

**EXTENT OF PERFORMANCE MANAGEMENT SYSTEM ALIGNMENT TO  
ORGANIZATIONAL STRATEGY AT KENYA ELECTRICITY GENERATING  
COMPANY PLC**

**BY**

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**DECLARATION**

This research project is my original work and has not been submitted to any other university or institution for examination.

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This research project is submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

This research study is dedicated to my beloved late Father Simeon Ikahu, my loved family; my spouse Resian Pertet, my sons Jermaine Ikahu aka Jilk and Nigel Kiruri aka Nilk, my much-loved Mother Sarafina Nyawara for their great love and support.

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## ABSTRACT

KenGen embarked on a transformational journey which has seen the organization adopt a new strategy, structure and processes. The aim of the transformation journey was to highlight and enhance a performance culture that promotes sustainability into the future. The strategy was dubbed G2G. To improve and deliver to its vision, mission and strategy, the company has leveraged on a culture that enhances organization performance. The G2G strategy was to be implemented in three 5 year phases. Horizon I, II and III. KenGen is currently implementing the revamped plan Horizon II phase of the strategy (2016-2025). The study seek to examine extent of performance management system alignment to organization strategy at KenGen. The study aimed at finding out how employees' targets are set and tracked, if the targets are aligned to overall corporate strategy, and are organizational strategy and goals precisely understood from top management to the shop floor, among other factors. This research used a case study and therefore the researcher used interview guide to collect the data. KenGen was taken as benchmark of power utilities in the country. Informants who have considerable knowledge of the organizational strategy and PMS were selected. The study revealed that the organizational strategy has been cascaded widely. However, more awareness needs to be done to all employees focusing on organizational goals and the strategic aspirations of increasing generation, capacity while creating value for shareholders. Similarly measures need to be introduced to speed-up generation of electricity from renewable sources. The study found out that PM is indeed the bedrock of an organization performance as it has been the driving force behind the company's delivery of G2G transformational strategy. With regard to organizational culture, the study revealed that there is a positive culture within the company and employees have inculcated a fairly good demeanor. A review of the performance management system established the process is aimed at enhancement of performance of employees and subsequently delivery of organizational strategy. A comprehensive review of the training and reward policy revealed that bonuses, promotions, employee recognition schemes increase motivation and performance of employees to drive performance of the organization. In conclusion, the study revealed that performance management system alignment is a prerequisite to effective execution of organizational strategy. It is recommended that KenGen adopts a simplified and objective performance management system tool that effectively measure the employees' behavior and drives overall business performance. It is further recommended that the company should have incentive framework that is consultant and sustainable.

## LIST OF ABBREVIATIONS AND ACRONYMS

FAO	Food and Agriculture Organization
IPO	Initial Public Offer
G2G <sub>1</sub>	Good to Great
G2G <sub>2</sub>	Generation to Generation
HR	Human Resource
KenGen	Kenya Electricity Generating Company
KPLC	Kenya Power and Light Company
KETRACO	Kenya Electricity Transmission Company
KPC	Kenya Power Company
MOE	Ministry of Energy
GoK	Government of Kenya
PMS	Performance Management System
MW	Mega Watts
PPP	Public Private Partnerships (PPP)
SLAs	Service Level Agreements
SIs	Strategic Initiatives
IRR	Internal Rate of Return
ROIC	Return on Invested Capital

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Historically, performance management system (PMS) in most organizations were centered on performance planning during which organizations set key performance indicators, undertook half year and annual reviews, and calibrated performance ratings, tying them to the annual bonuses. Today, performance management is in full flight across different industries and business geographic. Companies are focusing their efforts in aligning their performance management systems to business strategy to reflect ongoing changes in the work place (Buckingham & Goodall, 2015). Given the pace of change, the direction of the great revolution in performance management is unclear. According to a survey conducted by Deloitte centered on re-writing the rules for the digital age, the author Hoffman (2010) notes that organizations are in the quest of developing new performance management standards, new practices and tests with an aim to establish optimal PMS shaped by and for its employees, and are aligned to their organizational strategies.

While most organizations strive to reinvent their performance management systems, many are finding it challenging owing to regulatory and cultural restrictions and lack of acceptability of innovations in the area. Moreover, many organizations are resistant to change and suffer from the fear of disrupting the status quo of ongoing process management processes and resource utilization. Improving the performance at the organizational level of any entity can improve organizational results and profitability. However, PMS provides a basis for value addition to an organization as it helps align individual actions to organizational priorities by providing ongoing coaching, feedback mechanism and basis for better decision making on how to reward and retain the best talent pool (Rock et al, 2015).

Several theories have been used in explaining the link concerning PMS and strategic alignment. Among them and relevant to this study are the Goal Setting Theory and Expectancy Theory. The Goal Setting Theory stipulates that formulating goals for ensuing performance has far reaching effects on the subjects responsible for the performance (Latham, Winters, & Locke, 1994). According to Locke and Latham (2002), point out that formulating goals for employees has a pervasive effect on the employees' behavior, their performance and as well the organizational management. Locke and Latham (2002) argued that a person experiences their value judgment emotively, as such; they undertake their work in a consistent manner in line with the values they uphold as a part of their set goals. The expectancy theory advocates that people adapt their behavioral characteristics in relation to their anticipation of satisfying their set valued goals. Hence their behavior gets modified in ways that can actualize their objectives. Further, the theory stresses the idea that performance management is affected by the anticipations that relate to future occurrences (Salaman et al, 2005).

KenGen plays a significant role in powering the vision 2030 through efficient generation of competitively priced electric energy from diverse modes. To this end, KenGen is key to moving the economy up the value chain. Over the years, KenGen has experienced challenges in aligning its performance management systems to organizational strategy and feel. This is a gap that this study will help address and help other organizations circumvent similar challenges.

### **1.1.1 Performance Management System**

Performance management refers to the process through which an organization creates an environment or setting through which its employees' capabilities can be utilized and developed in between an employee's major work place occurrences (Locke & Lathan, 2002). A performance management system refers to a developed set of framework by an organization to monitor and track the overall performance of an individual, team or entire organization to

ensure that the desired productivity, quality and efficiency of the workforce is achieved. According to Hoffman (2010), developing a performance management system is to determine the employees are undertaking their responsibilities effectively thus contributing to the business strategy. The performance management system is comprised of three main elements which are planning, monitoring and evaluation, and reviewing (Locke & Lathan, 2002). Performance management entails key functionality in key performance indicators' management, strategy management and business scorecard determination.

Performance management has two main processes of goal setting and performance appraisal process. Goal setting is a process run by top management with extensive consultation of juniors and entails determination of a work plan and setting of weight of what is to be achieved by individual teams and entire organization at large. On the other hand, performance appraisal relates to structured feedbacks provided by management to employees by immediate supervisors aimed at viewing employee progress, achievements, guiding and rewarding them.

Performance management is greatly focused at improving the productivity of employees and units of work in the organization with the aim of enhancing organizational performance (Biron, Farndale & Paauwe, 2011). It has both the interest of the management and employees, as it strives to ensure that employees are productive and effective. It also ensures that employees are satisfied in their job through the provision of appropriate working environment and proper compensation package and rewards through proper wages job promotions and career development.

Becker et al (2011) note that performance management aligns the concerns of both employees and management by offering a clear organizational strategic plan. Performance management is also considered a tool for implementing organizational strategy through highlighting to employees the significant factors in the organization, fitting responsibility for behavior and

outcomes, and helping to boost productivity in employees (Biron, Farndale & Paauwe, 2011; Bae, 2006).

### **1.1.2 Organizational Strategy**

Organizational strategy refers to the unified efforts and actions that a company intends to take to achieve its objectives. Strategic management is a set of decisions by management to achieve its long term goals. According to a research by Olloo and Winter (2012), organizations that have proper strategic management systems perform better. In the quest to have effective management system in place, organizations have developed various systems and tools to ensure the strategic planning, evaluation and implementation process result to improved organizational performance (Morrison et al, 2011).

Organizations spend a huge percent of their time resource in pursuit of initiatives that are termed as best to steer these entities to the next level. While they are found to be valuable, lack of clarity of these strategic initiatives at the operational level may lead to little or lack of belief in the value proposition of the organization. The resulting effect is reduced morale and self-drive which ends up compromising on the organization's culture and affects the organizational profitability. Therefore, to achieve efficient utilization of an organization's limited resources requires strategic alignment of the organizations' processes to the overall company objectives.

