# EMPLOYEE PERFORMANCE MANAGEMENT PRACTICES AND ORGANIZATIONAL EFFECTIVENESS

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#### **ABSTRACT**

Employee performance is a key determinant in an organization's success. organization to achieve its goals and objectives, employees' involvement, commitment and motivation plays a key role. Literature have revealed a relationship between performance management practices and organizational effectiveness while many studies have been subjective in determining the impact of performance management practices on organizational effectiveness. This study adopted desk review to determine the impact of role clarity and performance review on organizational effectiveness. It is clear from the literature reviewed that there are gaps in explaining the relationship between the two variables. Different scholars have measured performance management practices and organizational effectiveness using different measurements. The literature review carried out also revealed that other factors including; leadership, organizational culture behaviour, employee engagement, training,

top management commitment, globalization, technological capabilities, resilience capabilities and employees competencies among others affect the effectiveness and use of performance management practices. There is need to examine the interrelation between performance management practices and organizational effectiveness. Managers supervisors should ensure deliverables, processes/methods as well as goals and objectives are clear to employees. Role content and scope should be clearly defined to avoid role ambiguity and role conflict. Employees' performance should also be reviewed from time to time to ensure that goals and objectives are continuously being met towards the achievement of organizational effectiveness.

**KeyWords:** Performance management practices, Role clarity, Performance review, Organizational effectiveness, Organizational image, Customer Satisfaction.

#### INTRODUCTION

#### **Background of the Study**

Organizational effectiveness covers several and complex performance outcomes that include; customer service, commitment, satisfaction, and organizational performance (Sparrow & Cooper, 2014). In addition to profitability and the financial details, human capital also contributes to the achievement of goals and objectives through constructive use of resources while adjusting to the external environment. Organizational effectiveness is a general notion or idea of how an organization can achieve its goals and objectives (Douglas *et al.*, 2021). The need to capture strategies of innovation, globalization of organizational capabilities, processes that are lean, productive, efficient and effective are required and to transform the organization's

focus to one that is customer-centric are some of the complex performance drivers that organizations are facing (Sparrow & Cooper, 2014).

It becomes clear from the literature that organizational effectiveness is essentially concerned with assessing an organization's performance based on a variety of criterion. These criterion include financial, social, economic, input, output, productivity and efficiency among others. It is supposed that measuring organizational performance corresponds to assessing organizational effectiveness and that appropriate performance management strategies spur behaviours that contribute to the organization's successful operation and profitability (Upadhaya *et al.*, 2014).

In the United Kingdom, in the face of ever-changing market conditions, the value of resilience capabilities established via specialized Human Resource Practices was put to test and Bustinza *et al.*, (2016) argued that in addition to the ability to use technology, HRPs that promotes flexibility in organizations are required to implement technical transformation successfully. The study's findings emphasized the relevance of HRPs in promoting resilience, which aids businesses in adjusting to change and as a result improving organizational effectiveness.

In Nigeria, Sule-Dan & Ilesanmi (2015) studied the impact of organizational discipline on organizational effectiveness in the public sector, with an emphasis on the Nigeria Customs Service, whereby the study's main aim was to see if there was a link between discipline and people performance and effectiveness. The study measured organizational effectiveness using; carefulness in selection of employees, existence of an effective motivational system, necessary rules and regulations, awareness that rules will be enforced.

In a study carried out in Kenya, Kuria & Mose, (2019) looked into the effects of green human resource management methods on universities' organizational effectiveness. The study measured organizational effectiveness using employee satisfaction, employee organizational commitment, environmental productivity and sustainability and employee loyalty. This study aimed at establishing the link between managing employee performance and organizational efficiency. The study will measure performance management practices using role clarity and employee performance reviews while organizational effectiveness will be measured using customer satisfaction and organizational image.

# **Organizational effectiveness**

Organizational effectiveness refers the extent to which a firm achieves its specified goals with the resources and means available without putting undue burden on its members. Effectiveness is primarily concerned with the values and activities of the human side of the company. It is an individual's ability to achieve a specific goal within the timeframe allocated for the task (Sule-Dan & Ilesanmi 2015). Organizational Effectiveness measures the prevalent ideas about what

enables an organization to accomplish its required results, both the means and the ends (Holbeche, 2016).

