THE RELATIONSHIP BETWEEN PERFORMANCE MANAGEMENT SYSTEMS AND EMPLOYEE PERFORMANCE: A CASE STUDY OF ASSORTEDWAYS LIMITED

BY

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UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: _________________________ Date: _________________________

Gacheru Lucy Wairimu (644379)

This research project has been presented for examination with our approval as the appointed supervisors.

Signed: _________________________ Date: _________________________

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Dean Chandaria School of Business
ABSTRACT
For this research, the purpose was to investigate the relationship between performance management systems and employee performance. The case study was on Assorted Ways Limited Company. In order to achieve this general objective, the project had to use some specific objectives to achieve the desired goal. They included the following: identifying the effects of the implementation of Performance Management System on employees’ performance, measure the relationship between the PMS and the employees’ performance and lastly to determine the factors influencing the effectiveness of the performance management systems.

In order to achieve the said goals, the project utilized a quantitative approach in the collection and analysis of the data, where questionnaires, the primary method of data collection were used. This research used information obtained from the staff of the Assorted Ways Limited Company to achieve the data necessary for the analysis of this research. The researcher randomly chose the respondents from the Assorted Ways Limited Company in order to promote ambiguity and also to liken the real world situation from the small sample space the researcher had to work with. The researcher chose a total of 53 respondents from the organization’s total population of 178 individuals. The data collected was converted into information by use of statistical software for analysis such as SPSS software and also Microsoft office Excel in order to diagrammatically represent the data and enhance the comprehension of the readers for this research.

In this research, the findings on effects of implementation of performance management on employees and factors influencing the effectiveness of the performance management system, performance management systems was found to have a linear significant influence to employee performance.

In the findings of the measure of the relationship between PMS and the employees’ performance, it was found that the relationship between performance management systems and employee performance is positive.

This means that it can be concluded that performance management systems improve employee performance and it is therefore pertinent for organizations to provide them to improve efficiency at the work place.
This research therefore recommended that organizations should implement performance management systems because they do have an effect on the efficiency of the employee. This is all with the aim of increasing the productivity of the organizations.

More employers need to make it a part of their performance management system to keep their staff motivated in order to also encourage and motivate their staff in the organization.

The current focus on performance managements for delivery of quality results is acknowledged as being of importance in any organization. This is because performance management is able to unite the attention of the members of the organization towards their common objectives, thereby galvanize them to achieving those particular objectives.

The general objective of this study was to investigate the relationship between performance management systems and employee performance. While the specific objectives are to identify the effects of the implementation of performance management systems on employees performance and to measure the relationship between the performance management systems and the employee performance.

Questionnaires were given to the members of staff at Assorted Ways limited in Kenya. This study was be based on research objectives aimed at finding out the performance management systems at Assortedways Limited; how the performance management systems at Assortedways Limited promote employee performance; whether the performance management systems at Assortedways Limited promote employee performance and the performance management systems at Assortedways Limited can be used to maximize employee performance. This study will adopt the case study methodology and the questionnaires as the data collection tool. The sample of the respondents will be derived from the total of 53 employees of the Assortedways Limited. The study will therefore employ quantitative approaches in the collection and analysis of the primary data. However, secondary data will also be used in helping to choose the theoretical basis of the study and providing insight into the variables of the study.
ACKNOWLEDGEMENTS

I express a deep sense of appreciation to all the people who aided in one way or another completion of this project. I thank my supervisor, Dr Kamau for the endless amount of guidance and assistance that he offered in coming up with this research report. My heartfelt gratitude also goes out to my family for their high levels of understanding and support during the many hours that I spent doing the project. I with no doubt cannot forget to acknowledge the references of other writers for their work which assisted me in coming up with the project. Lastly, I would like to thank the almighty God for the resources and energy to make this project become a reality.
DEDICATION

This work is dedicated to my loving family whose encouragement and support gave me the drive to see this project to completion and my friends who are my inspiration and mentors.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The world economy is currently globalizing at an unprecedented rate. According to Arup (2008), this invariably leads to the creation of multinational enterprises. With these developments the human resource systems are presented with unique challenges, especially as organizations succeed in transferring and implementing financial and technical systems to new locations. Therefore, organizations are confronted with the urgent need to ensure that their employees are producing value for their time and worth in order to catch up with the competition in the globalized economy. This in turn has made it necessary for the human resource departments in organizations to develop robust performance management systems in a bid to promote the efficiency and productivity of the employees.

Sahu (2007), argues that the concept of performance management is an “important and positive development in the sphere of human resource” in the current global economy. There are various perspectives in which performance can be defined; the importance of defining performance stems from the fact that for it to be measured or managed then it needs to be defined. For one, performance can be regarded as the “record of outcomes achieved” and this on the individual basis would boil down to the record of the accomplishments of an employee. On the other hand, performance could be viewed as behavior and therefore delineated from outcomes, which can be compromised by the system that an organization could adopt. In this regard a more comprehensive perspective of performance is reached when it is defined as encompassing both outcomes and behavior.

While including both elements of behavior and results, the employee would be the generator of the behavior and use it in the transformation of performance. The human resource manager would therefore need to take into consideration both the behavior (input) of the employee and their result (outcomes) as they manage the performance of the organizational teams and/or individuals (Robert, 2011). Performance management therefore is a “strategic and integrated process” which helps organizations to establish a
“culture of sustained success” through improving the performance of their employees and also through the development of individual and team capabilities (Robert, 2011).

Performance management is an essential ingredient in the facilitation of organizational effectiveness. There is need for organization to set up mechanisms where there is assessment and feedback in order to enable the improvement of their efficiency and effectiveness. However, there are many more steps involved in enabling effective performance management rather than just evaluation and feedback (Caldwell, 2004). It is essential that organizations understand the contexts in which management of performance occurs: this implies that it is important for performance management to begin long before workers perform and managers provide feedback (Robert, 2011).

Many scholars and human resource experts have concurred that sets of appropriate guidelines for the creation of performance management would invariably result into high performance. Traditionally, performance measurements were developed for the accounting of costs. This form of the financial point of view of performance measure was regarded as inappropriate to multi-dimensional performance management (Rhodes, 2005). The shift from mere financial outcomes to multidimensional performance took center stage in the 1970, when the use of the terms performance management began to gain currency. Ever since then the concept of performance management has become a day-to-day quest for many modern organizations that are keen to leverage on the capabilities of their employees (Zoe, 2004).

Armstrong (2009), defines performance management systems as a set of organizational activities and processes that are interrelated and are treated holistically as an “integrated and key component” of the approach taken by an organization in the management of performance through its people and the development of the required skills and capacities of its human capital. This therefore enhances the capacity of the organization and the eventual achievement of its “sustained competitive advantage.”

Some of the salient features of performance management systems include the alignment of PMSs to the existing strategies and systems set in place by an (Waal, 2007); the commitment demonstrated by the organization’s leadership; continuous process of monitoring, generation of feedback and dissemination.
According to Arup (2008) the performance management systems (PMSs) basically serve two critical purposes. For one they help in reaching informed decisions about administrative issues, which could include aspects such as according employees with bonuses, merit raises and/or promotion. The PMSs are also critical in coming up with the organization’s developmental goals, which could include aspects such as training of employees and generation of their feedback.

1.1.1 Performance Management Systems in Kenya

Kenya has joined the rest of the world in embracing performance management systems. This has included the introduction of performance contracts in the public sector of the economy. Cheche (2014), explored some of the challenges that are encountered in the quest to implement performance contract in Kenya. They point out that performance measurement is in many instances considered critical in the delivery of improved services in the public sector. The focus on the “performance management for delivery of results” is largely acknowledged as being influential, given the assumption that performance management is able to unite the attention of the members of the organization towards their common objectives, thereby galvanize them to achieving those particular objectives.

The other form of PMS that is adopted in Kenya includes the reward management. This is concerned with the formulation and implementation of the policies and strategies that are geared towards fair, equitable and consistent rewarding of employees according to the value that they are bringing to the organization. Odhiambo (2011), argues that reward management impacts on the performance of organizations especially when the non-financial rewards are taken into consideration.

Employee performance appraisals are part of the PMS used in some Kenyan organizations. Rop Williter Chepkemoi and Ngeno (2013), opine that performance appraisals are crucial in the improvement of the teaching standards in schools in Kenya. They however, established that there are no adequate policies for governing the performance appraisal of teachers. Secondly, they also pointed out that performance appraisal tools were not applied to the full during the process of appraising teachers in Kenyan schools.

In this study we are going to explore the performance management systems that have been put in place by Assortedways Limited. We shall investigate how the PMSs are
implemented at the organization and their implication to the performance of the employees in the organization.

1.2 Statement of the Problem

With the current globalization of the economy organizations can no longer remain complacent with the local competition. Whether organizations are profitable or non-profitable, the current trends demand that they benchmark based on the best practices across the globe. The need for modern organizations to develop performance management systems underscores the importance of employees in an organization and their role in making any organization both efficient and effective. Armstrong (2009), notes that the major goals for coming up with performance management systems include correcting poor performance, sustaining good performance and improving performance.

There should be an expected difference in terms of performance between organizations that have robust PMSs and those that don’t. This begs the question whether the existence of PMSs in an organization automatically makes its employees productive. Femi (2013), examined the performance appraisal and the performance of the employees and recommended the need for continuous performance appraisal in order for the PMS to yield the results that the management had intended. This points to the fact that an organization that has PMS in place does not imply that it invariably translates into employee efficiency and effectiveness. Even though the implementation of performance appraisals is a positive move in boosting organizational performance, there is however, the need for them to be constantly revised and reconstructed for it to meet the changing needs of the current world (Femi, 2013).

In essence, this study seeks to underscore that performance management systems are critical in boosting the effectiveness and efficiency of the employees. But the PMSs are not an end in themselves; they need constant monitoring, evaluation and updating in order for them to help organizations to reach their performance objectives.

1.3 General Objective

The general objective of this study was to investigate the relationship between performance management systems and employee performance.
1.4 Specific Objective

The specific objectives of this study were as follows:

1.4.1 To identify the effects of the implementation of Performance Management System on employees performance

1.4.2 To measure the relationship between the PMS and the employees performance

1.4.3 To determine the factors influencing the effectiveness of the performance management systems

1.5 Significance of the Study

This study will be essential in expanding the understanding on the performance management systems in Kenya. For instance, Mbuu and Sarisar (2013) explored some of the challenges that are encountered in the quest to implement performance contract in Kenya; (Odhiambo, 2011) argues that reward management impacts on the performance of organizations whereas (Ngeno, 2013) looked at how performance appraisals are crucial in the improvement of the teaching standards in schools in Kenya. All these studies focused on some forms of PMSs in Kenya. In this study however I interrogate whether the implementation of PMS necessarily result into organization performance. In this way, the study would be beneficial to the leaders of organization in Kenya in reiterating the need for constant evaluation of the PMSs, in order to ensure their efficacy and therefore become instruments through which they can achieve their organizational objectives. The study will also be invaluable to future researcher who would like to make further explorations on the two variables whose relationship is examined in this study.

1.6 Scope of the Study

This study shall explore the relationship between performance management systems and the performance of the employees. This is a case study based on the employees of Assortedways Limited Kenya, whose total number is 178; therefore making up the target population of this study. The study will seek their perception, views and observation on how the PMSs that they are exposed to by their organization relates to their performance at work.
1.7 Definition of Terms

1.7.1 Performance Management
Organizational activities that work to ensure that the overall productivity or rather the performances of the organization are achieved (Pearce and Robinson, 2007).

1.7.2 Performance Management Systems
This is an organizational process that involves the employees both as individuals and members of a team in a bid to reach the performance objectives of the organization (Kotler, 2000).

1.7.3 Performance Appraisal
This is a system of evaluating and examining the behavior of the employees in comparison to the standards that have been put in place by the organization (Bowman, 2003).

1.8 Chapter Summary
This chapter has introduced the basic tenets upon which this study was based. It discusses the background of the study, defining the key variables such as performance management and performance. The chapter discusses the major concerns that make this study worth pursuing and the objectives and the questions that guided the subsequent collection of data. In addition it looked at the various ways in which this study will be important to organizational leaderships and future researcher. Since it is a case study, it discussed the study’s delimitations in terms of the geographical coverage and number of respondents.

This chapter reviewed literature on the internal organizational factors influence the entry into the foreign market. The second section looked at the external market factors influence the entry into the foreign market and the third section examined how different types of market entry strategies utilized in entering the foreign market. The next chapter is on the research methodology.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviews the literature relevant to this study. It critically reviews the concept of performance management, especially as it applies to the development of human resource in organizations and how this in turn impacts on the performance of the employees and the productivity of the corporate at large. Also it discusses the workings of performance management systems and the global trends of the adoption of the systems in a bid to make modern organizations more efficient and also effective.