Strategic alignment therefore offers a process through which organizations can optimize the contributions of its various resources such as human resource, processes and inputs (Morrison et al, 2011). The process of strategic alignment ensures realization of measurable goals and minimizes misdirection of efforts and resources. Through strategic management, organizations continuously appraise their organization's operational environment.

### **1.1.3 Kenya Electricity Generating Company Profile**

KenGen is a limited liability company incorporated in 1954 under Kenya Power Company and with a mandate to generate electricity. In 1996 following energy sector reforms, the company was unbundled vertically and given the function of generation. In 2006, KenGen had its initial public offer that led to government selling 30% of its shareholding. Currently, KenGen has a total market share of 69% with an installed capacity of 2,370MW from a diverse generation mix of hydro, geothermal, thermal and wind power with hydro accounting for 50% of the total capacity (KenGen, 2017).

In 1996, the government restructured the energy sector to ensure efficient use of resources dedicated to supply of electricity. This resulted in the vertical unbundling of the sector, separating the generation function from transmission and distribution. KPC officially separated from KPLC and renamed KenGen in January 1997 with 100% government ownership with a mandate to generate electricity through the development, management and operation of power Plants. In 2006 the State through initial public offering (IPO) sold 30 per cent of its stake, worth Sh7.8 billion, but retained Sh26.5 billion for its expansion (Source Daily Nation Wednesday May 17, 2016).

The Company has a workforce of 2,600 employees operating in the company's six business areas. KenGen's vision is to be the at the market leader in the provision of quality electricity services in Eastern Africa. The company's mission is to generate and provide competitively priced electric energy in an efficient manner by utilizing state of the art facilities, competent and driven human resource to actualize financial success. Reforms in the energy sector as well as emerging markets have led to increased competition in the industry. By the year 2014, KenGen provided 80% of the electricity consumed in the market, but KenGen's market share has been on a decline owing to the introduction of Independent Power producers (IPPs) such

as Iberafrica, Tsavo Power, Thika Power, OrPower due to leveling of the playing field by the government and reduced monopoly that have increased the level of competition (KenGen, 2016).

KenGen recognizes that employees form an integral part of its operations as evidenced by its mission statement and has also embedded the same in its strategy to improve organizational health and build required capabilities/skills, thus focusing on employee empowerment. The company undertakes an assessment of its employees' contribution to the strategy through an ICT based performance management system (KenGen, 2017). Through a bi-annual evaluation process, the performance management system enables the setting of company goals, monitoring and evaluation of deliverables to ensure that employee performance is supportive of corporate strategy. KenGen's guiding principle as an organization is in its Good-to-Great (G2G) strategy that was adopted by in 2007. As an organization, KenGen seeks to develop from a "Good" to a "Great" company through the creation of significant value for its various stakeholders while maintaining sustainability from "One Generation to the Next Generation" (KenGen, 2015).

The KenGen PMS system process entails biannual performance appraisals between team leads and employees who are in management. Additionally, all departments are expected to have meetings on performance which are to be reviewed every two weeks and executed through display of goals and targets and roles and responsibilities on the whiteboards. However, like many organizations, KenGen is faced with a challenge of ensuring the successful alignment of its PMS to the business strategy. Despite KenGen having adopted measures and ways of ensuring that set goals and objectives are achieved, it also faces challenges such as disengaged employees and non-adherence to schedules of performance tracking etc.



## **1.2 Research Problem**

The role of Human Resource (HR) in the present world has drastically changed in the last few years. The performance management of employees one of its facets has also evolved from an appraisal function to a strategic process (Bersin, 2016). With the continuous change in the world of business and current times of cut throat competition, Bersin (2016) avers that there is need for organizations to develop the capabilities of individuals and teams as they impact the attainment of organizational objectives and eventually the performance of an entity. Though performance management, tasks are organized and defined so that employees can perform them systematically, purposefully and with greater profitability of accomplishment.

Olloo and Winter (2012), postulates that most successful organizations are evolving in the execution of their performance management process from common use of performance rating and worker appraisal procedures to a general process that incorporates employee performance to an organization's performance as described in its mission, vision and values. Lack of goal clarity for an employee impacts on the organizational strategy attainment, leads to a struggle by most entities with managing accountability and workplace redundancies. Additionally, tying performance appraisals to past performance with an attachment to compensation may bring about conflicting outcomes where underperforming employees are rated as having performed well but when the organizational financial reports are announced, they are not commensurate to the appraisal ratings (Woods, 2014). All of these impact the overall performance of the organization and employees as it results to unengaged employees who do not understand how their roles synchronize with the organizational strategy.

KenGen like most entities has not learnt the importance of cascading the organizational strategy to ensure its successful implementation and attainment of employee engagement. The organization has over the year been conducting annual strategic plans which are shared through

corporate communications and team meetings (KenGen, 2017). Additionally, employees are taken through quarterly scheduled performance appraisals which are often perceived as time consuming based on the fact that a lot of time is spent discussing past performance between employees and immediate supervisors yet the given time resource could be used to focus on how future performance could be improved instead.

Various studies have been conducted around performance management and organizational strategy. Rogers (2015) undertook a research study to find out the degree of how performance management was implemented in a selected twenty two African medium-sized companies. The findings were that; companies which effectively utilized performance management systems realized improved organizational performance as evidenced in the increase in revenue, profitability and performance of their stock prices. Kotter and Heskett (2012) studied entities which lacked a culture of performance management system through a case analysis of the Impact of Organizational Culture in Grahamstown, Eastern Cape. The analysis of the findings indicated that performance management system determine the level of increase in profitability. Effective performance management system requires significant effort and commitment from the human resource management practitioner as well as seniors of the organization. Majority of the failure reported was majorly due to lack of senior management support in the organization.

Mureithi (2016) undertook a study on the causes of slow utilization of results of performance management evaluations in government entities in Nairobi. The study revealed that more emphasis has been placed on performance planning and contracts as performance management processes and less emphasis placed on performance monitoring and training. The effect of this is that organizations are unable to reap the full benefits of performance management. Obiye (2012), in his study on the survey of preferred methods, raters and uses of performance

appraisals by employees in selected tertiary public institutions in Nairobi found out that while all respondents were aware of the components of performance management, the only important parts in the components was planning and contracts. They admitted the need for training in performance management for their employees.

These studies by various scholars show that most organizations are stuck at the traditional performance appraisals. As Graham and Bennett (2008) assert, organizational strategy is the foundation for the implementation of PMS. Organizations are therefore required to prepare PMSs that are aligned to their strategic plans. Through performance management, tasks are organized and defined so that employee can perform them systematically, purposefully and with greater probability of accomplishment.

This study will explore to test knowledge gap by attempting to answer the question: To what extent is performance management system aligned to organizational strategy at KenGen?

### **1.3 Research Objective**

The main objective of this study was to establish the extent of performance management system alignment to organizational strategy at Kenya Electricity Generating Company PLC.

### **1.4 Value of the Study**

This study contributes to existing literature in both strategic and performance management fields by evaluating the extent of PMS alignment to organizational strategy. It is expected that the study will bring about an expansion in the subject matter and elucidate researchers' to improve what is already built or to develop a new case on the study. The study will also inform, and if necessary can serve as a benchmark for its adoption by organizations in effectively aligning PMS to their respective organizational strategies.

To policy makers, findings from the study will be used to establish the best policies for implementation in order to ensure that the factors influencing the optimal utilization of PMS in organizations are addressed. The study will also be instrumental in the providing a framework for institutionalization of PMS in line with organizational strategic plans.

In addition, the research will encourage management in determining how to effectively align their PMS to the organizational strategic plans. The HR professionals will also use findings from the study to comprehend how their individual performance steers the progress of the organization's strategy through achievement of set objectives.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews the available literature on performance management system and organizational strategy. The review delves into various theories that was used to guide the project research and also elucidate on existing empirical literature on the topic. Finally, the chapter presented the summary of the literature reviewed and identified the existing gaps.

### **2.2 Theoretical Foundation**

A theory as defined by Kothari (2002) is a set of interrelated concepts and propositions that specify relations amongst variables used to predict phenomena. The study is informed by goal setting and expectancy theories in order to develop a foundation for the study that will establish the extent of PMS alignment to organizational strategy.

