibilities and expectations between parties to achieve mutually agreed results.

Five statements were used to evaluate use of performance contracting amongst insurance firms. The results are summarized in Table 4.4.
Table 4.4: Evaluation of Performance Contracting

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. We specify deliverables and performance standards and have clearly defined objectives and timeframes.</td>
<td>71</td>
<td>4.07</td>
<td>0.743</td>
</tr>
<tr>
<td>ii. We use quality assurance plans and measurable performance standards</td>
<td>72</td>
<td>3.76</td>
<td>0.847</td>
</tr>
<tr>
<td>iii. We provide performance incentives and/or consequences for non-performance</td>
<td>71</td>
<td>3.73</td>
<td>0.956</td>
</tr>
<tr>
<td>iv. We tie payment to deliverables, performance measures and/or outcomes.</td>
<td>71</td>
<td>3.73</td>
<td>0.861</td>
</tr>
<tr>
<td>v. We emphasize on results related to output, quality and outcomes rather than how the work is performed.</td>
<td>72</td>
<td>3.60</td>
<td>0.944</td>
</tr>
<tr>
<td>Grand Mean</td>
<td>72</td>
<td>3.78</td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data

As per the results in Table 4.4, the respondents highly agreed with one statement; “we specify deliverables and performance standards and have clearly defined objectives and timeframes” (M=4.07). The respondents moderately agreed with the other four statements were moderately agreed on with a mean score of between 3.60 and 3.76.

The research findings are congruent with Mwiti, Maringa & Gongera, (2013) whose arguments support that clearer goals and objectives on standards and performance targets as impacted upon by performance contracting as determinants of effectiveness.

4.4.3 Adoption of Business Excellence Model

Business Excellence Model (BEM) is a management tool which is used by managers to assess their enterprises and to perform the organizational change to pursue business excellence.

Seven statements were used to operationalize the model, and the results are summarized in Table 4.5
Table 4.5: Evaluation of Business Excellence Model

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>We monitor our short-term gains and long-term return</td>
<td>71</td>
<td>4.08</td>
<td>0.788</td>
</tr>
<tr>
<td>ii.</td>
<td>Our organization builds strong relationship with our partners for shared ownership and achievement of goals.</td>
<td>72</td>
<td>3.83</td>
<td>0.822</td>
</tr>
<tr>
<td>iii.</td>
<td>We share knowledge within ourselves to identify opportunities for growth and improve decision-making.</td>
<td>70</td>
<td>3.83</td>
<td>0.816</td>
</tr>
<tr>
<td>iv.</td>
<td>We have innovative and product development teams or committees.</td>
<td>72</td>
<td>3.81</td>
<td>1.002</td>
</tr>
<tr>
<td>v.</td>
<td>We are flexible in our operations</td>
<td>71</td>
<td>3.63</td>
<td>0.960</td>
</tr>
<tr>
<td>vi.</td>
<td>We are keen to know all our customers intimately.</td>
<td>71</td>
<td>3.62</td>
<td>1.019</td>
</tr>
<tr>
<td>vii.</td>
<td>Our employees are passionate about innovation and committed to improvements of our processes.</td>
<td>72</td>
<td>3.58</td>
<td>0.975</td>
</tr>
<tr>
<td></td>
<td><strong>Grand Mean</strong></td>
<td></td>
<td>3.77</td>
<td></td>
</tr>
</tbody>
</table>

**Source: Research Data**

As indicated in Table 4.5, Business excellence model the respondents moderately agreed with the performance model with a group mean of 3.77. Respondents highly agreed with the statement on monitoring of short term and long term returns (M=4.08). However the respondents felt that employees were not as passionate about innovation neither were they committed to improvements of processes as it had the lowest mean score of 3.58 (SD 0.975).

It is worth noting that other than ‘monitoring of short-term gains and long term returns’ that scored a Mean above 4 (out of maximum possible of 5), the other aspects of the model had a mean score between 3 and 4, thus a moderate manifestation across the insurance firms. It is also noted that the responses highly differed (relatively high standard deviation were reported) with respect to presence of ‘innovative and product development teams or committees’ and the firms interest ‘to know all their customers intimately’.

