
**THE ROLE OF TARGET SETTING IN INFLUENCING EMPLOYEE
PRODUCTIVITY IN COMMERCIAL BANKS IN MERU COUNTY,
KENYA**

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Abstract

Problem statement: The commercial banks in Kenya have been experiencing reduction in employee productivity, which has resulted to collapse and placement under receivership of some of the banks. At the same time, the banking industry has been facing challenges with performance appraisal system, particularly, target setting.

Purpose of the study: This study, therefore, sought to examine the role of target setting in influencing employee productivity in commercial banks in Meru County, Kenya.

Study Methodology: It adopted a descriptive survey research design. Primary data was collected through self-administered questionnaires. Descriptive and inferential statistics were used in the analysis.

Results of the study: According to correlation results, target setting was positively and significantly correlated to the employee productivity. Regression results indicated that a positive and significant influence exists between the two variables; hence, target setting had a positive and significant connection with employee productivity in commercial banks in Meru County.

Conclusion: The study concluded that the level of target setting in a commercial bank could be used to predict employee productivity. Target setting enhances staff efficacy, motivation, and eventually expand organization efficiency. It also enables staff to be engaged in a constructive acuity about performance appraisal process.

Recommendations: Commercial banks ought to ensure the employees are engaged through being involved in target setting in order to improve their productivity.

Keywords: *Target setting, employee productivity, commercial banks*

1.0 INTRODUCTION

Target setting is defined as establishment of performance standards to assess entire facets of performance of a business firm's undertakings and objectives as established in the mission statement (Kemboi, 2015). Moy (2011) observed that from commencement of 1980s, nations such as New Zealand, United Kingdom, Australia and Sweden, had carried out restructurings whose predominant objective was making public sector institutions more amenable. These restructurings were prompted by the demands for enhancing the general proficiency and efficacy of public spending; minimizing comprehensive degrees of spending; enhancing amenability and openness of the public segment; and improving the susceptibility of public sector institutions to the wants of residents. A predominant characteristic of these reform programs was the increasing utilization of performance standards and targets to assess all features of the performance of employees.

Leitao et al. (2019) defined employee productivity as the evaluation of a worker's or a category of worker's efficiency and may be assessed with regard to the output of an employee in a stipulated duration. Further, Nwannebuife (2017) observed productivity as a set standard of the quantity and quality of accomplished tasks, taking into account expenses on the resources utilized. An organization's competitive advantage is enhanced by its level of productivity since its expenses relate to the production of goods and services are reduced (Nwannebuife, 2017). Kipsegerwo et al. (2016) established that employee productivity is related to output quantity and its quality. It also relates to timeliness of output, job appearance or frequency of showing up, efficiency and effectiveness of the accomplished tasks. Estimating or quantifying employee productivity entails establishing the duration that a typical worker is required to generate a stated degree of production. The measuring of employee productivity could also be done by determining the duration that a category of workers employed on a particular activity that included; production, travel, or slack time devoted to waiting for materials or replacing defective apparatus (Karim et al. 2015; Khan, 2013; Moy, 2011).

1.1 Statement of the Problem

The adoption of target setting in the banking industry was meant to contribute to the improvement of productivity of bank employees with hope to positively influence the overall organization financial performance. Ndiba (2014) observed that commercial banks' employees in Meru County had moderate productivity. However, Ndiba did not cite what needed to be undertaken to improve staff productivity. Graham (2010) showed that there was a robust connection between target setting and efficiency of individual employees. This study envisaged that enhanced target setting would subsequently result to better employee productivity.

The Kenya bankers' association (2016) annual report showed that target setting system was a challenge in the banking industry but it was not clear as to the extent it influences the overall productivity of staff. The report further indicated that since the commencement of target setting in the banking area, employees' productivity reduced by 7.8 % for a period of 6 years. This indicated that its intended purpose was not achieved. This pointed out the need for empirical solutions to this problem in order to save the financial institutions from collapsing and being put under receivership. The study considered the role of target setting on employee productivity in commercial banks in Meru County. This would help to advance the current employee efficiency with minimal rate of closure of banks due to low productivity among the employees.

