

**INFLUENCE OF FINANCIAL TECHNOLOGY ON PERFORMANCE
MANAGEMENT PRACTICES AT KENYA COMMERCIAL BANK LTD**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS OF THE AWARD OF
THE DEGREE OF MASTER OF SCIENCE IN HUMAN RESOURCE MANAGEMENT,
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

2017

DECLARATION

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

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This Research Project is submitted for examination with my approval as University Supervisor.

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DEDICATION

This work is dedicated to my family who provided me with the motivation and for their care and sacrifice throughout my studies. Their love, care, concern, support, encouragement and enthusiasm inspired me to achieve this goal.

ACKNOWLEDGMENT

I take this opportunity to first, thank God for good health and for bringing me this far. I wish to acknowledge everyone who assisted me in completing this study. I extend my gratitude to my supervisor for her encouragement and patience in reading, correcting, re-reading and refining this work.

ABSTRACT

The purpose of this study is to establish the influence of Financial Technology on Performance Management Practices at Kenya Commercial Bank Kenya Ltd. Improvement of performance management practices can be reflected in various motivational theories. This study was guided by the Goal-setting Theory and Expectancy Theory of Performance Management. The methodology used was research design and the target respondents were the Group Human Resource Director, Head of Reward, Head of Learning and Development, Head of Employee Relations and the Human Resource Business Partner. The data collection instrument was the interview guide and content analysis was used to analyze the data. The study findings revealed that KCB used financial technology products as part of their performance management practices which included the balanced score card (BSC), dashboards, coaching, mentoring and the use of 360 degree feedback tool. The findings indicated that financial technologies assist in developing appropriate performance matrices and influence decisions made on performance based rewards. It is recommended that KCB should put in place systems that will monitor the continuous change of the financial technology products in the market so that the company can continuously respond to not only the market demands but also their versatile customers. KCB should continuously use multifaceted performance evaluation strategies that will help to eliminate human biases during performance reviews and also eliminate technological biases.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The contemporary, agile human resource approaches are parting from conventional performance management practices which triggered nervousness and flight reaction in employees that could strangle engagement, continuous learning and inventions. The emergence of financial technology has made organizations into teams that are relatively small and high performing that set their own targets, encouraging and teaching colleagues to provide each other with direct feedback at the same time coming up with programs that involve peer-to-peer rewards and acknowledgment. The new performance management practices are geared towards more frequent, forward looking and development-focused feedback, with the aim of eliminating and adjusting the conventional ratings. One of the major distinguished changes are crowdsourcing feedback where managers use online or mobile platforms to enrich their feedback relay processes (Fletcher & Williams, 1996).

Employees and managers identify people to provide feedback from all facets of the business and employees self-select to provide feedback to colleagues anonymously both privately or publicly. The point is that more and more feedback is received constantly and it strongly represent the reality than feedback from a single source, this enables of leverage power and ascertaining deeper understanding of the situations. This application of a social approach of employee management can result into more ownership of performance management by employees. Increasing companies are moving to coaching and development model with a view employees will grow by developing and not internal competition; that is, the case where appraisals aim at comparing and correlating appraisal and compensation. Financial technology provides a model that has coaching and has consistent, regular and flexible check-ins, leaving out conventional performance ratings and detaching it with compensation and performance management (Accenture, 2016).

This study is guided by goal setting theory and expectancy theory. Goal setting is premised on the argument that as individuals and/or organizations come up with more challenging goals that they are prone to perform better. Conversely, when the goals that are set are not challenging, the performance of the employees and consequently that of the organization go (Locke & Latham 2006). Goal setting will help in coming up with action filled plans in an effort to direct employees and organizations and therefore it is an important step during performance management.

Expectancy theory, proposed by Victor Vroom in 1965 is an important theory that pin points the issue of performance management which is premised on the view that individual's performance should always be in tandem with what the organization expect as per what the organization expects (Salaman et al. 2005). These two theories make a balance between the expectations of the organization and the goals of the individual and those of the organization.

The significance of the banking industry to the Kenyan economy is that the provision of funds for businesses and individual customers is done by banks. The banks therefore act as a panacea between the general public and the surplus funds and those who are acquiring funds and requiring money. The banks play crucial role such that they agree to get deposits, create loans and make profits from the difference in the payable interest by the depositors and borrowers respectively. The term financial intermediation is captured as a term that describes the action of taking customer's deposits and giving them out to other customers in form of loans. Being the most crucial financial intermediary, banks connect surplus and deficit agents of the economy. They enhance development of a saving culture by coming up with financial instruments that enhance this, for instance home saving. It is important to note that traders and families need to be kept safe against unexpected or unplanned need for liquid money. Financial institutions especially banks are the main providers of money and liquidity in the market by offering credit lines and enabling their customers to access their deposits. Moreover, banks play a key role as in offering to buy and sell security related products in big quantities with better terms.

1.1.1 Financial Technology

The basis for financial technology is the use of software to offer financial services. Business in this case leverages on technological advancements to create superior products and services for individual customers (London Business School Review, 2015). Today's digital age calls for obvious seeking for access, convenience, effectiveness and efficiency in doing business. People want to conduct their transactions at the comfort of their homes using mobile phone platforms and other related applications. These activities entail their personal managing of their day to day financial lives. People also would like to track their financial usage using these technologies. Banks have been caught in the thick of thing and thus faced corresponding challenges and thus reduced revenues. Pressure from the customers to meet their needs and thalso from the regulator has also pile pressure on banks. According to Brett King (2012) he predicted that most of the bank

branches would disappear in the near future and most banks would be phased out if they stuck in the traditional way of doing business.

With the contemporary trends, the bank is no longer at the centre of exclusive financial services. For this reason, there is a bust of financial services using technology. Essentially, financial technology firm apply information and a technological network to assist development of financial institutions to collect information through gathering robust data, to process the data and analyse it for future use. Equally important, financial technology improve efficiency by using information from other related networks. This enable them to improve the security of their transactions and operations. For instance this includes, payment using mobile, automating investor advisory mechanisms, biometrics among others innovative financial services (Ittner, Larcker& Randall, 2001).

