EMPLOYEE PERFORMANCE MEASURES USED IN PERFORMANCE MANAGEMENT IN KCB BANK LIMITED

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DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any university or institution for academic purposes.

Declaration by the Student

Signature………………………… Date………………………….

Wako Boru Jillo

D64/73045/2014

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

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DEDICATION

I most sincerely dedicate this work to my wife Mrs. Emily Wako for her ever-ready moral support throughout my Masters Programme, my three lovely boys Liban, Dida and Dido for allowing me to spend their parenting time for my studies.

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ABSTRACT

Performance management is a systematic process by which the overall performance of an organization can be enhanced by improving the performance of individuals within team framework helps direct and motivate employees to maximize their efforts on behalf of the organization. This study aimed to determine employee performance measures used in performance management in KCB Bank Limited. The study was undertaken through a case study design. Primary data was collected using an interview guide which was administered to human resource manager of KCB Bank head office in Nairobi. The collected data was analyzed using content analysis technique. The study found that KCB Bank Limited measures employee performance by use of Balanced Score Card. The Balanced Scorecard has four perspectives which are considered key result areas. The perspectives are the financial, customer, internal business processes, and learning and growth perspective. Performance management was greatly affected by the employee performance measures. The financial perspective greatly influenced employee performance in that the higher the financial awareness by the employee the higher the performance. The study found that customer perspective has a great influence on employee performance from the frequent customer service reviews. High customer satisfaction was found to have ripple effect on the employee and eventually on the banks productivity. The study established that well defined internal business processes in terms of operation manuals and standard operating procedures ensured effective and efficient operations hence high employee performance. The bank has systematic employee learning and growth platforms which contribute positively towards the employee performance. It was concluded that KCB Bank Limited uses effective employee performance measures in their performance management. The limitations of the study included, bank’s confidentiality policy and possible personal bias by the respondent. The study recommends that KCB bank should include other non-financial perspectives in assessing employee performance management. Further research work should be done in other industries such as manufacturing, merchandize retailing and profit and non-profit institutions to help drive the implementation and measurement of their strategies. Finally the study recommends that similar study be done on other banks in Kenya to find out whether the same results will be obtained.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

According to Armstrong (2006) performance management is a systematic process of improving organizational performance by developing the performance of individuals and teams. Jackson (2009) defines performance management as a formal structured process used to measure, evaluate and influence employees' job related attitudes, behaviours, and performance results. Performance management means getting better results by understanding and managing performance within an agreed frame work of planned goals, standards and competency requirements. Processes exist for establishing shared understanding about what is to be achieved in the short and long term. Performance management helps direct and motivate employees to maximize their efforts on behalf of the organization. It is owned and driven by line management. Arnoldand and Feldman (2010) view performance management as a control mechanism, and that reward management is managerial attempts to gain control over the efforts side of the wage effort bargain which mirrors their unilateral control of the wage side.

A performance measure is composed of a number and a unit of measure. Most performance measures can be grouped into one of the following five general categories; effectiveness which indicates the degree to which the process output (work product) conforms to requirements; efficiency which is a process characteristic indicating the degree to which the process produces the required output at minimum resource cost; quality shows the degree to which a product or service meets customer requirements and expectations; productivity which indicates the value added by the process divided by the value of the labor and capital consumed and timeliness which measures whether a unit of work was done correctly and on time (Grau, 2008).However, certain organizations may develop their own categories as appropriate depending on the organization's mission.

Marion (2008) noted that evaluation is the usual reason for measuring performance. Performance measurement can help organization officials to make budget allocations. At the macro level, however, the apportionment of tax monies is a political decision made by political officials. Nevertheless, line managers in organizations can use performance data to inform their resource-allocation decisions. Once elected officials have established macro political priorities, those responsible for more micro decisions may seek to invest their limited allocation of resources in the most cost-effective units and activities. When making such micro budgetary choices, public managers may find performance measures helpful. Performance measurement improves the management and delivery of products and services (Johnson & Kaplan, 2007). It improves communications internally among employees, as well as externally between the organization and as customers and stakeholders. The emphasis on measuring and improving performance has created a new climate, affecting all organizations, and most private sector and nonprofit institutions as well.

The study is anchored on the behavioural theory and leadership competency model. McKeena and Beech (2002) proposed that attitude or behaviour could be modified through the learning process and thus, the human beings' act has been considered as behaviour. However, in the field of this research, behaviour has been referred to as any activity of a human being which is influenced by the environment and heredity. Furthermore, motivation has been considered as the pillar of the behavioural aspect of the human being (Cesare & Sadre, 2003). Competency theory framework in an organization is a complex process requiring advanced technical skill and organization development expertise. If it is seen as just another human resource process, disaster often ensues. Most organizations get it wrong before they get it right and wish they had invested more time and intellectual effort in considering the implications and managing the risks associated with the initiative.

KCB Bank has been able to bring in accountability and automate the overall performance review. It has allowed the human resource department to come up with comparative appraisals and has reduced the administration time in their performance management review process. The resulting appraisal process has ensured accuracy and ease of management. Nyembezi (2009), also noted that employee performance at KCB Bank, indicate that employees view the measure depending on how well they understand the tool of measurement. Those who have a better understanding seem more satisfied with the performance management used in relation to their jobs and roles in the organization compared to those who have a lesser understanding of the performance management system used.

1.1.1 Performance Management

Employee performance management is a process by which organizations align their resources, systems and employees to strategic objectives and priorities. It is a systematic process by which the overall performance of an organization can be enhanced by improving the performance of individuals within team framework. Employee performance management aims at promoting superior performance by communicating organizational expectations, defining each employee’s individual roles within a required competence framework and establishing benchmarks. Heckett (2010) states that performance management involves clear definition of goals and objectives for the team or individuals, and performance coaching. Some form of performance review and tracking to chart progress and record achievement are key stages leading to comprehensive performance and development plans. Grahams and Bannet (2009) add that performance management involves the integration of employee development with result based assessment. It encompasses appraisal, objective setting, appropriate training programmes and performance related pay. From the foregoing it can be inferred that performance management entails all human managerial activities for initiating and tracking performance of an organization through its staff. Therefore, the purpose of performance management is to improve performance by creating accountability to goals and objectives.