### 2.2.1 Goal Setting Theory

Goal setting theory developed in 1960 is the brainchild of Locke and Latham (2013). They intended to understand and analyze how set goals of an individual interact with their performance of specific tasks. They then surmised that an individual's performance can be gauged by taking account of the goals set, within such a context goals can be referred to as objects or aims of action (Locke & Latham, 2013). Theory stipulates that the origin of any job motivation is a given goal. It further stipulates that this should be realistic and challenging. Another feature of the goal setting theory is that better and appropriate feedback results to higher performance as it helps to regulate goal difficulties and enables employees to work with more involvement and greater job satisfaction.

Locke and Latham (1990) posit that the theory envisages people will put in more effort to achieve their goals, and eventually improve their overall performance. This implies that whereas performance refers to what is actually accomplished, therefore theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. According to Salaman et al (2005), **if goals are not accomplished, great performance outcomes may be realized by setting clear, challenging and realistic goals.**

According to the goal setting theory, a worker is more efficient if the goals the goals that guide their work are; clear as opposed to amorphous, specific instead of ambiguous, and challenging rather than easy. (Latham et al., 2008; Rainey & Jung, 2015). Promoting self-efficacy through positive reinforcement and roused commitment, resulting in improved future effort and performance (Bandura, 2013). Strong belief in employee's capacities and role ambiguity is low, higher performance can be expected (Pandey & Wright, 2006).

Rainey and Jung (2015) state that in order for positive results in handling tasks, the existence of clear goal outlines without ambiguities is essential. According to van der Hoek, Groeneveld

and Kuipers (2016), goal ambiguity leads to indecision and thereby impeding the self-motivating functions that emerge from clarity of goals. Goal ambiguity therefore facilitates role ambiguity. Despite this, the resultant individual liberty that goal ambiguity creates can be positive, and it also can prevent premature specification which can stunt overall efficiency.

In spite of the benefits of goal setting, the alternate disadvantages exist nevertheless (Locke & Latham, 2002). They acknowledge that the difficulty of the task reduces the effect of clarity in measurable goals on performance in two areas: First, combining goals with monetary rewards motivates many employees to establish simple goals rather than difficult or complex one.

### **2.2.2 Expectancy Theory**

This theory, as advanced by Victor Vroom (1964), is based on the premise that individuals modify their behavior in the organization on the basis of expected fulfilment of set valued targets. This is aimed at ensuring individual achieve the set goals. This theory inspires the concept of performance management as it determines that performance is persuaded by the prospects concerning future actions (Salaman et al, 2005).

Torrington et al (2009) opine that employees will adapt their behavior by putting in more effort or prioritizing their activities by understanding that doing so will be materialize in favorable and advantageous conditions. Hence, incentives such as bonuses are a significant means to reward effort and behaviours which the organization wishes to inspire and build. The weakness associated with expectancy theory, according to Jewczyn (2010), appears to emanate from the fact that, even though behavior modification was possible and the employee could be re-integrated effectively into the organization's workforce, increased supervision and monitoring were essential in order to ensure performance associated with remuneration. Parijat and Bagga (2014) argue that the theory is complex and involves numerous variables. With this, the

practical applicability of the theory may be doubtful. It is also believed that the complexity of the theory hinders both the efficient evaluation as well as implementation.

Parijat and Bagga (2014) further posit that managers also may not have access to all of the aforementioned factors that would inform a sound decision on what motivates certain employees. Quantitative measures of expectancy, instrumentality and valence that are suggested in the theory may not be possible or may be too difficult to measure. Additionally, they argue whether the method proposed for motivation can realistically calculate and be applied to motivation is a subject of controversy.

### **2.3 PMS Alignment to Organizational Strategy**

Glendinning (2002) suggests that it is necessary for PMS to fit current organizational structures and a substitute of the old performance appraisal system. He further argues that an organization lacking a PMS lacks vision. According to McNamara (2006), the basic purpose of PMSs is to create the alignment in between the organizational goals and its subsystems to achieve them. In the current organization, there should be a balanced PMS that will in the long run enable the organization achieve its set objectives in line with the established strategy. McNamara (2006) further posits that by strategically using PMSs, organizations can develop performance standards and corresponding measures that bring about overall improvement towards achievement of organizational goals.

According to Du Toit, Knipe, van Niekerk, van der Waldt, and Doyle (2002), performance management is about managing systems that acclimatize and fine-tune strategic objectives into distinctive individual performance levels through people management. They state that efficient performance management functions should be sensitive to alterations in both the internal and external situation of the entity. Helm et al. (2007) emphasized that PMS is vital to organizational performance as it assists the organization realize its vision and meet its business

objective. It is a necessary measure taken to create a performance centered culture within the organization. This is achieved by aligning employees' performance objectives with the strategic goals of the organization. PMS ensures that employees have clarity regarding performance expectations. It also improves the employee performance and identifies stand out talents for promotion further reinforcing links between pay and performance. According to Hofstede (1980), PMS has a significant effect on business strategy, people management and development of an organization. Understanding the possible benefits in each area aids the means of designing an efficient PMS. Bhattacharjee and Sengupta (2011) argue that employees are the most important resource in an organization. They posit that an organization seeking speedy growth needs to effectively manage the human resource of the organization. It is a challenging task to identify the gap between the actual competence of human resource working in the organization and the desired competence expected out of them and then bridge the gap. According to Ferreira and Otley (2009), PMSs are designed to enable efficiency in the working of an organization so as to achieve established targets. Thus, observing PMS processes is important for sustainability of an organization. They posit that if the management grasp PMS alignment to organizational strategy, they would require the right tools. Contemporary performance management interpretations offer a holistic set of skill measurement tools i.e. other than performance evaluations (Ferreira and Otley, 2009). They should promote the understanding of employees on how to expand skills especially when they are connected to learning resources. Ferreira and Otley (2009) observed that technological advancement is an essential enabler, however commitment from all organization levels is important for a high-performance culture. According to Metawie and Gilman (2005), the goal of PMSs is to enable organizations establish and define structures that manifest their objectives and also enable the efficient assessment of the growing performance.



Mercer (2005) notes that PMS is not easy to implement in the organization and therefore should be embraced by all staff, especially line managers. He further argues that PMS implementation should not only be the mandate of human resource departments but the entire organization as it places more emphasis on personal development and helps individuals not only to understand what is expected of them, but also contribute to achieving organizational goals. This ensures that the PMS is in line with the organization's strategy.

A PMS can only succeed if all line managers understand it, and thorough sensitization is done to staff. Organization departments establish a clear channel towards the future target through annual planning. There are ways that cultivate shared norms without compromising the activities of supervisors who may have drawn the role descriptions of employees in an organization (Armstrong, 2003).

Jaffee (2000) and Deb (2005) opine that successful organizations are cognizant of the fact that in order to win in the current competitive business arena, they need to support a gifted and experienced workforce. A PMS that fosters the hiring of gifted employees, placing them in strategic points, aligning their individual abilities with the organization's strategic goal boosts the organization's success. It is important to note that PMS should always match individual objectives with the organization's general strategic goals and direction as it strengthens the employees' ability to act in a manner that aids the actualization of the organization's strategy.

## **2.4 Empirical Review**

Maina (2015) conducted a study on the effect of PMS on employee performance, a case of Food and Agriculture Organization (FAO) in Kenya. The sample comprised of 94 staff members of FAO. The major finding of this study is that employees felt that a PMS is essential in the organization. They stated that the system should have input from employees collected via employee involvement. Also, the system should have fair monitoring and reward structures.

On the challenges of PMS, it was found that there existed low transparency and poor communication channels in FAO. The findings determined that a revised PMS should be able to deal with gaps and stress on appropriate communication, managing, examining and reporting, as well as rewarding or addressing high or low performance outcomes.

A study conducted by Hewitt Associates (1994) alludes that PMS can have a prominent effect on financial performance of organizations. The BCG Matrix was used to observe how 437 U.S. public organizations performed financially. Their findings revealed that organizations with performance programs had stronger performance in the stock market, superior profits, a higher stock value and healthier cash flows than those without. It follows that organizations without PMS have productivity levels that are far below the industry average and that organizations with established PMSs significantly improved their financial performance.