1.2 Purpose of the Study

This study sought to find out how target setting influenced employee productivity in commercial banks in Meru County.

1.3 Hypothesis of the Study

The study hypothesized that target setting significantly influence employee productivity in commercial banks in Meru County.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

This study was guided by goal-setting theory which was developed by Locke in 1968 (Locke & Latham, 1968). The theory showed an inductive connection between employees' productivity and goal setting of the individual personnel. This theory suggested that if employees set their goals, then this could improve their performance. A significant component of this hypothesis was that, the availability to move in the direction of accomplishment of an objective was the primary wellspring of employment inspiration. It recommends that unmistakable, precise, and difficult goals are more protuberant rousing mechanisms than modest, wide-ranging, and indistinct goals. Locke recommends that certain and vibrant goals promote more yield and better efficiency, and that goals should be applicable and challenging simultaneously giving one a sentiment of pride when accomplished.

2.2 Empirical Review

Teo and Low (2016) examined whether objective setting affects worker viability and at last improves association adequacy in Singapore. The discoveries of this observational research proposed that there was consistent simultaneousness among the examination talk with members that, objective establishment had a task to carry out in the connection portrayed in the reasonable model and that it affected representative adequacy and eventually improves association viability. It was nonetheless, not clear, how objective target setting straightforwardly influenced representative profitability particularly in the financial division.

Sahai and Srivastava (2012) assessed target setting in relation to performance assessment in talent management in India. The study indicated that the current plan had shared objective setting on quantifiable execution measurements. Objective setting was explicit, hence gave clarification to the representatives on what was required out of them. A nearer examination on Samridhi enterprises, stipulated that the essential defect in the objective establishment and execution evaluation framework had individual arrangement of qualities. It was additionally noticed that, in any event, for advancement between bunches execution; evaluation was among the criterion used that was time structured. This additionally demonstrated a suggestion that, regardless of the exhibition and exertion, proportion profit that an individual acquired was advanced inside the gathering and among bunches dependent on the involvement. However, this aided in remunerating the individuals who remained for a lengthier duration of time with the firm, yet, it additionally made disparity and cacophony among the superior workers. This implied that in some instances, results of target setting were not strictly followed when rewarding employees. This hindered employee productivity.

A research on the positive effects of goal setting on employee productivity by Metezenbaum (2006) weighed more in the private than in the public segment. The use of employment examination to create social measures, for which explicit significant standards were set, could be executed effectively on people in the private division. The author referred to phenomenal instances of the advantages of setting explicit high efficiency result objectives for administrative associations for at least one segment inside them. Metezenbaum also noticed that measures for persuading a representative in people in general and private areas were to be seen with alert. Results gauges that were far reaching for instructing an individual representative were normally elusive; however, practices recognized through work

investigation, indicated what a worker could do to actualize an association's methodology that influenced its net benefits (Metetzenbaum, 2006).

3.0 RESEARCH METHODOLOGY

This study adopted a descriptive survey research design in investigating the phenomena. Information was gathered from employees working on permanent basis in the twenty banks located in Meru County. The study employed a census sampling technique and hence all the 213 employees were sampled. Primary data was collected through questionnaires. After pre-testing, content and criterion validity of instruments were verified while reliability was measured using Cronbach's alpha coefficient. Descriptive statistics such as frequencies, percentages, means and standard deviations were computed. Further, correlation and regression analysis were also used to assess the relationship between the independent and the dependent variable, and to also test research hypothesis. The findings of study were presented using tables and figures.

