

THE IMPACT OF PERFORMANCE MANAGEMENT PROCESSES
ON EMPLOYEE-EMPLOYER RELATIONSHIPS IN A LISTED
TELECOMMUNICATIONS COMPANY

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TELECOMMUNICATIONS COMPANY

by
ROGER SKORBINSKI

Dissertation submitted in partial fulfilment of the requirements for the
M Tech: Business Administration Degree

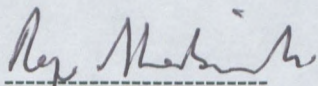
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CAPE TOWN
NOVEMBER 2006

DECLARATION

I, Roger Skorbinski, hereby declare that the contents of this dissertation represent my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.



ROGER SKORBINSKI

NOVEMBER 2006

DATE

ABSTRACT

The performance contract governs the employee-employer relationship and forms the basis of the exchange relationship that exists in organisations today. The exchange relationship has evolved as a result of the turbulent economic environment, and replaced the old psychological contract between employee and employer.

The present study looked at the extent to which the performance management process influences employee-employer relations. The research focused on the impact of performance management on employee behaviour and their subsequent contribution to the success of organisational interventions. The employee-employer relationship often suffers due to the unsuccessful or ineffective implementation of performance management systems, negatively affecting the organisational climate for the implementation of organisational interventions. The main objectives of this research were:

- the evaluation of the employee-employer interaction of a listed South African company in the framework of the performance management process;
- how the implementation of the performance management process affects employee reactions to employer interventions;
- the extent of this impact and the effect it has on the organisation.

Recognition of the role of the performance management process serves to enhance the employee-employer relationship for the managing of organisational change, cultural change, and the achievement of strategic goals. The cost of absenteeism and employee turnover could also be reduced if employee motivation, productivity and customer satisfaction increases. This research augmented current findings of the link between ethical implementation of performance management and the success of organisational initiatives. In particular it revealed the presence of trust in the new exchange relationship which has replaced the old psychological contract and its influence on the performance management process.

This study focused on the evaluation and quantitative analysis of the performance management implementation within a strategic business unit of a listed South African

telecommunications company. A descriptive research methodology was used, adopting a descriptive survey method for the research process and questionnaires for obtaining the data. The questionnaire was developed to evaluate employee-employer integrity, job satisfaction, management and leadership (promoter), career and people development and performance culture. The questionnaire was then forwarded via electronic mail to the whole group. The most important findings indicated that:

- performance contracts are not available at the start of the year;
- performance planning and goal setting are not done at the start of the year;
- no formal tracking of performance progress takes place;
- no formal performance feedback occurs;
- performance reviews and assessments are done only when the assessments are due at the end of the financial year.

It seems that this particular organisation only pays lip service to the performance management process. It is the author's opinion, based on the research which was conducted, that performance management is an important tool necessary for the implementation of organisational change and culture. It is in essence the foundation of the organisation's corporate identity.

The research revealed the linearity between the exchange relationship and the performance management process. The psychological contract gave way to the exchange relationship. The performance management process is in essence a formal form of dialogue between the employer and employee; in fact it is a written contract of the exchange relationship. It appears thus, that this new exchange relationship is moderated by the organisation's performance management system. This unique organisational performance management system in turn moulds a unique organisational climate which creates the organisation's corporate identity and the ability to achieve strategic targets, and creates a workforce that is receptive to organisational change. The major limitation of the study is the response rate. A large proportion of the population was reluctant to respond to the questionnaire for fear of having their anonymity compromised.

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CHAPTER ONE

Introduction

1.1 INTRODUCTION AND BACKGROUND

The rationale behind this study can be traced to the relationship between individual performance and the success of the organisation. Human resource management focuses on employee performance but there are frequently major problems in this area, as the literature below indicates. Based on this, a problem statement was formulated and appears on page 6 of this document.

It was also necessary to take cognisance of the fact that individual performance is the result of individual efficiency and individual effectiveness. Nel *et al* (2001:71) inferred that individual performance may be regarded as the cornerstone of the efficiency of an organisation and its success. "The fundamental goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions" (Armstrong, 2000:6). Bennett (1997:275) iterated that an organisation's culture (sometimes referred to as organisational climate) comprises its members' shared perceptions, modes of behaviour and attitudes towards work and the organisation. Robbins (1989:490) emphasised that this overall perception becomes, in effect, the organisation's culture. He concluded that these favourable or unfavourable perceptions then affect employee performance and satisfaction. There are two views about culture and performance management: one is that the latter must fit with the former (Robbins, 1989:490; Williams, 2002:216) and the other is that performance management is a means of culture change (Williams 2002:216). The influence of culture furnishes employees with a sense of corporate identity (Bennett, 1997:276), which helps generate commitment to the attainment of organisational goals. Bennett and Minty (1999:58) acknowledged the importance of performance management's role in the organisation: "The cornerstone of strategic success lies in focusing attention at all levels on key business imperatives, which can be achieved through effective performance management."

A study by Williams (2002:10) has shown that it is possible to discern three main models of performance management:

- performance management as a system for managing organisational performance;
- performance management as a system for managing employee performance;
- performance management as a system for integrating the management of organisational and employee performance.

Also, within the realm of the above perspectives numerous frameworks and models have been and still are being developed to improve on the shortcomings of performance management systems. The most recent is the stakeholder approach of the Performance Prism where Neely, Adams and Kennerley (2002:13) seek to rectify these shortcomings by building upon the strengths of the existing measurement frameworks and methodologies and integrating them into a more comprehensive measurement framework.

Armstrong (2000:6-7) summarised the principles of performance management as follows:

- it translates corporate goals into individual, team, department and divisional goals;
- it helps to clarify corporate goals;
- it is a continuous and evolutionary process, in which performance improves over time;
- it relies on consensus and co-operation rather than control or coercion;
- it creates a shared understanding of what is required to improve performance and how this will be achieved;
- it encourages self-management of individual performance;
- it requires a management style that is open and honest and encourages two-way communication between superiors and subordinates;
- it requires continuous feedback;
- feedback loops enable the experiences and knowledge gained on the job by individuals to modify corporate objectives;
- it measures and assesses all performance against jointly agreed goals;

- it should apply to all staff; and it is not primarily concerned with linking performance to financial reward.

Against this introductory summary, Armstrong (2000:7) formulated four core objectives of performance management as follows:

- performance improvement to achieve organisational, team and individual effectiveness;
- employee development (Armstrong suggests that performance management should be called performance and development management);
- satisfying needs and expectations of all the organisation's stakeholders. Brown and Armstrong (1999:71) noted that the broadening of the definitions and measures of performance in UK organisations reflect not only trends in business strategy thinking, but also social and political ideas which have given a boost to the concept of stakeholding;
- communication and involvement. It creates a climate in which continuous dialogue between the employer and employee takes place in order to define expectations and share information on the organisation's mission, values and objectives.

From the above overview, it can be concluded that to satisfy needs and expectations, communication and involvement are the basis of an effective employee-employer relationship.

1.1.1 The psychological contract and the employee-employer relationship

Nel *et al* (2001:54) referred to the employee-employer relationship as a subsystem of their model for organisational success. The performance inclination of the employee is an output of this subsystem while the employee with personal goals and expectations is an input influencing the throughputs (actual process) of job content environment, job context environment and the external environment. Nel *et al* (2001:54) defined the driving force of the employee's personal goals and expectations as bound by a psychological contract between the human being as an employee and the organisation or management as the employer, affected by background factors such as needs and personality. The psychological contract is dynamic and defines the employee-employer

relationship Brewster, Carey, Dowling, Grobler, Holland, & Warnich (2003:6) and Nel *et al*, (2001:36).

Taylor (2003:20) referred to this psychological contract as the unspoken deal between employer and employee as to who gives and who receives. Employees have certain expectations from organisations regarding what they expect to receive and give. Management, the employer or the organisation, also has certain expectations about what they will receive from the employees as well as expectations about what they can offer employees.

There is a substantial body of literature reporting on the extent to which the change in the unofficial or psychological contract has impacted the work place. Several authors (Robbins, 1989; Dibble, 1999; Nel *et al*, 2001; Brewster *et al*, 2003; Taylor, 2003) concurred that there has been a paradigm shift in the employee-employer relationship resulting in the twenty-first century employment contract. Brewster *et al* (2003:6) noted that while the employer has inserted new values and trends, the work place demographics have resulted in revised expectations from employees. The old contract was built on a foundation of mutual obligation. Mutual obligation has disappeared as a result of downsizing, retrenchments and cost cutting and has thus shaken the trust underpinning that relationship. When you can no longer rely on trust, something more specific is needed as a basis for the relationship. The new contract is based on an exchange relationship between employer and employee and there is an interpersonal aspect to fairness, which is a part of the psychological contract (Dibble, 1999:15; Williams, 2002:193). However, employees do have formal legal contracts (Williams, 2002:194) and these underlie the economic aspect of the exchange relationship.

A key ingredient to the exchange relationship which forms a foundation for communication and involvement is trust. "To be trusted, we have to extend ourselves by being available, by volunteering information, by sharing our personal experiences, and by making connections with the experiences of our constituents" (Kouzes and Posner, 2003:108). As has been stated by Covey (1990:178): "Trust is the highest form of human motivation ... and it doesn't preclude the necessity to train and develop people so that their competency can rise to the level of that trust." Fairness, equity, and justice are regarded by Brown and Armstrong (1999:293) as a basis for trust. Performance management in accordance with ethical principles such as respect for the individual, mutual respect, procedural fairness and transparency nurtures the

“exchange relationship” of the new psychological contract. Williams (2002:191) pointed out an additional ethical principle referred to as outcome fairness or distributive justice.

Consequences of a positive psychological contract include job satisfaction, organisational commitment, motivation and high performance. However, a perceived breach of contract or perceived violation of contract could result in deteriorating trust relations and ultimately unwillingness to co-operate in future organisational change.

From the above it can be observed that the psychological contract governs the contribution of the performance management system to organisational success.

1.2 DEFINITION OF TERMS

The following major terms and their definitions were used in this study:

Organisational interventions: Langdon, Whiteside and McKenna (cited in Langdon and Whiteside and McKenna, 1990:2-24) defined organisational interventions as any means used to bring about a change in performance in an individual, work group, process, or business unit with the expressed purpose of establishing, improving, maintaining, or extinguishing that performance from an existing to a more desirable state.

Performance appraisal: A process of assessing performance in order to make decisions. The focus is on assessment only and feedback about employee performance improvement may not necessarily be provided (Mulvey & Ledford, 2002:167).

Performance development: Refers to assessment of performance with the end goal of providing feedback to facilitate improved performance. The focus is on providing information that employees need to develop their skills, abilities, competencies, or behaviours in order to perform well in a current or future position (Mulvey & Ledford, 2002:167).

Performance management or applied behavioural analysis: “Is a systematic, data-orientated process of managing people to achieve a high and steady rate of performance. It involves the application of behavioural analysis, including pinpointing

desired realities and tasks, measuring performance, giving feedback, and providing positive reinforcement” (Amano, 1999:293). Rotchford (2002:167) adds that when methods for monitoring the effectiveness of performance management are added, it results in a performance management system that supports increased productivity and a quality orientation.

1.3 PROBLEM STATEMENT

The employee-employer relationship often suffers due to the unsuccessful or ineffective implementation of performance management systems, negatively affecting the organisational climate for the implementation of organisational interventions.

1.4 PURPOSE OF THE STUDY

The purpose of this study was to explore the extent to which the performance management process influences employee-employer relations. In particular the research focused on the impact of implementation on employee behaviour and their subsequent contribution to the success of organisational interventions.

1.5 RESEARCH OBJECTIVES

The main objectives of this research were:

- the evaluation of the employee-employer interaction of a listed South African company in the framework of the performance management process;
- how the implementation of the performance management process affects employee reactions to employer interventions;
- the extent of this impact; and
- the effect it has on the organisation.

1.6 RESEARCH METHODS

This study focused on the evaluation and quantitative analysis of the performance management implementation within a strategic business unit of a listed South African telecommunications company.

In this study the descriptive research methodology was used, adopting a descriptive survey method for the research process and questionnaires for obtaining the data. According to Welman and Kruger (2001:84), in the survey design method we only deal with the examination of relationships that occur between two or more variables without any planned intervention.

The questionnaire was developed to evaluate the following:

- employee-employer integrity;
- job satisfaction;
- management and leadership (promoter);
- career and people development;
- performance culture.

The questionnaire was then forwarded via electronic mail to the whole group.

1.7 SIGNIFICANCE OF THE STUDY

Ultimately, the cost of absenteeism and employee turnover could be reduced if employee motivation, productivity and customer satisfaction increase. Recognition of the role of the performance management process serves to enhance the employee-employer relationship for the fulfilment of organisational change, cultural change, and achievement of strategic goals. This research will augment current findings of the link between ethical implementation of performance management and the success of organisational initiatives. In particular it will reveal the presence of trust in the old and new 21st century psychological contract and the influence on the performance management process.

1.8 ASSUMPTIONS

The participants in this study answered the questionnaire honestly and reflected their opinions accurately.

1.9 DELIMITATIONS

- Only one business unit with \pm 1000 employees was included in this study.

- Those surveyed in this study consisted of employees in operational positions.

1.10 ORGANISATION OF THE STUDY

The remainder of the study has been organised into six chapters, a bibliography, and appendixes in the following manner. Chapter Two presents a review of the related literature dealing with evolving trends in the performance evaluation of individuals and organisations. Chapter Three delineates the research design and methodology of the study. Chapter Four presents the results and an analysis of the data and a discussion of the findings is presented in Chapter Five.

Lastly, Chapter Six provides an overview of the study, implications for action and recommendations for further research.

CHAPTER TWO

Review of the literature

2.1 MEASURING AND MANAGING PERFORMANCE

"The old adages 'you get what you measure' and 'you get what you inspect, not what you expect'" (Neely, Adams & Kennerley, 2002:169), and "Complacency and 'what gets measured gets attention' will continue to be the norm" (Lewis, 1995:3). Pratt (2005:12) stated: "If you can't measure it, don't bother doing it." Walters (1995:15-16) further used these old clichés, "if you aren't measuring it, you aren't managing it" and "if we measure things better, we'll be able to manage them better". "What you measure is what you get" (Kaplan & Norton, 1992:71). "While it is true that 'if you can't measure it, you can't manage it', it is also true, conversely, that 'what gets measured, gets managed'." And, "what gets managed, ultimately, dictates how people behave" (Walters, 1995:19). Micklethwait and Wooldrige (1997:324) also stated: "Many governments are introducing what Peter Drucker once called 'management by objectives': mission statements (laying out broad objectives), fixed contracts (specifying what employees are expected to do), and performance measures (measuring how well they were doing it)."

The aim of a performance measurement system is to improve the performance of the organisation (Bourne & Bourne, 2000). Bourne and Bourne (2000:10) advocated that a measurement system would help to achieve success in five ways:

- i. establishing one's current position to determine one's starting point;
- ii. communicating direction;
- iii. stimulating action in key areas – measurements should show where effort should be directed;
- iv. facilitating learning, by asking two important questions:
 - Do the measures show how well one is implementing one's strategy?
 - Do the measures show that the strategy is broadly correct?
- v. influencing behaviour.

Bourne and Bourne (2000:10) noted that measurement could be used for:

- i. deciding what the key drivers of performance were;
- ii. refocusing and stimulating activity on these key business drivers;
- iii. drawing attention to goals and targets;
- iv. creating a culture of achievement;
- v. noticing in advance any trends affecting the business so that changes could be made in good time.

2.2 OVERVIEW OF PERFORMANCE MANAGEMENT

Performance management is associated with goals and objectives. (Lawson, 1995a:2) defined performance management as: "...the arrangements organisations use to get the right things done". The level of performance was improved when individuals were provided with measurable goals and objectives instead of unattainable performance expectations.

Fowler (cited in Lawson 1995a:3) classified performance management as either of two unrelated approaches, one concerned with work processes and the other with people. His approach was based on the subdivision of management thinking into the scientific and human schools of management. This approach, although separate in theory, often overlapped in practice. Fowler's process approach was based on the analysis that superior performance was achieved by breaking down the tasks into an efficient sequence of work activities. His people approach was based on the belief that high performance can only be achieved through people. Furthermore, he emphasised that if the right people in the right jobs in the right numbers with the right skills were effectively led and motivated, the outcome was superior performance. Performance management, as it is known today was shaped by these people- and process-based approaches. Lawson (1995a:6) stated that people-based approaches to performance management had to be governed by a supporting process and that process-based approaches had to take cognisance of changes in attitude and skill for effective operation. He stressed that both people- and process-based approaches would be unsuccessful if they were incompatible with the organisation's culture. According to him the above approaches were introspective, rather than linking the organisation and operations to the external context of the business environment and the requirements of stakeholders, namely, customers.

Both the balanced scorecard and performance pyramid, developed in 1992, and the performance prism, developed in 2002, were introduced to address these shortcomings. Furthermore it should be noted that tools such as the balanced scorecard and performance prism were used for strategic management, business performance management and operational performance management.

2.3 PURPOSES OF PERFORMANCE MANAGEMENT

Noe, Hollenbeck, Gerhart and Wright (2003:330) suggested that the purposes of performance management systems were threefold: strategic, administrative and developmental. Pulakos (2004:2) stressed that it was important to decide what purpose the performance management system would serve and that this purpose is determined by considering business needs, organisational culture and the system's integration with other human resource management systems. Noe *et al.* (2003:331) inferred that these purposes linked employee activities with the organisation's strategic goals, furnished valid and useful information for administrative decisions about employees and gave employees useful developmental feedback.

Pulakos (2004:3) warned that although performance management for decision-making and employee development were related, the two purposes were not supported equally in a single system. Rotchford (2002:172) also stressed that because performance is appraised twice per year, and ratings for large groups required that most of the appraisal be taken up with justification of rewards allocated instead of how the employee could develop.

2.3.1 Strategic purpose

A performance management system should link employee activities with the organisation's goals (Robbins & DeCenzo, 1995; David, 1997; Minty & Beety, 1999; Noe *et al.*, 2003; Pearce & Robinson, 2003). Noe *et al.* (2003:330) stated that strategies were implemented through the defining of results, behaviours and employee characteristics, and then developing measurement and feedback systems that maximised the extent to which employees exhibit the characteristics, engage in the behaviours, and produce the results. Noe *et al.* (2003:329) concurred that to achieve the strategic purpose, the system must be flexible to allow the results, behaviours and employee characteristics to change when goals and strategies change.

Performance management systems could also be used as a tool for communicating corporate culture and values.

2.3.2 Administrative purpose

Performance management information, according to several sources, is used in administrative decisions such as salary administration, promotions, retention, termination, layoffs and recognition of individual performance (Robbins, 1989; Carrell, Elbert & Hatfield, 1995; Minty & Beety, 1999; Noe *et al.* 2003). Noe *et al.* (2003:330) stated that, despite the importance of these decisions, managers, who are the source of this information, see the performance appraisal process as a function of their job requirements. Noe *et al.* (2003:331) concurred that employers feel uncomfortable evaluating others and feeding evaluations back to employees; thus they tend to rate employees highly or at the same level, making the performance appraisal system useless.

2.3.3 Developmental purpose

Noe *et al.* (2003:331) affirmed that the third purpose of performance management is to develop employees who are effective at their jobs and when employees are not performing well, performance management seeks to improve their performance. The feedback given during a performance evaluation process identifies the employee's weakness. The performance management system identified, according to Noe *et al.* (2003:331), not only any deficient aspects of the employee's performance but also the causes of these deficiencies, for example a skill deficiency, a barrier holding an employee back or a motivational problem.

Carrell *et al.* (1995:13) concurred with the view that the growth of an organisation is closely related to the development of its human resources and that employees' failure to grow and develop in their work will in all probability result in a stagnant organisation. They further stressed that a strong employee development programme does not assure organisational success, but that such a programme is generally a feature of successful organisations.

2.4 PERFORMANCE MEASURES CRITERIA

An employee's level of performance is set according to the work standards identified through job analysis. Job analysis according to (Nel *et al.*, 2001; Noe *et al.*, 2003) allows a manager to develop and assess an employee's performance effectively. The following five criteria used to evaluate performance management systems were adapted from Noe *et al.* (2003:332):

- i. strategic congruence;
- ii. validity;
- iii. reliability;
- iv. acceptability; and
- v. specificity.

Strategic congruence was defined by Noe *et al.* (2003:333) as the extent to which the performance management system brings out job performance that is consistent with the organisation's strategy, objectives, culture and values.

Noe *et al.* (2003:333) classified validity as the extent to which a performance measurement assesses only the relevant aspects of job performance.

Noe *et al.* (2003:333) named the consistency of a performance measure, 'the reliability test', as the degree to which a performance measure is free from random error. Noe *et al.* (2003:334) classified reliability as:

- i. inter-rater reliability – the consistency among the managers who evaluate the employee's performance;
- ii. internal consistency reliability – the extent to which all the items rated are internally consistent; and
- iii. test-retest reliability – the measure should be reliable over time.

Acceptability was identified by Noe *et al.* (2003:334) as the extent to which a performance measure is deemed to be satisfactory or adequate to its users.

Specificity was described by Noe *et al.* (2003:335) as the extent to which a performance measure gives detailed guidance to employees about what is expected of

them and how they can meet those expectations. Noe *et al.* (2003:335) relate specificity to the strategic and development purposes of performance management.

Neely *et al.* (2002:41) also referred to an important and often overlooked criterion: the cost test, which underscores the importance of considering whether the performance measure is worth the cost that will be incurred in capturing the data. Neely *et al.* (2002:76) also introduced a way of assessing the quality of the individual performance measures used in the organisation by addressing two fundamental questions:

- i. Are the right things being measured?
- ii. Are they being measured in the right way?

Neely *et al.* (2002:76) also noted that for effective performance measurement organisations need to consider the performance management process and address two further questions:

- i. Are the necessary data captured, collated and sorted?
- ii. Are the necessary data analysed, interpreted and acted upon?

Neely *et al.* (2002:41) brought these four questions together to develop an audit framework shown in Figure 2.1.

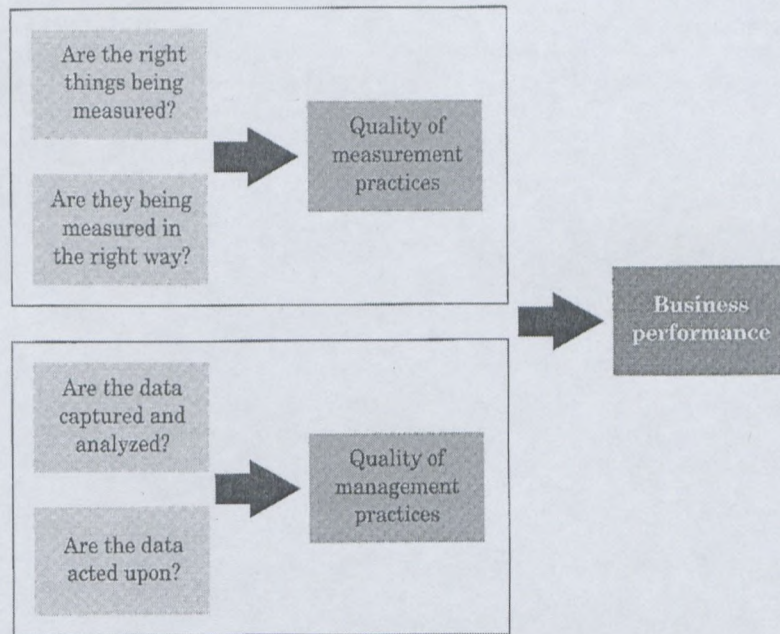


Figure 2.1: The diagnostic audit framework

[Source: Neely *et al.* (2002:77)]

2.5 ORGANISATIONAL PERFORMANCE MANAGEMENT

Bourne, Franco & Wilkes (2003:15) coined the term 'corporate performance management' to differentiate between performance management at the level of the individual and the corporation, as the term 'performance management' is associated with reviewing and managing the individual's performance. The researcher adopted the use of 'organisational performance management'. Walters (1995:15) observed that many organisations are now striving to evaluate performance at many levels viz, contribution to the achievement of strategic objectives, measures of quality, measures of quantity and volume, measures of efficiency, and measures of external and internal customer satisfaction. Hyland, Gieskes and Sloan (2002:3) stated: "the purposes underlying the development of performance measures should be strategically linked in order to ensure an alignment with the organisation's strategic objectives." Walters (1995:15) also noted that the benefits and values appeared to be self-evident, yet in practice, the impact had been less positive. Walters also noted that many organisations have developed sophisticated strategic management frameworks, but that fewer organisations have achieved success in translating them into performance measures across the organisation.