This review of literature includes a discussion on the concept of employee performance: we shall look at the various types of employee performance and the factors that enable employees to give their best to their respective organizations. Thereafter, it looks at the relationship between performance management and the performance of employees, investigating whether the implementation of performance management systems invariably translates into employee performance.

2.2 Implementation of Performance Management System on Employees’ Performance

Management has evolved over time capturing the ever-changing demands of organization as they have sought to remain relevant and make the most of their human resource. These evolutionary stages have been categorized as the industrial revolution era; the scientific management era; science person era and human relations era.

In the industrial revolution era of management saw to the substitution of the power of machine to that of the human resource and this made it economically feasible to manufacture goods in factories instead of home. Even though these factories were well equipped with power-driven machines they too needed managers who would help in forecasting demands, assign tasks to the employees and coordinate the numerous tasks in the factory (Lister, 2014). The managers were also needed to help in ensuring that the machines were used and maintained according to the required standards; they also ensured that there was sufficient material required for production and there is available market for the finished product.
Therefore, the key components of management: planning, organizing, controlling and leading became quite necessary in this era especially because the development of larger factories called for formal managerial practices. This necessitated the conceptualization of a formal theory to help guide managers in running these organizations that were increasing in size. The 1900s saw to the generation of management theories, which was characterized by divergent belief about what management entails and what were the imperatives and responsibilities of managers (Springer, 2013).

The scientific management era is Fredrick W. Taylor’s who argued that the major task of an organization’s management is to design jobs properly and also provide the workers with incentives that will motivate them to achieve higher productivity (Lister, 2014). Taylor changed the role of the manager from being an eagle-eyed supervisor into a specialized foreman that is adequately equipped in supervising each and every phase of the production processes. In essence, Taylor revolutionized management thinking and laid the ground for the formation of numerous other managerial systems that sprang up in the subsequent decades (Lister, 2014).

Fayol was the other management scholar that is characterized by the scientific era. He argued that management is an activity that is common to all aspects of human life including the running of business, schools, religious organizations, government and also homes. He argued that all these undertakings called for five basic administrative functions, which include planning, organizing, commanding, coordinating and controlling (Lister, 2014). Fayol advocated for the teaching of management at all level of schooling largely due to the fact that it is an all-encompassing activity. His approach is commonly referred to the administrative approach. He staunchly rejected the argument that managers are born and not nurtured, arguing instead that management is a skill that can be learned especially when its principles are adequately understood (Springer, 2013).

Max Weber is the other scholar of the scientific management era. His approach focused on the structure of particular organizations, dividing it into hierarchies that have got some clear lines of control and authority. This implied that managers are granted the legal authority to serve the organization based on their position in the structure of their organization (Lister, 2014). This bureaucratic system as proposed by Weber helped organizations to achieve stability, and function in systematic manner. This approach
however, pushes individuality, creativity and charismatic leadership to the periphery since bureaucratic leaders demand that their workers obey rules and only do what they are instructed to do. This makes it increasingly hard for organizations that use this model to adapt in the face of changing environment (Lister, 2014).

On the other hand, the social person era of management captures the managers in the current social and economic climate, who are increasingly driven by the quest to satisfy the wants and needs of their customers. This however is not attainable without the effective management of the employees who both help in the creation and delivery of products and services to the customers (Lister, 2014). In this era the manager is required to hire and retain effective employees and also establish with the organization an effective communication system and finally be able to motivate the employees to be more productive.

Today’s managers employ the techniques, principles and practices that were developed earlier on. For instance, the behavioral management theory that emerged in the 90s emphasized on how managers need to behave in order to motivate their employees and encourage them to work diligently in the quest to achieving the desired strategic goals (Lister, 2014). The social person era of management therefore, emphasizes on the need for the employees being treated humanely in order to motivate them to be innovative and productive.

The human relations era of management was propounded by Elton Mayo who argued that managers should be people-oriented. Mayo established through conducting various experiments that for organizations to achieve maximum productivity the participation of the employees and managers in social groups and group pressure was increasingly important in comparison to upholding organizational structures and the authorities that come with it. (Roussel, 2011)

Mayo’s approach has revolutionized the role of managers in running organizations. This is in the sense that the work that an individual employee performs has to satisfy their subjective, personal need as much as it also satisfies the productive requirements of the company (Roussel, 2011). Mayo therefore calls for managers to take up a new role in their relationship with their employees and foster a new social order at the workplace. This entails consulting employees about any proposed change; taking their views into
account and showing concern for the employees’ mental and physical health (Roussel, 2011).

2.2.1 Performance Management

The last few decades have seen to the increasing acceptance of performance management by various organizations, both public and private across the globe (Hiiemae, 2012). From a layman’s point of view the concept of performance management conjures up the image of the management of an organization taking a strict control of its activities to ensure that it performs as expected. However, performance management seem to move from that traditional form of management in which the leaders of the organization determined what employees would do, restricting their creativity and discrentional contribution to the organization. This is at least evident from the definition of what performance management entails.

For instance, (Vilkinas, 2013) define performance management as the systematic process through which organizations improve on their performance. This improvement is achieved through the development of the performance of individual employees or the teams that they belong to. Performance management therefore, entails getting better results from the individual employee and/or teams through understanding and managing of performance following an agreed framework of set goals, competence requirements and standards.

On the other hand, (Lunenburg, 2011) define performance management as the development of employees to equip them with competence and commitment; this in turn enables the organization to achieve its shared vision and mission. The employees in this case, are regarded as members of teams founded within the organization.

Both definitions demonstrate that performance management has got two ends to it. However broad the concept could be, its salient features are the performance of the organization on one hand and the participation of its people on the other hand. Performance management helps to reiterate the importance of employees to the organization; how their participation through goal setting, capacity building and motivation is essential in ensuring that the organization realizes its long-term and short-term objectives.
The reason that could be attributed to the failure of performance management is that the importance of the concept is not fully appreciated by organizations. This has led to a situation whereby organizations are simply going through the motions implementing the performance management system yet with no tangible benefits in terms of employee development and organizational profitability at large. (Gizaw, 2010) notes that the major objective for performance management is to optimize the quality of work of the employee and boost the technical efficiency using quality assurance mechanism and strategies (Lunenburg, 2011) argue that performance management basically involves the alignment of human resource management practices so that the performance and development of the employees are enhanced, with the sole aim of maximizing the performance of the organization. This integration is normally not that easy.

Arguably, the difficulty that comes with aligning practices is what imputes organizations and its people to revert to the old ways of doing things. (Vilkinas, 2013) argue that this difficulty could be understood in the sense that the aligning practices that are involved in performance management for instance selection, impact on other organizational practices. There are also very complicated cross-level processes that are involved in performance cycles. In most instances, the proposed causal chain sees to the organization’s human resource practices impacting on the performance of the individual employees, which in the long run impacts on the performance of the organization at large. This could be resolved through adopting (Esu, 2009) suggestion that successful performance management demands that the organization promotes accountability at all the levels within its departments.

In essence, successful performance management is based on the principle that organizational management is conducted on agreement between the managers and the subordinates rather than managing through commanding. It focuses on integrating the objectives of the corporation to those of the individual; it also provides the leeway for development plans that are self-managed. (Wall, 2001; Locke & Latham, 2002; Armstrong 2006; Hiitemae, 2012).

Therefore, performance management as it appears, is a concept that attempts not only to build the capacities of the employee in order to make them effective at their assigned; it is also aimed at freeing them from the noose of managerial restriction so that they can bring
the discretion of their creativity and commitment to bear in the quest of realizing the goals and objectives of an organization. Arguably, performance management is a departure from the past school of thought in which employees were regarded as machines with buttons and expected to be productive according to the dictates of the managerial staff.

2.2.2 Importance of Performance Management

The importance of performance management cannot be gainsaid. As aforementioned, this study speculates that the major reason performance management is failing to produce desired results in organizations despite its implementation is because its importance is not yet fully appreciated. We herein argue that just as it is important for modern organizations to adopt and implement performance management; it is also imperative that this is done with the full appreciation of what the concept could achieve for the organization if well implemented.

According to Armstrong (2006), performance management plays a pivotal role in the human resource framework of all organizations. Cardy and Leonard (2014) note that performance management is an essential component for attaining effectiveness in organizations. The benefits that come with managing individuals and the performance of teams are critical in the quest to achieve the objective of the organization. In the same vein, there are gains that accrue as a result of compensating the employees in terms of pay increments, stock options, bonuses and other such like benefits that are attributed to the achievement of some particular organizational goals. These links however do not in the long run produce extended results.

In that regards, a performance management process that is well designed stimulates the managers to come up with strategic plans of high quality, set ambitious targets and closely monitor all the activities that are geared towards achieving the strategic objectives. Consequently, this promoted sustained value creation for the organization (Armstrong 2006; Wall, 2007). This reveals that performance management is a people-centric concept: it doesn’t only focus on developing and motivating the employees to give their maximum effort in the realization of desired goals (Armstrong, 2006; Wall, 2007). It also inspires the management to create environments that motivate the employees. This is critical since all organizations are made up of people at various ranks, whose contribution
is needed for the organization to be efficient and effective. This makes the focus on people rather than processes a critical component of performance management.

Further from that, performance management processes have emerged as reliable means through which modern day organizations are using to provide an integrated and continuous approach for managing organizational performance (Locke & Latham, 2002; Wall, 2007; Cardy & Leonard, 2014). The measuring and active management of organizations and the performance of the employees in a bid to improve effectiveness of organization are currently considered as very essential for the development and even survival of modern day organizations. (Mondy et al. 2002; Harper & Vilkinas, 2005)

Subsequently, performance management initiatives have been given different terms such as pay-for-performance, management by objectives, performance based budgeting and/or programming and budgeting. At the outset, such like initiatives were merely geared towards making employee performance measurable and explicit for performance to be manageable (Mondy et al. 2002). However, performance management has evolved to such a level that it no longer signifies just a list of singular practices that are aimed at measuring and adapting the performance of employees (Harper & Vilkinas, 2005; Inyang, 2008; Cardy & Leonard, 2014). Performance management has become an integrated process through which managers’ work together with their employees in improving their performance through setting expectations, measuring and reviewing results and cultivating reward performance. This ultimately is geared towards promoting the positive overall performance of the organization (Locke & Latham 2002). Appreciating these significances of performance management is a prerequisite to reaping its gains upon the implementation of its processes in any organization.

2.2.3 Performance Management Processes

Mondy et al., (2002) argues that when performance management is applied to management, the process is largely related to targets and goals that have been put in place by the leadership in the organization; it also encompasses the subsequent measurements of the outcomes and outputs through performance indicators. The measurement of performance in regards to the individual employee consists of two major elements: on one hand we have the top management whereby the organizational managers are working based on the performance-based contracts.
These managers are charged with the responsibility of ensuring that the organization reaches its performance targets; the performance measures of these managers are closely linked to those set by the organization (Mondy et al., 2002; Cardy & Leonard, 2014). On the other hand, the second group consists of the rest of the subordinate staff or rather the employees who might not be directly accountable to the performance targets of the organization. However, the performance of these very employees is still critical when it comes to the overall performance of the organization. The employees consist of the largest lot within organizations to whom the performance appraisal system applies. (Mondy et al., 2002; Harper & Vilkinas, 2005; Inyang, 2008; Daniels & Rosen, 2014)

This means that, as a concept, for performance management to be implemented in an organization there are processes that need to be put in place to ensure its efficacy. On one hand, we have the managers who are tasked with the responsibility of ensuring that the system is not only set up but also functioning as pre-determined. They therefore, set productivity targets and device performance measures through which they will determine if or not the activities the organization undertakes promotes the realization of those particular targets. On the other hand, there is employee who needs to be equipped with resources such as skills and be adequately motivated to accomplish the set targets. This is to say that the performance management system is hugely dependent on the input of the people within the organization. The top-down system of administration, in which the managers dictate and the employee executes is an anathema to this system and can easily result into its dysfunction. It also means that the employee needs to be fully sensitized about the importance of the system so that they can cash in on the liberties accorded by the management; this however, can best be achieved with recognition of the efforts employees are making to advance the attainment of the set targets.

### 2.2.4 Performance Measures

Performance measurement is defined as the regular collection of data that enables an organization to conduct the assessment of whether correct processes are being undertaken and desired results are being realized (Mondy et al., 2002; Harper & Vilkinas, 2005). In essence, performance measurement entails collecting information on the performance of the organization, analyzing the collected information and then publicizing this information (Rossi 2012; Vigaro, 2013) in a manner that is understandable by all the relevant stakeholders (Dechev 2010; Vigaro, 2013). Therefore performance measures are
quantitative indicators of organizational products, services, personnel and processes (Dechev, 2010; Rossi, 2012). In order to achieve this; the organization should select and employ quantitative measures, which will provide crucial information about the activities of the employees and their teams; their undertakings and how they fair in comparison to the goals of the organization. It also entails the analysis of the successes of the projects, teams and/or the organization’s efforts through comparing the data of what actually took place and what had been planned previously (Locke & Latham, 2002; Harper & Vilkinas, 2005; Armstrong, 2006; Inyang, 2008).