According to Williams (2011) performance management is divided into three perspectives: system of managing organizational performance, system of managing employee performance and system of integrating the management of organizational and employee performance. Williams (2011) further noted that managing of organizational performance involves planning and reviewing. The use of this model is the determination of, and implementation of organization's strategy through organization's structure, technology, business systems procedures among others. As a system for managing employee's performances, performance management involves planning managing and appraisal.

Performance management is seen as integrating the organizational and employee performance and combines the above two perspectives. Hence the aim of performance management is the development of staff appraisal; improve performance through linking employees' individual objectives to the firm's strategies. Grahams and Bannet (2009) proposes that performance management could be evaluated using scales which can either be behavioural with examples of good, average or inadequate or graphic which present points along a continuum alphabetically, numerically or by means of initials.

1.1.2 Employee Performance Measures

Arnoldand and Feldman (2010) noted that tracking employee performance is important. Talented employees will want feedback to help them grow and improve, but beyond that, it simply makes sense to keep track of what's going on at an organization. Certainly, there are a number of different metrics that can be used when it comes to tracking how employees are doing, and the most effective ones will depend on an organization and on the different roles of the employees. According to Huselid (2007), it's important to look at whether an employee shows up to work or not. Attendance is definitely worth tracking. Attendance data for company is used to measure growth, but employee attendance can be a useful performance metric as well. Automating time and attendance is a great way to keep an eye on things. If an employee is consistently showing up late, leaving early or taking an unusual number of sick days, they're likely not showing their full potential. Poor attendance can be caused by any number of things including a lack of motivation, health.

Coens and Jenkins (2002) noted that employee's efficiency is key in measuring performance. Employees need to be able to complete their work on time. They should have a good handle on the limitations provided by the time and resources available, and should be able to prioritize to get things done as efficiently as possible. Efficiency is a ratio of an employee's actual time to perform each work against the theoretical time needed to complete it. The quality of work organization employees put out is perhaps the most important metric, but also the most difficult to define. Employees who care about what they do and are engaged at work will likely perform better, and it's a good idea to recognize resulting achievements. Employee initiative is also used to measure employee performance. It's nice when those employees ask what's needed. It's nicer when they see a need and take steps to meet it on their own. Initiative is definitely a sign of employee satisfaction and engagement (Manolopoulos 2007).

1.1.3 Uses of Employee Performance Measures for Performance Management

According to Williams (2011) one of the most important reasons to measure performance, and then manage it once it has been measured, is to keep employees working at a highly efficient and productive rate. Performance measures ranging from annual reviews to quarterly quotas ensure that employees work hard and well or face a poor evaluation. Once evaluated, employees can be managed through encouragement to keep up the good work, or else they might be managed through further training and coaching. Employees must know what they need to do to perform their jobs successfully. Expectations for employee performance are established in employee performance plans. Employee performance plans are all of the written, or otherwise recorded, performance elements that set forth expected performance. A plan must include all critical and non-critical elements and their performance standards.

When an organization has the ability to properly gauge employee efficiency, identify the strong and weak employees, and compensate them appropriately, then the business will become more productive and therefore more successful. Employees become aware of their peers who consistently receive pay increases and promotions and they strive to follow in those peers' footsteps. Similarly, employees might look at their peers who have been demoted or fired and view them as cautionary tales (Pulakos, 2009). Performance elements tell employees what they have to do and standards tell them how well they have to do it. Developing elements and standards that are understandable, measurable, attainable, fair, and challenging is vital to the effectiveness of the performance appraisal process.

Johnson and Kaplan (2007) noted that managers in organizations can use performance data to inform their resource-allocation decisions. Once elected officials have established macro political priorities, those responsible for more micro decisions may seek to invest their limited allocation of resources in the most cost-effective units and activities. And when making such micro budgetary choices, public managers may find performance measures helpful. Performance measurement improves the management and delivery of products and services (Johnson & Kaplan, 2007). It improves communications internally among employees, as well as externally between the organization and as customers and stakeholders. The emphasis on measuring and improving performance has created a new climate, affecting all organizations, and most private sector and nonprofit institutions as well.

1.1.4 KCB Bank Limited

KCB Bank Limited is a financial services provider headquartered in Nairobi, Kenya. KCB Bank Limited rebranded itself in 2015 and changed its name from Kenya Commercial Bank to the current KCB Bank Limited. It is licensed as a commercial bank, by the Central Bank of Kenya, the Central Bank and National Banking regulator. KCB Bank has reclaimed its place as the biggest bank in the country after trailing Barclays

Bank since 2001. KCB is now the leading bank in assets with the largest branch network in the country. It also has the largest customer deposits in the sector. The bulk of KCB's growth has been witnessed mostly over the past five years and the bank's CEO believes that they have only just set the base for future growth (Mathenge, 2013).

KCB Group is the oldest financial services firm in East Africa. As of December 2012, the Group was ranked as the largest financial services organization in the African Great Lakes, with an estimated asset valuation of about US$4.36 billion (KES:367.4 billion), and shareholders' estimated at US$632.8 million (KES:53.34 billion). By September 2013, the Group's total assets had increased to US$4.57 billion (KES: 385.2 billion). A turnaround strategy in KCB involves many changes and the most primary is management change. Apart from management change, other turnaround elements involve revenue generation, product market refocusing, liquidation of assets, divestment of parts of the business, and costs reduction (CBK, 2009). At any rate attempting a turnaround necessarily, depends on the root of poor profitability and the urgency of any crisis.