This agrees with the observation of Mann (2008) who claimed that despite the prevalence of Business Excellence Model, awareness among its users in the organizations maybe lower than estimated.
4.5 Employee Productivity

Employee productivity involves measuring the time spent in production of the desired outputs from an employee. Productivity is a performance measure encompassing both efficiency and effectiveness. High performing, effective organizations have a culture that encourages employee involvement.

According to PMBOK Guide (2007), the mostly used performance measures can be grouped in some of these general categories: effectiveness, efficiency, quality and timeliness. Effectiveness examines the degree to which the process output conforms to the requirements. The efficiency indicates the degree to which the process produces the required output at a minimum resource cost. On the other hand, the quality aspects checks on the degree to which a product or service meets customer requirements and expectations. The timeliness aspect measures on whether a unit of work was done correctly and on time.

Table 4.6 shows the evaluation of employee productivity. Thirteen statements were used to operationalize the categories and the results are summarized in Table 4.6
Table 4.6: Evaluation of Employee Productivity

<table>
<thead>
<tr>
<th></th>
<th>Quality of work improves over time</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>i.</td>
<td>Quality of work improves over time</td>
<td>70</td>
<td>4.13</td>
<td>0.741</td>
</tr>
<tr>
<td>ii.</td>
<td>Employees are eager to learn on ways of making themselves more productive</td>
<td>71</td>
<td>4.10</td>
<td>0.658</td>
</tr>
<tr>
<td>iii.</td>
<td>Employees are able to identify and give top attention to top priorities</td>
<td>70</td>
<td>4.06</td>
<td>0.720</td>
</tr>
<tr>
<td>iv.</td>
<td>Employees quality of work improves overtime</td>
<td>69</td>
<td>4.03</td>
<td>0.874</td>
</tr>
<tr>
<td>v.</td>
<td>Employees are eager to learn on ways of making themselves more productive</td>
<td>71</td>
<td>4.03</td>
<td>0.845</td>
</tr>
<tr>
<td>vi.</td>
<td>Overtime we have increased customer satisfaction with the quality service delivered</td>
<td>71</td>
<td>4.00</td>
<td>0.845</td>
</tr>
<tr>
<td>vii.</td>
<td>Employees provide suggestions to enhance their service delivery</td>
<td>71</td>
<td>3.97</td>
<td>0.676</td>
</tr>
<tr>
<td>viii.</td>
<td>Employees have a sense of what to do and when to do</td>
<td>71</td>
<td>3.94</td>
<td>0.754</td>
</tr>
<tr>
<td>ix.</td>
<td>Employees have steadily increased their personal output</td>
<td>70</td>
<td>3.91</td>
<td>0.583</td>
</tr>
<tr>
<td>x.</td>
<td>Overtime we have been able to reduce service cycle time</td>
<td>70</td>
<td>3.74</td>
<td>0.695</td>
</tr>
<tr>
<td>xi.</td>
<td>Employees are able to deliver within the set deadlines</td>
<td>70</td>
<td>3.71</td>
<td>0.705</td>
</tr>
<tr>
<td>xii.</td>
<td>Employees are able to deliver under less than perfect conditions</td>
<td>71</td>
<td>3.69</td>
<td>0.838</td>
</tr>
<tr>
<td>xiii.</td>
<td>Employees are able to generate more than an hours’ worth of productivity of each hour</td>
<td>69</td>
<td>3.61</td>
<td>0.844</td>
</tr>
</tbody>
</table>

Source: Research Data

Results obtained in Table 4.6 indicate that of the thirteen statements, six of them obtained a mean score above 4 (out of maximum score of 5), indicating that the respondents strongly identified/agreed with them, though with a bit of variance (the standard deviation varied slightly). The remaining seven statements had a mean score between 3 and 4 (out of maximum possible of 5), indicating a moderate level of agreement by the respondents.

