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# INFLUENCE OF PERFORMANCE MANAGEMENT ON THE PERFORMANCE OF TELECOMMUNICATION INDUSTRY IN KENYA

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## Abstract

**Purpose**: The purpose of this study was to establish the influence of performance management on performance of telecommunication industry in Kenya

**Methodology**: This study adopted both descriptive and correlational research designs. The study population was 300 senior management employees in all the four telecommunication firms in Kenya, which include, Safaricom, Airtel, Telkom and Equitel. The study used proportional sampling in selecting the managers from the four telecommunication firms. A sample size of 150 was arrived at using Fisher formula. Primary data was collected using structured questionnaires. Simple and multiple regression models were used to analyze the data using statistical package for the social sciences (SPSS version 20). Descriptive and inferential analysis was used to analyze the data.

**Results:** Correlation analysis showed that performance management and the performance of telecommunication industry are positively and significantly associated. Further, regression analysis indicated that performance management has a positive and significant effect on performance of telecommunication industry in Kenya. The hypothesis results indicated that there is a significant relationship between performance management and the performance of telecommunication industry in Kenya.

**Recommendations:** Based on the findings, the study recommended the need for telecommunication firms to strengthen their performance management aspects. These are: enhance employee rating, setting standards for employees, fostering teamwork among personnel, encouraging communication between employees and management and effective planning in the organization. The strengthening of these aspects will result to improved performance in the telecommunication industry.

**Keywords:** *performance management, performance, telecommunication industry*

# 1.0 INTRODUCTION

## 1.1 Background of the Study

According to Minbaeva (2009), HRM practices refers to a set of practices used by organization to manage human resources through facilitating the development of competencies that are firm specific, produce complex social relation and generate organization knowledge to sustain competitive advantage. It is concerned with organizational activities directed at managing the pool of human resources and ensuring that the resources are employed towards the fulfillment of organizational goals, (Chen, & Huang, 2009). HRM is a specialist function of management which has the prime responsibility for the following: formulating, proposing and gaining acceptance for the personnel policies and strategies of the organization; advising and guiding the organization's managers on the implementation of personnel policies and strategies; providing personnel services for the organization to facilitate the recruitment, motivation and development of sufficient and suitable employees at all levels; advising the organization's managers of the human consequences of change, (Romle, 2006).

Performance management is a strategic and integrated approach to delivering sustained success to an organization by improving the performance of its employees through development of teams and individual capabilities, (Biron, Farndale & Paauwe, 2011). It relates to the management of employee performance through planning, developing, monitoring, evaluating and rewarding them for their contributions, (Armstrong & Baron, 2004).

## 1.2 Statement of the Problem

Human resource management practices influence employee skills through the acquisition and development of a firm's human capital. The alignment of human resource practices is very vital to the achievement of organization strategy. According to Harrison (2012), in order to add value, HRM must achieve outcomes that significantly increase the organization's capability to differentiate itself from other similar organizations, and thereby enhances its progress.

According to a study by Kamau (2015), on the competitive strategies adopted to drive performance in the telecommunication industry in Kenya; the research findings indicated that the smaller firms in the telecommunication industry are faced by shortages in employee as well as cannot offer the lucrative remuneration packages offered by the larger firms such as Safaricom and Airtel thus diminishing overall organization performance. In their study on the application of Balance Scorecard at Essar Telkom Kenya, Nzuve and Nyaega (2013), indicated that the firm is faced by a shortage in capacity building programs as well poor appreciation of employees which hampers attainment of organization goals.

Several studies have been conducted locally relating to human resource practices. Dimba (2008), investigated the nature of the effect of strategic human resource practices on organization performance. The result of the study indicated that innovative recruitment and selection process positively impact on performance. Oluoch (2013), conducted a study on the influence of best human resource management practices on organizational performance: a case of college of humanities and social sciences university of Nairobi, Kenya. The findings indicated that best human resource management practices, have a positive significance on organizational performance.

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Most of these studies reviewed above focused on HRM practices in other industries and not telecommunication industry. Furthermore, the few studies done in the telecommunication industry focused on competitive strategies. There is therefore lack of adequate literature on the role of HRM practices, particularly, performance management in influencing performance of telecommunication industry locally; and thus the need for this study.

