PERFORMANCE MANAGEMENT PRACTICES, ORGANIZATION STRUCTURE AND SERVICE DELIVERY

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ABSTRACT

Purpose: The general objective of this study is to determine the relationship between performance management practices, organization structure and service delivery. The specific objectives are; to determine the relationship between training and service delivery, to establish the relationship between performance appraisal and service delivery, to find out the relationship between performance contracts and service delivery, to investigate the moderating effect of organization structure on the relationship between performance management practices and service delivery, and to determine the mediating effect of total compensation on the relationship between performance management practices and service delivery.

Methodology: The study adopted a desktop literature research design. The desktop literature review focused on previously published journals that looked at performance management systems in both public and private institutions. Desk research is not about collecting data. Instead, is to review previous research findings to gain a broad understanding of the field. Books and journals were used to collect information. To identify the right journals and books several keywords such as training and service delivery: performance appraisal and service delivery: performance contracts and service delivery and performance management practices were searched in google.

Conclusions: From the reviews done by the researcher, there is a positive relationship between performance management practices and service delivery. Majority of the findings from the studies by various researchers also draws similar conclusions except for one study that found that there was no relationship between performance management system and service delivery.

Unique contribution to theory, practice and policy: The researcher recommends that an in depth analysis of the relationship of performance management practices and service delivery be carried out incorporating various other moderating and mediating variables.

Keywords: Performance Management Practices, Organization Structure and Service Delivery
1.0 INTRODUCTION

Globally, performance management is considered to be one of the most important process in an organization which is a function of employees’ ability, motivation and opportunity to participate. Performance management is a leeway that convert potential into performance by getting rid of the intermediate obstacles while motivating human resource (Kandula, 2006). In his contribution to performance systems, Balogun (2003) note that members of an organization at any given time, may respond positively if they are given a set of standards or expectations and the tools to monitor their status. The fundamental input of a performance measurement is associated with delivery of improved services. Indeed, the basic assumption of performance management usually influences the delivery of results. This is because it has a blatant ability to unite the institution members’ attention on a common objective and galvanize the achievement of this objective (Paauwe, 2009).

Organization structure on the other hand is a formal system of task and reporting relationships that controls, co-ordinates and motivates employees so that they work together to achieve organizational goals. Bloisi (2007) highlights importance of organization structure as a mean of getting people work towards common goals thus acting as facilitator in pursuit of organizational goals. Organizations should ensure that employees identify with organizational thoughts and willingly forego personal interests by designing structures which accommodates employees and harnesses an environment where staff takes organizational goals as their own and share believe of being valued through their work. Hence a good organization structure should provide right blend of command and control plus employee independence without feeling of resentment that hinders organization pursuit of its mission.

In most organizations, performance management is only taken into consideration only when it becomes a problem. Nevertheless, it is imperative to put tools in place before issues arise. For instance, an organization can organize or put in place performance systems such as training, departmental assistance, performance appraisals or work plan in order to prevent issues from happening. Quite a number of developing countries have been widely seen improving their service delivery after taking greater consideration in regards to performance measurement (Bushner, 2007).

1.1 Problem Statement

The ultimate goal of every organization is service delivery. Employees in their own sphere are encouraged to perform optimally in their roles and duties and employers often base the productivity of employees on service delivery. In the recent highly competitive market, organizations need to capitalize on any opportunity to set themselves apart from their competitors by fostering strong customer relationships based on the quality of your service. Many researchers have thus tried to conduct studies on how best to improve service delivery in organizations. Jerop Rael and Dr Geoffrey Kimutai Kiptum (2017) in their study purposed to find out the effect of performance contracting on service delivery in selected state corporations in Uasin Gishu County. They found out that there is a positive significant relationship between work plan management and service delivery of State Corporations. Chegenye, Mbithi and Musiega (2015) investigated the role of performance management system on service delivery in public hospitals in Kenya. The findings of the study revealed that services delivery at the hospital
were not quality as expected even though the correlation results revealed that performance target setting has a strong significance positive relationship with service delivery.

Generally, it is apparent that many organizations face a huge task of providing effective and efficient service delivery to the customers. Despite immense study focusing on performance management, few studies have paid attention to performance management practices when addressing the three variables, training, performance appraisals and performance contracts. This study aims to address the above gap by studying the relationship between performance management practices and service delivery while incorporating moderating and mediating variables.