1.1.2 Performance Management Practices

According to Armstrong (2006) performance management entails getting better achievements in terms of targets set out by individuals and the organization as a whole. When performance is understood and managed within an agreed framework, there are proper laid down standards and competences required to be manifested. Thus performance measure how and whether the employee has been able to achieved these targets. Mahapatra (2010) indicated that a tool for performance management is normally designed to bring out a common understanding on what is expected to be attained and the methodology to enriching people in a certain context. Therefore, performance management is founded on a mutual agreement and understanding between the employer or manager and the employee.

The practice of performance management practice entails laying down focused expectations for every staff and providing consistent, scheduled feedback bot formally and informally. They are used to inform decision making in a number of organizations, putting up appropriate learning and development programmes and also rewarding through performance based compensations. (Laurie, 2010).Mahapatra (2010) showed that a performance management tool was constructed to espouse and highlight what is intended to be achieved and ultimately what needs to be done to achieve this, including to develop people and ensure that the organizations goals are achieved.

Salemi (2009) observed that once employees have been selected, trained and placed, it becomes essential for management to conduct performance appraisal to see whether the employees are effective on their job or not. An appraisal is therefore a tool used by the organization to measure

how well the employees are in conducting their role. The purpose of performance appraisal is to help the manager observe their subordinates more closely and be able to provide coaching, motivate the employees, support feedback, achieve better appraisal results, identify developmental needs, provide information for human resource planning, provide data for backup in the event of compensation discussions, reduce favouritism, and also to support succession planning among many other important decisions which can be made by the management. Laurie (2010) observed that organizations need to be efficient in doing the right things in the optimum use of resources. The rightful use of resources can only be determined by conducting a performance appraisal for the employees.

Nzuve (2007) affirmed that an appraisal can be formal or informal. While the informal approach purely depends on both supervisor or the manager, his leadership style or traditions, the formal appraisal is more procedural and scientific in nature and encompasses preparation of a performance plan, preparation for an interview session with the employee, provision of continuous feedback, employee involvement both at the point of developing the plan and at the time of review, conducting an appraisal focusing on employee development determined for future improvement and post appraisal interviews. Through performance management practices organizations can determine whether the employee is achieving the required performance standards and help in developing measures to support the employee to grow in his or her career, develop them to improve on their performance.

1.1.3 Kenya Commercial Bank Limited

KCB Bank Kenya history goes back to July 1896 when its parent company, KCB Group, was formed as a branch of the National Bank of India in Mombasa. In 1958, Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Kenyan government acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans, upon independence. The Government took complete charge of the Bank and renamed it to Kenya Commercial Bank Limited. KCB Bank Kenya, as it is now known, was incorporated in 2015 as a result of the corporate restructure of Kenya Commercial Bank Group (KCB Group). Prior to 2015, KCB Ltd was both a licensed bank and a holding company for its subsidiaries. This was in compliance with the Kenya Finance Act No.57 of 2012. KCB Group Limited announced, in April 2015, its intention to incorporate a new wholly owned subsidiary,

KCB Bank Kenya Limited, to which it would transfer its Kenyan banking business, assets and liabilities. The re-organization converted KCB Group Limited into a non-trading holding company that owns both banking and non-banking subsidiary companies. Since 1896, KCB Bank group has grown to become the region's largest banking institution with an asset base of KES 595 Billion (USD 5.84 Billion) a market capitalization of KES 105 Billion (USD 1.02B) and broad regional distribution in 7 countries (over 265 branches).

For the purpose of achieving their goal, KCB made a decision to focus on technology driven products and solutions including e-banking so that they could do multiple services at a super speed. This would enable the bank to solidify its base in terms of assets, customers and financial liquidity. The major strength of KCB is in offering its corporate services. They apply advanced technologies in order to serve their clientele efficiently and effectively. Essentially, the bank required to apply appropriate and secure technology in order to satisfy their existing commercial customers and introduce new services to attract new customers. In order to support the banks expansion into Central and East Africa, KCB needed to incorporate the multi channel e Banking offering to their member banks in Kenya, Tanzania, Burundi, Uganda, Southern Sudan and Rwanda.

The institution required to include more advanced and good solutions in order to support their objective for addressing corporate clients and individual clients. The objective of KCB to enhance use of technology is to present a unified picture of the KCB group i.e. bringing the whole group under one umbrella using the same system properties, look and feel, services, offerings and other functionalities; to create a uniformed customer experience, regardless of channel, time or location; to encourage existing customers to use full range of services through their digital banking offering i.e. KCB Bankika, KCB Mobi Bank and the KCB Diaspora Banking; to offer advanced corporate services to commercial customers and to offer banking customers a secure, user friendly and powerful tool for their online banking needs(KCB Integrated Report 2016).

1.2 Research Problem

Appropriate performance management practices are fundamental in managing agile organizations resulting from adopting financial technology products. The concept behind human resource management is to capitalize in skills that will enable the organization to unleash its potential (Hussain & Hoque, 2002). Conversely, human resource that exhibits the right skills and right attitudes help to correct behaviors and thus greatest human resource are considered the greatest asset of the organization. Financial technology is fast-paced and competitive, with shorter project life cycles. This emphasizes on speed and innovation which forces teams to make quick decisions, often in an environment of uncertainty, leading to frequent changes in direction and organizational requirements. Performance management practices therefore need to be adjusted to have the financial technology element agility. The fast paced and competitive nature of financial technologies should be able to divorce performance management practices from their traditional annual performance reviews and to adjust to shorter performance management cycles of weekly or monthly reviews and frequent update of goals, social rewards and recognition with open feedback sessions with focus on innovation and agility (Hussain &Hoque, 2002).Much has been written about the need for and the characteristics of organizational agility but much less on the role performance management practice has to play, how effective it is and the impact it has on how the human resource functions today.