More specifically, the respondents’ feedback was very positive with respect to quality of work improving over time (mean 4.13, SD 0.741), followed closely with a mean score of 4.10 (SD 0.658) by organisational learning when the respondents felt that employees were eager to learn on ways of making themselves more productivity. The respondents also highly agreed with the statements; “Employees are able to identify and give top attention to top priorities (M=4.06), employees quality improves over
time (M=4.03), employees are eager to learn on ways of making themselves more productive (M=4.03) and overtime we have increased customer satisfaction with the quality of service delivered (M=4.0). However the respondents least scored with a mean score of 3.61 (SD 0.844) on the statement ‘Employees are able to generate more than an hours’ worth of productivity of each hour’, followed by employees being able to do their work and deliver not very perfect conditions with a mean score of 3.69 (SD 0.838).

4.6 Relationship between Performance measurement practices and employee productivity

Current study sought to establish the relationship between performance measurement practises and employee productivity. Correlation analysis (Pearson coefficient of correlation) was obtained for each respondent and the results are summarized in Table 4.7.

Table 4.7: Relationship between Employee Productivity and performance measurement practices

<table>
<thead>
<tr>
<th></th>
<th>EP</th>
<th>BEM</th>
<th>BSC</th>
<th>PC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Productivity (EP)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Excellence Model (BEM)</td>
<td>.493*</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced Score Card (BSC)</td>
<td>.424</td>
<td>.900</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Performance Contracting (PC)</td>
<td>.387*</td>
<td>.737*</td>
<td>.783*</td>
<td>1</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data

As indicated in Table 4.7, the strength of the relationship between employee productivity and each of the performance measurement practises reported was moderate, with BEM having a correlation coefficient of 0.493, followed by BSC and PC with correlation coefficients of 0.424 and 0.387 respectively. This implies that a firm that uses BEM has a better score/level of employee productivity, relative to the other two practises (BSC and PC). Despite the reported moderate strengths, it is worth noting that statistically significant relationships were reported for BEM, BSC and PC with employee productivity.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the conclusions and recommendations based on the findings of the study. It also highlights on the limitations of the study and suggestions on the possible areas of further study.

5.2 Summary of findings

The study, which was carried out in the insurance firms sector in Kenya was set out to determine the performance measurement practices the firms have adopted and how they affect employee productivity. The study also sought to find out if there is a relationship between performance measurement practices and employee productivity of insurance firms in Kenya.

The study revealed that The Balanced Scorecard was the most famous performance measurement practice while the Business Excellence Model was the least favourite among the Insurance firms.

5.2 Conclusion

The current study was based on a descriptive design and sought to answer three questions; what is the extent of adoption of performance measurement practices by insurance firms in Kenya? What is the level of employee productivity of insurance firms in Kenya? Is there a relationship between performance measurement practices and employee productivity of insurance firms in Kenya? To answer these questions, insurance firms were as the study unit.

Based on the findings the study concluded that the most dominant performance measurement model used by most insurance firms was the Balanced Scorecard, followed by Performance Contracting and Business Excellence Model respectively.
Pertaining to the level of employee productivity in relation to the use of the performance models, the issues that came out strong were in relation to quality of work followed closely by issues to do with organisational learning.

The strength of the relationship between employee productivity and each of the performance measurement practices reported was moderate with BEM having a better score/level of employee productivity, relative to the other two practices (BSC and PC).

5.3 Recommendations

There is need to re-evaluate the performance measurement initiatives with a view of making them understandable to the employees. This may enhance their appreciation of what the managers do and thus motivate them to work harder. Management should evaluate new ways of motivating employees to perform better. Employees in the insurance industry seem to prefer being evaluated according to the uniqueness of their job description as opposed in one for all measurement practice. Managers should also consider allowing employees to work in teams and also allow them to make decisions when faced with problems.

There is need to re-evaluate the contribution of employee performance in the industry with a view of establishing its main drivers/predictors. This will enable managers to focus on the issues that positively influence both individual and organizational performance.

5.4 Limitations of the study

Like studies in the same context the study faced some limitations. Information about the industry and its employees’ performance was unavailable meaning that the study had to rely on perceptual measures.