4.0 RESULTS AND DISCUSSION

4.1 Reliability Statistics

Information was first checked to find out its wellness in the examination. This was achieved by computing Cronbach's Alpha worth using SPSS. The outcome is shown in Table 1. An unwavering quality coefficient showed the integrity of the things in the information for doing factual investigation.

Table 1: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	Based on N of Items
.919	.917	40

The Cronbach's alpha coefficient was .917. According Bhattacharjee (2012), the correlation coefficient above 0.7 was adequate and indicated worthwhile dependability of data in public science study. Thus, the questionnaire was reliable based on these results.

4.2 Response Rate

A total of 213 questionnaires were distributed to permanent personnel of the 20 commercial banks in Meru town. Out of the 213 questionnaires, 181 were given back which indicate 85.0% reply proportion. This could be attributed to the fact that some of the employees went on leave and others transferred. This could also be attributed to brevity and clarity of the questions in the questionnaire and reminders sent to respondents by the researcher (Fincham, 2008).

4.3 Background profiles of the respondents

The frequency results on entire background profiles related to the permanent staff of the 20 commercial banks in Meru town were summarized and presented in Table 2.

Table 2: Background Profiles of Bank Staff Members in Meru Town

Category (N = 181)	Frequency	Percent
Gender		
Male	106	58.6
Female	75	41.4
Total	181	100.0
Highest level of education		
Diploma	18	9.9
Degree	153	84.5
Masters and above	10	5.5
Total	181	100.0
Years worked in the bank		
Below 5 years	95	52.5
5-10 years	19	10.5
11- 15 years	58	32.0
16- 20years	9	5.0
Total	181	100.0

According to results in Table 2, there was more male (58.6%) permanent staff than female (41.4%) permanent staff in the 20 commercial banks in Meru town. Moreover, one hundred and fifty-three permanent staff (84.5%) in the 20 commercial banks in Meru town were degree holders while eighteen (9.9%) of them were diploma holders. Only ten (5.5%) of the staff of the 20 commercial banks in Meru town had a master’s degree and above educational qualification. This implied that all permanent staff in commercial banks in Meru town had at least college education. This meant they had the requisite knowledge and hence expected that their productivity would be high. This argument was in tandem with Nda and Fard (2013) who argued that in an active viable market setting, skilled and knowledgeable human resource distinguished a superior firm from a normal one and thus firms’ participating in active training and growth for human capital, accomplished both short- and long-term profits in rappsorts of staff efficiency. It seemed however, that employee productivity was not only premised on their skills and knowledge but rather on other factors, hence, the need to ascertain contribution of other factors like employee appraisal on productivity.

The results in Table 2 also indicated that ninety-five (52.5%) staff of commercial banks in Meru town had been working in the banks for less than five years while fifty-eight (32%) of them had been working there for between eleven to fifteen years. The results also showed that nineteen (10.5%) of the staff in the banks had been working there for between five to ten years while nine (5%) of them had been there for sixteen to 20 years. This meant that less than 50% of the personnel had been with their current employers for less than five years. This could be a pointer to a higher employee turnover or growth of the commercial banks. If the reason was former, then this could be a consequent of demotivation arising probably from poor appraisal system. This assertion supported Ahmad et al. (2010) who argued that poor employee appraisal had more implications towards staff quitting intent equated to enthusiasm cause rising from advanced assessment structures.

4.4 Descriptive Statistics on Target Setting

The main objective of the research was to establish whether target setting influenced employee productivity in commercial banks in Meru County. Employees were requested to designate their agreement rate with the several statements in a 5-level Likert-rating scale (strongly agree was depicted by five; agree was depicted by four; neutral was depicted by three; disagree was depicted by two; strongly disagree was depicted by one). The statements aimed to determine

whether there were target settings within commercial banks in Meru town. The statements also sought to ascertain the level of employee participation in target setting process. The descriptive results were indicated in Table 3.