1.2 Research Problem

Performance measures are studied through evaluation of overall performance and the management of the performance in organizations. Evaluation of performance is the process classifying certain outcomes within a definite timeframe (Neely 2012). Moreover, for evaluation to be conducted, an organization should have a completed and comprehensive performance measurement system such as the balanced scorecard or total quality performance management (Bititci, 2006). The scorecard presents managers with four different perspectives from which to choose measures of performance. It complements traditional financial indicators with measures of performance for customers, internal processes, and innovation and improvement activities. This approach connects measures throughout an organization to translate high level objectives into lower level activities. Then, measures are imposed on individual employees to monitor their performance of these activities.

KCB Bank faces the challenges of employee retention, high cost of recruitment, training, increased competition, increased regulation by the government and high rate of technological growth especially the mobile phones that now offer banking services (Omolo, 2009). Employees of KCB bank have a performance management system and are also faced by problems of feeling demotivated and overworked.

Saudi (2014) investigated on the effects of the performance management and the organizational culture on the employee's attitude in Malaysian government statutory bodies of Majlis Amanah Rakyat. Similarly, Lugalia (2011) studied employee performance management practices in Kenya Sugar Board, On the other hand, Njeru (2013) looked at perceived factors affecting performance management among Local Authorities in Kenya: A Case of the City Council of Nairobi. Salome (2010) investigated performance management and public service delivery in Kenya, the study found that lack of clarity can be attributed to the fact that most public agencies have to deal with multiple principals who have multiple interests. Similarly, Afande (2015) investigated the effectiveness of staff performance management in the Motor Industry in Kenya, the study found that staff performance management practices in General Motors (EA) Ltd has a positive influence on employees' productivity.

Studies on performance measures and performance management have been done in Kenya and other parts of the world, but none has been done on use of employee performance measures in performance management in KCB Bank. Therefore, this study seeks to answer the question; what are the employee performance measures used in performance management in KCB Bank?

1.3 Objective of the Study

To determine employee performance measures used in performance management in KCB Bank.

1.4 Value of the Study

The study findings will benefit firms in the banking industry in formulating management systems that improve their effectiveness at national and international levels. The stakeholders and employees in Kenya's banking sector would appreciate and prioritize appropriate management systems as tools of marketing positioning in local and international markets. It will assist the management of commercial banks to evaluate how effective they have been in adopting appropriate distribution channel strategies of their services and products. This may enable them identify gaps in their strategies which may enhance their strategic response and as a result move to effectively manage the existing strategies which will improve their financial performance.

The findings from this study will be of importance to policy makers because they will have the capacity of being used to formulate policies which are relevant and sensitive to the forces influencing the banking sector performance and penetration in Kenya. This study will benefit the government and especially the Ministry of Finance in making policy decisions whose overall objectives are to reduce bottlenecks in distribution of banking services and at the same time accelerate the rate of growth in the banking industry sector and take advantage of the improved economy thus more lending to individuals and institutions.

To the academicians the study will contribute to the existing literature in the field of performance management. It will also act as a stimulus for further research to refine and extend the present study especially in Kenya. Findings of the study will be useful to researchers and scholars as it will contribute to the body of knowledge in the area of employee performance. It will also assist other researchers to further their studies on areas of interest not yet exploited.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers theoretical foundation of the study, performance measures, performance management, and uses in performance management and review of empirical studies.

2.2 Theoretical Foundation of the Study

This section examines the various theories that will be used to inform the study on the performance management system on employee performance measures. The study is guided by the following theories; the competency model theory and behavioural theory.

2.2.1 The Competency Theory

The Competency Model is a framework for defining the skill and knowledge requirements of a job. It is a collection of competencies that jointly define successful job performance. The Competency Theory by Pulakos (2009) exists to assist the organizations and their leaders to create well-oiled and strong performing organizations. The relevance of leadership competency model theory to this research is from the perspective of the attitude of the employees in the banking industry. Furthermore, according to Othman (2002) the theory behind competency model would improve the firm's performance by identifying the needs and competencies as well as the ability of the members in organisations. Many traditional approaches to performance management and annual appraisals are outdated and irrelevant in a contemporary setting. These processes were designed for an industrial age when change was slow, competition was negligible and the economic and operational context was largely domestic. Now, human resource practitioners are challenged to develop strategies and tactics that attract, retain and motivate employees in a world where change is constant, competition is global and highly educated and mobile employees make minute-by-minute decisions about how much discretionary effort they are prepared to give.

Performance management has given the employees an opportunity to re-evaluate the main intention and the mission of the organisation (Othman, 2002). Thus, by knowing clearly the mission and the vision of the organization, one could pursue his interest and career path in accordance with the objectives and goals of the organisation. Many managers and employees greet the subject of performance management and annual reviews with the same attitude that one might bring to a morning of root canal work in the dentist's chair. What has the potential to be the most meaningful employee engagement opportunity of the year is often seen as an awkward and archaic ritual.

According to Sluijs and Kluiytmans (1998) the implementation of a competency theory framework into an organization is a complex process requiring advanced technical skill and organization development expertise. If it is seen as just another human resource process, disaster often ensues. Most organizations get it wrong before they get it right and wish they had invested more time and intellectual effort in considering the implications and managing the risks associated with the initiative. If the competency framework is coupled with a multi-source feedback process, the situation can be very problematic. If linked to pay, the scenario becomes even more complex. This does not mean it is not a good idea; it means this is serious human resource work requiring good analysis, critical thinking and creative design (Cesare & Sadre, 2003).

2.2.2 The Behavioural Theory

The Behavioural Theory assumes that the success of a leader is based solely on how they behave. The relevance of Behavioural Theory to this research is from the perspective of the attitude and behaviour of the employees in the banking industry. Furthermore, behavioural theory has been developed based on the evaluation of the behaviour and attitude of the employees. Sluijs and Kluiytmans (1998) proposed that performance management should act as a tool or device to control the attitude and behaviour of the members in the organisation. Hence, employee attitude has been viewed as a mechanism to evaluate and predict their capabilities in performing the task. The behavioural perspective has focused on the role of employees' behaviours which could mediate the relationship between the performance management and the firm's performance which is relevant to this research.

