

**EFFECT OF PERFORMANCE MEASUREMENT ON  
EMPLOYEE ENGAGEMENT IN MULTINATIONAL  
CORPORATIONS IN KENYA**

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Multinational Corporations in Kenya**

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**DECLARATION**

This thesis is my original work and has not been presented for a degree in any other university.

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This thesis has been submitted for examination with our approval as the university supervisors

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## **DEDICATION**

To the Lord Almighty through whose grace I have been able to advance in my studies up to this level. To my family members for their moral support, words of encouragement and of all being there for me throughout those countless nights I spent on this study.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>ANP</b>	Analytic Network Process
<b>BSC</b>	Balance Score Card
<b>CIPD</b>	Chartered Institute of Personnel Development
<b>DEMATEL</b>	Decision Making Trial and Evaluation Laboratory Technique
<b>EABL</b>	East Africa Breweries Limited
<b>GOK</b>	Government of Kenya
<b>KPI</b>	Key Performance Indicators
<b>MBO</b>	Management by Objectives
<b>MCDM</b>	Multiple Criteria Decision Making
<b>MNC</b>	Multinational Corporations
<b>SMART</b>	Specific, Measurable, Attainable, Realistic and Time-Sensitive
<b>SPSS</b>	Statistical Package for Social Scientists
<b>UWES</b>	Utrecht Work Engagement Scale

## OPERATIONAL DEFINITION OF TERMS

- Balanced Scorecard:** A performance metric used in strategic management to identify and improve various internal functions and their resulting external outcomes (VanVliet, 2010)
- Employee Engagement:** Emotional connection an employee feels toward his or her employment organization, which tends to influence his or her behaviors and level of effort in work related activities (Patel, 2014).
- Employee Motivation:** A psychological feature that arouses an employee to act towards the realization of a certain goal and sustains goal-directed behaviors. This is also referred to as employee self-drive (Latham, 2010).
- Employee Performance:** The job related activities expected of a worker and how well those activities are executed (Karaka, 2010)
- Employee Productivity:** Volume speed and quality of output of an employee as a ratio of the cost of the employee. Simply put this is revenue per employee (Otley, 2008).
- Expectancy:** The strength of belief that one's work related effort or activities will result in completion of a task and receive a satisfactory reward (Newstrom, 2007)

**Human Resources Management:** Management of the organizations human capital. It deals with attraction, selection, training, assessment and rewarding of employees (Salaman, Storey, & Billsberry, 2005).

**Key Performance Indicators:** A set of quantifiable measures that a company or industry uses to gauge or compare performance in terms of meeting their strategic and operational goals (Hanover Research, 2010).

**Management by Objectives:** This an approach which relies on the management defining the different objectives that each employee has to excel in meeting and then comparing and directing their performance based on the objectives set (Drucker , 2008).

**Multinational Corporation:** This is a company incorporated in one country (called the home country) but whose operations extend beyond the host country and which carries on business in other countries called the host countries in addition to the home country.([www.yourarticlelibrary.com](http://www.yourarticlelibrary.com))

**Performance Feedback:** this is an ongoing process between the employee and employer where information is exchanged concerning the performance expected, and the performance exhibited by individual employees (Simpson, 2009).

**Performance Management:** A process that consolidates goal setting, performance appraisal and development into a single common system, the aim of which is to ensure that employee's performance supports organizations strategic aims (Otley, 2008).

**Performance Measurement Tools:** These are a set of tools and measurement techniques utilized by an organization in assessing the level of performance within the firm's personnel (Otley, 2008).

**Affective Commitment:** the emotional attachment, identification and involvement in the organization (Meyer & Allen, 1991)

## **ABSTRACT**

The Primary goal of this study is to research the effect of performance measurement on employee engagement in Multinational Corporations operating in Nairobi County. This study will have lots of contributions to the business world. Multinationals operating in Kenya and other organizations may improve or change their performance measurement systems adopt more efficient and effective ones. In this study, employee engagement levels depend on performance measurement. The study was guided by the overall objective which was to determine the effect of performance measurement on employee engagement in multinational corporations in Kenya. The theoretical review of the study was founded on the goal setting theory, Adams equity theory, the agency theory and the three component model of employee engagement.

The research adopted a descriptive research design to investigate the aspects of performance measurement and employee engagement as they are. The research utilized random sampling technique to select the sample for the study. The population size for the study was 3,334 individuals drawn from employees both in management and lower level subordinate staff working for AON Kenya, Airtel, Barclays, DHL, EABL, Jubilee Insurance, Maersk, Safaricom, Standard Chartered and Unilever at their head offices in Nairobi County.

The sample size for the study was based on a stratified random sampling technique, giving a total of 180 respondents from the ten firms. A questionnaire was designed to help in the primary collection of data which was sorted, edited and analyzed using SPSS version 23. The coded data was analyzed using both descriptive and inferential statistics. The findings of the research were presented in the form of tables, charts and figures. Findings also showed the balanced scorecard was adopted mostly through the customer perspective. Findings also showed that the management involve employees in decision making as well as checked on the well-being of employees and developed better working conditions. Findings further showed that performance indicators were also adopted in the majority of the firms. Generally, the study finds statistically significant relationship between the independent variables (Balanced Scorecard, Management by Objectives and Sales Performance Indicators). The study recommends that the government should be involved in supervising and regulating MNC to ensure that fair employee treatment and compensation is achieved. The study recommends training of staff to equip the administrators with requisite skills that will enable the successful application of the BSC to deliver the intended strategy as well as keep up with changing business dynamics. The study also recommends that technology should be adopted in performance measurement tools now that the world is changing to digitalization. The multinational Corporations gained practical knowledge on the effects of given performance measurement tools on employee engagement thereby enriching their knowledge base on how to enhance employee engagement. Future studies may study on other variables which were not covered in this study.

The study concludes that Performance measurement tools have a positive impact on the levels of employee engagement. Multinational Corporations operating in Kenya are faced with the challenge of selecting a performance measurement system that is a acceptable, localized and at the same time effective to the work environment. The

corporations must performance measurement seriously if they are to affect employee engagement positively.

## **CHAPTER ONE**

### **INTRODUCTION**

There is increasing need to get the very best out of employees. The need has probably been heightened by the need for enterprises to thrive and achieve competitive advantage in the face of global financial challenges. Organizations need to survive because of the global adverse situations leading to survival tactics and stiff competition amongst similar organizations around the globe. Management of Organizations and human resource practitioners are struggling with the challenge of how to go about getting employees to deliver beyond their scope of work. This study outlined the background information on the research problem.

Different management concepts have been coined over the years with the aim of directing the minds of managers and employees to working together to achieve the overall organizational objectives of which some of them being majorly employee engagement. The concept of employee engagement is all over today's work place like never before. As a result of this, a lot has been said about the concept resulting into a lot of confusion because the term has been used alongside other management constructs. For organizations to enjoy the benefits of an engaged workforce, it is pertinent that the concept and its conceptual underpinning should be clearly stated and well comprehended.

The chapter gives an overview of performance measurement and employee engagement from global, regional and local perspectives. The next section gives a description of the research problem and the research objectives that guided the study. Justification that propels the study is also articulated and finally the chapter outlines the scope of the research, the limitations and delimitations of the research as well as operational definition of terms.

## **Background to the Study**

There is constant change and competition in the corporate environment. Organizations who want to survive in an intense competition are required to adopt different kinds of solutions. Businesses should pay attention to constant change and development within their operating systems. In this case, the most important factor being employee engagement. It is imperative therefore those firms should do their best to develop, motivate and increase the performance of their employees by adopting the most appropriate and effective employee performance measurement strategy/system. Hence, employee performance measurement is among the most considerable practices of human resource management systems.

The job performance of human resource personnel within a firm is measured using a variety of methods and tools. Large firms may utilize more than a single tool. However, small firms heavily rely on a single tool (Bhat, 2010). These tools and their comprehensive systems are referred to as performance appraisals. It is key for any performance appraisal system to be above board for employees to view them as just and credible form of assessment. In choosing a tool, the evaluator should ensure they pick a tool that will offer the most reliable feedback and least subjectivity. However, it is practically impossible to evade subjectivity throughout the performance measurement but through the use of some select tools maximum objectivity can be achieved (Grosse, 2009).

Offering employee's feedback on the level of strength of work is more likely to increase their productivity more than those offered feedback on their shortcomings at work (Harvard Business Review, 2014). Offering more positives to a group of employees more than negatives, will lead them to unleashing more productivity for the firm hence increased performance both at individual and group level. Organizations with an instilled employee engagement culture within their work are the most suitable places for employees to be engaged since they will be attached to the core of the firm operations (Spencer, 2007). As such, firms should make arrangements to spend more in resources geared towards building capacity for employee engagement. Such allocation in building capacity within the organization

should translate into better performance for the firm (Coenen, 2008). A significant body of research document that motivation is a key driver for enhanced employee performance.

Motivation theories contend that, when human needs are adequately met, the enhanced level of satisfaction leads to better performance. Such performance within an organization can be effected through training and development, job security, organizational structure and compensation (Radu, 2009). Employee commitment manifests itself in distinct behavior which includes positive feelings toward an entity or individual to whom they have made a commitment. Personnel within an organization have a tacit agreement with the employers which states that; the organization personnel is required to have a commitment to their work, which in turn organizations will offer an incentive in the form of enhanced job security and a competitive remuneration package. Each party meeting their end of the agreement increases the levels of commitment. As such if the entity fails to make arrangements to meet their end of the bargain then the levels of commitments are eroded (Tian, 2012).

Multinational corporations operating in Kenya and across geographical environments represent new challenges for leaders trying to drive high levels of employee engagement. Organizations that invest in understanding and managing the drivers of engagement across board must measure and drive performance in efficient and effective ways. This study provides insight into local employee engagement resulting from performance management. Employees are a critical component to every organization and their engagement serves as a barometer of organizational health. By examining employee engagement levels, employers can create a performance management tool/system to address employee motivation, behaviour, productivity and subsequent business results. Highly committed employees are less likely to leave than employees with low levels of commitment.

### **1.1.1 Global Perspective of Employee Engagement**

Most human resource executives see the need to improve employee engagement, countries have yet to build up tangible ways to measure and tackle this goal. Engaged employees cannot be expected to take a personal interest in organizational objectives unless an organization treats them as more than factors of production (Hay Group, 2012). With organizations increasingly forced to do more with less, tapping into the discretionary effort offered by engaged employees becomes all the more important for business success. Employees committed to their organizations may not always have an in-depth commitment to their job. Satisfaction and commitment are related to performance, but engagement appears overall to be a better predictor of employee performance. West and Dawson (2012) emphasized that over the years, organizations have employed three different measures in evaluating their employee engagement levels: as a description of conditions under which people work, as a behavioural outcome, and as a psychological orientation

Engagement drives key business metrics. Organizations that seek to improve engagement measures can realize significant improvement in organizational performance. However, there are significant country differences in engagement levels. In a Global perspective report done in 2015 by the ORC International, the perceptions of 7,295 employees on employee engagement across ten countries were gathered. The survey measured employee engagement using the Say (pride and willingness to advocate), Stay (a sense of belonging and contribution), and Strive (going the extra mile) model. (ORC, International HR Reflections Survey, 2015). According to the survey, India leads with employee engagement at 78%, Brazil follows with 71%, China and Turkey are third with 69% each. The US and the Russian Federation both lie fifth at 68%, Canada and Australia both at 65% while Italy and Switzerland complete the tally at 62% each as shown in table 1.1 below.

**Table 1.1 Employee engagement index ranking by countries**

<b>Rank</b>	<b>Country</b>	<b>Engagement Index 2015 (%)</b>
1	India	78
2	Brazil	71
3	China	69
3	Turkey	69
5	USA	68
5	Russian Federation	68
7	Canada	65
7	Australia	65
9	Italy	62
9	Switzerland	62

### **1.1.2 Regional Perspective of Employee Engagement**

Nwinyokpugi (2015) in a study on the employee engagement and harmony in the Nigerian Civil service pooled 10 Ministries in the River State Civil Service. The researcher highlighted that employee engagement can only be achieved through enhanced collaboration by the management and the employees in designing the most consistent and amicable methods of employee performance measurement. He further highlights that leadership collaboration and employee career enhancement would be a starting point for improving performance measurement and employee engagement respectively. Akinwade (2011) argues that employees engagement is promoted through the management striking a part of the psychological makeup of their staff.

Through creation of a better working environment and promotion of better interaction systems, the management can enhance employee engagement. Thus, it is the ability of the management to create good structures, culture and adequate performance measurements that will help to enhance the employee engagement. According to a study done in South Africa, job resources including an intrinsically rewarding job, organizational support and career advancement arising out of

adequate performance management strategies should be made available to increase employee engagement Rothman (2010).The report is the same for Subsharan countries where it is reported that only about 10 percent of employees are fully engaged. This covers countries like Angola, Gabon, Mauritania, Mali, Chad, Guinea Bissau among others.

### **1.1.3 Local Perspective Employee Engagement**

Mutunga (2009) through her research on Factors that Contribute to the Level of Employee Engagement in the Telecommunication Industry in Kenya found that most workers in Zain are disengaged, and the most contributing factors was dissatisfaction with pay and benefits, work-life balance and lack of freedom of expression, but she failed to link level employee engagement to individual performance. In a study on performance appraisal systems in the Kenya Tea and Development Agency in Meru, the researcher notes that appraisal systems have a large impact on human resource systems and the entire organization strategies. The study findings showed that the competence and assessment of employees was conducted using management by objectives system as well as pay and employee training which largely contributed to the levels of employee management. The study notes of all the factors only management by objectives yielded the highest levels of employee engagement (Messah, 2011).

### **1.1.4 Concept of Performance Measurement**

Effective performance measurement is key to ensuring that an organizations strategy is successfully implemented. It is about monitoring an organization's effectiveness in fulfilling its own predetermined goals or stakeholder requirements. Every organization should strive to put in place a performance management system that helps it meet performance demands successfully. This will ensure that the management makes decisions that are sound at the strategic and operational levels. It is important to note that performance measurement is applicable to all sectors and sizes of organizations. Management must make an effort to refine the performance management systems to ensure that they are consistent with chosen management techniques.

Performance management activities include: role definition in which the key result areas and competence requirements are agreed, performance agreement in which expectations are defined in terms of what the individuals have to achieve in the form of objectives, the performance improvement plan which spells out what individuals should do to improve their performance when this is necessary. The personal development plan which sets out the actions people should take as individuals to develop their knowledge and level of skills required by the organization to enhance their current competence. It also includes continuous management of performance by providing feedback. Conducting informal progress reviews, updating objectives and dealing with emerging performance problems

Today many organizations place strong emphasis on the adoption and usage of broad spectrum performance management systems. Performance measurement contributes to strategy formulation and implementation by revealing the links between goals, strategy, lag and lead indicators (Goodman, 2007) and subsequently communicates and operationalizes strategic priorities. The role of performance measurement evolves from a simple component of the planning and control cycle to an independent process that assumes a monitoring function. This function entails measuring movement in a strategic direction instead of distance from a goal, which is different from the planning and control cycle (Corner, 2015). The traditional usage of financial performance measures especially short-term measures is becoming extinct in the new age of technology where innovation, reliability, and flexibility are the new conditions facing modern organizations (Coenen, 2008).

The crucial importance of nonfinancial indicators, which are rooted in the strategies of the firm, such as essential measures of firm success are seen as more reliable and stable measures rather than the traditional financial measures which could be highly affected by economic shocks (Fisher, 2006). However, with time the growth in performance measures has seen the blend of both financial and non-financial measures in areas such as the balance scorecards measure. Dent (2010), integrated performance measurement, and performance management framework (Otley, 2008). According to Moores (2001) a critical assessment of performance

measurement reveals that within some specific organizations nonfinancial measures play a key role, especially where the information needs differ between the management levels. To incorporate both financial and nonfinancial measures in such organizations in performance measures, tools such as the stakeholder model and the balanced scorecard are used.

### **1.1.5 Employee Engagement**

Employee engagement encompasses the commitment, passion, and positive attitude that are exhibited by employees towards their work. An engaged personnel is able to acquaint with the policies within the organization and their job description as well as relate well with their colleagues in a bid to enhance the productivity within the firm (Robbins, 2008). Maslach and Leiter (2007) defined employee engagement as a wide aspect with theoretical and empirical rooting's which showed a significant relationship among potential antecedents and consequence of engagement as well as the components of engagement within an organization.

According to O'Byrne (2013) employee engagement was never a concern for the majority of firms until recent years when the business environment has started realizing changes in the rising competitiveness of the market. Further, he notes that the focus on employees shifted from the traditional aspects of satisfaction to commitment. He argues that employees can only commit to an organization wholeheartedly in exchange for a form of benefit or loyalty which is not limited to the predominant trait of job security. Employee engagement cannot be tied down to job security.

Thus, employers need to evaluate all the aspects relating to their human resource management to find a strategic fit. Doherty (2010) asserts that engagement within an organization should be an aspect that cuts across all dimensions within a firm. It is also an essential element that aligns the firm's goal, management objectives, and the entire human resource. Simpson (2009) conducted a study on the level of engagement within hospitals in the US, postulated that employee engagement is all about the performance by employees (related to nurse performance, patient

outcomes, and other core healthcare organizational outcomes) in relation to the preset targets by the organization.

Karsan and Kruse (2011) identified the employee as the triple-faceted concept of feel, thought, and act. Thoughts are a cognitive aspect that describes the employee's intellectual linkage to the organization in terms of living the organization culture and familiarizing with their objectives. Feel, is an affective emotional which is associated with a strong emotional linkage to the organization. It results in employees having loyalty, commitment and pride in their work. Act on the other hand is more of behavioural and practical aspect.

In a study by Patel (2014) to explore employee engagement in South African retail stores the researcher found out that the perception employees have of the work environment plays a key role in enhancing their engagement to the work. He further noted that the rewards and relationship among employees also has a significant effect on the level of engagement. In a similar study by Cawe (2006) on the factors contributing to employee engagement in South Africa the researcher noted that the culture of engagement, effective leadership, communication, involvement and knowledge are key in enhancing employee engagement within a firm.

Ndugo (2010) found out that staff at Afya sacco society, employee engagement was driven by favorable factors such as better remuneration packages, promotions and trainings as well as clear motivation strategies by the management. In another study on relationship between employee engagement and commitment at Barclays bank, the researcher found out that allowing employees to have the freedom of making their own decisions and control of work duties towards attaining set goals would increase employee engagement. The researcher further urged managers to involve the staff in setting goals as a way of enhancing the employee engagement (Wachira, 2013). Engaged employees will always strive to work in ways that will effectively enhance the productivity of the firm. This are the people who will be willing to hang on to a specific firm despite the availability of other better and promising

opportunities and will always go beyond their expected performance levels to ensure that the organization attains maximum productivity (Simons, 2011).

Engagement can be regarded as having three overlapping components which are motivation, commitment and organizational citizenship behavior (Armstrong, 2017). The motivation element in engagement is intrinsic as depicted by Macey, Schneider, Barbera and Young (2009). Intrinsic in the sense that work itself is meaningful since it is not the pay or recognition that yields positive feelings of engagement but the work itself. This of course emanates from the fact that in most cases, employers feel their jobs are part of what they are. Little and Little (2006) see organizational citizenship behavior as an outcome of the attitudes of job satisfaction and organizational commitment. This is being respectful of and helpful to colleagues and willingness to go the extra mile or work longer hours as well as speaking positively about ones organization

## **1.2 Statement of the Problem**

While most people understand that engaged employees are often happier and more satisfied in their job, the main reason that engagement is now a focal point is because it leads to real business results. Emotional states are hard to understand and measure. Employees are becoming key business drivers for any organization. It is through employees that organizations find their strategic fit that is; finding the right talent for the company, having better cost management policies and ensuring competitiveness in the market. A global survey of 6 million employees by Hay Group (2013) found that the average engagement level of high performing companies globally was 73%. Employee engagement is essential for better performance of work, and the employee's contribution to the firm is efficient and effective at all levels. Performance measurement should be key to identifying the consistency of the employee engagement and enhancing it where necessary (CIPD, 2007). Employee Engagement Report EER (2011) reveals that 29% of employees are actively engaged while 54% are disengaged.

