EMPLOYEE EMPOWERMENT PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

PAULINE WANGUI KIRUBI

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

2014

DECLARATION

STUDENT'S DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:

……………………………………………..Date:…………………………………

PAULINE WANGUI KIRUBI

D61/60342/2013

SUPERVISOR'S DECLARATION

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

Signature…………………………………….….Date………………………………….

PROF. PETER K'OBONYO

Department of Business Administration, School of Business
University of Nairobi

DEDICATION

I dedicate this work to my dearly loved parents, Mr. & Mrs. D. K. Wahome, my twin sister, Hellen Kirubi and all those who supported me in the completion of this project.

ACKNOWLEDGEMENT

I take this opportunity to thank the Almighty God for seeing me through the completion of this project.

The work of carrying out this study needed adequate preparation and therefore called for collective responsibility of many personalities. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor Prof. K'Obonyo for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to him.

A special feeling of gratitude to my parents, Mr. & Mrs. D. K. Wahome, for their words of encouragement and daily prayers. They were a great source of encouragement for me to go back to school and undertake my Masters. My sister, Hellen Kirubi has always been at my side and always encouraged me when the going got tough. I also acknowledge my wonderful family at large and friends for your continuous encouragement and support.

Thank you all. May the Almighty God bless you abundantly.

LIST OF ABBREVIATIONS

AML	Anti-money Laundering
BSD	Bank Supervision Department
CBK	Central Bank of Kenya
EAC	East African Community
HR	Human resources
KBA	Kenya Bankers Association
MFBs	Microfinance Banks
MFC	Mortgage Finance Company
MFI	Micro-financial Institutions
SACCO	Savings and Credit Cooperative Organizations

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

Employee empowerment is a philosophy associated with real benefits for an organization. The banking sector is Human Capital Intensive since it relies heavily on its employees to offer services to its clients. Employee empowerment is a crucial Human Resource Management practice since it leads to the organization's competitiveness, success, uniqueness and most importantly its growth. One of the ways to achieve this is by empowering employees. The objective of the study was to establish the relationship between employee empowerment practices and performance of commercial banks in Kenya. The research adopted a descriptive cross-sectional survey. The research targeted all the 43 Commercial Banks licensed to operate in Kenya. Primary data was used and was collected using a semi-structured questionnaire. The questionnaire was administered through the drop and pick later procedure and the respondents were human resource managers or anybody else in charge of the HR function. Data was analyzed using descriptive statistics namely, frequencies, percentages, mean scores and standard deviations. The findings were that there are empowerment policies in all commercial banks in Kenya and these policies enable the employees in their individual career planning and developments. There was a positive correlation between employee empowerment practices and organizational performance. The study concluded that the employees of the commercial banks are made aware of their responsibilities, trained, and empowered with management roles such as participation in policy making and the freedom to make decisions within their jurisdiction. It also concluded that the banks encourage high productivity and innovativeness from the employees. The study recommends that empowerment practices be embraced whereby management can actively involve the employees in roles that will develop their skills and also adopt employee performance evaluation strategies. The study also recommends that banks should occasionally conduct customer satisfaction surveys so as to establish how best they can serve their clients and also conduct employee satisfaction surveys so as to establish ways in which the banks can provide the best working conditions for their employees to improve their productivity and that of the bank.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Human Resource Management consists of various practices that lead to the success of an organization. One such practice is known as employee empowerment practice which is defined as handing the power of decision and action to the employees and giving them more authority and responsibility to achieve their job and thus customer satisfaction (Jarrar & Zairi, 2002). Competition in organizations has necessitated the need to put in place several strategies to improve productivity. For example; employee empowerment, employee satisfaction, employee career development, employee rewards and benefits among many others. Being a service providing industry, commercial banks need to put into practice empowerment of its employees as it leads to a high quality service, increased profitability, low turnover, highly motivated and productive employees along with many other benefits. Ultimately, it leads to the achievement of organization's goals and objectives (Timothy & Saidu, 2013).

Organizations in the service industry such as banks encounter a three-way interface between the firm, the contact personnel, and the customer. With adequate empowerment, employees present a better image of the organization to the customers through their contact personnel. The contact personnel are most likely to determine whether a customer turns to other banks for a better and enjoyable service, which he or she cannot be offered in their current bank leading to competition (Ahmed & Rafiq, 2003). Product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example; there is only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the market place. Thus bank management tends to differentiate their firms from competitors through service quality (Deepika & Saxena, 2013).

For employees to provide a high quality service, they need to be empowered such that they can take part in establishing a goal for a task, designing a job or even the speed at which the work should take place, employees can take part in making choices among alternative courses of action presented to them such as working hours or placement of equipment, employees can take part in solving problems which involve defining the issues and setting the alternative courses of action and also employees can participate in making organizational changes such as setting company policies that might involve hiring, layoffs, profit sharing or investments (Nykodym, Simonetti, Nielsen, & Welling,1994).

1.1.1. Employee Empowerment

Employee empowerment is a crucial Human Resource Management practice since it leads to the organization's competitiveness, success, uniqueness and most importantly its growth. It is based on the idea that giving employees skills, resources, authority, opportunity, motivation as well as holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction. It is also the process of shifting authority and responsibility to employees at lower levels in the organization's hierarchy. It is a transfer of power from the managers to their subordinates (Ghosh, 2013). There are various definitions of empowerment by several scholars. For example; Empowerment has been defined in terms of job structure as the transfer of power or authority (e.g. Burke, 1986; Kanter 1977) or sharing of resources and information (e.g. Blau & Alba, 1982; Hardy & Leiba-O'Sullivan, 1998). Further, empowerment can also be described as employee participation in promotion, evaluation, job content, technological change, work standards, financial policies, cost control, organizational structure, workforce size, safety programs, work methods and pricing (Nykodym, et.al, 1994).

Empowerment is the belief that an employee has the ability to make decisions and to take action. For both individuals and teams, empowerment drives both employee behaviors and attitudes. Empowered employees are more satisfied and committed at work and are less likely to experience stress and to think about leaving the organization. Empowered employees are a result of both things about the workplace/job and things about the employee. To make the job more empowered, the banks need to provide positive leadership (e.g. trust, authenticity, support), high-performance managerial practices (e.g. training, rewards, recognition, participatory decision making), social/political support (e.g. access to resources, information sharing, fairness), and work characteristics (interesting work with a variety of different tasks) (Seibert, Wang, Courtright & Stephen, 2011).

1.1.2. Empowerment Practices

Empowerment is a management practice of sharing information, rewards and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance. It is based on the idea that giving employees skills, resources, authority, opportunity, motivation as well as holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction (businessdictionary.com). Employees can be empowered through the following practices; they should participate in decision making, they should have responsibility and authority to break the rules to enable excellent service and total customer satisfaction which does not mean doing anything unethical or illegal. Employees should be allowed to decorate their own workplace, they should set and monitor their product goals, and they should decide when to start and finish work and should also be free to dress as they please as long as it is formal. These empowerment practices, among many more will allow employees to bring out their full potential (Jarrar & Zairi, 2002).

Other empowerment practices include; skill/knowledge based pay whereby employees and/or teams share in the gains of the organization and are compensated for increases in their own skills and knowledge. Open flow of information which includes flow of information upwards and downwards in the organization so that employees have 'light of sight' about how their behavior affects firm performance. Flat organizational structures whereby empowering organizations tend to be decentralized where the span of control is wide, that is, more subordinates per manager. There is also training whereby effective efforts enable employees to build knowledge, skills and abilities, not only to do their own jobs better but also to learn about skills and the economics of the larger organization (Spreitzer, 2007).

1.1.3. Organizational Performance

The International Labor Organization (2005) defines organization performance as the achievement of high levels of performance, profitability and customer satisfaction by enhancing skills and engaging the enthusiasm of employees. The authors Lebans & Euske (2006: p.71) provide a set of definitions to illustrate the concept of organizational performance: Performance is a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results (Lebans & Euske 2006 after Kaplan & Norton, 1992). Performance is dynamic, requiring judgment and interpretation. In an organization, it may take many forms depending on whom and what the measurement is meant for. Different stakeholders require different performance indicators to enable them make informed decisions (Manyuru, 2005). Measures of performance generally include such bottom-line financial indicators as sales, profits, cash flow, return on equity and growth (Dess & Robinson, 1984). Thomas et al., (2007) note that using financial measures alone overlooks the fact that what enables a company achieve or deliver better financial results from its operations is the achievement of strategic objectives that improve its competitiveness and market strength.