Kenya Commercial Bank Ltd is one of the leading financial institutions in Kenya which has adopted financial technology as an approach to absorb the multiple challenges that have been witnessed in the financial sector. The focus of financial technology is to create convenience to the customer through innovative technology and is hinged of improving efficiency, enhancing employee performance, leveraging on customer satisfaction and managing operational costs. In order to meet the changing needs of customers and ensure business growth, KCB Ltd has to develop an agile approach in its day to day activities. Agile human resources refers to the ability to anticipate and respond to change. The traditional performance management practices of target setting, performance measures or ratings, manual quarterly reviews, feedback mechanisms, reward and employee development will therefore need to adopt an agile methodology in order to sustain and anticipate external changes. Banking has long been a tech-intensive industry. However, the recent digitization of products and services coupled with the emergence of tech-savvy millennials has created the context for unprecedented innovation and transformation in the banking sector.

Traditional banking transactions are quickly diminishing with introduction of mobile technology leading to penetration of smart phones that has resulted to virtual interactions with financial institutions by customers.

A study done by Lawter and Kopelman (2015) on how to enhance performance management practices in an agile environment, indicated that organization fail to achieve their desired results due to the inability to adjust to ever-changing conditions. Salaman (2005) did a study on performance management practices in contemporary financial institutions, in which he attempted to conduct a study inferring the relationship between financial technology and performance management practices. The results of this study indicated there no being a correlation between performance evaluation and financial technologies. Another study done by O'Callaghan (2004) titled emerging issues in setting performance goals, attempted to bring out a relationship between financial technology and goal setting as a performance management practice. The study found out that it was untenable to set performance goals using performance attributed to financial technologies in a financial institution. This study seeks to determine the relationship of financial technology and performance management practices in Kenya Commercial Bank Limited. The study seeks to identify the gap in the traditional performance management practices in delivering disruptive solutions to organizations and seeks to answer: Is the emerging practice in new performance management practices geared towards more frequent, forward looking and development focused feedback, with adjustments to or elimination of traditional ratings?

1.3 Research Objective

The objective of the study is to determine the influence of financial technology on performance management practices in KCB Limited.

1.4 Value of the Study

The study will contribute to the existing knowledge and theories by establish how financial technology influences performance management practices in the banking environment. Therefore, insights of how staff's performance management through set metrics can be measured in an environment where customers use financial technology platforms to do business with the banks. In addition, the study findings will greatly contribute to the existing body of knowledge on employee performance management practices. Future researchers and academicians will therefore

use the study findings as a reference point for further studies on strategic human resource and business strategies.

Furthermore, provide knowledge on the influence of financial technology on performance management practices which management at KCB Limited will use as a basis of formulation of policies on areas that need implementation of alternative strategies to enhance corporate organizational performance. The result of the study would assist the Kenya Government in formulating policies which would guide stakeholders in the banking sector in adoption of performance management practices that enhance corporate organizational performance.

The study will show how human resource should fundamentally reshape itself now and in the future, so that human resource functions can become a critical driver of agility. In this role, human resource will enable a new type of organization, that is, one designed around highly nimble and responsive talent. Essentially, human resource best practices in managing performance in banking industry will be adjusted to consider the context of use of Financial Technology to fuel performance in the organizations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews international, regional and local literature. It discusses literature on financial technology also known as FinTech. It also discusses literature on performance management practices. Moreover, this chapter discusses theories that will guide the study herein.

2.2 Theoretical Underpinning of the study

Improvement of performance management can be reflected in various motivational theories that are used. Some of the motivation theories that can be considered include: Expectancy Theory (Guest, 1997) Justice Theory (Latham et.al, 2005) Self-Determination Theory (Ryan and Deci, 2000). Donovan (2001) pin pointed Equity Theory, Expectancy Theory, Cognitive Evaluation Theory, Goal Setting Theory, Control Theory, and Social Cognitive Theory like the theories that have received the greatest attention. This study considers two theories have been selected for discussion and their use to performance management explored: Goal-Setting Theory and Expectancy Theory of Performance Management.

2.2.1 Goal-Setting Theory

Setting of goal basically putting in place for the future for ensuing individual and organization's performance. The developer of goal setting theory Edwin Locke (2006) denotes when people set more challenging goals they tend to perform better. Conversely, if the goals that are set goals are easy, then performance of an individual or organisations shrinkages (Locke & Latham 2006). This theory was created in an inductive manner and with understanding over years the psychology of organisations and industries. The achievement of a goal is positive at the time someone or organization is committed to achieving goals and does not agonize from any differing goals. According to Locke & Latham (2006) goals indicate outcomes that are futuristic in nature and have do not have discrepancies. Moreover, setting goals help in coming up with a plan of action to the people and organization as a whole. As a result, this in assists in developing of a significant development of person and the management. Moreover, it has been pin pointed by quite a number of researchers that there is a positive correlation between setting of goals, improved business and results of the organization. This is because goal setting theory covers significant aspects of coming

up with organizations with efficiency (Locke & Latham 2006; Spaulding & Simon 1994; Koppes 2014). Five key principles allowing the theory of setting of goals to ensure better performance better can be highlighted (Locke, 2006). These include: clarity, challenge, commitment, feedback, and task complexity (Locke & Latham 2006). Conversely, clarity denotes measurable and clear and those that are time bound and can be achieved in a specific context and challenge shows that the goals are achievable at considerable levels of difficulty, motivating the individual and organization to strive for positive goal achievements. On the other hand, commitment is a principle that makes individuals or organizations to put on deliberate efforts in meeting goals and eventually helps goals to become more achievable. Locke (2006) considers that feedback provides information on the progress towards achieving goals. Individuals and organizations can adjust goal setting according to the feedback. Finally, the level of task complexity makes the achieving of goals easier by laying down processes and steps. According to Locke & Latham (2006) goal setting can be achieved by applying all the principles highlighted stringently.

Goal setting is essential in the performance management process since it is most used by people for personal goals, used at teams at the workplace and gatherings considered to be social. According to Locke & Latham (2013) goal setting can be applied in all places where effective results are desired. Therefore a commitment analysis should be undertaken to draw up objectives and goals in order to apply goal setting in daily work. This is done by the supervisor and the employee during the performance management goal setting stage. It allows continuous improvement in objectives and performance standards (Moynihan 2008). According to Krausert (2009) being able to carry out an analysis of commitment assists in determining the undertaking of objectives and targets set with a view of improving productivity.

