

**A SURVEY OF THE APPLICATION OF PERFORMANCE
MANAGEMENT PRINCIPLES IN THE KENYAN COMMERCIAL
BANKING INDUSTRY**

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PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION**

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UNIVERSITY OF NAIROBI**

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DECLARATION

This management project is my original work and has not ^{been} presented for a degree in any other university

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This management project has been submitted for examination with my approval as the university supervisor

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ABSTRACT

The survey for the study was carried out between 17th September and 4th October 2003. The study was conducted with the objective of determining the extent of the application of performance management principles in the Kenyan commercial banking sector. To achieve this objective, primary data was collected from all the commercial banks in Kenya. The researcher adopted the list of the banks from the Central Bank of Kenya.

Analysis of the data indicated that all the banks practice performance management principles to a fair extent. However, further studies indicated that performance management principles are practiced in the larger banks as compared to the medium and small banks.

The findings from the analysis showed that the following performance management principles are most practiced by the banks:

- ♦ Line managers are actively involved in performance management
- ♦ All staff own the performance management system
- ♦ Teamwork is emphasized by your bank
- ♦ The bank emphasizes individual approach to task performance
- ♦ The bank's performance appraisal/review system is objective
- ♦ The bank's compensation system is based on performance
- ♦ Performance appraisal is used exclusively for performance improvement
- ♦ The bank's performance management system encourages coaching

The following performance management principles were found to be weak:

- ♦ The principle of mentoring.
- ♦ The principle of staff training and development.
- ♦ Counseling principle
- ♦ The principle of coaching

DEDICATION **ACKNOWLEDGEMENT**

To my parents, my family and to all my dear friends, for your patience,

I would like to thank the Almighty God through whose grace I have come to the completion of this programme.

My very sincere gratitude to all who contributed immensely in one way or another to the completion of this research project and to my entire MBA course. My special gratitude goes to my project supervisor, Pro. K'Obonyo, for his guidance and advice throughout this project.

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I owe my appreciation to all those who took the time to answer my questionnaires, thus making it possible to complete my project. I also owe my appreciation to my colleagues for their support and my friends for their understanding during this rigorous programme. Lastly, I wish to thank my employer, Know How International Limited for giving me the extra time to pursue this course and for their support.

God Bless you all.

DEDICATION

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To my parents, my family and to all my dear friends, for your patience, continued support and advice.

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CHAPTER 1

INTRODUCTION

1.0 Background of the Study

A manager's key responsibility within an organization is the conversion of corporate strategy, customer requirements, shareholders needs and all the other strategic issues into achievable action plans for their team. This process goes on right across and down the organization. It is the movement from the rare field and atmosphere of strategy into the arena of getting things done (Locket, 1992).

Performance Management is defined as a means of getting better results from the organization, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and attribute/competence requirements (Armstrong, 1994).

This is a process for establishing shared understanding about what is to be achieved, and an approach to managing and developing people in a way in which increases the probability that it will be achieved in the short and long term. It is about managing expectations between the manager and the individual. Performance Management is a process which is designed to improve organizational, team and individual performance. It is owned and driven by line managers.

We achieve Performance Management through a variety of tools and interventions at different levels in the organization. These include:

- Strategic planning
- Definition of organization goals, priorities and values
- Identification and application of appropriate performance goals and measures for the organization, for key processes, for functions and individual employees.

- Appraisal
- Personal development planning
- Learning and development activities
- Various forms of performance related pay

The precise mix of these different activities varies from organization to organization and may vary within a single organization depending on the corporate needs and objectives that have been identified. Nevertheless, if we were to manage performance effectively, we need to ensure that our various interventions are coordinated and that all are aligned with the organizations requirements (Walters, 1995).

Performance Management aims to clarify the organization's needs for business performance and setting up a process which ensures that it is delivered. This can only be done with a high level of strategic alignment of all the processes involved in the management and development of people throughout the entire organization. Each policy, procedure, system and process which relates to the development of people must be mutually reinforcing if the organization is to ensure that a clear message goes out about the direction in which it is going and the individual performance which is required to enable it get there. (Connock, 1991).

Two key perspectives of business strategies are:

Achieve today's performance

Develop the organization to take on the challenge of tomorrow so that current performance can be exceeded in the future. Performance Management principles need to apply to two concepts. These are:

- Performance. This is the achievement of agreed targets
 - Competence. This is the development of the skills and knowledge required to survive in the current future business environment.
- (Williams, 1998)

The essence of Performance Management is the development of individuals with competence and commitment, working towards the achievement of shared meaningful objectives within an organization, which supports and encourages that achievement.

Need for Performance Management in Today's Management Practice

Performance Management processes have come to the fore in recent years in management practice, as a means of providing a more integrated and continuous approach to the management of performance than was provided by previous isolated and often inadequate merit rating or performance appraisal schemes. Performance management is based on the principle of management by agreement or contract rather than management by command. It emphasizes development and the initiation of self-managed learning plans as well as the integration of individual and corporate objectives (Campbell, 1990).

It can play a major role in providing for an integrated and coherent range of human resource management processes which are mutually supportive and contribute as a whole to improving organization effectiveness.

The Kenyan Banking Industry

The banking industry in Kenya has been dogged by a lot of controversies in the past. There has been a hue and cry from the general public that they have been exploited in all manner of ways. When technology was embraced by subsidiaries of multinationals in the late nineties, a clear line was drawn between these banks and their clientele. They capitalised on this and resorted to charging exorbitant fees. For along time they were accused of making immoral profits from customers through these charges instead of making money from their core business – lending. Interest rates were equally very high and they could not be justified. The Central Bank Amendment bill 2000, and the recent remarks by the current finance minister Mr. David Mwiraria (Daily Nation, June 13th, 2003), are all aimed at regulating a sector which is core to the well-being of any economy. Bankers on the other hand have justified these high rates by citing the greater risks involved in lending to their customers. Poor debt management has led to the collapse of many banks while others have been put under statutory management. A recent example is the collapse of several banks and mergers of many such as Bullion bank Ltd which merged with Southern Credit Banking Corporation Ltd to form Southern Credit Banking Corporation Ltd. (Central Bank of Kenya Mergers of institutions, 2003) which owed the government several hundred million shillings. However, credit must be given to the banks, which have revolutionised money handling through innovative products like the debit card, and ATM machines that deposit cash, cheques, and foreign exchange and give out cash. All these problems that the industry has experienced would call for properly installed Performance Management systems.

STATEMENT OF THE PROBLEM

Research done in the western world has shown that Performance Management principles that organizations have applied have yielded good results (Lawson, 1995). In other words, firms that have applied these principles have been shown to perform better. It therefore follows that to be competitive, firms need to embrace Performance Management principles as part and parcel of their systems of management. Kenyan firms including banks, are no exception since they are exposed to competition in the global economy. However, no studies have been conducted in Kenya to the best of my knowledge to determine the extent of the application of these principles by the Kenyan commercial banks. As discussed in the background, the above problems could be attributed to the lack of properly installed Performance Management systems. It is therefore necessary to conduct a study to fill the gap in knowledge.