Kaplan & Norton (1992) developed a system in which measurements are meant to drive performance where they cited productivity, employees' motivation and cost efficiency as the rightful measure of performance. Davenport & Harris, (2007) on the other hand, suggest that organizations will determine the level of performance by the overall organizational performance. They argue that the frontier for using data is not just in measurement but also in identifying the most profitable customers, determining the right price, accelerating product innovation, optimizing supply chains, and identifying the true drivers of financial performance.

1.1.4. Commercial Banks in Kenya

The banking industry is a very important sector in any country as it promotes national growth of the economy and also provides several services to its customers across the globe. Investopedia defines Commercial Bank as a financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending and basic investment products like savings accounts and certificates of deposit.

The Bank Supervision Department (BSD) mandate is stipulated in section 4(2) of the Central Bank of Kenya Act, which is to foster liquidity, solvency and proper functioning of a stable market-based financial system. Among its many functions is to develop appropriate laws, regulations and guidelines to achieve its objectives through continuous review of the Banking Act, Microfinance Act, Central Bank of Kenya Act and related prudential guidelines and regulations. As at 31st December 2013, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company-MFC), 7 representative offices of foreign banks, 9 Microfinance Banks (MFBs), 2 credit reference bureaus (CRBs) and 101 forex bureaus (Banking Supervision Annual Report-BSAR, 2013).

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests. The KBA serves as a forum to address issues affecting members. The banking sector in Kenya has continued to grow in assets, deposits, profitability and product offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African Community (EAC) region and automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products (Mukanzi, 2013).

In collaboration with various organizations, the Central Bank of Kenya undertakes a number of capacity building initiatives which is a form of empowering its employees. The initiatives include; Knowledge Exchange Visit to Bank of Uganda on Regulation of Money Remittance Business, Regional Microfinance Training in Kigali, Rwanda and also a course on AML & Terrorism Financing in Washington DC amongst many others undertaken in the year 2013 (BSD, 2013).

1.2. Research Problem

Employee empowerment is a philosophy associated with real benefits for an organization. Its underlying principle of giving employees the freedom, flexibility, and power to make decisions and solve problems leaves an employee feeling energized, capable, and determined to make the organization successful. As a result, quality of work increases, employee satisfaction increases, collaboration increases, employee productivity rises, and organizational costs decrease. All of these benefits enable an organization to achieve a competitive advantage and to improve its performance (Saylor, 2014). Sense of empowerment has a significant effect on employees' performance and organizational performance such as quicker and more direct response to customer needs, employees are more satisfied with their jobs and are able to meet departmental and company goals and they also become a valuable source of new ideas. In addition, empowered individuals quickly solve problems, are self-directed, committed and highly productive. They easily accept responsibility, and have a positive attitude about themselves, others and their environment (Asgarsani, et.al, 2013).

The banking sector is Human Capital Intensive since it relies heavily on its employees to offer services to its clients (Khalumba, 2012). To be effective, Commercial Banks must have a high degree of credibility. This requires considerable skills, expertise, experience and judgment on the part of its staff. Banking has been and will always be a people business. Though pricing is important, there may be other valid reasons why people select and stay with a particular bank such as, the product offered or the service offered. Product differentiation is almost impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. They therefore must try to distinguish themselves by creating their own niche or image so that they can achieve a high level of competitiveness (Chakrabarty, 2012). One of the ways to achieve this is by empowering employees. A bank that empowers its employees attracts more customers since they are offered a high quality service hence leading to high performance of the bank.

Prior studies on the concept of employee empowerment practices that have been carried out include: Nzuve & Bakari (2012) who studied the Relationship between empowerment and performance in the City Council of Nairobi. The study found that there was a very strong positive correlation between employee empowerment and performance. The study concluded that employee empowerment has a great positive influence on the performance of the City Council of Nairobi. Karia (2011) focused on Employees perception of the factors that influence empowerment in the Ministry of State for Public Service. She found that there were well established frameworks within which employee empowerment was built. Based on the findings, the management of the Ministry of State for Public Service made a commitment to support employee empowerment and has put in place measures that facilitate employee empowerment process. Chigozirim & Mazdarani (2008) studied the impact of Employee Empowerment on service quality and customer satisfaction at Länsförsäkringar Bank. From the analysis, the authors found that empowerment motivates the employees to greater service, and creates a greater sense of accomplishment or satisfaction with their jobs. The authors also observed a relationship between employee empowerment, service quality and customer satisfaction. Nyanchama (2009) researched on Employee Empowerment practices in Commercial Banks in Kenya. She found that majority of the banks in Kenya that she studied had policies in place on employee empowerment practices which are applied to a moderate extent.

The study on the relationship between empowerment and performance in the City Council of Nairobi was a case study that focused on one organization only while this study will focus on many organizations, that is, all the commercial banks in Kenya. The other three studies did not link employee empowerment practices to organizational performance but to other factors. This study sought to link employee empowerment practices to organizational performance (bank performance).The research question was: what is the relationship between employee empowerment practices and performance of commercial banks in Kenya?

1.3. Research Objective

The objective of the study was to establish the relationship between employee empowerment practices and performance of commercial banks in Kenya.

1.4. Value of the Study

The study would provide information that would enable the commercial banks in Kenya to establish the extent to which the empowerment policies have been applied and determine whether the practice of empowering employees influences the banks performance thus help in coming up with appropriate interventions. The study would also enable employees understand their role in the empowerment programme and how they stand to gain from its success.

Informative knowledge would be provided to the current and future Human Resource Managers in the banking industry and in other industries about the most pertinent empowerment practices to put in place considering their benefits to the organization's performance. The HR practitioners would gain an understanding of how significant employee empowerment is to organizations and to the employees and therefore recommend strategies to implement the same as a source of competitive advantage for the banks. The management of commercial banks in Kenya would be enlightened on the importance of employee empowerment. The recommendations that were given would help the managers to increase their investment in empowering employees.

The link between employee empowerment practice and the banks' performance may not necessarily be confined to banking sector thus the results may be a pointer towards what may happen in other sectors of the economy. Other researchers and students of human resource management would find this study a valuable guide in carrying out more research in this area and would also provide guidance on discussions about the importance of employee empowerment in organizations.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This section will focus on empowerment theories, empowerment practices, organizational performance, empowerment and organizational performance.

2.2. Empowerment Theories

One theory that illustrates empowerment in organizations is Kanter's structural theory of organizational empowerment. Kanter (1977) asserted that the structure of the work environment is an important correlate of employee attitude and behaviors in organizations and that perceived access to power and opportunity structures relate to the behaviors and attitudes of employees in organizations. He suggested that individuals display different behaviors depending on whether certain structural supports (power and opportunity) were in place. He also stated that there are two systemic sources of power, that is, formal and informal power. Formal power is that which accompanies high visibility jobs and requires a primary focus on independent decision making while informal power comes from building relationships and alliances with peers and colleagues. According to Kanter, there are six conditions required for empowerment to take place. They include; Opportunity for advancement/growth, access to information, access to support, access to resources, formal power and informal power (structural power). Kanter's theory has proven to have measurable impact on employee empowerment and job satisfaction as well as organizational morale and success.

Second theory is by Thomas & Velthouse (1990) who conceptualized empowerment in the form of four cognitions. They include; a sense of meaning, competence, self-determination and impact. They stated that the four dimensions are not predictors or outcomes of empowerment but rather comprise its very essence. Meaning or purpose involves a fit between the needs of one's work role and one's values, beliefs and behaviors. Competence or self-efficacy is a belief that one possesses the skills and abilities necessary to perform a job or a task well. Self-determination is the belief that one has autonomy or control over how one does his or her own work. Impact is the perception that one has influenced strategic, administrative, or operating outcomes at work to make a difference. The four cognitions are key elements of the empowerment process in the organization if employees have access to them. They are also known as the empowered mindset and are summarized in the diagram below.