In essence performance measurement check whether the organization is making progress in regards to the desired; whether there are challenges that are hindering progress and how they can be overcome. These performance measurement focuses more on the organization at large rather than the individual employee; evaluating if at all there are adequate structures and processes that have been put in place to enable the organization to achieve its objectives (Armstrong, 2006; Inyang, 2008).

As already pointed out, performance measurement systems achieve their objectives whenever the strategy and performance measures of the organization are in alignment. They also succeed when the leadership of the organization adequately their vision, mission, strategies and values to the employees and stakeholders (Mondy et al., 2002). Organizational activities that cannot be measured can hardly be controlled; in turn without such control the activities or rather processes cannot be managed. In essence, when an organization has got no dependable measurement it is difficult to make informed decisions on organizational performance (Dechev, 2010; Vigaro, 2013). In this way the performance measure breathe life into the vision, mission and strategy of the organization through providing focus to each employee; helping them conversant on how they can contribute to the success of the measurable expectation of the organization and its relevant stakeholders (Locke & Latham, 2002; Inyang, 2008).

Organizational integration fixes performance measures to where they are most effective. Integration enables for the measures to be the organization’s effective change agents. When the measures are able to quantify the results of the organizational activities; then the measured data is compared to the desired goals to ascertain if the activities are
effective. This implies the measures should carry the message (Harper & Vilkinas, 2005; Armstrong, 2006).

One of major challenges that are encountered when undertaking performance measurement is the selection of what is to be measured. In this case, the focus needs to be on the factors that can be quantified (Locke & Latham, 2002; Armstrong, 2006; Inyang, 2008). These factors also need to be clearly linked to what is considered as the success drivers of the organization, otherwise referred to as the key performance indicators. The quantifiable factors need not only be financial; they can be non-financial as well, such as the number of complaints received in regards to a particular customer service (Mondy et al., 2002; Inyang, 2008). More importantly performance measurement should focus on what is important to the organization, especially those employee activities that impact on the satisfaction of the customers (Rossi, 2012; Vigaro, 2013).

According to Armstrong (2006) a good organizational performance measure provides a clear way through which the organization can gauge whether their strategy is working or not. It also focuses the attention of the employees on what is important to their success and provides an enabling means for measuring accomplishments and not just the finished works. The other salient characteristics of a good performance management measure are that it is valid in that it provides accurate measurements and verifiable in the sense that it ensures the accuracy of the collected data. More importantly, a good performance measure can be explicitly defined in terms of its units of measure, data quality, collection frequency, threshold and the expected targets.

The other importance of measuring performance is that it enables the improvement of quality. Through performance measurements organization can best gauge whatever they are doing well and the areas in which they need to make adjustments. Through measuring performance, an organization can therefore tell whether they are achieving their ultimate goal, in the process ensuring consistent improvement of quality (Locke & Latham 2002; Armstrong, 2006; Inyang, 2008; Rossi, 2012).

2.3 Relationship Between The PMS and the Employees’ Performance

The greatest challenge facing managers in almost all organizations today is how they can get maximum performance from their employees (James, 2003; Kirkpatrick, 2006; Sanderson et al. 2009; Rossi, 2012). This is because management of employees today has
shifted in its outlook. No longer are employees regarded as machines to carry out order given by the management; they are rather regarded as the greatest resource of the organization on whose shoulders rest the success or failure of that particular organization. In most instances, it is the employees that interact with the most important publics of an organization, such as customers, especially when it comes to commercial organizations. They therefore are the link between the organization and its outside publics and whenever they are frustrated it will invariably translate to how the organization is presented to the outside publics.

There are two aspects in which employee performance can be taken into consideration: either as outcome and/or behavior (Rossi, 2012). On the one hand, employee performance can be taken as outcome in the sense that the goals and actions that the employee has achieved. Whatever employees do on their day-to-day basis at their job consist of behaviors and however best they are carried out is essential in determining the performance criterion (Vigaro, 2013). Employee performance can therefore be defined as how the individual worker executes the duties assigned to them by the management in a bid to reaching the larger organizational goals. This individual performance is assessed by the organization on quarterly or annual basis, pin pointing the areas of strength and the areas that needs to be improved. In some organizations, the employee is rewarded on the areas where they have demonstrated strength; whereas their capacities are built to help them overcome the areas in which they need improvement (Dechev, 2010; Samson & Daft, 2012).

In regards to these, the managers today find themselves pressed to motivate their employees in order to get maximum efforts from them. This consists in ensuring that the employees are enabled to try their best in doing the job that they are assigned to do. The success of the manager in achieving to motivate their employees can be measured in terms of the time and energy that the employees are expending at their task (Kirkpatrick, 2006; Gupta, 2009; Rossi, 2012). In the case of the unmotivated employees, the time and efforts are invariably wasted.

2.3.1 Types of Employee Performance

Sanderson et al. (2009) argue that employee performance fall under two distinct categories: they include elevated performance and standard performance. In this case,
elevated performance comes from the individual employees “discretionary effort” that sees them going an extra mile due to their commitment to the organization or the team and its objectives and missions. This level of employee performance is spurred by what they term as commitment drivers, which makes the employees feel motivated to achieve higher performance levels.

On the other hand, standard performance consists of the typical level of output that an employee delivers in their normal course of fulfilling their duties. This Sanders et al. (2009) claim is dependent on “hygiene factors” whose absence in an organization could easily erode productivity yet they do not necessarily drive employee productivity.

Arguably, organizational managers look forward to their employees delivering elevated performance. Commonly, many organizations seek to achieve this before they get right the hygiene factors. Worth noting is the fact that commitment factors cannot by themselves propel the employees to deliver improved performance unless the management has first put in place the basic hygiene factors (James, 2003; Dechev, 2010; Rossi, 2012). Most organization have their human resource managers concentrate their efforts on activities such as selection, training and recruitment in ensuring that their employees have acquired the required capacities that will enable them to meet the demands of the tasks assigned to them. Notably, these alone cannot guarantee that the employees will be productive in their tasks. This makes it imperative for organizations to invest into providing the hygiene factors that will lay the foundation for employees’ subsequent exemplary performance (Kirkpatrick, 2006; Samson & Daft 2012; Vigaro, 2013).

In essence, the hygiene factors are defined as the essential elements that do not directly or rather positively influence the performance of employees. But if they are absent or the employees perceive them in a negative manner, they then can be destructive to the willingness and commitment of the individual employee in their attempt to deliver their standard performance (Gupta, 2009; Rossi, 2012).

There are three crucial hygiene factors that organizations need to address in order to enable their employees deliver the minimum effort expected of them by the management. They include management capability, job security and pay and working conditions (James, 2003). The first and most important hygiene factor is the management capability.
This involves the establishment of the “basic acceptable line management practices” (Sanderson et al. 2009), which include the building of stable and productive working networks and relationships within teams in the organization; equipping the individual employees and their teams with the relevant skills and resources that they need to perform their roles effectively; taking recognition of good performance and speedily managing underperformance; communicating the management’s expectation on the employees and embedding the clear guidelines for the unacceptable and acceptable conduct and, more importantly, employing performance management techniques in the planning, monitoring and evaluation of delivery (Mukherjee, 2005; Sanderson et al., 2009; Dechev, 2010).

Secondly, how the employees perceive their pay levels matters most to them. It is therefore imperative that the employee is remunerated at a level that they consider to be fair and rewarding to their role that they play for their organization. Even though the perception of payment and working condition is not regarded as a significant driver of employee performance, whenever the perception of pay is poor the employee’s output clearly results into negative results (Sanderson et al., 2009; Dechev, 2010; Rossi, 2012). However, the increasing of payment doesn’t necessarily translate into the increasing of efforts. If anything, focusing attention on more money in a bid to motivate the employees lead to the opposite results in most instances. This is because when the pay is made the primary goal then the interest of the employee becomes focused on their payment as opposed to performing their tasks (Shell, 2002; Kirkpatrick, 2006; Vigaro, 2013).

However, organizations can boost employee performance without raising their salaries through adoption of the total remuneration approach, which take into account all the elements of rewarding the employees. For example, employees could be willing to get their salaries reduced in favour of flexible working conditions (Samson & Daft, 2012).

Thirdly, job security of the employees at the organizational level is normally subject to the prevailing business conditions and the state of the economy. Weak economic climates dictate a low level state of job security (Sanderson et al., 2009). The employees live with the fear that the company can restructure, merge or retrench in order for it to remain viable to the prevailing economic conditions; in this case no employee is guaranteed stability in their employment (James, 2003; Gupta, 2009; Rossi, 2012). They therefore embark on seeking alternative employment, which becomes a major distraction that
impacts on their performance negatively. It could even lead to the employee quitting the organization. Therefore, the management of the expectations of the employees in regards to their job security is significant for the achievement and maintenance of standard performance (Kirkpatrick, 2006; Daft 2008; Samson & Daft 2012).

Organizations must first meet the hygiene factors before they can cash in on the employees elevated performance. This implies that before an organization invests in putting in place the commitment factors, the hygiene factors need to have been settled already. The commitment drivers enable the employees to post elevated performance through making emphasis on the emotional and rational elements of employee motivation (Kirkpatrick, 2006; Gitman & McDaniel, 2008; Dechev, 2010). There are three commitment drivers that are particularly crucial in motivating employee discretionary effort. They include: employee connectivity, skill development and personal recognition (Sanderson et al., 2009; Vigaro, 2013).

Employee connectivity takes into account the contribution of an individual employee to the overall objective of their teams and/or organization. Sanderson et al. (2009) argue that for employees to deliver elevated performance they first need to perceive that their actions contribute directly to the overall performance of their teams, organization and the consumers that they are serving. The establishment of this sense of employee connectivity is quite challenging; yet it is the most effective driver of improving employee commitment and performance. Whenever employees can point out a direct link between their roles and the impact that it brings to the success of their teams and/or organization it makes them more inclined to put in additional efforts to their work.

Secondly, skills development is also critical for achieving employees’ elevated performance. The employees who recognize their organization’s willingness to invest in their personal development are easily motivated to repay by giving their best in realizing the goals of the organization (James, 2003; Gupta, 2009; Rossi, 2012). Skills development could include providing the employees with structured training interventions and high quality on-the-job learning opportunities. Such training needs to be relevant to the work of the employees; it needs to be managed intelligently through the establishment of a core curriculum, which is directly related to the work that the employee delivers (Gupta 2009; Sanderson et al., 2009; Rossi, 2012).
The third factor that enhanced elevated performance is personal recognition. When the performance of an individual employee is recognized it becomes easier for them to reinforce and sustain their elevated performance (Kirkpatrick, 2006). The employee’s efforts can be recognized through financial and non-financial rewards. Non-financial rewards could include paid holidays and provision of career development opportunities. Therefore, the establishment of a robust performance culture is a key motivator for the employees and helps in the integration with the connectivity driver (James, 2003; Dechev, 2010; Samson & Daft, 2012).

In this regard, successful organizations have employed systematic performance management approaches to achieve this motivational factor. This has included the setting up of organizational objectives that inform the regular performance discussions at the individual, team and organizational levels. They have also ensured that there is regular conversation, which helps in the discovery of poor performance and therefore its consequences dealt with in time. (Gupta, 2009; Dechev, 2010; Vigaro, 2013)

In order for organizations to promote and reinforce the desirable ways of working; they therefore need to ensure that the rewards and incentives are aligned to their organizational objectives. As Sanderson et al. (2009) noted, the alignment of compensation to the performance of the employee has emerged as having an impact on performance. It should therefore “form part of a coherent performance management regime.”

2.3.2 Performance Management Practices

In a globalized world, business concepts and trends cannot be limited to just a select few in some particular location, especially when they are geared towards boosting the productivity of businesses. We hereby, take a critical look at the trends of performance management across the globe: we shall look at examples from Europe, and Asia. We shall also look at African examples from countries such as Botswana, Nigeria and Uganda. Finally, we shall study performance management examples as practiced in the Kenyan context.

2.3.2.1 The Trends of Performance Management in United Kingdom and China

The past two decades have witnessed a series of public management reforms in the United Kingdom, characterized by developments taking place in other western
democracies in which complex corporate governance legislations have imputed the
organizations in the public sector to publish performance statistics. This development
reveals the trends that have required the public service in those countries to become more
accountable for the purpose of attaining best value performance (Lawrie et al., 2009).

In this regard the United Kingdom was not left behind. Since the late 90s many
organizations in the UK public sector have been required to exhibit more accountability
in the delivery of their standards as defined by the government. Recently, the UK
government came up with detailed requirements that specified the need for the public
sector agencies to demonstrate their plans and set in place a system that will help them in
monitoring the performance of those plans (Lawrie et al., 2009).