1.2 Objectives of the study

1.2.1 General objectives

The main objective of the study is to determine the relationship between performance management practices, organization structure and service delivery.

1.2.2 Specific objectives

1. To determine the relationship between training and service delivery.
2. To establish the relationship between performance appraisal and service delivery.
3. To find out the relationship between performance contracts and service delivery.
4. To investigate the moderating effect of organization structure on the relationship between performance management practices and service delivery.
5. To determine the mediating effect of total compensation on the relationship between performance management practices and service delivery.

1.3 Significance of the Study

This study will be significant to various organizations’ management in establishing the effects of performance management best practices so that they can be able to understand ways of impacting service delivery in organizations. The study will also benefit the academic community, as it will serve as a reference point on empirical data pertaining to performance management and it will also identify areas for further study.

2.0 LITERATURE REVIEW

2.1 Conceptual Overview

2.1.1 Performance Management practices and Organization Structure

According to Lawler (2003) performance management is a set of tools that can be able to play various important roles in an organization. If it is well adopted and implemented, organization’s efficiency, effectiveness, and competence will be assured. Yet, several essential levels ranging from individual to organizational are involved. Hence, good performance management tools are needed in order to ensure its role is observed by mainly establishing standards self-review systems and performance maintenance models (Stavrou, 2005).

Byars and Rue (2004), further expounds that best performance management practices typically include work planning, goal setting, training, coaching, actionable feedback, reward system,
Performance Review, performance contracts, leverage technology among others. Practices that include goal setting, planning, evaluation, feedback and rewarding activities are the key similarities of general performance management and Human Resource related performance management (Paauwe, 2009).

Kandula (2006) asserts that the performance management should be strictly in line with an organization’s long-term policies. It also should be able to involve employees’ efforts as far as the performance outcomes are concerned. In that way, the design of an effective performance management process is critically assessed by determining what constitutes good performance and different aspects of high performance (Lawler, 2003). It is always important for organizations that still adopt annual evaluations to consider adding other tools.

Organizational structure is defined as a mechanism which links and co-ordinates individuals within a framework of their roles, authority and power. An organizational structure outlines how activities such as task allocation, coordination and supervision are directed towards the achievement of organizational aims (Pugh, 2012). It is sometimes considered as the viewing glass or the perspective through which individuals see their organization and its environment (Jacobides, 2013). Every organization or institution is structured differently to achieve its objectives (Campbell et al., 2011). Organizational structures allow the expressed allocation of responsibilities for different functions and processes to different entities such as: departments, workgroups and individuals. When employers, managers, staff or students in an organization or an institution understand their institutional structure, they are better able to work together, perform their roles and feel secured in the scope and limits of their jobs or responsibilities (Maduenyi SAO et al. 2009).

It is therefore important that organizations design their structures in accordance with organizational strategies, as well as internal and external working environment conditions because organizational structure has numerous and significant effects on both individuals and organizations. Previous studies suggest that the difference types of organizational structures have considerable impacts on leadership styles, organizational performance, innovation, employee’s trust and job satisfaction levels, perceived fairness, individual job performance, job involvement and learning organization (Gargnd Krishnan; Campbell et al. 2015).

In developing organizational structures, management must understand that organizational structure needs to be done with all staff, and clients of the organization in mind and that the structure should be informed by the organizational strategy to ensure that all plans that are followed thereafter assist with the implementation of the organizational strategy (Zenger TR et al.,2011).

2.1.2 Historical Evolution of Performance Management

The competitive pressures in the market brought the need of introducing a comprehensive performance management process into the system in order to improve the overall productivity and performance effectiveness. The performance management process evolved in several phases over the century.

In 1908, Frederick Winslow Taylor applied his ‘Scientific management’ principles to find out how the work potential of individuals affected their productivity. F. W. Taylor’s scientific
principles highly influenced Henry Ford’s Taylorism adopted from 1909 to 1913. Ford introduced mass production of cars.

In 1914, F.W. Taylor introduced a performance appraisal process that focused more on current worker productivity and ways to improve it over time. His appraisals focused more on the individual’s personality and traits like knowledge, punctuality, loyalty etc. instead of accomplishment of workplace goals and service quality.

