



**DEPARTMENT OF MANAGEMENT AND  
MARKETING**

**USING PERFORMANCE MANAGEMENT  
TECHNIQUES TO ENHANCE EMPLOYEE AND  
ORGANISATIONAL EFFECTIVNESS**



**Using performance management techniques to enhance  
employee and organisational effectiveness.**

**This thesis is submitted in partial fulfilment of the requirements  
for the degree of Master of Business, 2015.**

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## **Declaration**

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This Dissertation entitled “**Using performance management techniques to enhance employee and organisational effectiveness**” is submitted in partial fulfilment for the requirements for the Unitec degree of Master of Business.

### **Candidate’s Declaration**

I confirm that:

- This Thesis represents my own work.
- The contribution of supervisors and others to this work was consistent with the Unitec Regulations and policies.
- Research for this work has been conducted in accordance with the Unitec Research Ethics Committee Policy and Procedures, and has fulfilled any requirements set for this project by the Unitec Research Ethics Committee.

Research Ethics Committee Approval Number: 2014-1021

Candidate Signature: .....Date: 29/10/2015

Student number: 1393831

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## **Abstract**

This project is to explore the performance management techniques that are used by organisations to enhance organisational and employee effectiveness. The organisation chosen for this research falls into the small to medium enterprise category and is a consulting firm. This project attempts to define performance management, differentiates performance management systems and performance appraisal, and explains the three approaches to performance management. Further to this, it explores the various motivation theories that are associated with performance management. Performance and rewards are closely correlated; therefore, rewards management systems are also discussed in this project and how it contributes toward organisational and employee effectiveness. The various characteristics of performance management and the performance management process are outlined and how it affects employees and the organisation as a whole. Finally an attempt is made to validate the link between human resources, strategy and performance management.

Both quantitative and qualitative approaches are used in this project to collect data and a total of 64 respondents (which constitute 100%) took part in the quantitative study. For the qualitative study, a total of 5 personnel from the senior management team were interviewed. The data collected were uploaded into SPSS and analysed. The results from the analysis were used to test the null and alternative hypotheses. It has been specifically requested by the participating consulting firm not to mention the name of the organisation and therefore, the researcher has refrained from doing so.

The results suggested that the main aim of the performance management system is to achieve organisational goals and having a clear, concise and well defined job descriptions play a crucial role in employee performance. Furthermore, it was found that the organisational mission and vision play an important role in the development and implementation of performance management policies and practices in an organisation, which must be specific, measurable, achievable, realistic and time bound. However, the performance management process itself should be an ongoing process. In addition to this, motivation was found to be an important factor in employee performance; however, while rewards motivates employees the disciplinary procedures seem to demotivate employees and reduces employee performance. Clear links between performance management, HR, employees and organisational strategy were identified and these elements in an organisation are intertwined to attain organisational effectiveness.

## **Abbreviations**

ANOVA	Analysis of Variance
COLA	Cost of Living Adjustment
EDP	Employee Development Plan
e-HRM	Electronic Human Resource Management
HRM	Human Resource Management
HR	Human Resource
MBO	Management by Objectives
PDP	Personal Development Plans
SHRM	Strategic Human Resource Management
SME	Small and Medium-Sized Enterprises
SWOT	Strengths, Weakness, Opportunities and Threats
UREC	Unitec Research & Ethics Committee

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# **Chapter One: Introduction to the study**

## **1.0 Introduction**

This chapter provides the reader with the background of this research as well as the problem orientation. It identifies the relationship between Human Resources (HR) and performance management by providing a framework for managing performance. The chapter begins by considering some foundation that Human Resource Management (HRM) links to organisational performance. This is the genesis for the research question and hypotheses that explores performance management techniques implemented to enhance employee and organisational performance. The chapter concludes with an overview of the five chapters in this research.

## **1.1 Problem Orientation**

There are various meanings of performance management, but in reality, it is about improving the performance; of the employees, the organisation or both. Hutchinson (2013) strongly suggests that performance management usually refers to many initiatives that are taken on-board by management to ensure that performance is more manageable. While performance management can be seen through various perspectives; including strategy, organisational behaviour, operations management, economics, accounting and HRM, this research will focus on how to enhance employee and organisational performance.

Poorly implemented performance systems have a negative impact on organisations and can lead to increased employee turnover. If employees see that the performance process is unfair, they will leave the organisation or withdraw psychologically. In other words, they will put in minimum effort towards their work until they find another job and then resign. A system that is not standardised will provide misleading and fabricating information about employee performance. This will lead to lowered self-esteem, damaged relationships and decreased motivation to perform on the part of employees. Further to this, employees will experience increased level of job burnout and job dissatisfaction. From the management point of view, systems that are poorly implemented will increase the risk of litigation. Employees may file lawsuits against the organisation for being appraised unfairly and for mistreatment. In addition to this, there will be emerging biases, unclear rating systems and these will lead to decreased productivity within the organisation.

Performance management is usually seen as an integrated process where managers, team leaders and senior management communicate and engage with employees to set targets and expectations, measure and review results, agree on improvement plans and use reward systems to complement achievement (Hartog, Boselie & Paauwe, 2004). Therefore, it is important to align HR activities that are interrelated such as performance appraisal and reward systems with the main aim of enhancing employee and organisational performance. Appelbaum, Bailey, Berg & Kallenberg (2000) emphasise on the same point noted by Hartog et al. (2004) using strategic human resource management (SHRM) literature which suggests that HR work practices improve and lead to enhanced performance. Accordingly, Boselie (2010) concludes that performance management can be seen as a vital unit of SHRM.

Consultancy tends to be a relationship-based industry and this means the ability to make use of effective SHRM initiatives to establish and nurture relationships with clients. Within the SHRM structure, there are HR activities such as performance management, performance appraisal, rewards management and organisational strategies and therefore, it is critical for consultancy firms to have a complete understanding of the performance management techniques that they can utilise effectively to survive in a highly competitive environment.

However, it is crucial to consider that the basic principle of HR activities leads to enhanced organisational performance. Although the relationship between HRM and organisational performance has been proven through various research, there still remain many unanswered questions about the link between HRM and performance management (Purcell, Kinnie & Hutchinson, 2003; Wright & Gardner, 2003). Purcell & Kinnie (2007) claim that much academic research has been conducted to determine and establish the link between HRM and performance management. Combs, Liu, Hall, & Kitchen (2006) came to the conclusion that HRM is positively correlated to performance. It is worthwhile to point out here that Boselie, Dietz & Boon (2005) also share similar sentiments in saying that regardless of the geographic location and size of the business and regardless of the country where the business is operating, HRM is ultimately positively related to performance.