(Cameron, 2015), the theory of organizational effectiveness is based on the importance and preferences of evaluators and several definitions have emerged that include; achievement of goals and objectives, acquisition of the needed resources, meeting the stakeholders expectations, high-quality processes, the existence of simultaneous opposites, fostering flourishing and conforming to moral and ethical principles. These definitions have different criteria for measuring effectiveness, but each has a fair claim to being a beneficial strategy to analyzing and achieving worthwhile results.

Delery & Gupta, (2016) studied the different conceptualizations of human capital management methods and organizational efficiency in United States and measured organizational effectiveness using; operating ratio, net profit margin and return on investment. According to the study, Human Resource methods that result in selective hiring of staff, remuneration that is based on performance, and increased employee involvement result in achievement of higher levels of organizational efficiency.

In the finance industry Upadhaya *et al.*, (2014) examined performance measurement systems' role in organizational efficiency and deployed; Financial measures (profit, cash flow and return of investment); Non-financial indicators such as customer satisfaction, employee motivation, quality productivity and market share as well as feedback to measure organizational effectiveness.

Bustinza *et al.*, (2016) analyzing technological capabilities, resilience capabilities and organizational effectiveness measured organizational effectiveness using; operations and financial results, improvement of business models, dedication for continuous improvement, manufacturing process stability and understanding of customer requirements.

# **Performance Management Practices**

Rao, (2016) defined Performance Management as "doing everything necessary to consistently improve the performance of every employee in respect to his or her position, dyad, team, and the entire company in the context of the organization's short and long term goals." PM identifies and measures both individual and team performance and continuously develops while marching performance with the strategic objectives of the firm (Aguinis, 2019). In regard to all of the organization's activities, performance management can also be defined as a plan that considers the human resource style, culture, communication systems and policy in an organization. The nature of the strategy is dictated by the organizational setting and may vary across companies (Armstrong & Baron, 2014).

(Saunila *et al.*, 2015) studied the performance management's role in the application of reflective work methods and used the following to measure performance management; encouraging reflective discourse, making reflective work practices visible, fostering a positive measurement culture, incentivizing employees to apply reflective work practices through remuneration and rewards as well as establishing goals at all levels of the business.

Jena, (2020), the most crucial step toward operational efficiency and organizational performance is role clarification.. It includes responsibilities and authority, as well as the task's substance, work technique, operational priority, and timelines facilitating work alignment in a team and enhancing process efficacy and cross functional dependency. Zheng *et al.*, (2016) sought a theoretical grasp of role clarity on supervisor satisfaction trends, as well as leadership traits that act as a brake on the trajectories; interpersonal fairness and feedback on supervisory development. The study found fairness among people and equality as well as supervisor development feedback influencing the effect of too much role clarity. An asymptomatic trajectory was represented with low moderators, and a high role clarity was displayed by a symptomatic trajectory when the moderators were high.

Perceived role clarity was found to have a positive relationship with work place engagement inherent drive, and creative work practices, with another bootstrap analysis that revealed motivation that comes from within and job participation mediating the effect of recognized role clarity on work habits that are novel (Kundu *et al.*, 2019).

According to Hart, (2018), Performance reviews vary from one organization to the next and performance reviews are employed to promote performance in certain settings, compliance and juridical needs in others, and talent development. Lack of feedback makes performance appraisals fail in establishing a strong argument for a change, chasing a target, or maintaining the status quo. (Farris *et al.*, 2011) described and illustrated an implementation of a well-thought-out strategy to examine and enhance the process of evaluating an organization's performance metrics, with an approach that generates input that is relevant and can be acted upon for leadership to increase the effectiveness of the performance assessment review method.

## **Statement of the Problem**

According to (Kelecic, 2020), customer retention is becoming increasingly vital, especially when economic endeavors are saturated and fresh customers are few. Obtaining and possessing customers depends on how customer's perceive the value of products and services. Customers' perceptions of an organization or its services are based on cost, benefits, social psychology and quality. Customers remain royal if they perceive the value of products and services positively. Customer loyalty enables organizations to gain competitive advantage. According to studies, getting an additional client is five times as much than keeping the current one, and recovering a

lost customer is 50 to 100 times more expensive (Zietsman *et al.*, 2019). Recognizing customers' needs to reduce rates at which customers migrate and aiming at establishing alliances that lead to long lasting customer allegiance is thus the most difficult task for businesses.