There were immense problems with some respondents’ unwillingness to complete the questionnaires promptly with some of them keeping the questionnaires for too long thus delaying the process of data analysis. There was difficult in accessing the senior
officials whose input would have helped. Most of the senior officers had very busy schedules making it difficult to reach them. The respondents' view could also be biased and ambiguous. Getting information from some of the respondents was difficult since some felt that the information being sought was very confidential. They were reluctant in giving information fearing that the information they gave might be used to intimidate them or even paint a negative image about the firm. However, the researcher handled the problem by carrying an introduction letter from the University and assured the respondents that the information they gave was to be treated with confidentiality and it was to be used purely for academic purpose.

The sample size used in this study may not have been adequate thereby increasing the error as a result of some assumptions related to the analysis not holding. There is therefore need to carry out the evaluation using a bigger sample size as this may significantly differ from the current study and may provide a source of comparison.

The research was conducted at the firms’ head offices and the findings are related to particular area and time only. The given time span for study also was less to cover the whole area of the study effectively. Thus, not all aspects of performance measurement could be considered in this study. Therefore there are many areas on which the project can be further worked upon.
5.5 Suggestions for further research

The research data has given insight of the performance measurement practices that are currently being used by insurance firms and how they influence employee productivity. It would be interesting to find out what other factors influence the performance of employees.

Further research can be carried out to firms in other service sectors to establish the performance measurement practices used and if they influence the productivity of the employees.
REFERENCES


HR Department of Mumias Sugar Company. (2013).Performance appraisal affects employee productivity.


APPENDICES

APPENDIX I:

CONSENT STATEMENT TO RESPONDENTS

Dear Sir/Madam,

I am a graduate student at University of Nairobi, undertaking a Master degree in Operations Management. As part of my course work I am conducting a research study on “To assess the effectiveness of performance management on employee productivity in the insurance industry in Kenya”

You have been selected to participate in this study. I am therefore seeking for assistance in collecting the necessary information by filling in the questionnaire attached herein. This will only take about 10-15 minutes. Kindly note that the information being sought is purely for academic purpose and will be treated with outmost confidentiality.

Your participation in the study will be highly appreciated.

Thank you.
APPENDIX II: QUESTIONNAIRE FOR STAFF MEMBERS

You are invited to participate in this research that seeks to find out the “To assess the effectiveness of performance management on employee productivity in the insurance industry in Kenya. The outcome of this research is purely for the purpose of fulfilling academic requirement. All information submitted will be treated with utmost confidentiality. At no time will your name appear in any reported findings along with your responses. Feel free to express yourself as honestly as possible. Thank you for your cooperation.

Instructions

a) Please do not write your name on the questionnaire.
b) The information you will give will be treated with confidentiality.
c) Indicate your choice by a tick (√)
d) Kindly answer all questions.
SECTION A: DEMOGRAPHIC DATA

1. Your gender  Male [ ]  Female [ ]

2. What is your current age?
   25 – 34 Years [ ]  35 – 44 Year [ ]
   45 – 54 Years [ ]  55 Years and above [ ]

3. Academic qualifications  Certificate [ ] Diploma [ ] Degree [ ] Masters [ ]
   Other (Specify) ............................................................................................................

4. What is your designation?
   Manager [ ]  Supervisor [ ]  Clerical staff [ ]

5. How long have you served in your current station?
   1-5 year [ ]  6-10 years [ ]
   11-15 years [ ]  above 15 years [ ]

6. What are the terms of your engagement with your Organisation?
   Permanent [ ]  Contractual [ ]  Any other.........................
**SECTION B: Performance Management Practices**