2.2.2 Expectancy Theory

In 1965, Victor Vroom proposed Expectancy theory of performance management where an individual's specific behaviours is motivated by the desire of a specific outcome of such behaviour. Some of the critics of the expectancy model were Graen (1969) Lawler (1971), Lawler and Porter (1967). They based their criticisms of the theory on the model of expectancy as being too basic in nature; these critics started making adjustments to Vroom's model. As Edward Lawler claims the theory is deceptive with its nature of simplicity; it considers that if an employee comes up with a reward, for instance, a financial bonus, raise in terms of cadre, that the employees will be highly

attracted and improve their productivity. Nevertheless, this is just tenable if the employees have a belief that the reward set aside is beneficial to their current needs. According to Salaman (2005) performance of an individual should always be aligned with organizational expectations in line with accomplishing the priority goals now and in the future. Expectancy is essentially incentive that stimulates individuals to act in a particular manner and for some sort of behaviour pattern. (Oliver 1974; Salaman et al. 2005). According to Lebas (1995) performance management has been noted as a system that creates context for continuous monitoring and measuring of activities of every staff in an organization. Likewise, it measures the outcome and eventually performance of the organization as a whole. (Lebas, 1995). Essentially, expectancy theory importance underscores the idea of performance management (Fletcher & Williams 1996; Steers et al. 2004).

This theory considers Expectancy, Instrumentality and Valence as part of its components. The premised of Expectancy is determined by ones trust that a specific type of performance is attached to specific type of behaviour which will certainly assist an individual in reach certain stipulated desired performance goals. Therefore, this helps individuals to know or determine whether they have the required sets of skills to carry out a particular task. Nevertheless, when performance goals are unreachable motivation declines significantly too. On the other hand, Instrumentality is linked to regarding the performance outcomes that are expected. Therefore, individuals are encouraged to carry out pieces of work that will give them greater rewards after completing them. However, when the benefits of a number of performances is the same, the motivation of performing different kinds of tasks declines. Finally, valence is the importance of the reward one gets for showing the right or required performance. Thus, individuals evaluate the rewards on the basis of performance using various acquired aspects; they include differential needs, values, goals and sources of motivation. On the basis of valence the motivations to accomplish different tasks also vary (Burgoon 1993; Kroth 2007). When making a decision to perform in a particular way, individuals consider their greatest motivation.

The theory of Expectancy is used in most types of organizations. This is primarily used in all aspects of employment relationship with the main focus on monitoring employee performance (Eisenberger et al. 1990). Implementation of expectancy theory is seen in organizational processes such as during recruitment and selection of employees for a particular job. According to Hillman et al. Expectancy theory is used in order to analyse the outcome of organization training and

assessment of employee performance as per organizational goals (Hillman & Dalziel 2003; Noe 1986; Rynes et al. 1980). Conversely, this theory is used to pin point variables that motivate individual workers in the organization. The theory is used to identify things that motivate employees to join the organization based on needs, goals and previous experiences during recruitment and selection. The theory equally works towards interpreting certain behaviours that the employee shows as per their expectations. It is important to note that expectancy theory assumes that people want different things from their organization. The employees want things ranging from good salaries, job security, to professional development. Subsequently, the theory is used to map out specific behavioural outcomes which eventually inform training in the organization. As Lunenburg (2011) puts it, the theory assists the organization in pin pointing specific determiners behind a specific behavioural outcome of individual trainees.

2.3. Types of Financial Technology

Financial Technology reduces the relevance of intermediating agents who before were the sole managers and providers of the financial market. Nowadays, financial technology is taking away strongholds that previously belonged to banks and make it to become a mainstream financial service provider with time. Money transfer is one of the emerging financial technologies. Initially, banks and brokers did the sole role of being middlemen for doing international money transfers, this has however changed significantly. Money transfer companies emerged to provide transfers on the basis of mid-market rates. This has jolted the traditional money transfer methods done by banks (Barnett, 2016).

Another type of financial technology is crowdfunding. This may come in different forms. The more common types that have emerged and considered financial return crowdfunding (where lenders/investors seek yield/return from engaging in such activities while borrowers/fund-raisers will offer interest payments/profit-sharing to entities providing the relevant funds), these include, P2P or peer to peer loaning where online lenders pair borrowers with secure profiles to provide unsecured loans; and equity crowdfunding (ECF): investors invest in a project or a business. Mobile payments is another type of financial technology. This allows customers to carry out their transactions via their mobile phones. Other technologies like financial technologies have taken over key financial services. Furthermore, trading online is a typical financial technology which

involve customers trading for themselves using a variety of trading platforms that are online. Other services that are involved here is availability of research information done on specific stocks and mutual funds. This has given people an option to do trading on their own rather than using investment banks or brokers (Barnett, 2016). In addition, such platforms offer much lower fees than the typical bank or stockbroker rate.

2.4 Performance Management Practices

The performance management practices discussed herein include performance goal setting, performance appraisal, performance evaluation, performance rating, performance feedback and performance based rewards. Goals help employees to design and establish with a view of achieving the envisioned outcomes (O'Callaghan, 2004). Consequently, proper setting of goals enable develop a repository of knowledge and skills that eventually make them thrive in their assignments and also enlarge their scope of responsibilities and hence pursue high career objectives. This essentially help to espouse and propagate the vision, mission, values, principles, strategies, and goals of the organization; work together with their peers with mutual respect, understanding and openness; they furthermore are able to strategize and put into action fruitful projects and undertakings; moreover, they remain resilient when barriers arise and quickly learn from their downfall (Bernthal, Rogers, & Smith, 2003). When employees do not set clear goals they remain rudderless about what should be given priority at the workplace and end up disengaging from work. Also high level of confusion within teams is manifested. This essentially reduces productivity for both for the individual and the teams.