McKeena and Beech (2002) proposed that attitude or behaviour could be modified through the learning process and thus, the human beings' act has been considered as behaviour. However, in the field of this research, behaviour has been referred to as any activity of a human being which is influenced by the environment and heredity. Furthermore, motivation has been considered as the pillar of the behavioural aspect of the human being (Cesare & Sadre, 2003). Additionally, behaviour was found to have been greatly influenced by motivation and the actions were a good reflection of performance. Sluijs and Kluiytmans (1998) found that there were three main motivational forces that influenced behaviour namely; intrinsic motivation, extrinsic motivation and amotivation.

The behavioural perspective has been criticized because the perspective assumed a degree of freedom on the part of the employees. In reality, the changes have been normally rejected by the workforce because they are reluctant to learn new things but they were forced to follow the new measurement as their key performance indicators were imposed on them by the management (McKeena& Beech 2002). A number of studies were identified to correspond with the behavioural approach.

However, Pincus (2004) commented that people who try to gain personal recognition and reward through involvement in the activity were known to have had extrinsic motivation whereas intrinsic motivation was a pleasure derived from participation in activities or involvement in the task. Amotivation is the inability or unwillingness to participate in normal social situation. Hence, with regards to cultural differences, hierarchy of needs was used in all situations or scenarios. The same fundamental needs were found to be the major motivation factors for people across the world. Cesari and Sadri (2003) reiterated that the similarity did not exist between individualistic and collectivistic culture from the self-actualization point of view. This is because the satisfaction of needs might vary from one to another.

2.3 Balanced Scorecard

Kaplan and Norton described the Balanced Scorecard as a strategic and management tool that enable organizations to clarify their vision and strategy then translate them into action. Balanced scorecard is an integrated strategic planning and performance management system that is used extensively in business and industry, government, and non-profit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization’s performance against strategic goals. It is a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics in order to give managers and executives a more 'balanced' view of organizational performance (Kaplan & Norton, 2006). The BSC provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. It is a tool of performance management that maps an organization's strategic objectives into performance metrics in four perspectives namely: financial, customers, internal processes, and learning and growth.

According to Abdullah and Hamzah (2006), the balanced scorecard aims to translate strategy into operational action using a coherent set of performance measures and its benefits are that it is based on a 'balanced' set of performance indicators covering the entirety of an organization’s mission and goals, rather than just financial indicators. A number of metrics are specified that must be consistent with the organization's strategy, and a manager is held accountable for the results in his/her unit. Those units that accomplish pre-set targets and organizational goals are rewarded; those that fail are not (Atkinson, 2006).

The customer perspective explains the means to create value for customers and how customers demand for this value in order to get satisfied and why they are willing to pay for it. This perspective serves as a guideline for the internal process and the development efforts of the organization. According to Love (2009), one could say that this part of the process is the heart of the scorecard. If the organization provides products or services which are not satisfactory, it cannot generate profit and this will lead to termination of the business.

The main factors that should be considered in this perspective are customer loyalty, and how the organization can build on this. To be able to comprehend the buying process, it is important to understand how the product or service offered affects the customer. It is also important to compare the price with other factors such as quality, functionality, delivery time, image, and customer relations. However, it is of significant value for the organization to distinguish customer preferences so that it is based on customer value and not on the organization's own interpretation (McKenzie & Shilling, 2008). From the customer perspective of the BSC, it is very important for managers to identify the customer and market segments where the organization will compete with its competitors and determine the performance measures of the organization in these targeted segments.

The financial perspective, as reflected in financial measures, is the most traditional and still most commonly used measurement tool. Financial measures are valuable in conveying the readily measurable economic consequences of action already taken. Financial measures are typically focused on profitability-related measures, the basis on which shareholders, in turn, typically gauge the success of their investments, such as return on capital, return on equity, return on sales, etc. (Kaplan and Norton, 2002).

The balanced scorecard complements financial measures of past performance with measures of the drivers of future performance. It provides executives with comprehensive framework that translates a company's vision and strategy into a coherent set of performance measures. Many companies have vision statements to communicate the fundamental values and beliefs to all employees (Abdullah & Hamzah, 2006). The mission statement as discussed by Salterio (2010) addresses core beliefs and identifies target markets and core products. In today's information environment, a company can no longer be measured solely on past performance. Although past performance is usually a good indicator of future results, it cannot be the sole base for measurement.

Internal Business processes can be a powerful tool to understand customer needs and help derive additional value from customers. Developing the right customer strategy, aligning the organization to serve its customers, and establishing the supporting processes and tools for the strategy are all integral components of the system. Probably the biggest advantage to an organization of implementing a relevant system is the ability to personally deal with each customer based on his or her buying habits. Maintaining control of customer relationships is possible only through consistent implementation of classic, well-proven customer bonding techniques, such as individualized customer care and communications, rewards for customer value and loyalty, special consideration for high-value customers and customized products and services. All of this is possible with the implementation of a comprehensive internal system (Tetrick 2012).

'Learning' is more than 'training' as defined Kaplan and Norton who emphasized that "learning" includes mentoring and tuition within the organization, as well as that ease of communication among workers that enable them to readily get help on a problem when it is needed. There are many specific reasons for a company to focus on the training and development of its employees. Among these reasons are: creating qualified replacements for departing employees, enhancing the organizations ability to adopt new technologies/processes, developing informed/knowledgeable teams, and the ability to ensure trained and experienced employees for potential growth and expansion (Kirkpatrick and Kirkpatrick 2005).