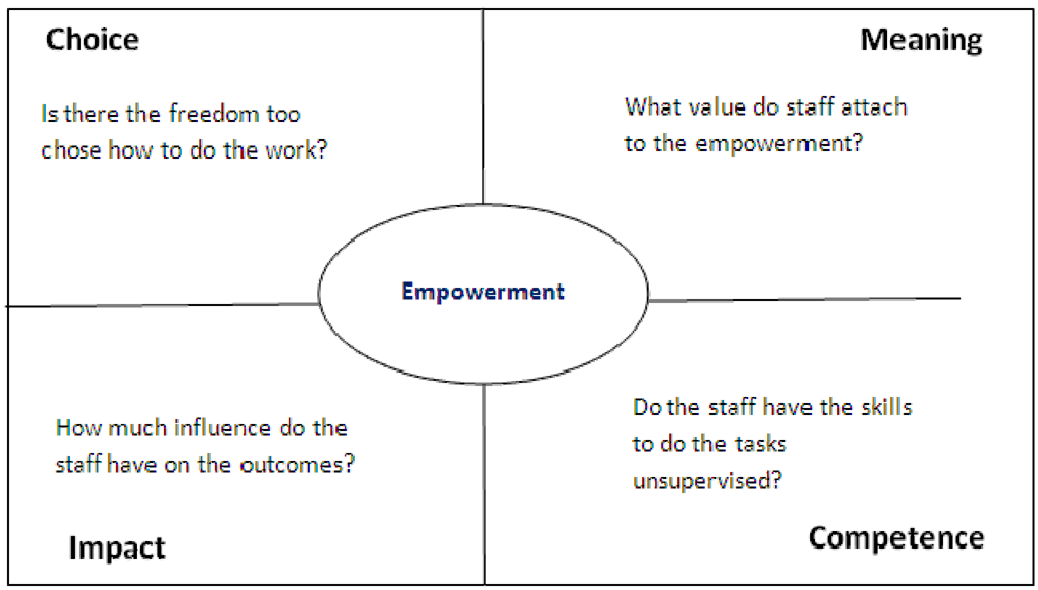


Figure 2.1: The Empowered Mindset by Thomas & Velthouse (1990)
Source: Thomas, K., & Velthouse B., (1990). Cognitive elements of empowerment: An interpretive model of intrinsic task motivation. Academy of Management Review. 15:666-681.

2.3. Empowerment Practices

According to Spreitzer & Doneson, (2005) contemporary management scholars and practitioners have used three different lenses to study and understand empowerment. They include; the social-structural perspective, the psychological perspective and the critical perspective. In the social structural, empowerment emphasizes the importance of changing organizational policies, practices and structures away from top down control systems towards high involvement practices (Bowen et al., 1995). In the psychological perspective, when employees feel empowered, they have more positive attitudes in terms of work/job satisfaction (Spreitzer, Kizilos, & Nason, 1997) and organizational commitment (Liden et al., 2000). In the critical perspective, critical and postmodern empowerment theorists contend that without the formal power structures of direct worker ownership and representation, typical empowerment interventions are in fact disempowering (Wendt, 2001) because real power still resides at the top of the organization (Boje & Rosalie, 2001). These theorists argue that feeling empowered is not the same as being empowered (Jacques, 1996). The social-structural perspective focuses on the organization. The psychological perspective drills down to the individual and their experience. And the critical perspective focuses on the political nature of empowerment and the potential for domination.

The concept of employee participation has been a focus for research and practice for many years. It has taken many different forms, evolving through the employee involvement and participative decision-making concepts into the contemporary empowerment perspective. The notion of empowerment involves the workforce being provided with a greater degree of flexibility and more freedom to make decisions relating to work. This contrasts clearly with traditional management techniques that have emphasized control, hierarchy and rigidity (Greasley, Bryman, Dainty, Price, Soetanto & King 2004). Jarrar & Zairi, (2002) proposed several practices that they thought suitable for empowering employees. The practices included; involving employees in decision making processes, giving employees the responsibility and authority to break the rules to enable excellent service and total customer satisfaction, allowing employees to decorate their own workplace, allowing employees to dress as they please, enabling employees to set and monitor their production goals, and finally allowing employees to decide when to start and finish work.

Empowerment of employees in an organization can be within four areas. First area is in participation of goal setting. Employees can take part in establishing a goal for a task, designing a job or even the speed at which the work should take place. Next, employees can take part in making choices among alternative courses of action presented to them such as working hours, placement of equipment or simply choices between set alternatives to complete a routine task. Third, employees can take part in solving problems, which involves defining the issues and setting the alternative courses of action. Finally, participation may involve making organizational changes, such as setting company policies that might involve hiring, layoffs, profit sharing or investments (Nykodym, et.al, 1994).

2.4. Organizational Performance

To perform is to carry through to completion. A performance period has three phases: It begins with intention that is, the desire to achieve a result, it engages in action, the means to achieve the desired result, it concludes with an outcome which may or may not be the desired result. This definition applies to both individual and organizational performance. An organization's performance involves identifying outcomes that it wants to achieve, creating plans to achieve those outcomes, carrying out those plans, and determining whether the outcomes were achieved. Success is achieving the planned outcomes (Wise, 2009).

Firm performance is how well or badly a firm is performing both financially and non-financially (Ramanujam & Venkatraman, 1987). Kaplan & Norton (2008) concur with these authors and argue that Balanced Scorecards Strategy considers financial indications as one of the critical measures of Firm Performance. They further argue that one of the goals of strategic planning is to make profits besides realizing other financial and non-financial benefits. Steiner (1979) contends that formal Strategic Planning links short, intermediate and long range plans. Non-financial measures composed of improving ability to evaluate alternatives, improving ability to avoid mistakes and improvement in budget process. Ability to evaluate alternatives involves tradeoffs and compromises to evaluate the full range of workable alternatives to see what will best solve the problem in a given situation.

High organizational performance is realized when all the parts of an organization work together to achieve great results with results being measured in terms of the value the organization delivers to its customers (James, 2012). These parts are: Strategic objectives which provide the direction in which everyone within the organization should head. They provide focus and ensure we are all working towards the same end. Organizational structure, this represents the form in which the organization will deliver its services. The structure must support the strategy just as the strategy must have regard to the structure. Business performance measures which represent how each area of the organization will be assessed. There is no single set of measures that may be applied across all organizations. In order to be relevant and of use to the organization, the measures must be determined in light of the organization's goals and the strategies put in place to achieve those goals. It is this measurement process that will direct behavior more than any other system that may be put in place. Further, the information must be easily obtainable in a timely manner. This requires the management information systems to be developed to collect the right data in an efficient way. Allocation of resources and processes, relates to the decision making approach that takes place within the organization. It is how the organization goes about deciding where to apply its scarce resources including money, time and effort in order to achieve its objectives (James, 2012).

2.5. Empowerment practices and Organizational Performance

Performance management is linked to employee empowerment in two ways; first, through goal setting. The more an employee understands his or her job, and how the job contributes to the overall organization, the better they will be able to make informed and expert decisions on their own. Employee empowerment requires this clarity, or the decisions that get made will often be the wrong ones. Second, empowerment implies accountability, along with the freedom to make decisions. One of the studies that provide direct support for the relationship between empowerment and firm performance is provided by Hitt, Bierman, Shimizu, & Koachhar's (2001). This study found a positive relationship between human capital (based on intellectual capabilities, knowledge, and social capital) and firm performance in a sample of professional organizations.

Another study that makes a possible link between empowerment and performance was done by Hechanova et al. (2006) on the relationship between psychological empowerment, job satisfaction and performance among Filipino service workers. The study found that psychological empowerment had a positive correlation with performance. Wood (2007) also did a study which found that employee empowerment was the key to improving performance and promoting innovation among manufacturing firms in Ireland. The study found that empowerment is the only practice that has significant effects on performance in all companies surveyed. Empirical work on employee empowerment and Multinational corporation performance supports the assertion that organizations that make use of empowerment practice are likely to experience higher levels of performance than their counterparts who do not (Earley, 1994; Henart & Larimo, 1998; Robert, et al. 2000: Randolph et al. 2002). While this may be true, that the practice of empowerment increases performance in organizations, most studies have ignored the influence of power distance on this relationship, yet culture influences the way activities are conducted in every host country thereby determining the performance level.