A performance appraisal (PA), puts into consideration review of performance, career engagement through discussions and engagement on an appropriate method of appraising employees (Bernthal, Sumlin, Davis, & Rogers, 2001). Performance appraisals should be part of developing employees' careers; they should inform areas of development of employees. Performance appraisal entails a methodical and general and intermittent process that provide the platform to evaluate an individual employee's job performance using the set out parameters as the benchmark for measurement (Bernthal, Sumlin, Davis, & Rogers, 2001).

Evaluations of performance help employers in accessing their individual employees' contribution to organizations and hence focus on development of their teams through filling the identified performance gaps. Owing to the time involved in performance evaluation processes and the

difficulties in handling some employees, some managers tend to ignore the process. (Bernthal, Rogers, & Smith, 2003). However, it is noted that the advantages or the benefits of performance management outdo the challenges associated with it. To avoid the apparent challenges, there is need to have standardized evaluation system that will eliminate biasness and consistently provide feedback to the employees; a clear feedback-feedforward system is essential to this effect. This will end up motivating the employees thoroughly (Judy, 2003). The main aim of performance management systems predominantly entails providing a balanced measurement of individual employee input to the goals of the organizations by provide accurate measuring matrix in order to keep employees off unbiasedness that might be exhibited. (Bernthal, Rogers, & Smith, 2003).

On the other hand, rating performance is a form of measuring work whereby the evaluator observers workers behaviours and puts them into records and compare them with what was set from the word go as the standard measuring yardstick (Bernthal, Rogers, & Smith, 2003). Rating of performance enable employees enhance the way they do their jobs, help the employees identify areas of learning and development and helps in assigning employees tasks they can shine in. Essentially, this provides a basis for performance based rewards and bring and sustain objectivity when promoting, internal hiring and sometimes sacking. Equally important, most employees like knowing how they are performing at their workplace.

For employees to work effectively, feedback is essential. Reaching out to an employees and furnish them with the requisite feedback is considered key to effective performance (O'Callaghan, 2004). Strategies that involve motivation that emanate from seeking goals depend on consistent updates on performance progress. To ensure that the process is water tight, error can be reduced by training the raters and setting up a rating scale that is behavioral based. Such scales are used to exclusively indicate behaviors as poor, average, and superior performance (Bernthal, Rogers, & Smith, 2003).

In collecting data from performance appraisal, the main methods used include; the objectivity production, judgmental and personnel evaluation. On one hand, Judgmental evaluation is widely used with array of evaluation methods. Traditionally, performance appraisal is normally conducted yearly, in the contrary, most organizations a shifting from this tradition and coming up with shorter cycles of quarterly and biannual evaluations (O'Callaghan, 2004). When providing feedback, an interview is ideal and also other strategies like providing counselling to employees are encouraged. A performance management system should be set up to encompass all the practices; performance

appraisal is normally part of the performance management system... Performance appraisal assists the staffs to respond to questions and get clarification where necessary (Bernthal, Rogers, & Smith, 2003).

Performance based rewards is a performance management practice that is also applied. Performance based pays and increments may help to bring efficiency and competition in the work environment. This will make employees to take performance evaluation practices more seriously and thus increase their productivity. Pay increase should base on holistic consideration of the employees performance rather than partial consideration. All other factors like consumer price index have to be considered when handling employees' increment. (O'Callaghan, 2004). The employer has to adequately communicate to the employee whether they are going to include reward or salary increment as part of their performance management system. This can be done orally but more so formally through a written down policy so that employees can be confident with the laid down policies and avoid unexpected and unrealistic outcomes and they are not eventually disappointed.

2.5 Financial Technology and Performance Management Practices

Studies have hardly been conducted on financial technology and performance management practices. However, Cooper, Edgett, and Kleinschmidt did a study on new products in financial management: practices and performance in 2014 in the banking industry in Hong Kong. The study focused on financial institutions basically banks and investment banks. The study focused on performance satisfaction with the financial technology management methods they were using. The prime areas of interest in the study was the perceived effectiveness, efficiency, realism, and user friendliness of technologically enhanced financial products and how staff in financial institutions are influenced in terms of the performance management practice. Management perceptions and satisfaction levels were captured on nine different metrics in this study. The study revealed that the performance of the staff in financial institutions is affected with agile services and products such that they tend to move fast to enrich themselves and embrace the new technology in an effort to embrace the fast paced change. The study however does not show a strong correlation between performance management practices and use of financial technology (However, Cooper, Edgett and Elko 2014).

Furthermore, Salaman (2015) attempted to conduct a study inferring the relationship between financial technology and performance management practices done at Financial Technology & Innovation Group (FTIG) in New York. The results of this study indicates that there being some disconnect between performance evaluation and financial technologies. Another study done by O'Callaghan (2014) attempted to bring out a relationship between financial technology and performance management practices at Citibank in Singapore. This study focused on goal setting in the context of financial technology. O'Callaghan (2014) found out from the study that since key performance indicators align performance with strategy, it should go without saying that you need a clearly defined strategy to succeed. The study also found out that it was incongruent to set performance goals using performance attributed to financial technologies in a financial institution.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter describes the methodology that guides the study. Specifically, the chapter gives information about design of research, data collection, data collection procedure and analysis.

3.2 Research Design

The researcher will use a case study research design. This is a deep study of situations or phenomenon in their naturalistic point of view from the participants' point of view (Gall et al, 1996). In doing case study research, the case being studied may be an individual, organization, event, or action, existing in a specific time and place. A case study is pertinent there are research questions which seek to bring to attention a current circumstance, for instance, how and why certain social issues are the way they are and if the questions seek deep insightful descriptions of these social phenomenon. (Gall et al, 1996).

3.3 Data Collection

Prior to collection of the required data the researcher will acquire an introduction letter from the University of Nairobi and a permit from The National Council for Science and Technology (NCST). The researcher requested for permission in writing to access the KCB Human Resource Division that will be considered for the purpose of this study. According to Cohen (2000) researchers will need to ensure not only that access is permitted, but is, in fact, practicable.

The target respondents will be the group human resource Director, human resource Business Partners, Head Employee Relations, Head of Reward, and Head of Learning and Development. The researcher will book appointments with the respondents. Before administering the interview guide, the researcher will meet the participants and explain to them the purpose of the study and their importance in the study. The researcher required informed consent from the participants. The researcher will interview the respondents using the interview guide. The participants will be expected to take about 20 minutes to answer the questions from the interview guide after which the researcher will collate the response and thank them for participating in the study.