Hutchinson (2013) claims that performance and organisational effectiveness is based on two main schools of thought, best practice and best fit. Best practice approach advocates that there are a distinctive set of HR practices can be taken aboard by any organisation; regardless of its setting, resulting in improved performance. Boxall & Macky (2009) suggest that combining various HR practices into integrated bundles has a stronger effect on performance in

comparison to individual practices. From Boxall & Purcell (2011) point of view, the best fit approach argues that the internal and external environment of the organisation determines the effectiveness of HR practices in an organisation. This means that the best fit approach suggests that there is no one way of managing employees to enhance organisational effectiveness. While these two approaches are well defined and researched by many academics, the link between performance and organisational effectiveness is still unclear. This project attempts to validate the link between performance and how it enhances employee and organisational effectiveness by outlining the performance management process and its characteristics. In addition to this, the difference between performance management systems and performance appraisal is outlined. The various aims and objectives of performance management systems are outlined. Furthermore, the link between performance and reward systems is explained.

The improvement of organisational performance using various HRM function and procedures is known as performance management. Härtel & Fujimoto (2010) are of the view that performance is not bounded by time frames and is cyclical and ongoing. Nelson & Quick (2013) define performance management as “defining, measuring, appraising, providing feedback on and improving performance” (p.209). Furthermore, Hellqvist (2011) adds that performance management comprises all aspects of employee performance. This means that for an organisation to be efficient and productive, whilst pursuing its objectives and growth strategies, then effective performance management techniques must be employed. This is confirmed by Walker (2007) who claims that performance is one of the largest contributors towards organisational efficiency. There are many elements that contribute to the performance management process. Communication of organisational strategy through individual employee goal setting, job design, monitoring and feedback, training and development planning and appraisal are some performance management techniques that organisations have in place (Briscoe & Claus, 2008).

To achieve optimal success, organisations need to have performance management systems that are able to promote and develop values, principles and organisational competencies (Sahoo & Mishra, 2012). However, as claimed by Drumm (2005), the overall performance of the organisation can only be achieved if the performance of employees within a team framework can be enhanced. This can be achieved by having appropriate performance management techniques such as clear job descriptions, identifying and establishing performance improvement plans, 360-degree feedback mechanisms, compensation and reward systems

(Sahoo & Mishra, 2012). In addition to this Otley (2012) suggests that a balanced scorecard can also be used as a performance management technique to measure performances. These performance management systems are to name only a few and thus it is important for managers to have effective performance management systems in place to enhance employee and organisational effectiveness.

One of the objectives of HRM is to improve employee performance and productivity in order to improve organisational effectiveness. However, to achieve these objectives, various HR strategies and performance management systems and techniques need to be put in place. Macky (2009) labels these strategies collectively as performance management. Schlafke, Silvi & Moller (2013) claim that decision makers in an organisation are faced with implementing effective performance management techniques so that employee and organisational effectiveness are achieved. Rather than just looking at the financial aspect of performance management, organisations are nowadays reaching out non-financial performance drivers as well. This has been confirmed by Schlafke et al. (2013) who proclaim that performance management techniques are not only limited to balanced scorecards or clear job descriptions. Thus it is important that appropriate performance techniques are identified to help decision makers enhance employee and organisational effectiveness.

Erasmus, Leodolff, Mda & Nel (2010) are of the view that performance management in organisations focuses on the improvement of employee performance so that organisational goals are achieved. This means that to achieve organisational effectiveness, employee performance should be enhanced. However, Atkinson (2012) argues that a definite definition of performance management is hard to draw. To attain organisational effectiveness, the performance of employees needs to be measured and managed. An organisation alone without any employees cannot function. Thus, it is important to have in place various performance management techniques at various levels of an organisation to achieve employee and organisational effectiveness. Bento & Bento (2006) suggest that performance management techniques allow organisations to measure and control organisational performance and effectiveness. This means that decisions, resources and activities are more effectively aligned with strategies to gain employee and organisational effectiveness.

Smither & London (2009) proclaim that performance management is a multi-step and ongoing process. This process ranges from goal setting, feedback and performance appraisal. It is interesting to note that the performance management process revolves around employee

performance and if employees perform better, organisational effectiveness is achieved. Thus it is important for organisations to have effective performance management techniques in place to foster employee effectiveness that will ultimately enhance organisational effectiveness. Nelson & Quick (2013) go on to say that performance management can lead to improved employee and organisational performance. In addition to this it is important to reward high quality performance and correct poor performance. In other words, poor performance can only be corrected if appropriate performance management techniques are employed. Thus this research attempts to identify and validate performance management techniques that may lead to increased employee and organisational effectiveness.

The organisation chosen for this project is a New Zealand based consulting firm which specialises in HR, employee recruitment, project management, cost planning, estimating and construction and will form the focus of the empirical part of the research being undertaken. However, the company has requested the researcher to focus on the HR aspects of the services provided by the firm- more specifically how performance management techniques will enhance the organisational effectiveness of a consulting firm. The senior management of the target consultancy firm has noticed their current performance management system is not providing accurate information on employee performance and there has been an increase in employee turnover and therefore the senior management want to update their current system. In addition to this, employees have also indicated dissatisfaction towards the current performance appraisal process. The human resource consultancy field is probably one of the most competitive and results focussed parts of the professional services industry (Härtel & Fujimoto (2010). This means that consulting firms either stamp their name in the service industry in terms of being an effective player in the market or they will fail to attract potential clients, meaning there is little margin for failure.

## **1.2 Aims and Objectives of the Research**

The foregoing synopsis of research on performance management suggests there is a positive correlation between performance management and organisational effectiveness. Accordingly, the main focus of this research is:

**“To identify performance management techniques that organisations need to have in place so that organisational effectiveness is enhanced”.**

While there are many performance management techniques used by organisations to enhance organisational effectiveness, it is still unclear which techniques can be used specifically by consulting firms to attain maximum productivity from employees within the organisation. With these limitations in mind, the research sought to achieve four objectives.

- 1) To investigate performance management techniques that will help enhance employee and organisational effectiveness.
- 2) To examine the performance management process.
- 3) To explore the characteristics of performance management.
- 4) To validate the link between organisational strategies, HR and employees.

## **1.3 Research Statement**

Although evidence shows that there is a strong link between performance management and organisational effectiveness, there is little evidence on how a performance management system in an organisation facilitates HR activities to enhance organisational effectiveness. It is important to define performance management system and how it is separate from performance appraisal. It is also crucial to understand the aims, goals, and characteristics of a performance management system and the processes of performance management and how it contributes towards organisational performance. According to Hutchinson (2013) many organisations claim to have performance management systems in place to enhance organisational effectiveness while in reality, all they have is a performance appraisal system. Furthermore, many employers are unsure how a performance management system provides for and facilitates organisational growth (Aguinis, 2014; Ashdown, 2014). With these drawbacks in mind, the key research question addressed by this research is:

**“To what extent do performance management systems contribute towards organisational effectiveness?”**

In order to answer the major research question, the following sub questions are asked.