Locally, employee engagement has been loosely implemented. This can be attributed to the lack of standard performance measurement tool locally. This leads to disengagement among members of staff within firms (Mutunga, 2009). Lack of employee engagement affects the entire firm's performance through increasing turnover, lack of innovation and commitment to the work (Alfes, 2010). This affects the implementation of management and human resource decisions due to the lack of commitment among personnel (Wachira, 2013). Performance measurement is an ideal management function of assessing the level of employees work output (Bakker, Demerouti, & Lieke, 2012). Good performance measurement tools promote high work engagement (Christian, Garza, & Slaughter, 2011). Lack of effective performance measurement will lead to work disengagement (Gruman & Saks, 2011).

Lack of adequate literature supporting the selection of particular performance measurement tools makes it hard for MNC to enhance employee engagement by employing different tools. Despite performance measurement being key to employee engagement, performance measurement systems rely heavily on foreign standards ignoring the local work environment, thus being inapplicable, inadequate or subjective. Hence this research played a key role in identifying how specific performance measurement tools adopted by MNC affect employee engagement and thus contributed to body of knowledge on employee engagement.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The main objective of the study was to determine the effect of performance measurement tools on employee engagement in multinational corporations in Kenya.

#### **1.3.2 Specific Objectives**

The study was guided by the below specific objectives;

- i. To analyze the effect of use of balanced scorecards on employee engagement in Multinational Corporations operating in Kenya.
- ii. To establish the effect of management by objectives on employee engagement in Multinational Corporations operating in Kenya.

- iii. To determine the effect of direct observation on employee engagement in multinational corporations in Kenya
- iv. To determine the effect of key performance indicators on employee engagement in Multinational Corporations operating in Kenya.

#### **1.4 Research Hypotheses**

- i.  $H_1$  There is significant relationship between balanced scorecards and employee engagement in Multinational Corporations operating in Kenya.
- ii.  $H_1$  There is significant relationship between management by objectives on employee engagement in Multinational Corporations operating in Kenya.
- iii.  $H_1$  There is significant relationship between direct observation on employee engagement in Multinational Corporations operating in Kenya.
- iv.  $H_1$  There is significant relationship between the effectiveness of key performance indicators on employee engagement in Multinational Corporations operating in Kenya.

#### **1.5 Justification for the Study**

##### **1.5.1 Multinational Corporations**

MNCs offer diverse workplaces that create the conditions for innovation and creativity. In addition, they do more by providing employees with international work experience, opportunities and networks. This kind of a diverse work environment provides opportunities to learn other customs and engage in diverse cultural setup. This study is of importance to all multinational corporations operating locally since it offers them insights into the relationship that their performance measurement has on the level of employee engagement, since this is too essential to the individual output and the firm's overall productivity. Further, an understanding of the relationship helps enhance employee loyalty to the firm as well as decrease the levels of employee turnover.

##### **1.5.2 Human Resource departments**

Engagement is an important human resource variable for majority organizations. It helps enable organizations to deliver a superior performance and to gain a

competitive advantage. This study finding is of importance to HR departments in various organizations as well as practitioners since it offers them better understanding of employee engagement and the use of performance measurement thus, shaping their policy decisions in order to foster performance within the firms. The department and practitioners were also be able to have better knowledge of the relationship between performance measurement and employee engagement.

### **1.5.3 The Kenyan Government**

Government leadership should be committed to developing a work environment and culture that fosters a productive, satisfied and committed workforce. How employees feel about their work environment and culture is important because it is directly related to individual well-being and organizational effectiveness. An engaged public service will allow the government to better deliver high quality programmes and service to Kenyans. The study is of importance to the government especially the Ministry of labor in shaping the overall policy and strategic decisions that are made in relation to labor and employment laws thus, helping to ensure overall productivity of civil servants and aligning the entire labor industry to a standard policy on both performance measurement and employee engagement. As a result of these findings, all government departments will be challenged to make meaningful changes that would positively influence engagement.

### **1.5.4 Researchers and Scholars**

Scholars within the human resource management field have recently begun to focus on engagement and there is small emergent literature on engagement as an employment relation practice. The study findings are of importance to both current and future researchers/scholars as it broadens their knowledge levels on the relationship that exists between performance measurement and employee engagement. The findings are key to the scholars proving the theories related to this study. Further the findings of this study can form the basis for further researches to be conducted in this field in other sectors of the economy.

## **1.6 Scope of the Study**

According to Ogutu & Samuel (2013) there are 250 multinational firms operating in Kenya. Some of these firms are small in size with little concentration in the local market while others are some of the largest firms in the sectors they operate. The scope of this research was limited to the ten largest multinationals in the; logistics sector, the banking sector, manufacturing sector, telecommunication and the insurance industry. The study picked ten of the largest multinationals in the above listed economic sectors. The inclusion criteria of the firms was based on their respective size, coverage, client base and overall firm profitability in relation to other firms within the sector.

The study was carried out in; Airtel Kenya and Safaricom (Telecommunication); DHL and Maersk Sea Land (Logistics), EABL and Unilever Kenya (Manufacturing); Barclays Bank and Standard Chartered (Banking) and AON Kenya and Jubilee Insurance (Insurance). In the ten firms, the study sought to study the effect of score cards, management by objective and key performance indicators on the levels employee engagement by sampling responses from 180 respondents pooled from the total 3,334 target populations of the ten multinational firms.

The study was further limited geographically to the head offices of the above multinationals in Nairobi County, Kenya. This is due the accessibility of the target respondents within the headquarters of each of the multinationals. Further, the research contextual scope was specifically aligned to the review of aspects associated to the study variables; Performance measurement and employee engagement as outlined in the research problem.

## **1.7 Limitations of the Study**

Employee engagement is highly related to the employee performance, and in current economic times when there are minimal jobs available in the market most employees were definitely afraid of talking about their engagement to their jobs. For fear of compromising their positions within the organization, the study experienced constraints in accessing vital responses from the members of staff in the ten multinationals. To overcome this the study assured all the respondents that the

feedback received was solely to be used for academic purposes and no respondent was required to offer their names in the course of the study to ensure full confidentiality.

Some managers were not ready to allow their staff to divulge the performance measurement aspects in use within the firm due to fear of divulging sensitive company policies to outsiders. However, the study assured the managers that the information sought was solely for academic purposes, and no information shall be accessed by another party other than the study and if they deem necessary the study findings would be availed to the managers to assure that at no time the researcher sought to adversely mention the firm's sensitive internal policies. With regard to all the factors that determine the relationship between employee engagement and the performance measurement tools there are other numerous measures which could have varying effects on the level of employee engagement that were not incorporated in the study. Thus, to mitigate this constraint the study dwelt on the three key performance measurements tools that are commonly applied to make the study reliable in terms of the inferences that were drawn.

Due to the high number of multinationals setting up shop within the country as part of the opening of the local economy; the study anticipated the number of unit of analysis to be high making it hard to cover the entire target population in the course of the study. To overcome this; the study ensured a statistically significant sample chosen was representative of the entire population distribution. A few of the respondents at middle and lower level management did not have understanding of some concepts in the questionnaire. The researcher sensitized the respondents on the concepts in the questionnaire and the expectations of the research study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The second chapter of this research study presents the structure of the literature review on which the study has been grounded on. The chapter was divided into; the theoretical aspects of the research, the empirical literature related to the research, the gaps within the empirical literature, a critique of the literature and a conceptual framework that showed a graphical representation of the relationship between the variables.

#### **2.2 Theoretical Review**

According to the Business Dictionary, a theory is a set of assumptions, propositions or accepted facts that attempts to provide a plausible or rational explanation of cause and effect (causal) relationships among a group of observed phenomena. This study was guided by a select four theories that anchored each of the variables. The first theory was the goal setting theory; second theory was the three component model of engagement. The third theory was the Adam's equity theory while the last theory was the Agency theory. Through a review of these theories, the research developed a

foundation for the solving of the research problem by anchoring the various variables of the study.

### **2.2.1 Goal Setting Theory**

Goal setting refers to goals being set up for the future for subsequent performances of an individual or organization. The pioneer of goal setting theory is Edwin Locke. The theory was developed in 1979 inductively after studying the psychology of organizations and industries over the years. Goals refer to future valued outcomes. The setting of goals is first and foremost a discretionary creating process (Locke & Latham, 2013). Goal setting theory encompasses all aspects of building organizations with efficiency (Koppes, 2014).

According to Locke, there are five basic principles that allow goal setting to perform better. These include clarity- clear and measurable goals that can be achieved within specific timelines; Challenge- goals being able to achieve decent level of difficulty motivating the individual and organization to strive for positive goal achievement; Commitment- makes individuals and organizations put on deliberate efforts in meeting goals; Feedback- provides information on the progress towards achieving goals; Task complexity- makes the achieving of goals easier by laying down processes and steps. Goal setting is often used by individuals for their personal goals and in groups at work places and social gatherings.

Goal setting can be applied in all places where effective results are desired through efficient goal setting (Locke & Latham, 2013). In order to apply goal setting in day to day work, there is need to emphasize commitment analysis which is crucial in drawing up objectives and goals. It allows for continuous improvements in objectives and performance standards (Moyinham, 2008). Commitment analysis helps in determining the continuous pursuance of objectives and goals set to improve productivity (Krauser, 2009). This theory is strongly linked to Management by Objectives variable.

A number of theories have attempted to explain the relationship on goal setting, performance and employee engagement. Evidence suggests a strong positive

relationship. This means that employees in a workplace setup adjust their level of commitment and engagement to the set goal for which they aim and strive to achieve. There must be an effort therefore in individuals setting challenging work related performance goals suggesting that previous goals have been achieved or not achieved (Latham & Locke, 2007). People do better when they get feedback on how well they are progressing towards their goals, since feedback helps identify shortfalls between what they have achieved and what they purposed to achieve and hence future behavior.

According to Robbins and Judge (2007), goal setting theory assumes an individual is committed to the goal and is determined not to lower or abandon it. The individual will therefore in terms of behavior (1) believe he or she can achieve the goal and (2) want to achieve it. They further opine that goal commitment has a high likelihood of occurring when goals are discussed openly, the individual has an internal control locus and when the goals emanate from the individual rather than from the supervisor. It is however evident those goals have a more remarkable effect on performance and hence high engagement when tasks are simple rather than complex.

Goal setting theory however, has always been brought out as being time consuming and expensive in application (Julnes et al., 2007). This is solely because of the simple reason that there are various reasons to be addressed to achieve the goals by businesses which include selection of right people with needed skills, training for career development and incurring expenses. It also brings in internal competition risk, where employees often compete with each other hence jeopardizing organizational objectives. Favoritism by leaders of those individuals who perform better also become a limitation of the goal setting theory (Julnes et al, 2007). Goal setting is applicable and more importantly many organizations prefer it over other management tools.

Besides the positive outcomes, it is claimed that some goals may be too effective. Goals related to performance tend to undermine adaptation and creativity since employees concentrate to a large extent on the results and ignore environmental

changes. Concentration on short term goals may result in overlooking long term goals. This in essence leads to employees being too focused on a single standard to the exclusion of all others to the detriment of the organization as a whole. Most researchers however agree that goals are a powerful tool in shaping an employee's behavior at the workplace.

### **2.2.2 Expectancy Theory**

The expectancy theory of motivation is best described as a process theory. The theory was founded by Edward C. Tolman and confirmed by Victor H. Vroom. It provides an explanation of why individuals choose one behavioral option over others. It emphasizes that people are motivated to do something because they think their actions will lead to their desired outcome. (Redmond,

2014). Expectancy theory proposes that work motivation is dependent upon the perceived association between performance and outcomes and individuals modify their behavior based on others calculation of anticipated outcome (Fang, 2008).

The theory argues that the strength of a tendency to act in a certain way depends on the strength of our expectation of a given outcome and its attractiveness. An employee will be motivated to put his or her best foot forward when they know or believe it will result in good performance appraisal which in turn leads to high and attractive rewards such as bonuses, salary increases to satisfy the employee's personal goals. Vroom explains that motivation is a product of three factors: how much one wants a reward (Valence), ones hope that their effort will result in fruitful and successful performance (expectancy) and one's estimate that performance will lead to appropriate reward (Instrumentality). This can be summarized in the formula below:

$$\text{Valence} \times \text{Expectancy} \times \text{Instrumentality} = \text{Motivation}$$

Vrooms expectancy theory addresses motivation and management. The theory suggests that an individual's perceived view of an outcome will determine the level of motivation. Choices being made maximize pleasure and minimize pain. Vroom theorized that the source of motivation in expectancy theory is multiplication

function of valence, instrumentality and expectancy (Stecher & Rose, 2007). It follows therefore that increased effort would lead to increased performance given that the person has the right tools to get the job done. The expected outcome is dependent upon whether or not the person has the right resources to get the job done, possesses the right skills to accomplish the task at hand and the needed support. The support can be from the immediate supervisor or the right information or resources to finish the job. The expectancy theory is linked to the Balanced Scorecard variable in this study.

According to Newstrom (2007), the expectancy theory relies heavily on the workers understanding of the relationship between effort, performance and rewards which in most cases is often uncertain. Each situation poses a unique scenario in the sense that an employee in a particular scenario cannot be sure that a desired reward will follow a given action. Uncertainty can result from other outcomes controlled by other individuals since the employee cannot be sure how others will act in given different work scenarios.

The expectancy theory is valuable for helping managers think about the mental processes through which motivation occurs (Newstrom, 2007). Employees do not act out of purely internal drives, unmet needs and punishments; they are rational individuals whose beliefs and perceptions influence their behavior. The theory encourages managers to design a motivational climate that will stimulate appropriate employee behavior. Even if employees cannot receive all they desire, their expectations will be more realistic after effective communication has occurred between the manager and the employee.

Expectancy theory by nature only focuses on the extrinsic motivational factors and the conscious decisions employees make about their performance. Many employees and leaders are not motivated solely by extrinsic factors. Therefore it is critical for managers and leaders in organizations to really understand what motivates their employees by attempting to utilize the expectancy theory. The theory falls short of explaining how employees update and change their beliefs overtime. Beliefs change

as employees realise that their actual satisfaction with an outcome is different (Grant & Shin, 2011). When employers are utilizing the theory in the work place being cognizant of the fact that people's needs and wants change allows them the opportunity to re-evaluate the effectiveness periodically.

### **2.2.3 Contingency Theory**

The contingency theory of leadership was proposed by the Austrian psychologist Fred Edward Fielder in his landmark 1964 article, "A Contingency Model of Leadership Effectiveness." The theory emphasizes the importance of both the leader's personality and the situation in which the leader operates. According to this theory, there can be no universal approach to managing in the modern selling. Globalization and conditions of the market place and the diversity in the workforce on multiple levels prevents the embracing of one philosophy. The contingency approach suggests that there needs to an examination of the current situations and dynamics. Each situation presents an entirely new set of conditions that have to be navigated. Features of the contingency theory include management being situational in nature thus relying on the nature of the situation, it is the 'if' and 'then' approach to management, management principles are not universal in nature as there is no best style to management and it provides insight into organizational adaptability to both internal and external environment.

The willingness to embrace what other organizations have done if it fits the circumstances becomes a reality in the contingency management model as opposed to theoretically driven models that focus on the theory more than the specific conditions that govern its success. The willingness to embrace and avoid inflexibility are vital traits for the model of contingency management to work best. Business leaders must understand the unique needs of a given situation and make decisions that best apply to that situation. This theory is linked to sales productivity variable since organizational effectiveness can be measured in terms of sales volumes generated by its employees.

The contingency theory has several advantages: first, it is an integration of different schools of thought-classical, behavioral and systems approach. It is pragmatic in nature as solution to every problem is found after analyzing the problem. Thirdly, it follows the technique of multivariate analysis. Fourthly, it does not presume a pre-designed structure of the organization but adopts a structure that helps the organization adapt to the environment. Fifthly, it helps to design the organization structure and plan the information decision system. Lastly, it helps to design motivational and leadership approaches to stimulate the workers.

There are several setbacks with this theory in that there is lack of planning ahead for problems hence inadequate qualified personnel to handle unexpected challenges. It has not spelled out the various types of actions which can be taken under different situations. Secondly, determination of situations in which managerial actions is to be taken involves analyses of a large number of variables within multifarious dimensions, leading to a situation where managers who are always short of time may ignore the thorough analyses of all the variables. Thirdly, contingency approach being complex, presents problems in testing the theory.. Finally, contingency theory is basically reactive in nature. It merely suggests what managers can do in a given situation. It does not follow the concept of universality of principles which often apply to specific management situations. It is not possible for managers to determine all the factors relevant to the decision making situation because of constraints of time and ability. Managers can neither collect complete information about the environment nor analyze it completely.

#### **2.2.4 Adams Equity Theory**

The equity theory by Adams (1965) recognizes that individuals are concerned not only with the rewards they receive for their efforts, but also compare their rewards with what others receive. The theory is founded on people's perception of fairness or equity which is usually subjective. The Equity theory posits that employees seek to maintain equity between the input that they bring to a job such as education, time, experience, commitment and effort and the outcome they receive such as promotion, recognition and increased pay against the perceived inputs and outcomes of other

employees (Spector, 2008). Equity theory proposes that individuals who perceive themselves as either under-rewarded or over-rewarded will experience distress and that this leads to efforts to restore equity within the organization. Failing to find equity according to, Hellriegel (2004) may make them behave in ways that will harm the organization.

The retaliatory measures by employees who think they are unfairly rewarded may include, withholding effort and reducing work inputs, displaying feelings of hostility to co-workers and the organisation itself, and seeking salary increases, challenging superiors about tasks assigned, as well as quitting the job and seeking an alternative elsewhere. All these options have implications for an organization. It can impair the overall performance as well as lower productivity. If high performers leave an organization, the organization is likely to lose its productive talent and competitive advantage (Hellringel, 2004).

There are a number of tangible advantages of offering the equity to employees, the most important being that it will clearly align the interest of employees with the interests of the company. Secondly, this theory allows a company to save money in the interim. Thirdly it is every company's goal to attract and retain the best possible talent. Equity provides a strong incentive to for talented employees to join the organization without costing much.

Critiques however argue that equity theory is not perfect for every business and there are certainly some key limitations. First, no matter how you choose to structure your equity incentive plan, it does not predict an overpayment condition, that is how people handle those conditions. It does not account for individuals differences that have an impact upon equity. Thirdly, workplace equity means every one performs the same function without any variation among authority or job position because there are no elevated roles duties or responsibilities. Fourthly, an organization without clearly defined roles means all employees should be equally compensated. In a workplace with total equity, there is no delineation between roles and therefore no distinction that separates management roles from support roles.

### **2.2.5 Three Component Model of Engagement**

This model was advanced by Schaufeli and Bakker in 2004. The researchers noted that work is a state of mind fulfilling aspect which features having vigor, dedication and absorption within work. Employees who have high vigor were found to have extremely higher levels of energy and mental resilience towards their work. The dedication was found to be related to the feelings of importance within a work setting, the levels of inspiration by managers, the pride and enthusiasm one shows in their work. Absorption is concerned with how much one is immersed in their work.

Schaufeli & Bakker (2004) noted that employees who are highly engaged within the work will generally come up with their own positive feedback on work. This implies that an engaged employee will show greater energy and enthusiasm. Through their work, they also concluded there is a positive relationship between job capabilities such as performance feedback, support, supervision and the level of work engagement determined by; Vigor, dedication, and absorption. Through their modelling, they concluded that job capabilities and not demands exclusively predicted the levels of work engagement and engagement acts as an interlink between job resources and levels of turnover.

Similarly, the Utrecht Work Engagement Scale (UWES); (Schaufeli, Salanova & Bekker, 2002) was used to test the relationship between the levels of employee engagement and job performance and the findings of the study supported that there is a positive relationship between employee engagement and the in-role performance, innovativeness and extra-role performance within work. As outlined above this theory supports the notion that employees with high vigor exhibit better performance. This theory supported the variable for the key performance indicators which are the set achievements by the firm which the personnel are expected to meet in the course of their job. By implementing challenging key performance indicators, the management can inculcate a team of personnel who are highly motivated to meet the set targets.

