

EFFECT OF CUSTOMER PERSPECTIVE ON PERFORMANCE MANAGEMENT OF KCB BANK GROUP AND CONSOLIDATED BANK LIMITED

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Abstract: The objective of this study was to establish how customer perspective affect performance management of the banks. The following theories supported this study which include stakeholder theory, competence theory, diffusion of innovation theory and budgeting theory. The descriptive design was used with questionnaire as the instrument used in data collection. E-Questionnaires were emailed to the banks. The target population was 44 branches of KCB Bank Group and Consolidated Bank. The unit of observation was one operations manager, branch manager and human resource manager from each bank. The study conducted a census on all the branches. Data collected was analyzed using SPSS version 25 to present data in form of frequencies, descriptive and inferential statistics which were used to derive conclusions. The study conducted a multiple regression analysis to determine the relationship between the variables. The study presented findings in form of tables and figures. The results indicated that there was a positive and significant relationship between customer perspective and performance management.

Keywords: Customer Perspective, Performance, Performance Management.

1. INTRODUCTION

Banks were first established during the British colonial period and back to 1890's, these foreign owned banks had branch banking with financial external trade for a long time, with less concentration on African growing populations and needs. In 1925 the Barclays bank (currently ABSA) was formed through a merger of two British banks, later on many commercial banks were established and especially after the attainment of the independence. Before the modern banking systems of mobile and internet banking were developed, the banks the banks were practicing barter trade, without a regulated body or defined banking policies. It later went to movable banking where the banks use to take money to the villagers in a given market day, where they would deposit or withdraw the money. The bodies regulating banking include Companies act, the Banking act and the central bank of Kenya, which falls under the minister of finance Price Waterhouse Coopers, PWC (2009). The commercial banks, offers different products and services such as deposits, loans, insurance, and shares.

KCB Bank group began in 1896 after opening of National bank of India in Mombasa. It started operating in Nairobi in 1904. The 1958 Grindlays bank and National bank of India merger formed the National and Grindlays. After independence the Kenyan government acquired 60% shares and 100% shares in 1970. It was renamed the Kenya

Commercial Bank. The government has reduced its shares to 23% by 2008 and further reduced its shareholding to 17.74% in 2016. The bank rebranded to the current KCB Bank Kenya Limited in 2016. The bank has opened subsidiary banks in other east African countries and lately took over the former National Bank of Kenya to operate as its own subsidiary. KCB is one of the most attractive banks in Kenya and is the largest in asset base. It has its headquarters situated at Kencom house in Moi Avenue and has 167 branches countrywide. The bank uses the balanced scorecard in determining the employees' productivity and hence forms the decisions on their promotions, loans, and bonuses. KCB utilizes customer perspective, learning, innovation, and financial aspects of the balanced scorecard. The bank has established communication mechanisms that easily gather customer feedback and complaints through platforms such as mobile banking. The bank also applies the financial perspective through financial reporting. The study will provide the researcher with data on the degree to which these aspects are utilized in the bank.

Consolidated Bank was opened in 1989. In 2001, it was licensed to operate as a commercial bank after it collected the debts of the failing institutions. The bank has 51% government shareholding held by the deposit protection fund. The rest of the shareholding is owned by 25 parastatal. The bank offers various services to the customers such as loans, deposits, and mortgages, insurance and is well known in serving the SMEs. It uses the balance scorecard in evaluating the employees' results against the desired target. It also utilizes the customer perspective in offering its services to customers through communication on new products, upgrade of existing products and services and gathering feedback. The bank also uses the financial aspect in measuring profitability in financial reporting. This study will provide data on the degree to which these aspects of the balanced scorecard are utilized in performance management, and whether their utilization influences performance of the bank.