Walters' (1995:16) reasoning for this is that "work performance is rarely monolithic". In addition to identifying appropriate performance measures for specific roles, the difficulty lies in the development of consistent and effective measures for the whole workforce. "How, then, do we go about measuring the performance of team members? Do we apply different standards and measures to different individuals, and so risk a charge of inconsistency or unfairness? Or, do we simply focus on the team's performance as a whole, and, if so, how do we manage variations in individual contributions?" (Walters, 1995:18).

Secondly, it is the importance of recognising both the diversity and linkage between workgroups, business units and functions operating in the organisation, the need to identify performance measures that reflect the role and purpose of each group and to ensure that all measures are mutually reinforcing and support the achievement of the strategic objectives.

2.5.1 The organisational context

All performance measures, whether for individuals, teams, departments or functions, need to reflect the wider organisational context (Walters, 1995:19). Walters also advised that, in establishing the context for developing performance measures, the emphasis should not be on complexity or bureaucracy but on thoroughness and clarity. This means that there must be a precise statement on the organisation's overall needs, which, in turn, must be based on a full consideration by the senior team, of the organisation's role, purpose and objectives. Walters (1995:20) posed some key questions:

- i. What are our organisational objectives? What do we wish to achieve, and over what time frame?
- ii. How do we prioritise these objectives? Do we expect this prioritisation to change over time?
- iii. What kinds of qualities are needed to deliver these objectives? What are the implications in terms of corporate skills and competencies, values, behavioural patterns and working styles?
- iv. What are our current strengths and weaknesses in relation to these objectives? What do we need to change or develop in order to achieve our goals?; and

- v. What specific contributions do we require from particular parts of the organisation?

Viedge (2003:77) noted that the starting point of performance management is setting goals and measures which go under numerous names and acronyms, such as:

- i. KRA – key results area;
- ii. CSF – critical success factor;
- iii. KPI – key performance indicator;
- iv. KPA – key performance area.

Several authors (Walters, 1995; Pulakos, 2004) advised that it is unrealistic for organisations to work towards more than three or four major objectives, only one or two of which should involve significant development. In practice, demanding targets set out across all the organisation's activities become a wish-list that will confuse and demotivate employees. Furthermore, Walters (1995:20) last point should always be the acid test. "What are the implications of this particular objective for employee performance? If we are to achieve that particular organisational goal, what kind and level of performance will we need?" This will have implications for the organisation's culture, structure and individual skill requirements which could lead to a need for an organisational initiative to facilitate organisational change. It is helpful to focus on these issues in terms of desired outcomes as these will identify the possible constraints of achieving the desired outcome.

2.5.2 Relating organisational measures to the individual

Viedge (2003:77) warned that an individual should have no more than seven objectives with associated measures, as too many objectives result in a lack of employee focus which would make it difficult for a manager to manage the employee's performance. Walters (2000:26) mentioned that problems with the measurement and management of performance most often arise not only because of problems with the handling of individual performance measures but also because too little effort has been made to understand organisational priorities and dilemmas. He stressed that if organisational needs are not clear at the organisational level, management cannot hope to set effective performance measures for individual employees.

Walters (2000:26) indicated, first, the need to ensure that the measures management set reflect the organisation's overall priorities. His second essential characteristic of effective performance management is ensuring that the measures, and their implications, are clearly understood by the employees to whom they are applied, meaning that:

- i. employees should be made fully aware of all the measures that are being applied to them;
- ii. employees should understand the relative significance and weighting of the various measures;
- iii. employees should be aware of any specific performance targets or benchmark levels that have been set; and
- iv. employees should be informed of their performance as measured against the benchmarks on a continuing basis.

Viedge (2003:77) referred to performance management at the individual level as consisting of the following steps (refer to Figure 2.2):

- i. clarify expectations;
- ii. plan to facilitate performance;
- iii. monitor performance;
- iv. provide feedback;
- v. coach, counsel and support;
- vi. recognise good performance; and,
- vii. deal with unsatisfactory performance.

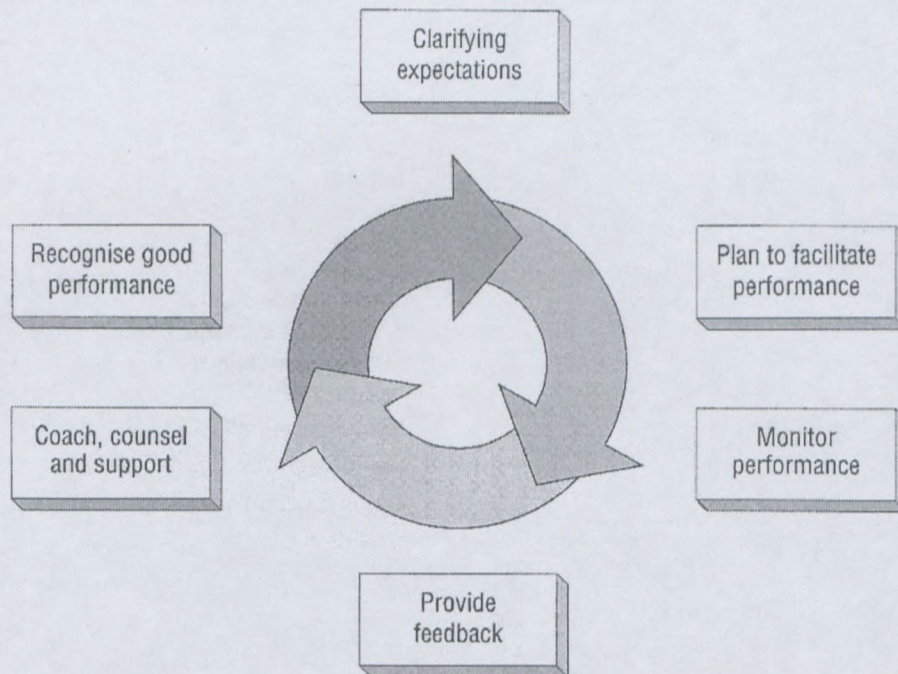


Figure 2.2: The performance management cycle

[Source: Viedge (2003:78)]

Viedge (2003:77) noted that the initial meeting between manager and employee in the performance management cycle should be a discussion about setting performance objectives and measures. Viedge (2003:77) argued that after this discussion the employee would have a set of objectives and measures and a clear idea of the types of interventions that the employee should engage in, as well as the impact of each intervention. This would lay the groundwork for the manager to monitor the employee's performance according to mutually agreed upon terms. Viedge (2003:78) stated that the best approach for managers to monitor performance is management by wandering around. Management by wandering around also provides the employee with an opportunity to discuss performance problems. Viedge (2003:79) pointed out that the main reason for monitoring performance is to be able to provide feedback. Viedge (2003:79) noted that feedback serves two purposes:

- i. it allows the manager to provide consequences for performance; and,
- ii. it allows the manager to redirect the efforts of the employee if necessary.

Viedge (2003:79) stated that coaching an employee for poor performance entails discussing the desired performance and if required, modelling the performance for the

employee, asking the employee to perform, and then giving critical feedback until the performance is at the required level. Viedge (2003:79) also noted that managers need to ensure that good performance is followed by positive consequences.

2.5.3 Applying organisational measures

If we are unable to measure performance effectively, we are unlikely to be able to manage it effectively. Walters (2000:29) stressed the importance of never applying performance measurement as a punitive tool.

2.6 THE COMPARATIVE APPROACH TO MEASURING PERFORMANCE

Comparative methods, by providing direct comparisons, can be used to unearth differences between employees. This approach, as indicated by Noe *et al.* (2003:337), uses the assessment of an employee's performance to develop a form of ranking of employees within a work group. Three techniques fall under the comparative approach: ranking, forced distribution and paired comparison. Carrell *et al.* (1995:363) noted that supervisors do not differentiate between employees despite differences in performance.

2.6.1 Ranking

Employees are classified according to overall merit or performance standards, from best performer to worst performer. Nel *et al.* (2001:524) and Carrell *et al.* (1995:363) indicated that ranking is seldom developmental due to lack of feedback about employee strengths and weakness. Ranking is a very simple technique and usually subjective, and is best used when small numbers of employees are to be rated (Nel *et al.*, 2001:524). Several authors (Carrell *et al.*, 1995; Richardson, 1995; Nel *et al.* 2001) expressed reservations and advised the use of supplementary appraisal methods to gain the advantages of ranking while avoiding its pitfalls.

2.6.2 Forced distribution

Forced distribution enables the manager to place a percentage of employees into predetermined groups and Nel *et al.* (2001:525) indicated that the percentages do not have to comply with the requirements of a normal distribution curve. Proponents of the forced distribution system, as noted by Noe *et al.* (2003:337) contend that they guard against managers who are afraid to discipline poor performers.

2.6.3 Paired comparison

Paired comparison, as explained by Carrell *et al.* (1995:364) results in each employee being given a positive-comparison total and a certain percentage of the total positive evaluation. Like ranking and forced distribution, paired comparison is best used when small numbers of employees are rated. The method is cumbersome and time-consuming when large numbers are rated (Nel *et al.*, 2001; Noe *et al.*, 2003).

2.6.4 Evaluating the comparative approach

According to Noe *et al.* (2003:338) the comparative approach is an effective tool in differentiating employee performance as it reduces the problems of leniency, central tendency and strictness. This is helpful, as the results of the measures provide input for other human resources systems such as remuneration and promotions. Noe *et al.* (2003:338) also noted the weaknesses of the comparative approach as:

- i. common failure to be linked to strategic goals of the organisation;
- ii. inherently subjective nature of the ratings; actual validity and reliability depend on raters; and
- iii. lack of specificity for feedback.

De J Cronje, Du Toit and Motlata (2004:211) noted the comparative approach is the least effective form of performance appraisal. De J Cronje *et al.* (2004:211) argued that in the comparative approach, the employee is assessed on basis of the impression the manager has of the employee, increasing the risk of prejudice.

2.7 THE ATTRIBUTE APPROACH TO MEASURING PERFORMANCE

This approach converges on the extent to which employee characteristics or traits are believed to be advantageous to the organisation's success. Noe *et al.* (2003:339) stated that the techniques employing this approach define a set of traits by which individuals are evaluated.

2.7.1 Graphic rating scales

A graphic rating scale as indicated by Nel *et al.* (2001:526) is developed by selecting various characteristics that relate to the specific job. The rater then makes a choice across a continuum between two poles, ranging from best to worst.

2.7.2 Evaluating the attribute approach

As stated by Noe *et al.* (2003:340) these methods are easy to develop and are standardised across a variety of jobs, strategies and organisations.

Noe *et al.* (2003:340) also noted that there is little congruence between the techniques and the organisation's strategy, and that these methods usually have vague performance standards that are open to different interpretations by different raters.

2.8 THE BEHAVIOURAL APPROACH TO MEASURING PERFORMANCE

The behavioural approach to performance management defines the behaviours an employee displays to be effective in the job (Noe *et al.*, 2003:341). The methods used define the behaviours which require managers to then assess the extent to which employees exhibit them. Mullins (2005:837) noted that the use of behavioural control is responsive to the particular needs of the task, the abilities of the manager and the norms of the organisation.

2.8.1 Critical incidents

This technique focuses on the continuous recording of actual job behaviours that are characteristic of success or failure (Nel *et al.*, 2001:525). Carrell *et al.* (1995:365) laid

emphasis on specific actions as critical examples of excellent or poor behaviour. Robbins and DeCenzo (1995:384) stressed that only specific behaviours are cited and not vaguely defined personality traits.

2.8.2 Behaviourally anchored rating scales

A behaviourally anchored rating scale builds on the 'critical incidents' approach. It is designed to define performance dimensions by developing behavioural anchors associated with different levels of performance (Noe *et al.*, 2003:342). Noe *et al.* (2003:342) also cited as an advantage that the behaviourally anchored rating scale increases inter-rater reliability by providing a precise and complete definition of the performance dimension and, as a disadvantage, that behaviour closely approximating the anchor is more easily recalled than any other behaviour. Nel *et al.* (2001:526) affirmed that these rating scales are job-specific and require a high level of participation from managers. Nel *et al.* (2001:526) also concurred that the complex development procedure of this technique makes it time-consuming and expensive.

2.8.3 Behavioural observation scales

A behavioural observation scale is a variation of a behaviourally anchored rating scale and is also developed from critical incidents. A behavioural observation scale differs from the behaviourally anchored rating scale in two ways. First, as stated by Noe *et al.* (2003:344), rather than discarding a larger number of behaviours that represent effective or ineffective performance, behavioural observation scales use many of the behaviours to define, more specifically, all those behaviours that are necessary for effective performance. Instead of using three behaviours to define three levels of behaviours on a particular dimension, a behaviourally anchored rating scale may use fifteen behaviours.

A second difference, according to Noe *et al.* (2003:344) is that instead of assessing the behaviour that best reflects an employee's performance, the behaviourally anchored rating scale requires managers to rate the frequency with which the employee has displayed each behaviour during the rating period. This may require more information than most managers can process or remember.

2.8.4 Organisational behaviour modification

Organisational behaviour modification entails managing the behaviour of employees through a formal system of behavioural feedback and reinforcement. Noe *et al.* (2003:344) asserted that organisational behaviour modification builds on the behaviourist view of motivation, which maintains that the employee's future behaviour is determined by past behaviour that has been positively reinforced. Harvey and Brown (1996:206) affirmed that by increasing the level of morale, motivation and commitment of employees, organisational performance can also be improved. Davenport and Beck (2000:126) noted that getting people to stick to important strategic initiatives and to give those initiatives their undivided attention over time is crucial to competing successfully today. Noe *et al.* (2003:344) noted that organisational behaviour modification has four components:

- i. defining a set of key behaviours necessary for job performance;
- ii. using a measurement system to assess the behaviours;
- iii. managers informing employees of the behaviours; and
- iv. providing feedback and reinforcement.

2.8.5 Assessment centres

Carrell *et al.* (1995:405) and Noe *et al.* (2003:345) described an assessment centre as a process where the participants undergo a series of exercises and tests to determine their strengths and weaknesses in performing simulated tasks, such as leaderless group discussions, in-basket management, and role playing. Assessment centres are usually used for selection, promotion decisions, and as a way of measuring managerial performance. Mullins (2005:811) noted that assessment centres provide employers with an opportunity to find out more about candidates than from the traditional selection interview. Wheelen and Hunger (2006:244) noted that assessment centres have been able to accurately predict subsequent job performance and career success. Mullins (2005:811) also noted the disadvantages in that they can be costly, time-consuming and require a clear set of competencies from assessment by trained observers.

2.8.6 Evaluation of the behavioural approach

Noe *et al.* (2003:346) observed that the behavioural approach can be very effective in linking the organisation's strategy to the specific behaviour necessary for implementing the strategy and also that it provides specific guidance and feedback for employees about expected performance. A weakness noted by Noe *et al.* (2003:346) is that although the behavioural approach can be tied to an organisation's strategy, the behaviours and measures must be monitored and revised to ensure that they are still linked to the strategic focus.

2.9 THE RESULTS APPROACH TO MEASURING PERFORMANCE

The results approach focuses on managing the measurable results and objectives of the job. Mullins (2005:837) referred to the results approach as output control which is based on the measurement of outputs and the results achieved. Mullins (2005:837) also noted that this form of control serves the needs of the organisation and is used largely because of the demand for a quantifiable, simple measure of organisational performance. Noe *et al.* (2003:346) indicated that this approach assumes that subjectivity can be reduced from the measurement process and that results are the most pronounced indicator of the employee's contribution to organisational effectiveness.

2.9.1 Management by objectives

Lawson (1995a:5) described management by objectives as a systematic approach to letting people know what was required of them and how well they were doing in meeting those requirements. Management by objectives is also referred to as management by results or goal management. Carrell *et al.* (1995:207) found that management by objectives is the best-known expression of goal-setting theory. Reddin (1970:11) observed that management by objectives in the United States is centred on motivating the individual while management by objectives in Britain is centred on corporate planning. Reddin (1970:12) also pointed out that John Humble's definition of management by objectives laid the emphasis on corporate planning as opposed to George Odiorne's emphasis on superior and subordinate managers jointly defining goals. Reddin (1970:12) noted further that some theorists have suggested that

management by objectives is primarily a contract between the superior and the subordinate. It is not surprising that performance management has evolved within this context of management by objectives, which happens to be one of the most widely used frameworks.

Mullins (2005:249) defined management by objectives as a style or system of management which attempts to relate organisational goals to individual performance and devolvement through the involvement of all levels of management. Mullins (2005:249) concurred with Viedge (2003:75) that in theory, management by objectives should work because it recommends that the organisational objectives be cascaded down to the individual level in the same way as performance management. Noe *et al.* (2003:347) described management by objectives as a system whereby the top management team first defines the organisation's strategic goals; these are then passed on to the next layer of management, which has to define the goals they must achieve for the organisation to reach its targets. This goal-setting process cascades down the organisation to be used as the standard by which individual performance is evaluated.

Noe *et al.* (2003:347) also emphasised the three components of a management by objectives system. Firstly, it requires specific, difficult, objective goals. Secondly, the goals are not set unilaterally by management but with managers' and subordinates' participation. Lastly, the manager provides objective feedback throughout the rating period.

Of particular importance is the finding of Reddin (1970:12) that the popularity of management by objectives has declined as it addresses results and not how the performance should be managed. Viedge (2003:76) also stated that management by objectives failed because it was seen as a paper exercise in which the purpose was to complete and update the goal-setting forms. Schaffer (1991:70) agreed with Viedge that managers' energy was misdirected as they spent time administering the goal setting process, rather than managing the people using the process.

2.9.2 Productivity measurement and evaluation system

The productivity measurement and evaluation system was defined by Noe *et al.* (2003:348) as a means of measuring and feeding back productivity information to employees, motivating them to higher levels of productivity.

Noe *et al.* (2003:348) described the productivity measurement and evaluation system as comprising four steps:

- i. employees identify the set of activities or objectives the organisation expects to achieve;
- ii. employees define measures, called indicators, of how well the organisation's products or services are generated;
- iii. employees set up the contingencies between the amount of the indicators and the level of evaluation associated with that amount; and
- iv. a feedback system is developed that provides information about the specific level of performance on each of the indicators.

A productivity score is computed by quantifying the scores across the various indicators.

2.9.3 Evaluation of the results approach

An advantage of the results approach is that it links an employee's results with the organisation's strategies and goals. Noe *et al.* (2003:348) cited as a disadvantage the fact that not all job performances are susceptible to objective measurement. Another disadvantage is that the feedback does not accommodate the need to change behaviour in order to increase performance.

2.10 THE QUALITY APPROACH TO MEASURING PERFORMANCE

An approach to improved organisational performance and effectiveness is the Japanese-inspired 'total quality management'. Mullins (2005:964) defined total quality management as a way of life for an organisation as a whole, committed to total

customer satisfaction through a continuous process of improvement, and the contribution and involvement of people.

Brewster, Dowling, Grobler, Holland and Warnich (2000:116) noted that performance appraisal is seen by many writers as central to the development of total quality management, as it provides a two-way vehicle for managers and employees to develop, monitor and assess individual and organisational performance. Noe *et al.* (2003:350) contended that these characteristics are not unique to the quality approach but are characteristics of an effective appraisal system. Brewster *et al.* (2000:116) cited Deming (1986) as stating that performance appraisal focuses the attention of employees and managers on individual short-term performance, which nurtures an environment of rivalry, politics and risk avoidance. This, Brewster *et al.* argued, detracts from the central goals of total quality management such as long-term planning, teamwork, co-operation and organisational goals. Brewster *et al.* (2000:116) emphasised Deming's (1986) and Waldman's (1994) arguments that variations in performance are attributable to work systems rather than individual performance. This is supported by research and business literature which estimates that 85 per cent of total quality management failures and faults are the result of inadequate management systems (Brewster *et al.*, 2000) and have to do with materials and processes, not with employee performance (Heizer & Render, 2001).

Brewster *et al.* (2000:116) argued that a well-devised performance system that is compatible with total quality management would contain the following elements:

- i. identifying and recognising the quality of inputs and process and not just outputs;
- ii. focusing on the achievement of the individual, team and enterprise;
- iii. improving future performance through performance planning, coaching and counselling;
- iv. rating personal improvements and not just performance relative to peers; and
- v. providing qualitative feedback for employees.

Noe *et al.* (2003:349) suggested that two types of feedback are necessary:

- i. subjective feedback from managers, peers, and customers about the personal qualities of the employee; and

- ii. objective feedback based on the work process using statistical quality control methods.

Quality control circles also provide a two-way communication forum. Heizer & Render (2001:175) defined quality circles as a group of employees meeting regularly with a facilitator to solve work-related problems in their work area and noted that teams with a quality focus have been shown to be a cost-effective way of increasing productivity and quality. However, Lawson (1995a:6) warned that employee involvement initiatives often failed in the traditional environment of command and control organisations.

2.10.1 Evaluating the quality approach

Noe *et al.* (2003:353) noted that the traditional performance appraisal system focuses more on individual employee performance, while the quality approach adopts a systems-orientated focus. Although the most effective way of measuring performance relies on a combination of two or more alternatives, Noe *et al.* (2003:353) also noted that most organisations are reluctant to completely abandon their traditional performance management system because it serves as a basis for personnel selection validation, identification of training needs and compensation decisions.

2.11 PERFORMANCE APPRAISAL

The effects of globalisation and economic volatility have placed enormous competitive pressure on organisations to sustain their competitive edge for survival. All these pressures require continuous development and continuous learning (Lawson, 1995b:66). According to Lawson, these pressures are not limited to the private sector; the public sector today is practically unrecognisable from what it was 15 years ago and privatisation has required massive changes in practice and culture. Lawson (1995b:67) noted that the performance of an organisation is the application of the sum total of individual learning among its members, and that this application and development will enable an organisation to meet its objectives. Luthans (2005:102) cited Edmondson's study that confirms the important impact that team learning can have on organisational learning. Luthans (2005:102) also cited evidence in a study by Ellinger, Ellinger, Yang and Howton (2002) suggesting a positive association between the learning organisation concept and an organisations financial performance. An organisation achieves its financial goal through the achievement of its organisational objectives.

Lawson (1995b:67) emphasised that it is through an organisation's performance appraisal process that learning is applied and developed. Lawson (1995b:67) also observed that performance appraisal is the point at which corporate objectives are translated into individual performances, improvement of goals and measures which organisations use to assess how individuals are meeting the goals and needs of the organisation. De J Cronje and Du Toit (2004:211) stated that the purpose of a performance appraisal is to determine in which aspects the employee:

- i. performed exceptionally well;
- ii. complied with the requirements for the job; and,
- iii. did not comply with the requirements for the job.

Lawson (1995b:67) concluded that the performance appraisal process may be seen as a key sub-process of the wider performance management process. It should be noted that in many organisations the words 'performance management' are used to describe the appraisal process. Appraisal has also been called 'employee rating', 'employee evaluation', 'performance review', 'performance evaluation' and 'results appraisal'.

Lawson (1995b:67) noted that an effective appraisal system contains the following elements:

- i. mechanisms to link individual goals and objectives to the overall strategic direction of the organisation through, for example, divisional and functional or process structures;
- ii. a focus both on objectives and targets (the what) and on style and behaviours (the how), so that it is possible to assess not only whether individuals are achieving the individual targets that have been set but also whether their performance is in line with the organisation's preferred values and culture;
- iii. a fully developed and understood administrative process which ensures that performance appraisal is conducted conscientiously, comprehensively, and on time;

- iv. a cadre of skilled and experienced performance assessors, who are well briefed and supported throughout the process;
- v. a formal appraisal forum in which past and future performance issues, and any associated learning requirements, are discussed and agreed;
- vi. an effective system of quality control which ensures that the integrity of the appraisal process is maintained and that confidence in the process is upheld for all concerned; and
- vii. the requirement of evaluating the extent to which the objectives or goals set and achieved by individuals have contributed to overall strategic goals and objectives of the organisation.

