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EMPLOYEE CORE COMPETENCIES AND PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI CITY COUNTY, KENYA

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Abstract

This study sought to determine the influence of employee core competencies on performance of commercial banks in Nairobi County in Kenya. Specifically, the study sought to establish the influence of team competence on performance of commercial banks in Nairobi County. The study adopted descriptive research design. The unit of analysis included 39 commercial banks in Kenya. Further the study divided the total population into 3 categories where stratified random sampling technique was used for sampling purposes. Sample size for the study was 171 respondents categorized into senior, middle and lower-level officers. Questionnaires were the main source of data collection. The data was analyzed by use of both qualitative and quantitative methods with the help of Statistical Package for Social Sciences (SPSS version 25). The study results were presented through tables, figures and charts. Inferential data analysis was conducted by use of Pearson correlation coefficient and multiple regression analysis. The research study concluded that team competence positively and to a very great extent influenced the performance of Commercial Banks in Nairobi City County. From the results obtained, the study recommends commercial banks should set realistic goals for its employees and performance targets should also be communicated clearly to all employees. Feedback channels to be effectively adopted. In addition, senior bank officers should strive to develop teams and encourage teamwork in all bank departments.

Keywords

Employee core competencies, commercial banks, team competence

INTRODUCTION

In the competitive banking business environment of today, organizations are inclined to pay attention to aspects of developing a high performing and superior workforce. Global factors such as globalization, mergers and acquisitions, closures, technological changes, cultural changes, are driving banks out of competition the factors affect organizational performance. Salman (2020) explained that modern banking industry is characterized by volatility, uncertainty, complexity and ambiguousness and therefore the competitiveness of organization is determined by employee core competencies and the extent to which they can be enhanced and nurtured. Otoo (2018) assert that core employee competencies are a combination of personal experience and expressive knowledge, habits and practices and skills that gives someone the potential for effectiveness when performing certain task. Competencies can provide an organization with the value addition. Pokharel (2020) reports that competencies of employees steers organization on the path of development and gives distinct competitive advantage. The organization therefore looks forward to achieve strategic deployment of extremely dedicated and competent employees on utilization of a collection of cultural, structural, and personnel techniques.

Banking industry round the globe asserts that human capital through the existence of employee competences is significant in the organization. According to Pokharel (2020) he reported that for the organization to meet global competition, business organizations must be driven by human skills and expertise. Asree, Zain, & Razalli (2010) in their study in United Arab Emirates, provide verifiable evidences to effects of individual competencies on organizational performance. Employee core competencies do always provide the foundation for the organization to develop capabilities that can lead to superior performance over time, this eventually helps to tap the competitive advantage niche in the industry in which the organizations operates. Osei (2014) recommend that firms need to embrace the opportunity to improve continuous learning in their organizations so as this enhances skills, attitude and behavior of employee towards the discharge of their individual tasks so as to attain high performance. In Kenya few studies and research have been done on employee competencies and organization performance. Existing study research finding have shown that core competencies are required by employees and are essential in determining the overall performance as well as performance of the organization. Ndegwa (2019) assert that improvement of employee competencies in the organization records a significant performance in terms of financial aspect that is organizational profits or revenues and productivity. In Kenya, some of the institutional changes that took place in the banking industry include Access Bank Plc (of Nigeria) completed its acquisition of Transnational Bank Kenya Limited, KCB Kenya Limited acquired certain assets of Imperial Bank (Kenya) Limited and National Bank of Kenya. Commercial banks in Kenya that closed down are Dubai Bank Kenya Limited, Chase Bank Kenya Limited. Customer satisfaction is key in the banking industry. Poor quality of services emanating from employees contributes highly to customers changing and shifting to other financial institutions (KPMG 2013).

Statement of the problem

Kenya's banking industry faces performance challenges. This is attributed to the fact that there is a decline trend in the profits recorded. There is a decline in market share where some commercial banks have been forced to close down and while other banks compelled to reduce branch networks. It is also notable that operating expenses have greatly increased and the levels of customer satisfaction have tremendously dropped.

