

# International Journal of Research in Human Resource Management



E-ISSN: 2663-3361  
P-ISSN: 2663-3213  
IJRHRM 2022; 4(2): 50-53  
Received: 30-05-2022  
Accepted: 17-07-2022

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## The effect of target setting on employee performance of savings and credit cooperative societies in Kisii County

**Christine Salome Obaga, Erick Onsongo and Stella Omari**

### Abstract

Target setting is a human resource tool for measuring employee's efficiency to organizational performance. It is suitable for management and employees to have a clear set targets so that they can know and understand their performance from the management and employee point of view. This research assessed the effect of target setting on employee performance of Savings and credit cooperative organizations in the County of Kisii. The research study was majorly build based on two theories which include; human capital theory and Goal setting theory. In this investigation we employed descriptive research design approach. The participants in the study were chosen using stratified sampling, proportionate sampling and simple random sampling. Primary data from respondent was obtained using self-administered questionnaires. The effect of target setting on performance of employees was analyzed via linear regression models. In summary, the obtained results demonstrates existence of a positive relationship on employee performance which exists on the target setting while feedback had a non-positive relationship on performance of employee evidenced by  $r = -.160$  with  $p .021 < 5\%$ . The study recommends the need for policy formulations so as to establish the effect of target setting as a component of performance appraisal. The results showed that good employee relationship with management leads to good performance, Target setting participatory should be good, Necessary training is given to employees who have not met their targets and to appraisers to appraise fairly, Target commitment improves employee performance, Targets help in achieving organizational goals and lack of top management support is a reason for target setting failure.

**Keywords:** Cooperative societies, efficiency, relationship, management

### Introduction

A SACCO is an autonomous connection of group of people who come together voluntarily to meet their common goal. The SACCOs are formed for economic, cultural, religious, or political grouping sharing common agenda. Membership to saccos is voluntary and each member has an equal right (Tummala and Burchett, 1999) <sup>[12]</sup>. Most SACCOs are formed for economic reasons (WOCCU, 2005) <sup>[13]</sup>, to pool resources together for a common and mutual benefit.

Saccos are member owned entities and they act as intermediary between the owner and the financial service they provide. Members of the SACCOs are generally brought together based on common employer, the industry, community, geographic area or other connections for example teaching profession they have Mwalimu SACCO, finance sector are affiliated to Kenya bankers SACCO, transport sector are connected to Kenya Bus Services SACCO, among others. SACCOs have significantly stretched to both public and private sectors of society. Their enhanced marketing strategies which are well developed have made it possible to reach and serve continuously the 'unbanked' population (WOCCU, 2009) <sup>[13]</sup>.

Target setting is a process which helps in deciding the goals that an individual or organization need to achieve within a given timeframe, it is 'an agreement between supervisors and subordinates as well as considering the proposals from the organization's performance manager (Mariana, 2017) <sup>[14]</sup>. A target is an observational or measurable result to be achieved in a span of a time limit which is specified (Latham and Lock, 2002) <sup>[2]</sup>. Organisation should set attainable and realistic goals and savings and credit cooperative organization managers should allow the participation of all workers from different departments and job grades when developing goals because this will enable the workers to own the process and reduce resistance (Moraa and Datche, 2019) <sup>[5]</sup>.

Mariana (2017) <sup>[14]</sup> showed that the clarity of the target and setting of the target positively translates to positive relationship with target commitment. In addition, the research found out that the target stress and target conflict were negatively related with target commitment. He further argued that targets are normally desired or promised levels of performance based on performance indicators and to comprise a higher target commitment level among the employees, target setting factors ought to affect this.

Choon and Low (2016) <sup>[15]</sup> carried out an assessment on the influence which is there on goal setting for effectiveness of an employee to be able to improve the effectiveness of an organization in Singapore cooperative societies. Three hypotheses were formulated and further examined for their reliability and validity through qualitative research. Examination of the literature and analysis supported that there is sufficient evidence to back the three hypotheses and their linkages. A practical investigation was subsequently conducted in Singapore to validate the tested hypotheses. The results of the study depicted that the tested three hypotheses were indeed very reliable and valid and were necessary in the organization. Undisputed agreement existed amidst the respondents who participated in the research with the argument being that setting of goals plays a big role in the relationship which is overcome in the conceptual model and generally it exhibits how influential an employee is and finally advances how effective an organization his. However, there remains research gap on the area of organizational effectiveness.