**Table 2.1: Summary of Theories**

<b>Theory</b>	<b>Focus of Theory</b>	<b>Theorists</b>	<b>Objective</b>
<b>1. Goal Setting Theory</b>	Setting of goals for subsequent organizational/ individual performance	Edwin Locke	Management by Objective
<b>2. Expectancy Theory</b>	How people behave depending on the outcomes they expect as a result of their behaviour	Edward C. Tolman	Balanced Scorecard
<b>3. Contingency Theory</b>	How individuals and groups gain power, access to resources and control over their lives, often through collective action	Fred Edward Fielder	Sales Performance Indicators
<b>4. Adams Equity Theory</b>	How the self is influenced and shaped by social processes and the capacity to symbolize	Adams Smith	Direct Observation
<b>5. Three Component Theory</b>	The aspect of vigor, dedication and absorption within work	Schaufeli & Bakker	Management by objective

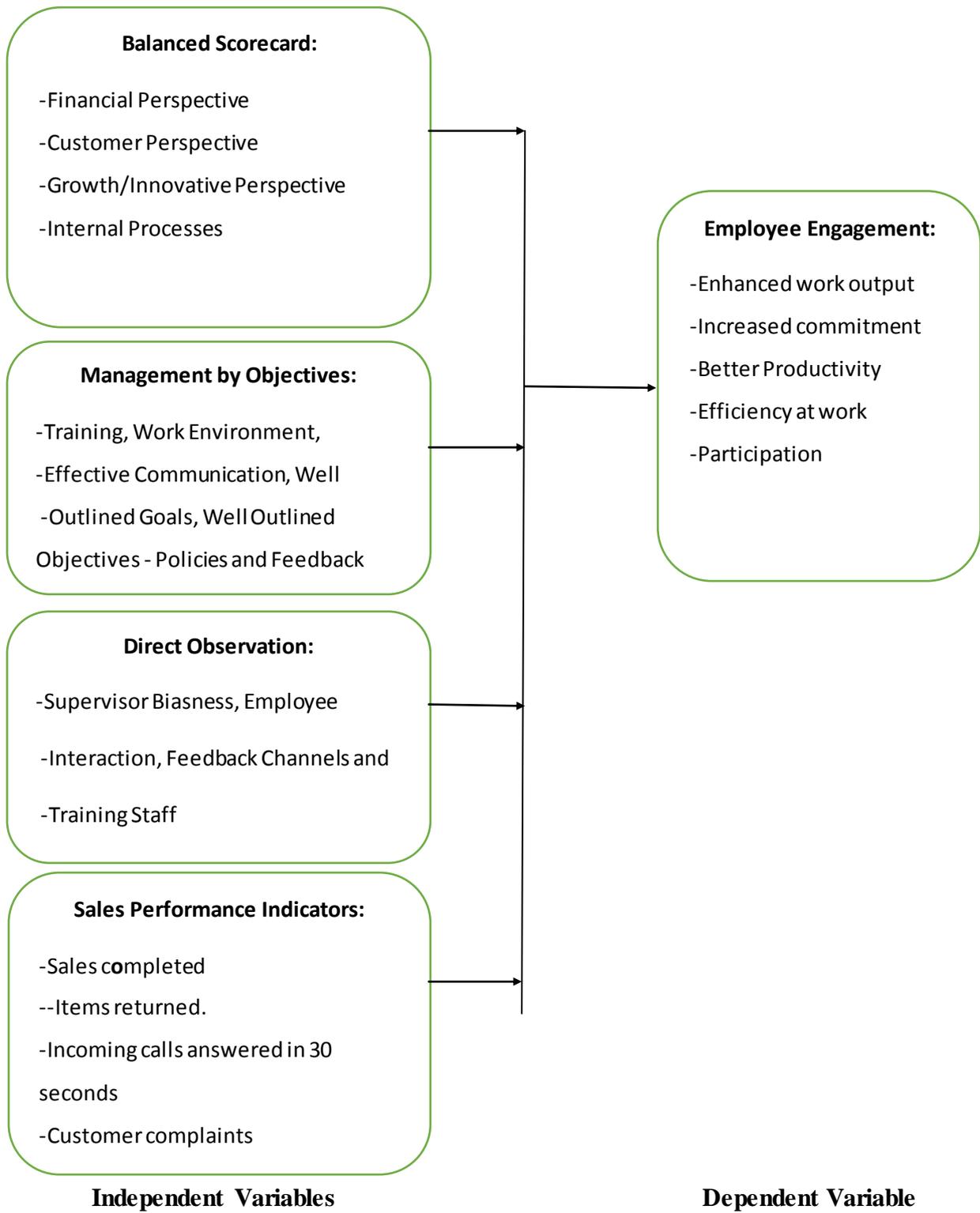
### **2.3 Conceptual Framework**

A conceptual framework is a system of concepts, assumptions, expectations, beliefs and theories that support and inform a study. It is a conceptualization of the study variables through a diagrammatical representation of the relationship between the

study dependent variable and the independent variables (Robson, 2011). In the below infographics representation the independent variables for the study represent the variables that are not changed by any factors of the study. In this study, the independent variables were; direct observation, management by objectives, key performance indicators and balanced scorecard. The dependent variable for this study was the levels of employee engagement. The study sought to understand how the mentioned independent variables determine the level of employee engagement which was the dependent variable.

The link between performance measurement as the independent variable and employee engagement as the dependent variable is explained using the goal setting, expectancy and contingency theories. These theories encompass all aspects of outcome to the individual measuring employee performance with efficiency and accuracy (Kopper, 2014). Expectancy theory proposes the strength of an expectation that the act will be followed by a given outcome to the individual (Robbins & Judge, 2007). The contingency theory suggests the need for an examination of the prevailing situation and dynamics whereby each situation provides an entirely new set of conditions that have to be navigated. The sales workforce must understand the various tastes of customers to satisfy them.

In the conceptual framework, employee engagement as an independent variable is operationalized in this study as enhanced work output, increased commitment, better productivity and efficiency at work. They are influenced by performance measurement under, the balanced scorecard operationalized by Finance perspective, customer perspective, growth and innovation perspective and internal process perspective; Management by objectives is operationalized by work environment, effective communication, outlined goals and feedback. Sales productivity is operationalized by sales completed, calls made and new customers acquired. It's upon management of multinational corporations to adopt the most appropriate and realistic performance measurement system that ensures challenges are overcome for employee engagement to be enhanced. For better illustration the Figure 2.1 breaks-down the different study variables to their respective constructs.



**Figure 2.1 Conceptual Framework**

### **2.3.1 Balanced Scorecard**

The concept of work of the balanced scorecard was developed in the 1980s and 1990s by academics and practitioners in various fields, such as financial and performance management accounting. The name given to this tool was first introduced by Kaplan and Norton in 1992(Kaplan & Norton, 1992). Most organizations have a scorecard covering almost all key areas like human resource, IT, finance and customer care. It refers to a variety of performance measure sets designed to be used to manage and control the strategy of an organization. It facilitates continuous tracking of performance in the company on measures that represent progress.

Awori (2007) states that the balanced scorecard is a strategy based system used to make informed decisions at all functional levels in the organization while focusing on accomplishments and results. To ensure the effectiveness of the balanced scorecard, the organizations should focus not only on the performance measures but also on the desired results to be accomplished.

The balanced scorecard approach aims to provide management with a set of measures which combine to give a “comprehensive but quick” view of the business. Indeed, it is suggested that the score-card particularly meets the information needs of managers by combining in a single performance measurement reports the many disparate elements of a company’s competitive agenda while preventing sub-optimization by managers, as they must consider all of their organization’s significant performance measures together (Kaplan & Norton, 2015).The balanced scorecard gives organizations a comprehensive review of their operations. Through use of the scorecard, organizations are offered a clear prescription as to what companies should measure in order to “*balance*” the implications in all the functional areas, especially their human resource personnel as a matter arising out of the strategic intent

The balanced scorecard is quick measures of the business outlook. It’s conceptualized in this study in terms of the; financial perspective which addresses

the financial impact of priorities chosen, plans executed, decisions made and actions taken. Growth perspective which guides in identifying measures that link to long term growth and success. Customer perspective which is concerned with adding customer value achieved through innovative and high quality services and the internal processes perspective (Punniyamoorthy & Murali, 2010). The study seeks to establish how these aspects combined affect the level of employee engagement on employees working in multinational corporations in Kenya.

### **2.3.2 Management by Objectives**

Management by objectives is a theory of management proposed by Drucker (1956). It relies on the defining of objectives for each employee and then comparing and directing employee performance against the objectives that have been set. Tahir, Shafkat and Mohammed (2008) described MBO as involving the establishment and communication of organizational goals, the setting of individual goals in line with organizational goals and review of performance in relation to the organizational goals. Nwosi (2008) described MBO as a technique of management that attempts to relate organizational goals to individual performances and development through the involvement of all levels of management.

One of the most important tool that managers have in trying to meet the objectives of the stakeholders is setting forward looking attainable goals for the entire organization and ensuring the employees within the firm are committed to the goals in terms of desire to achieve them and the work effort they allocate to achieving these goals (Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros, & Schlesinger, 2009). Generally, planning is the initial stage in performance management practices for it entails setting performance expectations and goals for individuals and groups to channel their efforts toward organizational goals. When planning, it is important to involve the employees since it will help them understand the performance expectations need and where possible, Setting the goals or objectives of employee, the management and employees should jointly participate. The management by objectives describe something that has to be accomplished which when both parties are involved will result in an agreement on what the role holder has to achieve.

In an effort to achieve these goals, managers have resorted to numerous approaches such as large remuneration and reward systems, economic pressures on the employees, cajoling their members of staff and even at times ensuring that more resources are injected into the organization (Turner, 2014). At some levels these approaches have borne fruits however; they are not quite strategic for all firms. The second variable the MBO are a set of attainable targets put forward by the management with a view of enhancing the performance of the entire organization. Within this research the MBO's will be broken down in terms of the training, work environment and the communication. This variable varies with organizations depending on the structures in use. This enables top management to present policies that will be constantly reviewed on predetermined evaluation techniques. MBO allows management to exercise better control and efficient coordination within the firm. or otherwise.

Akrani (2010) identified several limitations of the MBO model. First, MBO is a time-consuming process as objectives, at all levels of the organization, are set carefully after considering the pros and cons, which takes much time. Superiors are required to hold frequent meetings in order to acquaint subordinates with the new system. Second, MBO is pressure-oriented and therefore based on reward-punishment psychology. Thirdly, MBO programmes introduce a mass of paperwork such as training manuals, newsletters, instruction booklets, questionnaires, performance data and reports, into the organization. Fourth, MBO often creates more problems than it can solve. The subordinates try to set the lowest possible targets and superiors the highest. Fifthly, it leads to conflicting objectives as an individual's goal may come into conflict with those of another e.g. the marketing manager's goal for high sales turnover may find no support from the production manager's goal for production with least cost. Also, Considerable difficulties may be encountered while co-ordinating organizational objectives with those of the individual and the department.

Managers may face problems of measuring objectives when the objectives are not clear and realistic. Finally, it lacks durability as the first few rounds of MBO are motivating but the marginal benefits often decrease with each cycle. Moreover, the programme is deceptively simple. New opportunities are lost because individuals adhere rigidly to established goals. Many studies have been done concerning the effectiveness of MBO. Findings from the studies encouraged the use of MBO as a means of influencing teams to self-regulate (Kyriakopoulos, 2012). This study seeks to find out how the numerous approaches applied enhance performance arising out of high levels of employee engagement.

### **2.3.3 Direct Observation (360 Degrees Feedback)**

Direct observation on the other hand is a measure of the employee performance through continuous supervision, assessment and evaluation of their productivity by selected individuals. In direct observation measurement, the observation component means that the supervisors need to frequently observe the identified characteristics (Moulder, 2011); The measurement component indicates that the superior has to translate the observations into a judgmental rating. They have to be relevant, but also must be comparable across raters in the organization. The supervisor, who makes the appraisal, should focus on the future and on the improvement of the results. Effective performance feedback between employees and supervisors is the key to successful organization productivity. Regular feedback helps employees focus their work activities so the employees, the department, and the organization on achieving their goals (Solmon & Podgursky, 2010).

In their research, Pilluta and Ronson (2006) demonstrates how peer evaluations may be biased and warn against recruitment, rewards and promotion decisions being made on this basis. Morgan and Cannan (2005) are of the opinion that the 360 degrees feedback process was an isolated act with lack of follow up, depending heavily on the proactivity of the individuals involved with little support. Clearly, 360 degrees feedback needs to be handled carefully and sensitively in the context of an appropriate organizational climate so that it is not experienced as a threat. The

feedback system is increasingly being used to provide individuals with a basis for changing behavior and improving performance.

Through direct observation supervisors are able to focus on behaviors and results, rather than on personalities. Such systems support ongoing communication, feedback and dialogue about organizational goals. Also they support communication between an employee and a supervisor (Wachira, 2013). The most prevalent method of observation being the 360<sup>0</sup> feedback system also referred to as the multi rater feedback. In this case performance feedback is collected from colleagues, direct reports, line managers, external customers as well as the individual (Kátay & Nobilis, 2009). Direct observation will be operationalized in terms of the supervisors, the levels of employee interaction and the performance measures adopted. Through the feedback system, the management can use work standards to gauge the levels of engagement within the organization.

#### **2.3.4 Sales Key Performance Indicators in Sales**

The key performance indicators of sales productivity in a firm are also referred to as key success indicators within management cycles. These measures help both the management and the personnel to understand and attain the organizational goals. Key performance indicators in sales have been used widely as measures of performance in modern organization to assess both the level of operational efficiency and productivity towards meeting the firm goals as well as the appraisal of the staff thus helping to motivate them leading to better productivity (Krause & Arora, 2010).

In setting up key performance indicators, the first step in the process is setting up of the standards which are used as a benchmark to compare the actual performance of employees. This step requires setting the performance criteria to judge the performance of employees as successful or unsuccessful of the degree (Paile, 2012). To be useful, these key standards should relate to the desired result of each job. The standards set should be clear, easily understandable and in measurable terms (Komati, 2013). In case the performance of the employee cannot be measured, great care should be taken to describe the standards and review them accordingly. Key

performance indicators are preset measures that are widely applied in guiding the organization towards the preset goals (Paile, 2012).

They are also referred to as key success indicators within management circles. KPI's are operationalized through the; sale indicators, calls made and new customers made. A good KPI should be quantifiable, based on organizational goals and deeply rooted on the organizational culture. Several KPIs such as the continual, discrete and hard indicators can be used. The study seeks to establish how such indicators affect the level of performance through employee engagement levels.

### **2.3.5 Employee Engagement**

The dependent variable; employee engagement is a measure of how much employees are attached and willing to work. Russo (2010) defines employee engagement as the efforts of imparting and socializing the employees with a sense or and the reason for genuine commitment to the organization. He goes further to add that employee engagement serves to inspire employees with a bias for action on the organization's behalf and pride and emphasizes that establishing a culture of engagement is important to the bottom-line and top-line of the organization. According to Michlitsch (2010), if employees lack the needed competencies or qualifications to enable them to properly execute a company strategy, then they have no room for success. In this regard, therefore, maintaining competencies within organization do have a significant role in successful employee engagement strategies.

Employee engagement is a key business driver for organizational success and therefore high levels of engagement in domestic and global firms promote retention of talent, foster customer loyalty and improve organizational performance and stakeholder value (Lockwood, 2007). There are three types of engaged employees: those who are engaged, the ones who are not engaged employees and the actively disengaged employees. Engaged employees are organizational builders who strive to offer their best or excellence at whatever task they are accorded by the management. They are dedicated to their role, less likely to leave the company, more productive,

give better customer service and in turn create greater profits in the organization (Crabtree, 2005).

Engaged employees are most likely to make positive contributions to their companies by attracting and retaining new customers, driving innovation or simply spreading their positivity to co-workers (Crabtree & Robison, 2013). Employee engagement is a matter of concern for leaders and managers in organizations across the globe as they recognize that it is a vital element affecting organizational effectiveness, innovation and competitiveness (Welch, 2011). It's operationalized in terms of the work output, the commitment levels, productivity, efficiency and adherence to work. There are three types of engaged employees: those who are engaged, the ones who are not engaged employees and the actively disengaged employees. Engaged employees are organizational builders who strive to offer their best or excellence at whatever task they are accorded by the management. They are dedicated to their role, less likely to leave the company, more productive, give better customer service and in turn create greater profits in the organization (Crabtree, 2005). According to Coffman (2003) engaged employees have a desire to know the expectations for their roles so that they can both meet and exceed them. They take pride in their work and will put in extra time to get task completed to a good standard, not for financial gain but out of a personal sense of commitment known as discretionary effort (Frank, Finnegan & Taylor, 2004). They speak positively about others and encourage them to use their service. Not engaged employees focus on the tasks spelled out to them rather than the goals of the organization. Basically, they will just do what they are told to do. They are "checked out" and "sleep walking" through their day, simply doing the necessary; attending work and getting the basic requirement of the job done without interest, energy, passion or any personal investment (Crabtree, 2005).

They are usually neither negative nor positive about their company, adopting "wait and see" attitude to their jobs, managers, and co-workers (Coffman, 2003). Where engaged employees will put in the extra effort of their every day as part of their everyday pattern, non-engaged employees are interested only in getting by and will not be willing to work extra without inducement. Actively disengaged employees are

a disaster to have in an organization since they don't perform well but also demotivate the performer in the organization (Crabtree, 2005). They are unhappy in their work and often do not care who knows it. They are acting out of their unhappiness. They may be highly vocal in their complaints and criticism against the company undermining colleague's attempts at maintaining a positive attitude and atmosphere and their carelessness approach to their work may reduce any advantage generated by more willing work mates.

#### **2.4 Empirical Review**

Farooq and Hussain (2011) carried out a study on the balanced scorecard perspective on change and performance of firms in India. The findings of the study asserted that Indian organizations, in both private and public, service and manufacturing sectors had incorporated the dimensions of BSC as a performance evaluation tool and used it to change and improve performance. Balance scorecard, change and performance were significantly positively correlated to each other, thus, the performance was affected by both BSC and change. The study further noted that the change was dependent on the ability of the employees to acquaint with the organizational objectives.

Haktanir and Harris (2005) in their study opined that management are advocating for an emphasis on both financial and non-financial dimensions such as competitiveness, service quality, customer satisfaction, organizational flexibility, resource utilization, and technology application to enhance organizational performance. It is important for performance measures to direct attention to such non- financial factors as service quality and customer satisfaction. Chen, Hsu and Tzeng (2011) conducted a study on the balanced scorecard approach (BSC) to establishing a performance evaluation model affirmed that BSC was an effective technique for performance evaluation. They used the BSC approach to evaluate the performance of Hot Springs hotel in Taiwan. In their findings, the BSC performance evaluation technique enabled managers to understand the appropriate actions and achieve competitive advantage. In another research by Shahin and Mahbod (2007) they sought to provide an approach to key performance indicators using a SMART method criteria (Specific,

Measurable, Attainable, Realistic and Time-Sensitive) with regard to goal setting by the firm. He identifies that firms need to generate and prioritize goals that are SMART and consistent with the goals of the firm. Through such a method the organizations can be able to approach and apply the KPI's within the firm with consistency.

In a another study by Theo and Voordt (2004) they identified that for employees to be productive within a firm the main factors that the management should ensure the employees are not distracted in their work places, the ergonomics of the firm should be enhanced as well as access to technology. As such management needs to set up the firms indicators through guidance by the factors that will ensure employee productivity as a measure of ensuring meeting up the expectations of management. In a study by Hanover Research (2010) on the usage of key performance indicators in the U.S the firm highlights that performance indicators are a logical measure which is easy to implement straightforward and a necessary tool in measuring the quality and quantity of organizational goals efficiently within an organization.

They further identify that a good performance indicator should be able to be measured adequately using the least amount of resources. In this regard they identify the main performance indicators for divisional staff should be the level of customer service and relationships improvement, the level of employee engagement and retention, the safety of the work environment and the improvement in the efficiency of the organization.

In a study on the influence of performance contracting on the performance of central government ministries, the researcher noted that the use of financial indicators was key to enhanced performance within the parastatals, further, the researcher notes that using customer service delivery indicators was widely used by supervisors to gauge the performance of the staff within ministries in day to day operations. Thus, from the findings the researcher concluded that to engage the employees into better performance, organizations can make use of financial and customer service delivery indicators (Waruinge, 2012).

Welbourne (2003) states that it is in this role that managers have to take the initiative of engagement. Welbourne is further of the opinion that the people in charge of organizations, the leadership, and management teams, have a direct impact on the engagement exhibited by their subordinate teams. Greenberg and Arakawa (2006), hypothesized that self-engaged managers embody a positive leadership approach, in which they are more than likely to employ a strength-based approach to managing employees, communicate clear goals and objectives, set performance expectations, instil personal accountability and provide frequent recognition for employee accomplishments.