Table 3: Descriptive statistics on target setting

Statements (N = 181)	1	2	3	4	5	Mean	Std Dev.
My supervisor involves me while setting targets.	86(47.5%)	37(20.4%)	58(32.0%)	0(0%)	0(0%)	1.85	.881
The supervisor allocates achievable targets.	19(10.5%)	66(36.5%)	19(10.5%)	77(42.5%)	0(0%)	2.85	1.093
My supervisor allows me to negotiate the targets being given	55(30.4%)	68(37.6%)	58(32.0%)	0(0%)	0(0%)	2.02	.792
The targets set enable me to utilize my knowledge and skills.	2(2.8%)	1(1.4%)	10(4.1%)	45(63.4%)	13(18.3%)	3.28	1.292
The targets are in line with my goals as well as organizational overall goals	9(5.0%)	29(16.0%)	85(47.0%)	38(21.0%)	20(11.0%)	3.17	.994
I am trained where I lack skills in order to achieve set targets	0(0%)	0(0%)	67(37.0%)	75(41.4%)	39(21.5%)	3.85	.752
Employees are involved in setting targets by their supervisors for productivity	123(68.0%)	19(10.5%)	39(21.5%)	0(0%)	0(0%)	1.54	.827
Aggregate mean						2.65	

The outcomes in Table 3 show that many people answering the questionnaires with a mean combined score of 2.65, disagreed with the several claims that intended to establish the influence of target setting on personnel productivity in commercial banks in Meru County. The respondents agreed with the following top three statements (the ones with highest mean scores): “The targets set enable me to utilize my knowledge and skills (mean= 3.28); I am trained where I lack skills in order to achieve set targets (mean= 3.17); and the targets are in line with my goals as well as organizational overall goals (mean= 3.85)”. This implied that target setting mainly considered employee knowledge and skills, training and organizational goals. This supported Sarker (2017) assertion that target setting ensured the use of the knowledge and capabilities already endowed in an individual.

The results similarly exhibited that the employee did not agree with the following statements (the ones with lowest mean scores): My supervisor involves me while setting targets (mean = 1.85); the supervisor allocates achievable targets (mean = 2.85); the supervisor allows me to negotiate the targets being given (mean = 2.02); and employees are involved in setting targets by their supervisors for productivity (mean = 1.54). This suggested that workers were not incorporated in target setting by their immediate bosses. This could derail employee productivity since Latham and Locke (2008) established that those employees who took part in the determination of their goals performed considerably better compared to their colleagues whose goals were selected for them, irrespective of the fact that determination to goal was identical without regard to how the goal was instituted. Being uninvolved also deterred some staff members from giving their best since Sarker (2017) in his study found that when employees were involved, they were able to apply effort and to persevere until the goal was achieved.

The results also implied that failure to involve employees in target setting resulted to ineffective employees. This was supported by Teo and Low (2016) study which indicated that objective establishment influences impacted personnel’s efficacy and eventually expands the firm’s growth. The results also implied that lack of employee involvement made employees to perceive performance appraisal system negatively. This supported Korir (2014) who noted that involving employees in target setting makes them to have a positive perception about performance appraisal process which included appraisers being fair which could offer a corrective action to improve on their productivity. Sahai and Srivastava in 2012 also argued that collaborative objectives setting provided precision to the workers on the organization’s expectations.

4.5 Hypothesis testing on influence of target setting on employee productivity

A Pearson correlation analysis was carried out to find out the relationship between the independent variable and the dependent variable. Results were presented in Table 4.

Table 4: Target Setting and the employee productivity: Correlation

		Y	X
Y	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	181	
X	Pearson Correlation	.720**	1
	Sig. (2-tailed)	.000	
	N	181	181

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

According to the discoveries in Table 4, target setting, X($r = .720^{**}$, $P = .000$) was positively and significantly correlated to the employee productivity in commercial banks in Meru Town, Kenya.

Data on target setting was further subjected to a regression analysis to establish the influence of target setting on employee productivity in commercial banks in Meru Town, Kenya. The results are presented in Table 5, 6 and 7.