According to Njeru (2013) <sup>[16]</sup>, realistic targets recognize the importance of chances, limitations, changing circumstances and are attainable. These goals are within the range of what can and is to be accomplished. Njeru further stated that in the process of setting targets the appraisee and appraiser should be considerate about the goal setting theory and the urge for staffs to produce their own targets. In performance appraisal, target setting has a positive relation to employee job performance. Target setting is used when assessing performance result and evaluation of performance management. The process leads to employee appreciation and restructure, for instance promotion for the best employee as a reward.

This study used goal setting theory and Human capital theory. Goal setting was formulated by Locke and Latham in 1979 <sup>[2]</sup>. The theory of goal setting undertakes that the goals and objectives an individual set is the driving force for him/her to work. Locke argument suggested that working towards goals was in itself a motivator. The theory expands and argues that performance is individual-based, and it improves when individuals' outlines specific tasks and aim to achieve by themselves. The goals should be compelling to keep the employee awake all the time so as to produce increased yields (Locke & Latham, 1979) <sup>[2]</sup>. The theory recognizes and underpins that for an employee to be fully motivated there should be goal commitment and feedback mechanism on job performance. Human Capital Theory was postulated by Adam Smith in the year 1776. This theory was later advanced by Pfeffer (2013) <sup>[8]</sup> who pointed to the hunting of sources of competitive advantage tailored towards capability of organization and Human Resource Management (Wright & McMahan, 2012) <sup>[11]</sup>.

## Methodology

**Research Design:** The study employed a descriptive research design. This research formulation was ideal for application in this particular study since it permitted the

researcher to fully investigate the effect of performance appraisal on employee performance in Savings and credit cooperative society (SACCO) within Kisii County.

**Study Area:** The research area covered Kisii County, and our target was Saccos within Kisii County. These Saccos were targeted because they contained adequate information on the topic. Kisii, is situated in the western territory of Kenya and is among the major towns of the former Nyanza province, it is located on a longitude: 34° 46' 0 E while its latitude is 0° 41' 0 S. Kisii is 309 km from the capital city Nairobi.

**Target Population:** In this study, 9 Saccos within Kisii County were considered as our target population. The actual number of target population was 501 employees from the various departments for this study.

## Sample size

In this study, 222 employees were picked from the targeted 501 employees using the Yamane's formula to be our sample size. In this study, 222 sample size was used, which enabled a huge range for sampling accuracy for collection of data and representation of every element in the population. In defining the correct sample size for this research study, we used a 95% confidence level with a 5% level of significance.

Yamane's formula  $n = N/(1+Ne^2)$

$n$ =sample size required

$N$ =Target population

$e$ =Margin of error

$n = 501 / (1+501(0.05)^2)$

$n=222$

To categorize employees depending on the departments they work which formed a stratum, we applied stratified random sampling. The selection of specific respondents from each Savings and credit cooperative organization (SACCO) to constitute the sample we employed proportionate sampling technique, and this was done to so as to avoid biased data. A simple random sampling technique was utilized to pick specific respondents.

**Data collection Instruments:** Data was collected using the researcher own developed questionnaires which were instrument for data collection in this case.

**Data Presentation and Analysis:** Data was tabulated and then it was carefully analyzed with the results displayed graphically, presented as frequencies, and the respective mean standard deviation was calculated using descriptive statistical method by the use of SPSS. Simple linear regression analysis was conducted. For the data analysis we employed Statistical package for social science SPSS version 20.

For Hypothesis 1a,  $Y = \beta_0 + \beta_1 X_1 + \epsilon$

Where;

$Y$  = Dependent variable (employee performance)

$\beta_0$ , and  $\beta_1$  = Regression coefficients

$\beta_0$ = constant term

$X_1$ =Target setting

**Results and Discussions**

**Target setting and employee performance**

Target setting and its effects the performance of employees

of SACCO. The respondents were then requested by the researcher to give out their opinions. The table below reveals the outcome received from the responders.

**Table 1:** Target setting and employee performance

	N	Minimum	Maximum	Mean	Std. Deviation
Setting of target is done in participation	208	1	5	3.52	1.196
Targets are always clear and precise	208	1	5	3.21	1.003
Targets help in achieving organizational goals	208	1	5	2.63	1.208
Target commitment improves employee performance	208	1	5	3.00	1.033
Good employee relationship with management leads to good performance	208	1	5	3.63	.964
Lack of top management support is a reason for target setting failure	208	1	5	2.06	1.068
Necessary training is given to employees who have not met their targets and to appraisers to appraise fairly	208	1	5	3.07	1.047
Aggregate mean value				3.017	1.074

The results showed that good employee relationship with management leads to good performance had a 1.964 standard deviation and a mean of 3.63, Target setting participatory is good resulted to a mean of 3.52 with 1.196 standard deviation. Tipoti (2014) [17] found that performance appraisal target setting affected employee performance by the overall mean of above 3.02.