De Jong and Den Hartog (2007), points out that leader, in order to ensure and maintain employee engagement, must be conscious of the factors that influence an employee's sense of involvement, motivation, and commitment to their job and to the organization in general. Managers should make sure of the engagement factors on which to focus in order to warrant that employees would perform to their full potential. Harris (2007) showed that the effectiveness of leader's communication had a significantly strong relationship to employee's engagement and intent to stay. More specifically, their research found that each level of leadership and message communicated by that level revealed a correlation between employee engagement and intent to stay.

Awori (2007) studied performance appraisal in state corporations in Kenya and the findings were that the state corporations were using performance appraisal to improve work performance with the use of management by objectives appraisal system as opposed to the balanced scorecard, self-review, peer review and upward appraisal systems. Although the performance appraisal was objective, the appraisal instruments were not tailored for every job category hence performance appraisal was not necessarily used for promotion and appraisers leading to little changes on employee engagement.

Korir (2014) did a study on Employees Perception on Performance Appraisal process in G4S Kenya Limited. He established that performance appraisals have been embraced in the organization and target setting has been handled well. However, the performance appraisal used to assess performance based on parameters of BSC, has been blamed for discontent among the employee at the institution. According to Ryan and Ryan (2007), studies have shown that employees have reported that their talents and abilities are only being utilized to a 48% degree. In this regard, therefore, leaders have the responsibility of unleashing the remaining 52% by achieving a buy-in from the employees. Many leaders assume that their employees are on board with company's objectives. However, Ryan and Ryan (2007) states that this cannot be assumed, and by only communicating the management objectives being pursued can employees, support the objectives and utilize their best capabilities to execute them.

According to Palanski, Avey, and Jiraporn (2014), this practice involves the emotional and intellectual connection that an employee has to his or her employer, supervisor or co-workers that ultimately leads to improved output. In: this case an engaged employee is one that works with his co-workers to improve the performance in the workplace for the benefit of the organization. Nevertheless, to achieve this organization has a role to play in nurturing employee engagement requires a two-way relationship between the supervisors and the employee. According to Ramaswamy and Chaubey (2015), employees desire to be associated with the mission and purpose of the company and have their opinions count. When engaging employees in to the affairs of the organization, they are given the opportunity to create their own work.

According to Barnes, Lucianetti, Bhave, and Christian, (2015), creativity and innovation can be achieved through involving workers deeply into the daily proceeding of the company say through getting their opinions when making decisions, encouraging open communication forums and team building activities. This creates an environment of trust and openness within the organization since employees feel they are listened to and are able to express their dissatisfaction and work together to perform better. Airila, *et al.*, (2014) that the number one reason why people thrive in an organization is their immediate supervisor, but these managers are

also the number one reason why employees quit. The absence of engagement can be traced to an uninspiring, disinterested and/or ineffective manager. They further argue, it has become clear that the manager act as a catalyst for employee engagement. Managers are viewed as the medium through which an employee's unique talents are realized and transformed into performance.

#### **2.4.1 Balanced Scorecards**

The balanced scorecard approach aims to provide management with a set of measures which combine to give a “comprehensive but quick” view of the business. Indeed, it is suggested that the score-card particularly meets the information needs of managers by combining in a single performance measurement reports the many disparate elements of a company's competitive agenda while preventing sub-optimization by managers, as they must consider all of their organization's significant performance measures together (Kaplan & Norton, 2015). The balanced scorecard gives organizations a comprehensive review of their operations. Through use of the scorecard, organizations are offered a clear prescription as to what companies should measure in order to “*balance*” the implications in all the functional areas, especially their human resource personnel as a matter arising out of the strategic intent as noted by Punniyamoorthy & Murali, (2010).

Kaplan and Norton (2015) conclude that the balanced scorecard, as a tool, is useful in the management of organizations in enabling organizations to align initiatives, departments and individuals to work in ways that reinforce each other so that dramatic performance improvements can be achieved. Instead of consisting of a mere collection of financial and non-financial measures, the balanced scorecard comprises three interrelated perspectives: financial, customer and innovation and growth and learning. Advocates of the balanced scorecard argue that it recognizes the multiple stakeholders of an organization, comprising of shareholders, customers, suppliers, employees and society (Lanen, Anderson & Maher, 2008). Objectives related to these stakeholders are captured in the balanced scorecard through the different perspectives. Each perspective has objectives, performance indicators, targets, and initiatives.

### **i. The Financial Perspective**

According to Kaplan and Norton (2015), this perspective addresses the financial impact of priorities chosen, plans executed, decisions made, and actions taken by the management team. That is, whether the financial performance measures indicate whether the company's strategy, implementation, and execution are contributing to the bottom line improvement. Objectives of this perspective are oriented towards providing shareholders a return on investment. Companies will not realize all financial benefits of their improvements until all the other perspectives are working effectively.

Further, Kaplan and Norton assert that periodic financial statements remind executives that improved quality and productivity benefit the company only when they are translated into improved sales, market share, reduced operating expenses or higher asset turnover. The scorecard helps managers understand many interrelations, and keeps companies moving forward instead of backward. Through the use of this perspective, organizations can measure the performance of employees in terms of efficiency in utilizing the organizational resources. The main measures that can be taken are the inventory handling, the profitability of the firm as a result of increased employee productivity, the growth in sales as employees strive to meet performance targets (Kaplan & Norton,2015).

### **ii. The Customer Perspective**

This perspective is concerned with adding customer value. This is achieved through innovative and high-quality services. According to Kaplan and Norton, (2015) the Customer perspective is measured through the preset organization objectives with respect to the customer such as; time taken to service their requests, quality of the services offered, performance and service and cost. This perspective aims at creating value for customers and addresses issues around the themes of customer satisfaction and customer retention. Performance measures with regards to this perceptive might include performance feedback from formal customer satisfaction surveys, loyalty indices, market segment growth, and performance measures against key drivers of customer satisfaction (Kaplan & Norton, 2015)

### **iii. Growth and Innovation Perspective**

In this perspective, the challenge of identifying measures that link to long-term growth and success are identified. In order to achieve set goals, an organization requires the right people and systems, as well as facilities to support them. For the organization as a whole, issues such as new skill and competency acquisition, employee morale process improvement, and enhanced value to the customer is all addressed in this future-focused perspective. The targets emphasize the role of continuous improvements in customer satisfaction and internal business processes like the implementation of information systems. (Kaplan & Norton, 2015)

### **iv. The Internal Process Perspective**

The main focus in this perspective is on internal operational goals and covers objectives as they relate to the key processes necessary to deliver the customer objectives. Here, companies outline the internal business processes, goals and the things the organization has to do really well internally in order to push performance. Typical example measures and KPIs include process improvements, quality optimisation and capacity utilisation (Kaplan & Norton, 1992)

#### **2.4.2 Management by Objectives**

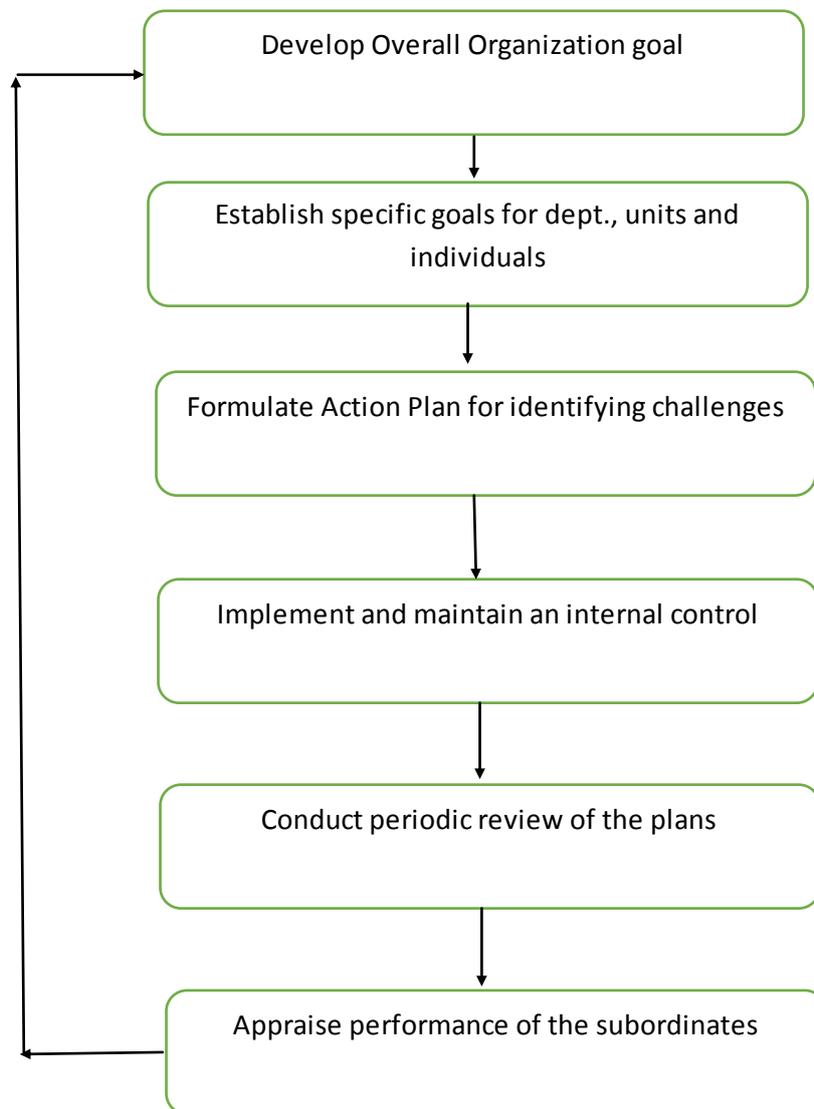
Organizational managers have always been on the receiving end whenever the firm's performance fails to meet the objectives of the stakeholders. As the custodian of the stakeholder's wealth management is tasked with the responsibility of ensuring the wealth of stakeholders is put into efficient use with a view of obtaining best returns possible. The modern management is faced by an uphill task of matching the firm's performance to that of the stakeholders in an era where organizations are faced by volatility in the market as a result of the tremendous social, technology and employee welfare concepts. They must be able to adapt themselves and the organization at large to the volatilities taking place in the market (Carmen, 2014).

One of the most important tool that managers have in trying to meet the objectives of the stakeholders is setting forward looking attainable goals for the entire organization

and ensuring the employees within the firm are committed to the goals in terms of desire to achieve them and the work effort they allocate to achieving these goals (Verhoef, Lemon, Parasuraman, Roggeveen, Tsiros, & Schlesinger, 2009). In an effort to achieve these goals, managers have resulted in numerous approaches such as large remuneration and reward systems, economic pressures on the employees, cajoling their members of staff and even at times ensuring that more resources are injected into the organization (Turner, 2014). At some levels these approaches have borne fruits however; they are not quite strategic for all firms.

Peter Drucker in 1954 introduced the concept of management by objectives in sense as an approach that requires the management to set up aims that will be achieved in a future specified date and rallying the employees towards the attainment of the set objective. He defined management by objectives as a system of policies and procedures designed by management at times with the participation of the employees aimed at accomplishing particular objectives that are specific to the organization. Since all firms exist for a particular purpose, the management has to constantly set objectives that are common to the entire firm (Drucker, 2008).

The process of MBO involves (Drucker, 2008); This is illustrated in Figure 2.2 below.



**Figure 2.2 MBO Process**

The aim of management by objective is essentially to outline the plans of a firm from one level of management to another. Through MBO's the management is able to offer a chance of dialogue for firms through the process of passing plans and objectives from one level to another. As indicated in figure 2.2 above, the upper level management is tasked with making the main objectives of the firm while the subordinates are tasked with making concise inputs into the management objectives that are aimed at ensuring the attainment of the organizational goals (Bogue, 2005).

MBO in practice varies with organizations depending on the structures that are in use. For large organizations with formalized structures MBO is more centrally

concentrated due to the large number of personnel involved, thus, the management goals are addressed down to the subordinates with limited room for injecting their suggestions (Fulk, Bell & Bodie, 2011). Through the MBO's the top management is able to present policies that will be constantly reviewed upon predetermined evaluation techniques.

These measures of the attainment of MBO's constitute the management's evaluation of the personnel engagement to the objectives of the firm. Apart from the formality of the structures within the firm, MBO's vary depending on the flexibility in terms of the extent to which subordinates are involved in setting up their own specific goals in alignment to the MBO. In general, MBO's will take the form of a formal specific objective with its own appraisal criterion that will be notified to all the personnel within a firm (Fulk, et.al, 2011). Through the use of MBO's the management can gain better commitment from the staff through their contribution towards the attainment of the objectives. This is enhanced by allowing the personnel to feel they are a part of the objectives, they have a sense of wellbeing within the firm and the MBO's are not basically handed down to them as a punishment. Secondly MBO's allow the management to exercise better control and efficient coordination within the firm.

This is accomplished through the clear picture that MBO's paint on what is required from each employee and what they ultimately need to do in order to attain the set goals (Drucker, 2008). Lastly management by objective offers subordinates a channel for personal development and increasing their levels of engagement to their work. This is attained through the evaluation feedback received from the management which outlines the weaknesses and strengths of each personnel member. Further, it helps them to anticipate change thus; they are constantly engaged in personal development programmes (Thomas, 2006).

#### **2.4.3. Direct Observation and Employee Engagement**

Brad, Shuck, Rocco, and Albornoz (2011) notes that the development and engagement of an employee is a shared responsibility between the employee and the supervisor. The employees have the primary responsibility for developing their own

skills, knowledge and levels of experience while the supervisors have the role of observe them, assess them, give feedback on the assessment, guide them on their strengths and develop them on their weaknesses.

When both employees and the supervisors have shared development goals in the course of the appraisal period the primary objective will be to find the key opportunities that can be harnessed to enable the employee sustainability, improvement and build their performance and contribute to the effectiveness within a firm. Katay and Nobilis (2009) notes that for the purposes of enhancing supervision within the workplace; the management should ensure that supervision is backed by a strict feedback system. Through the feedback system the management can use work standards to gauge the levels of engagement within the organization.

Involvement and Participation determines employee engagement. Many organizations are faced with the challenges of managing and empowering their employees to actively participate in decision making. In this current economic environment, organizations require creative and innovative employees who can take initiative, embrace change, stimulate innovation and cope with high uncertainty in the market. The idea of empowerment involves the employees being provided with a significant degree of freedom and flexibility to make decisions relating to work without direct involvement of the top management (Zhang & Bartol, 2010). Employee's involvement and participation thus contribute greatly to how organizations make decision and run their businesses. Managers should therefore have an influence power to get employees to involve in making decision and completing the daily up-to-date organization progress and objectives to build employee's confidence. It is very important that the organization create an environment to all employees with the open feedback to make sure that employees are treated with equal opportunities to contribute their feedback or ideas openly and honest for the good of the company and themselves (Kátay & Nobilis, 2009)

One of the most prevalent methods of observation within any organization is the 360-degree feedback system. This method is also referred to as a multi-rater or multi-source feedback. This is a new approach to performance and performance measurement. It is the process whereby individuals receive feedback from a variety of stakeholders about the way they carry out their jobs. Performance feedback is typically collected from colleagues, direct reports, line managers, internal and external customers, as well as the individual (Kátay & Nobilis, 2009). The rationale behind such multiple evaluations is that an individual obtains a breadth of information which would not normally be available, and that other people, beyond the immediate line manager, who observes or experiences an individual's behaviour, is in a strong position, and in some aspects uniquely qualified, to evaluate it (Van der Heijden et.al, 2004).

#### **2.4.4 Sales Productivity Performance Indicators**

Most organizations have mismatching connection between the measures they are using and the results they are expecting. Due to lack of comprehensive knowledge most organizations end up using the wrong measure in same measure as key performance indicators. Key performance indicators should be a measure that explicitly guides the organization on what needs to be done in order to exponentially raise the performance of the firm. Key performance indicators are implicitly concerned with the most strategic aspects to the organizational which are key to the present and the future of the organization (Parmenter, 2015). The key performance indicators of a firm are also referred to as key success indicators within management cycles. These measures help both the management and the personnel to understand and attain the organizational goals.

Key performance indicators have been used widely as measures of performance in modern organization to assess both the level of operational efficiency and productivity towards meeting the firm goals as well as the appraisal of the staff thus helping to motivate them leading to better productivity (Krause & Arora, 2010). In setting up key performance indicators for their staff the management incorporates the operational efficiency of the firm to ensure that as employees work towards attaining the goals set up for them, they will ultimately ensure better organizational

performance. Essential to setting up key performance indicators is the ability of the management frameworks to align the needs of the organization with the objectives of the key performance indicators (Parmenter, 2015).

In order to determining the applicable KPIs for measuring achievement of an organization, it is necessary to do an analysis of the vision statement, mission statement, and objectives of the organization. Performance measurement also helps the organization to be consistent in making a decision with the intention to ensure the operational activities are linked with the organization's vision and mission. The measurement of market share, customer demand, and customer satisfaction can be essential elements of an organization to understand its current position and make necessary improvements to achieve its target. However, the process of discovering the right measurement is very complex. Huang, Lai, and Lin (2011) have mentioned that metrics is good if the actions and decisions which improve the metrics, also improve the firm's desired long-term outcomes.

A good key performance measurement needs to be quantifiable in a sense that is agreed between the management and employee to ensure accordance to it and its alignment to the organizational goals. Secondly a good KPI should be based in accordance with the organizational goals to ensure that its attainability is based upon the resources and capabilities of the firm. Further, a good KPI should be deeply rooted on the organizational culture, to avoid numerous changes which may not be adaptable by the personnel within a considerable time, however, as the organization edges closer to its goals the indicator maybe changed as a way of engaging the employees to the work more as noted in the research by (Reh, 2005).

Bowen (2005) in his work posits that continual indicators are used for factors and quantities of quality, productivity, schedule, effort and cost that can be measured on an infinitely divisible scale. The continual quantities can thereafter be ranked in terms of weight, time and money. Their measurement is carried out repeatedly over specified periods. Discrete indicators are used to measure characteristics having the nature of the description. For example, artificially determined evaluating scales use

indicators of excellent, satisfactory, and unsatisfactory. These indicators are repeatedly observed within a specified period. Hard indicators are objectively measurable indicators observing firm's objectives, development or its activities, and they are generally focused directly on the customer.

Hard indicators are mostly used to measure competitiveness because they are easily measurable, are available without additional costs, and they can mostly be expressed in terms of money. Hard indicators determine desired borders or limits with which a real value is being compared and evaluated. Soft indicators serve to the assessment of aspects that logically influence business performance but where the effects are distant in time and place from the cause. For example, staff turnover. They are usually not transferred and expressed in terms of money (Horváthová, 2010).

#### **2.4.4 Employee Engagement**

There are three types of engaged employees: those who are engaged, the ones who are not engaged employees and the actively disengaged employees. Engaged employees are organizational builders who strive to offer their best or excellence at whatever task they are accorded by the management. They are dedicated to their role, less likely to leave the company, more productive, give better customer service and in turn create greater profits in the organization (Crabtree, 2005). According to Coffman (2003) engaged employees have a desire to know the expectations for their roles so that they can both meet and exceed them. They take pride in their work and will put in extra time to get task completed to a good standard, not for financial gain but out of a personal sense of commitment known as discretionary effort (Frank, Finnegan & Taylor, 2004). They speak positively about others and encourage them to use their service. Not engaged employees focus on the tasks spelled out to them rather than the goals of the organization. Basically, they will just do what they are told to do. They are “checked out” and “sleep walking” through their day, simply doing the necessary; attending work and getting the basic requirement of the job done without interest, energy, passion or any personal investment (Crabtree, 2005).

They are usually neither negative nor positive about their company, adopting “wait and see” attitude to their jobs, managers, and co-workers (Coffman, 2003). Where engaged employees will put in the extra effort of their every day as part of their everyday pattern, non-engaged employees are interested only in getting by and will not be willing to work extra without inducement. Actively disengaged employees are a disaster to have in an organization since they don't perform well but also demotivate the performer in the organization (Crabtree, 2005). They are unhappy in their work and often do not care who knows it. They are acting out of their unhappiness. They may be highly vocal in their complaints and criticism against the company undermining colleague's attempts at maintaining a positive attitude and atmosphere and their carelessness approach to their work may reduce any advantage generated by more willing work mates.