According to Vogt & Murrell (1997), employee empowerment (empowerment of individuals, groups, organizations and societies) is a noble, necessary and natural part of human development for the success of multinational corporations' operation throughout the world. The researchers further reported that employee empowerment is a technique to enable, to allow or to permit, that which, can be perceived as both self-initiated and initiated by others. That is, the process of empowerment enlarges the power in a situation as opposed to merely re-distributing it. Randolph (2000) referred to employee empowerment as a means of transferring appropriate and sufficient authority to employees and making resources available to enable them succeed in their jobs, providing them with a conducive environment and proper tools to enable them contribute to the organizational performance at a higher level. The researcher reported that management must help employees achieve these goals by coaching, teaching and enabling them to acquire the right skills for effective performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the research design adopted for the study, the population of the study, the data collection and the data analysis.

3.2 Research Design

The research adopted a descriptive cross-sectional survey. This design was considered appropriate because data was to be collected from a large number of respondents at a single point in time. It is also faster and cheaper (Dallal, 1998). It is undertaken in order to establish and describe the characteristics of variables in a population. Descriptive studies provide answers to questions on who, what, when, where, or how much. It involves collection of data from all members of the population or a representative sample (Cooper & Schindler, 2006).

3.2 Population of the study

The research targeted all the 43 Commercial Banks licensed to operate in Kenya (Banking Supervision Annual Report-BSAR, 2013).

3.3 Data Collection

Data was collected from all the 43 commercial banks hence the study was a census survey. Primary data was used and was collected using a semi-structured questionnaire. The questionnaire was divided into three sections. Section A had the respondents and the bank’s bio-data and section B focused on employee empowerment practices and section C focused on the non-financial measures of organizational performance. The questionnaire was administered through the drop and pick later procedure and the respondents were human resource managers or anybody else in charge of the HR function.

3.4 Data Analysis

Data was analyzed using descriptive statistics namely, frequencies, percentages, mean scores and standard deviations. This is because the data is both descriptive and quantitative in nature. To establish employee empowerment practices, frequencies and percentages were used to describe the most commonly used practices from what the respondents shall indicate. Mean scores and standard deviations were used to depict the relative potency of particular practices and variations among the banks on the extent to which such practices have been adopted. The results were presented in tabular form for ease of interpretation and reporting. Pearson’s correlation analysis was used to establish the relationship between empowerment practices and performance of the bank.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

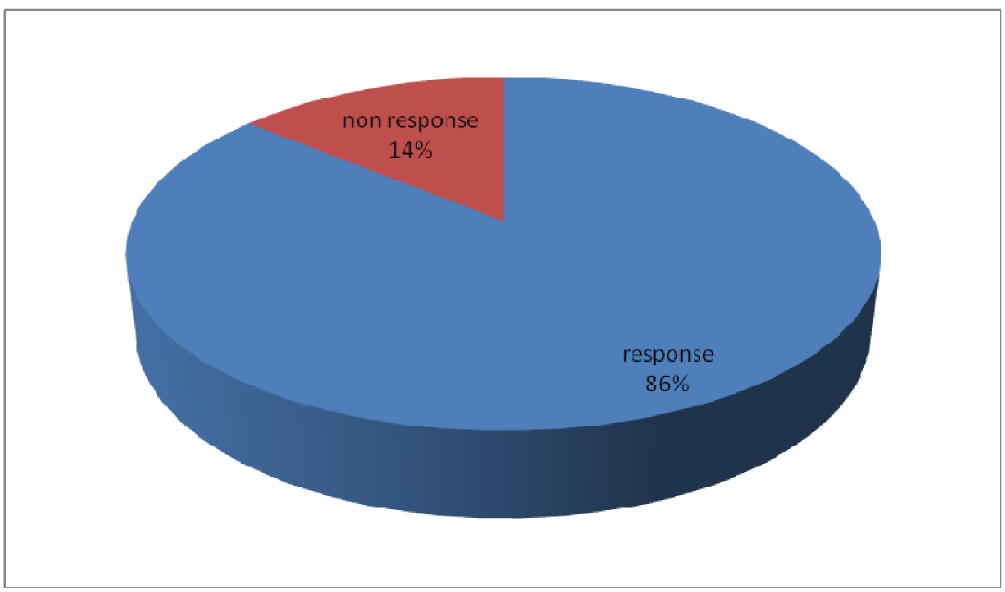
4.1 Introduction

This chapter presents data analysis of the data findings and interpretations of the same. It also presents findings and the discussion on the relationship between employee empowerment practices and performance of commercial banks in Kenya. The findings are represented in tables and figures.

4.2 Response Rate

A total of 43 questionnaires were administered. Of the 43 questionnaires distributed, only 37 were filled and returned. This translated to a response rate of 86%. According to Mugenda & Mugenda (2003), for a response rate to be representative, it should be at least 50%. Thus, the response for this study is considered adequate as shown in Figure 4.1.

Figure 4.1: Response Rate



Source: Research Data, 2014

4.3 Demographic Data

Demographic data was collected on the bank's year of incorporation, the size of the bank, distribution of the banks by size, size of the workforce, distribution of the banks by the workforce, scope of the bank and ownership structure of the bank. The details are presented herein.

4.3.1 Year of Incorporation

The study sought to establish the year when the banks were incorporated. The analysis shows that the oldest bank, Kenya Commercial Bank was licensed in 1896 and the youngest is United Bank for Africa which was licensed in 2009. 13 banks were established before 1980s. Between 1980 and 1990, 10 banks were formed. From 1990 to 2000, 9 banks were established and 4 others came on board from 2000 to 2010. The study incorporated banks that have been in existence for different periods of time and thus each bank brought a different set of experiences based on the time they have been in the industry.

4.3.2 Size of the Bank

The study sought to establish the size of the bank in terms of the number of branches. The responses are as shown in Table 4.1.

Table 4.1: Distribution of banks by size

Tier	Frequency	Percentage
Tier One	6	16
Tier Two	13	35
Tier Three	18	49
Total	**37**	**100**

Source: Research Data, 2014

From the findings in table 4.1, 16% of the respondents worked for banks in tier one, (35%) were in tire two and the majority (49%) was in tier three. The banks that were involved in the study were of different sizes and thus served different clienteles and thus brought different perspectives into the study. The table also shows that the findings were spread across all tiers in the banking industry.

4.3.3 Size of the workforce

The study sought information on the number of employees in each bank as shown in Table 4.2.

Table 4.2: Distribution of the banks by size of the workforce

	Frequency	**Percentage**
Below 1500	29	78
Between 1501-3000	4	11
Between 3001-6000	4	11
Total	**37**	**100**

Source: Research Data, 2014

As shown in Table 4.2, 78% of the bank had less than 1500 employees, 11% had from 1501 to 3000 employees and another 11% had from 3001 to 6000 employees. The different banks involved in the study had different numbers of employees and thus each bank had different ways of conducting employee empowerment programmes based on the number of its employees.

4.3.4 Scope of the Bank

The respondents were asked to indicate the scope of their respective banks in terms of geographical spread. The findings are presented in Table 4.3 which shows the responses on the scope of the bank.

Table 4.3: Classification of the banks by scope of operations

	Frequency	Percentage
Local (Within Kenya)	3	8
Regional (Within East Africa)	22	59
Global (Africa and beyond)	12	33
Total	**37**	**100**

Source: Research Data, 2014

As shown in Table 4.3, 8% of the banks involved in the study operated within Kenya, 59% of the banks operated within East Africa and those that operated in the global market (Africa and Beyond) were 33% of the respondents. The results imply that the banks involved in the study operated in different geographical scopes/regions and thus each had different views on empowerment practices.

4.3.5 Ownership Structure of the Bank

The study sought to establish the ownership structure of the bank. The responses are as shown in Table 4.4.

Table 4.4: Distribution of the banks by ownership structure

Ownership Structure	Frequency	Percentage
Both foreign and locally owned	8	22
Privately owned (Local)	5	14
Foreign owned	14	37
Both government and privately owned	7	19
Government owned	3	8
Total	**37**	**100**

Source: Research Data, 2014

Table 4.4 shows that 22% were both foreign and locally owned, 14% were local privately owned banks, 37% were foreign owned, 19% were both government and privately owned and 8% were government owned. Different banks involved in the study had different ownership structures. This brought into the study the different aspects the management considers in empowering its employees.