### 1.3 Specific Objective

To establish the influence of performance management on performance of telecommunication industry in Kenya

### 1.4 Research Hypothesis

**$H_0$:** There is no significant influence of performance management on performance of telecommunication industry in Kenya.

## 2.0 LITERATURE REVIEW

### 2.1 Theoretical Review

**The Principal-Agent Theory**

The basic concept of principal-agent theory comes from the relationship between one party (the principal) and another (the agent). Principal-Agent theory is based in the business management area but can be applied also to the social sector, (Elgie, 2002; Lewis, 2006). Principal agent theory developed from organizational management which is derived from economics in terms of links between pay and performance, (Carr & Brower, 1996). In this theory, the basic starting point is the situation where one actor (the principal) has an incentive to delegate power to another actor (the agent) with the expectation that subsequently the latter will act in a way which is consistent with the initial preferences of the former, (Elgie , 2002).

The theory has an assumption that the authority of superior organisations (the principal) is decentralised to subordinate organisations with expectations that agents will use their specialised information and capacities, and thus maximise the principal's benefits, (Moe, 1984). The simple model of the principal-agent theory therefore follows that public enterprises are agents while the central government is the principal, the people can also be the principals and central government is their agent. The shareholders of telecommunication industry are principals and the employees (managers) are the agents.

Firstly, the basic assumption of principal-agent theory is that the principal has less information than the agent. This may cause problems or concern since the principal cannot exactly observe the agent's behaviour. Second, the principal's main interest conflicts with the agent's because each prefers maximising their own benefits, (Carr & Brower, 1996). There may also be information asymmetries between the principal and the agent. In reference to this study, the problem of information asymmetries can be reduced by putting in place effective feedback mechanisms that can facilitate efficient communication flows.

A contract may reduce the risk of conflict between principal and agent. Rees, (1985) suggested that the solution to the agent problem is to develop an incentive system under which the principal motivates the agent to achieve the principal's goals. Ultimately, in line with theory and in the objective of this study, telecommunication firms are seen to be responsible in delivery of services to their customers because of the impact of performance management. Performance measurement may offer, in part, a solution to the principal-agent problem in public sector, (Broadbent & Laughlin, 1996).

According to Lohman, Fortuin and Wouters (2004), a performance management system can help to create the right approach in service delivery through relating evaluated performance which encompasses comparing goals to plans. The Principal-Agent Theory informs this study by explaining the role of performance management in enhancing organizational performance.

### 2.2 Empirical Review

Kumar and Gupta (2012), in their paper carried meta-analysis to determine the influence of performance management on job satisfaction among 10 firms using qualitative analysis. The results of the studies showed that raters' personality traits influence overall rating decisions. Other contextual factors include, for instance, employees' satisfaction with the performance management process as a whole, the performance appraisal feedback, or employees' evaluations of the perceived quality, justice, and fairness of the performance appraisal regime, (Gupta & Kumar, 2013). Furthermore, employee participation in the performance management process is positively related to the satisfaction with the performance management system, perceived fairness, and acceptance of such a practice.

Brown, Hyatt and Benson (2010), examined the relationship between performance management quality, measured by clarity, communication, trust, and fairness of the performance management process, and job satisfaction and commitment based on a sample of more than 2,300 Australian non managerial employees of a large public sector organization. The study findings revealed that employees who report a low performance management quality level of trust in supervisory, poor communication, and lack of clarity about expectations and perception of a less fair performance management process also report lower levels of job satisfaction and commitment.

Monari (2017), study investigated the influence of performance management initiatives on service delivery in state corporations in Kenya. The study applied a cross sectional descriptive survey research design. The study findings revealed that performance management had a positive and significant influence on service delivery among the state corporations in Kenya. The study recommended for enhanced use of performance management initiatives that are geared towards improving service delivery among the state corporations.

## 3.0 RESEARCH METHODOLOGY

This study adopted both descriptive and correlational research designs. The study population was 300 senior management employees in all the four telecommunication firms in Kenya, which include, Safaricom, Airtel, Telkom and Equitel. The study used proportional sampling in selecting the managers from the four telecommunication firms. A sample size of 150 was arrived at using Fisher formula. Primary data was collected using structured questionnaires. Simple and multiple regression models were used to analyze the data using statistical package for the social sciences (SPSS version 20). Descriptive and inferential analysis was used to analyze the data.