2. STATEMENT OF THE PROBLEM

Mwanyika (2017) concluded that BSC enables organizations achieve clarity of purpose and strategy, hence improving performance. A study by Mokeira (2017) on effect of scorecard on organizational performance found that 65% of firms in Kenya used financial perspective and financial tools in performance management. According to Nyang'au (2018) study on balanced scorecard utilization in financial sector, only 20% of firms in the financial sector use BSC in performance measurement. Nyang'au (2018) indicated that over 75% of firms in the financial sector do not rely on non-financial measures of performance. Mokeira (2017) study on balanced scorecard found that firms that adopted balanced scorecard measure recorded 30% improvement in performance. According to Lagat, Mugo and Otuya (2018) study on the banking sector in Kenya, there is need for effective performance measures, both financial and non-financial, to develop efficient strategic plans for growth.

In Kenya, the banking sector contributes substantially to the economy and national development by encouraging investment, innovation, and mobilizing savings (Lagat, Mugo & Otuya, 2018). Kairu *et al.* (2018) study on performance of the service sector in Kenya noted that service providers such as banks continue to grow due to growth in the economy. However, there are challenges of increased employee turnover, losses due to poor customer retention strategies and customer complaints. Mutinda (2018) conducted a study on Kenyan banks and showed that they were faced with performance management challenges due to traditional performance appraisal tools, hence, need for a strategic approach to performance management. Ondieki (2017) study on balanced scorecard and performance of organizations cited the need for improved learning and training elements to improve performance. Mwanyika (2017); Kairu *et al.* (2018) and Ninga (2017) studies on balanced scorecard utilization concluded that balanced scorecard is very critical in performance management of organizations. Ombuna *et al.* (2018) studied BSC in cooperative bank in Kenya and found a correlation between balanced score card usage and improved performance.

Mwanyika (2017); Kairu *et al.* (2018); Ondieki (2017) and Ninga (2017) studies above on balanced scorecard found that utilization of this tool in performance management improved firm performance. The studies indicated that adoption of BSC could lead to improved performance. These studies however, present contextual and conceptual gaps. Ninga (2017) and Mwanyika (2017) studies did not consider the four aspects of balanced score card fully hence have conceptual gaps. Mokeira (2017) and Nyang'au (2018) found constraints in balanced scorecard utilization in Kenyan firms. The studies assessed firms in various sectors hence did not concentrate on balanced score card utilization in banks presenting contextual gaps (Mwanyika, 2017; Ondieki, 2017). The studies utilized case study method which presents methodological gaps. This study bridged this gap by using a comparative study to answer the question on how does customer perspective influence performance of KCB Bank Group and Consolidated Bank?

3. LITERATURE REVIEW

Organizations are focusing on achieving customer satisfaction through improved and effective marketing strategies. Due to increased brand competition, customer focus has become a critical element in organizations to ensure they retain and grow their customer bases (Li, 2019). Customers are important stakeholders who are critical to organizational growth. Therefore, there is need to adopt the customer perspective to produce better productivity. This perspective can be evaluated through satisfaction rates, retention rates, quality and delivery performance elements.

According to Yamamoto (2017) with the current competitive business environment of rapid development in technology, constant emergence of new products and high customer expectation due to available information and skills. To gain that competitive advantage Li (2019) posits that organizations must use the cost and price strategy but most importantly they must take into account the evolvement of customer expectations, new entrants in the market who create new value positioning and may sway the customers.

According to Taman (2018) BSC can produce positive effects in organizational performance. It has positive impacts such as improved morale among employees, effective and efficient processes, increased customer satisfaction, and profitability. It provides a better company outlook by measuring the current and future performance Mule (2018). Besides, BSC offers flexibility since organizations can implement it differently for different departments.

Performance of firms indicates the organization functions because of implementation of various strategies and policies that guide the functioning of employees (James, 2019). Growth measures represent the measure by which all areas of the organization will be assessed. These measures are determined based on the organizations goals and the strategies the organization formulates and implements to achieve those goals (Taman, 2018). According to Brown (2019), firms aim at increasing profitability and increase shareholders wealth. Organizations that achieve better performance deliver value to stakeholders and implement integrated processes that enhance performance management. Therefore, they should ensure clarity of objectives and strategies, interconnectivity of the structure and culture with these elements and allocation of resources.