3.4 Data Analysis

The researcher used content analysis to analyze the data. Content analysis is a research technique used to make replicable and valid inferences by interpreting and coding textual material. By systematically evaluating texts (e.g. documents, oral communication and graphics), qualitative data can be converted into quantitative data (Gall et al, 1996). In this case, the researcher quantifies and analyzes the presence, meanings and relationships of words and concepts, then makes inferences about the messages within the texts from the interviews.

Content analysis entails pulling apart the elements of the journal articles or book you are referring to in the data collected and relating them to the topic. One of the key features of content analysis is that the information received from primary research methodologies need to be supported by information from secondary sources, that is, published materials. Essentially, Gall (1998) indicates that content analysis is a useful technique for allowing researchers to discover and describe the case being studied.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.0 Introduction

The interpretation, presentation and discussion of the findings in relation to research questions under the following themes: Interview feedback rate, biodata information of respondents. It also discusses the findings on perceptions and responses of the respondents on the influence of financial technology on performance management practices.

4.1 Respondents' Biodata

There were five respondents who were senior managers from; Human Resource Business Partner Department, Reward Department, Employees Relations Department, Learning & Development Department and the Group human resource Director. There were 4 males and 1 female. The age distribution of 4 respondents was between ages 41-50 while one respondent was above age 50. Four respondents had worked for the company for less than 10 years while one had worked for the company for more than 20 years. While all the respondents had a university level of education, the biodata about the respondents shows that they have significant qualification and experience in the industry and thus their views are based on a wealth of human resource experience.

4.2 What is Financial Technology?

The respondents defined their understanding of financial technology in various ways. The 1st respondent considered financial technology as a means of offering financial services by use of technology through automation while the 2nd respondent considered it as an application of technology to provide financial business solutions. Basically, all the respondents appreciated the concept of use of technology to enhance financial services as the hallmark of financial technology. This resonates well with the definition made by London Business School Review (2015) as a kind of business that leverages new technology to create new and better financial services for both consumers and businesses. Also this captures the definition by the 3rd respondent who focuses on technological solution that helps meet customer financial needs with a focus of streamlining processes in the financial institutions. Whereas 4th respondent considered financial technology as

adoption of technology in the financial space in an effort of enhancing financial services to customers, the 5th respondent considered it as a supplement to financial services.

4.3 Financial Technology Services/Products Used at KCB

The 5 respondents identified the following services and products as financial technologies that are used in KCB: KCB mobile application (MyKash), KCB Mpesa, ATMs (automated teller machines) and VTMs (virtual teller machines), Online banking, IMTs (International money transfers); Payment platforms (Utility payments); card payments and Mvisa. This implies that use of financial technology is well entrenched at KCB.

4.4 Performance Management Practices Adopted at KCB

When the respondents were asked what performance management practices they adopted at KCB the 5 respondents indicated that they use the balanced score card (BSC) and performance dashboards. The 2nd and 5th respondent said that they used coaching, mentoring and 360 degree feedback as performance management practices. The 3rd respondent said that they used target setting which had to be reviewed on a quarterly basis (both individual & line manager reviews). The respondent also observed that there was moderation of performance ratings and the use of performance improvement plans. The 4th respondent noted that there was enhanced information sharing in the organization and monitoring of number of transactions.

4.5 Financial Technology Influence on Setting of Individual Performance Targets

According to the 1st respondent, financial technology has ensured that the organization has measureable/objective targets, that they are specific, measureable, achievable, realistic and time bound (specific, measureable, achievable, realistic and time bound (specific, measureable, achievable, realistic and time bound (SMART) targets or objectives and ensure that there is no room for subjectivity as targets are factual. On the other hand, the 2nd respondent indicated that components of financial technology result into various outputs i.e. transactions or revenue and service levels have been attained through digital platforms and are placed as KPIs for functions or employees responsible for execution in various capacities.

The 3rd respondent indicated that the type of performance measures have changed, that is, initially, processes and activities were measured but now individual output is measured via an online tool. The respondent mentioned that performance measurement has improved hence targets have been increased thereby more efficiency has been realized. This has been based on data collection and analysis resulting to more specialized products offered to customers' hence new products per customer per staff can be measured. The 4th respondent mentioned that financial technology enhances individual performance by making it easy to access information for instance, one is only required to provide the ID number to check credit rating for customers. It also enhances processes and hence performance for instance it takes less time to open an account because of automation. Furthermore, it boosts individual performances, sets higher targets (stretching targets); due to high sales, enhances productivity thus better rewards. Finally, the 5th respondent pointed out that financial technology realigns targets to be more specific to business objectives. It allows effective measure of performance or attainment of objectives. Moreover, it keeps a repository of performance which aides in performance management appraisal. It essentially allows for line manager and employee easy access to performance data and sometimes instant interaction.

4.6 Factoring Financial Technology when coming up with Performance Matrices

When the respondents were asked whether they factor in financial technology when they are coming up with performance matrices, 1st respondent said that financial technology enables the calibration of the actual targets while the 2nd respondent said that the expected output from the various channels driven through technology would inform how to distribute targets based on what each function brings to the overall set target. The 3rd respondent said that it was now easier to get the specific contribution per individual because of increased data collection based on financial technology and they could now build models that effectively project growth in different lines e.g. loans disbursement worth kes.10B – thus the organization can determine what the money was borrowed for and come up with innovative products to serve customers hence project future customer behavior.

In factoring in financial technologies used, the 4th respondent indicated that it gave capacity to get complete and accurate data thus enhancing reliability and validity of measurements, for instance, easy access to data with all products utilized by the customer; this could do trend analysis and set specific targets based on the actual data. Finally, the 5th respondent indicated that financial

technology is used to set objectives, define targets, establish support structures for performance management and provide reports on performance and therefore, it is factored when coming up with performance matrices.