Some studies done on performance of commercial banks firms include Mwanthi (2015) that studied performance appraisal practices and performance of commercial banks. Ong'ango (2019) in her research she studied employee competence on employee performance in commercial banks. Moga (2018) on the other hand, researched on core competencies and firm's performance. Ng and Kee (2018) studied core competence and success of small medium enterprises in Malaysia whose results showed that their success was dependent on competencies. Maimunah (2011) in her study on competency based system, reported that organizations are keen to develop competence-based training in order to build on employee performance and measure their employees against pre-determined standards which eventually boosts organizational performance.

There has been extensive research concerning employee competence in Western countries but not much work has been done in Kenya and Africa at large. Studies done by different researchers in Kenya considered different variables like performance appraisals, employee performance management, and little research on HR studies relating to employee competencies and performance of commercial banks. Further research on the link between employee competencies and performance of commercial banks is therefore very crucial. This interprets to a clear knowledge gap on this study area. To fill the highlighted gaps, the study sought to address how team competence influences performance of commercial banks in Nairobi city county, Kenya.

Objective of the Study

To establish the influence of team competence on performance of commercial banks in Nairobi City County, Kenya.

Research Question

How does team competencies influence performance of commercial banks in Nairobi City County, Kenya?

Theoretical Literature Review

Goal Setting Theory

According to Dessler (2011) goal setting theory test whether employees know the desired output and performance standards. With the goal setting theory appropriately placed in an organization it leads to increased team and employee participation and employee optimistic attitude. Dessler (2011) assert that the organization should ensure that there is better resource allocation to employees before they start working toward a particular assignment such as equipment, time and resources needed to accomplish the goal. The organization meets with employee and inquire if they have access to what they need and provide this to them before they begin working towards the goal.

Studies have shown that effects of goal setting theory on performance is exceptionally reliable, valid, and useful across diverse work situations to help increase organization performance. Locke and Latham (2012) described five moderators that further affect goal driven performance; goal commitment, goal importance, communication, feedback and task complexity. This theory supported the objective of establishing the influence of team competence on performance of commercial banks in Kenya.

Conceptual Framework

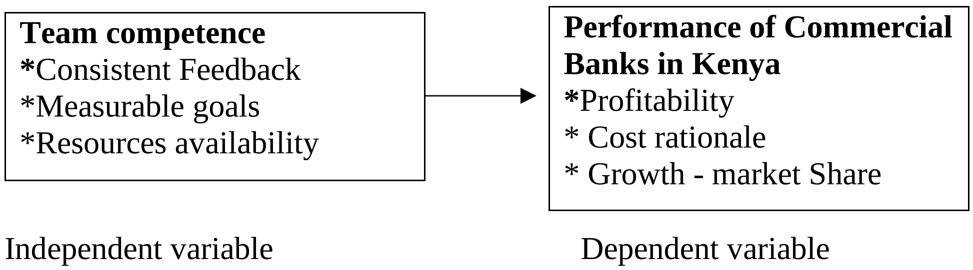

Figure 1: Conceptual Framework

Team Competence

Potnuru and Sahoo (2016) defined team competence as the knowledge, skills and abilities of an individual to develop, support and lead a team to achieve organizational goals. As such it is helps to manifest the required behaviors and optimistic attitude by the individuals employees within a team set necessary for the achievement of both personal and organizational goals. In the banking industry team participation is over emphasized as this helps to develop enhanced and sustained organizational growth. Team competence in the organization set up strives to produce productive employees, it calls for achievement of group goals, quality work improvement, increased quality team participation and this promotes improved organizational effectiveness. In addition, team management for organization has forced organizations to develop and formulate strategies so as to enhance and nurture employees team spirit that eventually will lead to increased and sustained organizational growth.