On the other hand, Burns and Zhiren (2010) examined how the Chinese government
endorsed performance management and analysed the Chinese experiment with the
concept since early 90s. In the 90s the Chinese government experimented with numerous
performance management systems, which by 1995 came to be identified as the Objective
Responsibility System. Through this system the government set targets at high
administrative level, which were to be implemented by the low-level administrators. This
system is currently widely practiced in China and targets have become increasingly
quantifiable, specific and closely linked to employees’ outcomes. The monitoring of
performance is however left to the local authorities, which have vested interests when it
comes to reporting outstanding achievements.

In China performance management is therefore a new and imported concept. The top
Chinese government official began to make reference to it back in 2003. Until 2006 the
official understanding of the concept was merely limited to the performance measurement
in the public sector. Currently, there are both centralized and decentralized systems that
have been set up in China for the implementation of performance management. The
central authorities initiated reforms and then supervised their implementation across the
nation, using the top-down model. These reforms consisted of the re-organization of
public agencies, budgetary reforms, civil service reforms and numerous public service
delivery reforms (Burns & Zhiren 2010).

On the other hand, the local authorities also carried out their own reforms, which included
the adoptions of the newly emerged management techniques and tools that take into
account all the components of performance management. The absence of uniform guidelines and regulations from the center, the reform endeavors at the local authority level imply a decentralized performance management system since they have majorly ended up becoming efforts pursued by these sub-national governments at an experimental and/or voluntary basis (Burns & Zhiren 2010).

The trends in the United Kingdom and China demonstrate that performance management is a concept that is increasingly gaining currency in these economies. Its adoption by the public sector in both countries depicts the necessity for the improvement of the performance of employees at public institutions. This is reflective of the current needs of the public that is increasingly looking for quality products and services. Therefore, for organizations to remain relevant, the performance of their employee has become an important variable.

2.3.2.2 Performance Management in Africa

The African corporations, both public and private have not been left behind in the quest of leveraging on the potential of their employees. We hereby take a critical look at some of the performance management examples in Africa.

2.3.2.2.1 Performance Management in Botswana

As demonstrated from the examples in United Kingdom and China, African countries are also in a rush to implement performance management systems in their public institutions. Boipono et al., (2014) conducted a study in which they interrogated the implementation of performance management systems in secondary schools in Gaborone, Botswana. The aim of their study was to suggest factors that could contribute to the successful implementation of the performance management system.

This system was implemented in the Botswana’s public service in the 90s based on the recommendations from the previous evaluation of other performance improvement initiatives in the public sector that had failed to produce desired results. This performance management system was therefore aimed at improving the delivery of service to the public and in more specific terms it was aimed at improving performance, efficiency, communication, productivity and accountability of the public servants. It was introduced on the premise that it would come in handy in resolving problems in the various
ministries in the government, which included inadequate planning, resource wastage and the disregard of the needs of the public (Boipono et al., 2014).

In the secondary schools the performance management system saw to the teachers entering into performance development plans (PDP), which are in other words annual performance agreements. The PDP have set targets and goals, which the teachers are expected to achieve on an annual basis. Their progress is therefore, monitored by supervisors at least thrice during the course of the year. This system is also supported by the performance based reward system, which has laid out incentives for good performance. However, in spite of the implementation of this system in school performance has continued to decline over the years. (Boipono et al., 2014)

Boipono et al., (2014) concluded that timely feedback and effective communication were essential for the system as they could help the teachers to progressively make improvements of their processes in terms of achieving the set objectives. There was also need for the working condition of the teachers to be improved in order to motivate them to produce more. Besides, the assessment of their progress needs to be balanced and objective.

2.3.2.2.2 Performance Management in Nigeria

Esu and Inyang (2009) studied the setbacks that the Nigerian public sector suffered, which they attributed to inefficient and ineffective management. They argued that performance management is a tool that could enhance of the public service delivery in Nigeria. They pointed out that the reason the organizations in the public sector failed was because of their performance management systems that were inefficient and ineffective. In that regard, the failure of the Nigerian public sector enterprise is not just because they are owned and run by the government. This is because, currently, what matters in business is not ownership but rather the quality of management. Esu and Inyang therefore argue that the adoption of performance management system in the Nigerian public service would invariably boost the efficiency of government agencies.

In Nigeria, however, performance management is a new concept in the management of human resource. The performance of employees in public agencies in Nigeria is normally limited to the annual performance evaluation and budget monitoring. This is attributed to the failure of the now re-branded National Electric Power Authority to meet the power
needs of the public and the failure of the Nigerian National Petroleum Company to provide the public with regular and quality supplies of products.

The Nigerian government tried to check these trends by adopting the concept of privatization. Esu and Inyang (2009) dismiss the “concept of privatization” as old fashioned. They argue that there is no “systematic significant difference” between the private and public operations in regards to efficiency, effectiveness or any other performance measures. They therefore concluded that the annual performance evaluation and annual budgets as used in the management of performance behavior and outcomes in the public sector were outdated and not futuristic. The absence of performance management systems in the Nigerian public sector is a great contributor to the high rate of public sector business failure. The adoption of performance management would make the public enterprises efficient, effective and also sustainable.

Adeniyi (2013) looked at the relationship between the compensation systems in Nigeria and the performance of employees. He notes that this relationship is indispensable even though there are some critical factors that the “satisfaction that one derives from the other.” For instance, the cost of living is a product of the high inflation rates, low income and poor purchasing power. Therefore, in order for Nigerian managers to achieve the required output levels they have to come up with a reward system that is not entirely based on monetary compensation to motivate their employees but also come up with non-monetary rewards to boost their morale and ego.

In view of this, Adeniyi (2013) notes that the rewards system therefore needs to be built along the lines of “actual performance and actual level of work, input and productivity.” His study therefore proposes the measures that managers can take to seal the managerial loopholes that make his proposition unattainable in the organizational context. He study concludes that in spite of the “multiple benefits and advantages of compensation management and its impact on employee's performance” the compensation management policy is not yet the apt solution for “success in appraising, and managing employee's performance”. All managers therefore are charged with the duty to make sure that they use the compensation policy in such a manner that it meets with the expectations of the employee as this is the only sure way that guarantee effective organizational performance.
2.3.2.2.3 Performance Management in Uganda

Lutwama et al. (2013) assessed the implementation of performance management in the Ugandan health care system. They noted that the concept of performance management was relatively new in the healthcare sector of the country; it even lacked any proof in terms of documentation. However, the country had for the past two decade undertaken reform in the sector, which mainly include result-oriented management in the public sector and the devolution of the healthcare management from the central to local governments. The other notable reforms in the sector have included the abolition of service fees; the restructuring of the ministry of health and the implementation of the Ugandan National Minimum Health Care Package. There are some components of these reforms that have demonstrated favourable outcomes, such as the increment in immunization coverage (Lutwama et al., 2013).

However, there is little if any emphasis has been accorded to the health care employees. Consequently, there are numerous human resource challenges that have been reported in the Ugandan healthcare system, including poor performance of the healthcare employees. There are also significant staffing gaps in the 112 districts in Uganda, which fail to attract and retain competent health care employees. These districts do not have policies on human resource functions such as staff training, promotion, rotation and transfers. Besides, health staff appraisal is conducted occasionally with irregular and inadequate support supervision.

Lutwama et al. (2013) therefore, concluded in their study that even though the Ugandan ministry of public service had implemented performance management system there were a number of loopholes that were evident in the public health sector. These included the lack of planning and target setting for the healthcare workers, indistinct performance measuring indicators, irregular performance assessment, limited staff training and career progression opportunities and dysfunctional feedback mechanisms.

The African examples demonstrate that performance management has received reception across board, perhaps due to the changing demands of our time as dictated by the needs of the consumers of products and services. However, a common thread running through the Botswana, Nigeria and Ugandan examples is that the implementation of these performance management systems has not necessarily translated into employee
performance; that these implemented system are still characterized with inherent flaws, which can only be corrected after the employees have been adequately empowered and motivated to carry out their tasks. Therefore, organizations should not stop at the implementation of the system, but go further and motivates and empower its people who will then make the system workable and beneficial to the desired targets of the organization.

2.3.2.4 Performance Management in Kenya

In Kenya, like other African country, performance management has found its way right into the heart of the public and private sector organizations. Hope (2011), notes that in Kenya performance management is a distinct element of the reforms that the government is undertaking in the public sector and performance contracting is one of the major tools of the implementation on performance management. This development is informed by the fact that the quest to reform and transform the public sector in order to attain improvement in delivery of public services demands for the redressing of the past through focusing on meeting the current needs of all Kenyans.

Ochoti et al. (2010), investigated the numerous factors that influence the performance appraisal system of employees working under the ministry of state for provincial administration in Nyamira District in Kenya. They note that there are numerous challenges that impede reforms in terms of delivery of public service in Africa in general and Kenya in particular. These challenges include those that are related to human resource such as manpower deficiencies.

In answer to these challenges, the government of Kenya has initiated numerous programs that are geared towards improving the delivery of service. They include the Civil Service Reform Program, which was aimed at enhancing efficiency and productivity in the public service. The Result-Based Management was the other such initiative, implemented under the Economic Recovery Strategy for Wealth and Employment Creation in 2003, whose strategies included the development of benchmarks and the evaluation of public institution performance. In order to enhance the performance of public employees the government introduced a program through which rewards and sanction are used to encourage the employees to deliver quality service to the public. In turn piloted the process in state corporations, whereby performance appraisals were implemented in the
whole public sector. Today, most companies in Kenya have adopted the performance appraisal system (Ochoti et al., 2010).

Previously, the government of Kenya has made efforts in implementing public service reforms with the aim of making better the performance of public servants in regards to the delivery of service. These reforms however, did not achieve the desired results. The subsequent introduction of the public appraisal system by the government was yet another attempt to improve and manage the performance of civil servants through encouraging a higher level of involvement and participation of the employees in the planning, delivering and evaluation of work performance. (Ochoti et al., 2010)

Mbu and Sarisar (2013) explored some of the challenges that are encountered in the quest to implement performance contract in Kenya. They point out that performance measurement is in many instances considered critical in the delivery of improved services in the public sector. The focus on the “performance management for delivery of results” is largely acknowledged as being influential, given the assumption that performance management is able to unite the attention of the members of the organization towards their common objectives, thereby galvanize them to achieving those particular objectives.

The other form of performance management system that is adopted in Kenya includes the reward management. This is concerned with the formulation and implementation of the policies and strategies that are geared towards fair, equitable and consistent rewarding of employees according to the value that they are bringing to the organization. Odhiambo (2010) argues that reward management impacts on the performance of organizations especially when the non-financial rewards are taken into consideration.

Employee performance appraisals are part of the PMS used in some Kenyan organizations. Ngeno et al. (2013) opine that performance appraisals are crucial in the improvement of the teaching standards in schools in Kenya. They however, established that there are no adequate policies for governing the performance appraisal of teachers. Secondly, they also pointed out that performance appraisal tools were not applied to the full during the process of appraising teachers in Kenyan schools.

On the other hand, Gatere et al. (2013) explored the impacts of performance contracting on the delivery of service at the Teachers Service Commission in Kenya. They noted that
the performance contracting attracted the attention of public administrators since it was deemed as a catalyst that could inject the attitudes and processes that are normally a reserve of the public sector. This was meant to help in restricting bureaucracy and getting rid of dysfunctional systems. They further note that the Kenyan government embraced performance contracting, way back in 2005 to help curb poor management, political interference and the mismanagement of resources in the public sector. In their study they found out that performance contracting had boosted the performance of the TSC even though they were still some stubborn challenges that impeded the commission’s effectiveness.

2.4 Factors Influencing The Effectiveness of the Performance Management Systems

The focus of many organizations today is the adoption of performance management systems as opposed to the traditional systems that are focused on financial productivity. According to Armstrong (2009) this can be partially be attributed to the success of the balanced scorecard that was developed by Kaplan and Norton. There is adequate evidence suggesting that the balanced score card has a utilization rate of about 26 percent in Germany, 46 percent in the United States and 57 percent in the United Kingdom. Notably, only few of these adoptions strictly follow what Kaplan and Norton proposed; this has brought about a scenario whereby a balanced score card has emerged as the generic term currently used to refer to performance management system, which in essence, extends beyond the regular systems of financial measurements.

A research conducted by the Centre for Business Performance at the Cranfield School of Management demonstrated that the organizations that have implemented performance management systems are generally better placed to monitor their productivity; effectively communicate their strategies and even reduce their operational costs. Besides, these organizations are also able to review their business strategies, control their operations and more importantly support their systems of compensation. (De Waal 2003)

de Waal (2003) note that organizations that have integrated and balanced performance management systems have posted better performances as compared to those that do not have. Employee performance is specifically impacted in the sense that the channels of communication between employees are strengthened and so is their collaboration as they work towards implementing the strategic objectives of the organization.
Homayounizadpanah and Baqerkord (2012), conducted a study on the implementation of performance management system impact on the efficiency, productivity and effectiveness of the employees of Chabahar Municipal in India. They asked participants their views on how their organizations had changed after the implementation of the performance management system. They found out that after the implementation of the system most of the organizations gained positive benefits. The implementation of the system increased the output, efficiency and even improved the satisfaction rates of the customers. More importantly, the implementation of the system also reaped substantial benefits for the human resource. This was attributed to clear communication lines and a boost on the employee initiative.