4.3.6 Policies on Employee Empowerment

The respondents were asked whether their banks had policies on employee empowerment. All the respondents (100%) said that their banks had such policies.

The respondents were then asked the importance of the empowerment policies to the organization and to the employees. The respondents said that the policies helped the employees in their individual career planning and developments. They also added that the policies make them aware of their rights as the employees and thus provided a good working environment.

4.4 Employee Empowerment Practices

The respondents were asked to rate the extent to which they agreed with the statements below on the employee empowerment practices. The findings are as shown in Table 4.5.

Table 4.5: Mean and Standard deviations for indicators of employee empowerment practices

Employee Empowerment practices	Mean	Std. Dev
Employees have access to organization's mission, vision and strategic plans.	2.345	0.002
Employees are involved in planning and setting of goals.	2.532	0.624
Management trusts that employees will do the right thing and make the right decision.	2.210	0.123
Employees are provided with the required information at all times to enable them to make decisions.	2.035	0.521
Management delegates authority to employees to enable them grow and develop new skills.	2.520	0.321

Managers provide frequent feedback to employees for reward/improvement purposes.	2.123	0..514
Managers solve problems by seeking to discover the root cause and not by blaming employees.	1.938	0.324
Managers listen to the employees and seek to learn from them as well as guide them.	2.354	0.145
Managers help employees to feel rewarded and recognized for empowered behavior.	2.456	0.231
Employees are provided with a degree of flexibility and freedom to make decisions relating to work.	3.014	0.3210.258
Employees participate in making organizational changes such as setting company policies that might involve hiring, layoffs, profit sharing or investments.	2.231	0.632
Employees are provided with performance managerial practices e.g. training, rewards, recognition and participatory decision making.	2.014	0.001
Employees have the responsibility and authority to break the rules to enable excellent service and total customer satisfaction.	2.564	0.210
Employees are allowed to decorate their own workplace.	2.541	0.003
Employees set and monitor their product goals and decide when to start and finish work.	2.654	0.216
Employees are free to dress as they please.	2.874	0.321
Employees are compensated for increasing their own skills and knowledge	2.123	0.412
There is an open flow of information upwards and downwards in the organization.	2.541	0.312
Management defines the employees' roles and assigns responsibility, authority and decision making power.	2.225	0.661
Management explains company vision and values, clarifies priorities, and teaches decision making and problem solving skills.	2.356	0.221

Source: Research Data, 2014

As shown in Table 4.5, employees have access to organization's mission, vision and strategic plans, the respondents agreed with a mean of 2.345. On whether employees are involved in planning and setting of goals, the respondents were neutral with a mean of 2.532. Greasley et al. (2004) stated that the notion of empowerment gives the workforce more freedom to make decisions relating to work. The respondents agreed that the management trusts that employees will do the right thing and make the right decision with a mean of 2.210 and also agreed that, employees are provided with the required information at all times to enable them to make decisions with a mean of 2.035. Organizational policies made available to the employees enlighten them on what is required of them at the work place (Jarrar & Zairi, 2002).

On whether management delegates authority to employees to enable them grow and develop new skills, the respondents were neutral with a mean of 2.520. Jarrar & Zairi, (2002) proposed several practices among them delegation of duties to the employee so as to nurture the leadership skills in them. According to Spreitzer, Kizilos & Nason (1997), employees feel empowered and have more positive attitudes in terms of work/job satisfaction once they are familiar with the empowerment policies in the organization. The respondents also said that the policies aid in the management of employee retention. Further the policies provide controls in the management of employee talents and talent growth.

On whether managers provide frequent feedback to employees for reward/improvement purposes, the respondents agreed with a mean of 2.123 and strongly agreed that managers solve problems by seeking to discover the root cause and not by blaming employees with a mean of 1.938. James (2012) stated that there is need for management information systems to be developed to collect the right data in an efficient way as well as maintain a good feedback between the management and the employees in an organization. The respondents agreed that managers listen to the employees and seek to learn from them as well as guide them with a mean of 2.354.

Respondents further agreed that managers help employees to feel rewarded and recognized for empowered behavior with a mean of 2.456. Jarrar & Zairi (2002) concluded that there is need for several strategies to improve productivity such as guidance mentorship and rewarding employees for their performance. On whether the Employees are provided with a degree of flexibility and freedom to make decisions relating to work, the respondents agreed with a mean of 3.014 and also agreed that employees participate in making organizational changes such as setting company policies that might involve hiring, layoffs, profit sharing or investments with a mean of 2.231. These findings are consistent with those of Nykodym, et.al (1994) who concluded that participation may involve making organizational changes, such as setting company policies that might involve hiring, layoffs, profit sharing or investments.

The respondents also agreed that employees are provided with performance managerial practices e.g. training, rewards, recognition and participatory decision making with a mean of 2.014. James (2012) highlighted that there is need for management to nurture leadership skills among employees by allowing them to take up managerial roles such as decision making and participation in policy formulation. The respondents were neutral on whether employees have the responsibility and authority to break the rules to enable excellent service and total customer satisfaction, whether employees are allowed to decorate their own workplace, whether employees set and monitor their product goals and decide when to start and finish work and whether employees are free to dress as they please with means of 2.564, 2.541, 2.654 and 2.874 respectively. According to Jarrar & Zairi (2002) Employees should be allowed to decorate their own workplace, they should set and monitor their product goals, and they should decide when to start and finish work and should also be free to dress as they please as long as it is formal and have the authority to break the rules to enable excellent service and total customer satisfaction.

The respondents agreed that employees are compensated for increasing their own skills and knowledge with a mean of 2.123 and Management defines the employees' roles and assigns responsibility, authority and decision making power with a mean of 2.225. On whether there is an open flow of information upwards and downwards in the organization the respondents were neutral with a mean of 2.541 and agreed that management explains company vision and values, clarifies priorities, and teaches decision making and problem solving skills with a mean of 2.356. These findings are consistent with those of Spreitzer (2007) who stated that organizations should have skill/knowledge based pay whereby employees and/or teams share in the gains of the organization and are compensated for increase in their own skills and knowledge and ensure there is open flow of information which includes flow of information upwards and downwards in the organization so that employees have 'light of sight' about how their behavior affects firm performance.

4.5 Non-Financial Measures of Organizational Performance

The respondents were asked the extent to which they agreed with the statements below on Non- financial Measures of organizational performance. The responses are as shown in Table 4.6.

Table 4.6: Non-Financial Measures of Organizational Performance

Non-financial measures of organizational performance	Mean	Std. Dev
Productivity of employees is much higher than industry average.	2.895	0.002
Employees feel very committed to the organization.	2.315	0.321
Employees are highly satisfied.	2.221	0.145
Absenteeism in our company is very low (in comparison to competition).	2.520	0.651
Learning ability and adaptability of employees is high (in comparison to competition).	2.431	0.135
There is increased productivity, innovative ability and activity among employees.	1.012	0.452
There is high proximity to customers and increased customer satisfaction.	1.234	0.621
There is ability of the bank to develop new innovative financial products for its customers.	1.345	0.987
There is a very active quality control section in the organization.	2.314	0.224
The organization provides high quality services.	1.231	0.135
The organization obtains frequent feedback from customers about the quality of services provided.	1.987	0.245
There are mechanisms in place to ensure continuous improvement in service quality.	1.261	0.118
The quality of services has improved tremendously within the last three years.	1.219	0.452
There is a customer care section in the organization.	1.120	0.321
There are established mechanisms through which customers can channel their complaints.	1.023	0.211
There are mechanisms to ensure that customer complaints are resolved to their satisfaction.	1.057	0.321
Customer satisfaction surveys are carried out frequently.	2.321	0417
Customer claims are processed within a reasonable period of time.	1.451	0.325
The organization is very efficient in service delivery.	2.145	0.963
Your current financial performance is satisfying.	2.987	0.113

Source: Research Data, 2014

On whether productivity of employees is much higher than industry average, the respondents were neutral with a mean of 2.895. Kaplan & Norton (1992) developed a system in which measurements are meant to drive performance where they cited productivity, employees' motivation and cost efficiency as the rightful measure of performance. The respondents agreed that employees feel very committed to the organization with a mean of 2.315 and that employees are highly satisfied with a mean of 2.221. Saylor (2014) argues that empowerment has a significant effect on employees' performance and organizational performance such as employees are more satisfied with their jobs. On whether absenteeism in our company is very low (in comparison to competition) the respondents were neutral with a mean of 2.520.

