

An Assessment of the Impact of Performance Management on Employee and Organization Performance - Evidence from Selected Private Organizations in Tanzania

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Abstract

Performance management is one of the important key activities performed by organizations to monitor the performance of their employees. Organizations must regularly evaluate the performance of their employees in order to understand their current and future abilities. The purpose of this paper is to assess the impact of performance management on employee and organizational performance. The study adopted a cross-sectional survey research design and involved a sample size of 120 human resource officers and managers from selected private organizations in Tanzania. Data was collected using structured questionnaires and interviews and analyzed using descriptive and inferential statistics and the results presented using tables. The findings of the study reveal that private organizations practice performance management and have effective performance management system to evaluate/appraise the performance of their employees. Moreover, the findings reveal that there is a significant relationship between performance management and employee performance as well as between performance management and organizational performance. The study recommends the need of the private organizations to maintain and continue practising and implementing effective performance management systems, also to continue evaluating the performance of their employees frequently because it helps to determine training needs and at the same time acts as a motivational strategy hence leads to a better performance of employees and organization.

Keywords: assessment, performance management, employee, organizational performance, private organizations and Tanzania

1. Introduction

Employee performance in the organization is determined through performance management practice. In recent years the use of performance management practice has increased in many organizations. Performance Management Systems are implemented in organizations worldwide (Palethorpe, 2011). The major setback of evaluating the work performance of organizations around the world has been to determine the performance criteria in relation to the objective set by their organizations (Parker et al, 2013). Performance management systems cause strategic evolution and ensure goal congruence (Chan, 2004). Performance Management is associated with creating a shared vision of the aims and purpose of the organization, helping each individual employee to understand and recognize their part in contributing to the organizational goals which help to manage and enhance employee and organizational performance (Williams, 2002). Performance management cycle begins and ends with formulating clear objectives for the organisation (McDavid & Hawthorn, 2005).

1.1 Statement of the Problem

Despite the fact that many organizations use performance management practice as a means to evaluate and monitor performance of their employees against the objectives of the organization, some organizations including private organizations are still struggling to implement effective performance management systems that can help them to yield good performance results and the reason could be that the available performance management systems lack the focus on how to achieve the set objectives. Both employees and managers in many organizations have reported on the ineffectiveness of performance management systems (Pulakos, 2004).

1.2 Objective of the Study

The objective of this study is to assess the impact of performance management on employee performance and organizational performance.

1.3 Study Hypothesis

H₁: There is a significant relationship between performance management and employee performance.

H₁: There is a significant relationship between performance management and organizational performance.

2. Literature Review

2.1 Performance Management

Performance management is a process of directing and ensuring that organizational processes are directed towards maximization of employees' productivity. According to Brudan (2010), performance management is a ubiquitous term in today's business environment due to being embedded in the body of knowledge of various disciplines and being used at all levels of the organization. Performance management is a process by which organisations set goals, determine standards, assign work and evaluate it, and at the same time distribute rewards

(Varma et al., 2008). CIPD (2005) contended that performance management is the main vehicle by which managers communicate what is required from the employee and give feedback on how well they are achieving the job goals. Briscoe and Claus (2008) concurred that performance management is the system through which organization set work goals, determine performance standards, assign and evaluate employee's work, provide feedback to employees, determine training and development needs and distribute rewards to employees. It is a continuous process of identifying, measuring and developing the performance of individuals and aligning performance with the strategic goals of the organization" (Aguinis, 2009). Armstrong (1994) advocated that performance management is a strategic and integrated process that delivers sustained success to the organization by improving the performance of people who work in them and developing the capabilities of individual contributors and teams. Laurie (2007) supported that performance management is essentially an integrated activity that permeates every facet of the operations of an organization. Rogers (1990) saw performance management as a system for managing organizational performance.