**Question 1**

*What are the current performance management techniques used by organisations to achieve employee and organisational effectiveness?*

**Question 2**

*What are the characteristics of performance management?*

**Question 3**

*What is the difference between performance management and performance appraisal?*

**Question 4**

*What are the links between organisational strategies, HR, performance management and employees?*

**Question 5**

*How do performance management, organisational strategies and HR relate to improved organisational effectiveness?*

While extensive literature reviews exist which examines performance management processes and organisational effectiveness, it is important to note that this research does not attempt to provide definite performance management techniques that organisations can use to achieve enhanced performance. Rather, this research provides detailed information on performance management that will help employers clarify issues surrounding performance.

## **1.4 Data Collection**

This research study adopted a mixed method research approach and used semi-structured interviews and structured questionnaires as data collection techniques. The organisation chosen for this project is located in Auckland, New Zealand and is a small to medium size (SME) consulting firm specialising in HR, employee recruitment, project management, cost planning,

estimating and construction. Because this project is focussed on the area of strategic human resource management, the respondents for this project are those employees who have an understanding of how human resource practices are carried out in the organisation and have had experience in undergoing the performance appraisal process. The human resource manager in the identified firm agreed to facilitate the quantitative data gathering process such as the distribution and collection of the questionnaires. Face-to-face interviews of 5 senior management were conducted to gain insight into the feelings and perspectives of the HR personnel as part of the qualitative data gathering process. The data collection period for this study was from 12<sup>th</sup> June, 2014 to 12<sup>th</sup> June 2015.

## 1.5 Hypothesis

The null and alternative hypotheses for this research project are as follows:

H	Statement
H <sub>01</sub>	The aim of performance management systems in an organisation is not to achieve organisational goals.
H <sub>1</sub>	The aim of performance management systems in an organisation is to achieve organisational goals.
H <sub>02</sub>	Having clear, concise and well defined job descriptions does not play an important role in the employees' performance at work.
H <sub>2</sub>	Having clear, concise and well defined job descriptions plays an important role in the employees' performance at work.
H <sub>03</sub>	Awareness of the mission and vision of an organisation does not play an important role in developing performance management policies and practices.
H <sub>3</sub>	Awareness of the mission and vision of an organisation plays an important role in developing performance management policies and practices.
H <sub>04</sub>	Effective measures of performance should not be valid, reliable, fair and practical.
H <sub>4</sub>	Effective measures of performance should be valid, reliable, fair and practical.
H <sub>05</sub>	There is no correlation between the performance management system being specific, measurable, achievable, realistic and time-bound.

H <sub>5</sub>	There is correlation between the performance management system being specific, measurable, achievable, realistic and time-bound.
H <sub>06</sub>	Reward management policies and practices do not motivate employees to perform better.
H <sub>6</sub>	Reward management policies and practices motivate employees to perform better.
H <sub>07</sub>	Having a strong disciplinary procedure in an organisation does not enable employees to be more motivated, productive and perform better in their work.
H <sub>7</sub>	Having a strong disciplinary procedure in an organisation enable employees to be more motivated, productive and perform better in their work.
H <sub>08</sub>	There are no links between performance management, organisational strategies, HRM and employees.
H <sub>8</sub>	There are links between performance management, organisational strategies, HRM and employees.

## 1.6 Research Contribution

This research contributes to the field of SHRM (more specifically performance management) in understanding the difference between performance management and performance appraisal, characteristics and processes of performance management and how to utilise performance management techniques to achieve optimum performance. Because this project was carried out in a consulting firm, the outcome of this study will provide HRM practitioners and academics with an understanding of performance management within the consulting industry. With the understanding of key constructs it will provide a more solid platform which will allow employers and organisations to adapt and implement better performance management strategies to enhance organisational effectiveness.

## 1.7 Thesis Structure

**Chapter One** provides the introduction of the research study. It presents the overview of performance management and how it is important for any organisation to use it effectively to gain maximum effectiveness. This chapter also discusses some common performance management techniques and how these are used to optimise performance. This chapter also

describes the research question, and potential contribution of the research, and provides a general summary of the thesis.

**Chapter Two** broadly reviews the literature to critically analyse existing knowledge on performance appraisal and performance management. It also describes approaches to performance management and discusses how performance management is linked to motivational theories and reward systems in organisations. The study further examines the aims, roles, characteristics and processes of performance management systems. Furthermore, the chapter discusses how HR scorecards link employees, strategies and performance management in an organisation.

**Chapter Three** outlines the methodology and the research paradigms including the questionnaire development and data collection methods. The primary goal of this project is to identify the various performance management techniques that are used by the participating consulting company whose consent was obtained to gather data for this study in order to focus on how to enhance organisational effectiveness. The research is executed by collecting responses from employees of the consulting firm who were willing to participate in this study. Furthermore, the chapter discusses the data analysis techniques which include descriptive data analysis techniques.

**Chapter Four** covers the quantitative and qualitative outcomes and results sourced from the data analysis which was obtained from the participating consulting firm. It includes the analysis of the proposed hypotheses associated with this project. Hypotheses are also tested through model development techniques.

**Chapter Five** focuses on a discussion of the results of the study. It thoroughly examines the relations between various constructs of performance management proposed in hypotheses based on secondary data used in this research. This chapter provides in-depth interpretation and critical analysis of the results of the research and either accepts or rejects each hypothesis and highlights significant findings. Each hypothesis will be explained, and its significance identified, and suggestions will be provided to answer the research question.

**Chapter Six** summarises the findings and discussions of this project. In addition some important recommendations are provided to the consulting firm where this project was carried

out to rectify the problems identified by the management. The strengths and limitations of this project are also outlined.

## **1.8 Summary**

Understanding performance management and how it correlates with organisational and employee effectiveness is very important for any organisation. The design and implementation of performance management processes and techniques enable organisations to successfully motivate and reward employees and increase productivity. This chapter also examined performance management and the aims and objectives of this project which were formulated together with the research statement. The contribution of this study was also discussed and several null and alternative hypotheses were formulated. Finally, the thesis structure for this project was outlined.

In the next chapter the literature pertaining to performance management, performance appraisal, motivation theories and reward systems is analysed.

# **Chapter Two: Literature Review**

## **2.0 Introduction**

This chapter explores the literature pertaining to performance management. It starts by defining performance management and goes on to describe the three approaches to performance management. The difference between performance management and performance appraisal is also discussed. The rewards systems used by organisation in relation to performance management are discussed as well as the aims and role of a performance management system. Furthermore, the characteristics and process of performance management systems are also discussed in detail. Next, some common performance management techniques used by organisations are outlined and discussed together with the use of HR scorecards in the organisation.