In 2012, Gudla and Veni conducted a study on PMS in IT organizations within the IT sector in India. From data collected from 113 respondents, they found out that PMS plays an important role in the organization and that it is clear that employees are aware about how this system works. From the findings, 70.79% of the respondents positively responded to the alignment of performance planning to the organizational goals and objectives. This confirmed that PMS helps to meet business objectives that are in line with the organization's strategy. It was also found out that employees are knowledgeable of their individual goals and objectives, key performance areas and self-appraisal forms.

Jain and Gautam (2014) conducted a study which looked at the effectiveness of PMS in human resource management. The study results prove that PMS acts as a strategic tool and a firm base for employees to achieve their respective objectives, and organizations on the other hand, to achieve their key financial objectives. It was found that there are organizations that may not utilize formal PMS functions, such as setting goals, performance assessment and performance

evaluation. The study also found out that employees lack clarity in their understanding of PMS' main function, while others did not see the link between performance management and organizational objectives as they failed to see the purpose of PMS in the employee's career planning or development.

Woyessa (2015) efficiency of PMS case study by using The Central University of Technology (CUT) in Bloemfontein, South Africa. The respondents were all staff members at the institute. The statistical analysis showed that a significant number of respondents supported the PMS cycle and majority concurred that enhancement of the effectiveness of PMS was importance. The findings also showed that 68% of respondents were in disagreement with the level of the implementation of performance management. The qualitative analysis captured respondents' views such as the employees' participation in goal setting and PMS application and varied expectations on performance outcomes. It was also found that the lack of training and assistance on the system may have resulted in distrust in PMS and encouraged a supposed unfairness within the entire system.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter focuses on the methodology that played an important role in implementing this research study. It covers the research design, the target population and the sampling design that was used in the study. It also gives an overview of data collection and concludes with data analysis.

### **3.2 Research Design**

A research design is defined by Burns and Grove (2003) as a blueprint used to conduct a study while putting measures to provide maximum control over factors that may interfere with the validity of the findings. The research design that was adopted in this study was of a descriptive nature because of its capacity to summarize large quantities of data using known measures in form of graphical and numerical techniques (Burns, 2000). Descriptive studies are termed as a type of survey design that can give specific or group characteristics for a sampled population as stated by Kothari (2006). He further asserts that the survey design determines the rate of occurrence of something and its relationship with something else. Additionally, it reduces bias in data collection and increases dependability of evidence collected if designed on the basis of specific objectives based on applicable data. The design of this research project was a case study in which data was collected from a few informants at HR & Administration Division as well as Strategy & Innovation Division. The method used for data collection was interview guide.

### **3.3 Data Collection**

The researcher applied interview guide to collect data from the selected sample. Data collection was done through a one on one discussion with the respondents. Open ended questions were

used allowing respondents freedom to bring out their views and feelings independently therefore avoiding interviewer bias.

The interview guide was divided into three main sections. The first section was aimed at obtaining the demographic data of the respondents, the second section sought to collect data on the performance management system at KenGen and the third section was aimed at collecting data on the extent performance management system of alignment to organizational strategy at KenGen.

### **3.4 Data Analysis**

Descriptive statistics was used to collect content where the researcher administered interview guides to the informants. The purpose was to enable the researcher expressively describe a distribution of opinion from the respondents. Data was presented using tables and figures.

Being a case study where a few informants that are better placed to know about the extent of PMS alignment to organizational strategy. Therefore, content analysis was used to arrive at inference. Therefore, content analysis is opined as an applicable method and presentation.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents data analysis, presentation and interpretation and discussion. It provides the research findings and results from the respondents based on comprehensive interviews analyzed using content analysis. The objective of this study was to determine the extent of alignment of the performance management system to organization strategy at KenGen.

### **4.2. Response Rate**

**Table 4.1 Response Rate**

<b>Response</b>	<b>Frequency Rate</b>	<b>Percentage</b>
<b>Respondents</b>	23	77
<b>Non Respondents</b>	7	23
<b>Total</b>	<b>25</b>	<b>100</b>

A response rate of 77 % was achieved. The reason behind the high response rate was a good survey topic which captured the survey design appropriately and proper timing of interview process undertaken. The results are presented in Table 4.1.

### **4.3 Demographic Data Analysis**

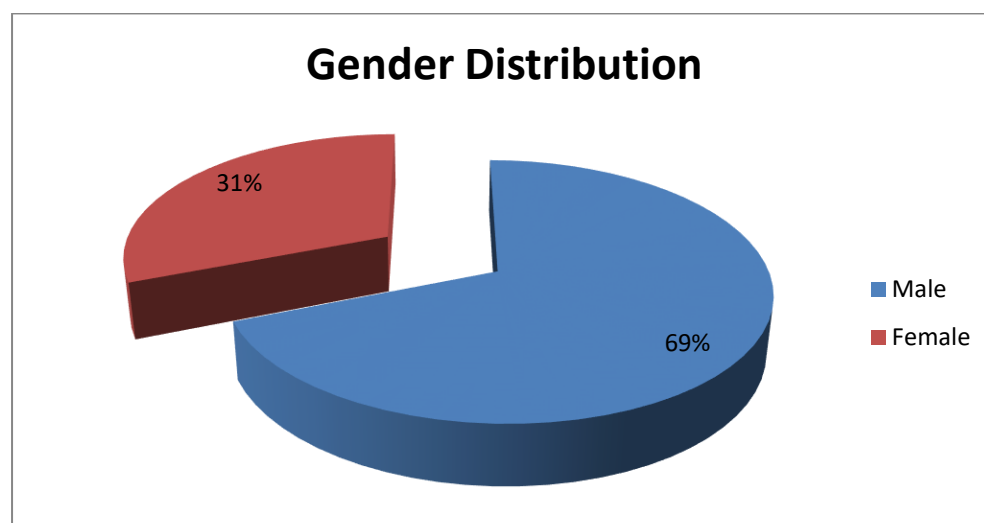
The study sought to compare information about the respondents' demographic data based on gender, age, department, location / area of operation, length of service and position in the structure.

### 4.3.1 Response by Gender

**Table 4.2 Gender Distribution**

<b>Gender</b>	<b>Frequency Rate</b>	<b>Percentage</b>
<b>Male</b>	16	69%
<b>Female</b>	7	31%
<b>Total</b>	<b>23</b>	<b>100%</b>

In this section the researcher focused on the gender ratio with regard to the respondents and findings are presented in the figure below. As indicated, in figure 4.2, 69% of the respondents were male while the female respondents were 31%.



**Figure 4.1 Gender Distribution**

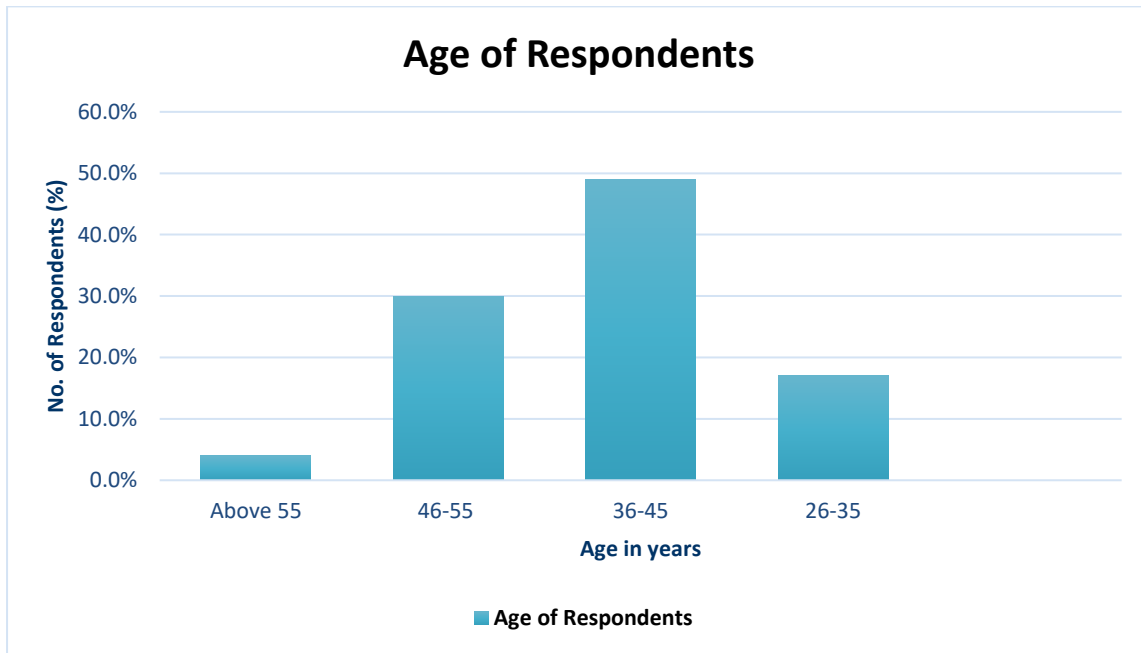
### 4.3.2 Response by Age

**Table 4.3 Age distribution of respondents**

<b>Age bracket</b>	<b>Frequency</b>	<b>%</b>
26-35 Years	4	17%
36-45 Years	11	49%
46-55 Years	7	30%
55 Years and Above	1	4 %
<b>Total</b>	<b>23</b>	<b>100%</b>

The study sought to categorize the age of the respondents as shown below. The respondents were asked to indicate their age brackets in the interview guide. Majority of the respondents are between age 36-45 years with 49% of the total respondents followed by those in the age bracket of 46-55 years with 30%. The organization has very few employees in the top management levels in the age bracketed of 26-35 years and above 55 Years as indicated by the low score of 17% and 4% of the respondents respectively.