2.11.1 Benefits of appraisal

Mullins (2005:762) and Viedge (2003:77) noted that the underlying objective of performance appraisal is to improve the performance of individuals leading to improvement in the performance of the organisation and that an effective appraisal scheme offers benefits to the individual and the organisation. The process of appraisal can also be the basis for improved employer–employee relations. Pulakos (2004:1) maintained that effective performance appraisals improve communication between employees and managers. Mullins (2005:763) argued that it is accomplished by providing employees an opportunity to discuss expectations and progress. Employee capability is developed, according to Pulakos (2004:1), by effective feedback and coaching and encourages better performance from staff (Mullins, 2005:763). Pulakos (2004:1) also emphasised the fact that performance appraisal can be used to drive employee behaviour to align with organisations' core values, goals and strategies. "People want to feel engaged, so help make that happen. If you can get people to invest something of their own, they're going to be more committed than if they feel like observers" (Davenport & Beck, 2000:123).

Luecke (2006:xiii) noted that everyone benefits when an organisation has effective performance management:

- i. shareholders observe better results;

- ii. managers are more successful because subordinates are doing the right things well; and
- iii. employees experience greater job security, career advancement and increases in salary.

Numerous authors (Nel *et al*, 2001; Pulakos, 2004; Mullins, 2006) agree that performance appraisal provides a basis for making human capital decisions, succession planning and training. Noe *et al.*, (2001:147) argued that performance appraisal deals with getting information about how well each employee is performing in order to reward those who are effective, improve the performance of those who are ineffective, or provide a written justification for why the poor performance should be disciplined.

2.11.2 The performance contract

Stein (1991:58) maintained that a better approach to performance management is to use a 'performance agreement' or 'performance contract'. Viedge (2003:80) noted that documentation is necessary to enforce the performance management system. Stein (1991:58) described the performance contract as a concise document, created by the employee and agreed upon by the direct manager, which sets out the employee's proposed contribution to the business plan. In practice the employer draws up the contract based on the relevant outputs of the business plan. The performance contract is an agenda which can:

- i. be referred to during the year;
- ii. be modified if necessary; and
- iii. serve as the basis of the appraisal judgement.

Viedge (2003:80) stated that the performance agreement would entail the following:

- i. what the person should contribute;
- ii. principal accountabilities;
- iii. measurement indicators, to determine how the employee knows whether the results have been achieved;
- iv. training and development;
- v. the process of managing performance.

Stein (1991:59) noted that the old five-box rating is now rejected in favour of three: met, exceeded and not met, now known as 'managing by contract'.

2.11.3 Establishing the appraisal system

Mullins (2005:766) stated that the purpose and nature of the appraisal system should be clear and that top management should own the system and be fully committed to the concept of appraisal.

The actual process of performance appraisal varies in different organisations, with each organisation having a set of procedures it considers to be effective. The process broadly consists of three steps (Lawson, 1995b:67) – preparation, the appraisal meeting and follow-through. Viedge (2003:80) argued that the performance management cycle requires that regular meetings be held to discuss performance. Viedge (2003:80) noted that the performance meeting between manager and employee would follow an agenda of:

- i. review priorities in terms of objectives, tasks and standards;
- ii. provide feedback on performance;
- iii. recognise good performance;
- iv. reprioritise objectives and tasks;
- v. ask "What can I do to help?";
- vi. set the agenda and date for the next performance meeting.

An effective eight-step process for effective performance appraisal is adapted from Luecke (2006:80):

Step 1: Be prepared

Employee and manager should both be prepared for the meeting. Lawson (1995b:68) advised that arrangements for appraisal meetings be made in advance so employees and managers have adequate time to prepare, and also that a proposed agenda be outlined and made available prior to the meeting. A way of ensuring this is to have employees conduct self-appraisals in which employees evaluate their own performance against stated goals. An appraisal checklist should ask the following questions (Luecke, 2006:80):

- i. To what extent have you achieved your goals?
- ii. Which, if any, goals have you exceeded?
- iii. Are you currently struggling with any goals?
- iv. What is inhibiting your progress toward achieving those goals - lack of training, inadequate resources, poor direction from management, or anything else?

Luecke (2006:81) saw self-appraisal as having two benefits. First, it gets the employee involved by setting a tone of partnership and makes the employee more open to feedback by the manager. Second, the manager acquires a perspective on the employee's work. Pulakos (2004:8) cited three additional benefits, viz employee-generated accomplishments, increased communication and the retention of employee-generated accomplishments for the use of pay or promotion decisions. However, Pulakos (2004:8) found that the self-appraisal process and discussion can lead to increased defensiveness, disagreements and bad feelings between employees and management if managers appraise employees less effectively than they have rated themselves.

Step 2: Conduct the appraisal meeting

The manager's role is to set the employee at ease in a way that elicits positive behavioural responses (Lawson, 1995b; Noe et al, 2003; Luecke, 2006). To prepare the parties psychologically for the appraisal dialogue, Pulakos (2004:4) and Luecke (2006:82) advised that the manager review the purposes of the appraisal and its benefits to both parties. The manager then listens while the employee discusses the self-appraisal. Once this is done the manager can move on to the actual appraisal.

Step 3: Identify both good and bad performance

Luecke (2006:83) advised that as the manager discloses the appraisal, he or she should give priority to how the employee's accomplishments compare to the agreed-upon goals. Luecke also advised that the manager look for gaps between actual and expected performance and areas in which the employee has met or exceeded expectations, and to make this the focus for discussion and feedback.

Step 4: Find the root causes of performance gaps

Identifying the root causes of performance gaps and achievements will create an atmosphere of objectivity.

Step 5: Plan to close performance gaps

Luecke (2006:87) laid emphasis on the manager ensuring that the employee acknowledges the root causes of performance gaps and their importance before attempting a dialogue of resolution. The employee and manager can then agree on and commit to a plan that includes a specific goal, a timeline, action steps and a description of the training and coaching required. This development plan becomes part of the employee's record.

Step 6: Re-evaluate performance goals

Luecke (20026:88) suggested that the manager involve the employee in the goal-changing process to ensure that the employee has the capacity to take up new goals and understands the importance of the new goals.

Step 7: Get it on record

Viedge (2003:80) advised that recording what is agreed is vital because without this step it is difficult to hold employees accountable for performance. Luecke (2006:88) emphasised the importance of recording the meeting's key points and outcomes to include the following elements:

- i. date;
- ii. key points raised by the employee;
- iii. key points raised by the manager;
- iv. points of disagreement, if applicable;
- v. summary of the development plan;
- vi. summary of agreed-upon next steps; and
- vii. performance goals for the coming year.

Viedge (2003:80) noted that recording what the employee undertakes to do and by when, ensures complete understanding and provides an ongoing record against which performance can be measured.

Step 8: Follow up

Noe *et al.* (2003:363) suggested that besides setting goals the manager should set a specific follow-up date to review the employee's performance toward the goal. Luecke

(2006:89) added that the objective is to monitor progress to determine if training, coaching or support is needed.

2.11.4 360-degree feedback and upward appraisal

According to Mullins (2005:765), the concept of performance appraisal has evolved into systems of 360-degree feedback and upward appraisal. The theory of 360-degree feedback involves an appraisal and feedback from peers, subordinates, managers and internal or external customers. Butcher (2002:57) stated that 360-degree feedback is common in appraisals because colleagues and peers have more contact with the person being appraised than the manager. However, apart from it being time-consuming, Pfau, Kay, Nowack and Ghorpade (2002:54) pointed out that, while 360-degree feedback delivers valuable feedback, there are serious privacy, validity and effectiveness problems associated with it. Butcher (2002:57) also noted that making employees review their colleagues' strengths and weakness often causes political tensions.

Luecke (2006:82) noted that the benefits of 360-degree feedback compensate for the negatives if the following conditions are in place:

- i. it is used in an environment of trust;
- ii. there is organisational commitment to performance evaluation; and
- iii. adequate training is available.

Mullins (2005:765) described upward feedback as a review system involving subordinates' appraisals of managers. Noe *et al.*, (2003:388) noted that the 360-degree feedback process is a special case of upward feedback.

2.12 PROBLEM AREAS IN PERFORMANCE MANAGEMENT

"Very often performance management systems make logical sense in theory, yet in practice they do not work" (Viedge, 2003:76). Mullins (2005:769) cautioned that the effectiveness of an appraisal system is dependent on the quality and reliability of the assessment and that variation in the consistency of appraisal standard may lead to an impression of dissatisfaction and injustice. Viedge (2003:76) quoted the following reasons why performance management systems can fail:

- i. individual goals are not linked to strategy;
- ii. there are no consequences for non-performers by employees;
- iii. employees do not understand what is expected of them;
- iv. job competencies have not been developed;
- v. managers do not use individual goals to drive performance;
- vi. there are too many goals per employee;
- vii. complex forms are used;
- viii. there is no link between effective performance, reward and recognition;
- ix. there are unidentified obstacles to performance;
- x. no feedback is given on performance;
- xi. employees are not held accountable for results; and,
- xii. performance management is seen as separate from the day-to-day management of people.

2.12.1 The elimination of bias

According to Mullins (2005:770), problems with performance management systems arise from the application of the systems rather than the inherent deficiencies in the systems. Mullins also noted that questions arise about issues of assessing actual, as opposed to perceived performance and the differences in perceptions of organisational and managerial support. Noe *et al.* (2003:360) offered two approaches to reducing rating errors: rater error training and rater accuracy training.

2.12.2 Regular review of performance

Mullins (2005:770) advised that appraisal should not be an event that occurs once or twice a year but should be a continuous process of monitoring, feedback and review. Viedge (2003:81) argued that regular meetings to discuss performance ensure that the employee's objectives are kept alive and not left in a filing cabinet to be reviewed once a year. Viedge (2003:81) also noted that when a manager discusses the achievement of objectives and the consequences of achieving the objectives with the employee, the manager influences the employee's thinking. Viedge (2003:80) claimed that, ultimately, employees come to work each day thinking about what their piece of the strategy, and what they need to do to achieve their objectives.

2.12.3 Appraisal politics

Noe *et al.* (2003:388) referred to appraisal politics as a situation in which evaluators purposefully distort ratings to achieve personal or company goals. This can occur if the organisation's executive structure is complacent toward it.

2.13 THE BALANCED SCORECARD

Kaplan and Norton (1992:71) observed that as organisational and academic researchers attempted to remedy the inadequacies of current performance measurement systems, some focused on making financial measures more relevant. Pearce and Robinson (2003:337) described the balance scorecard as a system that links shareholder interests in return on capital with a system of performance management that is linked to ongoing, operational activities and processes within an organisation. Bourne and Bourne (2000:93) noted that financial measures of performance alone are inadequate for managing organisations and argue that a balanced set of measures are needed. Bourne *et al.* (2003:15) argued that the traditional performance measures are too financially based, focusing only on internal organisational measures of cost and budget variance data. In another study reported by Mallory (1997:259), one crucial deficiency of conventional performance indicators as measures of corporate success is that accounting-based measures reflect history and not future potential. Others have said, 'Forget the financial measures. Improve operational measures like cycle time and defect rates; the financial results will follow' (Kaplan & Norton, 1992:71).

In observing and working with many organisations, Kaplan and Norton found that organisations do not rely on one set of measures to the exclusion of others. Organisations realise that no single measure can focus on all the critical areas; a balanced presentation of both financial and operational measures is required. During a year-long research project Kaplan and Norton devised the balanced scorecard as a set of measures to give a comprehensive view of the organisation.

Kaplan and Norton's balanced scorecard is a management tool for translating organisational vision into a set of measurable strategic and tactical objectives; it enables managers to focus on the handful of measures that are most critical. Kaplan and Norton (1996b:75) emphasised that the balanced scorecard was not a replacement

for financial measures. Rather, it complements the financial measures with operational measures on customer satisfaction, internal processes and the organisation's innovation and improvement activities. It also includes financial measures that reflect the results of past actions as opposed to the "operational measures that are the drivers of future financial performance" (Kaplan & Norton, 1992:71).

The balanced scorecard views an organisation from four perspectives and aids performance measurement by the development of metrics, the collection of data and analysis relative to each of these perspectives (refer to Figure 2.3). Mullins (2005:156) described the balanced scorecard as an endeavour to combine both qualitative and quantitative indicators of performance which identify the expectations of various stakeholders and relate performance to a choice of strategy as a basis for evaluating organisational effectiveness. Wheelen and Hunger (2006:272) portrayed the balanced scorecard as a method that combines financial measures, which show the results of actions already taken, with operational measures on customer satisfaction, internal processes, and the organisation's innovation and improvement activities, which are referred to as the drivers of future financial performance.

The balanced scorecard links performance measurements by requiring organisations to scrutinise four questions and management to develop goals or objectives in each of the four areas:

- i. customer: how do the customers view the organisation?
- ii. internal business perspective: what must the organisation excel at?
- iii. innovation and learning: can the organisation continue to improve and create value? and,
- iv. financial: how do we appear to shareholders?

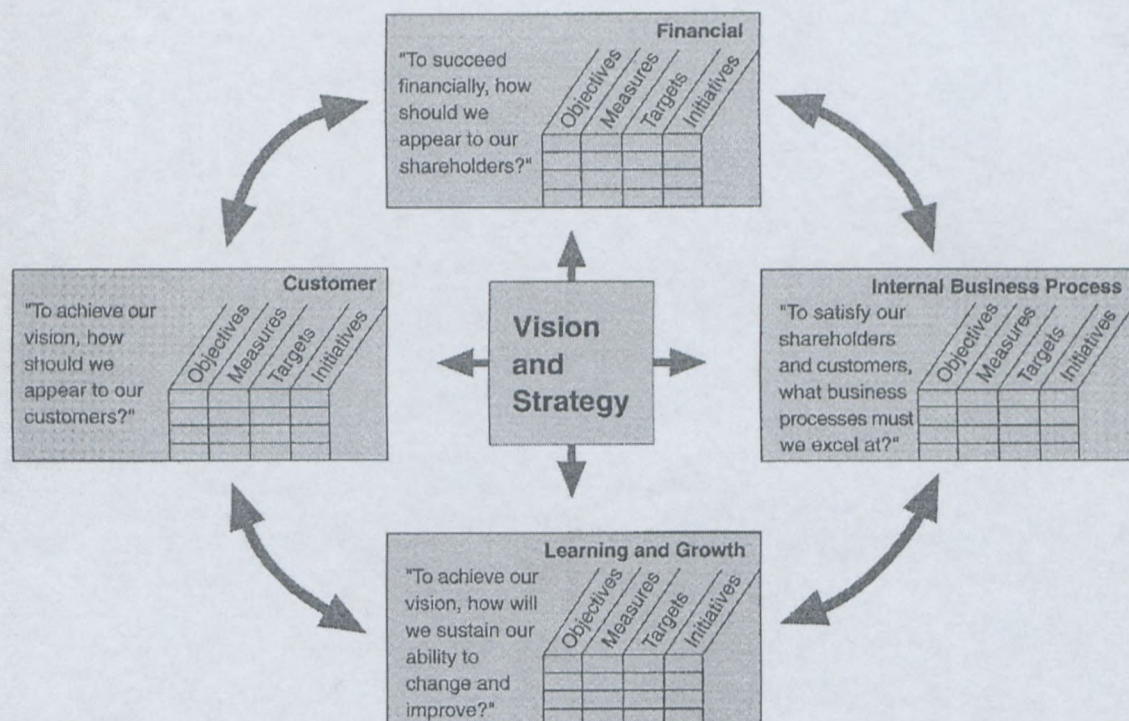


Figure 2.3: The balanced score card provides a framework to translate strategy into operational terms

[Source: Kaplan & Norton (1996a:9)]

The customer perspective requires the translation of the general mission statement on customer service into specific measures reflecting customer requirements. Kaplan and Norton (1992:73) mapped customer concerns into four categories: time, quality, performance, service and cost. Organisations articulate goals for time, quality, performance and service which are then translated into specific measures. An organisation's performance measures are directly dependent on its customers' evaluations. These performance measures can be provided by a third party, which could be a consultancy, industry performance standards, benchmarking or best practices. Neely *et al.* (2002:161) concurred that benchmarking involved taking an external perspective by comparing organisational performance with that of organisational competitors or other best practitioners of organisational processes or capabilities. However, Neely *et al.* (2002:161) warned that benchmarking is pursued as a once-off exercise towards generating ideas for and gaining commitment to short-term improvement initiatives as opposed to the design of a formalised performance measurement system. Pearce and Robinson (2003:338) stated that a customer perspective adds measures related to defect levels, on-time delivery, warranty support, product development that come from direct customer input and are linked to specific

customer activities. Rossouw, Le Roux and Groenewald (2003:202) noted that adding value to customers involves the ability of an organisation to:

- i. supply a constant stream of needs-satisfying products, or to anticipate the customer's emerging needs; and,
- ii. develop new products to satisfy those needs.

Internal business perspective integrates the customer-specific measures by translating them into measures of how the organisation will meet customer needs. These measures are obtained from the internal business processes that have the greatest impact on customer satisfaction: factors that affect cycle time, quality, employee skills and productivity. These specific measures can link top management's judgement about internal processes and competencies to employee actions that affect overall organisational objectives. Bourne and Bourne (2000:14) reiterated that in order to satisfy customers and to make a financial return, the business must be efficient and effective at what it does. Rossouw *et al.* (2003:202) noted that the internal business process perspective has two advantages over the traditional financial measures, identification of new processes and the incorporation of innovative processes. This supplements the identification of core organisational competencies, critical technologies required for market dominance, leadership or survival. Achievement of these goals is influenced by employee actions that are measurable.

Rossouw *et al.* (2003:203) cautioned that competition requires organisations to:

- i. make continual improvements to their existing products and processes; and,
- ii. have the ability to introduce entirely new products with expanded abilities.

Rossouw *et al.* (2003:203) argued that an organisation's ability to innovate, improve and learn ties directly into the organisation's value. "The customer-based and internal business process measures on the balanced scorecard identify the parameters that the company considers most important for competitive success" (Kaplan & Norton, 1992:75). Rossouw *et al.* (2003:203) stated that organisational learning and growth come from three sources:

- i. people;
- ii. systems; and,

- iii. organisational procedures.

Rossouw *et al.* (2003:203) noted that employee-based measures include measures such as employee satisfaction, retention, training and skills and that information systems can be measured by real-time availability of accurate and critical information. Kaplan and Norton (1996a:129) established that most organisations use employee objectives from three outcome measurements (refer to Figure 2.4):

- i. employee satisfaction;
- ii. employee retention; and,
- iii. employee productivity.

Core Measurements

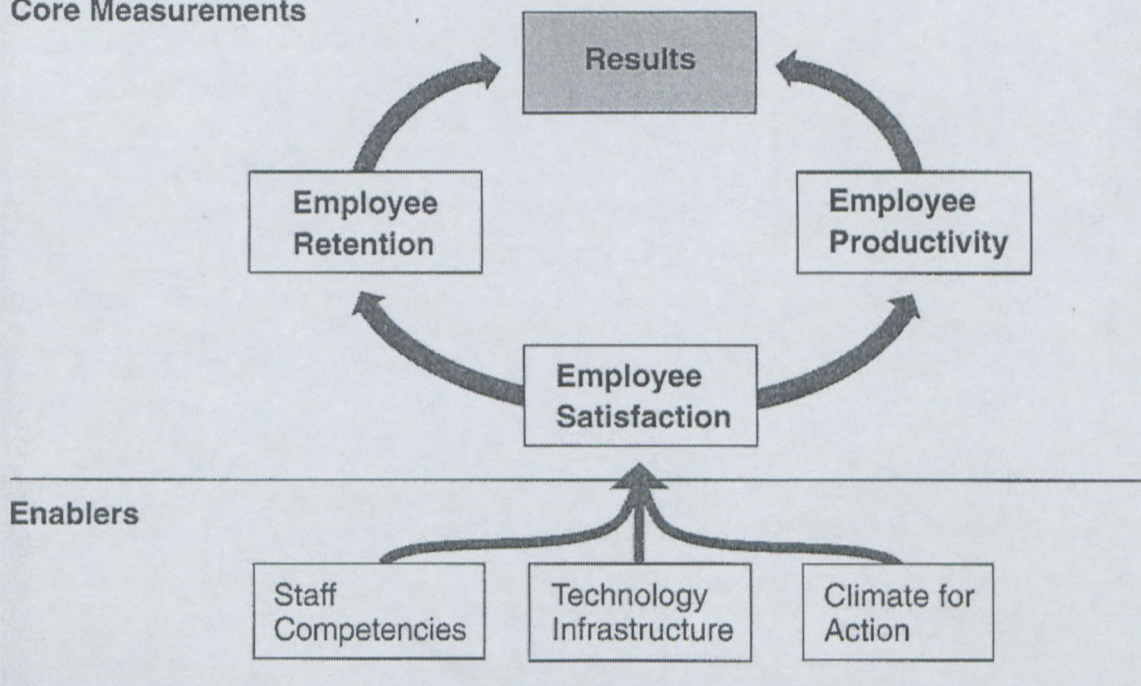


Figure 2.4: The learning and growth measurement framework

[Source: Kaplan & Norton (1996a:129)]

Kaplan and Norton (1996a:129) affirmed that within the core measurements, employee satisfaction is considered the driver of the other two measures - employee retention and employee productivity. Kaplan and Norton (1996a:129) also maintained that the employee satisfaction objective recognises that employee morale and job satisfaction are now considered important by most organisations and that satisfied employees are a precondition for increasing productivity, responsiveness, quality, and customer service. Kaplan and Norton (1996a:129) also warned that employee morale is especially

important for many service organisations where the lowest-paid and lowest-skilled employees interact directly with customers. Organisations could measure employee satisfaction by means of a survey. Kaplan and Norton (1996a:129) recommended that elements in an employee satisfaction survey could include:

- i. involvement with decisions;
- ii. recognition for doing a good job;
- iii. access to sufficient information to do the job well;
- iv. active encouragement to be creative and use initiative;
- v. support level from staff functions; and,
- vi. overall satisfaction with the company.

Rossouw *et al.* (2003:203) stated that organisational procedures can examine the alignment of employee incentives with the attainment of organisational goals. Several authors (Kaplan & Norton, 1996a; Rossouw *et al.*, 2003) concur that an organisation's aptitude to innovate, learn and improve continually will increase shareholder value.

Financial performance measures indicate whether the previous three perspectives are contributing to an improvement in the bottom line. Failure to convert improved operational performance into improved financial performance as measured in the scorecard should precipitate a review of the organisation's strategy and implementation.

Wheelen and Hunger (2006:272) noted that each goal in each area is assigned one or more measures, as well as a target and an initiative. They also emphasised that measures are essential for achieving a desired strategic option; these measures are termed 'key performance measures'. Measures are the quantification of an action or activity and occur at various levels in the organisation. Some measures are lagging and some are leading. Kaplan and Norton (1996a:32) stated that a balanced scorecard should have a mix of outcomes (lagging indicators) and performance drivers (leading indicators) of the business unit's strategy. Outcomes are the final results of an organisation's products or services. Performance drivers or inputs measure the employee and unit activities which in turn result in outcomes. It must be stated that outcome measures without performance drivers do not reveal the achievement of the former (Kaplan and Norton, 1996a:31), and that it also does not provide an indication of successful implementation of the strategy. While performance drivers without outcome

measures could enable the business unit to achieve short-term operational improvements, they fail to reveal a translation into an improvement of balanced scorecard perspectives, namely customers or enhanced financial performance. The balanced scorecard evaluates performance from both financial and non-financial measures of the four perspectives. These measures are balanced for the external measures of shareholders and customers and the internal measures of business processes, business growth, learning and innovation. This methodology builds on key concepts of traditional management practices such as total quality management, employee empowerment, continuous improvement and all measurement-based management systems. The measures pull people toward the vision and mission that the balanced scorecard has designed as the core of the organisation. Kaplan and Norton (1992:79) highlighted that “as companies have applied the balanced scorecard, we have begun to recognize that the scorecard represents a fundamental change in the underlying assumptions about performance measurement”.

2.13.1 The balanced scorecard as a management system

It is important to note that the balanced scorecard is more than a measurement system, although it is used to place strategy at the centre of a performance management programme. Kaplan and Norton (1996b:75) explained that the balance scorecard allows organisations to introduce four management processes that, separately and in combination, contribute to linking long-term strategic objectives with short-term actions. The dynamics of the balanced scorecard are used as the central framework for the management processes, depicted in Figure 2.5, (Kaplan & Norton, 1996a:10):

- i. clarification and translation of vision and strategy;
- ii. communication and linkage of strategic objectives and measures;
- iii. planning, setting of targets and alignment of strategic initiatives; and
- iv. enhancement of strategic feedback and learning.