OBJECTIVE OF THE STUDY

The objective of the study is:

To determine the extent to which Kenyan commercial banks apply Performance Management principles.

IMPORTANCE OF STUDY

The findings of this study will be important to the following:

- All human resource practitioners and consultants, managers and employees in understanding the important role that effective Performance Management plays in organizations.

- Students of management who will be provided with further information in the area of study of Performance Management
- Researchers/academics will use the findings as a basis for further studies.
- The banking industry's performance is a powerful indicator of a country's economic performance. A negative or positive performance will directly reflect on the economy.
- The banking industry employs a huge number of employees as compared to other industries. Up to the recent past, labour turnover was very minimal in this industry. This consistency would enhance a solid study on Performance Management.

Its recognition grew out of the realization that a more continuous and integrated approach was needed to manage and reward performance. It had become apparent by then that crudely developed and hastily implemented performance related pay and appraisal systems were not delivering the results that, somewhat naively, people were expecting from them (Armstrong, 1994).

Performance Management traces its origin to three approaches to management, namely, Merit Rating, Management by Objectives (MBO) and Performance Appraisals.

Merit Rating

This requires managers to judge the worth of their staff against various work and personality factors or characteristics.

Management by Objectives

This is a dynamic system developed by Peter Drucker in 1952. It seeks to integrate the company's needs to clarify and achieve its profit and growth with the manager's need to contribute and develop him.

Performance Appraisal

LITERATURE REVIEW

2.0 Historical Development of the Performance Management Concept

Performance Management, which is one of the most important and positive developments in the sphere of human resource management in the recent years, was first coined by Beer and Ruh in 1976 but it did not become recognized as a distinctive approach until the mid-1980's. Its recognition grew out of the realization that a more continuous and integrated approach was needed to manage and reward performance. It had become apparent by then that crudely developed and hastily implemented performance related pay and appraisal systems were not delivering the results that somewhat naively, people were expecting from them (Armstrong, 1994).

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Performance Appraisal

The performance Appraisal systems were developed in the seventies and eighties and incorporated some features of MBO in what were termed as result-operated schemes. However, they have been operated as a top-down approach incorporating an annual appraisal meeting which dwelt on the past and was used mainly to determine "merit" pay awards which gradually became known as performance related pay. However, this became unpopular and Douglas McGregor phrased it as "playing at being God" (Spanberg, 1994).

Expectancy Theory

The philosophy of Performance Management

Performance Management is underpinned by a philosophy based on motivation theories.

Motivation theories

The three motivation theories which have contributed most to the philosophy of Performance Management are those concerning goals, reinforcement and expectancy.

Goal Setting Theory

This theory was developed by Laham and Locke (1979) on the basis of a fourteen year research programmed into goal setting as a motivational technique. They claimed that the level of production in the companies they studied was increased by an average of nineteen percent as a result of goal setting processes with the following characteristics:

- The goals should be specific
- They should be challenging but reachable
- Should be fair and reasonable
- Individuals should participate fully in the goal setting

- Feedback ensures that people develop a sense of pride and satisfaction
- Feedback will give commitment to even higher goals

Reinforcement Theory

This theory suggests that successes in achieving goals and rewards act as positive incentives and reinforce the successful behaviour, which is repeated the next time a similar need arises.

Expectancy Theory

This was originally developed by Vroom (1964) and states that for there to be a heightened motivation to perform, individuals have to:

- Feel able to change their behaviour
- Feel confident that a change in their behaviour will produce a reward
- Value the reward sufficiently to justify the change in behaviour (Daniels, 1987).

Basic principles of performance management

Performance Management is concerned with improving performance in order to achieve organizational, team and individual effectiveness. Improving performance is only achievable where there are effective processes of continuous development. This addresses the core competencies of the organization and the capabilities of individuals and teams. Since Performance Management is concerned with satisfying the needs and expectations of various stakeholders such as owners, management, employees, customers, suppliers and the general public, employees should be treated as partners in the enterprise whose interests are respected. To this end, Performance Management

encourages communication and involvement of managers and their team members in defining expectations and sharing information on the organization's mission, values and objectives (Lawson, 1995).

The following are the principles of Performance Management:

Conducting a Performance Improvement Analysis.

This entails comparing current performance against specific performance standards. The manager measures the frequency of employee behaviour (what the individual says or the physical movements made) and the outputs the physical evidence of completed work produced by those behaviours) prior to any management change. Through this analysis, one measures present performance, establishes standards, specifies why behaviour is deficient, calculates the net economic value of improvement after the cost of solutions and places them in priority order. The result of this analysis is the identification of potentially high payoff behaviours and outputs that can be improved (Burgoyne, 1996).

This is an important first step because quite often, key behaviours and outputs are overlooked or undervalued in organizations. This process, also referred to as Role Definition, provides the framework of Performance Management. It has three main stages:

- The purpose of the employee role.
This provides the foundation of the performance agreement because it summarizes what the role holder is expected to do.
- The Key Result Areas (KRA's)
These define the main output areas of the role and are the principle accountabilities which define the main output areas

of the role. The KRA's provide headings against which objectives and performance standards are agreed.

- The Key competencies

These are important because they indicate what the role holder has to be able to do and the behaviour required to perform the role effectively. Performance standards are used when it is not possible to set time-based targets and are sometimes referred to continuing objectives because their essential nature may not change significantly from one review period to another if the task remains unaltered (Fletcher, 1993).

Performance Management therefore provides a framework for the agreement of objectives as expressed in targets and standards of performance so that mutual understanding of these objectives and the role of both the managers and individual have to play in achieving them is increased.

Performance measurement is essential in the Performance Management system.

For any performance shown by the above analysis to have sufficient economic value to an organization, measuring the frequency of the performance against the desired standards is essential. While most organizations measure some performance, there are unfortunately, many key outputs and behaviours that are not measured. (Centre for organization excellence, 2003)

What gets measured gets done. Desired performances and the standards for judging them in terms that are measurable, observable

and objective are described and communicated. A description of the events that are signals prompting the response should be included.

Performance measures are agreed when setting objectives. The process involves defining not only what is to be achieved but how those concerned will know that it has been achieved. Performance measures should provide evidence of whether or not the intended result has been achieved and the extent to which the jobholder has produced that result. This forms the basis of generating feedback information for use not only by managers but also by individuals to monitor their own performance (Raise performance Principles, 2002).

Guidelines for defining performance measures are:

- Measures should relate to results not effort
- The results must be within the job holder's control
- Measures should be objective and observable
- Data must be available for measurement
- Existing measures should be used or adapted wherever possible (Armstrong 1994).

Measures can be classified under the following:

Finance – income, economic value added, shareholder value, added value, rates of return and costs.

Output – units produced or processed, throughput, new accounts

Impact – attainment of a standard (quality, level of service etc) changes in behaviour (internal and external customers), completion of work/project, level of take up of a service, innovation;

Reaction-judgement by others, colleague's internal and external customers

Time – speed of response or turnaround, achievements compared with timetables, amount of backlog, time to market, delivery times. (Gint, 1993).