**Figure 4.2 Age distribution of respondents**

### **4.3.3 Department**

The respondents were purposefully selected from key departments and divisions that play a key role in driving and delivering on the mandate of the organization. The key departments that formed a source of the respondents include Strategy and Business Development, division Human Resource and Administration division and Capital Panning Division and Finance and ICT division. The figure below shows the representation of the respondents from the various divisions of KenGen.

### **4.3. 4 Area of Operation of Respondents**

The respondents were requested to indicate their area of operation within the organization. Based on the structure of the organization, top management is based in Nairobi, company’s headquarters. All the informants were drawn from the organization business area known as

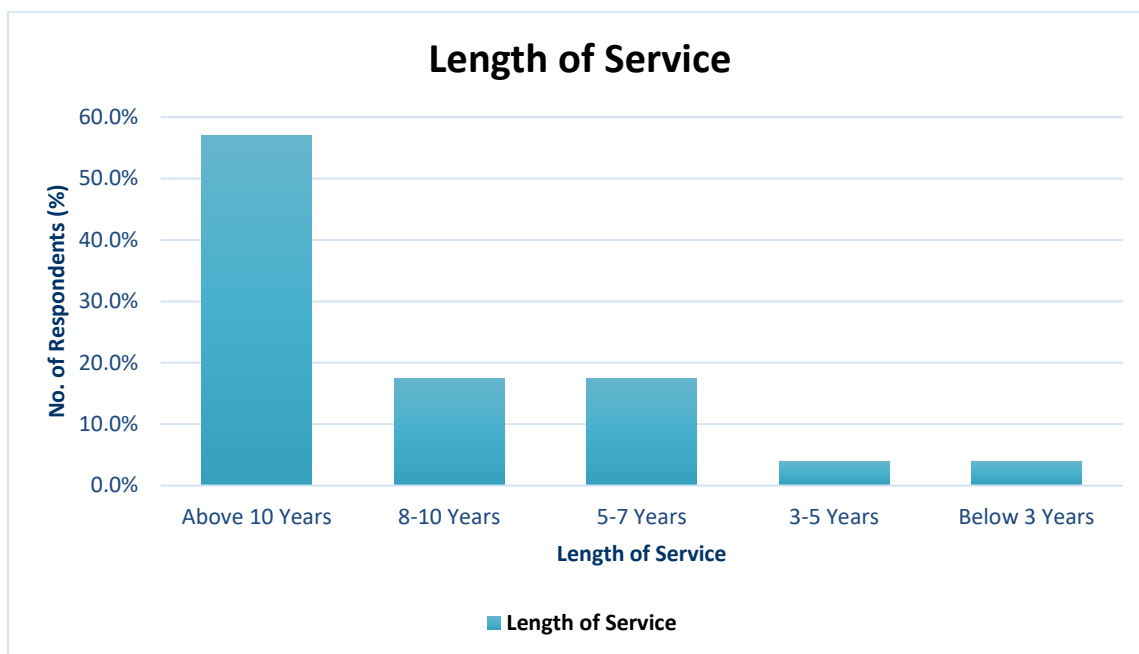
Central Office. The results suggest informants are familiar with and are conversant with the corporate and business strategy.

#### 4.3.5 Length of service of respondents

**Table 4.4 Length of Service**

<b>Duration worked in organization</b>	<b>Frequency</b>	<b>%</b>
Less than 3 Years	1	4%
3-5 Years	1	4%
5-7 Years	4	17%
8-10 Years	4	17%
10Years and Above	13	57%
<b>Total</b>	<b>23</b>	<b>100%</b>

The respondents were required to indicate in the interview guide their length of service in the organization. As shown in Figure 4.3 below 57% of the interviewed employees have worked in KenGen for a period of more than 10 years, which is the longest, this is followed by 17% each for those who have worked for 8-10 years and 5-7 years. Those who have worked for 3-5 years and less than three years were each represented by an equal no. of respondents of 4% each.



**Figure 4.3 Length of service of respondents**

#### 4.3.6 Position in the Organization Structure

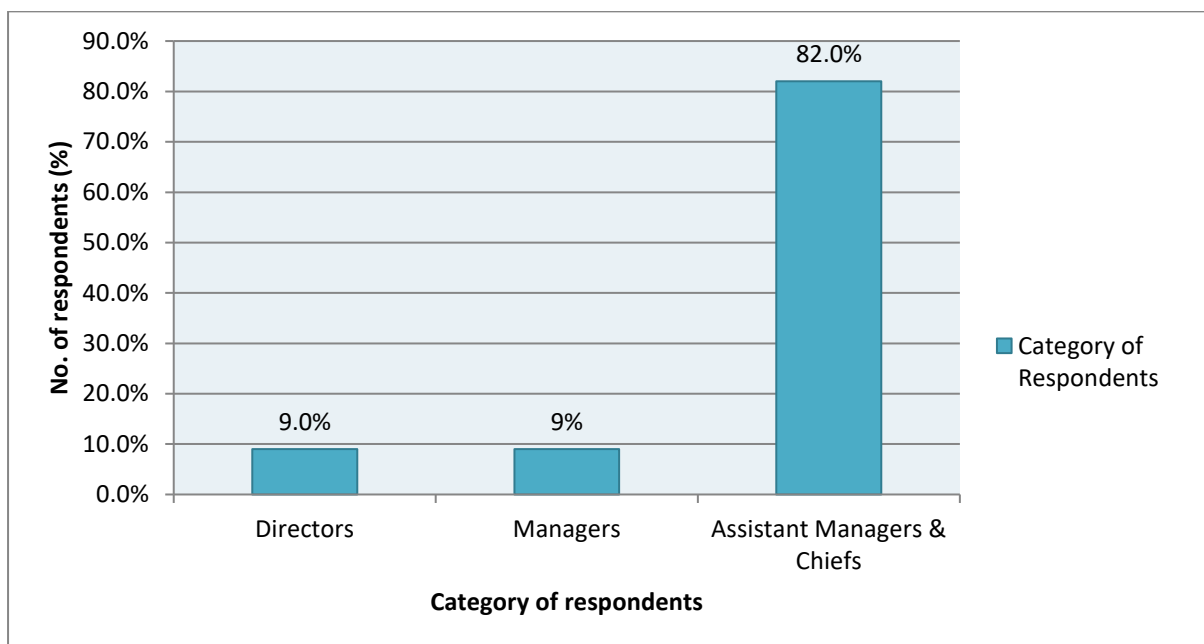
**Table 4.5 Position of respondent in the organization**

Position in the structure	Frequency	%
Director (Level 1)	3	9%
Manager (Level 2)	3	9%
Assistant Manager/Chief Officer (Level 3)	17	82%
<b>Total</b>	<b>23</b>	<b>100%</b>

The respondents were requested to indicate their level in the structure within the organization. These was useful since the researcher targeted the top management who are more conversant with PMS and organization strategy and its implementation in the organization. As illustrated

in Figure 4.4 below, most of the respondents are in level 3 representing the Assistant managers and chief officers with 82% of the total interviewees. Level 1 and level 2 was represented by 9% respectively of the total interviewees.

The low representation is attributable to their high involvement in running of the organization and demanding nature of work.