Walter D Scott introduced the concept of rating the abilities of his staff as early as World War I in 1914 – 1918. Influenced by Taylor, he introduced his ‘man to man comparison’ scale. WD Scott’s documented performance appraisal system wasn’t widely recognized until the 1930s.

By the mid 1950’s this formal performance appraisal process was commonly used by many companies. It helped managers measure the performance of their workers based on personality traits which had nothing to do with their productivity at the workplace.

In the early 1960’s, performance appraisals were based on ‘Annual Confidential Reports (ACR). Employee service Records (ESR) were then maintained for controlling the behaviors of the employees and these reports provided substantial information on the performance of the employees. Traits such as job knowledge, sincerity, dynamism, punctuality, leadership and loyalty were used for assessment and the remarks were never communicated to the employee. This system had many drawbacks.

During the 1970’s, the adverse remarks incorporated in the performance reports were communicated to the employees so that they could take corrective measures for overcoming such deficiencies.

Gradually, the performance appraisals based on inherited personality traits transformed into evaluations based on goals & objectives. The focus became more on what an individual employee could achieve in the future with the correct action plan. Some organizations also introduced a new section on training needs in the appraisal form. This system of performance appraisals is still used in public sector organizations of many middle-income countries.

During the 1980’s & 1990’s, multi-person rating became popular as 360 degree feedback. This wasn’t accepted by some organizations because it consumed a lot of their budget. Performance appraisals at this period started focusing on motivating employees and improving their performance. Organizations began measuring various new traits like team-work, communication, conflict-reduction, efficiency etc. Performance appraisal process then became more development driven, open and flexible instead of being restricted to employees in the 2000’s.

The performance management system is still evolving. Organizations these days have become more employee-focused and less process-driven. Continuous feedback has become more popular in organizations. According to Josh Bersin, Artificial Intelligence is likely to transform human resource (HR) operations in future.

2.1.3 Service Delivery

A service is the intangible equivalent of an economic good. Otutahi (1996) states that services are mostly produced and consumed by people, therefore, to keep service reliability constant is a real challenge. Quality service delivery entails comparing performance within an organization
with the customers’ expectations. Quality service delivery helps an organization achieve the needs of customers while still remaining competitive economically. There is need for service providers to do a demand interpretation and to come up with forms of services which are requisite in supporting clients of different types (Zeithaml and Bitner, 2006).

Parasuraman (1988) developed the SERVQUAL model, also referred to as Rater model, and in it he brought out five dimensions of quality of service namely reliability, assurance, tangibility, empathy, and responsiveness. The dimensions have an implication that there is a notable gap between offered services and customers’ expectations.

According to Edward and Bvuma (2001), services must be selected and managed with care to maintain credibility. In Japanese culture total quality service culture is a starting point to continuous improvement or Kaizen. Positive ways are identified to acknowledge progress rather than negative ways to punish people for not achieving goals.

2.2 THEORETICAL REVIEW

2.2.1 Goal Setting Theory

The theory was advanced by Lotham and Locke (1979) when they argued that goals set for employees could motivate them and thus improve their performance. The theory states that employees align their target with organization goals where they assess themselves and change their behavior to attain the objectives. Setting of specific goals that are challenging but achievable motivates employees.

According to Drummond, the core of the theory lies in the availability of a targeted action where workers set goals that enable them to achieve their needs (Muriuki, 2016). The set goals shape employees’ behavior and spearhead their efforts towards achieving particular outcomes. Subsequently, individual drive and competence increases organizational employee productivity.

2.2.2 Servqual Model

This service quality model was developed and implemented by A. Parasuraman, Valarie Zeithaml, and Leonard Berry in 1988. It is a method to capture and measure the service quality experienced by customers. Initially, emphasis was on the development of quality systems in the field product quality. Over time, it became more and more important to improve the quality of related services. Improved service quality could give organizations a competitive edge. Parasuraman et.al defined service quality as the difference between customer expectations and perceptions of the service actually received.

2.2.3 Human Capital Theory

The theory was proposed by Garrick (1999). Theory of Human Capital is linked with the perception of resource orientation of an organization as observed by Barney (1991). Based on this analysis the competitive advantage of an organization is achieved when the human capital cannot to be replaced or duplicated by the competitors within a given sector. An organization thus requires a competitive advantage by use of various techniques in order to survive the market. It therefore, has to find or create resources that are difficult to imitate or substitute.
Armstrong (2006) asserts that the core objective of the performance management approach is to draw ability, motivate and offer opportunity to participate for all members of an organization. The chief characteristic of the theory of human capital, it underscores employee’s skills and abilities which are indispensable for service provision within a given sector.