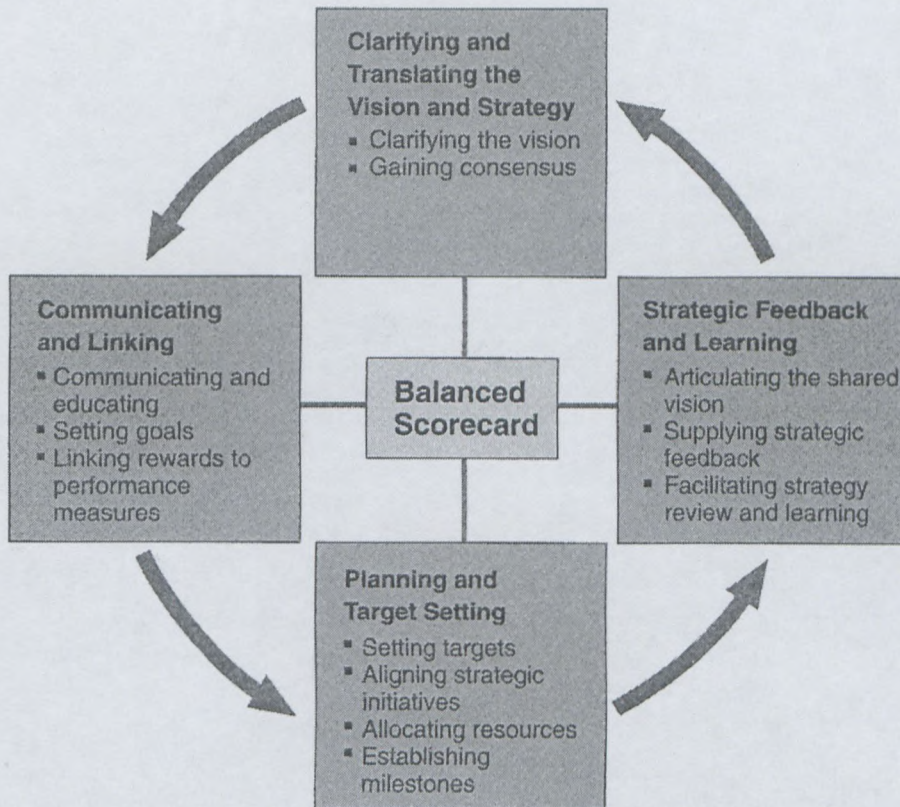


Figure 2.5: Managing strategy: four processes
 [Source: Kaplan & Norton (1996b:77)]

The clarification and translation of vision and strategy process aligns the organisation by organising the leadership from the top, creating a climate for change and a common focus for change activities. Kaplan and Norton (1996b:76) described translating the vision as helping managers build a consensus around the organisation's vision and strategy. This coalition also establishes a sense of urgency. It unites the management team in translating the strategic business unit's strategy into specific strategic objectives by emphasising the strategic direction based on the financial objectives and customer needs.

A comprehensive communications drive and linkage process stimulates the formulation of the individual's local actions to contribute to business unit objectives. Kaplan and Norton (1996b:76) explained that communicating and linking allows managers to communicate their strategy up and down the organisation and link the strategy to departmental and individual objectives. Organisational alignment is achieved by linking the scorecards as strategies are executed through strategic business units. Kaplan and Norton (1996b:80) clarified that for organisations to align employees' individual performances with the overall strategy, scorecard users engage in three activities:

- i. communicating and educating;
- ii. setting goals; and,
- iii. linking rewards to performance measures.

Kaplan and Norton (1996b:80) noted that a mere awareness of corporate goals is not enough to change people's behaviour, and that the organisation's high-level strategic objectives and measures should be translated into objectives and measures for operating units and individuals.

Kaplan and Norton (1996b:76) explained that business planning enables organisations to integrate their business and financial plans. The organisation then gathers the objectives and measures for the internal business process. This step creates the consensus and teamwork needed for identifying the critical few drivers of the strategic objectives. The high-level strategic measures of the organisation and business unit are divided into specific measures at the operational level to align goals and incentives. A traditional approach to measures and goal-setting promotes fragmentation and isolation as opposed to the balanced scorecard's approach of creating a holistic view, permitting teamwork and knowledge-sharing. To achieve financial objectives, this process of the balanced scorecard requires management to identify what Kaplan and Norton, (1996a:14) referred to as 'stretch targets', for the organisation's customers, internal business process, etc. Once these targets are established, management can align their strategic initiatives for achieving the strategic objectives. This is achieved by allocating resources and establishing milestones. Kaplan and Norton (1996a:14) concluded that planning and target-setting management processes enable the organisation to:

- i. quantify the long-term outcomes it wishes to achieve;
- ii. identify mechanisms and provide resources for achieving those outcomes; and
- iii. establish short-term milestones for its financial and non-financial measures.

From the above overview it may be concluded that the enhancing strategic feedback and learning aspect is the most innovative and the most important aspect of the scorecard management process (Kaplan & Norton, 1996a:15). It bridges the gap between the way past results have been achieved and the affirmation that future expectations will be achieved. Kaplan and Norton (1996b:77) explained that organisations, with the balanced scorecard at the centre of its management systems, a

company can monitor short-term results from the three additional perspectives and evaluate strategy in the light of recent performance. Kaplan and Norton (1996b:76) then clarified that the scorecard enables organisations to modify strategies to reflect real-time learning. The balance scorecard, as noted by Kaplan and Norton (1996b:84), supplies three elements that are essential to strategic learning:

- i. articulates the organisation's shared vision, defining in clear and operational terms the results that the organisation, as a team, is trying to achieve;
- ii. the scorecard supplies the essential strategic feedback system; and,
- iii. the scorecard facilitates the strategy review that is essential to strategic learning.

Organisations have discovered that the balanced scorecard enables management to bridge the gap between the development and formulation of strategy and its formulation. These gaps ultimately affect the implementation of performance management at the operational level and are caused by barriers designed by the traditional management systems (Kaplan and Norton, 1996a:193):

- i. visions and strategies that are not actionable;
- ii. strategies that are not linked to departmental, team and individual goals;
- iii. strategies that are not linked to long-term and short-term resource allocation;
- iv. feedback that is tactical, not strategic.

These barriers are the result of a survey of management practices, designed around the components of the management system, relating to performance measurements and performance management systems (Kaplan & Norton, 1996a:193).

2.13.2 Shortcomings of the balanced scorecard

Key shortcomings of the balanced scorecard adapted from Bourne and Bourne (2000:88):

- i. The exclusion of people results in the addition of a people perspective, but this is excluded from the original scorecard. The innovation and learning perspective is often translated into a people perspective.

Bourne and Bourne (2000:89) recommended adopting a people perspective because of the importance of the employee as a driver of performance, as not measuring people creates the impression that they do not matter to the business.

- ii. Suppliers are excluded.

Balanced scorecard proponents argue that suppliers are a part of the process perspective, but this does not provide the exposure they deserve (Bourne & Bourne, 2000:89).

- iii. Regulators are ignored. There are non-negotiable standards which have to be met, but this is not accommodated in the balanced scorecard.

- iv. Community and environmental issues are not included.

Environmental issues and local communities are closely linked and organisations need to measure and monitor the impact.

- v. Competitors are ignored.

Bourne and Bourne (2000:90) noted that the balanced scorecard is designed to answer the question, "Is the chosen strategy being implemented?" but fails to ask the question, "Is the chosen strategy the right strategy for our organisation?". It does not highlight or track threats from non-traditional competitors.

Wheelen and Hunger (2006:272) warned that the balanced scorecard can hinder and decrease performance if it is used in a mechanistic fashion without a link to the organisation's strategy.

2.14 THE PERFORMANCE PRISM

Neely *et al.* (2002:82) observed that no longer can organisations determine alone what should be measured, organisations have to look to all of their organisations stakeholders and take account of what the stakeholders care about. Organisations in the 21st century would have to take account of the wants and needs of all their stakeholders for the following reasons (Neely *et al.*, 2002:158):

- i. if the organisation does not satisfy stakeholders' particular wants and needs the stakeholders could rebel and refuse to co-operate with the organisation, leading

- to less capital, fewer customers, lousy morale, higher costs and greater scrutiny;
- ii. organisations have legal, moral and ethical responsibilities towards their stakeholders;
 - iii. organisations have reputation to protect with the presence of the media and special interest groups.

The performance prism is an advanced measurement model and framework to aid the identification and selection of appropriate measures for the organisation. Bourne and Bourne (2000:91) and Neely *et al.* (2002:xi) described the performance prism in terms of the five facets: two ends - the stakeholder wants and needs and the stakeholder contribution; as well as three facets - strategies, processes and capabilities.

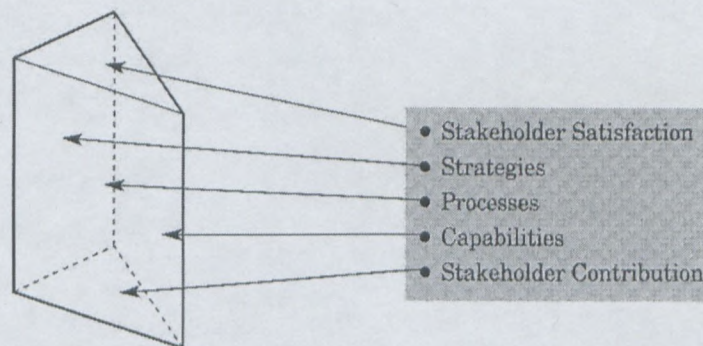


Figure 2.6: Performance Prism [Source: Neely *et al.* (2002: xi)]

The performance prism, depicted in Figure 2.6, by supplementing the best of the frameworks in existence, addresses their shortcomings. Neely *et al.* (2002:160) referred to stakeholder wants and needs as stakeholder satisfaction.

The fundamental premises of the performance prism are:

- i. organisations cannot focus solely on the needs of shareholders and customers to survive in the long term;
- ii. strategies, processes and capabilities have to be aligned and integrated to deliver real value to all stakeholders; and
- iii. there is a reciprocal relationship between organisations and their stakeholders.

The performance prism is best understood by focusing correctly on the concepts of:

- i. performance measurement as the process of quantifying the efficiency and effectiveness of past action;
- ii. performance measurement as a parameter used to quantify the efficiency and effectiveness of past action;
- iii. performance metric as the definition of the scope, content and component parts of a broadly based measure.

Effectiveness refers to the extent to which stakeholder requirements are met, while efficiency is a measure of how economically the organisation's resources are utilised when providing a given level of stakeholder satisfaction.

A performance measurement system enables informed decisions to be made and actions to be taken because it quantifies the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data Neely *et al.* (2002:xiii). Neely *et al.* (2002:xiii) emphasised that if any of the data processing activities do not occur then the measurement process is incomplete, resulting in no informed decisions taking place. Neely *et al.* (2002:xiii) labelled the data-processing activities as:

- i. data acquisition: the process of gathering raw facts;
- ii. data collation: the process of compiling the raw facts into a single or integrated data-set;
- iii. data sorting: the process of assigning the individual facts in the data-set to meaningful categories so that the data can be analysed;
- iv. data analysis: the process of searching for patterns that exist in the sorted data set;
- v. data interpretation: the process of explaining the implications of any patterns that have been identified in the sorted data-set.

The performance prism identifies the critical components of strategies, processes and capabilities that must be addressed, from a performance measurement and management view, to satisfying the stakeholders' and organisations' wants and needs (Neely *et al.*, 2002). The performance prism, a second-generation performance management framework, was designed by Neely *et al.* (2002) to build on and strengthen existing first-generation measurement frameworks and methodologies, such

as the balanced scorecard, share holder value frameworks and self assessment frameworks, like the Malcolm Baldrige Award Criteria. Neely *et al.* (2002:159) perceived that the four perspectives of the balanced scorecard overlook the importance of other stakeholders, such as employees, suppliers, regulators and communities. For the reason that business performance is a multi-faceted concept, Neely *et al.* (2002:160) stated that there is no best way to approach the measurement and management of business performance. Neely *et al.* (2002:160) offered as a solution to this problem, a three-dimensional framework, the performance prism that has been designed to provide both a broad and narrow focus. Neely *et al.* (2002:160) explained that if only a partial aspect of performance management is required, such as a single stakeholder focus or a business process agenda, then the performance prism can be applied to designing a measurement system with measures that addresses that context. If a broad organisational or business unit performance management improvement initiative is required, Neely *et al.* (2002:160) clarified that the performance prism is capable of supporting that too. The performance prism consists of five interrelated perspectives on performance with vital questions:

- i. stakeholder satisfaction – who the key stakeholders are and what do they want and need?
- ii. stakeholder contribution – what contributions do we require from our key stakeholders?
- iii. strategies – what strategies do we have to put in place to satisfy these two sets of wants and needs?
- iv. processes – what critical processes do we require if we are to execute these strategies?
- v. capabilities – what capabilities do we need to operate and enhance these processes?

Figure 2.7 illustrates the five basic perspectives of performance management and measurements.

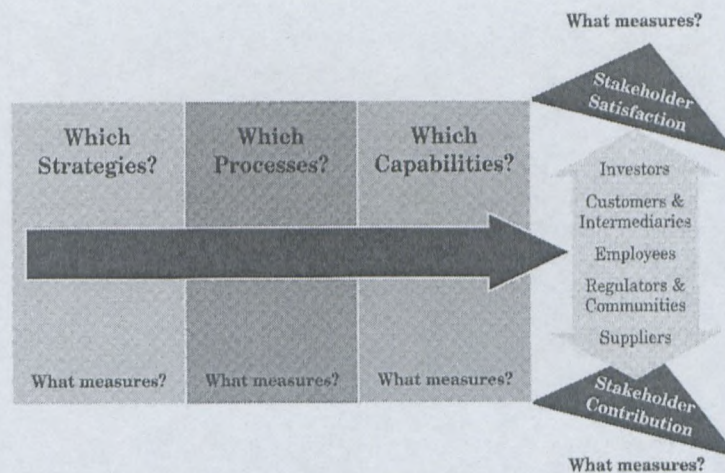


Figure 2.7: The performance prism
 [Source: Neely *et al.* (2002:161)]

Neely *et al.* (2002:161) mentioned that organisations satisfy organisational wants and needs by accessing contributions from organisational stakeholders. Contributions from stakeholders could include capital and credit from investors, loyalty and profit from customers, ideas and skills from customers and services from suppliers. Neely *et al.* (2002:161) in addition noted that organisations also need to have defined what strategies the organisation will pursue to ensure that value is delivered to the organisations stakeholders. Strategies are implemented with the aid of effective and efficient processes. Neely *et al.* (2002:161) also stated that processes can only be executed if the organisation has the right capabilities in place. Capabilities could include best practices, the right combination of employee skill-sets, leading technologies and physical infrastructure. It is not surprising that Neely *et al.* (2002:161) claimed that the performance prism provides a comprehensive framework that could be used to articulate any given organisational operating model.

2.14.1 Stakeholder satisfaction

Neely *et al.* (2002:164) contended that one of the biggest fallacies of measurement design is that performance measures should be derived from strategy. Neely *et al.* (2002:164) argued that performance measures assist organisations in establishing whether the organisation is going to reach the destination that it set out to reach and that strategy is the chosen route the organisation takes to reach the desired destination. So, the starting point for deciding what to measure should not be 'What is the organisation's strategy?' but instead: 'Who the organisation's stakeholders are and

what do they want and need?' (Neely *et al.*, 2002:166). Neely *et al.* (2002:164) discovered that an organisation's key stakeholders are to be a combination of the following:

- i. investors, shareholders and other capital providers;
- ii. customers and intermediaries;
- iii. employees and labour unions;
- iv. suppliers and alliance partners; and,
- v. regulators, pressure groups and communities.

2.14.2 Stakeholder contribution

Neely *et al.* (2002:167) noted that customers want satisfaction from the organisations that they choose to use and in turn the organisations want loyal and profitable customers. Neely *et al.* (2002:167) also stated that organisations want loyal employees with high productivity levels and noted that organisations grade their employees based on employee contribution which have an impact on employee remuneration. Remuneration is an aspect of employee wants and needs. Neely *et al.* (2002:161) classified the relationship that exists between what stakeholders want and need from the organisation and what the organisation wants and needs from the stakeholders as dynamic tension.

2.14.3 Strategies

Neely *et al.* (2002:169) noted that measures send employee messages about what matters and how employees should behave. Neely *et al.* (2002:170) argued that when measures are consistent with the organisation's strategies, measures encourage behaviours that are consistent with strategy. It should be observed that the key factor motivating this perspective is what strategies the organisation should be adopting to ensure that the wants and needs of the organisation's stakeholders are satisfied while ensuring that the organisation's requirements are also satisfied. Neely *et al.* (2002:169) remarked that in this context the role of measurement is four-fold:

- i. measures are required for the organisation to track the implementation of the organisation's strategies;
- ii. measures can be used to communicate the strategies within the organisation;

- iii. measures can be used as incentives and to encourage the implementation of the strategy;
- iv. measurement can be used to analyse whether the strategies are working as planned.

For strategies that could be applied to the corporate, business unit and operational level, refer to Figure 2.8.

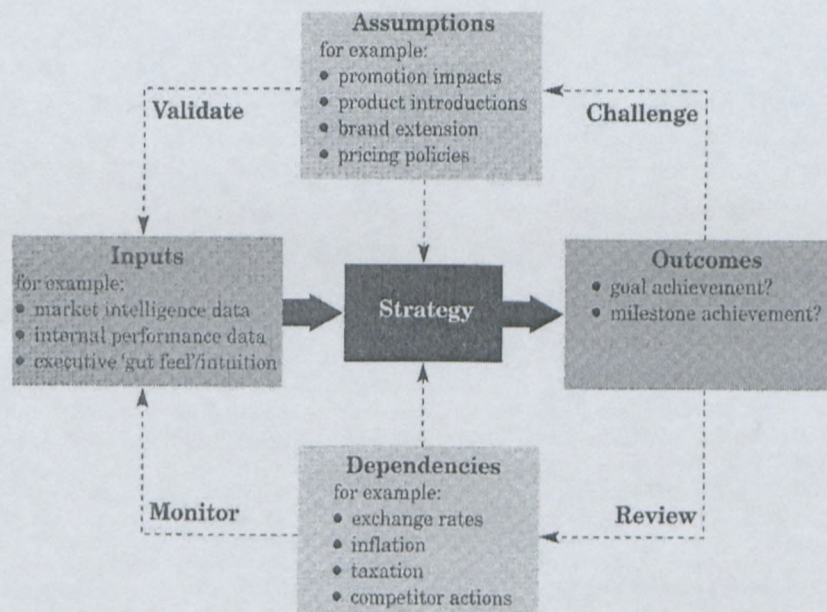


Figure 2.8: The role of measurement in strategy creation and execution
[Source: Neely *et al.* (2002:170)]

2.14.4 Processes

Neely *et al.* (2002:171) stressed the importance of processes needing owners to so that judgements can be made upon analysis of the data and the necessary action taken. Organisations consider their processes in four categories, noted Neely *et al.* (2002:171):

- i. develop products and services;
- ii. generate demand;
- iii. fulfil demand;
- iv. plan and manage the organisation.

Neely *et al.* (2002:173) noted that organisations need to consider the aspects which are critical for measurement and categorised these aspects as follows:

- i. quality (consistency, reliability, conformance, durability, accuracy, dependability);
- ii. quantity (volume, throughput, completeness) ;
- iii. time (speed, delivery, availability, promptness, timeliness, schedule);
- iv. ease of use (flexibility, convenience, accessibility, clarity, support);
- v. money (cost, price, value).

These five categories would help to quantify the measurement criteria for the process issues that an organisation identifies as critical to success. In addition, when measuring processes, Neely *et al.* (2002:174) stated that organisations need to consider the component parts of the individual process as shown in Figure 2.9.

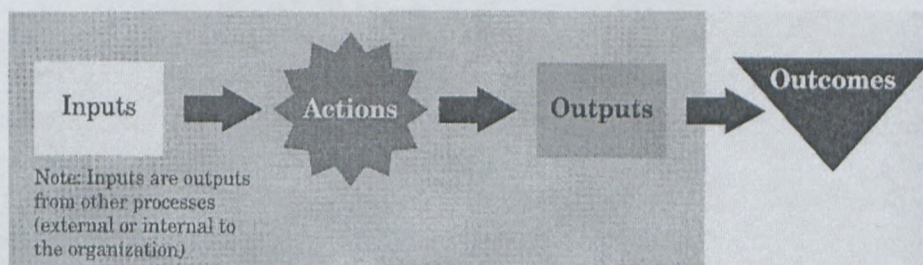


Figure 2.9: The four common characteristics of processes
[Source: Neely *et al.* (2002:174)]

2.14.5 Capabilities

Neely *et al.* (2002:177) defined capabilities as the combination of an organisation's people, practices, technology and infrastructure that collectively represent the organisations ability to create value for its stakeholders through a distinct part of the organisations operation's (refer to Figure 2.10).

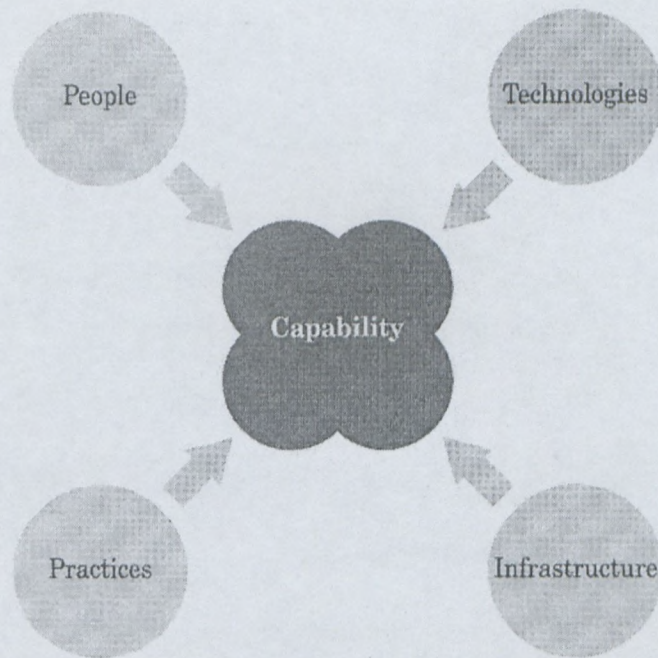


Figure 2.10: The components of capabilities

[Source: Neely *et al.* (2002:177)]

Bourne and Bourne (2000:93) conclude that the performance prism is a more complex framework than the balanced scorecard. More significant, though, are their findings that the performance prism considers a wider set of requirements and addresses many of the current criticisms of the balanced scorecard. Neely *et al.* (2002:181) remarked that performance management is not one-dimensional and that it is essential to view performance from the multiple and interlinked perspectives of the performance prism (refer to Figure 2.11).

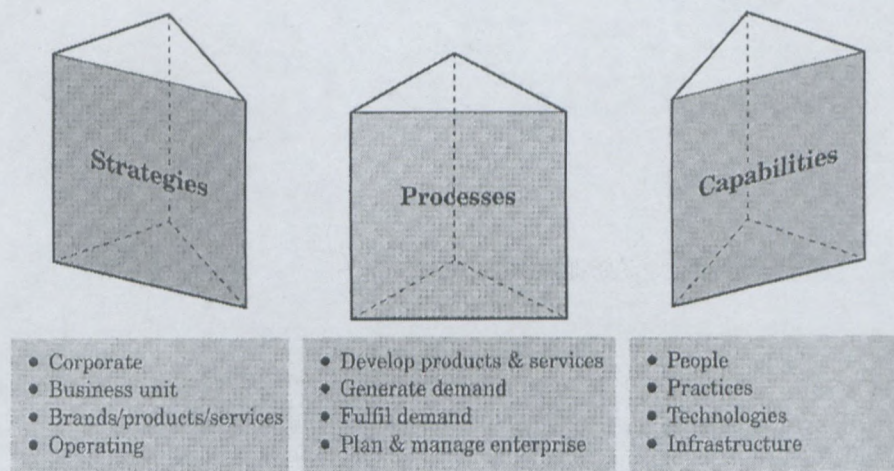


Figure 2.11: Delivering stakeholder value
 [Source: Neely *et al.* (2002:181)]

2.15 PERFORMANCE-RELATED PAY

Several authors (Carrell *et al.*, 1995; Richardson, 1995; Nel *et al.*, 2001; Mulvey & Ledford, 2002) concurred that reward systems are powerful management tools for attracting, motivating and retaining employees and aligning employee behaviour with an organisation's strategy. Carrell *et al.* (1995:498) inferred that the term 'compensation' is used interchangeably with wage and salary administration and refers not only to extrinsic rewards such as salary and benefits but also to intrinsic rewards such as achieving personal goals, autonomy and more challenging job opportunities. Mulvey and Ledford (2002:133) added that training opportunities, interesting work, employment stability, positive supervisor and co-worker relationships, a pleasant work environment, and the potential for advancement are examples of non-monetary rewards.