Concerning the learning ability and adaptability of employees (in comparison to competition) the respondents were neutral with a mean of 2.431. Timothy & Saidu (2013) highlighted that competition in organizations has necessitated the need to put in place several strategies to improve productivity and foster innovativeness among the employees. This was supported by the respondents who strongly agreed that there is increased productivity, innovative ability and activity among employees with a mean of 1.012, that there is high proximity to customers and increased customer satisfaction with a mean of 1.234 and that there is ability of the bank to develop new innovative financial products for its customers with a mean of 1.345.

Being a service providing industry, commercial banks need to put into practice innovative ideas and develop products that suit the customer's needs. The respondents also agreed that there is a very active quality control section in the organization with a mean of 2.314 and strongly agreed that the organization provides high quality services with a mean of 1.231. The respondents agreed that the organization obtains frequent feedback from customers about the quality of services provided with a mean of 1.987 and that there are mechanisms in place to ensure continuous improvement in service quality with a mean of 1.261. According to Timothy & Saidu (2013), organizations in the service industry such as banks need to maintain constant information with its clients and ensure the provision of high quality services to its customers.

As to whether the quality of services has improved tremendously within the last three years, the respondents strongly agreed with a mean of 1.219 and that there is a customer care section in the organization with a mean of 1.120. Asked whether there are established mechanisms through which customers can channel their complaints, the respondents strongly agreed with a mean of 1.023 and also strongly agreed that there are mechanisms to ensure that customer complaints are resolved to their satisfaction with a mean of 1.057. Ahmed & Rafiq (2003) highlighted that customers should have channels through which they air complaints since contact personnel are most likely to determine whether a customer turns to other banks for a better and enjoyable service, which he or she cannot be offered in their current bank leading to competition.

With regard to whether customer satisfaction surveys are carried out frequently, the respondents agreed with a mean of 2.321 and strongly agreed that customer claims are processed within a reasonable period of time with a mean of 1.451. Asked whether the organization is very efficient in service delivery, the respondents agreed with a mean of 2.145 and were neutral on whether the bank's current financial performance is satisfying with a mean of 2.987. According to Deepika & Saxena (2013) Product differentiation is impossible in a competitive environment like the banking industry and thus banks have to be innovative in its delivery of service and the products so as to ensure that customers are satisfied and thus improve the financial performance of the bank.

4.6 Correlation Analysis

In order to establish the relationship between empowerment practices and organizational performance, Pearson product moment correlation analysis was used. Table 4.7 presents the findings.

Table 4.7: Correlation Analysis coefficient for the relationship between empowerment practices and Organizational Performance

		Empowerment Practices	Organizational Performance
Empowerment practices	Pearson Correlation	1	
	Sig. (2-tailed)	0.018	
Organizational performance	Pearson Correlation	.758	1
	Sig. (2-tailed)	.0214	

Source: Research Data, 2014

Pearson's Moment of Correlation analysis was conducted at 95% confidence interval. Table 4.7 indicates the correlation matrix between the factor empowerment practices and organizational performance. According to the correlation matrix, there is a strong positive and significant relationship between empowerment practices and organizational performance ($r=0.758$, $p<0.05$). The strong and significant positive relationship, implying that as empowerment increases in strength, non-financial performance increases in response. There is a correlation between the empowerment practices and performance.

4.7 Discussion of the Findings

The objective of the study was to establish the relationship between employee empowerment practices and performance of commercial banks in Kenya. It established that there is a strong positive and significant relationship between empowerment practices and organizational performance. This concurred with Hitt, Bierman, Shimizu, & Koachhar's (2001) who concluded that there is a positive relationship between human capital (based on intellectual capabilities, knowledge, and social capital) and firm performance. Wood (2007) also in his findings affirms that employee empowerment is the key to improving performance.

The study also sought to establish employee empowerment practices among the commercial banks in Kenya. It established that employees have access to organization’s mission, vision and strategic plans. Greasley et al. (2004) stated that the notion of empowerment gives the workforce more freedom to make decisions relating to work. The findings also showed that management trusts that employees will do the right thing and make the right decision and that employees are provided with the required information at all times to enable them make decisions. Organizational policies made available to the employees enlighten them on what is required of them at the work place (Jarrar & Zairi, 2002).

The study also established that managers provide frequent feedback to employees for reward/improvement purposes, and also that managers solve problems by seeking to discover the root cause and not by blaming employees. This supports James’ (2012) statement that there is need for management information systems to be developed to collect the right data in an efficient way as well as maintain a good feedback between the management and the employees in an organization. The study also established that managers listen to the employees and seek to learn from them as well as guide them and that managers help employees to feel rewarded and recognized for empowered behavior. Jarrar & Zairi (2002) concluded that there is need for several strategies to improve productivity such as guidance mentorship and rewarding employees for their performance.

Employees are provided with a degree of flexibility and freedom to make decisions relating to work in commercial banks and also employees participate in making organizational changes such as setting company policies that might involve hiring, layoffs, profit sharing or investments. These findings are consistent with those of

Nykodym, et.al (1994) who concluded that participation may involve making organizational changes, such as setting company policies that might involve hiring, layoffs, profit sharing or investments. The findings also showed that employees are provided with performance managerial practices e.g. training, rewards, recognition and participatory decision making.

James (2012) highlighted the fact that there is need for management to nurture leadership skills among employees by allowing them to take up managerial roles such as decision, making and participation in policy formulation. The findings also showed that employees are compensated for increasing their own skills and knowledge and Management defines the employees' roles and assigns responsibility, authority and decision making power. On the non financial measures of organizational performance, the study established that employees feel very committed to the organization and that employees are highly satisfied. Saylor (2014) argues that empowerment has a significant effect on employees' performance and organizational performance such as employees are more satisfied with their jobs.

The findings further showed that there is increased productivity, innovative ability and activity among employees and that there is high proximity to customers and increased customer satisfaction since the bank has the ability of the bank to develop new innovative financial products for its customers. Being a service providing industry, commercial banks need to put into practice innovative ideas and develop products that suit the customer's needs. The study also established that there is a very active quality control section in the organization and that the organization provides high quality services. The findings also showed that organizations obtain frequent feedback from customers about the quality of services provided and that there are mechanisms in place to ensure continuous improvement in service quality.

According to Timothy and Saidu (2013), organizations in the service industry such as banks need to maintain constant information with its clients and ensure the provision of high quality services to its customers. The study established that quality of services has improved tremendously within the last three years, the respondents and that there is a customer care section in the organization. From the findings the study reveals that there are established mechanisms through which customers can channel their complaints the respondents and mechanisms that ensure customer complaints are resolved to their satisfaction. Ahmed & Rafiq (2003) highlighted that customer should have channels through which they air complaints since contact personnel are most likely to determine whether a customer turns to other banks for a better and enjoyable service, which he or she cannot be offered in their current bank leading to competition.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings and the conclusion from the findings highlighted and recommendations. The conclusions and recommendations were drawn in addressing the research question or achieving the research objective which was to establish the relationship between employee empowerment practices and performance of commercial banks in Kenya.

5.2 Summary of Findings

A total of 43 questionnaires were distributed and only 37 were filled and returned. The analysis shows that the oldest bank, Kenya Commercial Bank was licensed in 1896 and the youngest is United Bank for Africa which was licensed in 2009. The banks that were involved in the study were of different sizes and thus served different clienteles who brought different perspectives into the study. The findings were spread across the three tiers in the banking industry. The different banks involved in the study had different numbers of employees and thus each bank had different ways of conducting employee empowerment programmes based on the number of its employees. All the respondents (100%) said that their banks had such policies. The results imply that the banks involved in the study operated in different geographical scopes/regions and thus each had different views on empowerment practices. The banks involved in the study had different ownership structures.

The respondents were then asked the importance of the empowerment policies to the organization and to the employees. The respondents said that the policies helped the employees in their individual career planning and developments. They also added that the policies make them aware of their rights as the employees and thus provided a good working environment. According to the correlation matrix, there is a strong positive and significant relationship between empowerment practices and organizational performance. The strong and significant positive relationship, implying that as empowerment increases in strength, non-financial performance increases in response. Therefore, there is a correlation between the empowerment practices and performance.