4. METHODOLOGY

The descriptive design was used with questionnaire as the instrument used in data collection. E-Questionnaires were emailed to the banks. The target population was 44 branches of KCB Bank Group and Consolidated Bank. The unit of observation was one operations manager, branch manager and human resource manager from each bank. The study conducted a census on all the branches. Data collected was analyzed using SPSS version 25 to present data in form of frequencies, descriptive and inferential statistics which were used to derive conclusions. The study conducted a multiple regression analysis to determine the relationship between the variables. The study presented findings in form of tables and figures.

5. FINDINGS

The study sought to determine the utilization of customer perspective in performance management of KCB Bank Group and Consolidated Bank of Kenya. The respondents were asked to indicate the extent to which they agree with the statement on customer perspective based on a Likert scale where Strongly agree -5, Agree -4, Neutral -3, Disagree -2, Strongly disagree -1. The results of the study were as shown in table 1.

The findings revealed that 44.2% of the respondents strongly agreed that the organization has a well-functioning customer feedback system, 30.8% agreed, 18.3% were neutral while 6.7% disagreed. The study findings also showed that 80.8% of the respondents strongly agreed that the organization has a high customer retention rate while 85% strongly agreed that organization receives many complaints from customers. Moreover, 50% of the respondents strongly agreed that the organization has short customer lead times while 45% agreed. Further, the results of the study revealed that 75.5% of the respondents strongly agreed that all customers are satisfied with organizational products while 20.5% agreed.

The implication of the results is that majority of the respondents indicated that they agree with the statements on customer perspective as shown by a mean of 4.00. The responses given by the respondents had little variation (standard deviation=0.90). The findings of the study are consistent with the results of a study by Li (2019) which concluded that customer focus has become a critical element in organizations to ensure they retain and grow their customer bases.

Table 1: Customer Perspective

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std Dev
The organization has a well-functioning customer feedback system	0.0%	6.7%	18.3%	30.8%	44.2%	4.13	0.94
The organization has a high customer retention rate	0.0%	0.0%	19.2%	0.0%	80.8%	4.62	0.79
The organization has short customer lead times	0.0%	0.0%	5.0%	45.0%	50.0%	4.85	0.36
The organization receives many complaints from customers	0.0%	0.0%	5%	10%	85.0%	3.28	1.16
Customers are satisfied with organizational products	0.0%	0.0%	10%	20.5%	75.5%	3.11	1.26
Average						4.00	0.90

The results of the correlation showed that customer perspective was a positive and significant measure of performance management of KCB and Consolidated banks (Pearson Moment Correlation = 0.582, Significance = 0.000<0.05). These findings imply that using customer perspective measure would improve performance management of the banks. These findings are consistent with Nielsen (2018) who examined balanced scorecard and concluded that enhancing customer satisfaction was critical for utilization and integration of balanced scorecard for decision making in organizations.

The results of the study also indicated that customer perspective had a positive and significant effect on performance management of KCB Group and Consolidated banks ($\beta = 0.423$, Sig = 0.000). Therefore, the study rejected the null hypothesis. This implies that improving customer perspective measure, which include customer retention, customer lead times and product quality leads to a significant improvement in performance management. The findings agree with the findings of a study by Li (2019) which showed that customer focus has become a critical element in organizations to ensure they retain and grow their customer bases.

6. CONCLUSION AND RECOMMENDATION

The study concluded that customer perspective has the most positive significant influence on performance management. This shows that when commercial banks focus on enhancing customer perspective, for instance through, customer retention, customer lead times and product quality, there will be a significant improvement in performance management. Since customer perspective has the most significant effect on performance management, the study recommends that bank managers involved in strategy development and implementation should consider customer perspective as an important aspect of balanced scorecard to improve performance management. There is a need to implement effective customer perspective measures such as customer retention, customer lead times and product quality to improve performance management.

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