## **2.1 Definition of Performance Management**

Performance management is an ongoing and continuous process where the performance of individuals and teams is identified, measured and developed so that performance can be aligned with the strategic goals of an organisation. Accordingly DeNisi & Kluger (2000), suggest that because performance management is a continuous process, goals and objectives are set, performance is observed and coaching and feedback are provided in a never ending process. Aguinis (2014) adds to this by saying that performance management requires management to ensure that employees' work and productivity are matched with the organisational goals. Armstrong (2000) also shares a similar view in defining performance management as a tool in attaining better results for the organisation or individuals that are part of the organisation. Kagaari, Munene & Ntayi (2010) suggest that to achieve better performance at organisational, team and individual level, performance must be understood and managed within agreed frameworks. Although Kagaari et al. (2010) have suggested that performance can be achieved through better understanding and managing performance frameworks, it is unclear how these frameworks can be understood and managed, and how it will enhance competitive advantage for the organisation.

Bourne, Pavlov, Franco-Santos, Lucianetti & Mura (2013) suggest that performance management can be seen as a medium where the game rules are set to achieve competitive advantage. However, Bourne et al. (2013) fail to outline what these rules are. However, Lillis

(2002) carried out research where it was found that performance management plays a crucial role in improving strategic alignment which can be used effectively by organisations to their competitive advantage. Thus, it can be said that performance management creates a link that is directly aligned with performance of the employees and organisational goals. Ashdown (2014) further suggests that performance management is holistic processes that consist of many processes which can be used to manage employees effectively to gain strategic competitive advantage. However, as Armstrong (2009) suggests, the key to effective people management is the alignment of individual employee performance to that of the overall goals of the organisation.

Macky (2009) proposes that performance management should be defined as a strategic and integrated approach aimed at improving the effectiveness of employees and organisations. Härtel & Fujimoto (2010) agree to this by saying that performance management is a future-orientated and ongoing approach that focuses on how individuals and groups can improve their performance to enhance the overall effectiveness of an organisation. However, it is important to understand the concept of performance before moving onto performance management. In broad terms, performance means to execute and accomplish tasks by using one's affective, behavioural and contextual qualities. Härtel & Fujimoto (2010) define task performance as cognitive, affective and behavioural qualities whereas contextual performance includes volunteering, collaboration with employees and creation of a supportive working environment. While the former is important to produce goods and services that are fundamental to a specific job, the latter is capable of facilitating a socio-psychological environment (Härtel & Fujimoto, 2010).

However, Hellqvist (2011) is of the view that it is difficult to find a concrete definition of performance management. This is because the meaning of performance management varies from one organisation to another. For example, Macky (2009) suggests that the first approach to performance management is to simply use it as a substitute term for performance appraisal. Interestingly as Briscoe & Claus (2008) point out, performance appraisal is one of the many elements of the ongoing performance management process. Thus, the suggestion made by Macky (2009) becomes invalid. Atkinson (2012) clarifies these conflicting definitions by saying that performance management can be seen as strategies that are developed to increase effectiveness from measuring performance. However, Atkinson (2012) failed to point out

clearly how the performance could be measured and whether the performance measured is that of the employees or the organisation as a whole.

Baird, Schoch & Chen (2012) strongly argue that effective performance management is one that can effectively assist in organisational restructure and enhance an organisations ability to recruit, deploy and retain employees. This means that performance management should be able to reduce the performance gap so that even during times of uncertainty, the organisation should still be able to function effectively. Furthermore, performance management should be able to provide the much needed link that binds the organisational strategies, objectives and employees to increase employee and organisational effectiveness as claimed by (Jones, 2014).

## **2.2 Approaches to Performance Management**

Organisations take various approaches to performance management, however, according to Ashdown (2014), these approaches are dependent on factors such as organisational types (including the size of the organisation and organisational culture) and the management style of the organisation. There are generally two distinct approaches of performance management that have been identified by Taylor (2008).

### **2.2.1 Standards Oriented Approach**

This approach focuses on compliance with standards. This means that the performance management process will focus on objectives that are clearly defined for all employees and the performances will be closely monitored against those standards. Furthermore, Taylor (2008) claims that managing underperformance is crucial to this approach. This means that team leaders play an important role in identifying performance issues at an early stage and have effective communication and formulate effective approaches to ensure that underperformance is corrected and brought up to the required standard. Essentially, to bring performance up to the required standard, a transactional leadership style has to be put in place.

Depending on the performance standard, a transactional leadership style suggests that if the performance is acceptable or above expectations, rewards should be given to employees. In contrast, if the employees are underperforming, they should be punished. Northouse (2013) supports this by saying that a transactional leadership style focusses on exchanges that occur between the managers and their employees. For example, managers who promote employees for exceptional performance are exhibiting transactional leadership.

### **2.2.2 Excellence Orientated Approach**

Secondly, Taylor (2008) suggests that an excellence orientated approach is focussed on excellence, continuous improvement and development. In other words, employees are continuously encouraged to perform better and perform at their highest level. Therefore, the focus of performance management here is to create an environment where employees are motivated and committed to perform at highest levels. This is done by providing ongoing training and development to improve the knowledge and skills of the employees. Ashdown (2014) suggests that transformational leadership is most appropriate in this approach.

When a manager employs a transformational leadership style, clear vision and empowerment are provided to the employees to attain higher levels of standards and performance. Therefore, the emphasis shifts from control to commitment. Northouse (2013) adds to this by saying that transformational leadership is the process where the manager engages with the employees and creates a connection that enhances the motivation and morality in both the employees and the manager. Therefore, a transformational leader pays attention to the need and motives of the employees and makes an effort to help employees achieve their full potential and thus, the emphasis here is placed on the employee's needs, values and morals.

### **2.2.3 Strengths Based Approach**

In this approach, the focus is solely on the employee's strengths rather than their weaknesses. This means that the performance management approach here is focused on the strengths of employees and further develops these strengths to improve performance. Ashdown (2014) labels this approach as controversial because for employees to be productive, their weaknesses need to be identified and addressed and further training and development are provided to improve these weaknesses.

While, there are two distinct and one controversial approach (strengths based approach) to performance management, most organisation use standards orientated and excellence orientated approaches when dealing with performance management.

## **2.3 Performance Management and Performance Appraisal**

Many organisations claim to have a performance management system, however, it is important to distinguish between performance management and performance appraisal (Mattone, 2013).

If an organisation has a system in place where employee evaluations are carried out quarterly, half yearly or annually, with no effort to provide continuous and ongoing feedback and coaching, to enhance performance, then it can be labelled as a performance appraisal system. Performance appraisal is a systematic description where the strengths and weaknesses of employees are identified. As such, performance appraisal is an important subset of performance management because performance management is much more than performance measurement (Aguinis, 2014).