4.7 Financial Technology Influence on Development and Administration of Appraisal Tools

When the respondents were asked how financial technology influences development and administration of appraisal tools the 1st respondent said that it helps identify performance gaps through gap analysis and that gaps are addressed hence enhancing individual development. The 2nd respondents mentioned that through TNA (training needs analysis) the business could identify gaps and appropriate interventions required to build capacity of staff. The 3rd and 4th respondents indicated that they were able to set specific, measurable, achievable, and realistic and time bound (SMART) targets and since performance appraisal is done in real time instead of annual performance, both managers and employees can follow what is done. Respondent 3 and 4 also concurred that financial technology makes appraisal easy, that is, it ensures accuracy of data and actual performance. It also makes it easy to identify performance gaps and make necessary interventions. The 5th respondents observed that financial technology helps in designing performance matrices and aligns business objectives with individual performance. Moreover, financial technology is used to showcase performance of the organization against other organizations.

4.8 Agile Financial Technology Influence Decision on Performance Based Rewards

When the respondents were asked how agile financial technologies influence their decision on performance based rewards the 1st respondent said that it measures the actual output of each individual hence rewards are aligned to each individuals actual performance. This blocks any group rewards and staff earn rewards based on their individual contributions. The 2nd respondent noted that the process of verification of employee output could be reliable and verified with no subjectivity or manual appraisal system. This makes the whole process easier and transparent. The 3rd respondent indicated that financial technology was able to use the tools and systems that would enable one to give more aligned rewards (after identifying who contributed what) hence reward actual contribution rather than subjective view of one's contribution. This can be broken down monthly, quarterly or weekly. Good performance could be connected to the activity and rewarded

early to enhance performance and identify and correct poor performance. The 4th respondent said that financial technology gives capacity to set specific, measureable, achievable, realistic and time bound (SMART) targets which enable the organization achieve exceptional performance. Furthermore, it drives the organization's capacity to pay, enhances compensation and benefits. Finally, the 5th respondent indicated that the use of financial technology was more specific to actual performance achieved. It was useful in comparison of performance between departments, individuals and business units. With the embedded matrices it can be used to quantify performance.

4.9 Ability to Give Comprehensive Feedback on Performance Related Issues

When asked how financial technology influences the ability to give comprehensive feedback on performance related issues, the 1st respondent indicated that there was real-time feedback and ease of referrals, that is, data is held on the system and could be retrieved at any time. Furthermore, the actual feedback could be obtained per individual which was more factual rather than subjective. The 2nd respondent noted that the results were immediate such that instant feedback was achieved and this drove employee engagement. The employees are therefore able to identify areas for improvement early enough and take immediate remedy. The 3rd respondent indicated that a lot more data and reports were available hence this enhanced the feedback process based on real and live data. Equally important, individuals could measure their own performance in an unbiased manner because the data was readily available since everyone was looking at the same set of data or information. The 4th respondent was of the view that both individual and organization were given the capacity to have a full view of performance, that is, target setting to actual performance, reviews & appraisals which made identification of gaps and opportunities and implementing corrective measures easy. Finally the 5th respondent mentioned that the repository had a clear illustration of how performance was achieved and therefore allowed for transparency of self-appraisal. It also allowed for 360 degree appraisal which provided a clear illustration of values or behavior of individuals.

4.10 How Actual Individual Performance is Measured

When the respondents were asked how individual performance is measured, the 1st respondent said that the performance is measured through an online balanced score card (BSC) tool, productivity dashboards showing sales / number of transactions as a measure of performance and

through tracking of customer complaints & resolutions. The 2nd respondent also indicated that the performance is measured through an online balanced score card (BSC). The 3rd respondent reflected the observations of the 1st respondent such that the number of transactions made can show the measure. Furthermore, the 4th respondent indicated that the performance could be measured and tracked using unique identification codes by extracting all accounts relating to a product a staff has sold. The respondent further notes that this makes performance measurement for employees much easier.

4.11 Rating Indices in Measuring Performance in Financial Technology

All respondents indicated that the rating indices in measuring performance in financial technology include: 1-does not meet target; 2-partially meets target; 3-meets target; 4-generally exceeds target; 5- exceeds target.

4.12 Discussion

Basically, the findings appreciated the concept of use of technology to enhance financial services as the hallmark of financial technology. This resonates well with the definition made by London Business School Review (2015) as a kind of business that leverages new technology to create new and better financial services for both consumers and businesses. Moreover, the findings indicate that the financial services and products used at KCB including mobile application (KCB Mpesa, ATMs (automated teller machines), Online banking, IMTs (International money transfers); Payment platforms (Utility payments); among many others are equivalent to those used by other financial technology companies as indicated by Barnett, (2016) who considers that financial technology has emerged and jolted the traditional financial market by offering agile services and products to the a young and versatile market.

The findings reveals that performance appraisal is a key performance management practice that requires to be done with caution and the deserved accuracy. Financial technology helps in ensuring that this is achieved in an organization. Apart from providing a platform for instant feedback, financial technology provides an opportunity to identify other facets of career engagement. This tends to agree with the observation of Bernthal, Sumlin, Davis, & Rogers, (2001) who indicated that a performance appraisal system puts into deliberation analysis of performance, career

engagement through discussions and engagement on an right methodology of appraising employees; the agreement between the employee and the employer is the hallmark of performance appraisal.