2.4 Performance Management

Performance management involves directing and supporting employees to work as effectively as possible in line with the needs of the organization. This requires paying attention to employee's attitudes that improve the relationship between employers and employees such as job satisfaction, commitment and perceived psychological contract (Bititci, 2006). It is a shared on going communication process between managers and individuals and teams they manage. It is based on the principle of management by contract rather than demand without excluding the need to incorporate high performance expectations in such contracts and establishing clear expectations and understanding about the output and how these should be achieved vis-a-vis the input in terms of knowledge, skills and capabilities required to achieve the expected results.

Performance management is a force for both vertical and horizontal integration. Grahams and Bannet (2009) state that performance management should be integrated into the way business is managed and it should link with other key processes such as business strategy, employee development and total quality management. It is a strategic and integrated process that delivers sustained success to organizations by improving performance of the people who work in them and developing capabilities of individual and team contributions. It is strategic in that it is concerned with the broader issues facing a business, if that business is to function effectively in its environment.

Factors affecting performance management have been suggested by Bititci (2006) to occur due to managers implementing a performance management system with rules and regulations and then leaving it to run rather than take a hands-on operational approach and using leadership skills to motivate people to produce more and better. Conflicts between different interest groups produce three classes of challenges namely technical, systems and involvement (Radin, 2013). Technical challenges relate to the indicators, data collection, interpretation and analysis. The systems and involvement cover the softer people issues predominantly including insufficient support from higher levels of management or decision makers.

2.5 Employee Performance Measures

Vance and Paik (2006) define performance management is the process of transforming strategic objectives into action, monitoring progress, and rewarding results. Definitions of performance management as a holistic, or integrated, strategic approach, thus extending the concept beyond performance appraisal, are now in common use. For example, a process for establishing shared understanding about what is to be achieved, and approach to managing and developing people in a way which increases the probability that it will be achieved in the short and longer term. Moullin (2010) noted that many companies already have myriad operational and physical measures performance for local activities. But these local measures are bottom-up and derived from ad hoc processes. The scorecard’s measures, on the other hand, are grounded in an organization’s strategic objectives and competitive demands. And, by requiring managers to select a limited number of critical indicators within each of the four perspectives (customer's perspective, internal business perspective, innovation and learning perspective and financial perspective), the scorecard helps focus this strategic vision. According to Kaplan and Norton (2006), the balanced scorecard has been offered as a superior combination of non-financial and financial measures developed to meet the shortcomings of traditional management control and performance measurement systems. The balanced scorecard incorporates the financial performance measures with the non-financial performance measures in areas such as customers, internal processes and learning and growth (Kaplan & Norton, 2006).

Building a balanced scorecard should encourage business units to link their financial objectives to corporate strategy this serves as the focus for the objectives and measures in all other score card perspectives (Kaplan & Norton, 2006). Every measure selected should be part of a link of cause and effect relationships that culminate in improving financial performance. The company perspective of the balanced scorecard identifies the customer and market segments in which they have chosen to compete. These segments represent the sources that will deliver the revenue component of the company's financial objectives Martinez and Kennerley (2015) state that the customer perspective enables companies to align their core customer outcome measures-satisfaction, loyalty, retention, acquisition, and profitability-to targeted customers and market segments.

The customer perspective explains the means to create value for customers and how customers demand for this value in order to get satisfied and why they are willing to pay for it. This perspective serves as a guideline for the internal process and the development efforts of the organization (Love, 2009). The business processes perspective is primarily an analysis of the organization's internal processes. Internal business processes are the mechanisms through which organizational performance expectations are achieved. Customer-based measures are important, but they must be translated into measures of what the organization must do internally to meet its customers' expectations (Franco-

Santos, 2010). This perspective focuses on the internal business results that lead to financial success and satisfied customers. The sustainability perspective consists of social and environmental performance indicators that link with the other four BSC dimensions and highlight the importance of social, environmental, and economic responsibility as a corporate goal (Johnson & Kaplan, 2007). Isolating sustainability measures in a separate perspective might weaken environmental initiatives by not providing clear ties to the other perspectives and to corporate strategies. Such a lack of clarity, in turn, could weaken management's commitment to sustainable business practices.

2.6 Use of Performance Measures in Performance Management

David (2011) argued that performance measurement has been the indicator of performance management. It has been described as a scorecard that records information useful for improving the quality of organisations and identifying whether they are winning or losing. Considering performance management systems for providing information, Kouzmin (2009) argue that the development of performance management in a performance-based culture could be useful to compare with similar organisations.

This is achieved through measuring individual performance against set goals or deliverables that are, when applying best practice, aligned to team and organizational goals. In this practice, key performance areas are measured in terms of key performance indicators, and a person's performance rating is then used for incentive bonus, promotion and /or salary increase decisions. Performance management can play a number of important roles in an organization. It does so by helping an organization assure efficiency, effectiveness, and competence. This can be done on many levels, ranging from individual to an organization. In order to assure that this happens, it is necessary to concentrate on using good performance management tools. These include models of standards self-review systems and performance maintenance.

Evans (2014), produced results suggesting that organisations with more mature performance measurement systems have better reported results in terms of financial, market and customer performance, the research again conducted using quantitative methods. In contrast De Waal and Coevert (2007) studied the effects of a new performance management system using qualitative methods finding different effects according to the way the system was used, however the research was limited to one fairly small organisation. Robson (2011) described how performance measurement is used in performance management, to improve performance. Robson (2011) advocates designing measurement systems from the perspective of managing performance, suggesting that this is a means for obtaining performance improvement. Melnyk (2010) describe the importance of aligning performance measurement processes with strategic objectives for appropriate performance consequences, also implying that performance measurement alone may not have a role in performance, only when supplemented by performance management. Olsen (2007) concur, stating that performance measurement systems provide the information needed for monitoring, controlling, evaluation and feedback functions in operations management.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the research design, data collection methods and comes to a conclusion with the data analysis and data presentation methods that was used in this study.