Continuous improvement

This principle of the Performance Management system is carried out by giving continuous feedback to the individual. Feedback on performance should be provided to the individual involved and to the individual's manager, supervisor or group leader, rapidly – preferably immediately – with sufficient information to allow for self correction. Too often, feedback systems for many key behaviours and outputs are either absent or flawed (Cave, 1994).

Continuous feedback gives rise to the element of continuity in the Performance Management system. While giving feedback we should deliver positive consequences to the individual immediately after completion of the performance of the desired behaviours and outputs. The frequency of an individual's behaviour is affected by the consequences that follow it. If the consequences are positive to that individual, the behaviour tends to increase; if they are negative, the behaviour tends to decrease. Consequences should be delivered for as long as the performance is desired, or until naturally occurring consequences are strong enough to support the behaviour. How frequently you provide positive consequences is determined by how often the behaviour occurs, the phase of behaviour change you are in (causing the first new behaviour to occur, changing its frequency, or maintaining it) and the pattern of responses you desire which could be steady, maximum output, or peak for certain periods (Merit system principles and performance management, 1999).

The delivery of feedback should be continuous, contain a distinct informal element, and utilize input from multiple sources. Informal feedback should be "real time". Saving up performance issues good or bad for discussion at a later date is detrimental to the individual and

corporate health. Feedback should focus on specific expectations and behaviours that are related to job requirements and organization goals. The Performance Management system is designed to get two people to talk; it provides informal and formal methods of ensuring that line managers and employees talk constructively about performance planning and development. Communication is a consistent part of the day-to-day work of both supervisor and employees (Atkinson, 1984).

Performance Management therefore aims to enhance deliberate learning from experience. This means learning from the problems, challenges and successes inherent in people's day-to-day activities. Any occasion when managers issue instructions to individuals or agree with them what needs to be achieved, followed by a review of how well the task was accomplished, provides a learning opportunity.

Providing objective support to the aspect of the compensation decision.

However, since individual performance is only one factor in determining pay, it is important to communicate a pay philosophy that clarifies the organizations perspective on the relationship between pay and performance. Individual performance-related pay relates pay progression to the assessed performance of the individuals. Typical features of a performance-related pay are:

Pay structure – this is designed to provide scope for pay progression within pay brackets attached to job grades

- Pay progression and performance – the rate and limits of progression through the pay brackets are determined by performance ratings

- Decelerated progression – pay progression relating to performance is typically planned to decelerate through the grade because it is argued in line with the learning curve theory that pay increases should be higher during the earlier period in a job when learning is at its highest rate (Armstrong, 1994).

Incorporating the Performance Management system in all the organization's functions.

The system should balance consistency and flexibility; there should be an application across the organization along with enough flexibility in the system to adapt to the specific needs and preferences of departments and business units. This is referred to as the holistic approach to Performance Management. Performance Management should be integrated into the way the performance of the business is managed and it should link with other key processes and functions of the business. Accordingly, its belief is that everything that people do at work at any level contributes to achieving the overall purpose of the organization. This is also referred to as the vertical integration of the Performance Management system which is achieved vertically with the business strategy and business plans and goals (Barney, J 1991).

Team and individual objectives that support the achievement of corporate goals are agreed. These take the form of interlocking objectives from the corporate level to the functional (departmental) of business unit levels, and down to the team and individual level. In the human resources department specifically, the system should support and be integrated with the host of other human resource actions such as selection, disciplinary processes, training and retention efforts. This

horizontal integration means aligning performance management strategies with other human resource strategies concerned with valuing, paying, involving and developing people.

The Performance Management system is driven by line managers and owned by all the staff.

It is carried out by the line managers throughout the year. The line manager ensures clarity of goals, expectations and accountabilities for achieving success. The line manager should set goals and objectives at flexible levels so that they are adapted or modified to meet changing priorities and business challenges (Campbell 1990).

They should ensure that the system is simple, easy to understand and use and efficient. The line manager drives the process from the beginning of the year till the end, ensuring continuity and success. Accountability measures must be built into the system to ensure positive performance-related interactions occur and are conducted in a manner that achieves intent. Meanwhile, all the other employees contribute to the development of a high-involvement organization by getting teams and individuals to participate in defining their objectives and the means to achieve them. This creates ownership in them.

Staff Training and Development.

This process should provide for individual development and career planning. Line managers work together with staff to prepare, implement and review individual Performance Development Plans (PDP's). PDP's should be forward looking and integrate job goals and learning plans. Managers provide ongoing feedback and development

opportunities. Managers should use feedback sessions as foundations for providing further training, coaching and counselling. Line managers are also expected to mentor their staff. A performance related training philosophy involves relating training specifically to performance and competence requirements (Beardwell 1998).

An example is competence requirements that follow the introduction of a new product, process or system. In addition, in Performance Management, staff training and development should be value adding to the organization. Resources used on this should be value adding and training should not be regarded as simply the provision of short isolated courses at various points in a person's career.

Performance Appraisal

The performance appraisal should be used exclusively for performance improvement. Numerical ratings and forced distributions of performance measures work against the primary goals of Performance Management. These should be avoided. The following comment on ratings was made by Storey and Sisson (1993, Pg 325-386): "To reduce the subjectivity of Performance Management systems and increase the focus on continuous improvement, organizations have tended to move away from rating categories or labels toward summary statements that are behaviour orientated and more focused on future improvements".

The use of ratings to compare individuals, for so long a central element of appraisal forms and processes is now declining. Managers who argue for ratings say that it is not possible to have a performance-related pay without an overall rating in cases where performance related pay is wanted or needed. The feeling is that these ratings

provide a convenient means of summing up judgements so that high or low performances can easily be identified. They claim that ratings should let people know where they stand at least in the mind of the manager and can provide a basis for predicting potential on the somewhat dubious assumption that people who perform well in their existing jobs will perform well in the future in different jobs.(Employee performance and development plan, 2003)

This is dubious because past performance is only a predictor of future performance when there is a connecting link. However, numerical ratings work against the primary goals of Performance Management because it is not only difficult to achieve consistency between raters but ratings are likely to be based on largely subjective judgements, which could lead to an unfair and discriminatory system. It may also be beyond the manager's control to sum up the total performance of his staff with a single rating because this may oversimplify what could be a complex set of factors influencing performance. In cases where there are no explicit definitions in the rating scale of the standard of performance expected of anyone in that particular role, the manager may wonder what he would have to do to achieve a higher rating. Rating also encourages the manager to be dishonest. This is because it can turn an otherwise open, positive discussion into a top-down judgemental exercise. It ends up labelling people with a letter or a number, which is both demeaning and demotivation (Schein, 1984). This overshadows the positive developmental aspects of the review since it is known that the end product will be a rating that will inform a pay decision. Finally, ratings are backward minded because they convey opinions about past performance and say nothing about the future.

The essence of Performance Management is the development of individuals with competence and commitment working towards the achievement of shared meaningful objectives within an organization which supports and encourages that achievement. Competency is the development of the skills and knowledge required to survive in the current and future business environment (Williams 1998).