## **2.5 Critique of Existing Literature**

One weakness in this theory is its subjective nature. This can lead to prejudice and other human errors in the process of comparison thus each individual may use their own judgment in deciding what is equitable or otherwise. It is, therefore, necessary that the decisions that individuals may take is objective and show a clear case of inequity. In terms of engagement, the theory implies that organizations will have to develop reward systems that are perceived to be fair and equitable in the eyes of employees if they are to ensure they are actively engaged (Hellringel, 2004).

The study by Waruinge (2012) was constrained in that she lacked a justification of targeting only people charged with performance contracting in ministries without including those who are obligated to the performance contracts. Lack of inclusivity rendered her findings one sided and not conclusive of the state of performance within the ministry. In undertaking the study on key performance indicators within the US, Hanover Research (2010) they sampled institutions in different federal states that had different employment laws thus, the employees in the state could have been motivated to better performance by favourable working conditions not necessary the key performance indicators.

The theory of goal setting suggests that individual aims define how much that employee will be motivated to offer superior performance than his peers. He argues that this scenario plays out since when an individual comes up with own goals they will strive to ensure that these goals are adequately met (Latham, 2002). However, this cannot always be the case since an individual aims or goals may supersede the capabilities of the firm thus being dampened by the lack of adequate resources to meet their resource needs. Further, the individual goals may not always be aligned to the objectives of the firm, thus, with blind following of the individual goals may lead to counter productivity of the individual with regard to organization direction.

Similarly, the equity theory argues that employees will look for equality being upheld among all the personnel to feel more motivated within the firm. However, being engaged within the firm encompasses more than just equality being practiced. Lack of concrete human resource management such better facilities; good working facilities and appraisal are key to engagement. With just equality when the working conditions are low, no employee will be engaged just because the entire firm is suffering alike. Further, in the review of the literature different authors have used different variables to touch on the same aspects of performance measurement or employee engagement thus, contradicting each other on the standard intervening variables with relation to both performance measurement and employee engagement. This lack of standardization becomes impractical in cases where the findings of different studies need to be incorporated in a particular firm.

## **2.6 Summary of Literature Reviewed**

The second chapter of this study gives the breakdown of the theoretical and empirical literature with a construct of the variables and their relation in the conceptual framework. The theoretical review was guided by the goal setting theory (Latham, 2002); the three model component of employee engagement (Schaufeli & Bakker, 2004) and the Adams Equity theory (Spector, 2008).

The goal setting theory states that for enhanced performance within a firm, the management should set up goals that will be used to ensure the personnel are more committed to effectively and efficiently meeting the well-defined goals. Through the three components model of engagement, the theorists argue that individuals who have high vigour tend to give their best at work. This enthusiasm towards work is key to their enhanced levels of engagement. This commitment to work enables them to self-assess their performance and offer constructive criticism on their work. The Adams equity theory postulates that to enhance the levels of engagement within a firm, the management should strive to maintain a level of equity among all personnel and ensure no favouritism exists. This will ensure all employees feel appreciated by the organization and none is above the rest. Further this chapter details the different studies that have been undertaken in relation to our study problem and highlight the gaps in those studies. Through the research gaps the study enlightens the reader on what this study will do differently from the previous researches.

## **2.7 Research Gaps**

In the research by Haktanir and Harris (2005) the findings indicated there are different themes under which performance measurement can be conducted ranging from; financial performance, innovative activities, employee performance and overall business dynamics. This study however is different from the study by Haktanir and Harris (2005) as it aimed at finding correlation between performance measurement tools such as direct observation, scorecards; MBO and KPI with employee engagement not firm performance. Further this study entirely relied on a questionnaire for the purposes of data collection. Hanover Research (2010) study adopted a survey study and applied selective sampling in choosing the study sample. The study looked at KPI's as a variable of measuring organizational goals achievement; however, this study uses KPI's to measure the level of engagement.

Chen *et al.*, (2011) based his study on a hybrid MCDM model combining based on a DEMATEL and ANP. The study targeted Taiwanese hotels. However, this study was only conducted in a developed economy with a mix of multinational and local hotels

thus; the findings are not conclusive in reference to a developing economy like Kenya. Further the study was based on pre-established models unlike this study which was based on an own constructed multiregression model.

Farooq and Hussain (2011) studied the application of balanced scorecard perspective. The study adopted the Cronbach Alpha and factor analysis to formulate findings from the data collected using questionnaires. However, unlike the study by Farooq and Hussain (2011) BSC change affects the performance within firms. This study focused exclusively on multinational companies not a mix of public and private sector firms. This study further relied on a multiregression analysis of the Scorecard and other variables of the study. Waruinge (2012) adopted a descriptive research design using a census survey on all the 44 ministries. Data was collected using a structured questionnaire and secondary data was sourced from ministries websites. The study only targeted individuals charged with performance contracting to measure the performance levels; however, this study targeted all individuals within the firm to measure the effects of performance measures on employee engagement. Unlike the study by Waruinge, (2012) this study randomly selected the targets for the study to enhance inclusivity in the study.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the comprehensive details of the research methodology that was used in solving the research problem in question. The research methodology gives details on the research design that guided the research, the sampling frame, size of the study population and the target population. The chapter also gave details on the data collection instruments to be utilized in the data collection and the subsequent procedures that were undertaken to statistically analyze the collected data.

#### **3.2 Research Design**

The research design is viewed as the blueprint upon which the researcher builds on in solving the research problem. It offers a comprehensive approach that guides the research solution process (Kothari, 2011). The study design used was a survey. This kind of design allows collection of information for independent and dependent variable using interviews and questionnaires (Orodho, 2003) The approach was used to provide the hard data needed to meet required objectives.

A study on Employee perception on Performance Appraisal Process in G4S (K) Limited by Korir (2014) utilized the same approach successfully. The same approach was used successfully in a study on Performance Appraisal in Ste Corporations in Kenya by Awori, (2007). Hence, the descriptive study design has been preferred since it is suitable in its applicability within cost constraints (Olive, 2010). Further, it is dependable, valid and generalizable in this kind of research in that it is good for the purpose of data collection and analysis, regardless of whether the data is qualitative or quantitative.

##### **3.2.1 Research Philosophy**

This research was anchored on positivism research philosophy. This kind of philosophy calls for the research problem to be structured around a methodology that will enable the research to generate quantifiable observations and undertake

manipulation of the data by use of statistical methods. Through the help of positivism philosophy, the researcher is able to collect data associated with the research problem and draw up descriptive and inferential findings that are appropriate to fulfilling the research objectives (Saunders, 2003). This study thus, relied on the positivism philosophy since it tries to unearth the reality within the relationship between performance measurement tools and employee engagement in multinational companies operating in Kenya.

### **3.3 Research Population**

The population of study refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Simons & Helen, 2009). The populations for the study was 3, 334 individuals drawn from employees including management and subordinates working for AON Kenya, Airtel, Barclays, DHL, EABL, Jubilee Insurance, Maersk, Safaricom, Standard Chartered and Unilever at their Head Offices in Nairobi County. AON is a British Insurance firm with its branch in Kenya operating as AON Kenya with an employee base of over 66,000 globally and presence in over 120 countries (AON, 2015). Airtel Kenya is an Indian telecommunication firm with vast interests in over 20 countries, and the fourth largest mobile firm globally in terms of subscriber base (Airtel, 2015).

Barclays Bank has a global presence in over 26 countries and employing over 80,000 personnel within its entire Barclays group holding (Barclays, 2015). DHL is the global leader in the logistics industry and the largest international company with presence in over 220 countries and with more than 200,000 personnel and contractors worldwide (DHL, 2015). EABL is the largest alcohol and beverages producer within the Eastern Africa region with presence in over 8 countries and more global presence through its holding company Diageo UK that has more than 25,000 employees globally (EABL, 2014). Safaricom is the largest and telecommunication firm in Kenya with vast alliances with other telecommunication firms in East, Central and sub-Saharan Africa (Safaricom, 2015).

Standard chartered has a global presence in over 25 countries and is the largest bank within the continent (Standard Chartered, 2015). Maersk Sea Land is the largest freight and container handling firm in the world with sea and land connectivity (Maersk, 2015). On the other hand, Jubilee Insurance is among the largest insurance firms in the country with vast portfolio holdings and cross border business interests (Jubilee, 2015). Unilever Kenya is among the largest manufacturing and service industry in the country with vast interests in the food processing and home products (Unilever, 2015). Essential to this study is the ability of the research to obtain feedback from all the target respondents. In order to maximize the accessibility of the respondents the study was conducted within Nairobi County. Being the capital city of Kenya, Nairobi County has most of the MNC's operating their head offices from the Capital. Thus, by concentrating within Nairobi County the research maximized the collection of feedback from all the respondents to be included in the study.

The inclusion criteria for the purpose of the study was defined by the distribution matrix of the respondents in table 3.1, which comprised of all employees working for the multinational corporations within Nairobi County; Airtel Kenya and Safaricom (Telecommunication); DHL and Maersk Sea Land (Logistics), EABL and Unilever (Manufacturing); Barclays Bank and Standard Chartered (Banking) and AON Kenya and Jubilee Insurance (Insurance) giving 3,334 respondents.

**Table 3.1 Target Population**

<b>Target Firms</b>	<b>Senior Executives</b>	<b>Mid-Level Executives</b>	<b>Low Level Managers</b>	<b>Subordinate Staff</b>	<b>Totals</b>
<b>EABL</b>	15	25	72	532	644
<b>AIRTEL</b>	15	42	128	128	313
<b>DHL</b>	4	36	44	431	515
<b>Barclays Bank (Headquarter)</b>	6	10	32	84	132
<b>AON Kenya</b>	4	9	21	44	78
<b>Jubilee Insurance</b>	3	14	34	326	377
<b>Safaricom Ltd.</b>	8	22	56	416	502
<b>Standard Chartered</b>	4	10	23	213	250
<b>Unilever Kenya</b>	6	8	19	332	365
<b>Maersk Sea Land</b>	3	5	11	139	158
<b>Totals</b>	<b>68</b>	<b>181</b>	<b>440</b>	<b>2645</b>	<b>3334</b>

### **3.4 Sample and Sampling Technique**

#### **3.4.1 Sampling Frame**

A sampling frame is a list representing the different members of a population that the researcher seeks for their study. From this sampling frame the researchers is able to select the best sample size to be representative of the entire sample (Cooper, Schindler, & Sun, 2006). Adopting an appropriate sampling frame allowed for generalization of the study findings. For the purposes of this study a list of employees was used.

### 3.4.2 Sampling Technique Review

A sample is a group of units selected from a larger group (Cooper & Schindler, 2008). A sample is necessary for a study if the population is too large to study in its entirety. The sample should be representative of the general population. The study used simple random sampling technique in selecting the sample size since all employees within the firm possess the same characteristics in terms of employee engagement. This ensured maximum inclusivity and lack of biases. The study employed the criteria formulated by Yamane (1967) to calculate the sample size; The sample size determination technique used is the Yamane formula as follows; This formula yields the best sample that is representative of the entire population.

$$n = Z^2 pq / d^2$$

Where,

n= desired sample size

Z= standard normal deviation set at 1.96 (95% confidence level)

P= proportion of the targeted population that have the characteristic focusing in the study estimated at 14.5% (0.145). In using a target population proportion of 14.5%, the researcher based the choice, on the argument by Mugenda and Mugenda (2003) that a population of 10%-30% can be used in a research to give statistically significant findings that are representative of the entire population.

$$q = 1 - p (1 - 0.145)$$

d= degree of accuracy set at 5%-degree proportion of error that should be accepted in the study (0.05) since the study is at 95% confidence interval.

$$\text{Thus Desired Sample } (n) = \{1.96^2 * (0.145 * (1 - 0.85))\} / 0.05^2$$

$$\text{Hence; } n = \frac{(1.96 * 1.96) * (0.15 * 0.855)}{(0.05 * 0.05)}$$

$$n = 190$$

Since the total target population is less than 10,000 the researcher applied finite correction formulae (nf) that is applied together with the Yamane formulae in successive steps as indicated:

$$nf = \frac{n}{1 + n/N}$$

Where: n is the sample size and N is the total target population

N = 3,334

n = 190

$$nf = \frac{190}{1+190/3,334} = 180$$

The sample size was distributed among the 10 multinationals in correspondence to their sizes as shown in Table 3.2 below. This ensured each firm has a chance of being represented in the study.

**Table 3.2 Sample Size ( $n_i / N * N_i$ )**

<b>Target Firms</b>	<b>Senior Executives</b>	<b>Mid-Level Executives</b>	<b>Low Level Managers</b>	<b>Subordinate Staff</b>	<b>Totals</b>
<b>EABL</b>	1	1	4	29	35
<b>AIRTEL</b>	1	2	7	7	17
<b>DHL</b>	1	2	2	23	28
<b>Barclays</b>	1	1	2	3	7
<b>AON Kenya</b>	1	1	1	1	4
<b>Jubilee Insurance</b>	1	1	2	1	20
<b>Safaricom Ltd.</b>	1	1	3	22	27
<b>Standard Chartered</b>	1	1	1	10	13
<b>Unilever Kenya</b>	1	1	1	7	10
<b>Maersk Sea Land</b>	1	1	1	6	9
<b>Total</b>					<b>180</b>

### **3.5 Data Collection Instruments**

The study used primary sources of data for subsequent analysis. The data was collected using semi-structured questionnaires. The questionnaires had both open and close-ended questions (Kothari, 2011). The choice of a questionnaire for the data

collection is founded on the practicality of the instrument in collecting large data from a large group of respondents within a short period of time. Further through the collection of quantitative data this allowed easy testing of the study hypotheses.

### **3.6 Data Collection Procedures**

The questionnaires were administered personally through a drop and pick method by the researcher to ensure reliability, clarification, accuracy and efficiency. This strategy was chosen since all the respondents in both organizations were situated in their main offices thus, ease of access. Further, this method made the data collection simpler, and the researcher was able to enhance accuracy in the data collection as the method entails a personal appeal (Phellas, Bloch, & Seale, 2011). To ensure the validity of the data instruments which refers to the extent to which the data collection instruments and the ways to collect this data are accurate and real. It's regarded as an essential requirement of a measuring tool. To ensure the validity of the research tools the researcher conducted a pilot test that sought to confirm that (Tavakol & Dennick, 2011); if the same study was taken using the same tools the results would be the same throughout.

### **3.7 Pilot Testing**

To test the validity, reliability and internal consistency of the data collection the researcher undertook a pilot test for the study. The pilot test is essential in ensuring that the tools to be used in collecting the data as well as the statistical manipulation are in line with the requirements of the study. Further, a pilot solidifies the ability of the research instruments to be used in a similar study and offer similar results (Kothari, 2011). The researcher conducted the pilot test at EABL Ruaraka Plant. The sample population for the pilot study selected from EABL was 18 respondents thus, represented 10% of the entire sample population. This was adequate as the aim was to test the data collection instrument to ensure that they address the needed objectives. According to Connely (2008), a pilot study sample should be 10 per centile for the larger study. Hertzog (2008) however cautions that this is not a simple or straight forward issue to resolve because most studies are influenced by many factors.

### **3.7.1 Reliability of Research Instruments**

The internal consistency of the research instrument was assessed using Cronbach's alpha coefficient which is commonly used when there are multiple Likert type questions in a survey/questionnaire that form a scale. The internal consistency Cronbach's Alpha ( $\alpha$ ) ranges from 0 to 1, and it is a reliability coefficient that reflects how well the measurements items positively correlate to one another. In line with Saunders et al (2007) recommendation, only constructs with a cut-off of 0.7 and greater will be considered for further analysis in the study. To enhance the reliability of the survey instrument for this study, a pilot study was conducted on a random sample of 18 respondents from EABL offices in Ruaraka, Nairobi then Cronbach's Alpha coefficient was calculated to establish internal consistency of the instrument.

### **3.7.2 Validity of Research Instruments**

Validity measures the ability of the research instruments to measure what it is intended to (Sekaran and Bougie, 2010). To ensure this, thorough literature review was done in order to develop the questionnaire item so as to ensure that it tapped all the study variables. The calculation of both reliability and validity was done using the results of the pilot study. The data collected through the pilot survey was used to adjust or modify the questionnaire in order to improve levels of clarity. To test the validity of the study the study adopted the inter-rater validity test. In this test the questionnaires were given to different respondents then their varying responses were face-analyzed since different respondents would generally understand the questions differently. Thus, higher degrees of variance in how the respondents approached the questions led to appropriate construct modification.

### **3.8 Data Analysis and Presentation**

Data collected was analyzed using a multiple linear regression and correlation analysis through the SPSS data analysis tool. Descriptive analysis involved the use of frequencies in their absolute and relative forms (percentage). Mean and standard deviations was also used as measures of central tendencies and dispersion respectively. Descriptive data was presented using tables, charts and graphs as deemed appropriate. Inferential statistics were presented using tables and other infographics. Correlation analysis was used to describe the degree to which the

independent variables are related to employee engagement. A multivariate analysis of the influence of performance measurement on employee engagement was performed by estimating a linear regression as shown by the regression equation below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

$Y$  = Dependent variable (Employee Engagement)

$\beta_0$  = the model intercept

$\beta_1$ - $\beta_4$  = Coefficient of model parameters

$X_1$ - $X_4$  ( $X_1$  – Scorecards,  $X_2$  – Management by objectives,  $X_3$  – Key performance indicators,  $X_4$ - Direct Observation)

$\varepsilon$  = Error Term

### 3.8.1 Hypothesis Testing

The data collected was coded, keyed into Statistical Package for Social Science (SPSS), organized and checked for any errors that may have occurred during data collection. The data was then analyzed with the aid of the SPSS using both descriptive and inferential statistics. Descriptive statistics were used to analyze the mean scores and standard deviation for each of the factors. The results were interpreted and presented using graphs and tables. Inferential statistics was analyzed at the second stage of the data analysis to test the study hypotheses at five per centum (5%).

### 3.9 Tests of Assumption/Diagnostic Tests

In statistical analysis, all parametric tests assume some certain characteristics about the data, also known as assumption. Violation of these assumptions changes the conclusion of the study and interpretation of results. In this study the Q-Q plot was used to test the assumption of normality where the observed value and expected value were plotted on a graph. To test the assumption of collinearity, VIF and condition indices were used where a value of VIF > 10 indicating presence of collinearity. Heteroscedasticity assumption tests seeking to test whether the variance of errors is constant across all observations of the independent variables was

conducted using the Breusch-Pagan test which assumes that the error variance with a set of regressors.

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSIONS**

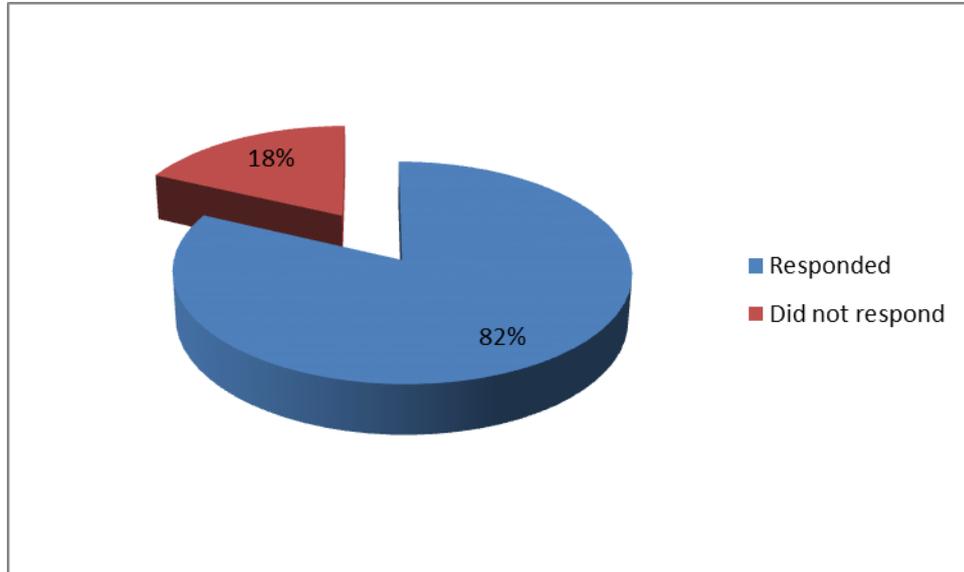
#### **4.1 Introduction**

This chapter provides information on the findings of the study. The chapter was organized in line with the research variables. The discussion presented in this chapter represents the findings of the research. The first section of the chapter presents the response rate for the research. The chapter further presents the pilot tests results indicating the reliability statistics for the research instrument. The next section represents the descriptive statistics of the research aligned to the research variables. The chapter further outlines the regression and ANOVA models as well as the hypothesis testing. Lastly the chapter presents the diagnostics tests conducted in the research.