3.2 Research Design

The study was undertaken through a case study design. A case study is preferred because it enables the researcher to have an in-depth understanding of the single instance, Kenya Commercial Bank.

3.3 Data Collection

Primary data was collected using an interview guide which was administered to human resource manager of Kenya Commercial Bank head office in Nairobi. An interview guide is appropriate as it enables face-to-face encounter therefore allowing collection of in depth data (Kothari, 2000).

3.4 Data Analysis

Data collected was analyzed using content analysis technique. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2000) content analysis uses a set of categorization for making valid and replicable inferences from data to their context. The responses from different respondents were compared and summarized according to the objectives of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains the data analysis, results and discussion.

4.2 Employee Performance Measures used in Performance Management in KCB Bank

4.2.1 The Financial Perspective

This perspective identifies how the business wishes to be viewed by its shareholders (Nørreklit, 2000). Financial measures are the oldest and still most commonly used measurement tool in management accounting. These measures focus on what has happened in the past and include mainly those measures dealing with organisational profitability. In their study, Hoque and James (2000,) suggested the following financial measures: operating income, sales growth and return on investment (ROI). Maltz et al. (2003) suggested the following financial measures: profit margin, revenue growth, cash flow, net operating income, ROI, revenue per employee, profit per employee, stock price/market capitalization economic value added (EVA), earnings per share (EPS), return on equity (ROE), and growth in common equity. These measures differ from one company to another, which means there is no standard set of financial measures applicable across different contextual organisational frameworks and environments.

The knowledge of financial status of the organization has improved significantly which has contributed to increase in stakeholders' involvement, employees' contribution, performance and also in employees' involvement in organizational cash flow issues. Financial focus is seen to have a positive relation to employees' performance meaning increase in financial focus creates a positive increase in employees' performance. It emerged that the bank also uses “drive efficiency” which involves managing and allocating financial and people resources to execute operational and business plans and leverage revenue targets. This contains cost within the budget, interest expense, operational losses, frauds and forgeries. Operational efficiency is connected with diverse aspects of its operations, as its financial soundness, its profitability and quality services to customers. It also emerged that the bank as a whole has given more emphasis on deposit mobilization, credit deployment and branch expansion which are aimed at improving financial performance.

Nowadays the bank has started giving emphasis on operational efficiency. It also emerged that it will not be possible to increase profit without improving operational efficiency and productivity. Increasing competition has enforced KCB Bank to become cost effective and efficient in using the resources to perform well. The measurement of efficiency of the bank serves two important purposes. It helps to benchmark the relative efficiency of the bank against the best practices and secondly, it helps to evaluate the impact of various policy measures on the efficiency and performance of these institutions. As the banking system provides transaction services and payment system, an efficient banking system has significant positive externalities, which increases the efficiency of economic transactions in general.

4.2.2 The Learning and Growth Perspective

The learning and growth perspective drives the organization learning and growth process. The objectives established in the financial, customer, and internal business process perspectives identify where the organization must excel to achieve breakthrough performance (McKenzie & Shilling, 2008). The objectives in the learning and growth perspective provide the infrastructure to enable ambitious objectives in the other three perspectives to be achieved. Objectives in the learning and growth perspective are the drivers for achieving excellent outcomes in the first three scorecard perspectives.

This perspective includes employee training and corporate cultural attitudes related to both individual and corporate self-improvement. In a knowledge-worker organization, people the only repository of knowledge are the main resource. In the current climate of rapid technological change, it is becoming necessary for knowledge workers to be in a continuous learning mode (Speckbacher, 2013). For an organization to survive over a long period of time, the learning and growth perspective must provide the organization a long run renewal for it to cope with the changes in the environment. It is sufficient to maintain and develop the knowledge of satisfying customer needs and sustain the necessary efficiency and productivity of the processes which creates value for the customer. The objectives in this perspective supply an infrastructure to reach the objectives in the other perspectives (Neely, 2007). There are three categories distinguished for the learning and growth perspectives which are: the competence of the employees, the information system performance, and motivation.

This perspective concerns the employees training and corporate cultural attitudes related to both individual and corporate self-improvement. It is clearly evident that organizations should work towards teaching and improving skills of its staff since learning and growth perspective benefits the organization by creating qualified replacements for departing employees, enhancing the organizations ability to adopt new technologies/processes, developing informed/knowledgeable teams, and the ability to ensure trained and experienced employees for potential growth and expansion. Since this is better than outsourcing the organizational duties, that can be expensive. Developing the skills of this carefully chosen staff is essential to achieving the organization's business strategy and achieving a high level of worker satisfaction which has brought to more employees to training and improved their efficiency to the community.

The bank has developed and is continuing to develop employee skills. Every employee in the bank has learning days through their well-established Leadership Centre at Karen or through their well structured e-learning platform. Learning and growth perspective has influenced the employees' performance by a large extent. The ability of the staff in KCB Bank to train (on-the-job) and still work, which has been created by the organization, as confirmed by (Cascio 1998) who alleges that employees throughout the organization will motivate them to move up in the organization if they know that they have a chance to be considered for leadership development.

Developing skills of staffs is one of the key objectives of human resource department. Every staff that is assigned a new role is also given adequate training so that to prepare the staff for the job. There are annual training programmes designed for each member of staff to equip them with the various customer service culture, sanction policies, and operational framework for the bank. Such trainings are compulsory and the staff is made to write an exam after the training and he/she must obtain the minimum pass mark.

The management carry out career discussions and development plans for the employees. This helps to motivate and improve the performance of the employees. Innovation has had a great commercial importance to the bank due to its potential for increasing employee efficiency and the bank's profitability. The bank has been able to manage employee satisfaction level as its main aim has been to implement employee satisfaction survey. The financial innovations in the bank have had a positive influence in financial performance. This has had a significant effect on the profitability of the bank which is an influence of performance.