The objectives of performance-related pay, according to Richardson (1995:117), are:

- i. to focus reward on contribution;
- ii. to improve motivation and commitment; and
- iii. to encourage acceptance and participation in changing procedures and processes.

Furthermore, Richardson argues that if the performance pay system is aligned with the organisation's performance needs it can drive the overall performance management process; if not, it can only undermine the performance management process.

Richardson (1995:117) also stated that there is a trend away from individual schemes to those which reward overall organisational performance by measuring individual and group inputs or outputs. He adds that performance-related pay schemes are now designed not only to encourage improvement in organisational performance but also to encourage the type of culture change required by the business goal and style of management. However, Mulvey and Ledford (2002:134) warned that although implementation of organisational change presents challenges, changes in the compensation system often face resistance and controversy. Richardson (1995:118) stated that it is important to ensure a link between performance-related pay and the behaviour and effort required for success. This link, according to Richardson, will be most successful when it is used to reinforce cultural change initiatives and to establish the clearly understood relationship between pay and performance. This, he emphasises, should be developed through joint participation by management, employees and trade unions.

In light of these viewpoints Richardson (1995:118) concludes that there is only limited evidence to support the view that performance pay has an inherently positive effect on many individuals, and there is similarly little evidence that performance pay is a genuine motivator. The question 'Does money motivate?' was answered long ago through academic research and is no longer a contested issue. However, the question of the motivating potential of money remains an issue with some managers, and the debate has been reopened several times in practitioner-oriented compensation journals and magazines (Mulvey & Ledford, 2002:135). It is evident from Mullins (2005:477) that for most people, money is important and a motivator at work but to what extent and how important that is depends upon their personal circumstances and other satisfactions they derive from work. Mulvey and Ledford (2002:135), having established the motivating potential of money, warned that it is prudent to note that providing compensation or incentives to employees will not always motivate the desired behaviour or performance. They cited several reasons. First, at any given time compensation may not be valued as other rewards, and other factors may take precedence over money. For example, employees with families may prefer time off. Secondly, other factors may hinder the expected level of performance, for example,

lack of training, skills, competencies or constraints on resources. Thirdly, managers may measure the wrong things or fail to measure employee performance accurately.

2.15.1 Link between pay and performance

It is impossible to satisfy all employees all the time, as an effective compensation system invariably makes distinctions based on the performance of the individual or the group, or on organisational performance. As every employee will not receive the same merit raise, bonus or stock options, those who receive less will be dissatisfied, regardless of the method used to assess their performance. This dissatisfaction then becomes a cause for concern for many managers, as unsatisfied employees may cause conflict which may shift the manager's attention from other more urgent issues needing his input and attention. Managers' concerns may also be fed by the old adage that "happy workers are productive workers" (Mulvey & Ledford, 2002:143). Because of this mind-set, "managers tend to focus on making the workplace employee-centred and thus happier, while ignoring the costly and complicated reward system issues" (Mulvey & Ledford, 2002:143). Difficult choices are inevitable to facilitate effective compensation systems, so trade-offs are inevitable.

Aside from the rewards issues discussed above, management issues need to be addressed from an organisational perspective; the most vital link being between pay and performance. Not addressing this issue can impede an effective implementation of a successful compensation system.

To summarise, there are numerous challenges facing management when implementing compensation systems and these challenges should be discussed explicitly as part of the design and implementation process.

Richardson (1995:125) stated that the above approaches are all, in their various ways, designed to recognise and reward individual performance. Some organisations have sought to introduce schemes which perhaps reflect more accurately the interdependency of collective contribution; rather than rewarding individual performance they reward collective performance.

2.15.2 Types of payment schemes

Depending on employees' contributions and their work environment, there are several ways of rewarding their performances to a greater or lesser extent. There are also advantages and disadvantages in each approach which need to be clearly understood.

Time-based systems, according to Carrell *et al.* (1995:512) are used for jobs in which employees are paid by the hours worked or by the fraction of an annual rate of pay, such as a week or month. A second method of compensation, called the employee-based system, involves paying people for skills learnt and used. As stated by Carrell *et al.* (1995:512) jobs which pay employees according to their performance are referred to as performance-based systems or incentive pay systems.

Incremental or appraisal-based schemes are time-based systems. Traditional payment by results schemes are appropriate where individual contributions to productivity can be accurately measured. In jobs where productivity is measured less, more qualitative methods of assessing and rewarding individual contribution are needed. The incremental scheme which is most often used is a progression by means of a series of predetermined steps to the top of a salary scale. The payment or salary range for the job is determined by a job evaluation, and the performance appraisal process is used to determine the individual progression through the range. Organisations have introduced merit-based schemes to promote a greater emphasis on individual performance (Richardson, 1995; Carrell *et al.*, 1995). In such a scheme the overall salary range is determined by a job evaluation and the pay increases are variable and linked directly to individual performance ratings. Richardson argued that in spite of their popularity, their effectiveness is questionable, and cited the dependence on the application of an effective performance measurement and appraisal process as a weakness. Carrell *et al.* (1995:516) cited as a weakness the fact that supervisor bias remains more important in the appraisal process than employee productivity.

Skill-based pay or competency-based schemes and broad-banding are classified as employee-based systems. Skill-based pay is common in organisations that are trying to achieve a shift in their overall skill set. Carrell *et al.* (1995:517) stated that skill-based pay consists of formal systems of cross-training, with financial rewards linked to acquiring more skills and knowledge. Richardson (1995:126) noted that skill-based schemes tend to be temporary, because the skill becomes irrelevant once the majority

of staff has achieved the required skill levels. Although skill-based schemes can be a powerful tool for achieving a specific organisation's deployment objective, Richardson (1995:126) noted that their weakness is that they reward employees simply for the acquisition of the skill, whether or not it is applied. However, according to Richardson, competency-based schemes not only reward an individual for acquiring a particular skill but for demonstrating and consistently behaving in a particular way.

Broad-banding, which is also an employee-based system, eliminates multiple salary grades in favour of just a few. Carrell *et al.* (1995:517) stated that broad-banding encourages flexibility in moving workers from one job to another without being constrained by narrow salary grades. Mulvey and Ledford (2002:151) argued that broad-banding can have a positive impact on motivation, because it can give managers more flexibility in rewarding employees' performance within a very broad band. They also note that broad-banding is incompatible with hierarchical, bureaucratic cultures.

Piecework, measured work schemes and group or organisation-wide schemes are classified as performance-based systems. Piecework has been around longer than any other individual incentive system. Piecework signifies that each worker is quoted a fixed or standard rate of pay for each unit of output produced (Carrell *et al.*, 1995:518). Richardson (1995:120) explained that the amount paid is based on costing considerations, with actual length of time to produce the output not accounted for. Piecework is most suitable for manufacturing industries with highly repetitious production runs and where a high level of manual input is required (Carrell *et al.*, 1995; Richardson, 1995; Nel *et al.*, 2001). Richardson (1995:121) mentioned that piecework may also be appropriate for clerical and administrative staff, where large amounts of repetitious transactions are processed.

Richardson (1995:121) listed the advantages of piecework:

- i. it is easy to predict the costs of production as long as quality standards are maintained;
- ii. it is simple to operate and relatively difficult to misinterpret;
- iii. it allows employees to link effort directly to performance to determine how much they earn;
- iv. it rewards high performance.

In addition, Carrell *et al.* (1995:520) alluded to piecework schemes as effective motivational tools.

Richardson (1995:121) also listed the disadvantages of piecework schemes:

- i. they require high levels of supervision and inspection;
- ii. they cause problems with quality standards because only outputs are valued;
- iii. they lead to resistance to changes in working methods and to the introduction of new machinery;
- iv. they can cause employee dissatisfaction if continuous work-flow and materials are not provided;
- v. they demand little loyalty from the employee, which leads to a lack of teamwork;
- vi. they provide no incentive to identify and share improvements in working methods;
- vii. it can be difficult to renegotiate targets and payment levels; and
- viii. they can reduce control over the levels of production or output.

Measured work schemes or standard hour schemes are similar in concept to piecework schemes, but reward employees on the basis of the time taken to carry out a specific piece of work (Carrell *et al.*, 1995; Richardson, 1995).

Group or organisation-wide schemes reflect the interdependency of collective contribution. Rather than rewarding individual performance by group or organisation-wide schemes, organisations reward the collective performance of the work-group, department or the organisation as a whole. This includes pay linked to corporate, team or departmental performance or profit. According to Richardson (1995:125), a variation may be a form of gain-sharing, by which employees share in a bonus pool created by improvements in added value created by the employees. Marshall (1999:177) noted that many managers are bothered by the organisation's policy of gain-sharing returning one-half of savings or profit to the employee group. Marshall (1999:177) also stated that managers fail to realise that the savings are there because of the extra effort put in by the employee and the programme which motivates it. Marshall (1999:178) cautioned that an organisation cannot benefit from a gain-sharing programme if the organisation does not have a reliable performance measuring system in place.

2.16 CONCLUSION

Chapter 2 provided an overview of the performance management process. The purpose of performance was described and the approaches to performance measurement were compared and evaluated. Organisational and individual performance management was discussed and the benefits of proper implementation of the performance appraisal outlined.

The balanced scorecard and performance prism provide a framework for implementation of a comprehensive performance management system.

The dynamics of the research design and methodology are discussed next, in Chapter Three.

CHAPTER THREE

Methodology

3.1 INTRODUCTION

This chapter clarifies the research design, population and instrument used to collect the data. Steps taken to conduct the study are described in detail in the order in which they occurred.

The purpose of this study was to explore the extent to which the performance management process influences employee-employer relations and focused on the impact of implementation on employee behaviour and the subsequent contribution to the success of organisational interventions. The dynamics of performance management system affect the employee-employer relationship. A performance management program that is implemented as per theory and is run ethically will always be conducive to a motivated and inspired workforce. Under these conditions this workforce will be receptive to organisational interventions and the employee-employer relationship will be enhanced.

3.2 RATIONALE AND ASSUMPTIONS FOR THE QUALITATIVE DESIGN

Descriptive research methodology was used to evaluate the employee-employer interaction in the framework of the performance management process in a business unit of a listed South African company. This method was selected because it concerns itself with what the researcher sees, observes, with what can be described in words and can be concluded from those words (Leedy, 1989:173). Babbie and Mouton (2001:232) prescribed surveys to be used for descriptive, explanatory and exploratory purposes in studies that have individual people as units of analysis or groups or interactions of individuals and groups. Leedy (1989:140) described the descriptive survey or the normative survey as a method of research that looks with accuracy at the phenomena of the moment and then describes precisely what the researcher sees.

In this study the phenomenon includes employee-employer integrity, job satisfaction, management and leadership, career and people development and performance culture. Leedy also emphasised that the term "normative survey" implies the assumption that whatever is observed by the researcher at any one time is normal and under the same conditions could be observed again in the future.

3.3 POPULATION AND SAMPLE

Babbie and Mouton (2001:232) cited two reasons in favour of the survey research method. First, Babbie and Mouton cited the survey research to be the best method available to the social scientist interested in collecting original data for describing a population too large to observe directly. Second, surveys are an excellent vehicle for measuring attitudes and orientations in a large population or sample frame.

The choices for the selection of the population included:

1. A particular section under a first level manager.
2. All sections under a particular senior manager.
3. A business unit consisting of all senior managers' sections.

The rationale for selecting the third option is that it is representative of a bigger population. Roberts (2004:135) noted that the bigger the sample, the more it represents the total population and the less sampling error is present. Gillham (2000a:18) highlighted that the problem with sampling is the difficulty of making it representative and by using questionnaires in small-scale research. Gillham further advised that the use of the population as sampling could be misinterpreted. Roberts (2004:134) agreed with Gillham that preferably an entire population should be used to gather information. The population in this study consisted of all the operational level staff of one strategic business unit, consisting of six senior managers and fourteen managers. For the purpose of this study only the operational staff (a total of 1011) reporting to a first line manager of this business unit was used. The size of the population in this study and the fact that the population is scattered geographically justified use of the entire population as the sample. The researcher secured permission from the company by completing two sets of standardised forms, namely, request for information and terms for receiving information. These forms had to be returned to the Group Human Resources

Department which in turn submitted the request to the executive for approval. Approval and permission was granted on August 1, 2006.

3.4 INSTRUMENTATION

Gillham (2000a:18) rationalised that surveys aim at a comparative and representative picture of a particular population and that questionnaires are one of the tools of population surveys. The size of the population and the fact that the population was scattered geographically justified the use of questionnaires as opposed to personal interviews. The researcher adopted the descriptive survey method for this study and a questionnaire as an instrument for obtaining the data. Leedy (1989:142) described the questionnaire as an instrument for observing data beyond the physical reach of the observer and Babbie and Mouton (2001:233) noted that questionnaires represented a common and concrete illustration of the operationalisation process of the research problem.

Gillham (2000:6) established the following as advantages of using questionnaires:

- low cost in time and money;
- easy to get information from a lot of people very quickly;
- respondents can complete the questionnaire when it suits them;
- analysis of answers to closed questions is straightforward;
- less pressure for an immediate response;
- respondents' anonymity;
- lack of interviewer bias.

In developing the questionnaire the researcher created an alignment matrix in which the research objectives were displayed on the left side and the questionnaire items on the right. The questionnaire was designed around the objectives of the study and included questions that evaluated the following:

- employee-employer integrity;
- job satisfaction;
- management and leadership;
- career and people development;

- performance culture.

(Refer to questionnaire in Annexure A.) The questionnaire was designed using a scaled response format using five points: strongly disagree, disagree, neutral, agree and strongly agree.

A pilot study conducted in another business unit that was not included in the sample was chosen to simulate the main study. Ten individuals, being from the same company, were selected because they were subjected to the same processes and were willing to cooperate in the study. Indicators used to identify possible problems with the questionnaire, test for the questionnaire's reliability and to make a judgement about the instrument's validity, were:

- response rate;
- understandable instructions;
- misunderstanding of the meaning of a particular question;
- clear wording;
- adequate answers;
- regional differences;
- difficult sections;
- irrelevant questions;
- length;
- convenience;
- omitted responses;
- incomplete, deleted or responses marked with a question; and,
- extra comments added.

In addition to responding to the emailed questionnaire, these individuals gave feedback on the questionnaire by answering the following questions:

- Is the questionnaire too long?
(If yes, suggest questions to be omitted.)
- Are the instructions and wording clear and unambiguous?
(If not, please note instructions and words that are unclear.)
- Is the format conducive to ease of response?

- Do some of the questions need to be rephrased or omitted?
- Are there more questions that should be asked?

Following the results of the pilot study, no major changes were made to the questionnaire. Only small changes in wording were needed for clarity.

An introductory letter explaining the value and legitimacy of the research and guaranteeing confidentiality was prepared to increase the response rate.

3.5 DATA COLLECTION PROCEDURES

Data collection began in September 2006. In terms of access to the population, permission had been granted and approved in terms of the organisational policy requirements for research and disclosure. A courtesy mail was forwarded to the relevant senior managers informing them of the proposed study. The questionnaires were forwarded via electronic mail on September 11, 2006 to the population: a total of 1011 operational employees reporting indirectly to the six senior managers. The electronic mail that had been sent included a letter describing the potential value of the study, the importance of the study to the addressee, and an invitation to addressee for co-operation. Confidentiality had also been assured and specific instructions for completion had been attached. On return the questionnaire was to be printed with the relevant senior manager's name and the email deleted. The covering letter and questionnaire are attached in Annexure B and A. By September 14, 2006, there were a total of 101 completed questionnaires, a 10 percent response rate. A follow-up request was sent via electronic mail on September 18, 2006 to the population of operational employees. By September 22, 2006 there were 82 additional completed questionnaires, totalling an 18 percent response rate.

3.6 DATA ANALYSIS

Questionnaires were grouped into batches per senior manager. A spreadsheet for each senior manager was used and the question numbers allocated in rows and columns for each of the five points. The respondents' answers were then marked on the spreadsheet in the relevant question number or row and column using tally marks. Each column in a particular row was summed and the total noted and circled to check

whether the total of each row matched the total questionnaires per senior manger. The results were then displayed in summary form in a bar graph.

3.7 LIMITATIONS

The major limitation of the study was the response rate. A large proportion of the population was reluctant to respond to the questionnaire for fear of having their anonymity compromised, despite the fact that their confidentiality was guaranteed. Another contributing factor to this reluctance in completing the questionnaire is the sensitivity of the topic. Brynard and Hanekom (2006:56-57) quoted Stoker (1985) who stipulated a sample of 14 percent for a population of 1000, which determines the present response rate of 18 percent as adequate.

Another limitation was the fundamental problem of carelessly completed questionnaires resulting in a loss of confidence in some of the answers. Also, a number of missing values were noted. These missing answers were minute and thus did not impact on the quality of the correctly completed questionnaires.

3.8 CONCLUSION

Chapter Three describes the design and the specific procedures used in conducting the research. Analysing and presentation of the results of the research are discussed in the next chapter.

CHAPTER FOUR

Results

4.1 INTRODUCTION

As stated in Chapter One, this study examined in detail the extent to which the performance management processes influence employee-employer relations. This chapter is organised in terms of research objectives outlined in Chapter One. It reports on the evaluation of the employee-employer interaction in the framework of the performance management process; how the implementation of the performance management process affects employee reactions to employer interventions; and it then examines the extent of this impact and the effect it has on the organisation.

4.2 PRESENTATION AND DISCUSSION OF RESULTS

A questionnaire, as given in Annexure B, was completed by 183 respondents. Responses were measured on the following scale:

- i. strongly disagree;
- ii. disagree;
- iii. neutral;
- iv. agree;
- v. strongly agree.

Percentages shown are rounded up to the nearest whole percentage.

4.2.1 Results of Question 1: I have full knowledge of the Performance Management Process

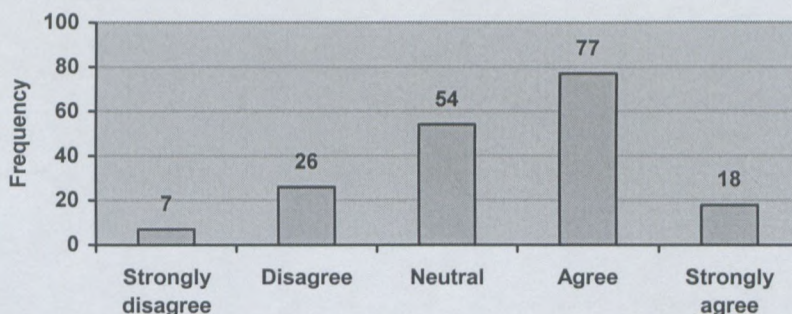


Figure 4.1: Results of Question 1

A total of 42 percent of the respondents agreed with the statement and 10 percent strongly agreed. A combined total of 52 percent regarded the statement as true while 30 percent remained neutral. Fourteen percent disagreed while 4 percent strongly disagreed with the statement. Therefore 18 percent disagreed with the statement.

4.2.2 Results of Question 2: The system of PM assists me in achieving my personal work-related goals

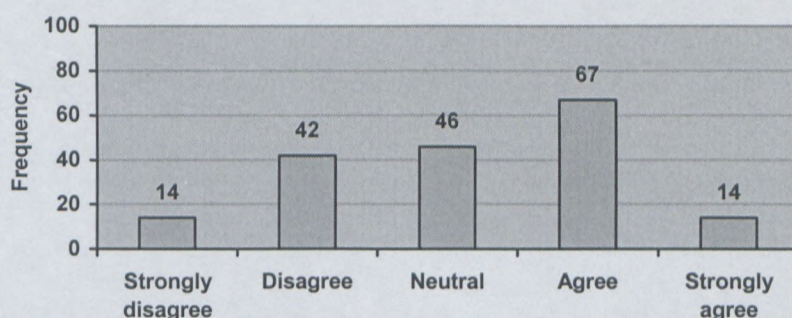


Figure 4.2: Results of Question 2

There were 8 percent who strongly disagreed with the statement and a further 23 percent who disagreed. There were 25 percent who were neutral while 37 percent agreed with the statement and a further 8 percent strongly agreed. In total, there were

45 percent who believed the statement was true and 31 percent who believed that the statement was untrue.

4.2.3 Results of Question 3: My manager defines a job so that it accurately reflects the work to be done

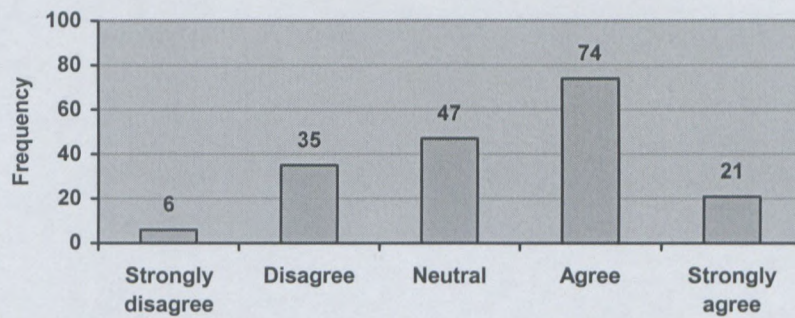


Figure 4.3: Results of Question 3

There were 11 percent who strongly agreed and 40 percent who agreed with the statement. There were also 26 percent who were neutral and 19 percent who disagreed with the statement. Three percent strongly disagreed with the statement. A combined total of 21 percent of the respondents believed the statement to be untrue while a combined total of 51 percent believed the statement to be true.

4.2.4 Results of Question 4: My manager develops qualitative and quantitative definitions of successful performance standards

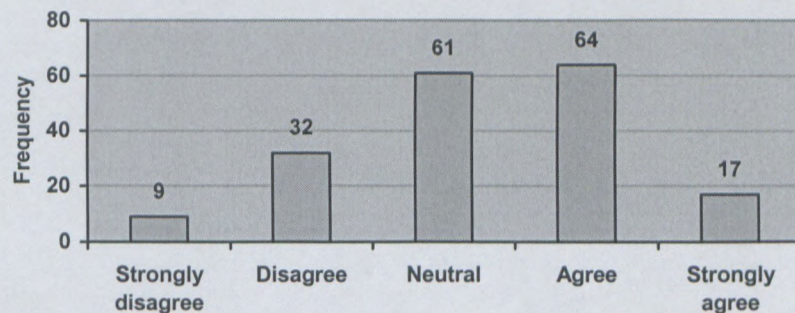


Figure 4.4: Results of Question 4

There were 17 percent of the respondents who disagreed with the statement and a further 5 percent who strongly disagreed. This added up to a total of 22 percent who did not believe that the statement was true. A combined total of 44 percent were in agreement, 9 percent strongly agreed and 35 percent agreed. A total of 33 percent were undecided.

4.2.5 Results of Question 5: My manager knows how to measure qualitative and quantitative definitions of successful performance standards

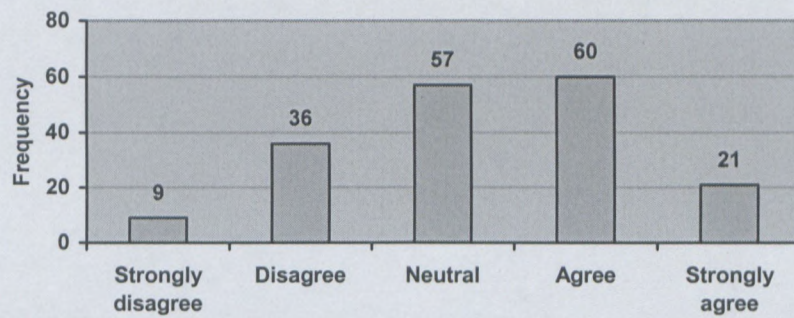


Figure 4.5: Results of Question 5

A total of 33 percent of the respondents agreed with the statement and 11 percent strongly agreed. A combined total of 44 percent regarded the statement as true while 31 percent remained neutral. There were also 20 percent who disagreed while 5 percent strongly disagreed with the statement. Therefore 25 percent disagreed with the statement.