Performance of Commercial Banks in Kenya

Conforming to *Delarue et al.* (2008) the criterion for measuring performance significantly depends on the objectives specific to a particular organization. Financial performance included dimensions such as corporate profitability, market performance, sales growth, performance stability, financial strength, ability to raise capital, operating efficiency (*Obeidat et al.* 2016). Non - financial performance has been measured through customer satisfaction, HRM practices, quality of products and services, ability to attract and retain employees, development of new products, relation between managers and employees and relationship among the employees *(Akhtar et al.* 2014). According to *Chahal et al. (*2016) he is in agreement that there is a financial perspective of measuring organizational performance that involves measures of profitability, return on investment, sales growth and revenue growth

Empirical Literature Review

Empirical review looks into study conducted on performance of organizations by different authors. It reviews the aspects team competence on performance and success of organizations. According to Misra and Srivastava (2018) they conducted research on team-building, job satisfaction, and personal effectiveness competencies, the research study sort to bring out the relationship between team-building competencies with personal effectiveness and job satisfaction. The findings reported a positive relationship between team-building and performance variables. Thereby team competence is vital in determining the employee effectiveness in the organization. According to Banker et al. (1996), there was a report done on electrochemical assembly plant about examining the impact of teams on manufacturing performance. The results showed a significant improvement in labor productivity in the months which they worked in groups, another study analyzed the benefits of the team for Australian work organizations by using the Australian Workplace Industrial Relations Survey for 1995 Glassop (2002), the results showed that firms with the team have higher labor productivity. It proves working in teams directly have a positive influence on productivity, the quality of work and the experience of work. This concludes that Team competence encourages employees to broaden their skills and knowledge and improve performance and productivity.

RESEARCH METHODOLOGY

This research adopted descriptive research to determine the features of employees in commercial Banks which comprises of 39 commercial Banks which formed the unit of analysis with 300 employees. Stratified random sampling was adopted in this research. The size of sample was 10% of the total amounting to 171 respondents. The study employed questionnaires as the main data collection instrument that contains both open ended and close ended questions. The study results were presented through tables, figures and charts. SPSS version 25 was used to analyze the data. Pearson correlation coefficient was used to measure strength and the direction of linear relationship between variables. Multiple regression models were fitted to the data in order to determine how the independent variables affect the dependent variable.

Data Analysis and Findings

Descriptive Statistics

From the recorded sample size of 171 respondents, 102 respondents duly filled in correctly and submitted the questionnaires back thereby representing a rate of 60%, while 69 respondents who failed to submit back the questionnaires represented a rate of 40%. Creswell (2014), who reported that a response rate of between 50% - 70% is satisfactory to give reliable and accurate results in a study.

Team Competence

The objective of the study was to establish the influence of team competence on performance of commercial banks in Nairobi City County, Kenya. 74 % of the respondents were in agreement that team competence influence performance and 26 % were not in agreement. The results are in line with Eby and Dobbins (1997) argued that team competence conveys shared efforts and information and better resource allocation which improves performance. 32 % of the respondents strongly agreed to the need to solve workplace conflicts honestly quickly and effectively. Similarly, 45 % of the respondent are in agreement that the bank encourages cooperation amongst all employees. 3 % of the respondents do strongly disagree that there is correspondence between different departments in the organization, this implies that team work is on the lower level. 43% of the respondents, however, strongly agree that resources / material needed by employees to ensure work is effectively and efficiently done is supplied. This is supported by Kent (2004) argument that work tools for employees are essential and influence employee performance in an organization positively.