Although the phrase "image" is commonly used to denote an organization's overall perception, most studies have mainly focused on how external audiences perceive the organization. Improved monetary and non-monetary outcomes of organizations, particularly through enhancement of employee contentment, identity, dedication, attachment to work, outlook on conduct outside one's role, and employee performance, all influence profitability (Rho *et al.*, 2015). According to studies, a favourable image aids firms in gaining a competitive edge and developing higher brand equity in the workplace, resulting in the recruitment of highly talented and qualified personnel as well as investors (Myrden & Kelloway, 2015).

The impact of knowledge management and operating efficiency, employee capacity, and management of performance was investigated by Tan & Olaore, (2021). The study discovered a link between knowledge management and efficacy, processes, job performance, and management performance, implying that knowledge management has a wide spread effect since it impacts and influences the efficacy and efficiency of all employees at all levels.

This study will assess whether there is a link between performance management techniques and the effectiveness of an organization. Indicators for performance management practices for this study are role clarity and employee performance review while organizational effectiveness will be measured using customer satisfaction and organizational image.

The current study will use performance management practices (independent variable) and organizational effectiveness (dependent variable) as per: Upadhaya *et al.*, (2014) in a study that investigated the role of performance assessment systems in organizational efficiency particularly in the sector of financial services in an emerging economy; Delery & Gupta, (2016) Alternative concepts and principles of the association systems of HRM practices and organizational effectiveness in Motor Carrier Industry in the United States and Tan & Olaore, (2021) who assessed the impact of knowledge management and operational effectiveness, employees' output, and management performance in Turkey's Banking sector.

#### **Objectives of the Study**

# **General Objective**

The General objective of the study was to determine the effect of performance Management practices on organizational effectiveness. This was supported by the following objectives;

# **Specific Objectives**

The specific objectives of the study are;

- i) To establish the effect of role clarity on organizational effectiveness.
- ii) To assess the effect of performance review on organizational effectiveness.

## **Research Questions**

Drawing from the proposed conceptual framework, the study pursues to address the following research questions;

**H**<sub>01</sub>: What is the effect of role clarity on organizational effectiveness?

 $\mathbf{H}_{02}$ : What is the effect of performance review on organizational effectiveness?

#### LITERATURE REVIEW

#### Introduction

The researcher conducted a literature review related to organizational effectiveness and performance management practices as offered by a number of academics, researchers, analysts, theorists, and authors. The Section discusses; theoretical literature review, theoretical structure, empirical review and conceptual framework.

#### **Theoretical Literature Review**

#### **Resource based view theory**

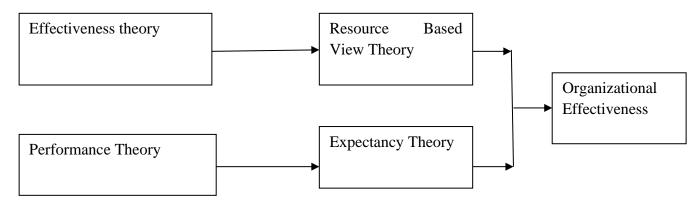
Resource Based-View (RBV) was introduced by Penrose (1959) and states that a firm is a combination of both physical and human assets that are joined within an organizational system. According to Gottschalk & Solli-Sæther, (2005). RBV theory is concerned with two points; one, that a resource must now be limited, hard to replicate or imitate, non-replaceable, and inaccessible in component markets in order to create a competitive edge (McIvor, 2008) and two; the performance of a company is determined by its resources (Gottschalk & Solli-Sæther, 2005). The RBV structure is often used in describing how businesses or group members can gain and maintain a distinct competitive benefit by utilizing a diverse resource base. The RBV concept was used, with a particular emphasis on how expertise and resources of a company can be developed to influence performance (Kamyabi & Devi, 2012) and focuses on the effective utilization and assigning of assets, as well as the establishment of resource-based essential skills and the resulting in an edge in the industry (Prior, 2003). Resources and capabilities are emphasized by RBV as the source of competitive advantage. The RBV theory proved extremely

useful in assessing an organization's ability to absorb, integrate, and use resources that are both useful and effective in order to compete in today's dynamic world.

# **Expectancy Theory**

Proposed in 1964 by Victor Vroom, the expectancy theory asserts that people will engage in behaviors that they believe will result in desirable results. People alter their behavior in ways that are most likely to lead them to these objectives. Expectancy theory asserts the thought of managing performance, as it is considered that prospects about upcoming occurrences influence performance (Salaman et al, 2005). Employees may lower their expectations regarding the link between their performance and the desired outcomes if they fulfil specific commitments to an organization but do not achieve promised consequences (such as promotions or pay hikes) and as a result may opt to behave differently. Employees may also change their judgments about the worth of such results and engage in different behaviours if the outcomes are not as gratifying as expected. Expectancy hypothesis explains the extent to which an endeavour is tied directly to performance, and that performance leads to benefits and the rewards provided are worthwhile (Purvis et al., 2015).