Performance Management is a process for assessing and improving performance based on the agreement of objectives, competence requirements and development needs, the measurement of achievements and performance in relation to those needs and the agreement of new objectives and developing plans on the basis of that measurement. A full performance management process is concerned not only with outputs in the form of results but also with the behavioural aspects of how the role is being carried out, which determines outcomes (Roberts, 1997).

Assessing these indicates what may need to be done to modify that behaviour in order to improve performance. The assessment of behaviour is best done by reference to properly researched and agreed competency dimensions, either generic competencies applying to a whole occupation, or individual job competencies.

Team Performance

This is a critical principle of the Performance Management system.

As defined by Schnneier and Beatty (1993, pg 254); "a team is a small number of people with complimentary skills who are committed to a common purpose, performance goals and approach for which they hold themselves mutually accountable."

Performance Management acts as a lever for change in developing a more performance oriented culture, hence increasing motivation and commitment of employees. Since teams are the basic units of performance for most organizations, they mix together the skills, experiences and insights of several people. Teams are created and energized by significant performance challenges and it is normal for teams to outperform individuals acting alone or in large organizational groupings, especially when performance requires multiple skills, judgements and experiences (Shaw, 1997).

High performance teams invest much time and effort exploring, shaping and agreeing on a purpose that belongs to them, both collectively and individually. They are characterized by a deep sense of commitment to their growth and successes.

Individual approach to task performance

The Performance Management system enables individuals to develop their abilities, increase their job satisfaction and achieve their potential to their own benefit and that of the organization as a whole. While teamwork is emphasised in Performance Management, it is also recognised that individual employees should be committed, identify with the organization, want to stay in it, and prepare to work hard on behalf of the organization (Lawson, 1995).

The employee does this by presenting the organization as one that is worth working for. The employee is expected to be clear of his individual objectives (which are in line with his departmental objectives), and work hard towards achieving them. He should endeavour to be dynamic, take initiative in all areas of his work rather than restricting himself to the job description only.

Objective performance appraisal/review meeting.

The performance appraisal is a formal discussion which enables a perspective to be obtained on past performance as a basis for making plans for the future. The meeting concentrates on not only what has happened but on why it has happened. This data is then used for planning purposes. The core of the appraisal meeting is on what should be done in the future in terms of making development and improvement plans. The manager and the employee get together so that they can engage in a dialogue about the individual's performance and development and the support provided by the manager. This support is an essential part of Performance Management (Rothwell 1995).

According to the Performance Management principles the performance appraisal meetings are not occasions where one party speaks while the other listens, or meetings where coercion and intimidation are the order of the day. Instead they are open meetings where both parties exchange views freely so that agreed conclusions can be reached. The main objective of a performance appraisal meeting in the Performance Management system is to reach agreed conclusions about the individual's development, identify areas of improvement and look for ways of achieving such improvements. The formal review meetings can be carried out annually, biannually or even quarterly. According to the Performance Management system, a professionally managed performance appraisal meeting should:

- Have measurement in assessing results against agreed targets or standards

- Have a feedback session where the employee gives information on how they are doing.
- Encourage positive reinforcement by emphasizing what has been done well so that it can be done even better and only making constructive criticism.
- Encourage free exchange of ideas
- Agree on action plans either to be implemented by individuals alone or by individuals with their manager's support (Armstrong, 1994).

Before the performance appraisal meeting, both parties should prepare adequately. The manager considers how well the individual has done in achieving objectives and meeting performance standards since the last review meeting and the extent to which personal development plans have been implemented. Factors that affect performance are analysed and so are the reasons for success or failure.

The individual conducts a self assessment by considering achievements and progress in meeting objectives and in implementing personal development plans and be prepared to explain the reason for any shortfall. He should consider any requirements for better support or guidance such as development and training needs and most importantly he should consider possible objectives for the next review period. According to the Performance Management system, a professionally run performance appraisal meeting should encourage the appraisee to do most of the talking while the manager listens actively but at the same time allowing for scope of reflection and analysis (Rodger, 1952).

However, the manager should be objective by analysing performance and not personality and must concentrate on the

entire period under review and not concentrate on isolated events. The performance appraisal system used under the Performance Management system is not about completing forms. However, it pays to have a format which can help in the orderly presentation of plans and comments.

CONCLUSION

The literature that has been reviewed lead to the conclusion that the key principles of Performance Management are:

1. The existence of a Performance Management system
2. Performance Management must be incorporated in all the functions of the organization
3. An employees current performance should be compared against specific performance standards
4. Employees continuous improvement should be emphasised
5. Staff training and development is a key component of the Performance Management system
6. A Performance Management system creates an environment that gives rise to the "Learning organization"
7. Performance Management is driven by line managers and owned by all members of staff
8. Performance Management is carried out throughout the year and is not just an annual event.
9. Performance measurement is a critical part of Performance Management
10. The Performance Management system emphasizes teamwork

11. Individual approach to task performance is key in an organizations Performance Management system.
12. The performance appraisal interview/review must be objective and professionally carried out.
13. An organizations compensation system should be based on performance
14. Performance appraisal should be exclusively used for performance improvement
15. The Performance Management system should develop individual competencies.
16. Coaching, counselling and mentoring should be integrated in an organizations Performance Management system.

3.3. Census

Since the population consisted of forty three commercial banks, I carried out the research by a Census. This means that all the commercial banks in Kenya were involved in the study.

3.4 Data Collection

Data was collected using a structured questionnaire consisting of both open and closed ended questions. The open-ended questions allowed me to gather varied views without restriction. The closed-ended questions were designed to access specific information. The questionnaires were self-administered by the respondents. The questionnaire was divided into two parts, A and B. Part A had questions aimed at collecting bio-data. Questions in part B were targeted at the objective of the study.

CHAPTER THREE

RESEARCH METHODOLOGY

This study used the survey research method.

3.1 Population

The population of this study comprised all the commercial banks in Kenya. A list was obtained from the Central Bank of Kenya and is attached as Appendix 111.

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3.4 Data Collection

Data was collected using a structured questionnaire consisting of both open and closed ended questions. The open-ended questions allowed me to gather varied views without restriction. The closed-ended questions were designed to access specific information. The questionnaires were self-administered by the respondents. The questionnaire was divided into two parts, A and B. Part A had questions aimed at collecting bio-data. Questions in part B were targeted at the objective of the study.

The operationalization of the extent of application of the Performance Management system, the number of principles applied by a bank constituted the measure of application.

3.4.1 Measure of the Extent of Application of Performance Management Principles

Extent of application was measured by the rating given by the respondents on the scale.

3.5 Data Analysis

Descriptive statistics such as frequencies and means were used to summarize and present data in graphical and cross-tabulation forms. Information from open-ended questions was used in explaining responses from closed-ended questions. The t-test was used to test for the difference between the responses from the banks.