2.2.4 The Resource Based View (RBV)

RBV is structured around the ability of available resources inclusive of employees to inimitable rare non substitutable (Tyson, 2006) and valuable with the objective of offering competitive edge as derived by economist Edith Penrose. Strategic relevant behaviors are developed through the pooling of human capital according to Wright et al. (2001). Internal resource is the core aspect of Resource Based approach in order to create a sustainable competitive advantage. The approach allows for the advancement of performance management practices such as goal setting, planning, evaluation, feedback and rewarding activities with the aim of sustaining each other, that is horizontal assimilation or fit.

2.3 EMPIRICAL REVIEW

2.3.1 Training and service delivery

Training aims at helping organizations achieve their purpose by adding value to its human resources which is key to their operations, and empowering them to utilize their natural abilities optimally and to perform even better (Bakare, 2012). A study by Nassazi (2013) that evaluated how training affected employees’ performance in the telecommunication industry in Uganda showed that, training clearly affected performance of employees. A study by Wells (2013) showed that staffs that are in the front line of service delivery, with a high level of customer contact, need training to achieve expected standards of delivering service. Elnaga and Imran (2013) in their study on how training affects employee performance revealed that some organizations conduct training program for their staff without identifying the purpose and objectives first, and without being in grip with the knowledge, skills and abilities employees would learn through training program. The study revealed that those companies must design their training programs with clear goals and objectives while keeping in mind the particular needs and benefits to both individual and the firm. According to (Shaw, 2015) training leads to higher output quality, improves the quality of work and work life, high morale and helps to increase confidence and motivation. It also leads to organization learning culture that develops and improves effectiveness within the organization.

2.3.2 Performance Appraisal and Service Delivery

Performance appraisal has been described as “the process of identifying, observing, measuring, and developing employee performance in organization” (Carrol & Scheider, 2012). Performance appraisals are significant to existing human resource systems and especially with regard to organizational strategy. A study carried out in UK by Amber Qureshi (2013) on impact of performance management: an analytical investigation of the business model of McDonalds on the organizational performance, found out that Performance appraisal sessions conducted each year in McDonalds motivates the employee to work harder and harder. Further, performance appraisal processes leads to training and development to the employees as well as the reward
management. These factors also drive the average worker to work more and more efficiently in McDonalds. Based on the research study conducted by Omboi et al (2011) appraisal systems within an organization is a stand-alone perquisite that ensures the proper selection, training and employee motivation. Wright, Gardner and Moynihan (2013) ran a research whose results support the notion that businesses which manage employees by using more progressive HR practices can expect to see higher operational performance as a result. When employees are managed with progressive performance appraisal they become more committed to their organization.

Performance appraisal can and should be linked to performance improvement process and can also be used to identify training needs and potential, agree future objectives, support a career development and solve existing problems (Brown & Benson, 2013).

2.3.3 Performance Contracts and service delivery

Performance Contracting is a type of management science also called Management Control Systems where services are executed according to contractual agreement and on agreed-upon terms, in a specific period of time, within a given budget and performance standards. A performance contract (PC) entails a range of management tools which define duties and responsibilities between parties to achieve an agreed target, goals and objectives. Performance contracting is one element of broader public sector reforms aimed at improving efficiency and effectiveness, while reducing total costs (Domberger, 2002). Ndung’u (2009) observed that Governments are faced with the challenge of improving service delivery while using fewer resources to deliver effective and efficient services demanded by the citizens.

In his study, Omar (2012) sought to find out performance contracting effects on service delivery at the Municipal Council of Mombasa to its residents. It was important for the study to trace the history of the performance contracting in Kenya and identify successes and challenges of implementing it. The study findings established that performance contracting improved service delivery, improved employee accountability and enhanced team spirit due to its ability to motivate employees to work. Although, there is need for a comparative study on the performance contracting effects on the quality of service provision by various councils within the Republic of Kenya. According to a study by Kobia 2006, performance contracting has ripped the following benefits; remarkable and unprecedented improvement in profit generation for commercial state corporations, significant improvement in service delivery and operations by such ministries as immigrations and registration of Persons, Agriculture, Provincial Administration and Internal Security, Health, finance and Water, significant improvement in operations and services by Nairobi City Council, Kisumu and Nakuru Municipalities, and unprecedented improvement in service delivery and operations by the bulk of state corporations and statutory boards, among them, KenGen, Kenya Power and Lighting Company Limited, Kenya Ports Authority, Kenya Utalii College, National Oil Corporation of Kenya, and Kenya International Conference Centre.