4.2.6 Results of Question 6: My manager keeps track of my performance relative to the standards which are in place

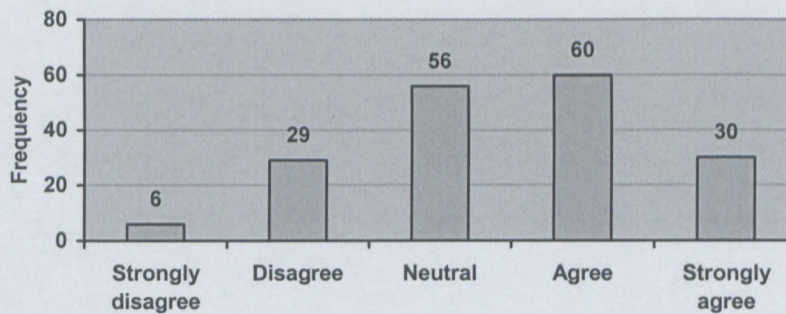


Figure 4.6: Results of Question 6

There were 3 percent who strongly disagreed with the statement and a further 16 percent who disagreed. There were 31 percent who were neutral while 33 percent agreed with the statement and a further 16 percent strongly agreed. In total, there were 19 percent who believed the statement was incorrect and 49 percent who believed that the statement was true.

4.2.7 Results of Question 7: My manager provides positive feedback for a job well done

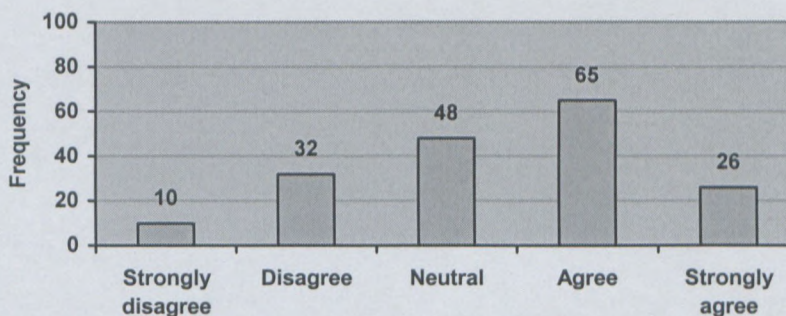


Figure 4.7: Results of Question 7

There were 14 percent who strongly agreed and 36 percent who agreed with the statement. There were also 26 percent who were neutral and 17 percent who disagreed with the statement. Five percent strongly disagreed with the statement. A combined total of 22 percent of the respondents believed the statement to be untrue while a combined total of 50 percent believed the statement to be true.

4.2.8 Results of Question 8: My manager provides corrective feedback for those areas needing improvement

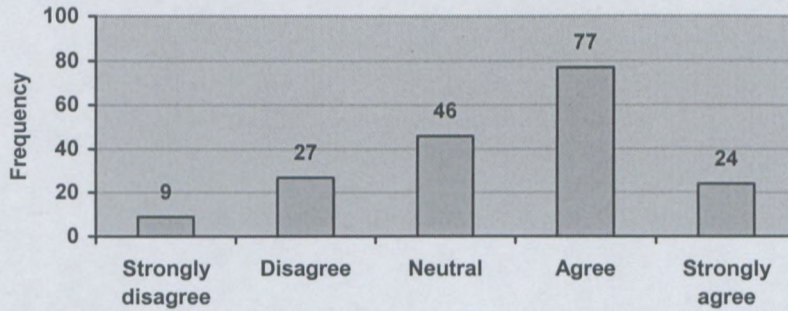


Figure 4.8: Results of Question 8

There were 15 percent of the respondents who disagreed with the statement and a further 5 percent who strongly disagreed. This added up to a total of 20 percent who did not believe that the statement was true. A combined total of 55 percent were in agreement, 13 percent strongly agreed and 42 percent agreed. A total of 25 percent were undecided.

4.2.9 Results of Question 9: My manager knows how to use appraisal forms and follow appraisal procedures

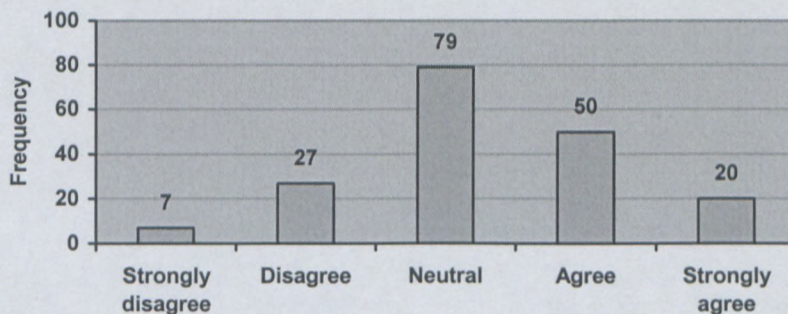


Figure 4.9: Results of Question 9

A total of 27 percent of the respondents agreed with the statement and 11 percent strongly agreed. A combined total of 38 percent regarded the statement as true while 43 percent remained neutral. There were also 15 percent who disagreed while 4 percent strongly disagreed with the statement. Therefore 19 percent disagreed with the statement.

4.2.10 Results of Question 10: My manager knows how to solve problems

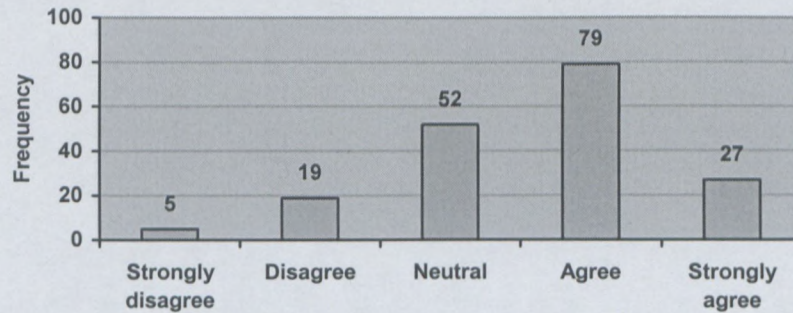


Figure 4.10: Results of Question 10

There were 3 percent who strongly disagreed with the statement and a further 10 percent who disagreed. There were 28 percent who were neutral while 43 percent agreed with the statement and a further 15 percent strongly agreed. In total, there were 13 percent who believed the statement was incorrect and 58 percent who believed that the statement was true.

4.2.11 Results of Question 11: My manager uses the PM system as an employee development tool

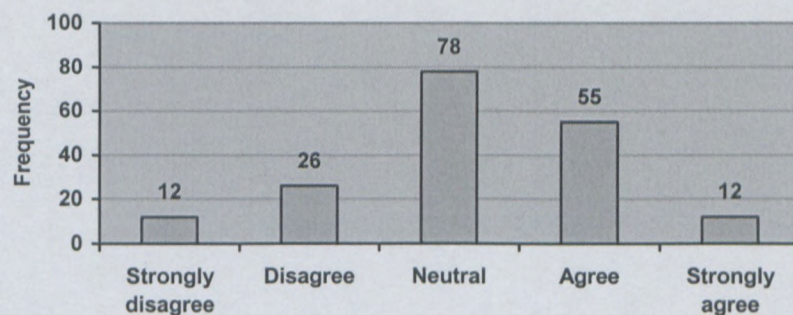


Figure 4.11: Results of Question 11

There were 7 percent who strongly agreed and 30 percent who agreed with the statement. There were also 43 percent who were neutral and 14 percent who disagreed with the statement. Seven percent strongly disagreed with the statement. A combined total of 21 percent of the respondents believed the statement to be untrue while a combined total of 37 percent believed the statement to be true.

4.2.12 Results of Question 12: My manager knows how to measure effective skills required on the job

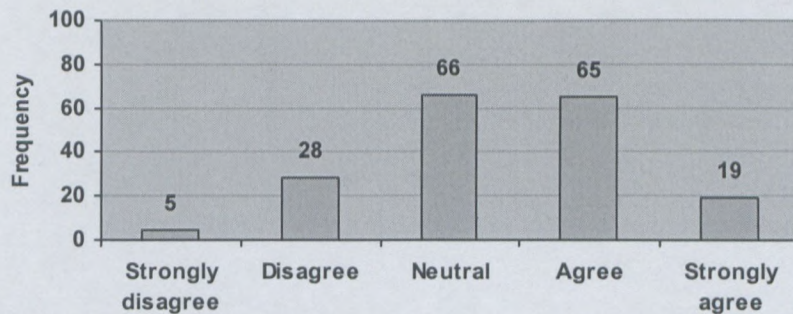


Figure 4.12: Results of Question 12

There were 15 percent of the respondents who disagreed with the statement and a further 3 percent who strongly disagreed. This added up to a total of 18 percent who did not believe that the statement was true. A combined total of 46 percent were in agreement, 10 percent strongly agreed and 36 percent agreed. A total of 36 percent were undecided.

4.2.13 Results of Question 13: I am a firm supporter of the PM process

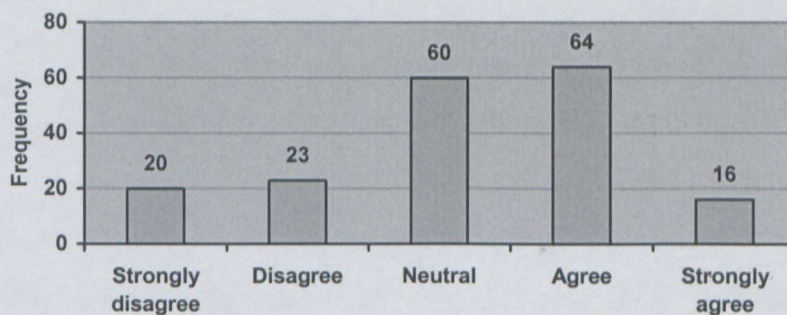


Figure 4.13: Results of Question 13

A total of 35 percent of the respondents agreed with the statement and 9 percent strongly agreed. A combined total of 44 percent regarded the statement as true while 33 percent remained neutral. There were also 13 percent who disagreed while 11 percent strongly disagreed with the statement. Therefore 24 percent disagreed with the statement.

4.2.14 Results of Question 14: The system of PM creates a high performing organisation

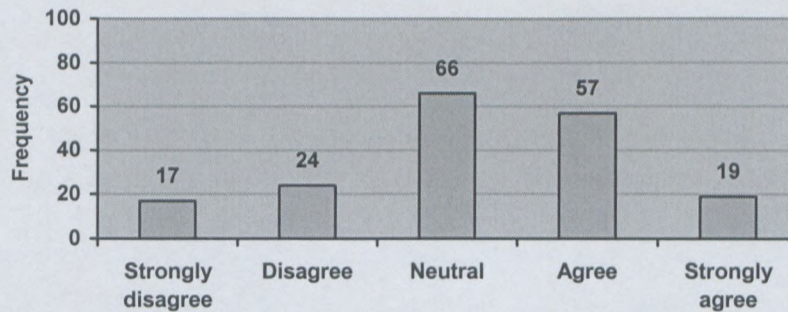


Figure 4.14: Results of Question 14

There were 9 percent who strongly disagreed with the statement and a further 13 percent who disagreed. There were 36 percent who were neutral while 31 percent agreed with the statement and a further 5 percent strongly agreed. In total, there were 22 percent who believed the statement was incorrect and 36 percent who believed that the statement was true.

4.2.15 Results of Question 15: The evaluation process takes place regularly on a quarterly basis

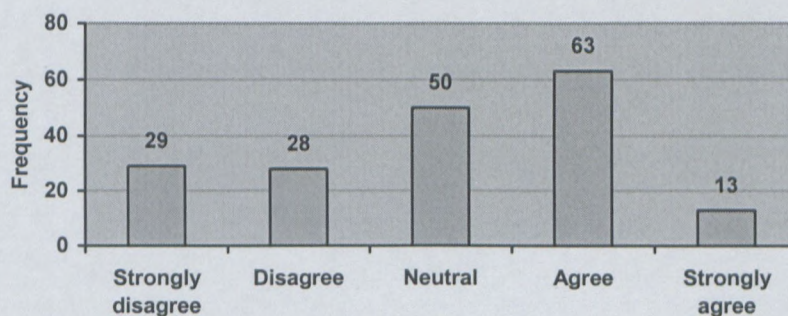


Figure 4.15: Results of Question 15

There were 7 percent who strongly agreed and 34 percent who agreed with the statement. There were also 27 percent who were neutral and 15 percent who disagreed with the statement. Sixteen percent strongly disagreed with the statement. A

combined total of 31 percent of the respondents believed the statement to be untrue while a combined total of 41 percent believed the statement to be true.

4.2.16 Results of Question 16: The PM is clear, unambiguous and well managed

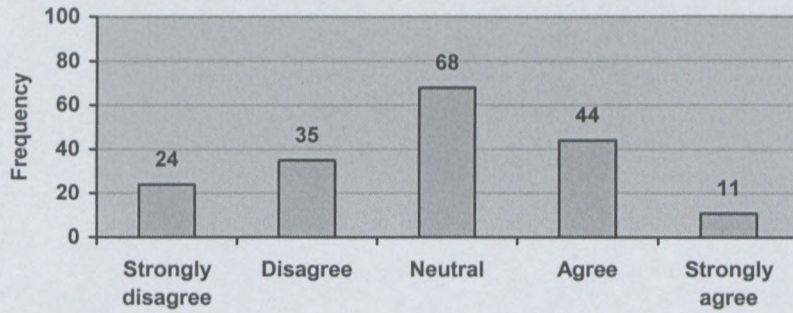


Figure 4.16: Results of Question 16

There were 19 percent of the respondents who disagreed with the statement and a further 13 percent who strongly disagreed. This added up to a total of 32 percent who did not believe that the statement was true. A combined total of 30 percent were in agreement, 6 percent strongly agreed and 24 percent agreed. A total of 37 percent were undecided.

4.2.17 Results of Question 17: PM policy is understood and well documented in my organisation

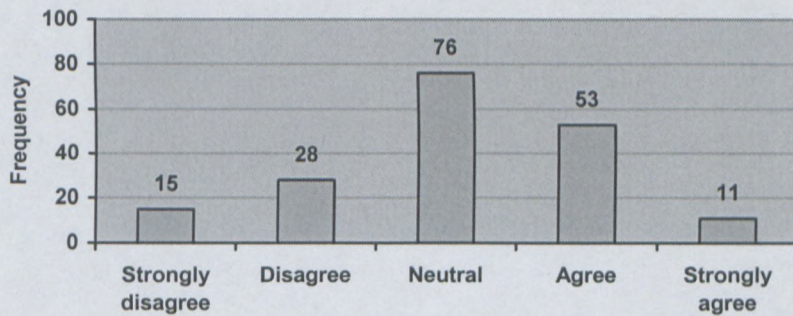


Figure 4.17: Results of Question 17

A total of 29 percent of the respondents agreed with the statement and 6 percent strongly agreed. A combined total of 35 percent regarded the statement as true while 42 percent remained neutral. There were also 15 percent who disagreed while 8

percent strongly disagreed with the statement. Therefore 23 percent disagreed with the statement.

4.2.18 Results of Question 18: Management is familiar with and fully understands the PM process

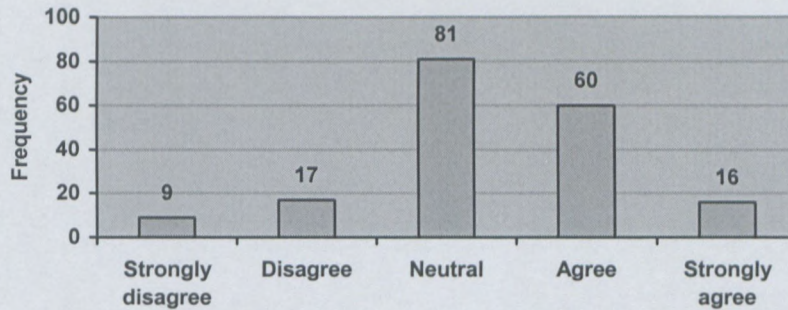


Figure 4.18: Results of Question 18

There were 5 percent who strongly disagreed with the statement and a further 9 percent who disagreed. There were 44 percent who were neutral while 33 percent agreed with the statement and a further 9 percent strongly agreed. In total, there were 14 percent who believed the statement was incorrect and 42 percent who believed that the statement was true.

4.2.19 Results of Question 4: My PM contract is available at the start of the financial year

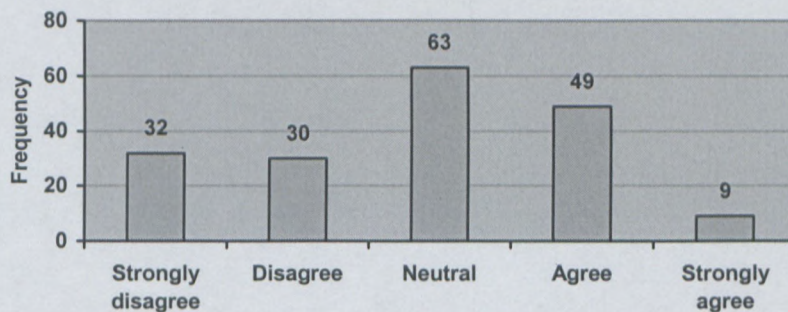


Figure 4.19: Results of Question 19

There were 5 percent who strongly agreed and 27 percent who agreed with the statement. There were also 34 percent who were neutral and 16 percent who disagreed with the statement. Seventeen percent strongly disagreed with the

statement. A combined total of 33 percent of the respondents believed the statement to be untrue while a combined total of 32 percent believed the statement to be true.

4.2.20 Results of Question 20: My immediate supervisor communicates the Operational Plan at the start of the financial year

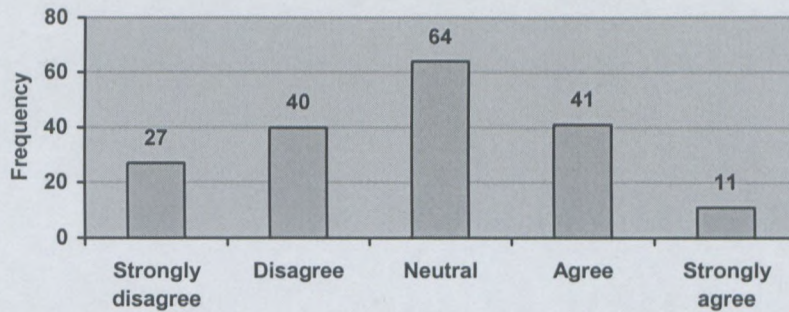


Figure 4.20: Results of Question 20

There were 22 percent of the respondents who disagreed with the statement and a further 15 percent who strongly disagreed. This added up to a total of 37 percent who did not believe that the statement was true. A combined total of 28 percent were in agreement, 6 percent strongly agreed and 22 percent agreed. A total of 35 percent were undecided.

4.2.21 Results of Question 21: The PM system is an ongoing management process, with meaningful communication which is linked to critical plans and objectives of the organisation

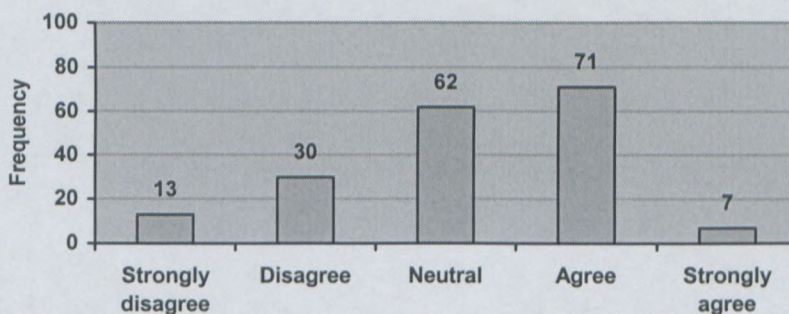


Figure 4.21: Results of Question 21

A total of 39 percent of the respondents agreed with the statement and 4 percent strongly agreed. A combined total of 43 percent regarded the statement as true while

34 percent remained neutral. There were also 16 percent who disagreed while 7 percent strongly disagreed with the statement. Therefore 23 percent disagreed with the statement.

4.2.22 Results of Question 22: The performance contract was developed with input from employee and manager

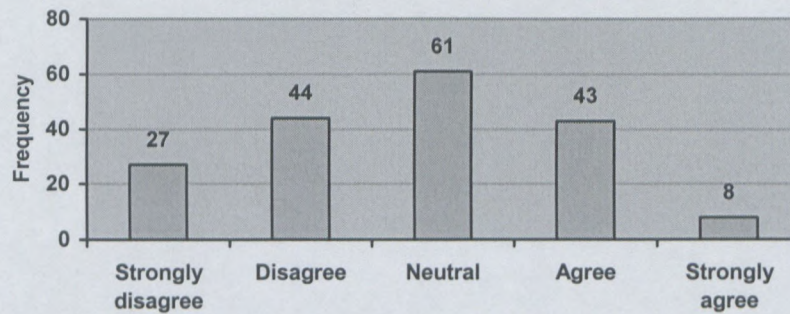


Figure 4.22: Results of Question 22

There were 15 percent who strongly disagreed with the statement and a further 24 percent who disagreed. There were 33 percent who were neutral while 23 percent agreed with the statement and a further 4 percent strongly agreed. In total, there were 39 percent who believed the statement was incorrect and 27 percent who believed that the statement was true.

4.2.23 Results of Question 23: The PM system is owned by every manager/ employee and seen as one of their most critical responsibilities

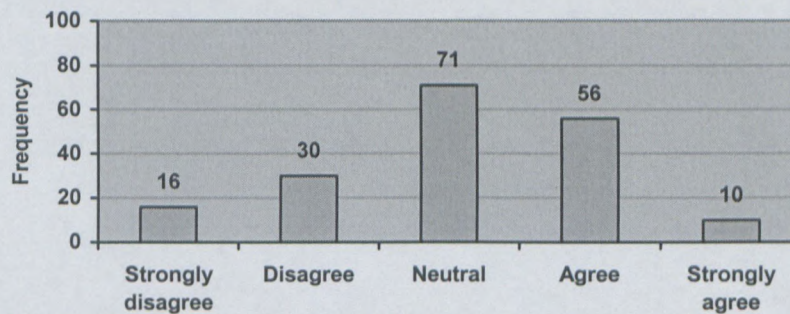


Figure 4.23: Results of Question 23

There were 5 percent who strongly agreed and 31 percent who agreed with the statement. There were also 39 percent who were neutral and 16 percent who disagreed with the statement. Nine percent strongly disagreed with the statement. A combined total of 25 percent of the respondents believed the statement to be untrue while a combined total of 36 percent believed the statement to be true.

4.2.24 Results of Question 24: The PM System includes extensive orientation and training for everyone impacted

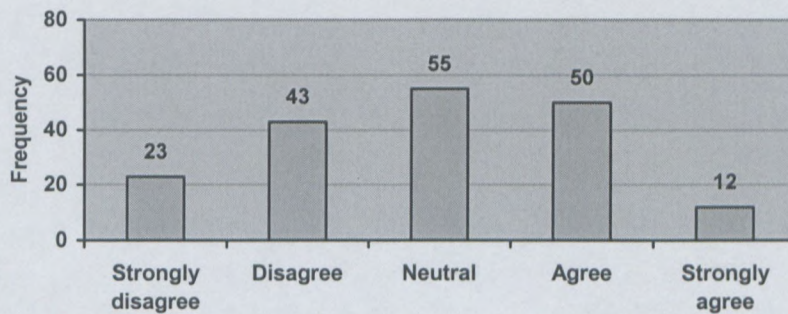
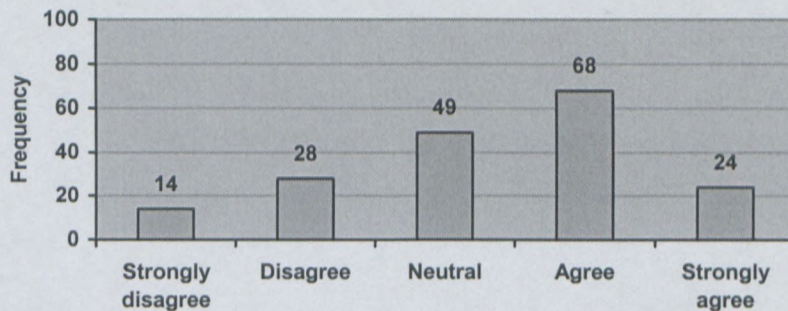


Figure 4.24: Results of Question 24

There were 23 percent of the respondents who disagreed with the statement and a further 13 percent who strongly disagreed. This added up to a total of 36 percent who did not believe that the statement was true. A combined total of 34 percent were in agreement, 7 percent strongly agreed and 27 percent agreed. A total of 30 percent were undecided.