According to Armstrong (2009), the implementation of performance management in an organization is expected to boost the overall performance of the organization through the creation of a “performance culture” in which the subsequent achievement of high performance becomes a way of life. This becomes only possible through the development of individual employees, which happens when good performance is clearly defined; the performance goals have been agreed upon and the performance needs have been identified.

Armstrong further argues that the impact of performance management as a human resource management practice need to be based on three distinct propositions: one of the assumption is that human resource practice could directly impact on the characteristics of the employees such as commitment, skills, motivation and engagement.

Secondly, when the employees exhibit these characteristics it then becomes probable that they will help the organization to perform better in aspects such as productivity and the delivery of quality service to the customers. Thirdly, when these aspects of the organization are improved then the financial results of the organization will invariably improve. Notably, the two intermediate factors between the financial performance of an organization and the performance management is the characteristics of the employees as impacted by the practice; and then how those characteristics in turn impact on the non-financial performance (Armstrong 2009).

Marr (2009), says that on factor that impact on successful performance management implementation is whether or not the top management makes emphasis on the control of
inputs, outputs and behaviors. The top-down control of employee behavior to enhance compliance with laid out procedures is highly likely to yield minimum benefits, if any. In this case the organization needs to make huge investments on surveillance and control; this in turn minimizes the discretion of the employees and leads to rigidity and dysfunctional behavior. However, when organizations focus on controlling output they invariably provide their employees with the discretion of achieving the desired goals.

Stone (2007), argues that the performance of employees isn’t a sole product of training. Rather, employees need to be get regular feedback from the managers; this will make them less worried and less defensive when the time for performance appraisal comes. The good rapport between the employees and their managers will go a long way in reducing the complaints from the employees. As much as employee training is crucial, for performance management to brings its desired results the manager need to do more than just put the employee through a stream of training.

Griffin and Moorhead (2010), provide the example of Merrill Lynch, a financial service firm that once came under fire due to its bad management. When managers deliberated on the way out they resolved to implement performance management and rewards system. This move stemmed from the realization of the invaluable assets their employees were. In implementing the performance management system, they ranked the employees against each other.

The Merrill Lynch management also distributed the rewards to the employees with higher performance in accordance to a pre-determined formula. This system promoted competition amongst the employees and imputed the managers to explain the criteria for their rankings. It eventually led to tensions amongst the employees and also between the managers and employees. This tension was removed when the management shifted its emphasis from justifying ratings to improving performance (Griffin & Moorhead, 2010).

In the new quest to improve employee performance at Merrill Lynch the managers and the employees reach an agreement on a set of performance objectives. These objectives are closely related to the business goals of the company. The goals are subject to adjustments as required at any time. Feedback involves an ongoing process, with reviews undertaken at mid-year and the end of the year, providing a lot of opportunities for spontaneous mentoring and suggestions. The joint goal setting has strengthened
cooperation between the manager and the employees, while measuring performance against standards has reduced the competition amongst the employees. (Griffin & Moorhead 2010)

2.5 Chapter Summary

This chapter critically reviewed the literature relevant to research questions. It defined performance management and explained the significance of its implementation to an organization. It indicated that the implementation of performance management is not an end in itself but just the means towards realizing the full potential of the employees and the organization at large; also noted that the appreciation of the significance of performance management is a prerequisite to reaping the rewards of the implemented system.

The review of literature herein has demonstrated that a lot has already been studied in regards to the relationship between performance management system and employee performance. In this study however, we are looking at the discrepancy that normally exist between employee performance and the implemented performance management systems. The existence of performance management systems in an organization doesn’t necessarily translate into employee performance. That is the gap that this research seeks to fill and provide solutions for enhancing the already established performance management systems.

Further than that, the chapter analyzed the trends of performance management, as implemented in the public sector in countries such as United Kingdom, China, Nigeria, Botswana and Uganda. The increasing adoption of the system reiterates the importance of empowered employees in the modern competitive markets. The study of literature has also taken into account the definition of employee performance; it also discussed the various facets of employee performance and how they can be achieved through motivation. Finally, it has drawn links between the implementation of performance management and employee performance in the organizational context.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this study was to investigate the impact of performance management on employee performance, based on the case study of Assortedways Limited. Chapter 1 and 2 have introduced the pertinent research problems and provided a literature review that is relevant to the variables of the study. This chapter will have a critical look at the proposed methodology for this study, which shall be used to accomplish the objectives of the study and also answer the research questions.

Therefore, this chapter discusses the research design that guided the collection and analysis of data in the study; the target population, the sampling and sampling procedures. Additionally, it looked at the data collection methods and procedures and, the data analysis procedures.

3.2 Research Design

According to Kombo and Tromp (2012) research design is defined as the unique structure of a particular research study. In essence, it brings out the relationships between the major parts of the research in the processes of resolving the research questions of the study. On the other hand, Kothari (2011) regards research design as the “conceptual structure” through which a particular study is conducted: it entails the blue print that a researcher employs when they collect measure and subsequently analyze the data. This implies that the research design is critical in helping the researcher to standardize not just the data collected but also the findings of the study.

The choice of the research design in this study was guided by the key research question for the study. This is in accordance to Saunders et al., (2007) who argued that the design of a particular study should be guided by the research questions. This is in reflection of the fact that the research question better hints to how data should be collected and analyzed, thus the research design. It also implies that each study is better suited by a particular research design, dictated by what the researcher wants to measure or find out by undertaking that particular study.
Based on the research questions of this study, the researcher adopted the descriptive research design as the design for the study. According to Koh and Owen (2000) the descriptive research can be looked at as the “study of status” and its application is commonly found in fields such as epidemiology, education and behavioral sciences. The value of this research design is based on the premise that “problems can be solved and practices improved through observation, analysis and description.” Kothari (2011) argues that the descriptive research design is suitable for studies that seek to describe the characteristics of a particular individual or group. On the other hand, Thyer (2010) concurs that the descriptive research design is used in describing characteristics of a particular sample and also describing the relationships between variables, phenomena and situations. Researchers achieve this through measuring the ways in which the variables are naturally distributed. In this study we seek to describe the impact of performance management system on employee performance in Assortedways Limited.

3.3 Population and Sampling Design

3.3.1 Population

The population of a research study can be defined as the collection of elements, which the researcher intends to measure, evaluate or investigate (Cooper & Schindler 2003; Saunders et al., 2007); and to which the result that are obtained in the study should be generalized (Bless et al. 2006). Mugenda and Mugenda (2003) define research population as the group of subjects that bear some particular characteristics that can provide data to serve the purposes of the research. The research population of this study included the 178 staff of Assortedways Limited.

3.3.2 Sampling Design

A sampling design is the method used in selecting elements from the population that represented the population (Collins and Hussey, 2006).

3.3.2.1 Sampling Frame

The sampling frame consists of a list of the elements from which the probability sample is derived (Kothari 2011). The sampling frame is easily identified after the properties of the elements have been explicitly defined, determining if or not “an element belongs to the population under investigation” (Bless et al., 2006). According to Denscombe (2007) the
use of a sampling frame in research is very important. He refers to the sampling frame as an “objective list of the population” that the researcher can use to make their selection. This list should be up-to-date, comprising the population of the research. The sampling frame in this study involved a list of the 178 employees of Assortedways Limited.

**3.3.2.2 Sampling Technique**

According to Kothari (2011) sampling is the selection of a few items or elements from the research population, which becomes the basis for estimating or predicting the prevalence of a measured variable in the study.

On the other hand, a sampling technique is basically the identification of the specific process through which the particular entities of a sample are selected to be used in a research study (Heiman 2013). Sampling techniques are broadly classified into probability and non-probability sampling (Mugenda & Mugenda 2003). The major advantage of probability sampling is that it ensures equal opportunity for all the components in a research target population. The probability sampling methods include cluster sampling, stratified sampling, systemic probability sampling and simple random sampling (Saunders *et al.*, 2007; Kothari 2011). The sampling technique that was used for this study was systematic random sampling.

The rationale for using the systematic random sampling in this study was based on the premise that unlike the simple random sampling the technique allows the researcher to employ a process in the random selection of the subjects in the study. In this way the technique ensures that the population of the study was sampled evenly through the systematic elimination of clustered selection of the research subjects (Kothari 2011). Through the use of the available sample frame, the application of the systemic sampling calls for the researcher to select every $k^{th}$ number on the list and then systematically includes it in the sample. In other terms, the researcher selects an integer as the starting number on the sample frame. This integer must be less than the total number of the subjects in the research population. Then the researcher selects another integer that will demonstrate a constant difference between any two consecutive numbers along the progression. This integer helps the researcher to obtain the correct sample size (Albright *et al.*, 2011). As proposed by Babbie (2010) the researcher selected the first element at random in order to ensure that human bias is eliminated.
3.3.2.3 Sample Size

According to Cooper and Schindler (2003), a sample size of more than 10 to 30 percent is usually recommended for social sciences. The study used a sample size of 30% of the total population that consists of 178 Assortedways Limited staff, which translated into a sample of 53 respondents. The table below shows the calculation of the sample size.

Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Population</th>
<th>Target %</th>
<th>Sample Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assortedways Limited</td>
<td>178</td>
<td>30%</td>
<td>53</td>
</tr>
<tr>
<td>Total</td>
<td>178</td>
<td></td>
<td>53</td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

There are two different types of data that were used in this study: the primary data and secondary data. Both primary and secondary data were used in this study. Primary data refers the kind of data that is directly gathered from the original source, for instance the respondents in the field. The primary data was convenient for this study due to its tendency for accuracy and control, providing the researcher with the opportunity to make interpretations (Mugenda & Mugenda, 2003). The primary data was collected from staff of Assortedways Limited.

The secondary data, on the other hand, refers to data that already exists in the form of published and unpublished records and literature (Cooper & Schindler, 2003). It is “neither collected by the researcher nor specifically for the user” (Kombo and Tromp 2012). Salkind (2010), notes that the increasing popularity of secondary data is due to its availability in huge volumes for processing and analysis. In this study the secondary data was collected from relevant literature, addressing the particular variables investigated in this study.
The main purpose of data collection instruments is to expedite the data collection procedures that are required for the study. An effective instrument helps the researcher to collect data in a manner that is simple, concise and reliable. A good data collection tool will also come in handy when conducting analysis of the collected data (Saunders et al., 2007). Koh and Owen (2000) point out that the common descriptive research design method is the survey, which encompasses normative surveys, personal interviews, phone surveys, personal interviews and questionnaires. In this study questionnaires were used to collect quantitative data and interviews to gather qualitative data.

3.4.1 Questionnaires

Questionnaire is a tool of data collection that consists of a list of questions, which are related to the objective of the study. They are commonly used in gathering data about classification of people, their attitudes and circumstances. They are also used in the in-depth exploration of complex issues (Saunders et al., 2007). Some of the advantages of questionnaires is they are time effective and can facilitate the collection of information from large samples. In using questionnaires the respondents can also be able to uphold the confidentiality of the participants (Kombo & Tromp 2012). Additionally, questionnaires are appropriate where quantitative information is required from a large sample group (Aguinis 2009; Kombo & Tromp 2012). These are some of the reasons that the researcher considered in adopting questionnaires as the tool for data collection in this study.

Questionnaires can be designed for completion either by the researcher (interviewer completion) or by the subject (respondents or self-completion). The interviewer completion surveys are effectively the same as structured interviews (Saunders et al., 2007). In this study, respondents completed the questionnaire by themselves, at their own convenience.

3.4.2 Questionnaire Pre-testing

Mugenda and Mugenda (2003) point out that questionnaire pretesting entails conducting a preliminary test in data collection to crosscheck the tools and procedures. This according to Kombo and Tromp (2012) enabled the researcher to ascertain whether the questions are actually measuring the variables they are supposed to measure and if they also interpreted in the same way by the respondents. The researcher can then pinpoint and eliminate
problems and, make necessary revisions on the questionnaire to ensure that the collected data will be reliable and valid. In this study the researcher pretested five questionnaires with five staffers at Assortedways Limited that helped in ascertaining the accuracy and reliability of the instrument. Thus, the successful outcome of the piloting helped the researcher to minimize questionnaire non-response rate.

3.5 Data Collection Procedures

As aforementioned, the researcher collected the primary data using questionnaires. The researcher first obtained an introduction letter from the administration of the United States International University upon recommendation by the supervisors. This was followed by the distribution of questionnaires to the sampled respondents. The questionnaires were distributed both physically and through the respective e-mails of the respondents.