Performance management is a combination of three main processes which are planning, improving and reviewing (Bredrup, 1995). It is seen as the way to manage employee performance and has incorporated the appraisal or review process (Torrington et al, 2008). Performance Management shifts the focus away from just an annual event to an on-going process (Bruce, 2014). A study by Newstrom, (2011) highlighted that performance management systems need to be reviewed on a regular basis to make them compatible with international trends of making businesses more responsive to the needs of the clients. Performance management systems typically include performance appraisal and employee development (Pulakos, 2004), it involves multiple levels of analysis and is clearly linked to strategic human resource management as well as performance appraisal (Hartog et al., 2004). Chubb et al. (2011) established that among the most common measures applied to improve the effectiveness of performance management systems are simplification and the use of competencies. Tobin and Pettingell (2008) were of the view that human resource as a function should not impose the idea of performance evaluation because it is everyone's responsibility in an organization.

2.2 Objectives of Performance Management

According to Armstrong and Baron (2005), the focus of performance management is an element such as recognition, constructive feedback, personal development and career opportunities. Chan (2004) postulated that performance management systems cause strategic evaluation and ensure goal congruence. McDavid and Hawthron (2005) said that performance management cycle begins and ends with formulating clear objectives for the organization. Price et al (2007) opined that performance management process should include performance planning, evaluation and rating. Cestolle (1994) indicated that the objective of performance management is to support the organization's overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit. Graham (2004) emphasised on the need for clear performance expectations for each employee to be linked to the desired outcomes documented in the organisation's strategic plan.

2.3 Performance Appraisal

Performance appraisal is a tool used by the organization to review and evaluate the performance of employees over a certain period of time. Cumming (1972) established that the overall objective of performance appraisal is to improve the efficiency of an enterprise by attempting to mobilize the best possible efforts from individuals employed in it. Murphy (2004) stated that in many organizations, performance appraisals are expected to fulfil numerous functions including feedback, coaching, goal setting, skills development, pay determination, legal documentation, employee comparison and layoff selections. Aforo & Antwi, (2012) postulated that performance appraisal system is comprised of setting goals, communicating feedback, participation and incentives for employee's performance. Fletcher (2004) disclosed that performance appraisal remains the primary way of discussing and acting on the development of the individual. Brown et al. (2010) insisted that performance appraisal is designed to stimulate employee performance as well as organizational performance. Performance evaluation is a systematic process of measuring a person's performance in the job, based on predetermined performance criteria (Clake, 2011) and it aligns itself to the organization strategies and provides a lively link to general and specific human resource functions (Vukotich, 2014). Robert (2002) narrated that the criteria for performance appraisal is to be participative from the employee's point of view. Parker et al (2013) pointed out that performance appraisal is a process of periodically reviewing one's performance against the various elements of the job.

Stalz (1966) concurred that the process of performance evaluation begins with establishment of performance standards then followed by communicating the standards to the employees because if left to themselves they would find it difficult to guess what is expected of them. That, the organizations should first look at the content of the appraisal form and satisfy itself that the appraisal form is in order and well understandable not only to the appraiser but also to the appraisee. Atiomo (2000) claimed that performance appraisal is a system which provides organizations with a means of identifying not only what people's performance levels are but which areas those levels need to be improved if maximum use is to be made of human resource. Performance appraisal gives a chance to both the employee and the supervisor to review the goals and targets that they set together and also to confirm whether the employee is on course, how far they are from accomplishing their goals and also to identify any possible challenges that the employee may face (Lee, 2006). Bridger, (2014) insisted on the need of the open performance appraisal process to eliminate bias ratings. According to Gold (2010), there are several factors to be considered to ensure that the performance appraisal instrument is user-friendly.

2.3.1 Common Types of Performance Appraisal

Behavioural rating scale

The behaviourally rating scale is a combination of graphics rating and the critical incident method which helps to determine the critical areas of performance and the most effective behaviours that help to achieve the results. Behaviour checklists provide a rater with a list of descriptions of job-related behaviours which have to be marked if they are descriptive of the

individual being rated (Erasmus et al, 2005) and once the checklist is complete the human resource staff evaluates by scoring the checklist and weighing the factors in relation to their importance to the Job (DeCenzo & Robbins 1999). Clark (1988) pointed out that graphic rating scale technique is typically used to assess a person's quality and quantity of work, as well as a variety of personality traits such as reliability and co-operation while critical incidents direct the rater's attention on those critical aspects that make the difference between doing the job effectively and doing it ineffectively.