#### **Theoretical Framework**



# **Empirical Literature Review**

In this section, the scholar summarizes the empirical, conceptual and contextual gaps of the studies.

(Oyewo et al., 2021) looked into the determinants and effects of using a balanced scorecard (BSC) on the performance of an organization in industrial production companies. The study used the following aspects to measure the drivers of balance scorecard usage; Organizational characteristics affecting the degree of adoption of BSC; the use of BSC and the rate at which it is adopted and benefits of BSC usage in enhancing organizational effectiveness. In this study, a survey research design was adopted to obtain data from 300 manufacturing organizations' carried out on senior accounting/finance staff via structured questionnaires. The data was analyzed

using structural equation modelling, discriminant analysis and binary logistic regression analysis. The study discovered that connection to a foreign body, accessibility of expert skills, and corporate strategy are the three organizational elements that influence BSC usage intensity, with availability of specialist skills being the biggest forecaster. The study also discovered that the necessity for economic steadiness and the relevance of client feedback are the two most powerful predictors of BSC adoption pace.

Through a study of significant data obtained from employees of various United States Federal Agencies with a sample size of 392,752 and a response rate of 46.8%, Lee (2017) studied if and also how multiple characteristics of long-term leadership impact on organization's efficacy. To assess the effectiveness of the organizations, the study used; employees' overall satisfaction, intrinsic motivation and macro-level effectiveness which considered skill level, overall quality of work, job relevance knowledge and skills as well as agency success in accomplishing it's mission to measure organizational effectiveness. The findings showed that techniques of long-term leadership accounted a large amount of variation in many areas of organizational efficiency, with several aspects of long-term governance having varying degrees of influence on various aspects of organizational effectiveness. The study used survey research design and analyzed data using SPSS, multiple regressions while data was collected using survey questionnaire.

In the Ghanaian banking sector, Otoo (2019) investigated the mediating role played by employee skills in the link between human resource development (HRD) methods and success of the organization. The study used the competing values approach, strategic constituency approach, system resource approach, and goal attainment approach to assess organizational performance. A cross-sectional study approach was used with a designed questionnaire constructed for primary data collection in two commercial banks, which were sampled purposively. The study discovered that HRD practices have an impact on organizational success via influencing employee competencies, and that employee abilities serve as a mediator among HRD methods and organizational efficiency. The study targeted 800 respondents and received back 550 responses which accounts to (69%).

Carol and Florah (2019) evaluated the significance of performance management techniques on staff output at the State Department of Labor in Nairobi, Kenya, and measured performance management practices using employee appraisal and performance feedback. The study used well-ordered questionnaires for primary data collection, from a target population of 278 respondents that were identified using random stratified sampling method. With a sample size of 68 respondents the study achieved a 67.6% response rate. Regression analysis, means, percentages and standard deviation were used to analyze the data. Employee productivity was found to have a substantial affirmative association linking employee appraisal and feedback on employee performance.

Dayarathna et al. (2019) examined the managerial implications of high performance work systems (HPWS) strength, as well as the effect of political, economic, cultural, and technical factors on HPWS conceptualization in Sri Lanka's finance sector. Personnel, contribution and engagement, skills development, and performance evaluation, remuneration, and concern, HPWS benchmarking and distinctive practices were used in the study in the assessment of organizational effectiveness. The research was qualitative, and it used an exploratory research design using a collection of data strategy that was based on a case study, as well as the analysis of archival data and semi-structured interviews. Data was collected from a sample of 3 privately owned licensed banks. According to the findings, a solid HPWS, which results in a favorable attitude environment in the workplace, is required to achieve positive organizational effectiveness outcomes.

Through an assessment of small and medium-sized IT organizations in India, Thangavelu and Sudhahar (2017) studied the relationship between employees' role clarity, performance feedback, and employees' perceptions of their performance. The study used the Job Satisfaction dimension (job clarity, role conflict, and role content), as well as the performance feedback dimension and employee opinion of performance, to assess role clarity. Explanatory research design was employed and data was gathered from 553 respondents using self administered validated questionnaire and used Z-test and Chi-test to quantitatively analyse data. A considerable relationship between role clarity, performance feedback, and employee happiness in terms of performance perception was found. In addition, a substantial link was discovered between performance feedback and employee perceptions of their performance. There was also a substantial association between the employee's age, experience, and performance evaluation.