#### **4.2 Response Rate**

The findings of the research indicated a positive response of 142 respondents (82%) while only 48 respondents (18%) of the respondents failed to respond as shown in figure 4.1. This is good enough to strengthen the final findings of the study as

supported by Cooper, Schindler, and Sun, (2006) who indicated that a response rate above 50% is sufficient for statistical inferences.



**Figure 4.1 Response Rate**

### 4.3 Reliability Test

The Cronbach's Alpha Test of reliability was used to test the reliability of the constructs describing the variables of the study. Values of Cronbach's alpha ranges from 0 to 1 with values equal to 0.7 and above indicating that the questionnaire was reliable while values below 0.7 indicates that the questionnaire was not reliable.

The Cronbach Alpha for Score card was .953 which is greater than 0.7 showing that the entire construct describing the variable were reliable as shown in Table 4.1 below.

**Table 4.1 Reliability Statistics for Score Card**

Construct X1: Score Card	
Cronbach's Alpha	N of Items
0.953	8

The reliability test for the variable management by objectives yielded a Cronbach Alpha score of 0.949 which confirms that all the constructs of the variable are reliable as shown in Table 4.2 below.

**Table 4.2 Reliability Statistics for MBO**

Construct X1: Management by Objective	
Cronbach's Alpha	N of Items
0.949	7

The reliability tests for the variable Key performance indicators showed a Cronbach Alpha of .896 which is greater than .70; thus showing all the constructs of the variable were reliable for the research as shown in Table 4.3 below

**Table 4.3 Reliability Statistics for KPI**

Construct X1: Management by Objective	
Cronbach's Alpha	N of Items
0.896	4

The overall Cronbach Alpha for the research was .976 which is higher than .7 thus showing the research instrument was reliable to be used in solving the research problem and the results are indicated on Table 4.4.

**Table 4.4 Overall Reliability Statistics**

Cronbach's Alpha
0.976
N of Items
19

The factor loadings of the items in Table 4.5 below ranging from 0.895 to 0.976 are acceptable for this study in terms of reliability analysis results. Cronbach's Alpha was appropriate for all the variables (Balance scorecard, Management by Objectives and Sales performance Indicators)

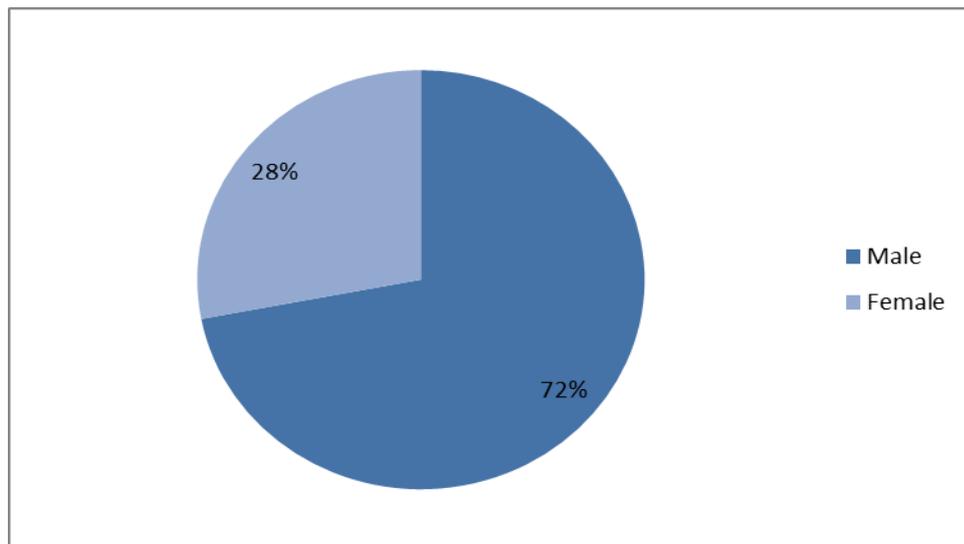
**Table 4.5 Summary Overall Reliability Statistics**

	<b>Cronbach's Alpha</b>	<b>N of Items</b>
<b>Key Performance Indicators</b>	.896	4
<b>Management by Objectives</b>	.949	7
<b>Balance Scorecard</b>	.953	8
<b>Overall Reliability</b>	.976	19

#### **4.4 Demographics**

##### **4.4.1 Gender of Respondents**

Findings from the study showed that the majority of the respondents at 72% were male while only 28% of the respondents were female as shown on Figure 4.2.



**Figure 4.2 Genders of Respondents**

##### **4.4.2 Level of Education**

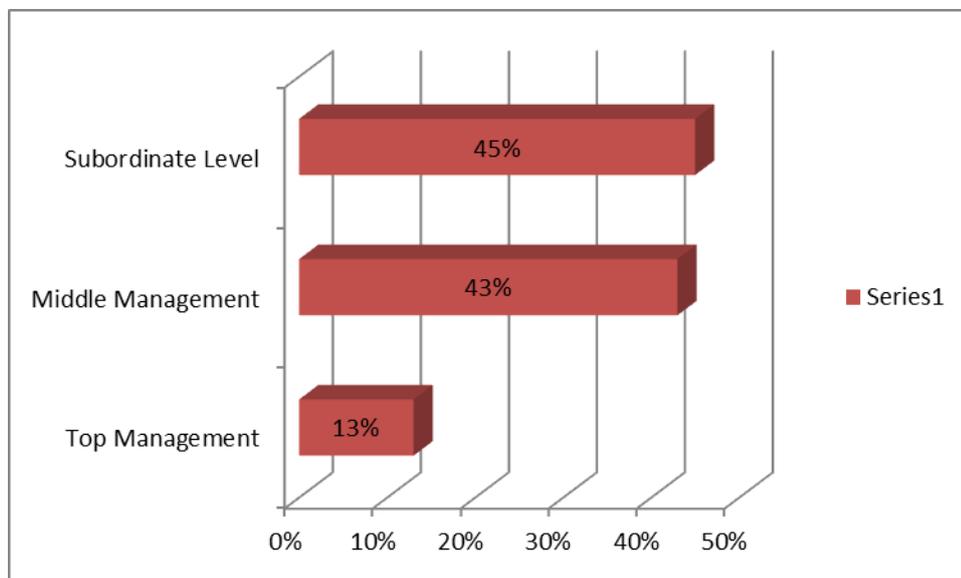
Findings from the research showed that the majority of the respondents 39% had university level education, 28% had attained postgraduate level education, and 28% of the respondents had college level education while only 5% of the respondents had just secondary school education as shown in table 4.6 below.

**Table 4.6 Level of Education**

	Frequency	Percent
Secondary School	8	5.4
College	41	27.7
University	58	39.2
Postgraduate	41	27.7
<b>Total</b>	<b>148</b>	<b>100.0</b>

**4.4.3 Position at Firm**

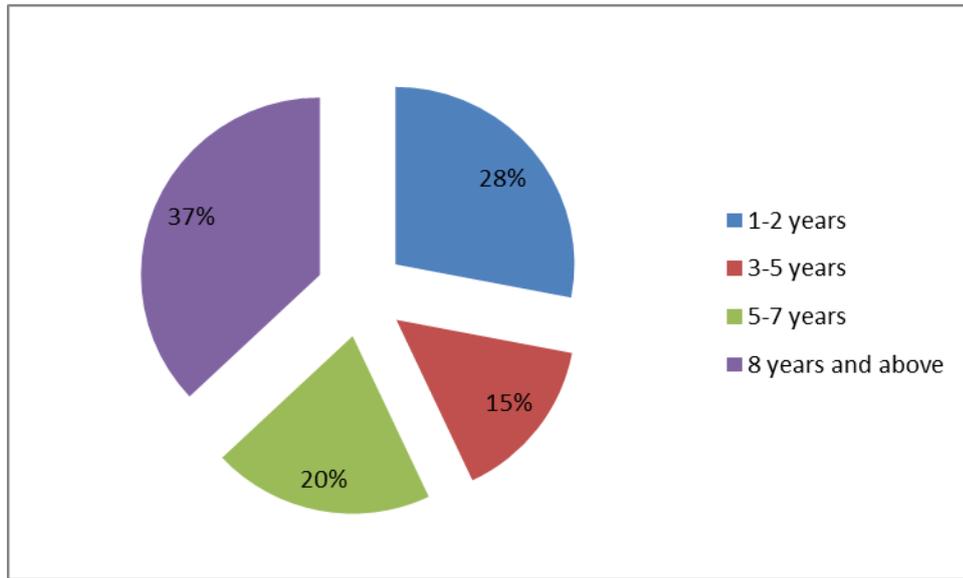
Findings from the study showed that the majority of the respondents 45% were subordinate level employees, 43% of the respondents were middle level management while only 13% of the respondents were top level management employees as shown in figure 4.3 below.



**Figure 4.3 Positions at Firm**

**4.4.4 Length of Service**

Findings as shown in figure 4.4 below show that the majority of the respondents 37% had more than 8 years of services, 28% of the respondents had between 1-2 years of service, 20% of the respondents had between 5-7 years while only 15% of the respondents had between 3-5 years of service.



**Figure 4.4 Length of Service**

The difference in gender, level of education, position at firm and length of service imply that the employees' performance measurement had to be measured with varying tools.

#### **4.5 Descriptive Statistics**

##### **4.5.1 Balanced Scorecards**

Findings from the study as shown on Table 4.7 showed that the majority of the respondents 43% of the respondents agreed that improved customer satisfaction is widely used to measure employee engagement, 29% of the respondents strongly agreed, 12% of the respondents strongly disagreed, 11% of the respondents moderately agreed while only 5% of the respondents disagreed. The majority of the respondents 44% agreed that reduced number of complaints are used to measure the level of employee engagement, 25% of the respondents strongly agreed, 13% of the respondents strongly disagreed, 12% of the respondents disagreed while only 7% of the respondents moderately agreed.

The findings of the study further showed that the majority of the respondents 38% strongly agreed that improved efficiency in resource utilization is used to measure employee engagement, 29% of the respondents agreed, 19% of the respondents

moderately agreed while only 10% of the respondents who strongly disagreed. With regard to improved adherence to the internal controls and policies is used to measure employee engagement the majority of the respondents 28% of the respondents agreed, 26% of the respondents moderately agreed, 22% of the respondents strongly agreed, 14% of the respondents strongly disagreed while only 8% of the respondents disagreed as shown in the table 4.7 below.

The study findings further showed that concerning improved revenue growth is used to evaluate the levels of employee engagement, the majority of the respondents 28% agreed, 26% of the respondents moderately agreed, 22% of the respondents strongly disagreed, while only 14% of the respondents strongly disagreed. The majority of the respondents 47% strongly agreed that increased operational efficiency is used to evaluate employee engagement, 25% of the respondents strongly agreed, 14% of the respondents agreed, 7% of the respondents disagreed while only 6% of the respondents strongly disagreed.

With regard to employee recognition, there is increased employee recognition within the firm the majority of the respondents 30% of the respondents strongly agreed, 23% of the respondents moderately agreed, 21% of the respondents agreed, 18% of the respondents disagreed while only 7% of the respondents strongly disagreed. The majority of the respondents 31% strongly agreed that empowerment and growth measures have been adapted within the firm, 26% of the respondents agreed, 26% of the respondents moderately agreed, 10% of the respondents strongly disagreed while only 5% of the respondents disagreed as shown in table 4.7 below.

**Table 4.7**Balanced Scorecards Frequencies

	<b>Strongly Disagree</b>		<b>Disagree</b>		<b>Moderately Agree</b>				<b>Strongly Agree</b>	
					<b>Agree</b>				<b>Agree</b>	
	N	%	N	%	N	%	N	%	N	%
Improved customer satisfaction is widely used to measure employee engagement.	18	12%	8	5%	16	11%	63	43%	43	29%
Reduced numbers of complaints are used to measure the level of employee engagement.	19	13%	17	12%	10	7%	65	44%	37	25%
Improved efficiency in resource utilization is used to measure employee engagement.	15	10%	5	3%	28	19%	44	29%	56	38%
Improved adherence to the internal controls and policies is used to measure employee engagement.	19	13%	7	5%	32	22%	42	29%	46	31%
Improved revenue growth is used to evaluate the levels of employee engagement.	21	14%	12	8%	38	26%	41	28%	33	22%
Increased operational efficiency is used to evaluate employee engagement.	9	6%	10	7%	21	14%	70	47%	38	25%
There is increased employee recognition within the firm.	11	7%	26	18%	34	23%	31	21%	44	30%
Empowerment and growth measures have been adapted within the firm.	15	10%	8	5%	38	26%	38	26%	46	31%

### **i. Association between Scorecard and Employee Engagement**

Findings on the table 4.8 below show that with regard to improved customer satisfaction is widely used to measure employee engagement the majority of the respondents were in agreement as indicated by the mean value of 3.7647 which falls under extent of agreement 3.0-4.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.43742. With regard to reduced number of complaints is used to measure the level of employee engagement the majority of the respondents were in agreement as indicated by the mean value of 3.7647 which falls under extent of agreement 3.0-4.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.39326.

Concerning improved efficiency in resource utilization is used to measure employee engagement the majority of the respondents were in very strong agreement as indicated by the mean value of 4.1765 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.1311. Findings also show that with regard to improved adherence to the internal controls and policies are used to measure employee engagement the majority of the respondents were in agreement as indicated by the mean value of 4.000 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.45774

The result finds also indicated that with regard to improved revenue growth is used to evaluate the level of employee engagement the majority of the respondents were in agreement as indicated by the mean value of 3.625 which falls under extent of agreement 3.0-4.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.5864. In regard to increased operational efficiency is used to evaluate employee engagement the majority of the respondents were in strong agreement as indicated by the mean value of 4.2353 which falls under extent of agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.20049. Concerning there is increased employee recognition within the firm the majority of the respondents were in strong agreement

as indicated by the mean value of 4.2353 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.25147. Concerning there is empowerment and growth measures have been adapted within the firm the majority of the respondents were in strong agreement as indicated by the mean value of 4.1176 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.409.

**Table 4.8 Balanced Scorecard Descriptive**

	N	Mean	Std. Deviation
Improved customer satisfaction is widely used to measure employee engagement.	148	3.7647	1.43742
Reduced number of complaints is used to measure the level of employee engagement.	148	3.7647	1.39326
Improved efficiency in resource utilization is used to measure employee engagement.	148	4.1765	1.13111
Improved adherence to the internal controls and policies is used to measure employee engagement.	148	4.0000	1.45774
Improved revenue growth is used to evaluate the levels of employee engagement.	148	3.6250	1.58640
Increased operational efficiency is used to evaluate employee engagement.	148	4.2353	1.20049
There is increased employee recognition within the firm.	148	4.2353	1.25147
Empowerment and growth measures have been adapted within the firm.	148	4.1176	1.40900

#### **4.5.2 Management by Objectives**

The majority of the respondents 37% agreed that the management has clearly outlined its goals to the personnel, 35% of the respondents strongly agreed, and 12% of the respondents strongly disagreed, 10% of the respondents moderately agreed while only 6% of the respondents disagreed. With regard to the management is highly concerned with the well-being of the personnel, the majority of the respondents 35% agreed, 24% of the respondents disagreed, 17% of the respondents strongly agreed, 16% of the respondents moderately agreed while only 7% of the respondents strongly disagreed. Concerning the management has offered a conducive work environment the majority of the respondents 34% of the respondents agreed, 28% of the respondents moderately agreed, 22% of the respondents strongly agreed, 13% of the respondents strongly disagreed while only 3% of the respondents who disagreed. With regard to the management offers adequate training and development to align employee's competence to the desired objectives the majority of the respondents 34% of the respondents strongly agreed, 28% of the respondents moderately agreed, 26% of the respondents agreed, 6% of the respondents strongly disagreed, while only 4% of the respondents disagreed as shown in table 4.9 below.

Findings in table 4.9 below show that with regard to the values, policies and procedures of the firm are well outlined and consistent with the objectives of the management the majority of the respondents 45% of the respondents strongly agreed, 31% of the respondents agreed, 14% of the respondents moderately agreed, 9% of the respondents strongly disagreed, while only 1% of the respondents disagreed. The majority of the respondents 26% moderately agreed that the management involves employees in strategic decision making, 26% disagreed, 20% of the respondents agreed, 16% of the respondents strongly disagreed while only 13% of the respondents strongly agreed. With regard to the management offers constant feedback on the attainment of the laid-down objectives, the majority of the respondents 31% of the respondents agreed, 24% of the respondents strongly agreed, 18% of the respondents moderately agreed, 16% of the respondents disagreed, while only 9% of the respondents strongly disagreed.

**Table 4.9 Management by Objectives Frequencies**

	<b>Strongly Disagree</b>		<b>Disagree</b>		<b>Moderately Agree</b>				<b>Strongly Agree</b>	
	N	%	N	%	N	%	N	%	N	%
The management has clearly outlined its goals to the personnel.	18	12%	9	6%	14	10%	55	37%	52	35%
Management is highly concerned with the well-being of the personnel.	11	7%	36	24%	24	16%	52	35%	25	17%
The management has offered a conducive work environment.	19	13%	4	3%	41	8%	51	34%	33	22%
Management offers adequate training and development to align employee's competence to the desired objectives.	9	6%	6	4%	41	28%	38	26%	51	34%
The values, policies and procedures of the firm are well outlined and consistent with the objectives of the management.	13	9%	2	1%	20	14%	46	31%	67	45%
Management involves employees in strategic decision making.	23	16%	38	26%	39	26%	29	20%	19	13%

Management offers constant feedback on the attainment of the laid-down objectives.

13	9%	24	16%	26	18%	46	31%	36	24%
----	----	----	-----	----	-----	----	-----	----	-----

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**i. Association between Management by Objectives and Employee engagement**

Results on the table 4.10 below show that with regard to the management has clearly outlined its goals to the personnel the majority of the respondents were in strong agreement as indicated by the mean value of 4.2353 which falls under extent of agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.34766. With regard to management is highly concerned with the well-being of the personnel the majority of the respondents were in agreement as indicated by the mean value of 3.8824 which falls under extent of agreement 3.0-4.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.26987. In regard to the management has offered a conducive work environment the majority of the respondents were in very strong agreement as indicated by the mean value of 4.1176 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.31731.

The results of the study also show that with regard to management offers adequate training and development to align employee's competence to the desired objectives the majority of the respondents were in strong agreement as indicated by the mean value of 4.3125 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.19548. The result findings also indicated that with regard to the values, policies and procedures of the firm are well outlined and consistent with the objectives of the management the majority of the respondents were in agreement as indicated by the mean value of 4.4118 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.32565.

In regard to management involves employees in strategic decision making the majority of the respondents were in agreement as indicated by the mean value of 3.1765 which falls under extent of agreement 3.0-4.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.55062. Concerning management offers constant feedback on the attainment of the laid-down objectives the majority of the respondents were in agreement as indicated by the mean value of 3.6875 which falls under extent of agreement 3.0-4.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.35247.

**Table 4.10 Management by Objectives Descriptive**

	N	Mean	Std. Deviation
The management has clearly outlined its goals to the personnel.	148	4.2353	1.34766
Management is highly concerned with the well-being of the personnel.	148	3.8824	1.26897

The management has offered a conducive work environment.	148	4.1176	1.31731
Management offers adequate training and development to align employee's competence to the desired objectives.	148	4.3125	1.19548
The values, policies and procedures of the firm are well outlined and consistent with the objectives of the management.	148	4.4118	1.32565
Management involves employees in strategic decision making.	148	3.1765	1.55062
Management offers constant feedback on the attainment of the laid-down objectives	148	3.6875	1.35247

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### 4.5.3 Direct Observation

Findings on table 4.7 below show that within the entire firm's 100% (n=10), supervision is conducted regularly, on job training is conducted, there is interaction between supervisors and employees. With regard to there are formal channels of performance measurement feedback delivery only in 90% (n=9) of the firms this is implemented. In regard to team performance measurement is adopted over individual performance this is practiced only in 40% (n=4) of the firms. With regard to there are formal complaints channels in place this is practiced in 80% (n=8) of the firms. The majority of the firm's 70% (n=7) have documented guidelines and policies on direct observation are well laid out within the firm. In regard to the management routinely reviews direct observations and guidelines as per documented policy on direct observation this is practiced only in 60% (n=6) of the firms.