Appraisal through management by objectives (MBO)

Management by objectives was introduced and named management by objective by Peter Drucker in 1954 aimed at setting the common goals of the organization and at the same time set the areas of responsibility of individual employee in the organization. Management by objectives involves supervisor and subordinates mutually establishing and discussing specific goals and formulating action plans while supervisors help their subordinates to reach their set goals and at the same time reviewing the extent to which objectives have been attained (Erasmus et al 2005). According to DeCenzo & Robbins (1999), management by objectives evaluates employees on how well they accomplished a specific set of objectives that have been determined to be critical in the successful completion of their job. Newstrom (2007) inferred that management by objectives provides a unique form of results-oriented appraisals.

360° Performance Appraisal

Rees and Porter (2003) explained 360-degree appraisal as a process that involves the key people in a person's network of working relationships making assessments of a person's performance. It focuses on giving good appraisal results by making appraisal the process more transparent, objective and participative. Erasmus *et al* (2005) concurred that 360-degree appraisals are a multiple rater/multiple source approach to the assessment of an individual's work performance. Varma et al (2008) asserted that a 360-degree appraisal is an approach to performance appraisal that involves gathering performance information from people on all sides of the manager. Consequently, Conway (1996) elaborated that 360-degree appraisal enables the management to match the strengths and weaknesses from each perspective and gain a more accurate, rounded view of a person's true performance. DeCenzo & Robbins (1999) argued that the 360-degree appraisal is an appraisal device that seeks performance feedback from sources such as oneself, bosses, peers, team members, customers and suppliers.

3. Research Methodology

The study used cross-sectional survey research design and involved stratified random sampling method to select a sample size of 120 respondents from the target population of the study. The data was collected using structured questionnaires and interview and analyzed using descriptive and inferential statistics such as simple linear regression and ANOVA and the results presented using tables.

4. Results and Discussions

4.1 Respondents' Information

In order for the researcher to understand the variations among the respondents, the study analysed the respondents' information according to sex, job titles/positions, types/nature of the organizations and number of employees in the organizations and the results were presented in table 4.1- to 4.4 below.

Table 4.1. Respondents' Sex

	Frequency	Percent	Cumulative Percent
Male	96	78.7	78.7
Female	26	21.3	100.0
Total	122	100.0	

The results in table 4.1 depict that 78.7% of the total respondents of the study were male while 21.3% were female. This implies that male employees dominate the majority of senior positions in the private sectors.

Table 4.2. Respondents' job title/position

	Frequency	Percent	Cumulative Percent
HR Manager	28	23.0	23.0
HR Officer	50	41.0	63.9
HR Advisor	15	12.3	76.2
HR Supervisor	8	6.6	82.8
HR Superintendent	9	7.4	90.2
HR and Administration Manager	12	9.8	100.0
Total	122	100.0	

Table 4.2 highlights the result of the respondents' positions in the private organizations. The results show that 23% of the respondents were human resource managers, 41% were human resource officers while 12.3% were human resource supervisors. Moreover, 6.6% were human resource supervisors, 7.4% were human resource superintendent and 9.8% were the human resource and administration managers.

Table 4.3. Type/nature of the organization

	Frequency	Percent	Cumulative Percent
Private – Manufacturing	50	41.0	41.0
Private - Service provider	69	56.6	97.5
Private - Mining	3	2.5	100.0
Total	122	100.0	

The results in table 4.3 reveal that 41% of the private organizations under study were manufacturing organizations, 56.6% were service provider organizations while 2.5% were mining owned private organizations.

Table 4.4. Number of employees in the organization

	Frequency	Percent	Cumulative Percent
Less than 50	56	45.9	45.9
From 50 -100	44	36.1	82.0
From 101 – 200	12	9.8	91.8
More than 200	10	8.2	100.0
Total	122	100.0	

Table 4.4 shows that 45.9% of the private organizations have less than 50 employees, 36.1% have 50-100 employees, 9.8% have 101-200 employees while 8.2% of the private organizations have more than 200 employees.

4.2 Performance Management Process

Table 4.5. Formal performance management system: Does your organization have a formal performance management system in place?