Lugalia, (2011) in a study carried out at Kenya Sugar Board in Nairobi examined employee performance management practices. Descriptive research design was employed as well as a case study using primary data collected through personal interviews. Performance management practices were assessed using; performance agreements, Performance reviews, employee development, rewards, training and development, and career planning. According to the findings, employee performance management strategies are used to improve the performance of individuals and teams, ultimately enhancing the total organization's performance by achieving key strategic goals. Employees were involved in creating and owning objectives, and annual appraisals were conducted, according to the findings, while training and development addressed needs assessment.

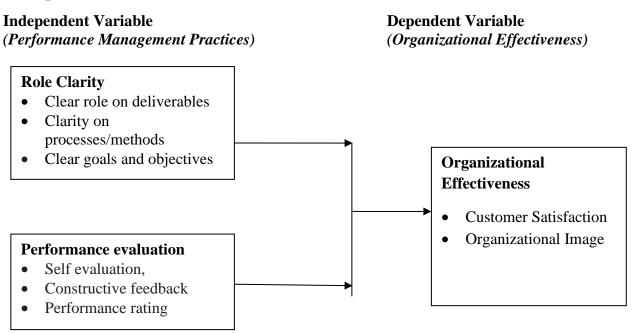
# Summary of the gaps in Empirical Review

	Author	Focus	Variables used	Research	Findings
			, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Design	
				employed	
1.	(Oyewo et al., 2021)	Investigated the motivations and effects of using a balanced scorecard (BSC) on organizational efficiency in Nigerian Industrial companies	<ul> <li>Organizational characteristics that influence BSC intensity of use</li> <li>Usage of BSC and its adoption speed</li> <li>The advantages of using a BSC to improve organizational performance</li> </ul>	<ul> <li>Survey         research         design</li> <li>Structured         questionnaire</li> <li>Structural         equation         modeling,         discriminant         analysis, and         binary         logistic         regression         analysis</li> </ul>	Affiliation with a overseas company, the availability of specialized people, as well as the company's overall strategy are the three organizational elements that influence BSC utilization intensity (strategic pattern)
2.	(Lee, 2017)	Investigated whether and how various aspects of long-term leadership influence an organization's effectiveness.	<ul> <li>Employees' overall satisfaction</li> <li>Intrinsic motivation</li> <li>macro-level effectiveness; skill level, overall quality of work, job relevance knowledge and skills as well as agency success in accomplishing it's mission</li> </ul>	<ul> <li>Survey research design</li> <li>SPSS</li> <li>Survey questionnaire</li> <li>.</li> </ul>	Sustainable leadership practices explained a large variance in several areas of organizational effectiveness, whereas distinct parts of sustainable leadership had varying degrees of influence on various aspects of organizational effectiveness.
3.	(Otoo, 2019)	The relationship between HRD practices and organizational efficiency and the mediating role of employee competencies	<ul> <li>Methodology for achieving objectives</li> <li>The use of system resources</li> <li>Strategic constituency approach</li> <li>Competing values approach</li> </ul>	<ul> <li>Cross-sectional study design</li> <li>Structured questionnaire</li> </ul>	HRD methods have an effect on organizational efficiency through their impact on staff competencies, and staff competencies were found to mediate the association between HRD methods and organizational

					efficiency.
4.	(Carol & Florah, 2019)	Studied the influence of performance management strategies on staff output at the State Department of Labour in Nairobi	Employee's appraisal     Providing     performance     feedback to     employees	<ul> <li>Descriptive research design</li> <li>structured questionnaire s</li> <li>Regression analysis and the use of mean, percentages, and standard deviation</li> </ul>	Employee productivity was found to be strongly correlated with both employee appraisal and employee performance feedback
5.	(Dayara thna et al., 2019)	The implications of high performance work system (HPWS) strength from a managerial perspective, as well as the impact of legal, cultural, economic political, and technological challenges on the conceptual model of HPWSs in the banking industry in Sri Lanka.	<ul> <li>Common practices</li> <li>HPWS benchmarking</li> <li>Distinctive practices</li> </ul>	<ul> <li>Empirical, exploratory study</li> <li>Qualitative inquiry</li> <li>Case study</li> </ul>	A solid HPWS that results in a positive attitude among staff, is required to achieve beneficial impacts on organizational effectiveness.
6.	(Thanga velu & Sudhah ar, 2017)	The relationship between employees' understanding of their roles, performance feedback, and their perceptions of their own performance.	Satisfaction (role clarity, role conflict and role content)  • Performance feedback dimension	<ul> <li>Explanatory research design</li> <li>Questionnair e</li> <li>Use of z-test and chisquare tests</li> </ul>	A considerable relationship between role clarity, performance feedback, and employee happiness in terms of performance perception.  In addition, a substantial link was discovered between performance feedback and employee perceptions of their