5.3 Conclusion

The study made the following conclusions:

There are empowerment policies in all commercial banks in Kenya and that these policies enable the employees in their individual career planning and developments. They also make them aware of their rights as the employees and thus provided a good working environment. The policies aid in the management of employee retention. Further the policies provide controls in the management of employee talents and talent growth. The study also concludes that employee empowerment practices positively affect the organizational performance as indicated by the positive correlation coefficient.

Commercial banks in Kenya practice employee empowerment. The study concludes that the employees of the commercial banks are made aware of their responsibilities, trained, and empowered with management roles such as participation in policy making and the freedom to make decisions within their jurisdiction.

The study further concludes that commercial banks in Kenya use non-financial measures so as to influence the performance of the organizations. It concluded that the banks encourage high productivity and innovativeness from the employees. They also devise mechanisms to attend to customer complaints as well as continuous improvement in service delivery from the banks to their customers.

5.4 Recommendations

From the findings the respondents were neutral on whether the management delegates authority to employees to enable them grow and develop new skills. This study therefore recommends that empowerment practices be embraced whereby management can actively involve the employees in roles that will develop their skills. Banks should also adopt empowerment practices such as facilitation of training in professional and technical skills among the employees so as to develop their skills.

The study recommends that the commercial banks adopt employee performance evaluation strategies. This is necessary as the findings indicated that the respondents were neutral on the productivity of employees. Development of these strategies will enable the banks to evaluate their employees' performance.

The study also recommends that the banks occasionally conduct customer satisfaction surveys so as to establish how best they can serve their clients. It also recommends that the banks conduct employee satisfaction surveys so as to establish ways in which the banks can provide the best working conditions for their employees to improve their productivity and that of the firm.

5.5 Recommendations for Further Research

This study concentrated on commercial banks in Kenya alone and thus did not collect the views from other financial institutions such as MFIs (Micro-financial Institutions) and SACCOs (Savings and Credit Cooperative Organizations). It is therefore recommended that in future, the study be conducted across all financial institutions. This will be important so as to generalize findings for the entire finance industry.

The study also recommends that in future, a study be conducted on the effectiveness of empowerment practices in improving the employee performance. This study will be key in identifying whether the empowerment practices adopted by organizations are important in improving the performance of the employees and what other strategies can be adopted so as to improve employee productivity.

REFERENCES

Ahmed, H. & Rafiq, H. (2003). *Marketing Principles and Perspectives*. (3rd ed.). New York: McGrawHill.

Asgarsani H., Duostdar O., & Rostami, A. (2013). Empowerment and Its Impact on the organization Productivity, *Institute of Interdisciplinary Business Research* 4 (11).

Blau, J. R., & Alba, R. D. (1982). Empowering nets of participation, *Administrative Science Quarterly*, 27, 363–379.

Boje, D. M. & Rosalie, G. A. (2001). Where's the power in empowerment? Answers from Follett and Clegg. *Journal of Applied Behavioral Science*, 37(1): 90-117.

Bowen, D. E. & Lawler, E. E., (1995). Empowering service employees, *Sloan Management Review,* 36(4): 73-85.

Burke, W. (1986). Leadership as empowering others, *In S. Srivastra (Ed.), Executive power* (pp. 51–77). San Francisco: Jossey-Bass.

Central Bank of Kenya, *"Banking Supervision Annual Report 2013"*.

Chakrabarty, K. C., (2012). Human Resource management in banks – need for a new perspective. *Inaugural speech*, at the HR Conference of Public Sector Banks, Mumbai, India.

Chigozirim, P. S. & Mazdarani E, (2008). The impact of employee empowerment on Service quality and customer satisfaction in service organizations: A case study of Länsförsäkringar Bank AB, *Published MBA project, School of Sustainable Development of Society and Technology, Mälardalen University, Västerås.*

Cooper, D. R. & Schindler P. S., (2006). *Business Research Methods*, McGraw Hill Publishing Company UK.

Dallal, G.E., (1998). The Little Handbook of Statistical Practice Chief, *Biostatistics Unit Jean Mayer USDA Human Nutrition Research Center on Aging*.

Davenport, T., & Harris, J., (2007). *Competing on Analytics: The New Science of Winning*. Boston, Massachusetts. Harvard Business School Press.

Deepika A., & A. Saxena, (2013). Customer Satisfaction and Customer Loyalty in Banking Sector of India: Study of Retail Banking Sector Management, *International Journal of Research in Business Management* Vol. 1, Issue 4, Janak Puri, New Delhi, India.

Definition of Employee Empowerment retrieved from: www.businessdictionary.com

Definition of Organizational performance retrieved from: www.internationallabourorganization.com

Definition of a Commercial Bank retrieved from: http://www.investopedia.com/terms/c/commercialbank.asp

Dess, G.G., & Robinson, R.B., Jr., (1984). Measuring organizational performance in the absence of objective measures. *Strategic Management Journal*, *5, 265-273.*

Earley, P.C., (1994). Self or group? Cultural effects of training on self-efficacy and performance, *Administrative Science Quarterly 39(1): 89–117*.

Ghosh A. K., (2013). Employee empowerment: A Strategic Tool to obtain Sustainable Competitive Advantage, *International Journal of Management*, 30 (3): 1.

Greasley K., Bryman A., Dainty A., Price A., Soetanto R., & King N., (2004). *Employee perceptions of empowerment.*

Hardy, C., & Leiba-O'Sullivan, S., (1998). The power behind empowerment: Implications for research and practice, *Human Relations*, 51(4), 451–483.

Hechanova, M., Regina, M., Alampay, Ramon, B. A., & Edna, P. F., (2006). Psychological empowerment, job satisfaction and performance among Filipino service workers. *Asian Journal of Social Psychology, 9, 72-78*.

Hennart, J. & Larimo, J., (1998). The impact of culture on the strategy of multinational enterprises: does national origin affect ownership decisions? *Journal of International Business Studies29 (3): 515–538*.

Hitt, M. A., Bierman, L., Shimizu, K., & Kochhar, R., (2001). Direct and moderating effects of human capital on strategy and firm performance in professional service firms: A resource-based perspective. *Academy of Management Journal*, 44: 13-28.

Jacques, R., (1996). Manufacturing the employee: *Management knowledge from the 9th to the 21st centuries*. London: Sage.

James L., (2012).http://growth.pitcher.com.au/resources/articles/whatorganisational-performance

Jarrar, Y. F., & M. Zairi., (2002). Employee empowerment-a UK survey of trends and best practices, *Managerial Auditing Journal*, Vol.17 Iss: 5, pp.266-271.

Kanter, R. M., (1977). *Men and women of the corporation. Antecedents and consequences of psychological and team empowerment in organizations*: A meta-analytic review. New York: Basic Books.

Kaplan R. S., & Norton, D. P., (1992). The Balanced Score Card, Measures that Drive Performance. *Harvard Business Review, 1992.*

Kaplan, R. S., and Norton, D.P., (2008). Leadership and Strategy, for the Twenty F irst Centuries, *Harvard Business Review, 86: 63-77.*

Karia J. W, (2011). *Employees perception of the factors that influence empowerment in the Ministry of State for Public Service,* Unpublished MBA project, School of Business, University of Nairobi.

Khalumba M, (2012). *The influence of Human Resource Management practices on Financial Performance of Commercial Banks in Kenya*, Unpublished MBA project, School of Business, University of Nairobi.

Lebans, M., Euske, K., (2006). "A conceptual and operational delineation of performance", *Business Performance Measurement*, Cambridge University Press.

Liden, R. C., Wayne, S. J., & Sparrowe, R. T., (2000). An examination of the Mediating role of psychological empowerment on the relations between the job, interpersonal relationships, and work outcomes. *Journal of Applied Psychology,* 85(5): 407-416.

Manyuru, J. P., (2005) *Corporate Governance and organizational Performance: The companies Quoted at the NSE***.** Unpublished MBA Project, School of Business, University of Nairobi.

Mukanzi, C. M., (2013). The influence of human resource management practices on firm performance in the Kenya Banking Industry, *International Journal of Social Sciences and Entrepreneurship, 1 (5), 522-532.*

Mugenda, O.M., & Mugenda, A. G, (2003). *Research methods: Quantitative and qualitative approaches.* Nairobi, Kenya: Act Press

Nyanchama, C.A., (2009). *Employee Empowerment Practices in Commercial Banks in Kenya,* Unpublished MBA Project, School of Business, University of Nairobi.