DATA ANALYSIS AND INTERPRETATIONS

4.1 INTRODUCTION

This chapter is divided in to two sections. The first relates to the census biodata statistics, while the other relates to the objective of the study. Data analysis was guided by the research objectives presented in chapter one. The body of the report contains tables directly related to the objectives. A total of forty three questionnaires were issued out to all the Kenyan commercial banks headquarters in Nairobi.

4.2 RESPONSE RATE

Out of the forty three questionnaires issued out, thirty eight were returned. One questionnaire was wrongly completed and therefore not used in the analysis. This represents 88.4 % response rate.

from the Commercial Bank of Africa was wrongly completed and therefore treated as spoilt.

Banks were classified as Large, medium and small. This classification was obtained from the Central Bank of Kenya, and was based on net assets. Out of the nine large commercial banks targeted, all but one responded. This was Cit Bank. Despite several appeals to the target person, no response was given. Commercial bank of Africa filled in the questionnaire but completed it wrongly. That questionnaire was therefore disqualified for data analysis.

Out of the eighteen medium banks targeted, two banks i.e. First American Bank and National Industrial Credit did not respond. Both cited bank policies that strongly want employees from divulging any

Table 1: Response by banks

Size of bank	Frequency	Response rate %
Large banks	7	16%
Medium	16	37.5
Small banks	15	34.9%
Missing	5	11.6%
Total	43	100

From the findings presented in the table, the questionnaires, which were edited, coded and filled in elicited a success rate of 88.4%. This was as a result of four banks not responding. These were Citi Bank, First American Bank, NIC bank and Daima Bank. The questionnaire from the Commercial Bank of Africa was wrongly completed and therefore treated as spoilt.

Banks were classified as Large, medium and small. This classification was obtained from the Central Bank of Kenya, and was based on net assets. Out of the nine large commercial banks targeted, all but one responded. This was Citi Bank. Despite several appeals to the target person, no response was given. Commercial bank of Africa filled in the questionnaire but completed it wrongly. That questionnaire was therefore disqualified for data analysis.

Out of the eighteen medium banks targeted, two banks i.e. First American Bank and National Industrial Credit did not respond. Both cited bank policies that strongly warn employees from divulging any

type of bank information that is related to research and questionnaires.

Out of the seventeen small banks targeted, one of them i.e. Daima Bank did not respond despite several appeals and the target manager cited bank policies that strongly warn employees from divulging any type of bank information that is related to research and questionnaires.

4.3 BIO-DATA

The first section of the questionnaire required respondents to give biodata. This related to ownership, years of operation, respondents designation, and size of banks. The findings of the biodata information are compiled in the tables below.

4.3.2 Distribution of Banks by years of operation

4.3.1 Distribution of Kenyan commercial banks by ownership

As shown in table 3, more than half of the banks have been in

The ownership of most Kenyan commercial banks is local (81.6 %), while a few are purely foreign owned (10.5%). Those that have both local and foreign ownership comprise 5.3 %. These results are presented in table 2.

Table 2: Distribution of banks by ownership

Ownership	Frequency	Percent	Cumulative Percent
Local	31	81.6	83.8
Foreign	4	10.5	94.6
Both local and foreign	2	5.3	100.0
Missing	1	2.6	
Total	38	100	

4.3.2 Distribution of Banks by years of operation

As shown in table 3, more than half of the banks have been in operation in Kenya for over twenty years (60.5%). 21.1% have operated for between twenty one and forty years, only 5.3% have been in operation for forty two to sixty two years, while 7.9% have been in operation for over ninety five years.

Table 3: Distribution of banks by years of operation

Years of Operation	Frequency	Percent	Cumulative Percent
1-20	23	60.5	63.9
21-40	8	21.1	86.1
42-62	2	5.3	91.7
95 and above	3	7.9	100.0
Missing	2	5.3	
Total	38	100.0	

4.3.3 Respondents’ designation

Table 4 below shows that out of the managers interviewed, 5.3% were training managers, 47.4 were human resources managers, 7.9% were relationship managers, while 2.6 were office managers. 18.4 were operations managers, 2.6 were finance officers, 7.9 % Support managers, 5.3% were General Managers, and 2.6 Customer service managers. This means that the respondents were well positioned to give valid information about Performance Management in their banks.

Table 4: Respondents' designation

Respondents' designation	Frequency	Percent	Cumulative Percent
Training Manager	2	5.3	5.3
Human Resource Manager	18	47.4	52.6
Relationship Manager	3	7.9	60.5
Office Manager	1	2.6	63.2
Operations Manager	7	18.4	81.6
Finance Officer	1	2.6	84.2
Support Manager	3	7.9	92.1
General Manager	2	5.3	97.4
Customer Service Manager	1	2.6	100.0
Total	38	100.0	

4.34 Size of banks

From the list supplied by the Central Bank of Kenya, the bank sizes were defined by net assets base and were divided into large, medium and small. Out of the respondent's 18.4% of the banks are large, 42.1% medium while 39.5% are small.

Table 5: Size of banks

Size of bank	Frequency	Percent	Cumulative Percent
Large	7	18.4	18.4
Medium	16	42.1	60.5
Small	15	39.5	100.0
Total	38	100.0	

4.4 EXTENT OF APPLICATION OF PERFORMANCE MANAGEMENT PRINCIPLES BY THE KENYAN COMMERCIAL BANKS

The managers' responses towards their banks application of Performance Management principles are presented in table 6 below.

Table 6: Extent of application of Performance Management principles by the Kenyan Commercial banks.

Performance Management Principle	To no extent	To a little extent	To a moderate extent	To a large extent	To a very large extent	Cum .
	%	%	%	%	%	%
Performance Management is incorporated by your bank in all its functions	23.7	39.5	26.3	2.6	7.9	100
Current performance is compared against specific performance standards when appraising employees performance	21.1	36.8	23.7	7.9	10.5	100
Your bank uses continuous improvement as a means of improving productivity	23.7	44.7	23.7	5.3	2.6	100
Your bank uses staff training and development as a means of enhancing individual productivity	23.7	44.7	23.7	5.3	2.6	100

Performance Management Principle	To no extent	To a little extent	To a moderate extent	To a large extent	To a very large extent	Cum %
Your bank has put in place mechanisms for facilitating organizational learning	31.6	34.2	15.8	15.8	2.6	100
Line managers are actively involved in performance management	28.9	26.3	26.3	10.5	7.9	100
All staff own the performance management system	21.1	36.8	26.3	15.8	0	100
Performance management is carried out throughout the year and is not just an annual event	28.9	42.1	10.5	13.2	5.3	100
Teamwork is emphasized by your bank	28.9	28.9	23.7	10.5	7.9	100
The bank emphasizes individual approach to task performance	26.3	34.2	21.1	13.2	5.3	100
The banks performance appraisal/review system is objective	23.7	34.2	31.6	5.3	5.3	100
The banks compensation system is based on performance	13.2	52.6	21.1	2.6	10.5	100
Performance appraisal is used exclusively for performance improvement	21.1	44.7	18.4	7.9	7.9	100

Performance Management Principle	To no extent	To a little extent	To a moderate extent	To a large extent	To a very large extent	Cum . %
The banks Performance Management system encourages coaching	34.2	28.9	21.1	10.5	5.3	100
The banks Performance Management system encourages counseling	31.6	39.5	7.9	18.4	2.6	100
The banks Performance Management system encourages mentoring	52.6	15.8	18.5	13.2	2.6	100

Current performance as compared against specific performance standards when appraising employee's performance

It is also clear in table 5, that 37.9% of the banks either do not measure current performance against specific standards when appraising employee performance or measure them to a little extent. 23.7% measure performance against specific standards to a moderate extent. Only 7.9% of the banks fully (i.e. to a great / very great extent) compare current performance against specific performance standards when appraising employee performance.