					performance.  There was also a substantial association between the employee's age, experience, and performance evaluation.
7.	(Lugali a, 2011)	Techniques for managing employee performance at the Kenya Sugar Board in Nairobi	<ul> <li>Performance agreements</li> <li>Performance reviews</li> <li>Rewards</li> <li>Training and Development</li> <li>Employee development</li> <li>Career planning</li> </ul>	<ul> <li>Descriptive research design</li> <li>Case study</li> <li>Personal interviews</li> </ul>	Employee performance management strategies are used to improve productivity by achieving key strategic objectives.  Also, the study revealed that human resources were getting involved in goal setting and appraised yearly while training and development addressed needs assessment

# **Conceptual Framework**



#### RESEARCH METHODOLOGY

The Study adopted desk top review of empirical and theoretical literature. This methodology allows summary of literature based on synthesis of concepts, theories and results to come out with conclusion.

#### **DISCUSSIONS AND FINDINGS**

#### Introduction

The Section provides a summary of empirical and theoretical review for the conclusions and recommendations.

# **Proposed Theoretical and Conceptual Framework**

This study seeks to investigate the concept of performance management practices and organizational effectiveness. The study is grounded on the theories of Resource Based view (RBV) and Expectancy theories. RBV theory is founded on the idea that resources are critical to a company's success, and that having access to and controlling these resources is a prerequisite for power. The theory examines the relationship between organizations and the resources they need in order to operate. Raw materials, funds, and personnel are all examples of resources. People will participate in behaviors that they feel will lead to favourable outcomes, according to the expectation theory. Individuals adjust their conduct in order to increase their chances of achieving their goals. Employees may change their judgments about the worth of such results and engage in different behaviors if the outcomes are not as gratifying as expected.

The proposed conceptual framework represents the various hypothesized relationships in this study - the relationships between performance management practices (independent variable) and organizational effectiveness (dependent variable). Role clarity and performance review will be investigated as the indicators that will lead to finding out how performance management practices impact organizational effectiveness. The study is an exploratory study with a view of making propositions that will demand the need for future empirical authentication. The study revealed that there is need to define and establish the link between performance management practices and organizational effectiveness outcomes.

#### CONCLUSIONS AND RECOMMENDATIONS

#### **Conclusions**

The purpose of this study was to weigh the concept of organizational effectiveness and establish its relationship with performance management practices. Organizations use performance

management practices to ensure that employees are performing and working towards achievement of both individual and corporate goals and objectives.

The indicators of focus for this study are customer satisfaction and organizational image for the dependent variable while role clarity and performance review are used for the independent variable. The benefits of organizational effectiveness include; customer satisfaction, better organizational image, decreased costs, improved customer engagement and value, efficiency, better management and better organizational outcomes among others. Benefits of role clarity include; high level of employee satisfaction, reduced turnover rates, increased employee creativity and learning, increased organizational commitment, increased job involvement, improved job performance and increased organizational efficiency. Performance review benefits organizations in that it is a basis for promotion, compensation, employee development and communication. It is consequently important to tie these performance management practices indicators to organizational effectiveness. As a result of the existing empirical dilemmas, a conclusion has not been arrived at from the findings brought about from the limited theorizing, conceptualization and the emerging gaps. Therefore, there is no conclusion evidence that performance management practices are significant on organizational effectiveness.

#### **Recommendations**

The study recommends that it is important to examine the connection between performance management practices and organizational effectiveness. Managers and supervisors should ensure that deliverables, processes/methods as well as goals and objectives are clear to employees. Role content and scope should be clearly defined to avoid role ambiguity and role conflict. Employees' performance should also be reviewed from time to time to ensure that goals and objectives are continuously being met towards the achievement of organizational effectiveness.

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