4.2.25 Results of Question 25: The PM system is viewed as a valuable tool for managing how work gets done and how well each individual is performing

Figure 4.25: Results of Question 25



A total of 37 percent of the respondents agreed with the statement and 13 percent strongly agreed. A combined total of 50 percent regarded the statement as true while 27 percent remained neutral. There were also 15 percent who disagreed while 8 percent strongly disagreed with the statement. Therefore 23 percent disagreed with the statement.

4.2.26 Results of Question 26: The PM system is legally defensible

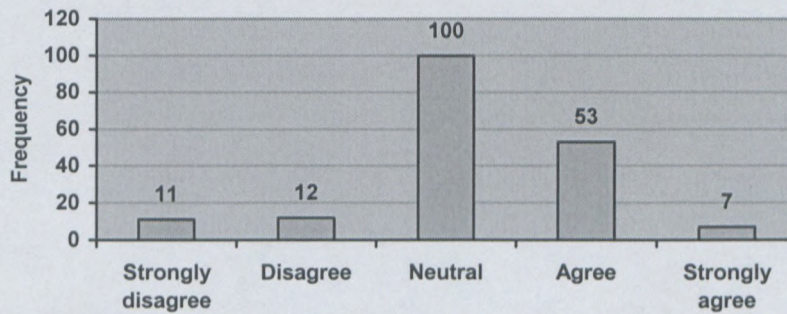
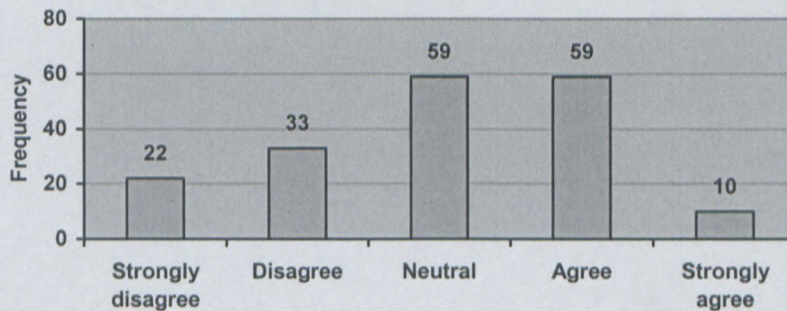


Figure 4.26: Results of Question 26

There were 6 percent who strongly disagreed with the statement and a further 7 percent who disagreed. There were 55 percent who were neutral while 29 percent agreed with the statement and a further 4 percent strongly agreed. In total, there were 33 percent who believed the statement was true and 13 percent who believed that the statement was false.

4.2.27 Results of Question 27: The organisation encourages managers to involve employees in key organisational decisions

Figure 4.27: Results of Question 27



There were 5 percent who strongly agreed and 32 percent who agreed with the statement. There were also 32 percent who were neutral and 18 percent who disagreed with the statement. Twelve percent strongly disagreed with the statement. A combined total of 30 percent of the respondents believed the statement to be untrue while a combined total of 37 percent believed the statement to be true.

4.2.28 Results of Question 28: The organisation regularly communicates senior management's vision and objectives throughout the organisation

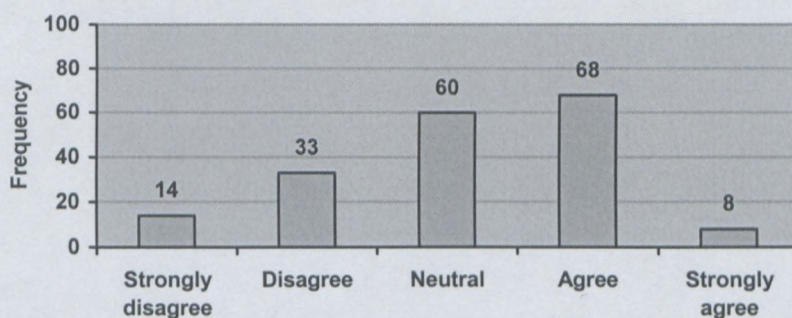
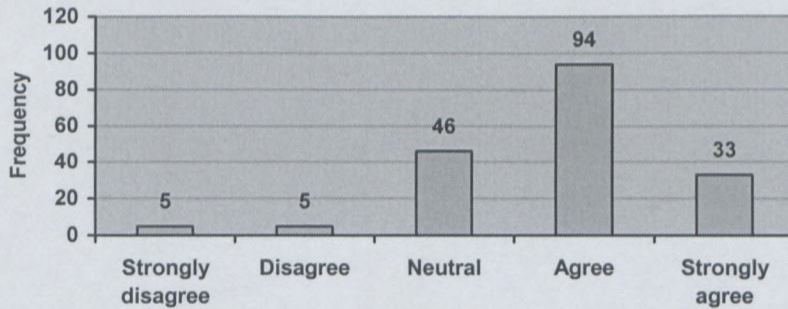


Figure 4.28: Results of Question 28

There were 18 percent of the respondents who disagreed with the statement and a further 8 percent who strongly disagreed. This added up to a total of 26 percent who did not believe that the statement was true. A combined total of 41 percent were in agreement, 4 percent strongly agreed and 37 percent agreed. A total of 33 percent were undecided.

4.2.29 Results of Question 29: The organisation expects every employee to contribute in achieving the organisation's most important objectives

Figure 4.29: Results of Question 29



A total of 51 percent of the respondents agreed with the statement and 18 percent strongly agreed. A combined total of 69 percent regarded the statement as true while 25 percent remained neutral. There were also 3 percent who disagreed while 3 percent strongly disagreed with the statement. Therefore 6 percent disagreed with the statement.

4.2.30 Results of Question 30: The organisation expects every manager to contribute in achieving the organisation's most important objectives

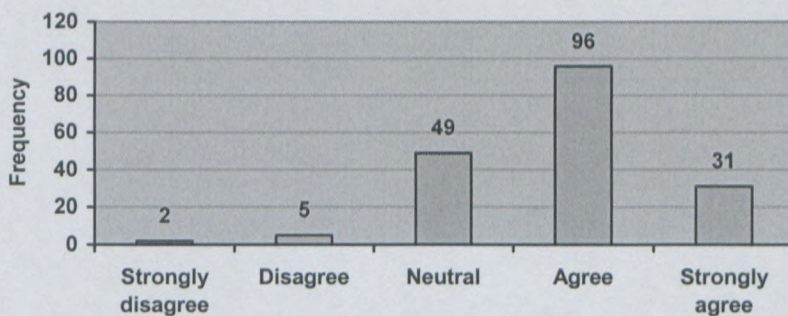


Figure 4.30: Results of Question 30

There was 1 percent who strongly disagreed with the statement and a further 3 percent who disagreed. There were 27 percent who were neutral while 52 percent agreed with the statement and a further 17 percent strongly agreed. In total, there were 69 percent who believed the statement was true and 4 percent who believed that the statement was untrue.

4.2.31 Results of Question 31: The performance management system is used to integrate other key systems (ie quality improvement, productivity improvement, succession planning, etc.)

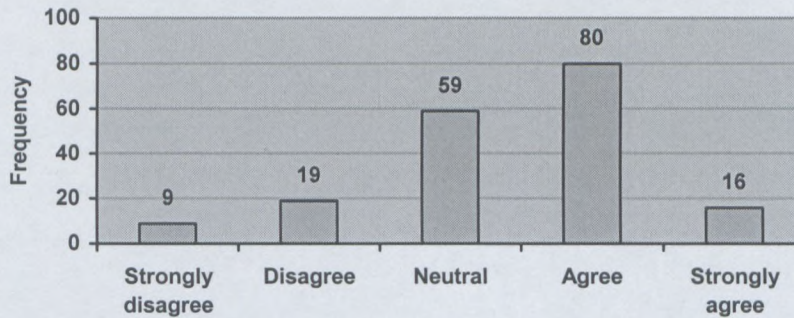


Figure 4.31: Results of Question 31

There were 9 percent who strongly agreed and 44 percent who agreed with the statement. There were also 32 percent who were neutral and 10 percent who disagreed with the statement. Five percent strongly disagreed with the statement. A combined total of 15 percent of the respondents believed the statement to be untrue while a combined total of 55 percent believed the statement to be true.

4.2.32 Results of Question 32: Senior management is INVOLVED/COMMITTED to the successful implementation of our performance management system

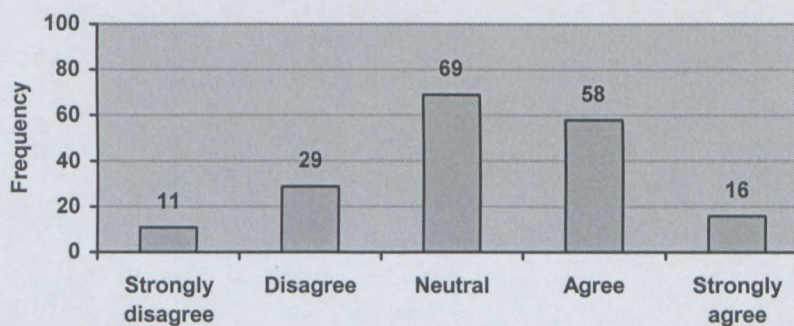


Figure 4.32: Results of Question 32

There were 16 percent of the respondents who disagreed with the statement and a further 6 percent who strongly disagreed. This added up to a total of 22 percent who did not believe that the statement was true. A combined total of 41 percent were in agreement, 9 percent strongly agreed and 32 percent agreed. A total of 38 percent were undecided.

4.2.33 Results of Question 33: Management is INVOLVED/COMMITTED to the successful implementation of our performance management system

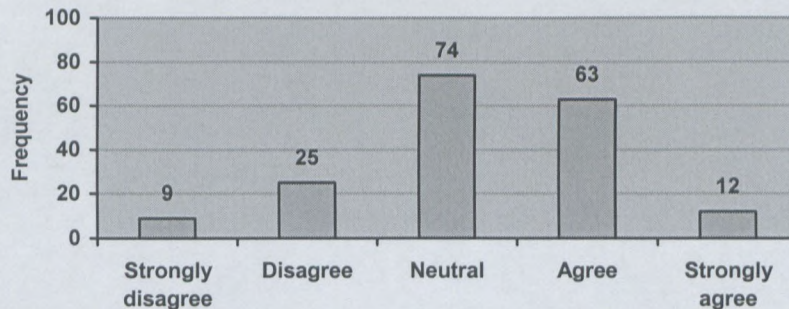
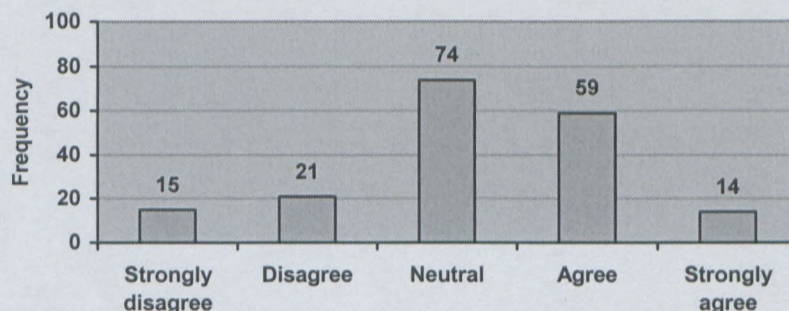


Figure 4.33: Results of Question 33

A total of 34 percent of the respondents agreed with the statement and 7 percent strongly agreed. A combined total of 41 percent regarded the statement as true while 40 percent remained neutral. There were also 14 percent who disagreed while 5 percent strongly disagreed with the statement. Therefore 19 percent disagreed with the statement.

4.2.34 Results of Question 34: Employees are INVOLVED/COMMITTED to the successful implementation of our performance management system

Figure 4.34: Results of Question 34



There were 8 percent who strongly disagreed with the statement and a further 11 percent who disagreed. There were 40 percent who were neutral while 32 percent agreed with the statement and a further 8 percent strongly agreed. In total, there were 19 percent who believed the statement was incorrect and 40 percent who believed that the statement was true.

4.2.35 Results of Question 35: The system of PM leads to a better communication between my supervisor and me

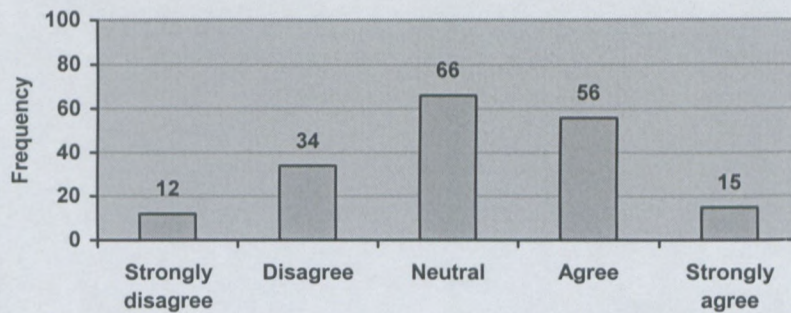


Figure 4.35: Results of Question 35

There were 8 percent who strongly agreed and 31 percent who agreed with the statement. There were also 36 percent who were neutral and 19 percent who disagreed with the statement. Seven percent strongly disagreed with the statement. A combined total of 39 percent of the respondents believed the statement to be true while a combined total of 26 percent believed the statement to be untrue.

4.2.36 Results of Question 36: There is a direct link between “strategic/business planning” and the PM system

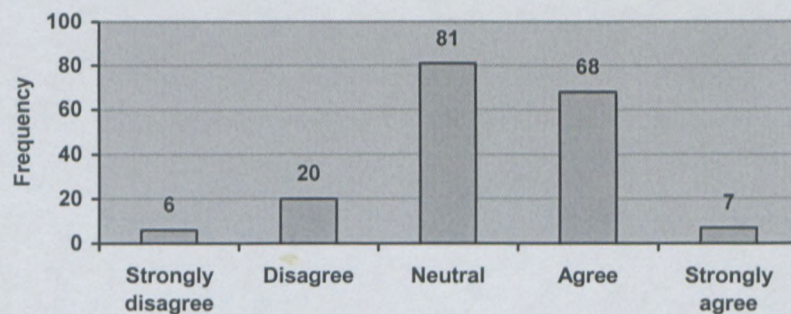


Figure 4.36: Results of Question 36

There were 11 percent of the respondents who disagreed with the statement and a further 3 percent who strongly disagreed. This added up to a total of 14 percent who did not believe that the statement was true. A combined total of 41 percent were in agreement, 4 percent strongly agreed and 37 percent agreed. A total of 44 percent were undecided.

4.2.37 Results of Question 37: Employees are familiar and understand the PM process

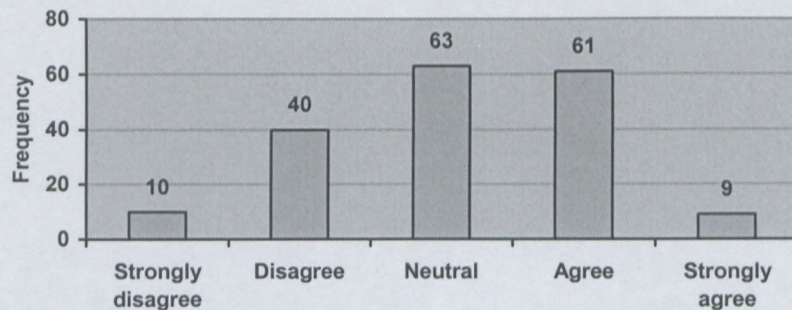


Figure 4.37: Results of Question 37

A total of 33 percent of the respondents agreed with the statement and 5 percent strongly agreed. A combined total of 38 percent regarded the statement as true while 34 percent remained neutral. There were also 22 percent who disagreed while 5 percent strongly disagreed with the statement. Therefore 27 percent disagreed with the statement.

4.2.38 Results of Question 38: The system of PM allows me to have greater job satisfaction

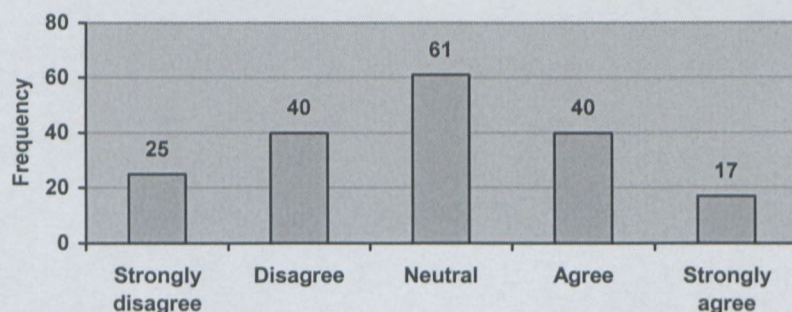


Figure 4.38: Results of Question 38

There were 14 percent who strongly disagreed with the statement and a further 22 percent who disagreed. There were 33 percent who were neutral while 22 percent agreed with the statement and a further 9 percent strongly agreed. In total, there were 36 percent who believed the statement was incorrect and 31 percent who believed that the statement was true.

4.2.39 Results of Question 39: The system of PM increases my level of motivation

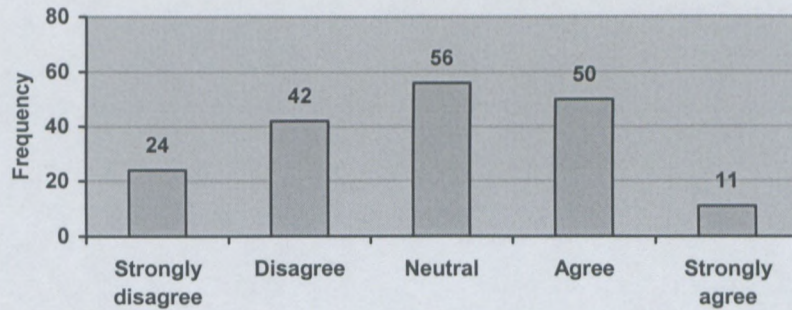


Figure 4.39: Results of Question 39

There were 6 percent who strongly agreed and 27 percent who agreed with the statement. There were also 31 percent who were neutral and 23 percent who disagreed with the statement. Thirteen percent strongly disagreed with the statement. A combined total of 33 percent of the respondents believed the statement to be true while a combined total of 36 percent believed the statement to be untrue.

4.2.40 Results of Question 40: The organisation is an outstanding place to work

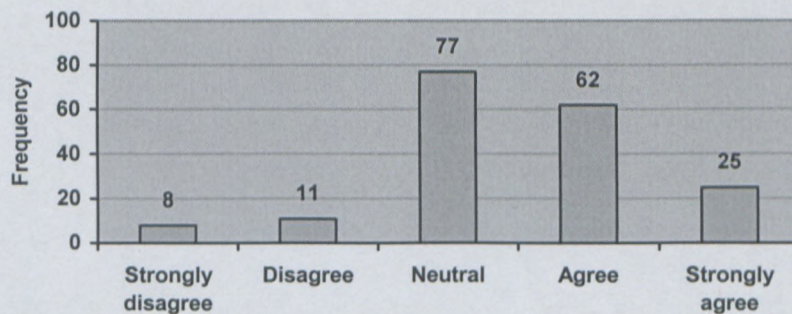


Figure 4.40: Results of Question 40

There were 6 percent of the respondents who disagreed with the statement and a further 4 percent who strongly disagreed. This added up to a total of 10 percent who did not believe that the statement was true. A combined total of 48 percent were in agreement, 14 percent strongly agreed and 34 percent agreed. A total of 42 percent were undecided.

4.2.41 Results of Question 41: The system of PM creates more effective leadership

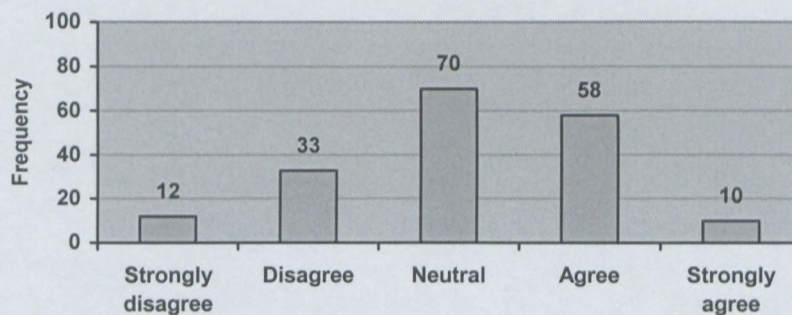


Figure 4.41: Results of Question 41

A total of 32 percent of the respondents agreed with the statement and 5 percent strongly agreed. A combined total of 37 percent regarded the statement as true while 38 percent remained neutral. There were also 18 percent who disagreed while 7 percent strongly disagreed with the statement. Therefore 25 percent disagreed with the statement.

4.2.42 Results of Question 42: My immediate supervisor is familiar and understands the PM process

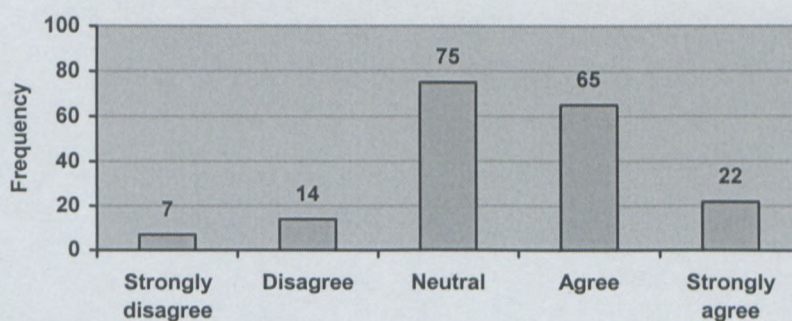


Figure 4.42: Results of Question 42

There were 4 percent who strongly disagreed with the statement and a further 8 percent who disagreed. There were 41 percent who were neutral while 36 percent agreed with the statement and a further 12 percent strongly agreed. In total, there were

12 percent who believed the statement was incorrect and 48 percent who believed that the statement was true.

4.2.43 Results of Question 43: I realise that there is a definite link between PM and career growth/development

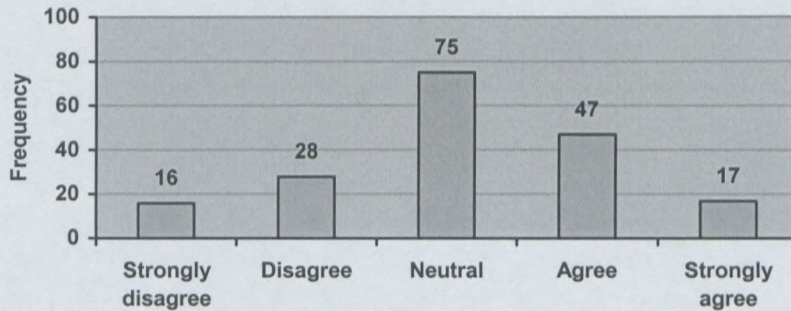


Figure 4.43: Results of Question 43

There were 9 percent who strongly agreed and 26 percent who agreed with the statement. There were also 41 percent who were neutral and 15 percent who disagreed with the statement. Nine percent strongly disagreed with the statement. A combined total of 24 percent of the respondents believed the statement to be untrue while a combined total of 35 percent believed the statement to be true.