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## 4.0 FINDINGS AND DISCUSSION

### 4.1 Descriptive Statistics Results

The study sought to determine the influence of performance management on the performance of telecommunication industry in Kenya. Using a five-point likert scale, the study sought to know respondents' level of agreement on various statements relating to performance management.

Results in Table 1 indicated that majority of the respondents who were 70.1% (51.48%+18.7%) agreed with the statement that employee rating fosters efficiency within the firm, 79.5% agreed that setting standards for employees enhances the attainment of organization goal, 69.1% agreed that performance management fosters teamwork among personnel which enhances organizational productivity.

Further, 82.2% agreed that performance management fosters communication between employees and management which fosters employee motivation. Further, 80.4% of the respondents agreed that performance management enhances effectiveness within the firm which may result in better customer satisfaction. In addition, 71% agreed that performance management fosters effective planning in the organization.

Using a five-point scale likert mean, the overall mean of the responses was 3.77 which indicates that majority of the respondents agreed with the statements about performance management. Additionally, the standard deviation of 0.96 indicates that the responses were varied. The results herein implied that performance management is key in enhancing telecommunication industry performance.

The study findings agree with those of Kumar and Gupta (2012) who stated that employee participation in the performance management process is positively related to the satisfaction with the performance management system. Further, Brown, Hyatt and Benson (2010) revealed that employees who report a low performance management quality level of trust in supervisory, poor communication, and lack of clarity about expectations and perception of a less fair performance management process also report lower levels of job satisfaction and commitment. Monari (2017) study findings revealed that performance management had a positive and significant influence on service delivery among the state corporations in Kenya.

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**Table 1: Performance Management**

| Statement | Strongly Disagree | Disagree | Neutral | Agree | Strongly Agree | Mean | Std. Dev |
|---|---|---|---|---|---|---|---|
| Employee rating fosters efficiency within the firm. | 7.50% | 15.90% | 6.50% | 51.40% | 18.70% | 3.58 | 1.18 |
| Setting standards for employees enhances the attainment of organization goals. | 0.00% | 7.50% | 13.10% | 53.30% | 26.20% | 3.98 | 0.84 |
| Performance management fosters teamwork among personnel which enhances organizational productivity. | 3.70% | 16.80% | 10.30% | 49.50% | 19.60% | 3.64 | 1.09 |
| Performance management fosters communication between employees and management which fosters employee motivation. | 0.00% | 9.30% | 8.40% | 72.90% | 9.30% | 3.82 | 0.72 |
| Performance management enhances effectiveness within the firm which may result in better customer satisfaction. | 0.00% | 11.20% | 8.40% | 64.50% | 15.90% | 3.85 | 0.82 |
| Performance management fosters effective planning in the organization | 0.00% | 22.40% | 6.50% | 43.90% | 27.10% | 3.76 | 1.09 |
| **Average mean score** | | | | | | **3.77** | **0.96** |

## 4.2 Inferential Statistics Results

### 4.2.1 Correlation Results

Results in Table 2 indicate the correlation results between performance management and the performance of telecommunication industry in Kenya. The results revealed that there is a positive and significant association between performance management and performance of telecommunication firms (r=0.730, p=0.000). This means that both performance management and performance of telecommunication firms change in the same direction. Further, the correlation coefficient of 0.730 revealed a strong association between performance management and performance of telecommunication firms in Kenya.

The study findings agree with those of Kumar and Gupta (2012) who stated that employee participation in the performance management process is positively related to the satisfaction with the performance management system. Further, Brown, Hyatt and Benson (2010) revealed that employees who report a low performance management quality level of trust in supervisory, poor communication, and lack of clarity about expectations and perception of a less fair performance management process also report lower levels of job satisfaction and commitment. Monari (2017) study findings revealed that performance management had a positive and significant influence on service delivery among the state corporations in Kenya.

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**Table 2: Correlation Results: Performance Management**

| | | Organizational Performance | Performance Management |
|---|---|---|---|
| Organizational Performance | Pearson Correlation | 1.000 | |
| | Sig. (2-tailed) | | |
| Performance Management | Pearson Correlation | .730** | 1.000 |
| | Sig. (2-tailed) | 0.000 | |

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

### 4.2.2 Regression Results

The study sought to establish the influence of performance management on the performance of telecommunication industry in Kenya. An ordinary least square regression model was used. The results of the model summary are given in Table 3. The findings indicated that performance management explains 53.3% of the total variations in performance of telecommunication industry in Kenya. This was supported by coefficient of determination also known as the R square of 0.533.