Use of continuous improvement as a means of improving productivity

Table 6 also shows that 66.4% of the banks either do not use continuous improvement as a means of improving productivity or use it to some extent. 23.7% use continuous improvement as a means of improving productivity to a moderate extent. Only 7.9% of the banks

Incorporation of Performance Management in all functions of the bank

From the findings in table 6, 63.2% of the banks either do not apply Performance Management principles in all their functions or apply them to some extent. 26.3% have incorporated the said principles to a moderate extent. Only 10.5% of the banks have fully (i.e. to a great / very great extent) integrated Performance Management principles in all their functions.

Current performance as compared against specific performance standards when appraising employee's performance

It is also clear in table 6, that 57.9% of the banks either do not measure current performance against specific standards when appraising employee performance or measure them to a little extent. 23.7% measure performance against specific standards to a moderate extent. Only 7.9% of the banks fully (i.e. to a great / very great extent) compare current performance against specific performance standards when appraising employee performance.

Use of continuous improvement as a means of improving productivity

Table 6 also shows that 68.4% of the banks either do not use continuous improvement as a means of improving productivity or use it to some extent. 23.7% use continuous improvement as a means of improving productivity to a moderate extent. Only 7.9% of the banks

fully use (i.e. to a great/very great extent) continuous improvement as a means of improving productivity.

Use of staff training and development as a means of enhancing individual productivity

As shown in table 6, a large percentage of the banks, i.e. 68.4% either do not use staff training and development as a means of enhancing individual productivity or use it to a little extent. 23.7% use staff training and development as a means of enhancing individual productivity to a moderate extent. Only 7.9% of the banks fully use (i.e. to a great/ very great extent) staff training and development as a means of enhancing productivity.

Putting in place mechanisms for facilitating organizational learning

From table 6, 65.8% of the banks have either not put in place mechanisms for facilitating organizational learning or have put these mechanisms to a little extent. 15.8% have put in place mechanisms for facilitating organizational learning to a moderate extent. Only 18% of the banks have fully (i.e. to a great/very great extent) have fully put in place mechanisms for facilitating organizational learning.

Active involvement of Line managers in performance management

From table 6, 55.2% of the banks either have line managers not actively involved in performance management or have the line managers involved in performance management to a little extent. 26.3% have line managers actively involved in performance management to a moderate extent. Only 18.4% of the banks (i.e. to a great /very great extent) have line managers who are fully involved in performance management.

Ownership of the performance management system by all staff

It is also clear in table 6 that, 57.9% of the banks have staff who either do not own the performance management system or own it to a little extent. 26.3% of the bank's staff own the performance management system to a moderate extent. Only 6 %of the respondent's staff fully own (i.e. to a great/very great extent) the performance management system.

Performance management is carried out throughout the year

As shown in table 6, a large percentage of the banks, 71%, either do not carry out performance management throughout the year or carry it out throughout the year to a little extent. 10.5% carry out performance management throughout the year to a moderate extent. Only 18.5% of the banks fully (i.e. to a great/very great extent) carry out performance management fully throughout the year.

Putting emphasis on teamwork

From the findings in table 6, 57.8% of the banks either do not emphasize teamwork or emphasize it to a little extent. 23.7% of the banks emphasize teamwork to a moderate extent. Only 18.4% of the banks fully (i.e. to a great/very great extent) emphasize teamwork.

Putting emphasis on individual approach to task performance

From table 6, 60.5% of the banks do not emphasize individual approach to task performance or emphasize it to a little extent. 21.1% emphasize individual approach to task performance to a moderate extent. Only 18.5 % of the banks fully (i.e. to a great / very great extent) emphasize individual approach to task performance.

Use of objective performance appraisal/review system

It can be discerned from table 6 that, 57.9% of the banks either do not use objective performance appraisal/review system, or use objective performance review system to a little extent. 31.6% of the banks use objective performance appraisal/review system moderately. Only 10.6% of the banks fully use (i.e. to a great/very great extent) objective performance appraisal/review system.

Basing compensation system on performance

65.8% of the respondents either don't have their banks compensation system based on performance, or have their compensation system based on performance to a little extent. 21.1% have their banks compensation system based on performance to a moderate extent.

Only 13.1% of the respondents fully (to a great/very great extent) have their banks compensation system based on performance.

Use of Performance appraisal exclusively for performance improvement

It is also clear in table 6 that 65.8% of the banks either do not have performance appraisal used exclusively for performance improvement or have performance appraisal used exclusively for performance improvement to a little extent. 18.4% of the banks have performance appraisal used exclusively for performance improvement to a moderate extent. Only 15.8 % of the banks (i.e. to a great/very great extent) have performance appraisal used fully and exclusively for performance improvement.

Encouraging the use of performance management system for coaching

From table 6, 63.1% of the banks' performance management system either does not encourage coaching or encourages coaching to a little extent. 21.1% of the banks have performance management systems that encourage coaching to a moderate extent. Only 15.8% of the banks (i.e. to a great/very great extent) have performance management system that fully encourages coaching.

Encouraging the use of performance management system for counseling

It is also discernible from table 6 that 71.1% of the respondent banks' performance management system either does not encourage counseling or encourages counseling to a little extent. 7.9% of the banks have a performance management system that encourages counseling to a moderate extent. Only 21% of the banks' performance management system fully (to a great/very great extent) encourages counseling.

Integrating mentoring in the use performance management system

From the findings in table 6, 68.4% of the respondent banks' performance management system either does not encourage mentoring, or encourages mentoring to a little extent. 15.8 % of the banks have a performance management system that encourages mentoring to a moderate extent. Only 15.8% of the banks (to a great/very great extent) have performance management system that fully encourages mentoring.

4.5 MEAN SCORES FOR RESPONSES ON THE APPLICATION OF THE PRINCIPLES OF PERFORMANCE MANAGEMENT

The extent of the application of the principles of performance management was measured on a five-point Likert scale, ranging from 1 (minimal or no application) to 5 (full application). Thus a mean score of 2.5 represents moderate application. A mean score above 2.5 represents high level of application, while a mean score below 2.5 indicates a low level of application. Using this analytical framework, only one principle "Current performance is compared against specific performance standards when appraising employee's performance" had a mean score of 2.5.