The questionnaire contained a brief introduction of the purpose of the study the research, elaborating how the provided information was used. The participants were given three weeks within which to respond to the questionnaires. Those who had not responded after the stated duration were contacted and be given an additional one week to respond.

3.6 Data Analysis Methods

Data analysis involves examining the data that the researcher has collected in an experiment or survey and making inferences and/or deductions out of it. It also entails reveling the underlying structures of data; testing of the underlying assumptions and identifying relationships and/or anomalies between variables(Kombo & Tromp 2012).

The data used in this study was predominantly quantitative and therefore called for the use of quantitative analysis.

Quantitative data analysis involves measuring the numerical values of data, out of which descriptions such as standard deviations and means are derived. The quantitative data used in this study was both discrete data (such as gender, education level etc) and continuous data (such as age). This quantitative data was analysed using the Statistical Package for Social Sciences (SPSS). This is because SPSS was able to handle large amount of data, and given its wide spectrum of statistical procedures purposefully designed for social sciences, it is also quite efficient (Martin & Kothari 2011).
3.7 Chapter Summary

This chapter discussed the research methodology that guided the collection and analysis of data in this study. The study adopted the descriptive research design as the design for the study since it sought to study the status of performance management in Assortedways Limited. The study identified the research population of this study as 178 staff of Assortedways Limited, which was sampled using the systematic random sampling. The study adopted the questionnaire as the data collection tool in this study; and elaborated on how it shall was constructed, pretested and then used in collecting the primary data. The quantitative data collected in this study was analyzed using the Statistical Package for Social Sciences (SPSS).
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the interpretation and discussion of the findings of this study in relation to the research questions. The chapter begins with a discussion on the questionnaire response rate and the demographic information of the respondents. The subsequent sections of the chapter discuss the findings on the research objectives which were; to identify the effects of the implementation of performance management systems on employee performance, to measure the relationship between the PMS and the employee’s performance and to determine the factors influencing the effectiveness of the performance management systems.

4.2 Response Rate

A total of 53 questionnaires were distributed to employees in the various departments of Assortedways Limited. Out of the 53 questionnaires given out, 5 were not returned; the other 4 were returned but rejected by the researcher since they were inadequately filled. One of the unusable questionnaires was blank on most of the pages and appended on it was a note explaining why the respondent was unable to complete it; the 2 other questionnaires were partially complete with major portions of it blank; while the fourth unused questionnaire had contradictory answers and erasures that made it hard for the researcher to use it alongside other submitted questionnaires.

With the total of 46 questionnaires returned the response rate of this study 86.7%. This is evidently a higher response rate. According to Barbie (2014) high response rate are advantageous since they greatly reduce non-response bias as compared to the low response rate. The low response rate poses a danger to a study since the non-respondents are highly likely to differ from the respondents in ways other than just their willingness to participate in the study.
4.3 Demographic Information

In this section discusses the features of the respondents that were involved in the study. These features include their gender, age, number of years working at Assortedways Limited and their level of education.

4.3.1 Representation by the Gender of the Respondents

The findings of this study indicated that out of the 46 questionnaires that were returned 28 were filled by men who accounted form 60.9% of the respondents, while the remaining 18 questionnaires were filled by women who accounted for 39.1% of the respondents. A total of 8 respondents did not indicate their gender. The large number of male respondent is indicative of the gender inequality in the company; it hints to the fact that Assorted ways is a male dominated company either because of the expertise required, which isn’t found amongst many women or because of an institutionalized gender policy. The researcher was interested with the distribution of gender because it would help in ensuring a balanced view to the response of the research questions.
Figure 4.2: Distribution of Gender Representation of Respondents

4.3.2 Representation by the Age of Respondents

The findings of this study indicated that 4 respondents (8.7\%) were below the age of 25; 7 respondents (15.2\%) were between 25 – 30 years; 11 respondents (23.9\%) were between 31 – 35 years; 8 respondents (17.4\%) were between 36 – 40 years; 8 respondents (17.4\%) were between 41 – 45 years and other 8 respondents (17.4\%) were above 45 years old. These findings therefore indicate that most of the employees at Assortedways limited were aged between 31-35 years. The cumulative percentage of those respondents aged below 35 years at the company 47.8\% whereas those that were aged above 35 years were 52.2\% of the respondents.
Figure. 4.3: The Distribution of Age Representation of the Respondents

4.3.3 The Number of Years Working At Assortedways Ltd

The findings of this study demonstrated out of the 46 responses generated, 5 respondents (10.9%) had worked at Assorted ways Limited for less than five years; 9 respondents (19.6%) had worked in the company between 5 – 10 years; 21 respondents (45.7%) had worked between 11 -15 years; 6 respondents (13.0%) had worked between 16-20 years and 5 respondents (10.9%) had worked for more than 20 years in the company. Most of the respondents in this study had worked for the company between 11 and 15 years. The cumulative percentage of the respondents that had worked for the company for over 10 years was 69.6% of the employees. This percentage is significant for this study as it demonstrates that most of respondents have been in the company for long and therefore their view the Performance Appraisal System was based on their experience over a considerable duration of time.
4.3.4 The Respondent’s Level of Education

The findings of this study indicated that the respondents had attained various level of education. Nine of the respondents (19.6%) were certificate holders; 20 respondents (43.5%) were diploma holders; 12 respondents (26.1%) were degree holders whereas 5 respondents were Masters Degree holders.
4.4 Reliability of Performance Measurement Tools

The reliability of a measurement tool refers to its ability to produce similar results under consistent conditions. This internal consistency is measured using the Cronbach alpha which in the classical test theory in statistics is a measure of scale. It is necessary for quantifying the reliability of a tool. The performance management tool for this study was measured for its internal consistency on these four categories; performance appraisal system, performance reward system, performance contract system, and performance of the employee. A reliability of .70 or higher is sufficient proof of reliability in the social sciences (Vigaro, 2007).

4.4.1 Performance Appraisal System

The reliability test on the performance appraisal system constructs achieved a Cronbach’s alpha of 0.832 indicating strong internal consistency thus verifying the reliability scale.
Table 4.1 Performance Appraisal System

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
<th>Overall Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>AS1</td>
<td>27.2174</td>
<td>47.552</td>
<td>.603</td>
<td>.809</td>
<td>0.832</td>
</tr>
<tr>
<td>AS2</td>
<td>27.0217</td>
<td>49.044</td>
<td>.525</td>
<td>.817</td>
<td></td>
</tr>
<tr>
<td>AS3</td>
<td>27.1304</td>
<td>46.694</td>
<td>.624</td>
<td>.806</td>
<td></td>
</tr>
<tr>
<td>AS4</td>
<td>27.1522</td>
<td>46.621</td>
<td>.581</td>
<td>.811</td>
<td></td>
</tr>
<tr>
<td>AS5</td>
<td>27.0652</td>
<td>47.929</td>
<td>.585</td>
<td>.811</td>
<td></td>
</tr>
<tr>
<td>AS6</td>
<td>27.4348</td>
<td>48.207</td>
<td>.546</td>
<td>.814</td>
<td></td>
</tr>
<tr>
<td>AS7</td>
<td>27.1957</td>
<td>53.005</td>
<td>.269</td>
<td>.840</td>
<td></td>
</tr>
<tr>
<td>AS8</td>
<td>27.0652</td>
<td>48.373</td>
<td>.567</td>
<td>.812</td>
<td></td>
</tr>
<tr>
<td>AS9</td>
<td>27.0217</td>
<td>49.533</td>
<td>.543</td>
<td>.824</td>
<td></td>
</tr>
<tr>
<td>AS10</td>
<td>27.0652</td>
<td>49.662</td>
<td>.461</td>
<td>.823</td>
<td></td>
</tr>
</tbody>
</table>

4.4.2. Performance Reward System

The reliability test on the performance reward system constructs achieved a Cronbach’s alpha of 0.767 indicating strong internal consistency thus verifying reliability of scale. Results are shown in the table below.

Table 4.2 Performance Reward System

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
<th>Overall Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>RS1</td>
<td>28.9565</td>
<td>41.243</td>
<td>.519</td>
<td>.735</td>
<td>0.767</td>
</tr>
<tr>
<td>RS2</td>
<td>29.1087</td>
<td>41.477</td>
<td>.517</td>
<td>.736</td>
<td></td>
</tr>
<tr>
<td>RS3</td>
<td>29.2826</td>
<td>43.052</td>
<td>.467</td>
<td>.743</td>
<td></td>
</tr>
<tr>
<td>RS4</td>
<td>29.4348</td>
<td>41.673</td>
<td>.404</td>
<td>.752</td>
<td></td>
</tr>
<tr>
<td>RS5</td>
<td>28.8043</td>
<td>44.916</td>
<td>.268</td>
<td>.768</td>
<td></td>
</tr>
<tr>
<td>RS6</td>
<td>29.1739</td>
<td>42.369</td>
<td>.435</td>
<td>.746</td>
<td></td>
</tr>
<tr>
<td>RS7</td>
<td>29.1957</td>
<td>39.983</td>
<td>.532</td>
<td>.732</td>
<td></td>
</tr>
<tr>
<td>RS8</td>
<td>28.8913</td>
<td>42.143</td>
<td>.456</td>
<td>.744</td>
<td></td>
</tr>
<tr>
<td>RS9</td>
<td>29.1304</td>
<td>43.271</td>
<td>.396</td>
<td>.752</td>
<td></td>
</tr>
<tr>
<td>RS10</td>
<td>29.1522</td>
<td>43.954</td>
<td>.329</td>
<td>.760</td>
<td></td>
</tr>
</tbody>
</table>
4.4.3. Performance Contract System

The reliability test on the performance contract system constructs achieved a Cronbach’s alpha of 0.683 indicating strong internal consistency thus verifying reliability of scale. Results are as shown in the table below

**Table 4.3 Performance Contract System**

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
<th>Overall Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>CS1</td>
<td>30.8696</td>
<td>45.316</td>
<td>.182</td>
<td>.685</td>
<td>0.683</td>
</tr>
<tr>
<td>CS2</td>
<td>30.7609</td>
<td>41.919</td>
<td>.419</td>
<td>.647</td>
<td></td>
</tr>
<tr>
<td>CS3</td>
<td>30.7391</td>
<td>42.553</td>
<td>.418</td>
<td>.649</td>
<td></td>
</tr>
<tr>
<td>CS4</td>
<td>30.7391</td>
<td>39.264</td>
<td>.599</td>
<td>.616</td>
<td></td>
</tr>
<tr>
<td>CS5</td>
<td>30.8478</td>
<td>39.510</td>
<td>.576</td>
<td>.620</td>
<td></td>
</tr>
<tr>
<td>CS6</td>
<td>30.8913</td>
<td>40.677</td>
<td>.460</td>
<td>.639</td>
<td></td>
</tr>
<tr>
<td>CS7</td>
<td>30.5000</td>
<td>40.833</td>
<td>.416</td>
<td>.646</td>
<td></td>
</tr>
<tr>
<td>CS8</td>
<td>30.2609</td>
<td>40.953</td>
<td>.438</td>
<td>.642</td>
<td></td>
</tr>
<tr>
<td>CS9</td>
<td>30.6957</td>
<td>47.505</td>
<td>.043</td>
<td>.709</td>
<td></td>
</tr>
<tr>
<td>CS10</td>
<td>30.4783</td>
<td>46.966</td>
<td>.054</td>
<td>.711</td>
<td></td>
</tr>
<tr>
<td>CS11</td>
<td>31.0435</td>
<td>45.109</td>
<td>.168</td>
<td>.690</td>
<td></td>
</tr>
</tbody>
</table>

4.4.4. Performance of the Employee

The reliability test on the performance of the employee constructs achieved a Cronbach’s alpha of 0.868 indicating strong internal consistency thus verifying reliability of scale. The results are as shown in the table below.

**Table 4.4 Performance of the Employee**

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach's Alpha if Item Deleted</th>
<th>Overall Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1</td>
<td>27.0870</td>
<td>55.414</td>
<td>.617</td>
<td>.853</td>
<td>0.868</td>
</tr>
<tr>
<td>P2</td>
<td>27.1304</td>
<td>51.449</td>
<td>.841</td>
<td>.834</td>
<td></td>
</tr>
<tr>
<td>P3</td>
<td>26.8478</td>
<td>57.599</td>
<td>.426</td>
<td>.868</td>
<td></td>
</tr>
<tr>
<td>P4</td>
<td>26.6739</td>
<td>54.314</td>
<td>.581</td>
<td>.856</td>
<td></td>
</tr>
<tr>
<td>P5</td>
<td>26.9783</td>
<td>54.066</td>
<td>.690</td>
<td>.847</td>
<td></td>
</tr>
<tr>
<td>P6</td>
<td>26.6522</td>
<td>57.565</td>
<td>.477</td>
<td>.863</td>
<td></td>
</tr>
<tr>
<td>P7</td>
<td>27.2391</td>
<td>52.808</td>
<td>.764</td>
<td>.841</td>
<td></td>
</tr>
<tr>
<td>P8</td>
<td>27.0652</td>
<td>51.529</td>
<td>.763</td>
<td>.840</td>
<td></td>
</tr>
<tr>
<td>P9</td>
<td>26.5000</td>
<td>59.233</td>
<td>.340</td>
<td>.874</td>
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</tr>
<tr>
<td>P10</td>
<td>27.0435</td>
<td>56.443</td>
<td>.411</td>
<td>.871</td>
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</tr>
</tbody>
</table>
4.5 Significance of Implementation of Performance Management System on Employee Performance

The different performance management systems; the reward system (RS) the appraisal system (AS) and the contract system (CS) all have an effect on employee performance. This study sought to establish the significance of the different systems on the performance of employees at Assortedways Limited. The table below shows the linear regression analysis to identify the significance of the independent variables on the dependent variables.