	Frequency	Percent	Cumulative Percent
Yes	109	89.3	89.3
No	13	10.7	100.0
Total	122	100.0	

The results in table 4.5 indicate that majority of private organizations in Tanzania which is 89.3% have formal performance management system in place while only 10.7% narrated that they don't have formal performance management system in place. The implication is that those organizations that do not have performance management system cannot manage the performance of their employees as a result they don't know whether the performance of their employees' is improving or not.

Table 4.6. Performance Management Process: What group of employees in your organization does the performance management process apply to?

	Frequency	Percent	Cumulative Percent
Middle managers	4	3.3	3.3
Technical employees	7	5.7	9.0
Professional employees	4	3.3	12.3
Supervisors	2	1.6	13.9
All employees	77	63.1	77.0
Lower level employees	28	23.0	100.0
Total	122	100.0	

The results in table 4.6 outline the respondents' responses on what group of employees does the performance management process applies to in private organizations. The respondents responses show that 3.3% said that performance management process is applied to middle managers in private organizations, 5.7% said technical employees, 3.3% said professional employees, 1.6 narrated that it applies to supervisors, 63.1% stated that it applies to all employees while 23% said that it applies to lower level employees in the organization.

Table 4.7. Methods of performance appraisal used by private organizations

	Frequency	Percent	Cumulative Percent
Graphics rating scale	4	3.3	3.3
Ranking method	2	1.6	4.9
Self-Appraisal	28	23.0	27.9
Behavioural Assessment	19	15.6	43.4
Appraisal through management by objectives	5	4.1	47.5
Peer and subordinate appraisal	10	8.2	55.7
Appraisal by supervisor	54	44.3	100.0
Total	122	100.0	

Table 4.7 reveals the results of methods of performance appraisals use by private organizations to evaluate the performance of their employees. Based on the results, 3.3% use graphic rating scale method, 1.6% use ranking method, 23% use self-appraisal method, 15.6% use behavioural assessment, 4.1% use appraisal through management by objective method, 8.2% use peer and subordinate appraisal and 44.3% use appraisal by supervisor. The results imply that appraisal by a supervisor is a common appraisal method used by the majority of private organizations in Tanzania to appraise the performance of their employees. However, supervisors need to be well acquainted with the performance of subordinates and at the same time, the subordinates should have inputs in the process and not rely on external judgement only (Folger et al 1992). Additionally, even though the study results show that among the minority private organizations use appraisal through management by objective, Rodgers and Hunter (1991) advocated that many studies indicate that effective objective-setting type appraisals can increase employee goal achievement by thirty percent.

Table 4.8. Reasons for performance management in private organizations

	Frequency	Percent	Cumulative Percent
Identification of training and development needs	41	33.6	33.6
Career management and development	30	24.6	58.2
help in preparation of succession plans	4	3.3	61.5
Retention strategy	3	2.5	63.9
Promotion, transfer and salary increment	20	16.4	80.3
Help in disciplinary action	11	9.0	89.3
Motivational strategy	5	4.1	93.4
Identification of performance barriers	8	6.6	100.0
Total	122	100.0	

The study sought to know the reasons why private organizations have or practice performance management system in place. The results in table 4.8 indicate that 33.6% of private organizations practice performance management because it helps them to identify training and development needs for their employees, 24.6% said that it helps them to manage career of their employees and at the same time develop it, 3.3% highlighted that it helps in preparation of succession plans while 2.5% narrated that it helps to determine employees' retention strategy. Relatively, 16.4% concurred that it helps to determine promotion, transfer and salary increment, 9% contended that it helps in determining appropriate disciplinary

action on poor performance identified, 4.1% stated that it acts as a motivational strategy and 6.6% pointed out that it helps to identify barriers in the performance of employees. Meyer et al (1965) supported that developmental feedback and decision making are the major reasons for conducting performance appraisals. The result is supported by Egginton (2010) who observed that appraisals can provide an opportunity to discuss issues such as promotion or under-performance. Furthermore, Cleveland et al (1989) also supported that, the reasons for conducting appraisals in the organization include documentation, within-person decision (feedback on strengths and weaknesses) and between-person decisions (who to promote).