**Figure 4.4 Position in the organization structure**

#### **4.4 PMS Alignment to Organizational Strategy**

This section presents the findings and analysis on the Performance Management System in KenGen. Specific variables include the role of employees in PMS, influence of organizational culture on PMS, the monitoring of the PMS and link of reward to PMS.

##### **4.4.1 Vision, Mission Statements and PMS**

In this section, the interviewees were asked to indicate if the organization has a vision, mission and value statements. The study also sought to establish the views of the interviewees on the

extent to which employee performance is driven by these statements. The Findings showed a unanimous consent by the interviewees that KenGen has a vision, mission and core values. It was identified that the purpose of the organization is to be the market leader in provision of reliable, safe, quality and competitively priced electric energy in the East African region as its vision. The mission of the organization is to efficiently generate competitively priced electric energy using state of the art technology, skilled and motivated human resource to ensure financial success. The company's core values are to enhance teamwork, observe integrity, professionalism and promote a safety culture. These values and company vision are enshrined in the company's "Good-to-Great" transformation strategy which has four pillars namely: capital planning and execution, regulatory and financing, operational excellence and organizational health as its focus areas. In the G2G transformation strategy, OG1-Performance Management is anchored under organizational health pillar. Employees' targets therefore are defined from organizational strategy that has been aligned to achieve the corporate vision and mission.

#### **4.4.2 PMS as a Key Component of Organizational Strategy**

The study sought to determine whether performance management system was a key component of the organization strategy. The findings were that the performance management is enshrined in the organizational strategy as one of the four key pillars of KenGen. The interviewees noted that performance management system is paramount in the development and ensuring sustainability of the organizational health and achieving of the mandate to the government and its key stakeholders.

#### **4.4.3 How Performance Targets are Set in the Organization**

The interviewees were asked to explain how performance targets were set in the organization. It was noted that the performance targets are developed at the top management. The strategy

and innovation division undertake target setting and cascade targets from level 0 – MD and CEO, to level 3 – assistant managers and chief officers, therefore the PMS at KenGen takes a top-down approach. Human Resource and administration division cascades to other levels, ie level 4, 5, and 6 derive and sign off their targets from level 3s.

#### **4.4.4 How PMS Works in the Organization**

The study sought to determine how the performance management system in KenGen works.

It was noted that PMS has five key steps which entail development of the performance targets, development of measures, and evaluation of performance and ensuring rewards and consequences. It was noted further that there is a specific department which is mandated to set performance targets. This department –strategy Strategy undertakes targets setting and cascading from level (o) zero, MD & CEO to level 3, Human Resource cascades to other levels (Level 4, 5 & 6). Targets are signed via performance agreements that are the basis for performance appraisals / evaluations which are conducted every six months (bi-annual). The signing off of the Performance agreements provides sense of ownership.

#### **4.4.5 Role of Employees in Performance Management System**

The study sought to identify the key role played by employees in the organization in PMS. It was noted that the employees are key stakeholders and users of the PM tool and thus through utilization of the system/tool they help the organization track its progress/performance. One interviewee noted that “Employees are the main building block of PMS, they set targets, work to deliver them and are evaluated based on their delivery of those targets.” Further, it was established that although employees sign the performance agreements, they are not part of the discussions and engagement in the goal setting process. The performance expectations are outlined for them through the service level agreements that they sign with their supervisors.

#### 4.4.6 Link Between Reward and Performance

**Table 4.6 Link between reward and performance**

<b>Issue</b>	<b>Agree</b>	<b>Disagree</b>	<b>Don't Know</b>	<b>Total</b>
Is there a link between rewards and performance in the organization	9	14	Nil	23

This research focused on developing nexus between performance and reward system developed in KenGen. The findings were varied with some respondents concurring while others were opposed to there being a positive correlation between performance and reward. It was noted that while good performance was rewarded with salary increments, bonuses and promotions among other forms of recognition, the reward structures are not well developed, there is inconsistency. Payments of bonuses and promotions have not been systematic hence weak link. A point in case is delayed payment of bonuses accruing to a particular financial year that are paid 2-3 years later. Moreover, the reward processes are pegged more on the overall corporate performance as opposed to individual performance. This has a deterrent in the achievement of overall corporate objectives as some employees may be discouraged and demotivated thus showing less commitment to their responsibilities.

#### 4.4.7 Performance Management System Alignment to Organizational Culture

The study sought to determine the alignment of the PMS to organizational culture in KenGen. More than 80% of the interviewees agreed that there was a positive culture within the organization that results to improved performance. This culture and other behaviors are enforced in the current corporate theme 2018 of *“Build, build relationships, resources, capacity, leadership and health. “Bring out the best, bring out the best in KenGen a reputation worth greatness. “Be present, in our engagements with both internal and external stakeholders”*. Other respondents were of the opinion that there exists a negative culture that

is built around bureaucracies and inflexible policies that hinder innovation and improved performance.

#### **4.4.8 Utilization of Performance Management Results**

The study was set out to determine how the results of the performance management process were utilized in the organization. The interviewees explained that as is expected, the results of PMS are used to inform various activities such as the amount of bonus an employee receive. Training is also based on the competency gaps that an employee may have as identified from the evaluations that may impede their performance. Promotions/advancement eligibility is also determined by the performance of an individual employee. However, some respondent said *‘PMS results are mainly focused on rewarding recognition when good performance is registered but consequences of poor performance such as demotions and dismissals are not informed by these results.’* Similarly, another interviewee said that *theoretically, PMS was expected to provide a basis for rewards and training for performance improvement but the current situation in the company is that the system is for formality and rarely used to inform such decisions.*

#### **4.4.9 Monitoring of the Performance Management System**

The study sought to find out how performance management system is tracked and the tools utilized in its monitoring process. Initially, the Balanced score card was used to track the performance. Following challenges in its use, the company has since adopted trend matrix tool to track performance through an online portal known as workflow-gen, itrack online system, task tracking sheets, fortnight performance board meetings, monthly reports, quarterly reports and quarterly meetings. The performance results are keyed in and then discussed with supervisors in the bi-annual evaluations and reviewed accordingly to ensure that employee performance is in relation to the expected objectives.



#### **4.4.10 Duration of PMS in the Organization**

The researcher inquired from the respondents how long PMS had been in use in the organization. The findings indicated that the performance management has been operational for 10 years since its adoption in 2008 following the implementation of the ‘G2G’ transformational strategy. Since its adoption, the performance management process has undergone a lot of transformations aimed at improving its effectiveness.

#### **4.4.11 Challenges in the Implementation of the PMS**

One of the key objectives of the study was to establish the challenges experienced in the implementation of the PMS at KenGen. Table 4.7 below provides the scoring of the various challenges cited by the respondents. Resistance by employees in adopting the PMS was scored highest at 35 %. The resistance has led to its slow uptake. The slow uptake has also been linked to lack of training of the employees on the objective of the PMS. The respondents opined that the PMS lacks objectivity with some supervisors undertaking the evaluations in a subjective manner. Strained relationships and conflicts were cited as having a negative effect on the smooth implementation of the PMS as it doesn’t allow for feedback or engagement of staff in discussing with the supervisors. The interviewees further suggested that the organization should provide for a 360 approach to the evaluations where they can also evaluate their supervisors as a way to reduce on the subjectivity. Further, the study found out that most of the employees were not committed to the evaluations citing irregularities in matching the results of the evaluations to the rewards. Inadequate tools for continuous reviews and poor target settings and measures, delay in appraisal completion and inadequacy of the evaluation framework, labour union employees have resisted performance evaluation since the collective bargaining agreement regulates the terms and conditions of employees were also mentioned as the challenges that affect effective implementation of PMS in KenGen.

**Table 4.7 Challenges in the implementation of PMS in KenGen**

<b>Challenge in the implementation of PMS in KenGen</b>	<b>Frequency</b>	<b>%</b>
Resistance of employees leading to slow adoption of the system	8	35%
Lack of objectivity of the performance evaluation	5	22%
Inadequate tools for continuous reviews	2	8%
Lack of training of the evaluates and evaluators	3	13%
Lack of standardized results	2	9%
Poor target setting and measures	3	13%

#### **4. 4.12 Extent of PMS Alignment to Organizational Strategy**

The study sought to determine whether KenGen has a strategy that drives its business operations. The findings were that KenGen has a 15 year strategy that was adopted in the year 2008 and is divided into three horizons of 5 years each. This strategy is further divided into three key aspirations of increasing the capacity of electricity generated by 2500 megawatts by the year 2025, create value through improved Internal Rate of Return (IRR) of 10% and lower the tariffs by adopting renewable energy. This strategy is termed as G2G i.e Good to Great.

