

**THE EFFECT OF PERFORMANCE MANAGEMENT SYSTEMS ON PERCEPTIONS
OF ORGANIZATIONAL JUSTICE IN STATE CORPORATIONS IN KENYA**

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ABSTRACT

The purpose of this research was to investigate the relationship between performance management systems and perceptions of organizational justice and also to ascertain whether perceived organizational support, perceived organizational politics and leader member exchange moderated this relationship. Performance management processes in some cases have failed to motivate and develop staff and have raised controversy in organizations due to their subjective nature. This raises issues of fairness hence necessitating this study that investigates how performance management systems influence organizational justice perceptions. The main objective of the study was to establish whether performance planning, performance monitoring, performance evaluation and performance related pay influence perceptions of organizational justice. The study also aimed to establish the moderating influence of perceived organizational support, perceived organizational politics and leader member exchange on the relationship between performance management processes and perceptions of organizational justice.

The study was a cross sectional survey and it consisted of seven state corporations which are ISO certified. The data was collected using structured questionnaires that contained measures of distributive, procedural, interpersonal and informational justice, performance planning, performance monitoring, performance evaluation and performance related pay items, perceived organizational support, perceived organizational politics and leader member exchange items. The data was analysed and multiple regression analysis was mainly used as it was relevant to the nature of the study.

The findings of the study showed that performance planning that involved appraiser, appraise as well as mutual agreement of performance objectives and standards influenced mainly perceptions of procedural, interpersonal and informational justice. Performance monitoring that involves coaching influenced perceptions of distributive, procedural and informational justice. Performance monitoring and not coaching influenced perceptions interpersonal justice.

Participation in performance appraisal and other performance appraisal processes influenced perceptions of procedural, interpersonal and informational justice. Action planning influenced the perceptions of procedural justice. When the organization collected feedback from multiple sources then the perceptions of procedural, interpersonal and informational justice were negative.

The study also found out that quarterly appraisals were favoured and this influenced perceptions of interpersonal and informational justice. Employees perceived a sense of procedural justice when performance evaluations were carried out by raters who were trained. Performance appraisal systems that involved self evaluation had a negative effect on interpersonal justice. Performance Related rewards influenced perceptions of distributive and procedural justice positively. Perceived Organizational Support, Perceived Organizational Politics partially moderated the relationship between the performance management items and mainly procedural justice. Leader Member Exchange partially moderated the relationship between frequency of Appraisal and mutual preparation and interpersonal and informational justice.

The findings of the study led the researcher to recommend the need for proper performance planning where the appraiser and appraisee need to mutually prepare in order to enhance the fairness perceptions. There is also a need for managers to monitor performance throughout the year and offer some form of coaching and counseling if employees are to perceive a sense of organizational justice. Performance evaluations should be carried out by trained raters and they should be done as often as every three months for employees to perceive a sense of procedural justice. The study also recommends that organizations need to be careful when implementing 360 degree feedback systems or what we refer to as multiple feedback systems. In organizations where the level of perceived organizational politics was high then these multiple feedback systems decreased employees' perceptions of procedural justice. Organizations also need to ensure that their performance systems were linked to some form of performance related pay so as to ensure that employees perceived a sense of justice and hence the need for the state corporations to include some form of performance related pay which is currently lacking. There is also a need for employees to feel that the state corporations provide some form of support by providing training opportunities that enhances performance of employees. Employees should also be promoted based on merit in order to avoid making the organizational allocations highly

political. Procedures for performance evaluation should be clearly stated and should be available to all the relevant people so that employees perceive a sense of procedural justice in this important exercise. In conclusion the study has emphasized the need for proper management of performance appraisal systems in order to move state corporations to the next level and help ensure that employees perceive a sense of organizational justice.