Table 4.9. Factors that are considered by private organizations when conducting performance appraisal process

	Frequency	Percent	Cumulative Percent
Employee Competency	38	31.1	31.1
Good work habits and behaviours	22	18.0	49.2
Meeting the job target	46	37.7	86.9
Adherence to organization rules and procedures	16	13.1	100.0
Total	122	100.0	

Table 4.9 depicts that 31.1% of private organizations focuses on employee competency when conducting performance appraisal, 18% focuses on work habits and behaviours, 37.7% focuses on whether employees meet their targets or not, while 13.1% of the private organizations consider how employee adheres to organization rules and procedures. However, Dessler (2004) asserted that employees are usually appraised based on how they performed with respect to attaining the specific objectives, by which they are to be measured.

Table 4.10. Period of conducting performance appraisal in private organizations

	Frequency	Percent	Cumulative Percent
After every three months	8	6.6	6.6
After every six months	29	23.8	30.3
Annually	85	69.7	100.0
Total	122	100.0	

The results in table 4.10 show that 6.6% of private organizations in Tanzania conduct performance appraisal process after every three months, 23.8% conduct performance appraisal after every six months while the majority of private organizations which is 69.7% conduct performance appraisal once in a year. Foot and Hook (2011) insisted on regular performance review, that regular performance appraisal reviews aim to audit performance and to motivate employees to perform even better, that appraisals which are done regularly e.g. once a year document an assessment of an employee's performance, potential, and development needs.

Table 4.11. Performance appraisal forms: Do you use different performance appraisal forms to appraise your employees?

	Frequency	Percent	Cumulative Percent
Yes	25	20.5	20.5
No	97	79.5	100.0
Total	122	100.0	

Table 4.11 reveals that 20.5% of the total respondents mentioned that they use different performance appraisal forms to appraise the performance of their employees while 79.5% of the respondents said that they use one performance appraisal form. In conjunction with research results, Cleveland et al (1989) recommends the use of separate performance appraisals to make pay decisions from those used to develop goals or provide feedback, that when the same performance appraisal is used to give both feedback and to make pay decisions then the questions of rater-reliability and leniency are raised (Jawahar & Stone, 1997).

Table 4.12. Performance appraisal feedback: Do you communicate the feedback of performance appraisal to your employees?

	Frequency	Percent	Cumulative Percent
Yes	118	96.7	96.7
No	4	3.3	100.0
Total	122	100.0	

Table 4.12 shows that 96.7% of the total respondents said that they communicate the feedback of performance appraisal to their employees and only 3.3% of the respondents said that they don't communicate the feedback of the performance appraisal to their employees. This implies that majority of private organizations communicate performance feedback to their employees and this helps employees to know how they perform, their weaknesses and their strengths. In support of the study results, Alexander (2006) recommends the need for supervisors to give sincere appraisals feedback but despite the potential feedback has to increase productivity; supervisors find it difficult to provide causal daily feedback also it has been found that employees who have been rated as satisfactory or average tend to reduce their performance levels (Pearce & Porter, 1996).

Table 4.13. Performance Meetings: How many meetings do you conduct to discuss the performance of your employees?

	Frequency	Percent	Cumulative Percent
One meeting per year	58	47.5	47.5
Two meetings per year	39	32.0	79.5
Three meetings per year	17	13.9	93.4
Four meetings per year	8	6.6	100.0
Total	122	100.0	

The study wanted to know how many meetings are conducted by private organizations to discuss the performance of their employees. The results in table 4.13 highlights that majority of the respondents which is 47.5% conduct one meeting per year to discuss performance of their employees, 32% conduct two meetings per year, 13.9% conduct three meetings per year

while 6.6% of the respondents said that they conduct four meetings per year to discuss the performance of their employees.