While performance management and performance appraisal are terms that have been used interchangeably, Härtel & Fujimoto (2010) argue that performance appraisal is actually a subset of performance management. It is a SHRM tool that is used to fill the performance gaps. This is because performance appraisal is defined to be a formal and mutually agreed system of planning, and reviewing employee performance such as skills and abilities. Nelson & Quick (2013) add to this by saying that performance appraisal is the evaluation of an employees' actual performance based on the performance requirement of the job. Hellqvist (2011) also argues that performance appraisal is an extension of performance management. Further to this, Latham & Mann (2006) point out that performance appraisal is the end point of the performance management process. However, it should be noted that the performance management process is a continuous process and thus it can be argued that performance appraisal is not the end point of the performance management process. However, performance appraisal can be carried out periodically such as annually, end of financial year and so on to determine the performance of the employees.

Many organisations use 360-degree feedback so that the accuracy of performance appraisal is improved (Nelson & Quick, 2013). This allows the evaluation of the performance of employees from all levels of the organisation such as senior management, middle management, fellow employees and junior employees. Hartel & Fujimoto (2010) point out that this allows the performance of employees from upward appraisal (senior management), downward appraisal (junior employees), peer appraisal (fellow employees) and customer appraisal. Macky (2009) labels 360-degree feedback as multi-source feedback where appraisal feedback can be extracted from above, below and across the organisation. However, it should be noted that culture plays a major role in 360-degree feedback. In this regard as an example, countries which have low power distance and individualistic values, 360-degree feedback will prove ineffective (Nelson & Quick, 2013).

A good performance management system contributes towards employee contribution explicitly so that organisational goals are met and therefore, a clear and open link between employee performance objectives and organisational goals provides a platform of shared understanding about what to achieve and how to achieve it (Dessler, 2015). Thus, a good performance management system which is well designed and properly implemented contributes substantially towards organisational performance. From the employee's point of view, the implementation of a well-designed performance management system generates employee motivation and enhances self-esteem (Aguinis, 2014). It also helps job clarity and provides opportunities for staff development. From management's perspective, well designed systems provide an insight into employee activities and goals so that organisational goals are communicated more clearly and administrative actions can be carried out more fairly and accurately. It also helps management to differentiate between well performing and underperforming employees, manage organisational change effectively and encourage employee engagement (Arena & Arnaboldi, 2014).

From HR point of view a good system protects the organisation from litigation issues (such as employee personal grievances) and helps minimise employee misconduct (Dessler, 2013). On the other hand, a system designed and implemented poorly encourages high employee turnover, and employees becoming less motivated and can result in biased systems which can ultimately result in lawsuits where time and organisational resources can be wasted. An important purpose of a performance management system is in regards to the employee compensation such as pay rise or increment. From employees' point of view, this may perhaps be the ultimate consequence of a performance management system. Thus it is important to understand the features of reward systems and to what extent these features of the reward systems are dependent on the performance management system.

## **2.4 Motivation Theories Related to Performance Management**

Motivation theories related to performance management can be divided into two groups; content theories of motivation and process theories of motivation.

Content theories consists of Maslow's hierarchy of needs, Alderfer's modified need hierarchy, Herzberg's two-factor theory, McClelland's theory of learned needs and Hackman and Oldham's job characteristics model. Process theories of motivation (expectancy theory, goal-

setting theory and equity theory) on the other hand explain the employee intellectual process which motivate people.

#### **2.4.1 Maslow's Hierarchy of Needs**

This theory is usually displayed in the form of a pyramid with five types arranged in the order of importance (Cao, Jiang, Oh, Li, Liao & Chen, 2012).

- Psychological- refers to the basic survival needs and is related to the intrinsic needs; i.e. the need for shelter, food, drink, warmth and sleep (Halkos & Bousinakis, 2010).
- Safety- the need for protection from danger, security and stability.
- Social- the need to belong to a group or society, experience love and interaction with others.
- Esteem- the need for self-esteem, self-respect, self-esteem, value and regard of others.
- Self-actualisation- self-fulfilment, achievement and personal development. This can be sometimes referred to as ego needs.

#### **2.4.2 Alderfer's Modified Need Hierarchy**

This theory is based on three related needs in an organisational setting (Jindal-Snape & Snape, 2006).

- Existence needs- concerned with the basic survival and safety such as pay and working conditions.
- Relatedness needs- associated with love, belonging, affiliation and meaningful relationships and interaction with peers, colleagues, supervisors and managers.
- Growth needs- related to the development of potential and includes self-esteem, esteem of others and self-actualisation.

This theory makes important links to motivation at work because when an employee's needs are not satisfied at work, an individual's reaction can be addressed effectively.

#### **2.4.3 Herzberg's Two-Factor Theory**

Herzberg's theory makes a distinction between extrinsic and intrinsic factors (Zeffane, 2010). Extrinsic factors are hygiene factors and intrinsic factors are motivating factors. Hygiene factors give rise to dissatisfaction and include dissatisfaction with work environment, relationship with managers', salary, job security, organisational policies, pay and inter-personal relationships (DeShields, Kara & Kaynak, 2005). On the other hand, motivation factors give rise to satisfaction and are concerned with the internal needs such as job content (including job

satisfaction), recognition, responsibility, personal growth, career building and the work itself (Bassett-Jones & Lloyd, 2005).

#### **2.4.4 McClelland's Theory of Learned Needs**

This theory suggests that individual motivations are influenced by three trait-like inner needs (Aguinis, 2014).

- Achievement- the need to do well and achieve in areas that are significant for the individual.
- Power- the need to control or influence the behaviour of others.
- Affiliation- the need to develop close and meaningful relations with others.

However, individuals develop a bias towards these needs based on experience and can be developed for example by education and training. This theory can be linked to an employee's hierarchy in an organisation. If an individual is in middle management, then they may be influenced by the need for achievement or power; to move further up the hierarchy.

#### **2.4.5 Hackman and Oldham's Job Characteristics Model**

This theory gives recognition to individual differences and proposes five specific job characteristics which satisfy employees' intrinsic needs and promotes motivation and performance (Garg & Rastogi, 2006).

- Skill variety- the extent to which a job demands a diverse set of skills (Sorensen & Minahan, 2011).
- Task identity- the extent to which a job produces a recognisable piece of work (Krasman, 2012).
- Task significance- the extent to which a job has an impact on others either at work or outside of work.
- Autonomy- the extent to which a job allows individuals to have a choice and discretion at work (O'Donohue & Nelson, 2014).
- Feedback- the extent to which the job itself provides information on individual performance.

Process theories of motivation are important because they explain the cognitive processes which motivate people. They take into account the fact that what motivates one person to perform better may not be the same for another person. There are three theories that fall into this category; expectancy theory, goal-setting theory and equity theory.

#### **2.4.6 Expectancy Theory**

Expectancy theory is aimed specifically at work motivation and is a useful tool used by management when looking at performance and rewards (Chou & Pearson, 2012). This means that individuals will be motivated to work and perform better if they perceive valuable outcomes for their performance.