**Table 4.5 Regression Model**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.021</td>
<td>.104</td>
<td>.199</td>
<td>.843</td>
</tr>
<tr>
<td>1</td>
<td>AS</td>
<td>.317</td>
<td>.102</td>
<td>.348</td>
</tr>
<tr>
<td></td>
<td>CS</td>
<td>.361</td>
<td>.112</td>
<td>.374</td>
</tr>
<tr>
<td></td>
<td>RS</td>
<td>.341</td>
<td>.111</td>
<td>.351</td>
</tr>
</tbody>
</table>

The regression equation for this output is

$$Performance = 0.021 + 0.317X_{AS} + 0.361X_{CS} + 0.341X_{RS}$$

4.5.1 Significance of Performance Appraisal System on Employee Performance

Performance appraisal system was found to have a linearly significant influence on the Employee performance ($\beta = 0.317, p= 0.004<0.05, t$-value =3.106). This indicates that an increase in the performance appraisal will in turn cause an increase in the employee performance due to their linear correlation.

4.5.2 Significance of Performance Reward System on Employee Performance

Performance reward system was found to have a linearly significant influence on the Employee performance ($\beta = 0.361, p= 0.003<0.05, t$-value =3.209). The performance reward system also had a linear correlation to the level of employee performance as an increase in the performance management system will lead to an increase in the level of employee performance.
4.5.3 Significance of Performance Contract System on Employee Performance

Performance contract system was found to have a linearly significant influence on the Employee performance ($\beta = 0.341 \ p= 0.004<0.05, \ t$-value $=3.074$). This implies that the introduction of a performance contract system to any organization will have a positive impact on the level of employee performance thus increasing the general productivity of the organization.

4.5.4 Regression analysis of the significance of the PMS on employee performance

The impact of the performance management system as a whole employee on the performance of employees was determined by the use of the regression model. The results are as shown below

Table 4.6 Model Summary

<table>
<thead>
<tr>
<th>Model Summaryb</th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>.784*</td>
<td>.615</td>
<td>.604</td>
<td>.58234</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SYSTEM
b. Dependent Variable: PERFORMANCE

The model analysis of regression is shown in the table above. Regression indicates the strength of the relationship between the independent variables (Performance management systems) and the dependent variable (Employee performance). The $R$ square value in this case is 0.615 which clearly suggests that there is a strong relationship between Employee performance and performance management system. This indicates that the performance management system share a variation of 61.2 % of Employee performance.

Table 4.7 Anova

<table>
<thead>
<tr>
<th>ANOVAa</th>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regression</td>
<td>18.959</td>
<td>1</td>
<td>18.959</td>
<td>55.906</td>
<td>.000b</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>11.869</td>
<td>35</td>
<td>.339</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>30.828</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: PERFORMANCE
b. Predictors: (Constant), SYSTEM
The table indicates F-test (F= 55.906, p-value (sig) =0.000) is significant and therefore the entire model fits well.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.095</td>
<td>.096</td>
<td>-.991</td>
<td>.329</td>
</tr>
<tr>
<td>SYSTEM</td>
<td>.678</td>
<td>.091</td>
<td>.784</td>
<td>7.477</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PERFORMANCE

Performance management system was found to have a linearly significant influence on the Employee performance (B= 0.678, p= 0.000<0.05, t-value =7.477)

The regression equation is

\[ Performance = -0.095 + 0.678X_{system} \]

4.6 Performance Management Systems and Employee Performance

The data was entered into SPSS to determine the relationship between each independent variable and the dependent variable that is employee performance. The independent variables are appraisal system (AS), Reward system (RS) and contract system (CS). Correlation is a measure of relationship that was used to explain the relationship.

<table>
<thead>
<tr>
<th></th>
<th>PERFORMANCE</th>
<th>AS</th>
<th>CS</th>
<th>RS</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERFORMANCE</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.471**</td>
<td>.559**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.002</td>
<td>.000</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.471**</td>
<td>1</td>
<td>.228</td>
<td>.108</td>
</tr>
<tr>
<td>AS</td>
<td>Pearson Correlation</td>
<td>.002</td>
<td>.146</td>
<td>.497</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.559**</td>
<td>.228</td>
<td>1</td>
<td>.299</td>
</tr>
<tr>
<td>CS</td>
<td>Pearson Correlation</td>
<td>.000</td>
<td>.146</td>
<td>.055</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>42</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.501**</td>
<td>.108</td>
<td>.299</td>
<td>1</td>
</tr>
<tr>
<td>RS</td>
<td>Pearson Correlation</td>
<td>.001</td>
<td>.497</td>
<td>.055</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td>.001</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>42</td>
<td>42</td>
<td>42</td>
<td>42</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
4.6.1. Relationship between the Performance Appraisal system and Employee performance

The performance appraisal system was found to be positively related to Employee performance since the correlation coefficient between the two was significantly different from zero ($r = 0.471$, p-value = 0.002) at 0.01 levels of significance.

4.6.2 Relationship between the Performance Reward System and Employee Performance

The performance reward system was found to be positively related to Employee performance since the correlation coefficient between the two was significantly different from zero ($r = 0.559$, p-value = 0.000) at 0.01 levels of significance.

4.6.3 The Relationship between the Performance Contract System and Employee Performance

The performance contract system was found to be positively related to Employee performance since the correlation coefficient between the two was significantly different from zero ($r = 0.501$, p-value = 0.001) at 0.01 levels of significance.

4.6.4 The Strength of the Relationship between the Independent Variables and the Dependent Variable

Regression indicates the strength of the relationship between the independent variables (RS, AS, CS) and the dependent variable (Employee performance). The R square value in this case is 0.549 which clearly suggests that there is a strong relationship between Employee performance and performance management system. This indicates that the performance management systems (RS, AS, CS) share a variation of 54.9% of Employee performance. The model analysis of regression is shown in the table below.

<table>
<thead>
<tr>
<th>Model Summary $^b$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), RS, AS, CS

b. Dependent Variable: PERFORMANCE
### ANOVA*

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>20.908</td>
<td>3</td>
<td>6.969</td>
<td>15.414</td>
<td>.000b</td>
</tr>
<tr>
<td>1 Residual</td>
<td>17.181</td>
<td>38</td>
<td>.452</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>38.089</td>
<td>41</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: PERFORMANCE

b. Predictors: (Constant), RS, AS, CS

The table indicates F-test (F= 15.414, p-value(sig)=0.000<0.05) is significant and therefore the entire model fits well.

### 4.6. 5 Overall Model of Correlation

<table>
<thead>
<tr>
<th></th>
<th>PERFORMANCE</th>
<th>SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>PERFORMANCE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.784**</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>37</td>
</tr>
<tr>
<td>SYSTEM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td></td>
<td>.784**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>37</td>
</tr>
</tbody>
</table>

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

Performance management system was found to be positively related to Employee performance since the correlation coefficient between the two was significantly different from zero (r = 0.784, p-value = 0.000) at 0.01 levels of significance.

### 4.7 Chapter Summary

This chapter presented the finding from the study based on the two research questions; to determine the significance of the performance management systems on employee performance and to identify the relationship between the performance management systems and employee performance. The data was collected from a population of 53 staff members at Assortedways limited for the purposes of the study.
The collected data was entered on SPSS and correlation and regression analysis were carried out. Reliability of the measurement scale was also determined using Cronbach alpha coefficients. The measurement tool had an average internal consistency of 0.787 which is higher than the acceptable 0.70 making it a reliable tool for this study. Performance management systems were found to have a linear significant influence to employee performance. Performance reward systems were found to have the highest influence on the employee performance with a t value of 3.106 followed by performance appraisal systems and lastly by performance contracts with t values of 3.106 and 3.074 respectively.

The relationship between performance management systems and employee performance is positive with a correlation coefficient of 0.784. This means that it can be concluded that performance management systems improve employee performance and it is therefore pertinent for organizations to provide them to improve efficiency at the work place.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a discussion on the findings of the project in comparison with the findings of the literature review. The summary of the study and various recommendations’ in reference of the main objectives of the project which were:

1. To determine the significance of the performance management systems on the employee performance
2. To measure the relationship between performance management systems and employee performance.
3. Factors influencing the Effectiveness of the Performance Management Systems

The study was done on 53 staff members of Assortedways limited and the data collected was entered on SPSS where correlation and regression studies were done. The reliability of the measurement scale was also computed to ensure that the tool would provide data sufficient for this study.

5.2 Summary

The purpose of this study was to investigate the relationship between performance management systems and employee performance. The study was guided by the following research questions. To determine the significance of performance management systems on the employee performance? to measure the relationship between the performance management systems and employee performance? and factors influencing the Effectiveness of the Performance Management Systems

The study used descriptive research design to obtain information concerning the relationship between performance management systems and employee performance. This was done by describing in details the significance of performance management systems on the employee performance and stating the relationship between performance management systems and the general employee performance. This was a case study based on the employees of Assorted ways Limited Kenya, whose total number is 178; therefore making up the target population of this study. The essence of this study was to acquire the perception, views and observations of the employees of assorted ways on matters
pertaining to the performance management system that they were exposed to by their organization and how it related to their overall performance.

The study used a survey method to collect data from the field. The data was coded after editing and entered into the statistical program named SPSS for analysis. This study used descriptive statistics. Descriptive statistics such as percentages and frequency distribution was used to analyze the performance of the employees. While the measure of central tendency, particularly the mean measured all the data variables on performance appraisals and its effect on employee performance. The data was presented using tables so as to give clear pictures of the research findings at a glance.

The findings indicate that employee performance in different organizations is highly influenced by factors such as performance management systems and performance appraisal. This means that performance management systems improve employee performance and it is therefore a relevant tool for organizations to provide them for purposes of improving the efficiency of employees in their organizations. Any organization that aspires to get the best from their employees should consider performance appraisal systems as they were found to drastically improve the employee efficiency of any organization.

5.3 Discussion

5.3.1 The Significance of the Performance Management Systems on Employee Performance

The study revealed that employee performance is driven by the levels of motivation placed on the employees. Some of the key areas of enhancing employee performance were having a good performance management system and a performance reward system.

The findings agree with Armstrong (2006), who states that performance management plays a pivotal role in the human resource framework of all organizations. Cardy and Leonard (2014) note that performance management is an essential component for attaining effectiveness in organizations. The benefits that come with managing individuals and the performance of teams are critical in the quest to achieve the objective of the organization. In the same vein, there are gains that accrue as a result of compensating the employees in terms of pay increments, stock options, bonuses and other
such like benefits that are attributed to the achievement of some particular organizational goals. These links however do not in the long run produce extended results.

The findings also affirm that performance management initiatives have been given different terms such as pay-for-performance, management by objectives, performance based budgeting and/or programming and budgeting. At the outset, such like initiatives were merely geared towards making employee performance measurable and explicit for performance to be manageable (Monden et al. 2002). However, performance management has evolved to such a level that it no longer signifies just a list of singular practices that are aimed at measuring and adapting the performance of employees (Harper & Vilkinas, 2005; Inyang, 2008; Cardy & Leonard, 2014). Performance management has become an integrated process through which managers’ work together with their employees in improving their performance through setting expectations, measuring and reviewing results and cultivating reward performance. This ultimately is geared towards promoting the positive overall performance of the organization (Locke & Latham 2002). Appreciating these significances of performance management is a prerequisite to reaping its gains upon the implementation of its processes in any organization.

Finally the findings are an affirmation that performance measurement systems achieve their objectives whenever the strategy and performance measures of the organization are in alignment. They also succeed when the leadership of the organization adequately their vision, mission, strategies and values to the employees and stakeholders (Monden et al., 2002). Organizational activities that cannot be measured can hardly be controlled; in turn without such control the activities or rather processes cannot be managed. In essence, when an organization has got no dependable measurement it is difficult to make informed decisions on organizational performance (Dechev, 2010; Vigaro, 2013). In this way the performance measure breathe life into the vision, mission and strategy of the organization through providing focus to each employee; helping them conversant on how they can contribute to the success of the measurable expectation of the organization and its relevant stakeholders (Locke & Latham, 2002; Inyang, 2008).
5.3.2 Relationship between Performance Management and Employee Performance

The study revealed that one of the key areas of enhancing employee performance is setting up a performance management system in an organization. Performance management systems were found to greatly improve employee performance and it is to a great extent a key component for organizations’ to provide them to their employees at the workplace to improve the efficiency of their employees. This is due to the fact that the relationships between the performance management systems and employee performance have a positive correlation with a coefficient of 0.784.