Table 4.14. Remedial actions taken by private organizations when poor performance is identified after performance appraisal

	Frequency	Percent	Cumulative Percent
Impose disciplinary actions i.e. warning and termination	76	62.3	62.3
Impose training on employees	8	6.6	68.9
Counsel employees	38	31.1	100.0
Total	122	100.0	

The results in table 4.14 indicate that 62.3% of the respondents said that they impose disciplinary actions such as warning and termination as their first remedial action for any poor performance identified after conducting performance appraisal. Moreover, 31.1% said that they counsel their employees while 6.6% said that they impose training to employees who show any sign of poor performance at work. Based on the percentage results which shows that majority of the respondents selected imposition of disciplinary actions, this implies that private organizations prefer disciplinary actions as a mean to rectify poor performance in their organizations than counselling and training, this can create fear to employees all the time at work and as a result lead to shortcuts at work which finally can endanger their safety and health at work and at the same time affect the quality of their performance as well as the organization performance.

Table 4.15. Effectiveness of performance management process on organizational performance

	Frequency	Percent	Cumulative Percent
Strongly agree	87	71.3	71.3
Agree	25	20.5	91.8
Neutral	5	4.1	95.9
Disagree	3	2.5	98.4
Strongly disagree	2	1.6	100.0
Total	122	100.0	

The results in table 4.15 depict that majority of the respondents which is 71.3% strongly agreed that their performance management process is effective enough to improve organizational performance. Relatively, 20.5% agreed with the statement while 4.1% were neutral, 2.5 disagreed and 1.6 strongly disagreed with the statement. However, based on the cumulative percentage of the respondents who strongly agreed and who agreed with the statement, implies that performance management process in private organizations is effective.

Table 4.16. Effectiveness of Performance management system on employee performance

	Frequency	Percent	Cumulative Percent
Strongly agree	49	40.2	40.2
Agree	64	52.5	92.6
Neutral	7	5.7	98.4
Disagree	1	.8	99.2
Strongly disagree	1	.8	100.0
Total	122	100.0	

The results in table 4.16 show 40.2% strongly agreed that their performance management system is effective and it helps to improve performance of their employees while 52.5% agreed. Consequently, 5.7% disagreed, 0.8% strongly disagreed while again 0.8% were neutral to the statement. Moreover, the respondents who agreed with the statement narrated that they feel that their performance management systems work because the weaknesses areas identified during appraisal process found improved in the next performance appraisal. The result implies that performance management system of private organizations is functioning and it has positive results on employee performance.

4.3 Impact of Performance Management on Employee Performance

H1: There is a significant relationship between performance management and employee performance.

Table 4.17. Linear Regression model summary for performance management and employee performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Change	R Square Change	F	Sig. F Change	Durbin-Watson	
1	.499 ^a	.249	.243	.601	.249	39.744	1	120	.000	.547

The results of linear regression in table 4.17 depict that (R=.499, R-square = .249) which is equivalent to 49.9% and 24.9% of the amount of variance explained by the model which shows that performance management has a significant impact on employee performance.

Table 4.18. ANOVA result for Performance Management and employee performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	14.375	1	14.375	39.744	.000 ^b
	Residual	43.403	120	.362		
	Total	57.779	121			

Relatively, ANOVA results in table 4.18 reveal that (F=39.744, P=0.000) which indicates a high level of significance, therefore since $P < 0.005$ the alternative hypothesis is accepted that performance management has a significant impact on employee performance. The linear regression and ANOVA results are in conjunction with other research findings, For example, the survey study on performance management performed by the C.I.P.D in 2005 revealed that seventy five per cent of surveyed companies agreed that performance management practice motivates employees. Another survey study conducted by Institute of personnel management in U.K. in 1992 show that many managers agreed that performance management make a difference at the individual and team level and at the same helps to interpret and evaluate the organizational roles. Relatively, the study by Vignaswaran (2005) on the relationship between performance appraisal satisfaction and employee outcomes in Peninsular Malaysia concluded that performance appraisal positively influences work performance and effective organizational commitment while negatively influence turn over intention. Moreover, the study by Fakharyan, Dini and Dehafarin (2012) on the effect of performance appraisal satisfaction on employees' outcomes employing the moderating role of motivation in a

workplace of Tehran, Iran found that there is a relationship between performance appraisal satisfaction and work performance of employees. Furthermore, the study by Lam & Lee, (2012) on Performance Appraisal as an effective management tool in the state-owned university in Ghana found that performance appraisal has a positive significant relationship with employee performance. Levy and Williams (2004) supported that performance appraisal activities have the capability to enhance employee's perception of being valued by the organization.