4.2.44 Results of Question 44: Appraisal results are used for promotion decisions

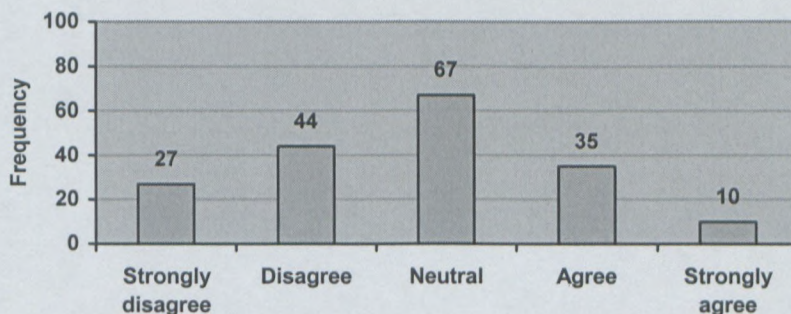


Figure 4.44: Results of Question 44

There were 24 percent of the respondents who disagreed with the statement and a further 15 percent who strongly disagreed. This added up to a total of 39 percent who did not believe that the statement was true. A combined total of 24 percent were in

agreement, 5 percent strongly agreed and 19 percent agreed. A total of 37 percent were undecided.

4.2.45 Results of Question 45: Appraisal results are used for compensation decisions

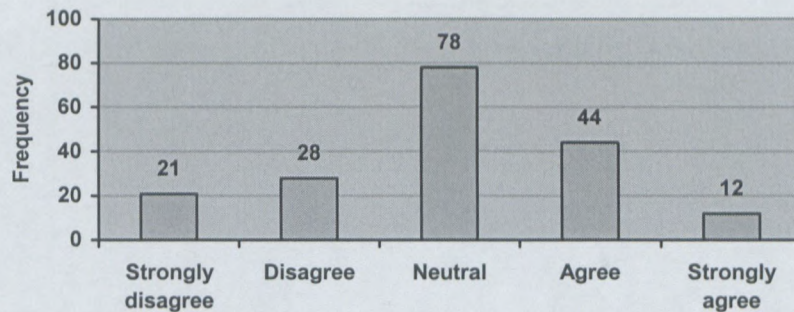


Figure 4.45: Results of Question 45

A total of 24 percent of the respondents agreed with the statement and 7 percent strongly agreed. A combined total of 31 percent regarded the statement as true while 43 percent remained neutral. There were also 15 percent who disagreed while 11 percent strongly disagreed with the statement. Therefore 26 percent disagreed with the statement.

4.2.46 Results of Question 46: Appraisal results are used to determine training needs

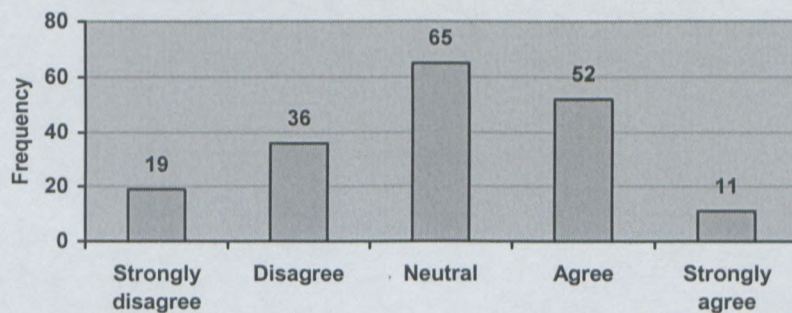


Figure 4.46: Results of Question 46

There were 10 percent who strongly disagreed with the statement and a further 20 percent who disagreed. There were 36 percent who were neutral while 28 percent agreed with the statement and a further 6 percent strongly agreed. In total, there were

30 percent who believed the statement was incorrect and 34 percent who believed that the statement was true.

4.2.47 Results of Question 47: The system of PM creates a performance culture in my organisation

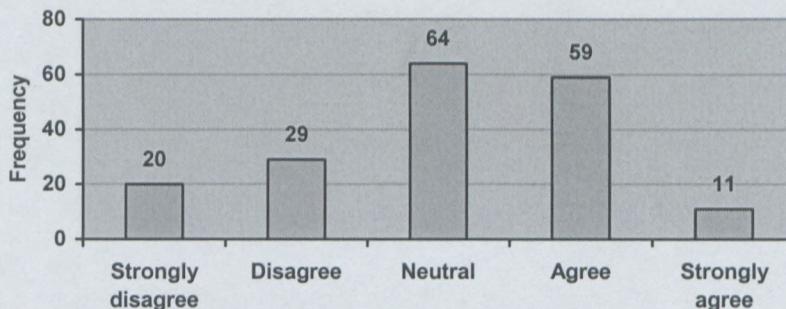


Figure 4.47: Results of Question 47

There were 6 percent who strongly agreed and 32 percent who agreed with the statement. There were also 35 percent who were neutral and 16 percent who disagreed with the statement. Eleven percent strongly disagreed with the statement. A combined total of 38 percent of the respondents believed the statement to be true while a combined total of 27 percent believed the statement to be untrue.

4.3 CONCLUSION

The results of the questionnaire were presented in Chapter Four. The next chapter will focus on the researcher's recommendations based on the discussion of the analysis.

CHAPTER FIVE

Discussion and recommendations

5.1 INTRODUCTION

This chapter presents important conclusions drawn from the data presented in Chapter Four.

Respondents may have wanted to agree or disagree with the questionnaire's statements, but being concerned about their anonymity led them to being neutral. This is in the researcher's opinion especially true of the high number of younger new recruits with no previous work experience. A large number of respondents who chose the neutral rating also indicated apathy or limited employee knowledge of the organisation.

There were a number of themes covered in the questionnaire. This chapter discusses the questions in terms of the following themes:

- The evaluation of the employee-employer interaction in the framework of the performance management process;
- How the implementation of the PM process affects employee reactions to employer interventions;
- The extent of this impact and the effect it has on the organisation;
- Employee-employer integrity;
- Job satisfaction;
- Management and leadership (promoter);
- Career and people development;
- Performance culture.

5.2 THE EVALUATION OF THE EMPLOYEE-EMPLOYER INTERACTION IN THE FRAMEWORK OF THE PERFORMANCE MANAGEMENT PROCESS (Refers to Question 1- 26)

The researcher felt that it was prudent to base the discussion of the relevant results around an outline of a typical performance management process

5.2.1 Performance planning and goal setting at the start of the year

There was a general consensus that management defined the job so that it reflected the work to be done and developed qualitative and quantitative definitions of successful performance standards. However, this proved to be irrelevant as a large percentage of respondents stated that their performance contracts were not available at the start of the financial year. It is argued by management that the increased span of control moderates the efficiency of their core duties. It has been the researcher's experience that all performance contracts are only made available on or a few days before an assessment due date.

Several authors (Walters, 1995; Bourne, 2000) placed emphasis on the importance of a performance management system reflecting the organisation's overall priorities. The worth of communicating these goals to the operational level staff is mirrored in the effectiveness of the performance management process. The results of this study have shown that meaningful communication is not linked to organisational objectives and critical plans. This was supported by a high percentage of respondents who disagreed that the performance management system is used as a development tool and an equally high percentage reflecting that their performance contracts were not available at the start of the year. Not surprisingly, the research has shown that an even bigger number of respondents disagreed with the statement that their supervisor communicated the operational plan at the start of the financial year.

5.2.2 Tracking progress and ongoing feedback

Regular, formal quarterly performance reviews suffer as a result of performance contracts not being made available at the start of the financial year. This was confirmed by the high percentage of respondents who were in disagreement with the statement that management keep track of individual performance relative to performance

standards. However, 50 percent believed that their manager provided positive feedback for a job well done with an even bigger response in agreement that their manager provided corrective feedback for those areas which need improvement. This proves that in the absence of formal performance contracts, management is positively reinforcing productive behaviour and coaching employees to bring about corrective behaviour. At the start of the financial year, expectations are set in principle by both the manager and employee, agreeing on the content of the performance contract. The lack of feedback and direction at a time when the quarterly reviews are expected does not drive employees to engage in activities that achieve targets. This was confirmed by the high percentage of respondents who did not agree that performance management is an ongoing management process.

5.2.3 Performance evaluation

A majority of the respondents felt that the performance management process did not assist employees in the achievement of personal work-related goals. As stated previously the performance contracts were only made available at the end of the financial year when assessments were due. Neither positive feedback nor development could take place as no performance benchmarks, targets or goals were in place. This was confirmed by the percentage of respondents in disagreement with the statement that their managers know how to measure qualitative and quantitative definitions of successful performance standards and how to measure effective skills required on the job. This could be as a result of inadequate knowledge of the performance management process or simply due to the fact that the contracts were not available at the start of the process and at stipulated review times. This was confirmed by the percentage of respondents who disagreed that the evaluation process took place regularly on a quarterly basis. It is clear then, that not having the performance contracts available at the start of the performance period has negative consequences for subsequent performance processes that are supposed to occur afterwards.

5.2.4 Performance review/ assessment

The effect of not having the contracts available at the start of the financial year has already been discussed. A significant percentage of respondents did not agree that the manager was familiar with appraisal procedures. The researcher believes that, in

general, this statement would be correct as the organisation does not provide formal performance management training.

5.2.5 Performance management training and awareness

The research has shown that the main causes for the inefficiency of the performance management system can be attributed to the lack of performance training. It was also apparent that employees and supervisors are not motivated to use the performance management system.

5.2.6 Legally defensible

The research has shown that the performance management system is not recognised as a vehicle for meeting organisational goals by managers and employees. No value was gained as a result of haphazard implementation by management.

5.2.7 Performance development

The results prove that performance development is not as important as the organisation would like it to be. The literature indicated that it was important to consider for which purpose the performance management process serves, that is, either employee development or decision-making, and to note that both purposes are seldom supported within the framework of a single system. More time is spent on a discussion of the achievement of targets and results and the justification thereof, than on the aspects of employee development. Another factor, as stated above, is the fact that due to the performance contracts not being made available at the beginning of the financial year, development also suffers.

5.2.8 Implications

The implication of a workforce disenchanted with the performance management process is low morale and motivation. The organisation also suffers as the work force is less receptive to change initiatives.

5.2.9 Recommendations

Management and employees should receive training on the skills required for performance management. This would increase awareness and motivation. Employees should be made aware of managers' expectations and the performance standards against which evaluation will take place at the start of the financial year. There must be an independent audit on the performance management procedure, with clearly defined roles and responsibilities for employees and management. A senior manager should be accountable for the results of this audit.

It is recommended that future research cover the actual audit of the defined roles and timelines for administration of the performance management process.

5.3 HOW THE IMPLEMENTATION OF THE PM PROCESS AFFECTS EMPLOYEE REACTIONS TO EMPLOYER INTERVENTIONS (Refers to Question 27- 34)/ THE EXTENT OF THIS IMPACT AND THE EFFECT IT HAS ON THE ORGANISATION (Refers to Question 35- 36)

The research has shown that a large percentage of respondents perceived that senior management's vision and objectives are not communicated and that the organisation does not encourage empowerment in decision-making. This was confirmed by the number of respondents who believe that there is no link between strategic objectives and the performance management system. However, an equally large percentage of respondents agreed that the organisation expects both management and the employee to contribute to the achievement of the organisation's most important objectives. Employees will become disenchanted by the perceived lack of senior management involvement and commitment to the process of performance management. The research confirmed a significant lack in employee commitment to the performance management process.

5.3.1 Implications

It is widely believed that one of the objectives of a performance management system is to link the organisation's strategic objectives to the performance management system and also to implement change. The outcome of this fosters an improvement in communications between employees and management. An organisation thus loses this

ability to align the organisation's core values, goals and strategy by not engaging the performance management system as a tool for communicating corporate culture and values.

5.3.2 Recommendations

The organisation should take disciplinary action for non-compliance with the performance management process. Sutherland and Canwell (2004:213) recommended that there be a formal process of investigating and correcting situational influences and constraints on performance.

5.4 EMPLOYEE-EMPLOYER INTEGRITY (Refers to Question Q37)

This topic was covered indirectly in other questions. A significant percentage of the employees were neither familiar with nor did they fully understand the performance management process. This situation was intensified by the number of respondents who perceived themselves and management to be not involved and committed to the performance management system.

5.4.1 Implications

A lack of employee-employer integrity does not bode well for the successful implementation of the performance management process. In order to sustain the values of the organisation, it is important that manager and employee consider the performance management system as a tool for achieving organisational objectives.

5.4.2 Recommendations

The organisation should ensure that the performance management system is aligned with the organisation's strategic direction and that the system is accepted by both management and the employee.

5.5 JOB SATISFACTION (Refers to Question 38- 40)

The research leads one to conclude that organisational job satisfaction and morale are low.

5.5.1 Implications

A negative performance appraisal could lead to a perception of an unmet expectation and subsequent loss of job satisfaction which then usually leads to high absenteeism and labour turnover.

5.5.2 Recommendations

It is important that the organisation keep the workforce motivated. Organisations could conduct job satisfaction surveys to measure job satisfaction systematically. However, Nel *et al.* (2001:587) warned that surveys tend to create expectations in employees that positive changes will be brought about and not attending to obvious problems, may magnify any existing dissatisfaction. It is recommended that the organisation at least bring about a few workable changes to honour the organisation's commitment to change.

5.6 MANAGEMENT, LEADERSHIP AND PROMOTER (Refers to Question 41- 42)

Nel *et al.* (2001:349) defined leadership as a process whereby others are influenced to willingly and enthusiastically direct their efforts and abilities towards attaining defined group and organisational goals. The research has shown that performance management being a core management function is not being utilised fully by management.

5.6.1 Implications

Pulakos (2004:22) warned that without management support the performance management system will fail.

5.6.2 Recommendations

If management is seen to embrace and apply the concepts of performance management by example, this commitment will be cascaded downwards to first line management. Pulakos (2004:22) also cautioned that management support implies that the highest level managers follow all parameters of the system themselves, and

establish expectations for their subordinates to do so as well, by including performance management as a critical aspect of their evaluations.

5.7 CAREER AND PEOPLE DEVELOPMENT (Refers to Question 43- 46)

A significant number of the respondents were in disagreement that the performance management system is used to identify training needs. This was confirmed by an equally high percentage of respondents who did not believe that the performance management system could be used for career growth and career development. The results here were consistent with the topic, 'people development' discussed above.

5.7.1 Implications

It is in the interest of any organisation to retain employees that the organisation values. If the organisation does not provide for effective career and people development, employees will perceive that they cannot reach their full potential at the organisation and will most likely not be prepared to stay.

5.7.2 Recommendations

The organisation should use performance appraisal as a tool for career management because strengths and weakness are assessed. Career management as a structured strategy could be adopted by utilising the current performance management system to fulfil that strategy.

5.8 PERFORMANCE CULTURE (Q14 & Q47)

The results have shown that a majority of the respondents felt that the current use of the performance management system was not conducive to building a performance culture in the organisation.

5.8.1 Implications

A deficient performance culture could result in a loss of pride in employees' workmanship and could spill over into loss of morale and other maladaptive behaviour at work.

5.8.2 Recommendations

As stated above, the organisation should ensure proper implementation of the performance management process and adopt a zero tolerance policy for non-compliance.

5.9 CONCLUSION

It seems that this particular organisation only pays lip service to the performance management process. It is the author's opinion, based on the research which was conducted, that performance management is an important tool necessary for the implementation of organisational change and culture. It is in essence the foundation of the organisation's corporate identity.

In conclusion, which the researcher deems of utmost importance, Pulakos (2004:22) very aptly states: "In the case of performance management, an organization with a committed CEO, who models effective performance management with the executive team and establishes clear expectations around performance management for all staff, will have a much higher probability of success than one that does not have high-level support."

CHAPTER SIX

Conclusion

6.1 INTRODUCTION

This chapter presents a summary of the study and provides a discussion of the implications for action and recommendations for further research.

6.2 SUMMARY OF THE STUDY

In Chapter One, the problem addressed by this study was stated, namely that the ineffective implementation of performance management often leads to a strained employee-employer relationship. The review of the literature (discussed in Chapter Two) outlined the purpose of performance management, an overview of individual and organisational performance management and performance management systems like the balanced scored card and performance prism. The purpose of this study was to explore the extent to which the performance management process influences employee-employer relations, the impact of implementation on employee behaviour and the effect of this impact on the launching of organisational interventions. In providing possible solutions to the problem the following research objectives (refer to Chapter One) were set:

- the evaluation of the employee-employer interaction of a listed South African company in the framework of the performance management process;
- how the implementation of the performance management process affects employee reactions to employer interventions;
- the extent of this impact; and
- the effect it has on the organisation.

Chapter Three provided the research methodology, describing the design and the specific procedures used in conducting the research. The descriptive survey method was used for this study and a questionnaire was used as an instrument for obtaining the data. *The questionnaires were forwarded via electronic mail and the results were*

displayed in summary form in a bar graph. The results were presented in Chapter Four and the discussion and recommendations were put forward in Chapter Five.

The most important findings indicated that:

- performance contracts are not available at the start of the year;
- performance planning and goal setting are not done at the start of the year;
- no formal tracking of performance progress takes place;
- no formal performance feed back occurs;
- performance reviews and assessment are done at the end of the financial year.

The results have shown that management developed qualitative and quantitative definitions of successful performance standards of the employee targets. This proved to be irrelevant as the results have shown that the performance contracts are not available at the start of the year. Surprisingly, the results proved that management provided positive feedback for tasks completed exceptionally well and corrective feed back for areas needing improvement. This proved that management is coaching employees on a daily basis.

Of particular importance is the fact that the results of this study have shown that meaningful communication is not linked to the organisational objectives and critical short term operational plans of the organisation. Also the research has shown that the operational plans are not communicated at the start of the year. This implies that organisational goals are not translated and cascaded into action plans at the unit, team and individual level.

More significant though, are the findings that the causes for the inefficiency of the performance management systems could be attributed to a lack of training. The findings have also shown that employees and supervisors are not motivated to use the performance management system and the findings also confirmed a lack in employee commitment to the performance management process. The results have also revealed that the performance management system failed employees in terms of development and career management.

6.3 IMPLICATIONS FOR ACTION

It is believed that the performance management process of managing employees is based on positive reinforcement to maximise the employee's performance. Performance management is also a core first line management function.

Effective performance management will only take place with proper implementation of the process. The organisation should ensure compliance with the performance management process by:

- providing the performance contract at the start of the financial year;
- providing actual quarterly review sessions;
- providing clear definitions and measurement of performance assessments; and
- performance management that is accurate and fair.

The factors stated above should be equally applicable to performance development and career planning. It is advisable that a policy of zero tolerance is adopted by the organisation for non-compliance and that the organisation initiate disciplinary action for non-compliance. The organisation should ensure that the higher levels of management should lead the performance management process by example from top level to lower level management. Pulakos (2004:22) stated that management support means that the highest level managers follow all parameters of the system themselves and establish expectations for their direct reports to do so as well by including performance management as a critical aspect of their evaluations.

Given the concern expressed by a significant number of respondents about the availability of operational plans at the start of the year, a negative impression about middle and lower level managements' ability in converting strategic business planning into action plans for lower level employees is created and clearly there is a need to provide training and skills to remedy the situation.

The organisation should also ensure that management is provided with adequate training and skills to implement the processes of performance management and that all employees receive a similar orientation of performance management training.

6.4 RECOMMENDATIONS FOR FURTHER STUDY

This study determined the extent to which the performance management process influences employee-employer relations, the impact of implementation on employee behaviour and the effect thereof.

The research measured the reactions of operational level employees and excluded management levels. It is, however, recommended that future researchers measure management's influence on performance management. This will ensure possible consistency with the current study and perhaps insight into performance appraisal in middle and lower management levels. Of particular interest would be possible relationships and similarities to the current study at different levels in the organisation.

Considering the general pessimistic result of this study, it is assumed that there are issues not yet uncovered. This could lead to potentially maladaptive behaviour. It is recommended that the organisation identify:

- why certain policies and procedures have an off-putting effect on employees;
- what the areas of dissatisfaction are.

It is also recommended that future researchers conduct unstructured focus interviews with a panel of middle and lower management and operational level employees to gain a better multifaceted understanding of the problems encountered in a similar study.

6.5 CONCLUSION

The research conducted revealed the relationship between the exchange relationship and the performance management process. The psychological contract gave way to the exchange relationship. The performance management process is in essence a formal form of dialogue between the employer and employee; in fact it is a written contract of the exchange relationship. It appears thus, that this new exchange relationship is moderated by the organisation's performance management system. This unique organisational performance management system in turn moulds a unique organisational climate which creates the organisation's corporate identity and the ability to achieve strategic targets, and a workforce that is receptive to organisational change.

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ANNEXURES

ANNEXURE A

QUESTIONNAIRE

Think about the performance management [PM] process in the organisation.

1. I have full knowledge of the Performance Management Process

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

2. The system of PM assists me in achieving my personal work related goals.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

3. My manager defines a job so that it accurately reflects the work to be done.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

4. My manager develops qualitative and quantitative definitions of successful performance standards.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

5. My manager knows how to measure qualitative and quantitative definitions of successful performance standards.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

6. My manager keeps track of my performance relative to the standards which are in place.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

7. My manager provides positive feedback for a job well done.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

8. My manager provides corrective feedback for those areas needing improvement.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

9. My manager knows how to use appraisal forms and follow appraisal procedures.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

10. My manager knows how to solve problems

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

11. My manager uses the PM system as an employee development tool.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

12. My manager knows how to measure effective skills required on the job.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

13. I am a firm supporter of the PM process.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

14. The system of PM creates a high performing organisation.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

15. The evaluation process takes place regularly on a quarterly basis.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

16. The PM is clear, unambiguous and well managed.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

17. PM policy is understood and well documented in my organisation.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

18. Management is familiar with and fully understands the PM process.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

19. My PM contract is available at the start of the financial year.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

20. My immediate supervisor communicates the Operational Plan at the start of the financial year.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

21. The PM system is an ongoing management process, with meaningful communication which is linked to critical plans and objectives of the organisation.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

22. The PM System was developed with input from employees/managers throughout the organisation.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

23. The PM system is owned by every manager/ employee and seen as one of their most critical responsibilities.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

24. The PM System includes extensive orientation and training for everyone impacted.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

25. The PM system is viewed as a valuable tool for managing how work gets done and how well each individual is performing.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

26. The PM system is legally defensible.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

27. The organisation encourages managers to involve employees in key organisational decisions.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

28. The organisation regularly communicates senior management's vision and objectives throughout the organisation.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

29. The organisation expects every employee to contribute in achieving the organisation's most important objectives.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

30. The organisation expects every manager to contribute in achieving the organisation's most important objectives.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

31. The performance management system is used to integrate other key systems (ie quality improvement, productivity improvement, succession planning, etc.).

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

32. Senior management is INVOLVED/ COMMITED to the successful implementation of our performance management system.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

33. Management/ supervisors is INVOLVED/ COMMITED to the successful implementation of our performance management system.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

34. Employees are INVOLVED/ COMMITED to the successful implementation of our performance management system.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

35. The system of PM leads to a better communication between my supervisor and me.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

36. There is a direct link between " strategic/business planning" and the PM system.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

37. Employees are familiar and understand the PM process.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

38. The system of PM allows me to have greater job satisfaction.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

39. The system of PM increases my level of motivation.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

40. The organisation is an outstanding place to work.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

41. The system of PM creates more effective leadership.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

42. My immediate supervisor is familiar and understands the PM process.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

43. I realise that there is a definite link between PM and career growth/development.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

44. Appraisal results are used for promotion decisions.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

45. Appraisal results are used for compensation decisions.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

46. Appraisal results are used to determine training needs.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

47. The system of PM creates a performance culture in my organisation.

Strongly disagree	Disagree	Neutral	Agree	Strongly agree

ANNEXURE B

COVERING LETTER

Good day

In order to meet my degree requirements at the Cape Peninsula University of Technology, I am busy with an independent study based on Performance Management in Network Service Management under Executive Marna Wilden (M). Attached is the Group HR approval.

Dissertation Title: The impact of performance management processes on employee-employer relationships in a listed telecommunications company.

The main aims of this research are:

- the evaluation of the employee-employer interaction in the framework of the performance management process;
- how the implementation of the performance management process affects employee reactions to employer interventions;
- the extent of this impact
- the effect it has on the organisation.

Please save this questionnaire on your desktop, place a X in appropriate block and E-mail back to sender.



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Request for
Information

Your reply will be treated as confidential.
Thank you for your cooperation.

kind regards

roger skorbinski

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