The findings affirm that indeed the greatest challenge facing managers in almost all organizations today is how they can get maximum performance from their employees (James, 2003; Kirkpatrick, 2006; Sanderson et al. 2009; Rossi, 2012). This is because management of employees today has shifted in its outlook. No longer are employees regarded as machines to carry out order given by the management; they are rather regarded as the greatest resource of the organization on whose shoulders rest the success or failure of that particular organization. In most instances, it is the employees that interact with the most important publics of an organization, such as customers, especially when it comes to commercial organizations. They therefore are the link between the organization and its outside publics and whenever they are frustrated it will invariably translate to how the organization is presented to the outside publics.

In the same regard, it can be affirmed that organizational managers look forward to their employees delivering elevated performance. Commonly, many organizations seek to achieve this before they get right the hygiene factors. Worth noting is the fact that commitment factors cannot by themselves propel the employees to deliver improved performance unless the management has first put in place the basic hygiene factors (James, 2003; Dechev, 2010; Rossi, 2012). Most organization have their human resource managers concentrate their efforts on activities such as selection, training and recruitment in ensuring that their employees have acquired the required capacities that will enable them to meet the demands of the tasks assigned to them. Notably, these alone cannot guarantee that the employees will be productive in their tasks. This makes it imperative for organizations to invest into providing the hygiene factors that will lay the foundation
for employees’ subsequent exemplary performance (Kirkpatrick, 2006; Samson & Daft 2012; Vigaro, 2013).

Finally the findings are in line with Burns and Zhiren (2010) who examined how the Chinese government endorsed performance management and analysed the Chinese experiment with the concept since early 90s. In the 90s the Chinese government experimented with numerous performance management systems, which by 1995 came to be identified as the Objective Responsibility System. Through this system the government set targets at high administrative level, which were to be implemented by the low-level administrators. This system is currently widely practiced in China and targets have become increasingly quantifiable, specific and closely linked to employees’ outcomes. The monitoring of performance is however left to the local authorities, which have vested interests when it comes to reporting outstanding achievements.

Similarly this system was implemented in the Botswana’s public service in the 90s based on the recommendations from the previous evaluation of other performance improvement initiatives in the public sector that had failed to produce desired results. This performance management system was therefore aimed at improving the delivery of service to the public and in more specific terms it was aimed at improving performance, efficiency, communication, productivity and accountability of the public servants. It was introduced on the premise that it would come in handy in resolving problems in the various ministries in the government, which included inadequate planning, resource wastage and the disregard of the needs of the public (Boipono et al., 2014).

5.3.3 Factors influencing the Effectiveness of the Performance Management Systems

The findings on the factors influencing effectiveness of the performance management systems agree with a research conducted by the Centre for Business Performance at the Cranfield School of Management demonstrated that the organizations that have implemented performance management systems are generally better placed to monitor their productivity; effectively communicate their strategies and even reduce their operational costs. Besides, these organizations are also able to review their business strategies, control their operations and more importantly support their systems of compensation. (De Waal 2003).
In addition the findings also agree with Homayounizadpanah and Baqerkord (2012), who conducted a study on the implementation of performance management system impact on the efficiency, productivity and effectiveness of the employees of Chabahar Municipal in India. They asked participants their views on how their organizations had changed after the implementation of the performance management system. They found out that after the implementation of the system most of the organizations gained positive benefits. The implementation of the system increased the output, efficiency and even improved the satisfaction rates of the customers. More importantly, the implementation of the system also reaped substantial benefits for the human resource. This was attributed to clear communication lines and a boost on the employee initiative.

In the same regard the findings agree with Marr (2009), who says that one factor that impact on successful performance management implementation is whether or not the top management makes emphasis on the control of inputs, outputs and behaviors. The top-down control of employee behavior to enhance compliance with laid out procedures is highly likely to yield minimum benefits, if any. In this case the organization needs to make huge investments on surveillance and control; this in turn minimizes the discretion of the employees and leads to rigidity and dysfunctional behavior. However, when organizations focus on controlling output they invariably provide their employees with the discretion of achieving the desired goals.

Finally the findings are an affirmation that in the new quest to improve employee performance at Merrill Lynch the managers and the employees reach an agreement on a set of performance objectives. These objectives are closely related to the business goals of the company. The goals are subject to adjustments as required at any time. Feedback involves an ongoing process, with reviews undertaken at mid-year and the end of the year, providing a lot of opportunities for spontaneous mentoring and suggestions. The joint goal setting has strengthened cooperation between the manager and the employees, while measuring performance against standards has reduced the competition amongst the employees. (Griffin & Moorhead 2010).
5.4 Conclusions

5.4.1 The Significance of the Performance Management Systems on Employee Performance

Employee performance is driven by the levels of motivation placed on the employees. Some of the key areas of enhancing employee performance were having a good performance management system and a performance reward system.

Performance management systems were found to have a linear significant influence on the employee performance. This in turn improves to a great extent the efficiency of any organization as the employees’ are motivated to perform.

5.4.2 The Relationship between Performance Management and Employee Performance

One of the key areas of enhancing employee performance is setting up a performance management system in an organization. Performance management systems were found to greatly improve employee performance and it is to a great extent a key component for organizations’ to provide them to their employees at the work place to improve the efficiency of their employees. This is due to the fact that the relationships between the performance management systems and employee performance have a positive correlation with a coefficient of 0.784.

5.4.3 Factors Influencing the Effectiveness of the Performance Management Systems

The study concludes that any business organization should be ready to put in place a performance management system that motivates the employees to work effectively for best results. Performance reward systems were found to have the highest influence on the employee performance with a t value of 3.106. This shows that if you want to improve employee performance, organizations should put in place performance appraisal systems due to their positive effect to employee performance. Followed by performance appraisal systems and lastly by performance contracts with t values of 3.106 and 3.074 respectively
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 The Significance of the Performance Management Systems on Employee Performance

Organizations need to implement performance management systems because of their positive effect on the efficiency of the employee. To ensure that the employee stays motivated and efficient ascertains the organization that its goals will be met. Since the employee is the driving force of the company it is important for the organization to take an extra step in ensuring that the employees are performing at their level best which can be influenced by the motivation structures put up in place by the organization. More organizations need to implement performance management systems.

5.5.1.2. The Relationship between Performance Management and Employee Performance

Seeing as the performance reward system has the highest correlation coefficient at 0.559 to employee performance, more employers need to make it a part of their performance management system to keep their staff motivated. Employers should to a large extent focus on ensuring that their organizations have performance reward systems for ensuring that the employees work efficiently and productive.

5.5.1.3 Factors Influencing the Effectiveness of the Performance Management Systems

The study recommends the need for organizations to distribute the rewards to the employees with higher performance in accordance to a pre-determined formula. This system promoted competition amongst the employees and imputed the managers to explain the criteria for their rankings. This is likely to lead to tensions amongst the employees and also between the managers and employees. This tension can therefore be removed when the management shifted its emphasis from justifying ratings to improving performance.
5.5.2 Recommendations for Further Studies

The study recommends the need for additional studies to be conducted in this area of study, however particular consideration to be given to all sectors of the economy. It will also be interesting to carry out a study in a public organization setting so as to be able to establish if indeed the same findings will be achieved. Ideally the PMSs are not an end in themselves; they need constant monitoring, evaluation and updating in order for them to help organizations to reach their performance objectives.
REFERENCES


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APPENDICES

APPENDIX I: QUESTIONNAIRE

SECTION A: DEMOGRAPHIC INFORMATION

1. Indicate your gender
   Male [   ] Female [   ]

2. What is your age?
   Below 25 years [   ] 25-30 years [   ]
   31-35 years [   ] 36-40 years [   ]
   41-45 years [   ] Above 45 years [   ]

3. Number of years working in your company.
   Less than 5 years [   ] 5-10 years [   ]
   11-15 years [   ] 16-20 years [   ]
   Above 20 years [   ]

4. Level of Education
   Form Four [   ] Certificate holder [   ]
   Diploma holder [   ] Degree holder [   ]
   Masters holder [   ] PhD Holder [   ]
SECTION B: PERFORMANCE APPRAISAL SYSTEM AND EMPLOYEE PERFORMANCE

In each of the following questions please indicate the extent to which you agree or disagree with each statement by ticking the corresponding values on a scale of 1 to 5. Use the key below:

(1 = Strongly Agree; 2 = Agree; 3 = Neutral/Undecided; 4 = Disagree; 5 = Strongly Disagree)

1. The organization is only interested with the output of the employee
   1  2  3  4  5

2. The company gives me the chance to do something that makes use of my abilities
   1  2  3  4  5

3. The job that I perform at the company is challenging
   1  2  3  4  5

4. It is not easy to access company information
   1  2  3  4  5

5. My colleagues cooperate well with one another
   1  2  3  4  5

6. My colleagues are loyal to the organization
   1  2  3  4  5

7. The appraisal system emphasize on the behavior of the employee that instill confidence to the customers
   1  2  3  4  5

8. The appraisal system helps to improves the employee responsiveness to the customers
   1  2  3  4  5

9. The appraisal system has improved communication between the management and the employees
   1  2  3  4  5

10. The appraisal system has improved coordination between teams in the organization
   1  2  3  4  5
SECTION C: PERFORMANCE REWARD SYSTEM AND EMPLOYEE PERFORMANCE

In each of the following questions please indicate the extent to which you agree or disagree with each statement by ticking the corresponding values on a scale of 1 to 5. Use the key below:

(1 = Strongly Agree; 2 = Agree; 3 = Neutral/Undecided; 4 = Disagree; 5 = Strongly Disagree)

1. My organization has little concern for the personal relations of the employees
   1   2   3   4   5

2. My organization believe that job competence is the only criterion of hiring people
   1   2   3   4   5

3. My organization focuses on results rather than the procedures
   1   2   3   4   5

4. My organization communicates to the employees about performance
   1   2   3   4   5

5. My organization gives the chance to do different things from time to time
   1   2   3   4   5

6. There are only specific kinds of people that fit into the organization
   1   2   3   4   5

7. I am satisfied with my pay and amount of work I do
   1   2   3   4   5

8. The chances of opportunity for promotion are available
   1   2   3   4   5

9. Promotion is based on ability
   1   2   3   4   5

10. My company has a fair promotion policy
    1   2   3   4   5
SECTION D: PERFORMANCE CONTRACT SYSTEM AND EMPLOYEE PERFORMANCE

In each of the following questions please indicate the extent to which you agree or disagree with each statement by ticking the corresponding values on a scale of 1 to 5. Use the key below:

(1 = Strongly Agree; 2 = Agree; 3 = Neutral/Undecided; 4 = Disagree; 5 = Strongly Disagree)

1. My organization is bureaucratic with strict rules and procedures
   1 2 3 4 5

2. My organization focuses on results more than the procedures
   1 2 3 4 5

3. My organization has a high standards in regards to ethics and fairness in doing business
   1 2 3 4 5

4. The performance contracts improves the effectiveness of the company programs and focuses on results
   1 2 3 4 5

5. The performance contracts helps to reduce duplicating tasks
   1 2 3 4 5

6. The performance contracts communicates the purpose for using performance measurements to employees
   1 2 3 4 5

7. The performance contracts boosts the coordination amongst teams in the organization
   1 2 3 4 5

8. I am satisfied with the feeling of accomplishment I get from my job
   1 2 3 4 5

9. I am satisfied with the way my supervisor handles the people under him/her
   1 2 3 4 5

10. My supervisor is competent in making decisions
    1 2 3 4 5
SECTION E: MEASURING THE PERFORMANCE OF THE EMPLOYEE

In each of the following questions please indicate the extent to which you agree or disagree with each statement by ticking the corresponding values on a scale of 1 to 5. Use the key below:

(1 = Strongly Agree; 2 = Agree; 3 = Neutral/Undecided; 4 = Disagree; 5 = Strongly Disagree)

1. I am able to take new tasks
   1 2 3 4 5

2. I can step in for my co-workers whenever need arises
   1 2 3 4 5

3. I am continuously learning and improving myself
   1 2 3 4 5

4. I am able to communicate freely with my supervisor and colleagues
   1 2 3 4 5

5. I know what is expected of me at work
   1 2 3 4 5

6. I have enough information to do my job well
   1 2 3 4 5

7. I am aware about what the customers want
   1 2 3 4 5

8. I receive good feedback from the customers
   1 2 3 4 5

9. I am involved in important decisions that affect my work
   1 2 3 4 5

10. I am comfortable with giving feedback to others
    1 2 3 4 5