4.4 Impact of Performance Management on Organizational Performance

H1: There is a significant relationship between performance management and organizational performance.

Table 4.19. Linear regression model summary for performance and organizational performance

Model	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson	
				R Square	R	Square	F		Sig. F
1	.330 ^a	.109	.783	.109	14.642	1	120	.000	.695

The results of linear regression in table 4.19 highlights that (R=.330, R-square = .109) which is equivalent to 33% and 10.9% of the amount of variance explained by the model which shows that performance management has a significant impact on organizational performance.

Table 4.20. ANOVA result for Performance Management and organizational performance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8.972	1	8.972	14.642	.000 ^b
	Residual	73.528	120	.613		
	Total	82.500	121			

Consequently, ANOVA results in table 4.20 depicts that (F=14.642, P=0.000) which indicates a high level of significance, therefore since $P < 0.005$ the alternative hypothesis is accepted that performance management has a significant impact on organizational performance. The study results are in line with a study done by Campbell and Garfinkel (1996) which found that organizations that have effective performance management processes in place outperform those without such systems on several critical measures such as profits, cash flow and stock market ratings. Similarly, Bernthal *et al.* (2003) observed that organizations with strong performance management systems are fifty one per cent more likely to outperform their competitors on financial measures and forty one per cent more likely to outperform their competitors on non-financial measures such as customer satisfaction, employee retention, and quality of products or services. Macky and Johnson (2000) supported that the importance of performance management system is on continuously improving organizational performance. Furthermore, Haines & St-Onge (2012) supported that organizations that provide more performance management training also have performance management systems that deliver more valued outcomes. A study by Martin, (2009) on the effect of performance appraisal on

individual and organizations revealed that there was a noticeable effect of the performance appraisal on the organizations and individuals. A study carried out by Fletcher and Williams (1996) in UK organizations showed that features of performance management lead to organizational commitment and job satisfaction. The study by Saeed & Shahbaz (2011) on employees' perceptions about the effectiveness of performance appraisal in Pakistan revealed that performance appraisal system results in a effective work performance and organizational commitment hence minimize turnover intentions. However, the study findings slightly differ from the findings of the study by Lawler, Benson & McDermott (2012) who contended that Performance management systems are effective when they are based on goals that are jointly set and are driven by organization's business strategy. The existence of performance management in the organization helps the organization to face the dynamic and competitive environment in the globalization and free trade era and at the same time helps to improve organizational performance (Lee, 2006).

5. Contribution of this Study to Existing Knowledge

Since most study done on performance management concentrated on public and academic institutions which leave a gap and create an assumption that private organizations do not practice performance management, the findings of this study has come up with the fact and truth that majority of private organizations have effective performance management system in place, and since this study is among few studies done on private organizations in Tanzania, it is an additional contribution to existing knowledge and it will motivate other researchers to extend their research on the same subject. Finally, this study is one of the best references for human resource practitioners and academicians when dealing with the issue of performance management.

6. Conclusion and Recommendations

Many organizations in today competitive business environment rely on effective performance management system to evaluate/review the performance of their employees and to determine the position of the organization in terms of performance. The study found that private organizations in Tanzania have effective performance management system in place to evaluate the performance of their employees. Consequently, the study found that there is a significant relationship between performance management and performance of employees and organization. Therefore, the study recommends that performance management practice should be applicable to all employees in the organization. Relatively, the study recommends a continuous review of performance management systems in order to keep them up to date. Furthermore, the study recommends regular meetings and feedback on performance appraisal outcomes. Moreover, the study recommends that there is a need of private organizations to start focusing on other remedial actions such counselling and training once a poor performance is identified during appraisal instead of focusing much on imposing disciplinary actions as a remedial action. Similarly, the study recommends that private organizations should use the findings and recommendations of this study to improve and maintain effective performance management system in the organizations. Finally, because this study only centred and focused on private organizations further study should analyse the impact of

performance management on public institutions' performance.

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