Mariana (2017) [14] observed that targets are normally desired or promised levels of performance based on performance indicators and to have a higher level of target commitment within the employees, target setting factors should affect this. Targets are always clear and precise resulted to a 3.21 mean and a 1.003 standard deviation, Training of employees is given an opportunity to all who have not met their targets and to appraisers to appraise fairly had a 3.07 mean with 1.047 standard deviation. Wakoli (2019) [18] analyzed effect of target setting on organizational performance. This indicates the appraisal process involved line managers and employees. Target commitment improves

performance of employees had a 3.00 mean and 1.033 standard deviation.

Targets help in achieving organizational goals had a 2.63 mean with 1.208 standard deviation. This agreed with Njeru (2013) [16], to the process of setting targets the appraisee and appraiser should be considerate about the goal setting theory and the urge for staffs' targets and Lack of top management support is a reason for target setting failure had a 2.06 mean with a 1.068 standard deviation. The aggregate mean for target setting was 3.017 while 1.074 was the standard deviation. This implied that most of the responders were in agreement that target setting plays a key role in employee performance. The study concurred with Mariana, (2017) [14] who found that target setting is the process of deciding the goals that an individual or organization need to achieve within a given timeframe, it is 'an agreement between supervisors and subordinates as well as considering the proposals from the organization's performance manager and noted that target setting affect employee performance.

**Table 2:** Correlation

		Target setting	Feedback	Monitoring	HRM policy	Employee performance
Target setting	Pearson Correlation	1	.398**	.618**	.435**	.483**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	208	208	208	208	208

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

The study revealed that Target setting had a positive connection on performance of employee which was supported by  $r=.483$  with  $p .000<5\%$ , Feedback showed a constructive connection on performance of employee evidenced by  $r=.535$  with  $p .000<5\%$ , monitoring revealed a constructive relationship on performance of employee at  $r .438$  with significance value  $p .000<5\%$  and lastly Human Resource Management (HRM) policy had a constructive correlation on performance of employee at  $r .467$  and  $p = .000<5\%$ .

**Regression model on target setting and employee performance**

The investigation established regression model summary to test the effect of the connection amid appraisals performance using target setting independent variable and performance of employee (dependent variable). The presentation of the outcome was as shown below in figure 3.

**Table 3:** Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.483 <sup>a</sup>	.234	.230	1.02135

a. Predictors: (Constant), Target setting

The results showed that R .483 indicated the effect of the link between target setting and performance of employee. The R square showed the change in one target setting units results to a change in employee performance by 23.4% while other factors are constant.

**Table 4:** ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	65.554	1	65.554	62.842	.000 <sup>b</sup>
	Residual	214.888	206	1.043		
	Total	280.442	207			

a. Dependent Variable: Employee performance

b. Predictors: (Constant), Target settings

The analysis of variance (ANOVA) tests the goodness fit of the model. In this study, the model was fit for finding out how the relationship between target setting (independent variable) and employee performance is affected. Thus, it assisted in predicting how target setting is related to performance of employees. The calculated F- value was Df 1, 207, 62.842, p=.000. The critical value was .000 less than the calculated F test at 5%. Hence, the model was fit to predict the effect of these relationships.

The analysis of variance, ANOVA showed that the Df 1, 206, F=62.842, P=.000<.05, this implied that the model was fit in testing how target setting is related to employee performance.

**Table 5: Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.056	.206		5.139	.000
Target setting	.541	.068	.483	7.927	.000

a. Dependent Variable: Employee performance

From the results T –value =7.927, P=.000<.05. This implied that target setting appraisal has a statistical significant effect on performance of employees working in Savings and credit cooperative organizations (SACCOs) of Kisii County since the  $p < .05$ .

The results indicated that B=.541, t=7.927, p.000, this means that when a change of target setting is experienced it can improve employee performance up to 54.1%. This was statistically significant at 5%. Hence, target setting had an effect which was statistically significant on performance of employees. The results lead to the following equation of the regression;

The equation can be rewritten as:  $Y = 1.056 + .541X_1 + e$

**Conclusions and Recommendations**

The results showed that good employee relationship with management leads to good performance, Target setting participatory is good, Targets are always clear and precise Necessary training is given to employees who have not met their targets and to appraisers to appraise fairly, Target commitment improves employee performance, Targets help in achieving organizational goals and lack of top management support is a reason for target setting failure.

The study recommended for policy formulations in order to establish the effect of performance appraisal by target setting. The results showed that Good employee relationship with management leads to good performance.

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