The study further sought to find out if employees were aware of the strategic direction of the organization and its impact on their day to day activities. This elucidated varied opinions. While it was clear that alignment of the strategy is done through cascading down through performance agreements, awareness has not been effectively done. The study further stated that executive employees are aware of the strategic direction of the company as it determines their day to day activities, however, to a fairly large extend, lower level management staff are not aware due to lack of dissemination of information from the top. Most respondents however noted that the company was making efforts aimed at ensuring that the alignment is improved through development of the accountability framework through which corporate performance

accounts for 60%, Employee's Strategic Initiatives and Service Level Agreements account for 30% and behavioral attributes 10%.

The interviewees noted that the company has developed several initiatives that are aimed at building employee capacity in line with the strategic objectives such as training, internal knowledge harvesting and through knowledge exchange programs with other institutions. It was noted that the organizational strategy is reviewed every five years. However, changes in the operational environment have often necessitated reviews and updates in periods of less than 2 years. The interviewees pointed out that the review is influenced by government policies, regulatory framework, competition and technological advancements.

The interviewees further pointed out that the alignment of the PMS to the organizational strategy can be steered by organizational health factors such as leadership and motivation as well as building the required skills and capabilities as outlined in the below sample responses:

*"Organization performance is driven by three inter-linked that is strategy, process and structure. In addition, structure informs how resources are configured and applied. A major resource is the employee, hence employees with talents are a prerequisite to organization performance as informed by the strategic initiatives. Skills, talents and capabilities be focused not only on a short term but on long term and on sustainable basis."*

It can therefore be deduced from these findings that it can be deduced from the findings that developing employees' influences the implementation process of any government policy. A pool of skilled employees with the right attitudes implements project smoothly.

*"We cannot assume the machines alone can sustain good performance for the company; the human capital element is equally important and transformative leadership is very key in driving the strategy"* As Luthans (2008) avers, leaders should ensure that the people they lead

understand the purpose of their existence and guide the future endeavors that the organization chooses to pursue through development.

*"A good strategy is as good as its implementation and employees are at the centre of this implementation so training, motivation, structural adjustments are necessary."* This comment by one of the interviewee elucidated an observation made by Covey (2004) who refers to employees as 'The golden geese that lay the golden eggs for an entity'.

#### **4.5 Discussion of Results**

The study sought to determine the extent of alignment of PMS to organizational strategy. The study was divided into three sections that sought to determine the demographic data, PMS in KenGen and extent of its alignment to organizational strategy. The study had a response rate of 77% which was a successful rate based on the research works of Mugenda (2008) who asserts that a response rate of 50% and above is good enough for statistical reporting as it increases the validity of the results. The gender representation was 69% male and 31 % female of the sampled respondents. These findings are in line with Ellis et al. (2007) who observed that men dominate the formal sector and especially the top management jobs. Women on the other hand are major actors of the agricultural and business sector and still struggling to break the glass ceiling. The gender disparity may have an implication on the implementation of performance management system especially in government regulated institutions such as parastatals. Indication of gender was requested to ensure the results obtained captured the views of both male and female employees.

The interviewees were categorized in terms of their age brackets. Study findings indicate that the organization has well balanced and distributed age brackets to allow for smooth succession planning. These findings are in line with the study conducted by Armstrong (2003) who avers

that a healthy organization requires a mix of all age brackets for effective implementation of organizational objectives.

The study further found out that 70% of the employees are above 35 years old. This study's findings collaborate with the study done by Ntoiti (2013) focusing on employees in the Local Authorities. His study found out 80 % of council employees were over 30 Years. The study further reckons that most government regulated institutions have larger numbers of workforce above 35 years resulting from the government directive to increase the mandatory retirement age from 55 to 60 years. Majority of the respondents were middle age, therefore, all ages brackets were represented.

The finding on the length of service in the organization established that more than 90% of the employees have been engaged in service for a duration exceeding 3 years. These findings illustrate that employees in KenGen are highly committed to the organization. The results further suggest that critical mass of the respondents are employees who have worked for a long time and have considerable knowledge of KenGen PMS and organization strategy. According to Armstrong (2003), the number of years is good enough to enable employees understanding the organizational culture before they can start performing.

The study findings on how the vision and mission tie to the organizational strategy indicated that the performance of the organization is anchored on the company vision and thus there is alignment of the PMS to organizational strategy. This means that every employee's contribution fits into the strategy. Helm et al. (007) who avers that PMS is vital to organizational performance as it assists the organization to realize its vision and meet its business objective.

The study found out that performance targets are signed via performance agreements that are the basis for performance appraisal/evaluation done bi-annually. The individual performances

are then scored against the corporate performance score and the results used to develop the reward systems. The findings of this study collaborate with a study by Glendinning (2002) who suggested that PMS is necessary to fit current organizational structures.

The study identified that employees play a huge role in the PMS process. However the level of employee engagement in the strategy development of the organization is relatively low. These findings contradict studies by Shuck and Wollard who found out in a study conducted to determine the influence of employee engagement on competitiveness that attracting and retaining engaged employees is a critical driver for success of any organizational strategic initiatives.

In regard to the link between PMS and rewards, it was found out that clearly defined rewards and benefits motivate employees and minimize turnover. This study finding contradicts a study by Togiaet al (2004) whose research findings concluded that financially, salaries should commensurate employees' contribution. One way of matching the business and employees' interest is introduction of programs in which employees receive bonuses based on the organization's profits and other non-monetary rewards and packs.

The findings on the alignment of PMS to organizational culture in this study indicated that KenGen's culture has further played a role in promoting motivation and employee engagement. These findings are in-line with that by Vukotich (2014). Mutual compatibility of culture and strategy on the other hand leads to a better performing enterprise.

From the study findings, it is clear that organizations should undertake monitoring and evaluation to identify effective management tool that inform decision-making, re-plan and demonstrate accountability. Continuous monitoring would track performance against planned goals. This would provide information on progress and identify gaps in achieving key result area (outputs, purpose, and goals).

It has been found out to be very challenging for organizations to align themselves entirely to their vision without giving in to external and internal pressures. While organizations require employees to progress and enhance their individual and team goals, they should ensure they don't lose sight of their strategic direction and objectives. Technology keep evolving and workplace continuously changing, achieving alignment can be elusive as it has been identified from this study's findings. Organizations therefore should identify the right PMS to get all processes on track going by research findings by Blackman et.al, 2014) which compliment this study's findings.

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

### **5.1 Introduction**

This chapter presents the summary of the major findings of the study, the relevant discussions, conclusions and recommendations suggested for adoption. The study sought to determine the extent of PMS alignment to organizational strategy at KenGen. The summary has been developed in line with the objectives of the study and is based on the content analysis of the responses from the interviewees conducted. The recommendations are traced directly from the conclusions in line with the study objective.

### **5.2 Summary of the Findings**

The findings indicated that PMS is vital to organizational performance as it has been the driving force behind the company's delivery of its G2G transformational strategy. The PMS is enshrined under organizational health one of the key pillars of KenGen. Although majority of the respondents noted the importance of the link between performance and reward, the reward structures are not consistent with the performance management system which the respondents noted that is a deterrent and de-motivator in their day to day undertaking.

As regard to organizational culture, the study findings were that while a positive culture is positively correlated to performance improvement, a negative culture built around bureaucracies and inflexible policies is a hindrance to attainment to an organization's strategic initiatives; they inhibit change and prevent an organization from identifying new directions.

Another study finding is that while there was monitoring of PMS process, the frequency of the monitoring was wanting and lack of consistency negatively influenced its effectiveness. Other challenges affecting the effectiveness of the PMS were notably lack of objectivity, resistance



by employees leading to its slow uptake, lack of training, poor target measures and continuous review.

In an effort to determine the core objective of the study on the extent of PMS alignment to organizational strategy, the findings were that there is awareness of the strategic intent of the organization by employees in their day to day activities. Further, it was notable that alignment of the PMS to organizational strategy is done through cascading down of the strategic initiatives from the top management to lower levels through accountability frameworks known as performance agreements and Service Level Agreements. In order to increase its effectiveness in the lower management level, efforts such as knowledge transfer and harvesting and exchange programs have been put in place to build capacity in line with the strategic objectives. This is besides other initiatives such as leadership and provision of a conducive environment by the government and development of favorable regulatory policies.