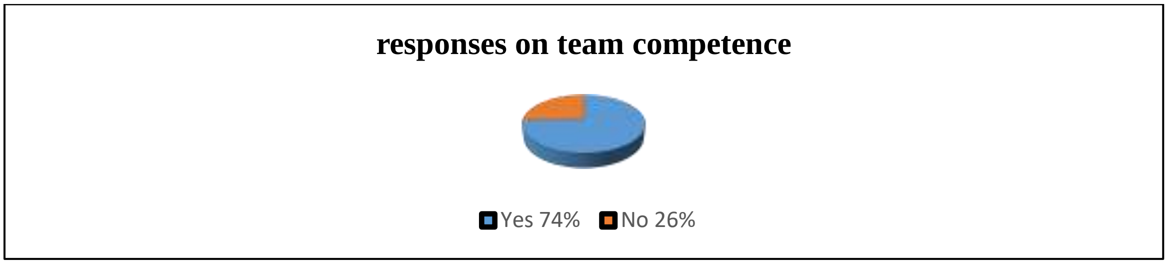

Figure 2 responses on team competence

Table 1 Team Competence

Team competence		SD	D	N	A	SA	Mean
Feedback mechanism are well developed at all levels in the organization.	Freq	3	9	44	13	33	3.62
	%	3	9	43	13	32	
All resources / material needed by employees to ensure work is effectively and efficiently done.	Freq	3	9	13	33	44	4.03
	%	3	9	13	32	43	
The bank encourages cooperation amongst all employees.	Freq	3	9	14	30	46	4.04
	%	3	9	14	29	45	
There is presence of measurable goals and correspondence between different departments in the organization.	Freq	30	46	9	14	3	2.15
	%	29	45	9	14	3	

Performance of Commercial Banks in Kenya

Respondents reported as follows 35 % indicated cost rationale, 55 % stated profitability and 10 % market share, as measures of performance of commercial banks in Kenya. This implies that these factors are a good measure of performance in banking industry. The findings are in agreement with literature review by Ebei (2012) who states that improved efficiency, quality, job satisfaction, customer satisfaction increased customer base, increased revenues and market share are good measure of performance in organization.

45 % of the respondents agree that profitability is a strong measure of performance of commercial banks in Kenya. 45 % of the respondent are in agreement that banks cost rationale is vital in its performance and therefore calls for reducing operational costs. Similarly, 45% of the respondents strongly agree Bank growth / increase in market share and this enables the commercial banks to increase its coverage and serve a wide customer base. This study tends to confirm that profitability, growth and cost rationale are all measures of performance of commercial banks in Kenya. The findings are in agreement with literature review by Ebei (2012) who states that improved efficiency, quality, job satisfaction, customer satisfaction increased customer base, increased revenues and market share are good measure of performance in organization.

Table 2: Performance of Commercial Banks in Kenya

Performance of Commercial Banks		SD	D	N	A	SA	Mean
Profitability is a vital measure of performance of	Freq	13	3	32	45	9	3.33
commercial banks in Kenya.	%	13	2	31	45	9	
Reducing operational costs have a direct impact on banks profitability/cost rationale	Freq	3	9	13	32	45	4.04
Bank growth / increase in market share enables the	%	2	9	13	31	45	
commercial banks to increase its coverage and serve a wide customer base	Freq	9	32	3	13	45	3.51
The bank carries out performance appraisal annually which helps employees improve performance and work on areas that need attention.	%	9	31	2	13	45	
	Freq	13	3	32	45	9	3.33
	%	13	2	31	45	9	

Inferential Statistics

Correlation Analysis

Correlation analysis results of the study between dependent and independent variables was to assess the strength of association between the research variables. The coefficients range between zero and one, whereby the strength of association increase with increase in the value of the correlation coefficients. Team competence was significantly and remarkably correlated and associated to performance of commercial banks in Kenya ($r=0.886$, $\rho<0.05$). The results translate to team competence being a significant factor in the organization to enhance performance. The results concur with the principal of firms that it is very paramount for organizations to develop and maintain competences for purposes of creating an enabling environment for employees so as to facilitate performance and success of the organization.

Table 3: Correlation coefficients

		Performance of Commercial Banks	**Team Competence**
Performance of Commercial Banks	R	1.000	0.886
	(2-tailed)		.001
	N	102	102
Team Competence	r	0.886	1.000
	(2-tailed)	.001	
	N	102	102

Correlation is significant at 0.01 level (2-tailed)

Regression Analysis

Regression analysis was conducted for purposes highlighting the relationship between the dependent variable (performance of commercial banks in Kenya) and independent variables (team communication). Correlation coefficient posted was R - 88.10 % or 0.0881. The coefficient of determination R^2 - 77.6 % or 0.776. This described the extent to which changes in dependent variable can be explained by change in independent variables or otherwise percentage of variation in dependent variable as explained by independent variables.