#### **2.4.7 Goal Setting Theory**

The goal-setting theory is based on the belief that there exists a causal link between an individuals' goals and their behaviour and that people are likely to be motivated by being set challenging goals (Bipp & Kleingeld, 2011). However, for this to be effective, there are five objectives that need to be met; goals must be specific, it should be measurable, should be achievable, realistic and should be time bound (Houston, Ratneshwar, Ricci & Malter, 2010). Performance management ensures that goals provided to individuals' are clearly defined, understood and have challenging objectives. Goals that are too difficult to achieve or are felt to be beyond the control of employees' may lead to stress and underperformance.

#### **2.4.8 Equity Theory**

Equity theory stretches beyond the exchange between the employer and employee. It requires thought processes and is based on individuals' perceptions of fairness (Hu, Schaufeli & Taris, 2013). At the workplace, three types of perceptions are usually identified (Desivilya, Sabag & Ashton, 2006):

- Distributive justice- employee's views' about fairness of decision making outcomes (such as rewards).
- Procedural justice- whether people believe organisational procedures and decision making processes are fair.
- Interactional justice- employees' perception about the fairness of the interpersonal treatment they receive from higher authorities.

Looking at the above analysis of various motivation theories related to performance management, it can be said that there are positive correlations between motivation and performance management. To deliver effective performance, an employee must be motivated to perform.

## **2.5 Definition of Reward Systems**

The compensation of an employee is usually known as tangible returns from the HR perspective (Dessler, 2015). This compensation can be either in the form of cash and/or benefits. In contrast to tangible returns, intangible returns (also known as relational returns), come in the form of employee recognition, job security and opportunities to learn. As such, reward systems can be described as a system where both tangible and intangible returns form the mechanism for part of an employment relationship. Aguinis (2014) points out that not all types of returns are related directly to performance management systems. For example, some returns are based on the seniority of the employee rather than the performance. Härtel & Fujimoto (2010) are of the view that reward systems are concerned with the strategic formulation and implementation so that it aligns with the strategic direction and organisational goals. Armstrong & Murlis (2004) add to this by saying that rewards systems focus on the design, implementation and maintenance process so that individual, team and organisational performance are improved. Therefore, it can be said that reward systems play a major role in performance management by attracting, motivating and retaining employees who pose strategic attributes, skills, knowledge and values that are correlated with the strategies of an organisation.

### **2.5.1 Base Pay**

When an employee is paid in exchange for work performed, it is called base pay. It has a focus on the duties performed and position of the employee rather than individual employee contribution. As such all employees performing similar jobs are given the same base pay. Macky (2009) agrees to this by saying that base pay is one of the most traditional remuneration systems where organisations pay wages or salaries or other cash earnings to employees in return for being a position holder in a specified job. Similarly Härtel & Fujimoto (2010) refer to base pay as a guaranteed cash amount that is paid to employees in return for coming to work. This means that base pay is the reward before any extra rewards or benefits are added. However, experience and differential performance may result in differences within the base pay of employees.

### **2.5.2 Cost-of-Living Adjustment (COLA) and Contingent Pay**

COLA refers to the percentage increase that is the same for all the employees across the board. The individual performance of employees is not considered in this type of system as the main aim of COLA is to combat economic effects such as inflation, so that employees buying power can be preserved. Ball, Geringer, McNett & Monor (2013) add to this by saying that COLA

allowances are based on the differences in the prices paid for economic aspects such as food, utilities, medical expenses clothing and personal services. Mankiw (2015) suggests that COLA should not be considered as a reward because COLA automatically raises the wage when the consumer index price rises. Contingent pay is also known as merit pay (Pazy, 2011). In contrast to COLA, past performance of employees is taken into account by an additional amount being paid to employees together with the base pay. Conclusively, contingent pay refers to the case where the employee's additional compensation is based on the employee's level of performance.

### **2.5.3 Short-Term Incentives**

Contingent pay and short-term incentives are similar because both are based on past performance of employee's (Aguinis, 2014). However, incentives are one off payments that employees receive in addition to their base pay and are based on the review period (such as annually, quarterly). Short-term incentives are also known as variable pay. One of the interesting features of incentives is that they are known beforehand (Breunig, Aas & Hydle, 2014). The specific value of contingent pay on the other hand is unknown. For example, a car sales person who meets the sales quota will know beforehand that he will receive incentives. Furthermore, if the same sales person exceeds the sales quota, then again he will definitely know that he will receive more bonus.

### **2.5.4 Long-Term Incentives**

The main aim of short-term incentives is to motivate the employees to improve their performance in a short term period and involves cash bonuses, prizes and extra days off. Long-term incentives attempt to influence better performance over a longer period of time and employees being personally invested in the organisation's success (Hutchison, 2013). Thus, an employee's investment translates into a higher level of organisational performance. Organisations employ both short-term and long-term incentives so that performance level is attained at the shorter period and over a longer period of time as well.

### **2.5.5 Income Protection**

If employees get sick or are unable to continue working, income protection acts as a backup to employees' salaries and wages. Some forms of income protection include medical insurance and savings plans. Aguinis (2014) suggests that income protection is aimed at looking after the welfare of employees only so that it does not affect the employees in an event such as job loss or inability to continue working.

### **2.5.6 Work/Life Focus**

These are programs that help employees benefit from the balance between work and non-work activities. Some common programs include financial planning, on-site counselling services, and fitness programs. Macky (2009) defines work/life focus as work-life balance and suggests that it is very important for organisations to have this type of reward system in place because it is linked directly to employees, organisations and performance. However, Macky (2009) failed to emphasise how work-life balance is linked to employee and organisational performance. Härtel & Fujimoto (2010) clarify this ambiguity by stating that work/life focus falls under those extrinsic rewards systems known as indirect compensation where the employer purchases the services and benefits for the employees such as childcare and gym memberships.

### **2.5.7 Allowances and Relational Returns**

These benefits range from covering housing and transportation, mobile phones, gym fees and discount loans. This reward type is common for expatriates who are working in the international business arena. However, a senior employee can also have these benefits due to his seniority in an organisation. Relational returns are intangible and include recognition, status, and opportunities to learn (Dessler, 2013). For example, some organisations provide for employees to further their education (such as studying online), to enhance their skills so that they are able to move further up in their career within the organisation or anywhere else if they decide to move on. As such, there are some types of relational returns that can be said to be long lasting.

## **2.6 Performance Management Process**

Aguinis (2014) suggests that because performance management is a continuous and ongoing process, there are six main components that make up the performance management process and each one is closely related to each other. This means that poor implementation of any of these processes will have a negative impact on the organisation as a whole.