Principles that ranked close to this and had mean scores of between 2.37 and 2.45 were:

- ◆ Line managers are actively involved in performance management
- ◆ All staff own the performance management system
- ◆ Teamwork is emphasized by your bank
- ◆ The bank emphasizes individual approach to task performance
- ◆ The bank's performance appraisal/review system is objective
- ◆ The bank's compensation system is based on performance
- ◆ Performance appraisal is used exclusively for performance improvement
- ◆ The bank's performance management system encourages coaching

It can also be discerned from table 7 that some Performance Management principles had very low mean scores. The principle that had the lowest mean score was:

- ◆ The banks Performance Management principle encourages mentoring

It can be concluded that mentoring is a principle that most managers don't practice as they manage performance. It had mean score of 1.97.

Others that had similarly low mean scores were as follows:

Principle	Mean	Std. Deviation	Variance
Your bank uses staff training and development as a means of enhancing individual productivity, with a mean score of 2.26	2.26	1.175	1.385
The bank's performance management system encourages counseling (M=2.21)	2.21	1.225	1.500
The bank's performance management system encourages coaching (M=2.24)	2.24	1.149	1.321
Your bank has put in place mechanisms for facilitating organisational learning	2.24	1.149	1.321
Line managers actively involved in performance management	2.42	1.244	1.545
All staff own the performance management system	2.37	.996	.995

TABLE 7: Distribution of Mean Scores for Performance Management

Principle	Mean	Std. Deviation	Variance
Performance measurement is incorporated by your bank in all its functions	2.32	1.118	1.249
Current performance is compared against specific Performance standards when appraising employee's performance	2.50	1.225	1.500
Your bank uses staff training and development as a means of enhancing individual productivity	2.18	.955	.911
Your bank uses staff training and development as a Means of enhancing individual productivity	2.26	1.178	1.388
Your bank has put in place mechanisms for facilitating organizational learning	2.24	1.149	1.321
Line managers actively involved in performance management	2.42	1.244	1.548
All staff own the performance management system	2.37	.998	.996

Overall, the mean scores presented in table 7 show that Performance Management principles are only practiced to a fair extent. The researcher therefore went a step further to conduct a t-test to

Principle	Mean	Std. Deviation	Variance
Performance management is carried out throughout the year and is not just an annual event	2.24	1.173	1.375
Teamwork is emphasized by your bank	2.39	1.242	1.543
The bank emphasizes individual approach to task performance	2.37	1.172	1.374
The banks performance appraisal/review system is objective	2.34	1.072	1.150
The banks compensation system is based on performance	2.45	1.108	1.227
Performance appraisal is used exclusively for performance improvement	2.37	1.149	1.320
The bank's performance system encourages coaching	2.24	1.195	1.429
The bank's performance management system encourages counseling	2.21	1.166	1.360
The bank's performance management system encourages mentoring	1.97	1.219	1.486

Overall, the mean scores presented in table 7 show that Performance Management principles are only practiced to a fair extent. The researcher therefore went a step further to conduct a t-test to

establish if there was a significant difference between large and small banks with respect to incorporation of the principles of Performance Management in all the functions of human resource management. This principle was chosen because it is representative of all the above principles.

CONCLUSIONS AND FINDINGS

Guided by the objectives in summary, the study shows that the following hypothesis was tested:

The Ho: The banks do not incorporate Performance Management principles in all their functions

The HA: The banks incorporate Performance Management principles in all their functions

$t=4.531, P \leq 0.05$

This indicates that the large banks incorporate Performance Management principles to all their functions to a large extent as opposed to the small banks.

- Line managers are actively involved in performance management
- The bank's compensation system is based on performance
- Performance appraisal is used exclusively for performance improvement
- The bank's performance management system encourages coaching

Since these principles are eight, which are 50% of all the principles (16 out of 32), it can be concluded that banks at least practice performance management principles to a fair extent. From the t-test results, it is clear that large banks practice these principles to a large extent as compared to the smaller ones. Most of the large banks have been seen to be either foreign owned (10.5 %) or partly local and partly foreign (5.3 %). The foreign owned banks like Barclays, and

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 MAJOR FINDINGS

Guided by the objectives in summary, the study shows that the managers who participated in the study had some reasonable awareness of the practice Performance Management principles.

5.1.1 The extent of application of performance management principles in the Kenyan commercial banks

The performance management principles that are most practiced by the banks are:

- ♦ Line managers are actively involved in performance management
- ♦ All staff own the performance management system
- ♦ Teamwork is emphasized by your bank
- ♦ The bank emphasizes individual approach to task performance
- ♦ The bank's performance appraisal/review system is objective
- ♦ The bank's compensation system is based on performance
- ♦ Performance appraisal is used exclusively for performance improvement
- ♦ The bank's performance management system encourages coaching

Since these principles are eight, which are 50% of all the principles (8 out of 16), it can be concluded that banks at least practice performance management principles to a fair extent. From the t-test results, it is clear that large banks practice these principles to a large extent as compared to the smaller ones. Most of the large banks have been seen to be either foreign owned (10.5 %) or partly local and partly foreign (5.3 %). The foreign owned banks like Barclays, and

Standard Chartered, which are products of western world management, practice these principles to a large extent and are the most successful in the Kenyan commercial banking sector. This is in line with the literature review which indicated that research done in the Western world have found that performance management practice has been applied and has yielded good results. Large local banks such as Co-operative Bank and other Kenyan commercial banks also tend to practice these principles. This could be due to of the challenges of managing a large workforce, coupled with the pressure to compete with their counterparts and yield good results. That is, they are forced to use their counterparts from the western world as a benchmark.

The weak principles were found to be:

- ◆ The principle of mentoring.

It would appear from the findings that mentoring is a principle that most managers do not practice as they manage performance. It had a mean score of 1.97.

- ◆ The principle of staff training and development. ($m=2.26$)

- ◆ Counseling principle ($m=2.21$)

The principle of coaching. ($M=2.24$)

These principles were weak for the entire banking sector. Coaching is a person-to-person technique designed to develop individual skills, knowledge and attitude while mentoring is the process of using specially selected and trained individuals to provide guidance and advice which will help to develop the careers of those who are involved. Career counseling on the other hand involves sessions in which the manager gives the employee the opportunity to discuss their aspirations while managers in turn, offer professional guidance on this (Pritchard 1993).

Adequate application of these principles would require managers who are highly trained in such skills; sometimes the immediate boss may not always be the best person to do it.

5.2 CONCLUSIONS

From the findings in chapter four and discussions in this chapter, it can be concluded that Performance Management principles are practiced by all the Kenyan commercial banks to a fair extent. It can further be concluded from the results of the t-test that large banks practice performance management principles more compared to the small banks. It is these big banks that always report better financial results.

5.3 RECOMMENDATIONS

In light of the above, the following recommendations are made:

- ◆ Performance Management system should be fully incorporated in the commercial banking practice in Kenya. Large banks have made a big attempt at this compared to the medium and small banks but they still have some principles that have not yet been well incorporated since they have low mean scores as discussed in chapter four.
- ◆ Since from the t-test large banks practice performance Management principles to a large extent as compared to the medium and small banks, and since they always report better financial results than their counterparts, the medium and small banks should follow this trend and wholly embrace these principles.