**Table 3: Model Summary: Performance Management**

| Indicator | Coefficient |
|---|---|
| R | 0.730 |
| R Square | **0.533** |
| Adjusted R Square | 0.529 |
| Std. Error of the Estimate | 0.2955337 |

Table 4 provides the results on the analysis of variance (ANOVA). The results indicated that the overall model was statistically significant. This was supported by the reported F statistic of 119.916 which was greater than the critical value of 3.94. The results were further supported by a reported p value of 0.000 which was less than the conventional probability of 0.05. The results imply that the model linking performance management to performance is statistically significant.

**Table 4: Analysis of Variance: Performance Management**

| Indicator | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 10.473 | 1 | 10.473 | 119.916 | .000[b] |
| Residual | 9.171 | 105 | .087 | | |
| Total | 19.644 | 106 | | | |

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Table 5 presents the regression of coefficients results. The findings showed that there is a positive and significant relationship between performance management and performance of telecommunication firms in Kenya as supported by a p value of 0.000 and a beta coefficient of 0.611. This implies that an improvement in performance management by 1 unit would increase performance of telecommunication firms by 0.611 units.

The study findings agree with those of Kumar and Gupta (2012) who stated that employee participation in the performance management process is positively related to the satisfaction with the performance management system. Further, Brown, Hyatt and Benson (2010) revealed that employees who report a low performance management quality level of trust in supervisory, poor communication, and lack of clarity about expectations and perception of a less fair performance management process also report lower levels of job satisfaction and commitment. Monari (2017) study findings revealed that performance management had a positive and significant influence on service delivery among the state corporations in Kenya.

**Table 5: Regression of Coefficients: Performance Management**

| | B | Std. Error | t | Sig. |
|---|---|---|---|---|
| (Constant) | 1.475 | .213 | 6.940 | .000 |
| Performance Management | .611 | .056 | 10.951 | .000 |

Optimal Model:

$Y= \beta_0+ \beta_1 X_3 +e$

Performance of Telecommunication Industry= 1.475+0.611 Performance Management

### 4.2.3 Hypotheses Testing

***H₀***: *There is no significant effect of performance management on the performance of telecommunication industry in Kenya.*

The null hypothesis was that there was no significant effect of performance management on the performance of telecommunication industry in Kenya. The coefficient of regression results in Table 5 showed that the calculated t value of 10.951 was greater than the critical t value of 1.96 at 5% level of significance. Thus, the null hypothesis was rejected and, therefore, performance management had a significant effect on the performance of telecommunication industry in Kenya.

## 5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Summary of Findings

The objective of the study was to determine the effect of performance management on the performance of telecommunication industry in Kenya. Majority of the respondents agreed that employee rating fosters efficiency within the firm, setting standards for employees enhances the attainment of organization goal, performance management fosters teamwork among personnel which enhances organizational productivity, performance management fosters communication between employees and management which enhances employee motivation. Further, performance management enhances effectiveness within the firm which may result in better customer satisfaction and fosters effective planning in the organization.

Correlation analysis showed that performance management and the performance of telecommunication industry are positively and significantly associated. Further, regression analysis indicated that performance management has a positive and significant effect on performance of telecommunication industry in Kenya. The hypothesis results indicated that there is a significant relationship between performance management and the performance of telecommunication industry in Kenya.

### 5.2 Conclusion

The study concluded that performance management affects the performance of telecommunication industry in Kenya. The regression results showed that performance management had a positive and significant effect on performance of telecommunication industry in Kenya. Following the regression results, the null hypothesis of no significant influence of performance management on the performance of telecommunication industry in Kenya was rejected.

### 5.3 Recommendation

Based on the findings, the study recommended the need for telecommunication firms to strengthen their performance management aspects. These are: enhance employee rating, setting standards for employees, fostering teamwork among personnel, encouraging communication between employees and management and effective planning in the organization. The strengthening of these aspects will result to improved performance in the telecommunication industry.

### 5.4 Suggestion for further Studies

The study sought to determine the influence of performance management on the performance of telecommunication industry in Kenya. Similar studies could be carried out but focusing on other sectors. Future researchers could also consider other Human Resource practices such as rewards, recruitment and how they influence organizational performance of firms in both public and private sector.

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