The following are items examining the effectiveness of management systems models used on employees productivity in the insurance industry in Kenya. Please tick where appropriate. (√)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Agree but disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Our company does evaluate customer satisfaction through market survey</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. We monitor the percent of customer complaints settled on first contact</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. We monitor our short-term gains and long-term return</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. We are keen on the number of new customers per given quarter</td>
<td></td>
<td></td>
<td></td>
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<td>5. We provide performance incentives and/or consequences for non-performance</td>
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<td>6. We measure the percentage of sales from new products</td>
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<td>7. We are keen to know all our customers intimately.</td>
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<td>8. We do consider the percentage of customers retained from last period</td>
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<td>9. We have innovative and product development teams or committees.</td>
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<td>10. We measure the time taken to settle a customer claim</td>
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<td>11. We tie payment to deliverables, performance measures and/or outcomes.</td>
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<td>12. We value suggestions given by employees</td>
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<td>13. We use quality assurance plans and measurable performance standards</td>
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<td>14. We are keen to reducing the number of customer complaints</td>
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<td>15. Our employees are passionate about innovation and committed to improvements of our processes.</td>
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<td>16. We monitor our employee turnover</td>
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<td>17. We share knowledge within ourselves to identify opportunities for growth and improve decision-making.</td>
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<tr>
<td>18. We measure hours of in-house training per employee</td>
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<tr>
<td>Statement</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Agree/Disagree</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
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<tr>
<td>19. Our organization builds strong relationship with our partners for shared ownership and achievement of goals.</td>
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<td>20. We emphasize on results related to output, quality and outcomes rather than how the work is performed.</td>
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<td>21. We are flexible in our operations</td>
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<td>22. We specify deliverables and performance standards and have clearly defined objectives and timeframes.</td>
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**PART C: Employee Productivity**

The following are items intended to establish the level of employee productivity in the insurance industry in Kenya. Please tick where appropriate. (√)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
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<th>Neither Agree nor Disagree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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<tbody>
<tr>
<td>1. Employees quality of work improves overtime</td>
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<td>2. Employees are able to deliver within the set deadlines</td>
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<td>3. Employees have steadily increased their personal output</td>
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<td>4. Employees are able to deliver under less than perfect conditions</td>
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<td>5. Overtime we have been able to reduce service cycle time</td>
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<td>6. Employees provide suggestions to enhance their service delivery</td>
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<td>7. Employees are eager to learn on ways of making themselves more productive</td>
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<td>8. Overtime we have increased customer satisfaction with the quality service delivered</td>
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<td>9. Employees are able to generate more than an hours’ worth of productivity of each hour</td>
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<td>10. Employees have a sense of what to do and when to do</td>
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<td>11. Employees are eager to learn on ways of making themselves more productive</td>
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<td>12. Employees are able to identify and give top attention to top priorities</td>
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</table>

Any other........................................................................................................................................
APPENDIX 2: LIST OF INSURANCE COMPANIES IN KENYA

1. AAR Insurance Kenya Limited
2. A P A Insurance Limited
3. Apollo Life Assurance Limited
4. AIG Kenya Insurance Company Limited
5. British-American Insurance Company (Kenya) Limited
6. Cannon Assurance Limited
7. Capex Life Assurance Company Limited
8. CFC Life Assurance Limited
9. CIC General Insurance Limited
10. CIC Life Assurance Limited
11. Corporate Insurance Company Limited
12. Direct Line Assurance Company Limited
13. East Africa Reinsurance Company Limited
14. Fidelity Shield Insurance Company Limited
15. First Assurance Company Limited
16. G A Insurance Limited
17. Gateway Insurance Company Limited
18. Geminia Insurance Company Limited
19. ICEA LION General Insurance Company
20. ICEA LION Life Assurance Company Limited
21. Intra Africa Assurance Company Limited
22. Invesco Assurance Company Limited
23. Kenindia Assurance Company Limited
24. Kenya Orient Insurance Limited
25. Kenya Reinsurance Corporation Limited
26. Madison Insurance
27. Mayfair Insurance Company Limited
28. Mercantile Insurance Company Limited
29. Metropolitan Life Insurance Kenya Limited
30. Occidental Insurance Company Limited
31. Old Mutual Life Assurance Company Limited
32. Pacis Insurance Company Limited
33. Pan Africa Life Assurance Limited
34. Phoenix of East Africa Assurance Company Limited
35. Pioneer Assurance Company Limited
36. Real Insurance Company Limited
37. Resolution Insurance Company Limited
38. Shield Assurance Company Limited
39. Tausi Assurance Company Limited
40. The Heritage Insurance Company Limited
41. The Jubilee Insurance Company of Kenya
42. The Kenyan Alliance Insurance Company
43. The Monarch Insurance Company Limited Composite
44. Trident Insurance Company Limited
45. UAP Insurance Company Limited
46. UAP Life Assurance
47. Xplico Insurance Company Limited Limited