Independent variables in this research study only explain or describe 72.10 % of performance of Commercial banks in Kenya or otherwise Adjusted R^2 - 0.721. This shows that other variables not studied in this research study or variables which are yet to be studied contribute to 27.90 % of performance of Commercial Banks in Nairobi City County.

Table 4: Model Summary

Model	R	R square	Adjusted R square	Std Error of the estimate
1	0.881a	0.776	0.721	0.230

Analysis of Variance (ANOVA)

The research confirmed the regression model had quite a significance level of 0.2%. This is evident that the data was sufficient and perfect to make conclusions on population parameters as recorded by (p-value) was less than 5 %. The recorded ratio of 104.06 at $p<0.05$ (level of significance) clearly explained that the model is most suitable to be adopted to forecast performance of commercial banks in Kenya using independent variables of this research study. The significance value was less than 0.05 indicating that the model was quite significant. Additionally, it is established that regression model had a significance level of 0.2% which is an indication that the data was ideal for making conclusion on the population parameters. In conclusion, team competence does remarkably and significantly have an impact on performance of commercial Banks in Nairobi City County in Kenya.

Table 5: Analysis of Variance

Model		sum of squares	df	mean squares	F	sig.
	Regression	95.65	4	23.913	104.062	0.0002b
	Residual	14.24	97	0.229		
	Total	109.89	101			

Regression Coefficients

The regression equation clearly depicts that when independent variables are kept constant at zero the performance of commercial Banks will be at 19.577. With any change in one unit of team competence it will automatically result to 0.852 incremental change in the dependent variable. Team competence posted p-values less than the threshold of 0.05, it is significant. In conclusion, team competence has the highest significance ratio to performance of commercial bank in Nairobi City County,

Regression model $Y= \alpha + \beta_1 X_1 + e$

$Y=19.577 + 0.852 X_1$

Table 6: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1	B	Std Error	β		
Constant	19.577	2.065		2.338	0.001
Team competence	0.852	0.156	0.235	5.461	0.001

Conclusions

This study through the findings have confirmed of a positive and significant association linking team competence and performance of commercial banks in Kenya. Team competence has a significant and positive influence on Performance of Commercial banks in Kenya. The result supports the findings of other researchers *Elbaz et al* (2018*).* Team culture ensures that employees have sufficient expertise and organizational resources and they are therefore able to contribute on various matters than individuals. Team culture in addition ensures that feedback mechanism is well developed so as to report on the progress and challenges that employee are facing. Teams in organizations generally surpasses individual performance in relation to challenging decision-making and problem-solving roles. This eventually leads to the accomplishment of organizations performance in terms of profitability, growth and market share.

Recommendations

The study recommends that top management should strive to provide a conducive working environment for their employees well developed feedback channels and equipping the employees accordingly. The need for realistic goals and targets should also be communicated clearly to employees will well developed performance appraisal tools to define the goals and targets set. In addition, banks should strive to develop teams and encourage teamwork in all their departments and develop, enhance and nurture the desired competencies. Additionally, based on the findings, this study recommends that banking industry players seeking to improve their performance should strive to incorporate employee core competencies in their operations, government and banking partners on to undertake research to formulate favorable employee core competencies as they help increase employee performance in the banking industry,

Recommendations for further research

This study recommends further research on the variables which are yet to be studied which is 27.90 % of employee core competencies influencing performance of Commercial Banks in Nairobi City County.

Further, it is hereby recommended for further studies on the employee competencies policies under stewardship of the human resource department to encourage more studies on employee core competencies on critical approaches so as to establish and build up more scholarly work in competency area so as to explore the remaining competencies which are yet to be explored.

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