### **2.6.1 Prerequisites**

Before a performance management system is implemented there are two main prerequisites that need to be satisfied (Ashdown, 2014): namely that the employees must be aware of the mission of the organisation and its strategic goals together with the knowledge of the job content. If employees are aware of the organisation's mission and its strategic goals, then the existence of an organisation, the future goals of the organisation and strategies that can be used

to attain competitive advantage can be outlined using strategic planning. Once the entire organisational goal is formulated, these goals can be cascaded downward into departments and teams until each employee has their own set of personal goals that are aligned with the organisational goals. As discussed earlier, an important object of performance management is to enhance employee contribution towards the goals of the organisation. This means that if employees are not sure about the organisation's goals, its mission and strategic goals, then there will be a lack of clarity as to what each employee needs to do so that the organisational goals are achieved. In other words, there will be not direct alignment between the organisational and employee goals.

To ensure that employees understand their job content, job analysis needs to be carried out where key components of the job, activities, tasks, products and processes are determined. This will help managers obtain information on KSAs that are required for a particular job. KSAs are usually presented in the form of job descriptions where all the key components are clearly outlined. Components such as key skills, what tasks will be needed to perform and what abilities will be needed to perform the job successfully are listed in the job descriptions. Job analysis can be carried out in a number of ways including observation, questionnaires or interviews. If a job is yet to be created, then data can be collected from individuals who are responsible for creating that job or from supervisors or team leaders who will oversee that job being carried out.

Ashdown (2014) suggests that to attain the prerequisite process effectively, significant presence of HR is paramount. However, it is crucial to understand that the presence of HR should not be seen as an HR initiative but as a business initiative to drive organisational success. This means that although HR will provide strategic direction, all the stakeholders should be able to provide their input in a cohesive manner.

It is thus clear that, before an effective performance management system can be implemented; there are two important prerequisites that must be met; namely the need to have a good and working knowledge of the organisational mission and strategic goals and a good knowledge of the job in question. The first prerequisite will help employees contribute to the organisation in terms of mission and strategic goals of the organisation so that the employees will have positive impact on their team and the organisation as a whole. The second prerequisite will help the employee answer the questions; what tasks need to be done and how should these tasks be done and what KSAs are needed to accomplish these tasks. The answer to these questions can be

obtained from job analysis which provides up-to-date information regarding the job and therefore, makes it easier to establish successful criteria for job success.

### **2.6.2 Performance Planning**

As Ashdown (2014) suggested, a performance management system is a holistic process and everyone involved should have a thorough knowledge of it. The intervention of HR (in the form of a team leader or manager) helps employees and their team leader to meet, discuss and agree on what needs to be done and how it should be done. This performance planning stage includes consideration of results and behaviours as well as a development plan. As such, the performance planning stage can be further subdivided into three stages.

### **2.6.3 Results of Performance Management Process**

Results can be broadly defined as the outcomes or what needs to be done. To consider the results in terms of performance planning, the key accountabilities of an employee need to be considered. In other words, the broad areas of a job that an employee is responsible for should be taken into account. The job description provides the details that are needed in this case. When having a discussion of results, specific objectives that an employee will achieve should be discussed and how they will be accountable for each objective. Objectives in this scenario can be defined as statements of important and measurable outcomes (Aguinis, 2014).

Performance standards should also be discussed during the performance planning process. Performance standards are used to make an evaluation as to how well an employee has achieved each objective. Ashdown (2014) is of the strong view that performance standards provide information about acceptable and unacceptable performance. For example, consider the job of school teachers. The two accountabilities are; teaching (preparation and delivery of instructional material to students) and taking part in extra-curricular activities (coaching or managing sports teams). An objective for teaching could be students achieving at least a 90% pass in the external exams. An objective could be to manage and coach at least one sports team as part of extracurricular activities. The performance standards could be students achieving a 95% pass in their external exams and coaching 1<sup>st</sup> XI boys' soccer team. Conclusively, the objective is the desired level of performance and standards are the minimum acceptable level of performance.

### **2.6.4 Employee Behaviour**

While measuring results are important, placing much emphasis on results alone can provide incorrect information of performance because behaviour is complex and multidimensional

(Hutchinson, 2013). For example, it may be difficult to establish exact objectives and standards for some jobs. Also, in some jobs, employees may have control of the jobs they do but have no control over the results and their behaviour (Fuchs, 2010). Therefore, when considering behaviours, it is important to discuss competencies. Competencies can be defined as measurable clusters of KSAs and these are crucial to determining how results will be achieved (Aguinis, 2014). For example, a sales-man has excellent communication skills but his sales figures are not up to par. This means that although the sales man is competent in communication skills (which he can control), he has no control over the number of sales he does (which is out of his control). In this case, the evaluation should not only include sales figures, but also the communication skills of the sales-man.

### **2.6.5 Employee Development Plan**

The agreement between the team leader and the employee on a development plan is an important step before the review cycle. The threshold for this plan includes identification of areas that need to be improved and setting goals to be achieved in each area. A development plan can be seen as a unit which includes both results and behaviours.

It is clear that the performance planning includes three sub steps; consideration of results, employee behaviour and the development plan. Discussion of the results should be around key accountabilities, specific objectives for each key accountability and specific standards. Behavioural discussion must include competencies and finally the development plan where descriptions of areas that need to be improved and goals to achieve in each area need to be discussed. Once these steps are completed, the implementation of a performance management system can begin. This includes performance execution, assessment, review, renewal and re-contracting.

### **2.6.6 Performance Execution**

Once the review process commences, employees work on their results and behaviours that have been agreed in the later stage. This means that the employees take ownership of this process. However, it should be noted that employees are part of the process right from the beginning; from development of job descriptions, performance standards, and creation of rating forms. Grote (1996) suggests that there are five important factors that need to be present at performance execution stages which are outlined below:

1. To ensure that employees are fully committed to achieve goals, it is important to let employees be active participants in the setting of goals process.

2. Vandewalle, Ganesan, Challagalla & Brown (2000) suggest that employees need to be proactive and take ownership of soliciting feedback and coaching from their team leaders. They should not wait for the review cycle to be completed nor should they wait until serious problems arise and then approach their team leaders for coaching.
3. It is important to remember that every employee in an organisation has various tasks to do. As such team leaders are also busy with their schedules and therefore, the onus is on the employees to ensure that they are in regular contact and communicate openly with their team leaders. In saying this, the team leaders also need to make time for every member of their team to get in touch and communicate regularly.
4. In terms of results and behaviours, employees should keep regular updates on these and provide these updates to their team leaders on a regular basis towards goal achievement.
5. Realistic and ongoing self-appraisal should be taken on board by employees so that immediate corrective strategies and actions are taken if necessary. This means that employees should not wait until the review cycle approaches and then start preparing. The benefit of informal self-appraisal can be enhanced by gathering feedback from colleagues and customers (internal and external).