**Table 4.11 Direct Observation Frequencies**

<b>Item Availability/Adoption within the Firm</b>	<b>Frequency</b>	<b>Percentage</b>
Supervision is conducted regularly.	9	90%
On job training is conducted.	10	100%
There is interaction between supervisors and employees.	10	100%
There are formal channels of performance measurement feedback delivery.	10	100
Team performance measurement is adopted over individual performance.	4	40%
There are formal complaint channels in place.	8	80%
Documented guidelines and policies on direct observation are well laid out within the firm.	7	70%
Management routinely reviews of direct observation guidelines and policies as per documented policy on direct observation.	6	60%

#### **4.5.3 Key Performance Indicators on Sales Productivity**

Findings on table 4.11 below show that with regard to sales indicators are used to measure the levels of employee engagement, the majority of the respondents 28% strongly agreed, 27% of the respondents agreed, 16% moderately agreed, 14% of the respondents strongly disagreed while only 12% of the respondents disagreed. The majority of the respondents 36% strongly agreed that efficient customer service delivery is used to measure the level of employee engagement, 25% of the respondents strongly agreed, 16% of the respondents strongly disagreed, 12% of the respondents moderately agreed while only 12% of the respondents disagreed.

With regard to time used to deal with customer complaints is used to measure employee engagement, the majority of the respondents 27% strongly agreed, 26% of the respondents agreed, 20% of the respondents disagreed, 16% of the respondents moderately agreed while only 11% of the respondents strongly disagreed. In regard to the management has laid down key performance indicators that employees need to

consistently meet, the majority of the respondents 35% of the respondents agreed, 31% of the respondents strongly agreed, 14% of the respondents disagreed, 10% of the respondents moderately agreed while only 10% of the respondents strongly disagreed.

**Table 4.12 Sales Performance Indicators Frequencies**

	<b>Strongly Disagree</b>		<b>Disagree</b>		<b>Moderately Agree</b>		<b>Agree</b>		<b>Strongly Agree</b>	
	N	%	N	%	N	%	N	%	N	%
	Sales indicators are used to measure the levels of employee engagement.	21	14%	21	12%	24	16%	40	27%	42
Efficient Customer service delivery is used to measure the level of employee engagement.	23	16%	18	12%	18	12%	53	36%	37	25%
Time used to deal with customer complaints is used to measure employee engagement.	16	11%	29	20%	24	16%	39	26%	40	27%
The management has laid down key performance indicators that employees need to consistently meet.	15	10%	21	14%	15	10%	52	35%	46	31%

**i. Association between Sales Performance Indicators and Employee Engagement**

The findings of the study also show that with regard to sales indicators are used to measure the levels of employee engagement the majority of the respondents were in agreement as indicated by the mean value of 3.7059 which falls under extent of strong agreement 3.0-4.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.40378. The result findings also indicated that with efficient customer service delivery is used to measure the level of employee engagement the majority of the respondents were in strong agreement as indicated by

the mean value of 4.0588 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.34993.

In regard to time used to deal with customer complaints is used to measure employee engagement the majority of the respondents were in strong agreement as indicated by the mean value of 4.0588 which falls under extent of agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.24853. Concerning the management has laid down key performance indicators that employees need to consistently meet the majority of the respondents were in strong agreement as indicated by the mean value of 4.1176 which falls under extent of strong agreement 4.0-5.0 and there was moderate dispersion in the responses as indicated by the standard deviation of 1.409 in table 4.12 below.

**Table 4.13 Sales Performance Indicators Descriptive**

	N	Mean	Std. Deviation
Sales indicators are used to measure the levels of employee engagement.	148	3.7059	1.40378
Efficient Customer service delivery is used to measure the level of employee engagement.	148	4.0588	1.34493
Time used to deal with customer complaints is used to measure employee engagement.	148	4.0588	1.24853
The management has laid down key performance indicators that employees need to consistently meet.	148	4.1176	1.40900

#### **4.5.4 Employee Engagement**

Findings on table 4.13 below show that with regard to frequently making suggestions to improve the work of my team/department the majority of the respondents 43% agreed to a very high extent, 37% of the respondents agreed to a low extent while only 20% of the respondents agreed to a moderate extent. In regard to trying to help others in the organization whenever one can majority of the respondents 39% agreed to a very high extent, 38% of the respondents agreed to a moderate extent while only 24% of the respondents agreed to a low extent.

The majority of the respondents 44% agreed to a very high extent that they always do more than is actually required which increases their productivity, 42% of the respondents agreed to a low extent while only 14% of the respondents agreed to a moderate extent. The majority of the respondents 43% agreed to a very high extent that they volunteer to do things outside their jobs that contribute to the achievement of the organizational objectives fostering teamwork, 35% of the respondents agreed to a low extent while only 22% of the respondents agreed to a moderate extent. In regard to speaking highly of the organization they work for to outsiders the majority of the respondents 43% of the respondents agreed to a low extent, 35% of the respondents agreed to a very high extent while only 22% of the respondents agreed to a moderate extent.

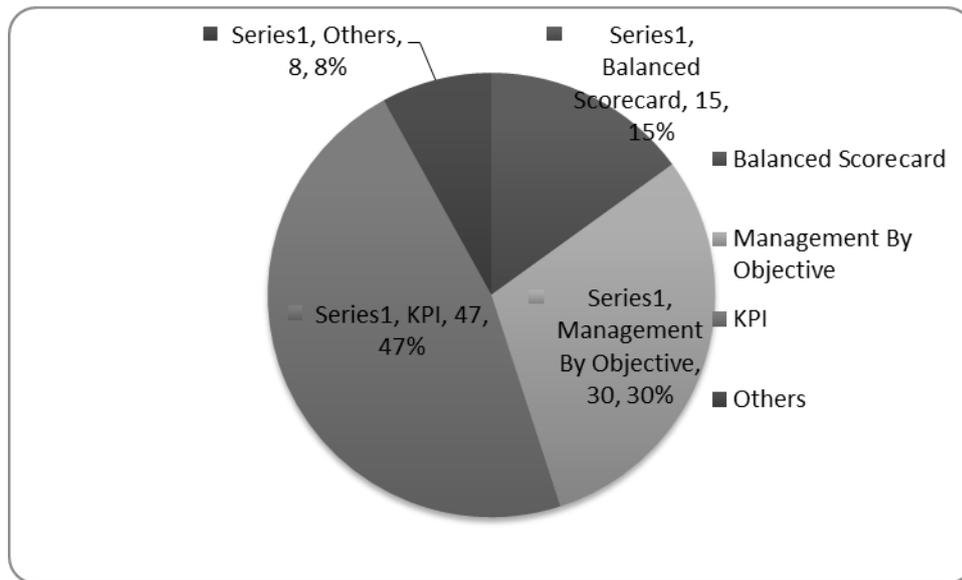
Concerning the issue of being proud to tell others that they are part of the organization they work for majority of the respondents 47% moderately agreed, 25% of the respondents agreed to a very high extent while only 23% of the respondents agreed to a low extent. In regard to sharing of individual values to organizational values the majority of the respondents 45% agreed to a low extent, 43% agreed to a very high extent while only 7% agreed to a moderate extent. The majority of the respondents 40% agreed to a very high extent that the companies they work for really inspires the very best in them in regard to job performance, 28% of the respondents agreed to a low extent while only 24% of the respondents agreed to a moderate extent as shown in table 4.13 below.

**Table 4.14 Employee Engagement Frequencies**

	Low extent		Moderate Extent		Very High	
					Extent	
	N	%	N	%	N	%
I frequently make suggestions to improve the work of my team/department.	55	37%	29	20%	64	43%
I try to help others in the organization whenever I can.	35	24%	56	38%	57	39%
I always do more than is actually required	62	42%	21	14%	65	44%
I volunteer to do things outside my job that contributes to the organizational objectives.	52	35%	32	22%	64	43%
I speak highly of this organization to my friends.	64	43%	33	22%	51	35%
I am proud to tell others that I am part of this organization.	34	23%	70	47%	36	25%
I find that my values and the organizations values are similar.	67	45%	10	7%	64	43%
This organization really inspires the very best in me in the way of job performance.	41	28%	35	24%	59	40%

#### **i. Performance Measurement**

In regard to the usage of performance measurement tools, the majority of the respondents 47% had key performance indicators being implemented within their firm, 30% had direct observation implemented as a performance measurements tool, 15% had management by objectives adopted within the firm while only 8% agreed that balance scorecard was being utilized as a performance measurement tool as shown on Figure 4.5.



**Figure 4.5 Usage of Performance Measurement Tools**

## 4.6 Diagnostic Tests

### 4.6.1 Multicollinearity

Multicollinearity occurs when two or more predictors in the model are correlated and provide redundant information about the response. Multicollinearity was tested in this study to study the possibility of the interdependence between the independent variables (predictor variables). The test was conducted through the VIF and Eigen value statistics and the results are shown below.

According to the findings as illustrated in Table 4.15, the Collinearity statistics shows VIF values which are all less than 10. With this, the study found no presence of Multicollinearity problem in the variables for testing the relationship between the dependent and independent variables. The Tolerance value checks on the degree of Collinearity where a tolerance value lower than 0.1 shows that the variable could be considered as a linear combination of other independent variables. Thus, in the case of the current study, all the Tolerance values are all greater than 0.1 indicating no cases of Multicollinearity. The sig. values show the significance of the relationship between the variables and the dependent variable at the 5% level of significance. This confirms that the regression estimates are stable and of low standard errors.

**Table 4.15 Collinearity Tests**

Variables	Collinearity Statistics		Sig.
	Tolerance	VIF	
Key Performance Indicators	.635	1.575	.000
Management by Objectives	.391	2.557	.000
Balance Scorecard	.670	1.493	.001

Dependent Variable: Employee Engagement

**i. Collinearity Diagnostics**

The table 4.15 below gives the results on the Eigenvalues and eigenvectors to form variance-decomposition proportions to assist in identifying the specific linear dependencies. In the test, relatively large values (over 0.5) in any row corresponding to a small Eigenvalue may help identify specific variables involved in that linear dependency. However, the table illustrate that none of the variance proposition values were above 0.5 indicated that the variables had no cases of interdependencies.

**Table 4.16 Collinearity Diagnostics**

Mode	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	Performance Indicators	Management Objectives	Balance by Scorecards
1	1	3.894	1.000	.01	.00	.00	.00
	2	.047	6.688	.18	.01	.01	.01
	3	.012	18.280	.00	.00	.43	.42
	4	.007	23.595	.01	.48	.46	.27

a. Dependent Variable: Employee Engagement

**ii. Heteroscedasticity Tests**

In statistics heteroscedasticity in a linear regression seeks to test whether the variance of errors is constant across all observations of the independent variables. Heteroscedasticity tests are conducted using two methods the White's Test and the

Breusch-Pagan test. The current research adopted the modified Breusch-pagan test which assumes that the error variance varies with a set of regressor. Further the Breusch-pagan test was appropriate for the research since it checks for linear form of heteroscedasticity. Further the study plotted the standardized residuals of the regression model against the predictor values. From the research data using the Breusch-pagan test the findings reveal that the random error terms are constant across all the observations of the independent variable since the p-value is 0.7048 thus indicating absence of heteroscedasticity as shown in the table 4.16 below. This implies that at the very least, the study coefficients are not biased and therefore significance tests will not run either too high or too low.

**Table 4.17 Test for Heteroscedasticity**

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**Breusch-Pagan Test for Heteroscedasticity**

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Y: Constant Variance

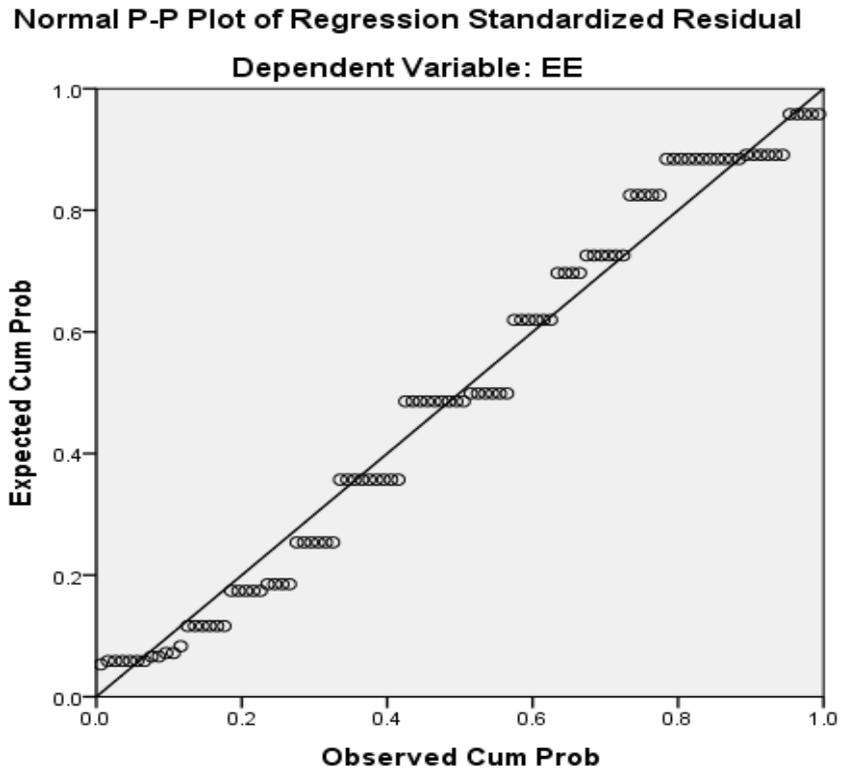
Variables: Fitted for Performance Measurement

Chi2 = 0.139

Prob > chi2 = 0.7048

---

Following the descriptive analysis, normality of the dependent variable was conducted for inferential analysis to be done. The findings of the results indicated that there were minimal disturbances (deviations) along the line of least squares in the data as indicated by the normal P-P plot as shown on Figure 4.6.



**Figure 4.6 Normal P-P Plot**

## **4.7 Inferential Statistics**

### **4.7.1 Correlation of the Variables**

Preliminary analysis was carried out to determine whether there were significant associations between firm financial performance, exercising of shareholders' rights, equitable treatment of shareholders, stakeholders' participation, timely disclosure and transparency, discharging of responsibilities by the board of directors and firm characteristic. In this study, Pearson's product-moment correlation coefficient ( $r$ ) was used to explore relationships between the variables, specifically to assess both the direction and strength. This was crucial to assess the nature of relationships existing between the variables before carrying out further analysis.

Pearson's product-moment correlation coefficient ( $r$ ) was used to examine the extent of correlation between the variables of study and to show the strength of the linear relationships between the variables in the regression. Pearson's product-moment correlation coefficient ( $r$ ) ranges between  $\pm 1$ . Where  $r = +0.7$  and above it indicates a

very strong relationship;  $r=+0.5$  to below  $0.7$  is a strong relationship;  $r=0.3-0.49$  is a moderate relationship while  $r=0.29$  and below indicates a weak relationship. Where  $r=0$  it indicates that there is no relationship (Esther- Smith, Thorge and Love, 1999). Correlation coefficient were utilized to explore the three variables. The result of the correlation analysis are presented on table 4.17. The correlation between Employee Engagement and Balanced Scorecard was the most significant where  $r=0.696$ ;  $p<0.01$ , followed by the correlation between Key performance Indicators and Employee Engagement where  $r = 0.625$ ;  $p<0.01$ . Correlation between Employee Engagement and Management by Objectives was the least where  $r = 0.602$ ;  $p<0.01$ . Correlation coefficients indicates that the two variables are perfectly correlated in a positive linear sense. Employee Engagement and performance measurement are perfectly correlated in a positive linear sense, that is one variable increases as the other one increases.

**Table 4.18: Correlation Coefficients Matrix**

		Employee Engagement	Key Performance Indicators	Management by Objectives	Balance Scorecards	Direct Observation
Employee Engagement	Pearson Correlation Sig. (2-tailed)	1				
Key Performance Indicators	Pearson Correlation Sig. (2-tailed)	.625*	1			
Management by Objectives	Pearson Correlation Sig. (2-tailed)	.602*	0.032	1		
Balance Scorecards	Pearson Correlation Sig. (2-tailed)	0.696	0.215	-0.202	1	
Direct Observation	Pearson Correlation Sig. (2-tailed)	.610*	0.194	.635**	.360**	1
		.000	0.151	.00\0	0.006	

\*\* Correlation is significant at the 0.01 level (2-tailed).

### 4.7.2 Regression Analysis

From the model in table 4.18, Adjusted  $R^2$  implies that a 52.1% change in the employee engagement can statistically be attributed to units of change in the independent variables (Key performance indicator, management by objectives, balanced scorecard and direct observation). From the table below 47.9% variations were determined by other factors not considered within this study. These findings are consistent with (Farooq & Hussain, 2011); who concluded that the balance scorecard can be utilized to enhance overall employee performance. The results are also in line with (Messah, 2011); who indicated that performance appraisal tools have a significant positive influence on employee performance.

**Table 4.19 Regression Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.670 <sup>a</sup>	.548	.521	.42051

a. Predictors: (Constant), Balance Scorecards , Management by Objectives, Key Performance Indicator

### 4.7.3 ANOVA Model

On Table 4.19, it is noticeable that the generated significance value is .000 which is less than the critical value 0.05 at 95% confidence level. This implies that the model is statistically significant in predicting the outcome variable. The model also shows a calculated F-value of 38.973 which is greater than F-critical value of 2.60 and level of significance is 0.000 which is less than 0.05 thus showing that the model is statistically significant in predicting the influence of performance management tools on employee engagement. This implies that there was goodness of fit of the model.

**Table 4.20 ANOVA Model**

	<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	8.770	3	2.923	38.973	.000 <sup>b</sup>
Residual	10.786	144	0.075		
Total	19.556	147			

a. Dependent Variable: Employee Engagement

b. Predictors: (Constant), Balanced Scorecards, Management by Objectives, Key Performance Indicators

Findings on Table 4.20 indicate that there is a strong positive correlation between Key Performance Indicators, Management by Objectives balanced scorecards, direct observation and employee engagement with beta coefficient values of 0.631, 0.562 and 0.601 respectively. Thus for every unit increase in Key performance Indicator, employee engagement will increase by 0.631 units, for every unit increase in balanced scorecard, employee engagement will increase by 0.601 units, for every unit increase in management by objectives, employee engagement will increase by 0.562 units.

**Table 4.21 Regression Coefficients**

	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>		<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>	<b>t</b>	
(Constant)	1.656	.155		10.684	.000
Key Performance Indicators	.631	.128	.629	4.930	.001
Management by Objectives	.562	.111	.556	5.063	.000
Balance Scorecards	.601	.107	.597	5.617	.005
Direct Observation	.531	.143	.527	3.713	.001

a. Dependent Variable: Employee Engagement

#### 4.7.4 t-test between the Research Variables

##### i. Balance Scorecard and Employee Engagement

The research hypothesis being tested is *there is significant relationship between scorecards and employee engagement in Multinational Companies operating in Kenya*. Since the p-value  $< \alpha / 2$  which is 0.0025 as indicated by the t-statistics and the p-value testing at the 5% level of significance ( $t = 47.953$ ;  $df = 147$ ;  $p = 0.000$ ) in Table 4.22. Thus, the study finds evidence of the relationship and therefore the alternative hypothesis was accepted which showed that there is a positive and significant influence of balance scorecard use and employee engagement. This is in line with the findings of Love (2009) who argued that the BSC is a concise report that tracks chose performance measures and compares them to target values which allows employees to asses past performance, identify areas for improvement and position the company for future growth.