Nykodym, N, Simonetti, J. L, Nielsen, W. R, and Welling, B., (1994). Employee Empowerment. *Empowerment in Organizations,* Vol. 02, No. 3, pp 45-55.

Nzuve S. N. M & Bakari T. H, (2012). *The relationship between empowerment and Performance in the City Council of Nairobi*, Problems of Management in the 21st century, Volume 5.

Ramanujam, V., N., Venkatraman, J. C., & Camillus, (1986), Multiobjective Assessment of Effectiveness of Strategic Planning: A Discriminant Analysis Approach, *Academy of Management Journal, 19, 347-372.*

Randolph, W. A., (2000). Re-Thinking Empowerment: Why is it so Hard to Achieve?

Seibert, S.E., Wang, G, and Courtright, S.H., (2011). Antecedents and consequences of psychological and team empowerment: A meta-analytic review. *Journal of Applied Psychology*.

Spreitzer G. M. & Doneson D., (2005). *Musings on the Past and Future of Employee Empowerment*, Thousand Oaks: Sage.

Spreitzer G.M., (2007). Taking Stock: A review of more than twenty years of research on empowerment at work, *In The Handbook of Organizational Behavior*, C. Cooper and J.Barling eds. Sage Publications.

Spreitzer, G.M., Kizilos, M. A., & Nason, S.W., (1997). A dimensional analysis of the Relationship between psychological empowerment and effectiveness, satisfaction and strain. *Journal of Management*, 23: 679-704.

Steiner, G.A., (1979). *Strategic Planning: What Every Manager Must Know*. New York: Free Press.

Steiner, G. A., (1983). *Formal Strategic Planning in the United States Today, Long Range Planning, 16 (3) June, pp.12-17.*

The Saylor Foundation, *Saylor URL:*[*www.saylor.org/*](http://www.saylor.org/)

Thomas K., & Velthouse B., (1990). Cognitive elements of empowerment: An Interpretive model of intrinsic task motivation. *Academy of Management Review*. 15:666-681.

Thompson, A.A., (2007). *Crafting and Executing Strategy: Text and Readings.* Mc Graw Hill Irwin.

Timothy S. & Saidu A., (2013). Impact of Employee empowerment on Service Quality, *An Empirical Analysis of the Nigerian Banking industry Alabar,* European Centre for Research Training and Development UK.

Vogt, J. F. & Murrell, K. L., (1997). Empowerment in Organizations: How to Spark Exceptional Performance, S. Chand and Company Ltd., Ram Nagar, New Delhi.

Wendt, R. F., (2001). The paradox of empowerment: Suspended power and the possibility of resistance. Westport, CT: Praeger

Wise R. I., (2009). The Terminology of Organizational Performance Measurement. Excerpted from *Managing with Measures: How to Use Performance Measurement to Manage for Results and Document Success*.

Wood, S. J. and Wall, T. D., (2007). Work enrichment and employee voice in human resource management-performance studies, *International Journal of Human Resource Management. 18 (7) 1335–1372*.

APPENDICES

Appendix I: Research Questionnaire

Section A: Organizational Bio-Data

1. Name of your bank (optional) ____

2. Year of Incorporation____

3. Size of your bank? (No. of branches) ______________________________________

4. Establishment of your bank? (No. of employees) (Tick where appropriate)

(a) Below 1500 [ ]

(b) Between 1501-3000 [ ]

(c) Between 3001-6000 [ ]

(d) Over 6000 [ ]

5. What is the scope of the bank's operations? (Tick where appropriate)

(a) Local (within Kenya) [ ]

(b) Regional (within East Africa) [ ]

(c) Global (Africa and beyond) [ ]

6. What is the ownership structure of the bank? (Tick where appropriate)

(a) Government owned [ ]

(b) Privately owned (Local) [ ]

(c)Foreign owned [ ]

(d) Both government and privately owned [ ]

(e) Both foreign and locally owned [ ]

6. Does your bank have a policy on Employee Empowerment?

Yes [ ] No [ ]

7. If yes in (6) above, state the importance of the policy to the organization and to the employee

____

____

Section B: Employee empowerment practices

The following are some of the Employee empowerment practices that are adopted by organizations as part of their Human Resource Management. On the scales provided below, rate each statement that describes the practices in your bank. The numbers on the scales represents the following;

1-Strongly agree 2-Agree 3-Neither agree nor disagree4-Disagree 5-Strongly disagree (Tick in the appropriate box)

No	Employee Empowerment practices	1	2	3	4	5
1	Employees have access to organization's mission, vision and strategic plans.					
2.	Employees are involved in planning and setting of goals.					
3	Management trusts that employees will do the right thing and make the right decision.					
4	Employees are provided with the required information at all times to enable them to make decisions.					
5	Management delegates authority to employees to enable them grow and develop new skills.					
6	Managers provide frequent feedback to employees for reward/improvement purposes.					
7	Managers solve problems by seeking to discover the root cause and not by blaming employees.					
8	Managers listen to the employees and seek to learn from them as well as guide them.					
9	Managers help employees to feel rewarded and recognized for empowered behavior.					
10	Employees are provided with a degree of flexibility and freedom to make decisions relating to work.					
11	Employees participate in making organizational changes such as setting company policies that might involve hiring, layoffs, profit sharing or investments.					
12	Employees are provided with performance managerial practices e.g. training, rewards, recognition and participatory decision making.					
13	Employees have the responsibility and authority to break the rules to enable excellent service and total customer satisfaction.					
14	Employees are allowed to decorate their own workplace.					
15	Employees set and monitor their product goals and decide when to start and finish work.					
16	Employees are free to dress as they please.					
17	Employees are compensated for increasing their own skills and knowledge					
18	There is an open flow of information upwards and downwards in the organization.					

19	Management defines the employees' roles and assigns responsibility, authority and decision making power.					
20	Management explains company vision and values, clarifies priorities, teaches decision making and problem solving skills.					

SECTION C: Non-financial measures of organizational performance

The following are some of the non-financial measures of organizational performance that are adopted by organizations. On the scales provided below, rate each statement that describes the non-financial measures in your bank. The numbers on the scales represents the following;

1-Strongly agree 2-Agree 3-Neither agree nor disagree 4-Disagree 5-Strongly disagree (Tick in the appropriate box)

No	Non-financial measures of organizational performance	1	2	3	4	5
1	Productivity of employees is much higher than industry average.					
2	Employees feel very committed to the organization.					
3	Employees are highly satisfied.					
4	Absenteeism in our company is very low (in comparison to competition).					
5	Learning ability and adaptability of employees is high (in comparison to competition).					
6	There is increased productivity, innovative ability and activity among employees.					
8	There is high proximity to customers and increased customer satisfaction.					
9	There is ability of the bank to develop new innovative financial products for its customers.					
10	There is a very active quality control section in the organization.					
11	The organization provides high quality services.					
12	The organization obtains frequent feedback from customers about the quality of services provided.					
13	There are mechanisms in place to ensure continuous improvement in service quality.					
14	The quality of services has improved					

	tremendously within the last three years.					
15	There is a customer care section in the organization.					
16	There are established mechanisms through which customers can channel their complaints.					
17	There are mechanisms to ensure that customer complaints are resolved to their satisfaction.					
18	Customer satisfaction surveys are carried out frequently.					
19	Customer claims are processed within a reasonable period of time.					
20	The organization is very efficient in service delivery.					
21	Your current financial performance is satisfying.					

Thank you for your kind cooperation

Appendix II: A list of Commercial Banks in Kenya

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank (Kenya)
6. CfC Stanbic Holdings
7. Chase Bank (Kenya)
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Dubai Bank Kenya
16. Ecobank
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. First Community Bank
22. Giro Commercial Bank
23. Guaranty Trust Bank
24. Guardian Bank
25. Gulf African Bank
26. Habib Bank
27. Habib Bank AG Zurich
28. Housing Finance Company of Kenya
29. I&M Bank
30. Imperial Bank Kenya
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank Kenya
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank (Kenya)
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa
43. Victoria Commercial Bank

Source: https://www.centralbank.go.ke