The various activities under the learning and growth perspective assist to achieve an efficient internal processes that deliver services to the customer in a timely fashion and that adequately meets the customer's needs and allows the bank to comply with its social responsibilities while meeting all regulatory requirements.

4.2.3 The Customer Perspective

The customer perspective explains the means to create value for customers and how customers demand for this value in order to get satisfied and why they are willing to pay for it. This perspective serves as a guideline for the internal process and the development efforts of the organization. According to Love (2009), one could say that this part of the process is the heart of the scorecard. If the organization provides product or services which are not satisfactory, it cannot generate a profit and this will lead to a termination of business.

The main factors that should be considered in this perspective are customer loyalty, and how the organization can build on this. To be able to comprehend the buying process it is important to understand how the product or service offered affects the customer. It is also important to compare the price with other factors such as quality, functionality, delivery time, image, and customer relations. However, it is of significant value for the organization to distinguish customer preferences so it is based on upon customer value and not the organization's own interpretation (McKenzie & Shilling, 2008). From the customer perspective of the BSC, it is very important for managers to identify the customer and market segments where the organization will compete with its competitors and determine the performance measures of the organization in these targeted segments.

To fulfill the shareholders' expectations and customer needs, the organization must identify the processes through which the measures to see what generates the right forms of values. An organization must often identify totally new processes to meet financial and customer perspectives. The objectives and measures in this perspective manage the long wave innovation cycle and the short wave operations cycle. The long wave innovation cycle is when value is created by constantly developing products or services to cope with the changes within customer needs (Neely, 2007). The short wave operations cycle is when value is created for a product or service through a process from producing to delivering. From an internal business process perspective of the BSC, managers identify the critical internal processes at which the organization must excel. According to Kaplan and Norton (2006), identifying the critical internal business processes enables the company to deliver the value propositions that are crucial to attract and retain customers in targeted market segments; and to satisfy shareholders expectations for the excellent financial returns.

KCB Bank uses customer data as a platform for customer relationship management systems for communicating, creating loyalty, customer service, trust cultivation and relationship maintenance. It was confirmed that customer's perception of the bank's service delivery culture on its core services and products is very important in determining the extent to which the bank is able to penetrate the client's wallets. It emerged that if a customer is not happy with the bank's customer service delivery; that customer may definitely turn to other competitors for better services and same/similar products. Therefore customer satisfaction and retention were relevant measures in KCB bank. It was also found that the level of customer satisfaction with KCB Bank has improved through briefing of the employees about it. This has brought about value creation and addition which is evident in the appropriate handling of customers' complaints and feedback as a result of clear understanding of duties and responsibilities.

KCB bank checks the trend of growth of the account numbers through banks platforms such as M-Benki customers so as to know how the bank is progressing in terms of customer growth. It also reviews the growth of deposits from personal banking, SMEs, affluent and Diaspora customers. The bank reviews growth of customer's loans by checking loans taken for retail mortgages and SMEs. In order to widen its market base while making it convenient for the customers; the bank has introduced mobile banking and internet banking.

Reviewing customer feedback on how best it is delivering on its core activities gives the bank an indication of whether they are on track or not on their customer service delivery strategy. Customer retention and customer satisfaction index are the key indicators considered under the customer perspective in the bank since this two have direct bearing on the perception of quality of services being delivered by the personnel executing the internal processes in place. This therefore helps to support the strategic measures in the internal business processes, and learning and growth perspectives.

4.2.4 Internal Business Processes Perspective

The business processes perspective is primarily an analysis of the organization's internal processes. Internal business processes are the mechanisms through which organizational performance expectations are achieved. Customer-based measures are important, but they must be translated into measures of what the organization must do internally to meet its customers' expectations. This perspective focuses on the internal business results that lead to financial success and satisfied customers. Therefore, managers need to focus on those critical internal operations that enable them to satisfy customer needs.

Organizations' should decide at what processes and competencies they must excel and specify measures for each. Key internal processes are monitored to ensure that outcomes will be satisfactory. The measures should also link top management's judgment about key internal processes and competencies to the action taken by individuals that affect overall corporate objectives (Paranjape & Pantano, 2006). This linkage ensures that employees at lower levels in the organization have clear targets for actions, decisions and improvement activities that will contribute to the organization's overall mission.

The employees' performance in a great extent was being influenced by the internal business process. The internal business process means the organizational culture where most organization works towards to building an environment of trust, respect, and open communication. The bank has stipulated internal processes inform of Operations Manuals and Standard operating procedures which are adhered to by all staff in their execution of duties. The internal business processes provides the bank with the means by which performance expectations may be accomplished. The measures of this perspective are based on producing goods and services in the most efficient and effective methods. The bank uses the internal business processes under enterprise wide risk in auditing where they carry out audit repeat issues and achieve their internal audit rating. KCB bank uses the internal audit findings to check on the operational efficiency. Under operational efficiency, the bank reviews turn around time on loans and accounts, on all customer complaints and escalated issues to the branch. They are able to review green agenda/ Corporate and social responsibility. Through this, they are able to align activities closer to the bank's business strategy. Under the internal processes perspective, the relevant measures are turn-around-time on the core functions of the bank since it targets to achieve zero defects in its processes. Consequent to this is the implementation of standard policies and procedures, and the leverage on technology to deliver superior service to its customers.

The organization has reward systems which are a major contribution towards realization of increased banks performance. They stated that since the application of effective reward strategies, the bank has improved staff work morale that has resulted to improvement of the individual employee's performance and hence overall organization performance.

The bank has engaged the employees in corporate social responsibility activities including environmental initiatives which have demonstrably improved their job performance. Sustainable initiatives and buildings have had a slight to profound positive effects on occupant satisfaction, attendance, and productivity in the organization. KCB Bank gives the staff the ability to make decisions that affect their work. Empowering them in this way gives them a greater sense of control, more say in how things get done, and more opportunities for learning and thus greater performance.