- ◆ Performance Management principles should be incorporated in all the functions of the banks.
- ◆ Performance Management should be driven by the line managers with the objective of developing the individual all round.
- ◆ Performance Management should be owned by all the employees for it to benefit the entire organization.

5.4 LIMITATIONS OF THE RESEARCH

The study was well conducted and the response rate was excellent. All the respondents but five answered the questionnaire. However, there were inevitable limitations of the study and these can be summarized as follows:

Secrecy of the banking industry

The banking industry has its codes of practice that prohibit managers from divulging banking information that would affect their customers in any way. This becomes very difficult to penetrate them. I had the advantage of collecting information more freely because the respondents happened to be my clients in consultancy so they did not feel constrained. However, for the four respondents who were not my clients i.e. Citi Bank, First American bank, National Industrial Credit and Daima Bank, flatly refused to give me any information.

Nature of work of the respondents

The banking industry is one of the busiest places to work in. I had to contend with most managers being away on meetings and taking too long with the questionnaires because of their very busy schedules. However, eventually they would settle down and fill them.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

The study of Performance Management is a new concept because Performance Management is a new practice of Management in the Human Resources management. As seen in the background of this study, it is more practiced in the Western world than in Kenya and it has yielded good results. It therefore needs to be explored further in Kenya and clear practice put in place to ensure proper management of the workforce for maximum productivity and success as in the Western world.

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A SURVEY OF THE EXTENT TO WHICH KENYA COMMERCIAL BANKS APPLY PERFORMANCE MANAGEMENT PRINCIPLES.

APPENDIX 1

QUESTIONNAIRE

APPENDICES

The information in this questionnaire will be treated confidentially, and will only be used for academic purposes. Please fill in the information required in the blank spaces.

SECTION A:

1. Name of Bank: _____
2. Ownership/ origin: _____
3. Number of years in operation: _____
4. Please indicate below the percentage of your business that goes to corporate customers and the percentage that is captured by retail customers.

Corporate: _____ %

Retail: _____ %
5. Title of respondent: _____

A SURVEY OF THE EXTENT TO WHICH KENYA COMMERCIAL BANKS APPLY PERFORMANCE MANAGEMENT PRINCIPLES.

APPENDIX 1

QUESTIONNAIRE

The information in this questionnaire will be treated confidentially, and will only be used for academic purposes. Please fill in the information required in the blank spaces.

SECTION A:

1. Name of Bank: _____

2. Ownership/ origin: _____

3. Number of years in operation: _____

4. Please indicate below the percentage of your business that goes to corporate customers and the percentage that is captured by retail customers.

Corporate: _____ %

Retail: _____ %

5. Title of respondent: _____

SECTION B

This section seeks to find out the extent to which Performance Management principles have been applied by the Kenyan commercial banks.

Please circle the level that best applies to your organization against each question. The scale is: -

- (1) To no extent; (2) To a little extent; (3) To a moderate extent; (4) To a large extent; (5) To a very large extent.**

Please indicate the extent to which:	1	2	3	4	5
1. Performance Management is incorporated by your bank in all its functions					
2. Current performance is compared against specific performance standards when appraising employees performance					
3. Your bank uses continuous improvement as a means of improving productivity					
4. Your bank uses staff training and development as a means of enhancing individual productivity					
5. Your bank has put in place mechanisms for facilitating organizational learning.					

- | | | | | | |
|---|---|--|--|--|--|
| 6. | Line managers are actively involved in Performance Management | | | | |
| How frequently do you measure performance? | | | | | |
| 7. | All staff own the Performance Management system | | | | |
| 8. | Performance Management is carried out throughout the year and is not just an annual event | | | | |
| 9. | Teamwork is emphasized by your bank | | | | |
| 10. | The bank emphasizes individual approach to task performance | | | | |
| If you measure performance, what techniques do you use? | | | | | |
| 11. | The banks performance appraisal /review system is objective | | | | |
| 12. | The banks compensation system is based on performance | | | | |
| 13. | Performance appraisal is used exclusively for performance improvement | | | | |
| 14. | The banks Performance Management system encourages coaching | | | | |
| 15. | The banks Performance Management system encourages counseling | | | | |
| 16. | The banks Performance Management system encourages mentoring | | | | |

APPENDIX II

All Commercial Banks of Kenya based on net assets

How frequently do you measure performance?

Barclays Bank of Kenya Ltd

CFC Bank Ltd

Citibank N.A

Commercial Bank of Africa Ltd

Cooperative Bank of Kenya Ltd

Investments & Mortgages Bank Ltd

Kenya Commercial Bank Ltd

National Bank of Kenya Ltd

If you measure performance, what techniques do you use?

MEDIUM (Kshs. 3 billion - 999 million)

African Banking Corp. Ltd

Akiba Bank Ltd

Bank of Baroda (K) Ltd

Bank of India Ltd

Credit Agricole Indosuez

Diamond Trust Bank Kenya Ltd

Flax Bank Ltd

First American Bank of Kenya Ltd

Guardian Bank Ltd

Giro Commercial Bank Ltd

Habib Bank A.G Zurich

Habib Bank Ltd

Imperial Bank Ltd

Middle East Bank Kenya Ltd

APPENDIX II

All Commercial Banks of Kenya based on net assets

LARGE (above Kshs 10 billion)

Barclays Bank of Kenya Ltd
CFC Bank Ltd
Citibank N.A
Commercial Bank of Africa Ltd
Cooperative Bank of Kenya Ltd
Investments & Mortgages Bank Ltd
Kenya Commercial Bank Ltd
National Bank of Kenya Ltd
Standard Chartered Bank of Kenya Ltd

MEDIUM (Kshs. 3 billion – 999 million)

African Banking Corp. Ltd
Akiba Bank Ltd
Bank of Baroda (K) Ltd
Bank of India Ltd
Credit Agricole Indosuez
Diamond Trust Bank Kenya Ltd
Fina Bank Ltd
First American Bank of Kenya Ltd
Guardian Bank Ltd
Giro Commercial Bank Ltd
Habib Bank A.G ZurichK
Habib Bank Ltd
Imperial Bank Ltd
Middle East Bank Kenya Ltd

National Industrial Credit Bank Ltd
Prime Bank Ltd
Stanbic Bank Kenya Ltd
Victoria Commercial Bank Ltd

SMALL (Below Kshs. 3 billion)

Chase Bank (K) Ltd
Charterhouse Bank Ltd
City Finance Bank Ltd
Consolidated Bank of Kenya Ltd
Credit Bank Ltd
Daima Bank Ltd
Development Bank of Kenya Ltd
Dubai Bank Kenya Ltd
Equatorial Commercial Bank
Euro Bank Ltd
Fidelity Commercial Bank Ltd
Industrial Development Bank
K-Rep Bank Ltd
Paramount Universal Bank Ltd
Southern Credit Banking Corp. Ltd
The Delphis Bank Ltd
Trans-National Bank Ltd

Source of information:

<http://www.centralbank.go.ke/cbk/BankInformation/commbanks.html>