

**EFFECT OF MANAGEMENT CONTROL SYSTEMS ON ORGANISATIONAL
PERFORMANCE WITHIN COMMERCIAL BANKS: A CASE OF KENYA
COMMERCIAL BANK**

JEMIMAH NORAH JUMA

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ABSTRACT

Management activities involve instruments of strategic planning such as resource allocation, performance appraisal and measuring, evaluation of firm's strategies, and rewarding of the employees; cost measurement which involves the management minimizing cost to achieve maximum revenue and hence profit. This study presented the issue of management control systems and its effects on firm performance in commercial banks in Kenya, specifically the Kenya Commercial Bank. The study focused on levers of control which included; diagnostic systems, interactive systems and beliefs control systems and boundary control systems. The study used descriptive design. The targeted population of the study was 200 Kenya Commercial management staff based in Nairobi County, Kenya. Stratified random sampling method was used to select the sample population from the various strata, which amounted to 132 respondents. The study used descriptive statistics such as frequencies, mean, standard deviation and percent as well as inferential statistics, specifically multivariate linear regression analysis to answer the four research questions. Questionnaires were administered to respondents who include departmental heads, branch managers, operations manager and their assistants. SPSS software was used to analyze data. The data which was presented by use graphs, tables and figures. The study findings were that diagnostic control systems on organizational performance in commercial banks, it also found that the respondents indicated that diagnostic system control is an important tool for transforming budgeting strategies within given organization. Also, diagnostic control helps in achieving organization goals that are both enterprise and individual. Diagnostic control system allows outcomes to be measured and compared with preset standards of performance. Further, diagnostic control system managers cannot accomplish the intended strategies in the organization. The study findings were that diagnostic controls system is also used by managers in accordance with the firm's belief and boundary controls. Moreover, it found that diagnostic controls measure critical performance variables in the organization with. The study also findings were that diagnostic control system help set levels of tolerance for possible fluctuations in the firms. The findings on interactive control systems were that it provides the highest level of management tools. Further, it helps follow-up by holding talks with the organization about the threats and opportunities that can put the current strategy at risk. Also, it provides a signal to subordinates about what aspects need attending to and which is the best moment to put forward and try new ideas. It also requires regular attention from the operating managers at all levels. Finally, it helps in departmental strategy that has the sole purpose of mapping the company's strategies. The findings on belief control systems were that it provides the inspiration for the emergent strategies, it provide assurance for the intended strategies, it motivates the members of the enterprise to search for and create opportunities to accomplish the general mission of the firm, it contribute to purpose of the firms and it help to achieve the organization. Finally, the findings on the boundary control systems helps realize strategies within the acceptable domain, it ensures that business activities occur in defined product markets and at acceptable levels of risk, it helps organization focus on continuous improvement and improved performance and it allows employee to be inspired.