Table 5: Target Setting and Employee Productivity: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
X	.720 ^a	.518	.515	.873	2.531

a. Predictors: (Constant), X

b. Dependent Variable: Y

Results in Table 5 indicated that setting target accounts for 52% of the total variations in employee productivity in commercial banks in Meru Town, Kenya ($R^2 = 0.518$). Results also indicated the Durbin-Watson value for independent predictor, which was found to be above one. This designated that no autocorrelation was established hence the model was pertinent in the analysis.

Table 6: Target Setting and Employee Productivity: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
X	Regression	146.408	1	146.408	192.283	.000 ^b
	Residual	136.294	179	0.761		
	Total	282.702	180			

a. Dependent Variable: Y

b. Predictors: (Constant), X

The ANOVA Table 6 gave the significance of the model in forecasting the disparities in dependent variable. The relationship or the influence of predictor variable was noted as significant $P < 0.05$. The outcome revealed that the predictor variable was statistically significant in representing the disparities in the dependent variable (Y, employee productivity).

Table 7: Target Setting and Employee Productivity: Regression Weight

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.371	.226		1.642	.102		
	X	1.133	.082	.720	13.867	.000	1.000	1.000

a. Dependent Variable: Y

Table 7 outcome indicated the coefficient value (regression weight) of the predictor and the equivalent level of significance. From regression weights in Table 7 ($\beta = .1.133$, $P = .000$) indicated that a positive and significant influence exists between the two variables. The null hypothesis (H_0) predicted that target setting had no noteworthy influence on the employee productivity in commercial banks in Meru County. According to ANOVA Table 6, the computed significance level, $P < .001$ was not as much as the alpha value of 0.05 hence the null hypothesis was rejected and settled that target setting had a positive noteworthy connection ($r = .720$ in Table 7) with employee productivity in commercial banks in Meru County and its impact is moderate ($R^2 = .518$). This implied that target setting significantly influenced personnel efficiency in commercial banks in Meru County.

The finding supported Latham and Locke (2008) who established that target setting enhances personnel efficiency. This finding also supported Teo and Low (2016) study which indicated that objective establishment had an influence on personnel efficacy and eventually expanded

firm's efficiency. Target setting was a form of involving employees and hence this result supported Korir (2014) who noted that involving employees in target setting made them have a positive perception about performance appraisal process which included appraisers being fair which could offer a corrective action to improve on their productivity. Sahai and Srivastava (2012) also argued that collaborative objective establishment provided precision to the personnel on organization's expectations.

5.0 CONCLUSION

The objective of the study was to establish whether target setting influenced employee productivity in commercial banks in Meru County. The results indicated that majority of bank employees did not agree with the various assertions that aimed to evaluate the influence of target setting on staff efficiency in commercial banks in Meru County. It was found that target setting mainly consider employee knowledge and skills, training and organizational goals. The study noted staffs are not consulted when establishing targets by their bosses. The testing of hypothesis showed that $P = .000$ was lower than the alpha value of 0.05 hence the null hypothesis was rejected and concluded that target setting had a constructive noteworthy connection ($r = .720$) with staff efficiency in commercial banks in Meru County and its impact was high ($R^2 = .518$). From the findings, the study concluded that target setting had a statistically constructive and noteworthy influence on employee productivity. Thus, the level of target setting in a commercial bank could be used to predict employee productivity.

6.0 RECOMMENDATIONS

Target setting had a statistically constructive and noteworthy influence on staff efficiency. Target setting could enhance staff efficacy and eventually expand organization efficiency. Target setting was a form of involving employees and hence this could motivate them to have a constructive acuity about performance appraisal process. Goal setting also gave clear direction on the firm's expectations to the staff. Thus, commercial banks ought to ensure the staffs were engaged through being involved in target setting in order to improve employee productivity.

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