### **5.3 Conclusion**

This study was aimed at determining the extent of alignment of PMS to organizational strategy at KenGen. From the study findings and presented literature, it was noted that the PMS is at the core of delivering on the strategic initiatives of the organization. A review of past literature indicates that several studies such as; Ngambu (2015); Muthike (2014) investigating PMS implementation and the challenges affecting PMS effectiveness respectively. In the light of changing business environment that has seen people, processes and technologies evolve, it is thus clear that organizations cannot remain static in undertaking performance management in the usual performance appraisal with an aim of attracting rewards.

Notably, effective PMS alignment to organizational strategy requires a holistic approach that aligns employees' performance to organizational performance through its mission, vision and values. From this study's findings, it is clear that when management don't deploy cascading

goals from the top level and individual employees, the organization will experience a misalignment with their overall goals. The resulting effect of this is lack of accountability and lost sight of how employees' responsibilities affect the organization mission and vision. In most cases, there is reduced employee engagement due to lack of understanding of how individuals fit into the bigger organizational picture. Further, this will eventually have negative effect on the performance of the entity.

Organizations should move away from the yearly strategic planning sessions and sharing of goals through different channels of communications. Organizations should align and cascade goals to all employees that drive individual performance towards achievement of the overall strategy. This will ensure clarity of expectations and facilitate the delivery of the organization's strategic initiatives that will in turn churn measurable results. This requires an investment in the performance management system which in turn will ensure improved efficiency, business growth, employee engagement and organizational alignment.

Additionally, organizations should take up agile performance management by realigning processes and structures to employees and in all activities from planning, goal setting, capacity building, implementation of strategic initiatives, monitoring and evaluation and review and reward processes.

#### **5.4 Recommendation for policy analysis and practice**

The study recommends for a deliberate effort for organization to consistently march individual goals to the overall corporate goals so as to assist in the upstream activities of PMS planning. Such an effort will ensure that all the other downstream PMS programs and activities such as monitoring, evaluation and rewards are effectively executed and appreciated both by the management and employees.

It is also recommended that organizations should have an all employee inclusion in the performance strategic planning and cascading of goals throughout an entity. This will foster employee engagement and motivate employees towards achieving the corporate goals.

The researcher recommends prompt and continuous feedback with all employees throughout the performance management process for a successful alignment of PMS to organizational strategy. This is an a move from having an outlook of Performance management as a one-off event that is not effective in understanding how the performance results came about and challenges experienced.

Tracking of performance should also be undertaken continuously and goals evaluated against specific measures periodically. This will provide for adoption of corrective measures to improve performance underperforming or increase performance when performing at expected levels.

To remove subjectivity of the performance ratings, organizations should base rewards on market rate and responsibility and bonuses on team or company performance as opposed to rewarding individual performance with bonuses. Other non-monetary forms of reward should instead be adopted as well to improve the objectivity and continuity of the process.

The researcher further recommends that employees are held accountable for delivering on individual commitments. The organization should consider and develop systems that reward innovation and creativity.

The research recommends that the organization should introduce and demonstrate apparent career framework to address issues of career stagnation. KenGen should embrace a simplified and objective PMS tool that effectively measure employees behavioral aspects that drives

overall business performance. The company should have incentive framework that is consistent and sustainable.

### **5.5 Limitations of the study**

The overall objective of the study was to establish the extent of alignment of PMS to organizational strategy. However, this study was modeled as a case study focusing on PMS for KenGen. In this regard, KenGen was chosen as a benchmark of power utilities in the region and it was projected that the outcome of the study will be a replication of the situation on the entire energy sector.

PMS and organizational strategy is a subject that is very close and confidentially guarded by the workforce because it charts individual career growth and organization future prospects.

In the cause of the study the research encountered a great deal of lethargy by the targeted subjects. However, the researcher applied diverse persuasive communication strategy to ensure that the desired output were realized.

### **5.6 Recommendations for further research**

Due to the above mentioned limitations in terms of the scope of the study, it is hoped that more incisive and comprehensive studies on the same subject will be undertaken to determine the general situation and trend of PMS and to what extent these systems are aligned to corporate strategy in other organizations across the sector. This study should therefore form as the basis an anchor in which such studies will be conducted and adopted. Since this study focused on PMS alignment to organizational strategy, it is recommended that a study exploring the alignment of PMS to individual goals should be undertaken and also how to ensure the adaptability of PMS in a changing environment to determine if related findings for these variables can be obtained.

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## APPENDICES

### APPENDIX I: LETTER OF INTRODUCTION



**UNIVERSITY OF NAIROBI**  
**COLLEGE OF HUMANITIES & SOCIAL SCIENCES**  
**SCHOOL OF BUSINESS**

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19 November 2018

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

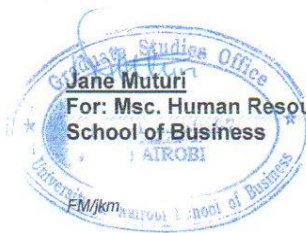
**INTRODUCTORY LETTER FOR RESEARCH**  
**CHARLES KIRURI IKAHU – REGISTRATION NO.D64/84278/2015**

This is to confirm that the above named is a bona fide student in the Master of Science in Human Resource Management (Msc. HRM) option degree program in this University. He is conducting research on "*Extent of Alignment of Performance Management System to Organizational Strategy at Kenya Electricity Generating Company PLC*".

The purpose of this letter is to kindly request you to assist and facilitate the student with necessary data which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**.

Your co-operation will be highly appreciated.

Thank you.



## APPENDIX II: INTERVIEW GUIDE

This Interview guide is designed to collect information on the **Extent of Alignment of Performance Management System to Organizational Strategy** a case study of **KenGen**.

The information shared will only be for research purposes and will remain confidential.

Thank you for your time.

### **SECTION A: DEMOGRAPHIC INFORMATION**

1. Kindly indicate your gender: Male [  ] Female [  ]
  
2. Age in years (Please tick one):  
25 and below [  ] 26 to 35 [  ] 36 to 45 [  ] 46 to 55 [  ] 56 and above [  ]
  
3. Department: .....
4. Name of the operational area.....
5. How many years have you worked in the organization?  
Less than 3 years [  ] 3-5 years [  ] 5-7 yrs [  ] 8-10 years [  ] Above 10 yrs [  ]
  
6. Position in the structure (Tick where applicable)
  - a) Level 1
  
  - b) Level 2
  
  - c) Level 3

**SECTION B: Performance Management Systems at KenGen.**

1. Does the organization have a vision, mission, and values statement? If yes, in your opinion to what extent is employee performance driven by these statements. Briefly explain

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2. Is performance management system a key component of the organizational strategy? If yes explain.....

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3. How are performance targets set in the organization? Discuss .....

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4. Briefly explain how performance management system works in the organization

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5. Briefly explain what role do employees play in performance management system

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6. What is the link between reward and performance in the organization. Explain

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7. What influence does the organization culture have on performance management process? Discuss

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8. How are the results of performance evaluation utilized? (Rewards, demotion, promotion, Dismissal or training). Discuss.....

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9. How is employee performance tracked? Briefly explain what tools are used if any?

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10. How long has performance management system been in place in the organization

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11. What challenges have been experienced in the implementation of performance management system by the organization so far? Discuss.....

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**SECTION C: Extent of Performance Management Systems Alignment to Organizational Strategy at KenGen.**

1. Does the organization have a strategic direction which drives the business? If yes, briefly explain

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.....  
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2. To what extent are employees aware of the strategic direction of the organization and its impact on their day to day assignments?

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3. How do you ensure that employees performance is aligned to organization strategy?

Explain

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4. What initiative has the organization come up with to ensure capacity building of employees in line with strategic objectives? Discuss

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5. How often is the organization strategy reviewed and what parameters influence its reviews? Discuss

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6. In your opinion, is improving organisational health factors such as leadership and motivation and building the required skills/capabilities in KenGen, key to addressing strategic initiatives? Discuss

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7. What challenges has the organization experienced in executing its strategy so far? Explain

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**THANK YOU FOR YOUR PARTICIPATION.**