2.3.4 Organization structure and service delivery

According to Buchanan and Huczynski (2004) organization structure is a formal system of task and reporting relationships that controls, co-ordinates and motivates employees so that they work together to achieve organizational goals. An organization structure thus holds and binds all
employees towards unified direction and aids the identification of who is who and what is what of an organization. Kihara et al (2016) in their study on influence of organizational structure on performance of large manufacturing firms in Kenya found out that organization structure has a significant effect on performance of these firms. In his study on effects of organizational systems on service delivery in civil organizations in Marsabit County, Kathuri Wincate (2014) established that functional structure with many hierarchical levels, delegation of authority and the Board of Directors devotion to organization issues were factors that would improve service delivery to organizations. Mullins (2005) emphasizes that structure affects both productivity and economic efficiency and also morale and job satisfaction. He further accentuates that a good structure will not only have tangible effects to financials, but also in-tangible effects like motivation thus impacting organizations’ operational effectiveness as employees carry out their tasks. Bloisi (2007) highlights importance of structure as a means of getting people work towards common goals thus acting as facilitator in pursuit of organizational goals. Thus, an organization should design a structure which accommodates employees and harnesses an environment where staff takes organizational goals as their own and share believe of being valued through their work.

2.3.5 Total Compensation and Service delivery

Compensation or total compensation is the total of all rewards provided to employees in return for their services, that is, time, effort and skill. This includes both fixed and variable pay tied to performance levels. Swanepoel et al.15 stated that compensation is financial and non-financial extrinsic rewards provided by an employer for the time, skills and efforts made available by the employee in fulfilling job requirements aimed at achieving organizational objectives. The current business environment has become very competitive, thus more attention should be given to compensation. Keynan Warsame (2018) performed a study to find out the effect of compensation management practices on employee performance in Wajir County and found out that there is direct relationship between the employee performance and direct compensation and employee incentives. Ngui Thomas et al (2014) in their study on effect of reward and compensation strategies on the performance of Commercial Banks in Kenya concluded that there is a positive relationship between strategic reward and compensation and employee performance among commercial banks in Kenya. According to a study carried out by Wambui and Kwasira (2015), there is a strong relationship between compensation and employee performance in Nakuru County government. Ojokuku and Salami (2011) found out that financial incentives significantly affect the performance of employees. Despite the findings of this study kida, Mahmud & Nuhu (2015) advises the human resources managers to be cautious when applying incentives in that employees are motivated differently by the incentives. However, different people have different needs and wants and money definitely motivates them differently. Koontz (2000) and Rao (2001) also pointed out that money should not be considered the primary motivator at the expense of other factors such as challenging work and favorable managerial and organizational climate.
3.0 RESEARCH METHODOLOGY

The study adopted a desktop literature research design. The desktop literature review focused on previously published journals that looked at performance management systems in both public and private institutions. Desk research is not about collecting data. Instead, it is to review previous research findings to gain a broad understanding of the field. Books and journals were used to collect information. To identify the right journals and books several keywords such as training and service delivery: performance appraisal and service delivery: performance contracts and service delivery and performance management practices were searched in google.

4.0 CONCLUSIONS AND RECOMMENDATIONS

Conclusions

From the reviews done by the researcher, there is a positive relationship between performance management practices and service delivery. Majority of the findings from the studies by various researchers also draws similar conclusions except for one study that found that there was no relationship between performance management system and service delivery.

Recommendations

Most of the studies done have been on performance management system in general. The researcher recommends an in-depth analysis of the relationship of performance management practices and service delivery and to include moderating and mediating variables to facilitate more conclusive findings.

Suggestions for further research

The researcher suggest that study should be conducted on larger sample sizes such as the public sector or private sector since most studies have focused on single organizations, and should also incorporate moderating and mediating variables for more conclusive findings.

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