The study showed that financial technology influenced the ability to give comprehensive feedback on performance related issues, and to this effect, it indicated that there was real-time feedback and ease of referrals, that is, data is held on the system and could be retrieved at any time. Furthermore, the actual feedback could be obtained per individual which was more factual rather than subjective. This feedback is crucial for individual employees' development with a view of improvement in performance and eventually productivity. This tend to agree with Lunenburg (2011) indicated that the theory of expectancy (expectations are captured through targets and goals) helps to the organization in pin pointing specific determiners behind a precise behavioural outcome of individual employee. This help the organization to identify skill gaps that will be corrected quickly through training, for instance, without greatly impacting on the general performance of the organization.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter captures the researcher's summary of the findings and general conclusions drawn from the findings of the study. It further highlights recommendations and areas of suggested further studies

5.2 Summary of the Findings

The study findings reveal that KCB used financial technology products as part of their performance management practices. Among the performance management practices that KCB use is the balanced score card (BSC), dashboard, coaching and mentoring. It was also revealed that financial technology influence the setting of performance targets of individuals. Financial technology enhances the setting of performance targets of the organization and individuals at KCB. The findings indicate that application of financial technology provide and enhance financial business solutions. Basically, all the respondents appreciated the concept of use of technology to enhance financial services as the hallmark of financial technology. The findings also indicate that some of the key financial technologies services and products found at KCB include KCB mobile application (MyKash), KCB Mpesa, ATMs (automated teller machines) and VTMs (virtual teller machines), Online banking among many others. Moreover, it was found out that KCB adopted multifaceted performance management practices including use of balanced score card (BSC) and performance dashboards. This was blended with other practices like coaching, mentoring and use of 360 degree feedback as performance management practices. Further, it was found out that financial technology ensured that the organization has measureable/objective targets that they are specific, measureable, achievable, and realistic and time bound. This makes performance measurement not only to be easy but also to be more accurate. The findings also indicate that financial technologies assist in coming up with appropriate performance matrices. In addition, financial technologies influence decisions made on performance based rewards. It blocks any group rewards and staff earn rewards based on their individual contributions. It was also found out that verification of employee output could be reliable and verified with no subjectivity or manual appraisal system. This essentially made the whole process easier and transparent.

In terms of how financial technology influences the ability to give comprehensive feedback on performance related issues, the findings indicated that there was real-time feedback and ease of referrals, that is, data is held on the system and could be retrieved at any time. Furthermore, the actual feedback could be obtained per individual which was more factual rather than subjective.

The study also indicated how the individual performance is measured, that is through an online balanced score card (BSC) tool, productivity dashboards showing sales / number of transactions as a measure of performance and through tracking of customer complaints & resolutions. The study further reveals that financial technology influence development and administration of appraisal tools in various ways and agile financial technology influences KCB's decision on performance based rewards. Apart from influencing how performance attributes are measured, the study reveals that financial technology influences the ability to give comprehensive feedback on performance management by enhancing the quality of feedback and reducing time taken to relay the feedback. Finally the study brought out the rating indices in measuring performance in financial technology which included 1-does not meet target; 2-partially meets target; 3-meets target; 4-generally exceeds target; 5- exceeds target.

5.3 Conclusion

In order to keep the pace of ever changing technology, KCB must always adopt the latest financial technology innovations when considering performance management practice in the institution. It is an open secret that financial technology will always continuously annihilate traditional models of banking. It for this reason that KCB has to always move with speed in implementing and innovating viable technologies that will keep their products and services positioned in the right way in the market.

Performance management practices have in one way or another been influenced by financial technologies for instance the processes have been made instant in terms of providing feedback to the staff and the management. This has enabled the managers to put in place the necessary interventions in case the expected results are not found. Furthermore, this has shortened performance appraisal cycles instead of traditional annual cycles, making it easy to correct performance problems before it is too late. The rating indices should be more quantitative rather than qualitative to ensure that they bring out exactly what they measure. Since financial technology

has ensured that the organization have measureable and objective targets; targets that are specific, measureable, achievable, realistic and time bound and thus assure no room for subjectivity as targets are factual. This has made the performance management not only measurable but also to be easy to implement. Employees can easily see the areas of measurement and implement them accordingly. In addition this makes monitoring of achievement of targets to be easily traced. Essentially, financial technology has greatly influenced the performance management practices; it has in a salient way dictated the performance practices that can be retained and those that have to be inevitably be phased out.

5.4 Recommendations

Due to the agility nature of financial technology, it is recommended that KCB should put in place systems that will monitor the continuous change of the financial technology products in the market so that the company can continuously respond to not only the market demands but also their versatile customers. It is also recommended that as financial technology takes a foothold of the banking industry, KCB should come up with learning and development interventions that will ensure that the bank remains a market leader in offering financial technology products.

Equally important, it is recommended that the bank should continuously use multifaceted performance evaluation strategies that would not only help to eliminate human biasness but also technological biasness. Though performance measuring tools are automated, performance evaluation interviews need to be taken seriously by both the evaluators and the employees since they enable the system to capture other aspects of performance that cannot be captured by the technological systems.

5.5 Suggestions for further studies

Further studies that can be done in area of financial technology include:

The influence of financial technology on recruitment as a HR practice in the banking sector; Effect of financial technology on learning and development of staff in the banking industry; How financial technology affect human attributes of performance management attributes as exhibited by 360% evaluation; The influence of instant feedback as a result of financial technology to productivity of an organization and how financial technology influences the reward management system in the banking industry.

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APPENDIX 1: INTERVIEW GUIDE

SECTION A: DEMOGRAPHIC DATA

Personal information

1) In which position are you currently serving?

Senior Management

Middle Level Management

2) In which department are you currently serving?

Group human resource Director's office

Human resource Business Partnering

Reward

Learning & Development

Employee Relations

Other (specify) _____

3) How long have you worked in this company?

Below 10 years

11 - 20 years

Above 20 years

4) Specify Highest Level of Education

Secondary

College

University

5) Specify Gender

Male Female

6) Specify Age bracket

21 – 30 years

31 – 40 years

41 – 50 years

50 years and above

**SECTION B: RELATIONSHIP BETWEEN FINANCIAL TECHNOLOGY AND PERFORMANCE
MANAGEMENT PRACTICES**

- a) What is financial technology?
- b) Which are some of the financial technology services/products used in the bank?
- c) What performance management practices have you adopted?
- d) How does financial technology influence the setting of performance targets of individuals in your organization?
- e) Coming up with appropriate performance matrices is key in effectively measuring the performance of employees. How do you factor in financial technology when coming up with performance matrices?
- f) How does financial technology influence your development and administration of appraisal tools?
- g) How does agile financial technology influence your decision on performance-based rewards?
- h) How does financial technology influence your ability to give comprehensive feedback on performance-related issues?
- i) How is an employee's actual performance measured considering the recent innovations in financial technology?
- j) What rating indices are used in measuring an employee's performance?