The internal business processes included involvement of employees in daily planning and improvement of the processes by them being made flexible and facing out fixed ones. This has improved the employees' performance greatly. This confirms those (Senge 1990) who alleges that learning organizations invest in improving the quality of thinking, the capacity for reflection and team learning, and the ability to develop shared visions and shared understandings of complex business issues on daily basis. Organizations that are able to exhibit structural flexibility and the ability to evolve will maintain a competitive advantage over the hierarchal competition. Not forgetting the findings conform to those (Meltzer 2003) who alleges though many of these organizations claim to focus on customer service and satisfaction, they are still not totally focused on the customer as the center of their business and employees are their first customers. This is the reason that it is necessary for organizations that implement an effective internal system to become operationally focused on the customer, rather than their products or services.

4.2.5 Employees and Customers Participation

KCB Bank employees and customers are involved in participation in decision making which provides the base for a comprehensive framework of performance measurement systems in the bank. Employees' and customer participation in decision making is associated with a greater level of satisfaction. Customer perceptions of the quality of services provided is a key factor (along with cost effectiveness) in determining the banks competitive advantage and effectiveness in service delivery. Employee satisfaction drives productivity and customer satisfaction and hence the importance of involving them in participation.

According to Lau and Tan (2013), research in employees' participation is based on psychology and management, which provide evidence on positive organizational outcomes when employees participate in decision making process. This kind of participation can affect employees' work environment positively when it is linked to an appropriate rewarding system.

The banks trend is to empower employees to form self-managed teams in which workers are trained to-do all or most of the jobs in the unit, they have no immediate supervisors, and they are allowed to participate in decision making in every meeting. Self-managed teams appear to be more productive, have better safety records and are more satisfying to members (Snell, 2012). The management facilitates performance by providing the things employees and customers need such as adequate training, the necessary tools and equipment, adequate budget, enough authority and information. As Bascal (2009) found out when people in the organisation understand how their work contributes to the success of the company, morale and productivity usually improve.

Empowering employees to make decisions and complete tasks and attain target independently without constantly having to refer back to management for permission to take certain actions encourages feeling of being in control and significantly contributing to an organizations development and objective. Mullins (2012) said that in order to implement employee empowerment programs employees must be competent at their job as it does not make sense to empower employees to make decision or implement or initiate action if they are not properly competent.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents focuses on key findings from the study and conclusions drawn from the findings. It further highlights recommendations made from the study based on the research problem that it intended to address. The chapter identifies limitations encountered in the study and gives suggestions for further study.

5.2 Summary of Findings

Financial focus had positive relationship with employees' performance meaning increase in financial focus creates a positive impact on employees' performance. Developing skills of staffs is one of the key objectives of human resource department. It was clearly evident that the bank is working towards teaching and improving skills of its staff since learning and growth perspective benefits the organization by creating qualified replacements for departing employees, enhancing the organizations ability to adopt new process, developing informed/knowledgeable teams, and the ability to ensure trained and experienced employees for potential growth and expansion.

The customer perspective greatly influenced employee performance. Highly satisfied customers led to increased referral rates, high retention, increased revenues, and motivated staff which eventuallylead to improved employee performance. The bank had clearly defined internal business processes which guided employees in their operations. This resulted in efficient and effective performance of the employees. The internal processes formed a basis which employee performance is measured. KCB Bank's internal business processed greatly influenced the performance of its employees.

5.3 Conclusion

KCB Bank has been able to manage employee performance through signing of quality Balance Score Card for its entire staff and through the implementation of regular performance reviews. The bank uses the four perspectives in the balanced scorecard as key performance to measure employee performance. These perspectives are the key result areas which include; financial, customer, internal business processes and learning and growth. It was confirmed that this employee performance measure was suitable for KCB Bank group in performance management of its staff.

5.4 Recommendations

From the findings and conclusion of this study, banks are encouraged to use the balanced scorecard as a tool for measuring employee performance. This is because the tool combines the four key result areas in the work place.

The study further recommends that KCB bank should include other non-financial perspectives as elaborated in this paper so that the investors, academics and the general public are better informed on the holistic performance of the bank. This will be sort of facts behind the figures presentation that will increase the level of performance.

To ensure that employees reward systems in KCB bank contributes towards realization of increased banks financial performance, the researcher recommends that human resource management should formulate and implement an active reward policy which is linked to the overall banks strategy. The reward policy should ensure that employee’s rewards are matched with the employee’s efforts.

5.5 Limitations of the Study

Due to time constraint, just a few of the metrics were selected for each of the four main perspectives to demonstrate the power of the performance measures. In the event of a more corroborative research work between the academia and industry, the number of metrics under each perspective could be increased.

The banks confidentiality policy restricted the interviewee to answer most of the questions since it was considered to be against the banks confidentiality policy to expose the organization confidential matters. The researcher hence presented an introduction letter obtained from the college to the organization management and this helped to avoid suspicion and enabled the organization management to disclose much of the information sought by the study.

The research was conducted on an individual representative of the Human Resource Department of KCB Bank therefore it may be prone to personal bias.

5.6 Suggestion for Further Research

The study focused on the effect of employee performance measures used in performance management in KCB Bank. It is recommended that a further research work could also be done in other industries such as manufacturing, merchandize retailing and profit and non-profit institutions to help drive the implementation and measurement of their strategies. Finally, the study recommends that similar study should be done on other banks in Kenya to find out whether the same results will be obtained.

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APPENDIX: INTERVIEW GUIDE

1. Does KCB Bank use the financial perspective as an employee performance measures? Explain?

2. Does the bank use Learning and growth perspective to measure employee performance? Explain?
3. Does the bank use Ccustomer Perspective as a measure of performance? Explain
4. Does KCB Bank use Internal Business Processes Perspective as a measure of employee performance? Explain?
5. Do employees and customers participate in determining performance measures used by the bank in employee performance management? Explain?