**Table 4.22 Balance Scorecard and Employee Engagement t-test Paired Samples Test**

Pair	Paired Differences		95% Confidence			Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error	Interval of the Difference	t	
Employee Engagement – Balance Scorecards	1.06758	1.08220	.13423	1.33574 1.79943	47.953	64 .000

##### ii. Management by Objectives and Employee Engagement

The research hypothesis being tested is *there is significant relationship between management by objectives on employee engagement in Multinational Companies operating in Kenya*. Since the p-value  $< \alpha / 2$  which is 0.0025 as indicated in Table 4.21. This is as indicated by the t-statistics and the p-value testing at the 5% level of

significance ( $t = 53.583$ ;  $df = 147$ ;  $p = 0.000$ ). Thus, the study finds evidence of the relationship and therefore the alternative hypothesis was accepted which showed that there is a positive and significant influence of management by objectives use and employee engagement. This is in line with Haman (2011) who in pointed out that MBO could be used in providing an enabling organizational climate, improving staff behaviour through performance management, application of supportive supervision and mentoring of employees.

**Table 4.23 Management by Objective and Employee Engagement t-test Paired Samples Test**

		Paired Differences						
				95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Mean	Lower	Upper	t	Sig. (2-tailed)
Par	Employee							
1	Engagement							
	–							
	Management	1.07220	1.13994	.14139	1.35466	1.78973	53.583	64 .000
	by							
	objectives							

### iii Direct Obseration-360 degrees and Employee Engagement

The research hypothesis being tested is there is significant relationship between direct observations on employee engagement in Multinational Companies operating in Kenya. Since the  $p\text{-value} < \alpha / 2$  which is 0.0025 as indicated in Table 4.24. This is as indicated by the t-statistics and the p-value testing at the 5% level of significance ( $t = 51.583$ ;  $df = 64$ ;  $p = 0.000$ ). Thus, the study finds evidence of the relationship and therefore the alternative hypothesis was accepted which showed that there is a positive and significant influence of direct observation objective use and employee engagement. This is in line with Haman (2011) who in pointed out that the

360 degrees performance measurement tool could be used in providing an enabling organizational climate, improving staff behaviour through performance management, application of supportive supervision and mentoring of employees.

**Table 4.24 Direct Observation (360 degrees) and Employee Engagement t-test Paired Samples Test**

		Paired Differences		95% Confidence			t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	Interval of the Difference				
Lower	Upper								
Par Employee	1	1.08220	1.16994	.11139	1.55466	1.98973	51.583	64	.000
Engagement – Direct Observation									

#### **iv Sales Performance Indicators and Employee Engagement**

The research hypothesis being tested is *there is significant relationship between the effectiveness of key performance indicators on employee engagement in Multinational Companies operating in Kenya*. Since the p-value <  $\alpha / 2$  which is 0.0025. This is as indicated by the t-statistics and the p-value testing at the 5% level of significance (t =57.595; df = 147; p = 0.000) as indicated on Table 4.25. Thus, the study finds evidence of the relationship and therefore the alternative hypothesis was accepted which showed that there is a positive and significant influence of key performance indicators and employee engagement.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The fifth chapter of the study contains the summary of the major findings, the conclusions and recommendations. The study sought to determine the effects of performance measurement tools on employee engagement in multinational corporations in Kenya. Presentation of the findings, conclusions and recommendations was done in line with the study's specific objectives. Additionally areas for further research were suggested after taking into consideration the limitations of the study.

#### **5.2 Summary of Major Findings**

The purpose of this study was to investigate the effect of performance management tools on employee engagement in multinational corporations in Kenya. Specifically, the objectives aimed at establishing the effect of use of balanced scorecard, influence of management by objectives, direct observation and key performance indicators on employee engagement in multinational corporations operating in Kenya. To achieve this, primary data was collected through the use of questionnaires. Simple random sampling technique was used to select the study sample. The study ensured internal consistency using the Cronbach's alpha where all the variables indicated reliable values. Both descriptive (mean, standard deviation, frequency and percentages) and inferential (correlation and multiple linear regression) statistics were used to collect data. Causal relationships between the dependent and independent variables were tested by the application of correlation design.

The study was able to access sufficient respondents to enable statistical inferences to be conducted. From the study findings the majority of the respondents were male. Findings from the study also showed that the majority of the respondents had attained university level education. The results of the study also showed that the majority of the respondents in the study were in subordinate and middle management

levels. Findings also showed that the majority of the respondents had considerable length of service thus their feedback was suitable for the study owing to the vast knowledge they had accumulated working for their respective institutions.

### **5.2.1 Balanced Scorecards**

From the results of regression analysis, there is enough evidence to warrant the acceptance of the alternative hypothesis  $H_1$  which stated that there is significant relationship between the balanced scorecard as a performance measurement tool on employee engagement in multinational corporations in Kenya. The balanced scorecard tool has a significant positive effect on employee engagement in decision making.

Concerning improved customer satisfaction is widely used to measure employee engagement the majority of the respondents were in agreement. The respondents were also in agreement that improved efficiency in resource utilization is used to measure employee engagement. Findings also showed that respondents were in agreement that improved adherence to the internal controls and policies are used to measure employee engagement.

The findings of the above study were also in line with our results that showed that improved revenue growth is used to evaluate the levels of employee engagement. Respondents also agreed that increased operational efficiency is used to evaluate employee engagement. The majority of the respondents were also in agreement that empowerment and growth measures have been adapted within their organizations.

### **5.2.2 Management by Objectives**

From the results of regression analysis, there is enough evidence to warrant the acceptance of the alternative hypothesis  $H_1$  which stated that there is significant relationship between management by objectives on employee engagement in multinational corporations in Kenya. Management by objectives has a significant positive effect on employee engagement in decision making.

With regard to the management has clearly outlined its goals to the personnel, majority of the respondents were in agreement. Findings also showed strong agreement among respondents that the management is highly concerned with the well-being of the personnel. Their findings indicated that effective communication of strategy, goals and working relationship between employees and the management supported better employee engagement. Findings also showed that the majority of the respondents agreed that the management has offered a conducive work environment.

More so, the results showed that the majority of the respondents were in strong agreement that the management offers adequate training and development to align employee's competence to the desired objectives. In regard to values, policies and procedures of the firm are well outlined and consistent with the objectives of the management; the majority of the respondents were in strong agreement. The findings of the study also showed that the majority of the respondents were in agreement that the management involves employees in strategic decision making. Concerning the management offers constant feedback on the attainment of the laid-down objectives; the majority of the respondents were in agreement.

### **5.2.3 Key Performance Indicators**

From the results of regression analysis, there is enough evidence to warrant the acceptance of the alternative hypothesis  $H_1$  which stated that there is significant positive relationship between key performance indicators as a performance measurement tool on employee engagement in multinational corporations in Kenya. The key performance indicator as a measurement tool has a significant positive effect on employee engagement in decision making.

The majority of the respondents were in agreement that the sales indicators are used to measure the levels of employee engagement. Findings also showed that the majority of the respondents were in agreement that efficient customer service delivery is used to measure the level of employee engagement. Concerning to time used to deal with customer complaints is used to measure employee engagement the

majority of the respondents strongly agreed. Respondents were also in agreement that the management has laid down key performance indicators that employees need to consistently meet.

#### **5.2.4 Employee Engagement**

The results of the study showed that the majority of the respondents were in agreement that having engaged employees within the firm increases teamwork and positivity in duties. Further, findings showed that respondents were in agreement that non-engaged employees limit the potential of other workers within the firm. Findings also show that the respondents were in agreement that engaged employee are enthusiastic on their work which increases their productivity. Respondents were also in agreement that engaged employee are more collaborative at the work place thus fostering teamwork. Concerning actively disengaged employees should not be tolerated within the firm since they are redundant and a distraction to other staff members; the majority of the respondents were in agreement. Findings also showed strong agreement among respondents that engaged employees are more open to continuous professional development and growth.

#### **5.3 Conclusion of the Study**

A performance measurement tool has a positive impact on the levels of employee engagement. Middle and lower level employees constitute the most critical input for the corporations and hence need for attention in the selection of the measurement tool. An ineffective tool inhibits employees to exercise their capabilities and attain full potential due to low engagement levels. Multinational Corporations operating in Kenya are therefore faced with the challenge of selecting a performance measurement system that is acceptable, localized and at the same time effective to the work environment. The research study impacts upon the future performance of multinationals corporations by taking performance measurement seriously if they are to affect employee engagement positively. This way, their employees can achieve better results and remain competitive.

## **5.4 Recommendations of the Study**

### **5.4.1 Balanced Scorecards**

In regard to adoption of balanced scorecard; the study notes that the customer perspective aspect of the balanced scorecard is more effective in tracking employee engagement within the firm. In service firms; mostly the level of customer complaints and feedback can be used to assess the level of employee engagement at both individual and departmental levels. From the findings it is also evident that overall organization outcomes such as profit, customer retention and brand image can be used as some indicators of employee engagement. From the study, increased recognition and involvement of employees in formulating balanced scorecard measures can be an antecedent of better employee engagement within the firm.

Lack of sufficient training of staff involved in the strategy formulation and implementation has led to some of the inadequacies in the BSC application. The BSC tool must be aligned to the strategy by involving training so as to equip the administrators of the tool with the requisite skills that will enable the BSC tool to deliver the intended results as well as keep up with the changing business dynamics. There must be continuous reviews and adjustments to obtain the required level of performance.

### **5.4.2 Management by Objectives**

Concerning management by objectives; the research concludes that increasing involvement of management on the welfare of the personnel can enhance employee engagement as personnel will feel more valued and as a part of the organization. The study also concludes that the management should strive to create a conducive work environment which can induce better job-fitness and motivation among employees. Further, the study concludes that the management should promote better work-life balance through activities such as employee training and workshops that can boost the employee engagement levels. The management should also ensure that all work policies and procedures are well laid out to ensure better performance within the firm.

### **5.4.3 Sales Performance Indicators**

With regard to the key performance indicators, the research concludes that firms should seek other alternatives than sales volume to track the level of employee engagement. More so, the firms within the services sector should adopt more service-oriented measures that are relevant in the current globalization era. The study also concludes that firms need to adopt current internal quality management systems that will help in developing performance indicators that are in line with the evolving specific/localized job requirements and business environment changes.

### **5.4.4 Employee Engagement and Performance Measurements**

Globalization has not only increased competition among multinationals in Kenya but opened a new window of opportunities for employees. Performance measurement tools can facilitate development of employees by enhancing productivity and give multinationals an improved corporate image. In regard to employee engagement the study concludes that dis-engaged employees should not be tolerated within the firm since they will create laxity among other employees thus eroding work productivity. Further, the study concludes that there is need to evaluate other performance measurements that are more technology-oriented to reduce excessive involvement of personnel in supervision especially in cases where there are social discomforts between some employees and the supervisor.

### **5.5 Suggestions for Further Research**

The study concentrated only on three variables. It was not possible to study all performance measurement tools that influence employee engagement. The study has therefore offered a good insight into understanding how employee engagement is affected by performance measurement and a framework for future empirical research in this area of study. The study can therefore be replicated using the same method or another approach. The relationship between work-life balance and employee performance within multinational companies since some people may be highly engaged out of a sense of mission rather than other work environmental factors

An empirical examination of the role of government in promoting better working conditions with multinational companies. This study was concerned with multinationals in Kenya. A similar study should be carried out in state corporations in Kenya so as to confirm the applicability of the results in state corporations.

Continuous employee engagement may lead to stress and burnout. There is need for research on ways not only to promote employee engagement, but also on interventions that will be effective in preventing burnout in engaged employees.

### **5.6 Implication of the study on Policy, Theory and practice**

This section examines the implication of the study on the policy and practice specific to Multinational Corporations in Kenya. The section gives the key recommendations that can be implemented by MNCs to ensure successful implementation of the balanced score card in the strategy management process.

**Policy:** This study will be significant in informing the top management for the multinationals as it will provide the various departments with sufficient tools to appropriately appraise the employees' capability to measure the extent of their own performance; which is a vital aspect in the supervisory framework. This strategic management and performance measurement tools have been adopted and successfully assimilated by other corporations. The study findings have the potential to offer input to policy formulation agencies on performance measurement when they are drafting the outline for the company's performance measurement policy.

**Theory:** The findings of the study will serve to enrich the Theory of the performance measurement tools under study by outlining important insights on the underlying principles that were once evaluated by commercial banks in their application. Other than enabling corporations to obtaining insights on the three tools, the concepts of providing a theoretical basis for this research will also be evaluated and the insights obtained will enrich the theories of Resource Based View and Theory.

**Practice:** Finally, the study will help to inform best practice in the private sector by identifying superlative standards with respect to performance measurement for

adoption and implementation. The results in this study have implications for both theory and practice. The results imply that the corporations have been using the tools for strategy implementation and therefore this adds to the growing body knowledge on employee performance measurement.

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## **APPENDICES**

### **Appendix A: Introduction Letter**

**Pension Towers Campus**

**Jomo Kenyatta University of Science & Technology**

P.O Box 60200

Nairobi

**July 2015**

#### **RE: PERMISSION TO COLLECT DATA FOR ACADEMIC RESEARCH**

Dear Sir /Madam,

I am a Doctor of Philosophy student at the Jomo Kenyatta University of Science & Technology in the School of Human Resource Development. As a requirement of my degree, I am supposed to carry out a research study intended to solve a problem within my area of specialization. I, therefore, intend to conduct a study on the influence of performance measurement on employee engagement within Multinational Corporations in Kenya. The information provided will solely be used to accomplish this academic goal. I humbly seek your permission for me to gather information regarding your reputable firm.

Yours Faithfully,

**Joseph Aswani Ongoma**

## **Appendix B: Questionnaire**

### **1. Gender of the respondent?**

Female  Male

### **2. What is your level of education?**

Primary School ( )

Secondary ( )

Tertiary/College ( )

University ( )

Postgraduate ( )

### **3. Which of the following positions or levels do you operate?**

Top Management level ( )

Middle Management level ( )

Subordinate Staff ( )

### **4. How long have you served in the MNC company?**

1-2 years ( )

3-5 years ( )

5-7 years ( )

8 years and above ( )

## **PART B: INFLUENCE OF PERFORMANCE MEASUREMENT TOOLS ON EMPLOYEE ENGAGEMENT IN MULTINATIONAL COMPANIES IN KENYA**

Rate the extent to which you agree with the below statements using any of the following ratings:

1. Strongly Disagree
2. Disagree
3. Neutral

4. Agree

5. Strongly Agree

**5. Use of score cards affects employment engagement in Multinationals.**

**Highlight the measures widely used by the firm.**

Statement	1	2	3	4	5
<b>Customer Perspective</b>					
Improved customer satisfaction is widely used to measure employee engagement.					
Reduced number of complaints is used to measure the level of employee engagement.					
<b>Financial Perspective</b>					
Improved efficiency in resource utilization is used to measure employee engagement.					
Improved revenue growth is used to evaluate the levels of employee engagement.					
<b>Internal Processes</b>					
Improved adherence to the internal controls and policies is used to measure employee engagement.					
Increased operational efficiency is used to evaluate employee engagement.					
There is increased employee recognition within the firm.					
<b>Growth and Innovative Perspective</b>					
Empowerment and growth measures have been adapted					

within the firm.					
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**6. In your own opinion in what other ways do you think the scorecard could affect the levels of employee engagement?**

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**7. The use of management by objectives affects employee engagement.**

Statement	1	2	3	4	5
<b>Training Work Environment</b>					
The management has clearly outlined its goals to the personnel.					
Management is highly concerned with the well-being of the personnel.					
The management has offered a conducive work environment.					
Management offers adequate training and development to align employee's competence to the desired objectives.					
The values, policies and procedures of the firm are well outlined and consistent with the objectives of the management.					
Management involves employees in strategic decision making.					
Management offers constant feedback on the attainment of the laid-down objectives.					

**8. With regard to management by objectives, based on your own knowledge in what other ways can it be applied to enhance employee engagement?**

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**9. Sales performance indicators influence employee engagement.**

Statement	1	2	3	4	5
Sales indicators are used to measure the levels of employee engagement.					
Efficient Customer service delivery is used to measure the level of employee engagement.					
Time used to deal with customer complaints is used to measure employee engagement.					
The management has laid down key performance indicators that employees need to consistently meet.					

**10. With regard to Sales Performance Indicators, in which other ways do you believe it can influence employee engagement through?**

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**11. In your own opinion how would you rate the following statements with regard to employee engagement using a scale of 1 to 5; where 1= very high extent, 2=high extent 3=moderate extent, 4= low extent and 5= very low extent**

<b>Statement</b>	1	2	3	4	5
I frequently make suggestions to improve the work of my team/department/service.					
I try to help others in this organization whenever I can.					
I always do more than is actually required.					
I volunteer to do things outside my job that contribute to the organization's objectives.					
I speak highly of this organization to my friends.					
I am proud to tell others I am part of this organization.					
I find that my values and the organization values are similar.					
This organization really inspires the very best in me in the way of job performance.					

**12. With regard to the following performance measurement tools, kindly choose the one (s) in use within your firm.**

	<b>YES</b>	<b>NO</b>
<b>Balance Scorecard</b>		
<b>Management by Objectives</b>		
<b>Sales Performance Indicators</b>		
<b>Others</b>		

Others (Specify)

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**13.** Do you think the human resource department and the management do enough to enhance employee engagement within the firm? Explain.

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**14.** Does the government engage multinationals to ensure better human resource practices within the country? Explain

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**15.** What other performance measurement tools would you recommend for enhancing employee engagement?

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### Appendix C: Operationalization of the Regression Model

Hypothesis	Measurement	Analysis techniques	Interpretation
There is a significant influence of performance measurement tools on employee engagement in multinational corporations in Kenya.	Quantitative and Qualitative Data	Multiple Regression analysis $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$ $Y = \text{Employee Engagement}$ $\alpha = \text{constant (intercept)}$ $X_1 =$ is the composite index of Scorecard $X_2 =$ is the composite index of management by objectives $X_3 =$ is, the composite index of key performance indicators $\beta_1, \beta_2, \beta_3, \beta_4$ are the coefficients $\epsilon$ - is the error term	All the independent variables collectively influence the dependent variable. Coefficient of determination $R^2 = \left\{ \begin{array}{l} R^2 / k - 1 \\ (1 - R^2) / (n - k) \end{array} \right\}$
H <sub>i</sub> There is significant relationship between scorecards and employee engagement in Multinational Companies operating in Kenya.	Quantitative Data 5 Point-Likert Scale	Multiple Regression analysis $Y = \alpha + \beta_1 X_1 + \epsilon$ $\alpha = \text{constant (intercept)}$ $X_1 =$ is the composite index of scorecards $\epsilon = \text{Error term}$ Compute the P-value corresponding to $\beta_1$ If P-value $\leq \alpha$ , reject H <sub>0</sub>	Compute P Value given by SPSS. If $P \leq \alpha$ , then there is a significant relationship between scorecards on employee engagement in multinational companies

			operating in Kenya
H <sub>i</sub> There is significant relationship between management by objectives on employee engagement in Multinational Companies operating in Kenya.	Quantitative Data 5 Point-Likert Scale	Multiple Regression analysis $Y = \alpha + \beta_2 X_2 + \epsilon$ $\alpha$ = constant intercept) $X_2$ = is the composite index of management by objectives $\epsilon$ = Error term Compute the P-value corresponding to $\beta_2$ If P-value $\leq \alpha$ , reject $H_0$	Compute P Value given by SPSS. If $P \leq \alpha$ , then there is a significant relationship between management by objectives on employee engagement in multinational companies operating in Kenya
H <sub>i</sub> There is significant relationship between the effectiveness of key performance indicators on employee engagement in Multinational Companies	Quantitative Data 5 Point-Likert Scale	Multiple Regression analysis $Y = \alpha + \beta_3 X_3 + \epsilon$ $\alpha$ = constant (intercept) $X_4$ = is the composite index of key performance indicators $\epsilon$ = Error term Compute the P-value corresponding to $\beta_3$ If P-value $\leq \alpha$ , reject	Compute P Value given by SPSS. If $P \leq \alpha$ , then there is a significant relationship between Key Performance Indicators on employee engagement in multinational

operating in Kenya.		H <sub>0</sub>	companies operating in Kenya
H <sub>i</sub> . There is significant relationship between direct observation and employee engagement in Multinational Companies operating in Kenya.	Quantitative Data Observation Checklist	Mean and Standard Deviation	Will use the mean with values within the range of 1.0-1.9 indicating agreement among the respondents and a lower standard deviation showing less dispersion in the responses.