While the above points all suggest that employees must take a proactive approach for performance execution, Grote (1996) has come up with five issues that team leaders have primary responsibility over, which are as follows:

1. It is important to keep track of good and under performance and it is the responsibility of the team leaders to observe and document performance regularly.
2. In light of increased competition, organisational goals may change and initial standards, goals, objectives and key accountabilities and competency areas need to be revised and updated as required.
3. Continuous feedback and coaching on the progression towards agreed performance must be provided by the team leaders before the review cycle is completed.
4. Employees should be encouraged to participate in training and professional development sessions, and adequate resources and opportunities should be provided to the employees to allow them to perform their jobs effectively.
5. Effective reinforcement should be put in place for outstanding as well as underperformance. Observation and communication alone are not enough. Performance problems must be diagnosed early and effective steps must be taken as soon as possible to rectify the issues.

It is clear that both employees and team leaders are responsible for performance execution. In this way, employees will take ownership of their own performance and be committed to achieve and accomplish goals. On the team leader's part, providing regular updates, communication and feedback will help employees determine their progression towards performance goals and also help detect and solve any performance issues that may arise.

### **2.6.7 Performance Assessment**

This process also includes inputs from both team leaders and employees. While there are many ways to collect information in regards to performance (such as from colleagues), direct supervisors provide this information. The information collected is evaluated against the goals stated in the development plan and it is then decided whether the goals have been achieved. When both the employee and the team leader are active participants in the evaluation process, it enhances the likelihood that the information collected can be used more productively in future. Ongoing self-appraisals by employees and regular communication, feedback, coaching and training from team leaders make the performance assessment phase easier to accomplish. Shore, Adams & Tashchian (1998) suggest that ongoing self-appraisals help employees' overall satisfaction with the accuracy and fairness of the performance management assessment because they provide ongoing performance progress information to their team leaders who in turn provide feedback about the employees' progression on each agreed competency.

Brutus, London & Martineau (1999) further suggest that self-review evaluations from the employees' point of view removes any performance discrepancies that their team leader may have. This is because regular communication and feedback will iron out any differences that team leaders and employees may have. If there are any issues, these will be identified quickly and solved by development efforts (as discussed in the performance execution phase). Employees and team leaders both must be part of the employee performance evaluation phase. Involving employees in this stage enhances the employee ownership and increases the commitment to the performance management system. More importantly, it provides the necessary information for the final phase of the performance management system.

Cable & Davis (2004) and Brackertz (2006) are of the view that assessing the performance of employees improves the overall performance of the organisation in terms of contributing towards the achievement of the organisational mission. This suggests that performance assessment can be used by managers to make decisions and make further improvements on existing performance level organisation wide. Lavy, Garcia & Dixit (2014) further state the

importance of performance assessment in terms of key performance indicators (KPIs) whereby the KPIs are used by managers to assess the past and current levels of employee and organisational performance. Using the KPIs obtained from the performance assessment phase, the review of the past and current functions of the organisation can be done and future strategies can be formulated to facilitate achievable organisational goals (Lavy, Garcia & Dixit 2010).

### **2.6.8 Performance Review**

This phase of the performance management system involves the manager meeting with the employees to review their assessments. Performance review is known as appraisal meeting or discussion. This is a formal meeting and is important because employees receive feedback on their performance. Although it is considered as a formal meeting, Kikoski (1999) claims that managers feel uncomfortable providing feedback on employees' performances especially if the performance is deficient. While the appraisal meeting focuses on past performances, it is very important for the employee and the manager to discuss present and future performances. This is because past performance reflects on what the employee has done and how it was done. In contrast current performance focuses on the reward systems that need to be altered to attain future performances (Lam, Huang & Snape, 2007). Future performance therefore will be based upon changes in the current employee development plans and goals that the employee need to achieve within the given period of time before the next appraisal meeting.

Davis (2012) is of a strong view that many organisations view the performance review as an event that needs to be done periodically without much focus of its strategic purpose. In other words, the managers are not able to see the link between the performance review and organisational goals. The reason for this is because managers are not fully trained in this area and thus performance gaps remain unnoticed until the overall organisational performance takes a downturn.

### **2.6.9 Performance Renewal and Re-contracting**

While the final phase of the performance management process is similar to the performance planning component, the performance renewal and re-contracting phases use the information gathered from the preceding phases of the process (Aguinis, 2014). For example a sales representative may have set goals that may have been unrealistically high without considering an unexpected economic downturn. This will lead to setting less ambitious goals for the next review period. The performance management process begins with the prerequisite phase and ends with the performance renewal and re-contracting phase. However, it should be noted that

the process does not end here. The system must be seen as a never ending loop where after the final stage, the whole process begins all over again (Härtel & Fujimoto, 2010).

Due to the increase in competition, changes in the market demand and customer preferences, the organisational mission, strategic goals and KSA's need to be reviewed so that the organisation is aligned with the current business environment. This means the prerequisite has to be closely monitored so that the performance planning and all other phases in the system are consistent with the strategic objectives of the organisation.

## **2.7 The Aim and Role of Performance Management Systems**

Aguinis (2014) is of the view that the data collected by performance management systems are often used to provide feedback, administer employee salaries and identify employee weaknesses and strengths. However, Cleveland & Murphy (1989) suggest that in general performance management serves six main purposes; strategic, administrative, informational, developmental, organisational maintenance and documentation. Ashdown (2014) shares similar views in saying that effective performance management systems help employees to understand what is required of them (such as behaviours and results), how they can contribute to the strategic goals of the organisation, understand their performance, and help them motivate and have the necessary knowledge, skills and attributes (KSAs) to achieve overall organisational goals.

### **2.7.1 Strategic**

Performance management helps management achieve strategic organisational objectives. It therefore links organisational goals with individual goals and thus reinforces behaviour that is consistent with the attainment of organisational goals (Hutchinson, 2013). If, for some reason, individual goals are not achieved, the cohesive agent role played by performance management ensures that crucial organisational strategic initiatives are communicated in a timely manner. Furthermore, performance management plays a crucial role in the on-boarding process. Bauer & Erdogan (2011) describe on-boarding as a process where transition of new employees (from being organisational outsiders) to organisational insiders takes place. In simple terms on-boarding can be seen as an induction of new employee's process. The role for performance management in this process is to foster the on-boarding process because performance management serves as a platform for employees to understand behavioural types that are valued

and rewarded within the organisation. This in turn leads to the employees getting a better understanding of organisational culture and values.

### **2.7.2 Administrative and Informational**

By providing information that is valid and useful about employees, performance management serves as an administrative tool (Aguinis, 2014). This includes providing information about high and low achievers, employee retention or termination, promotions, salaries and rewards. Since performance management provides a foundation for communication, employees are well aware of their performance and what they need to do to improve any specific areas of concerns. In addition, it provides information on organisational and management expectations and gives clear indications on what aspects of work the management believes are most important.

### **2.7.3 Developmental and Organisational Maintenance**

Providing feedback is one of the most important components of a performance management system if well implemented. Management and supervisors can use this feedback in coaching employees and enhancing their performance in an ongoing process. Aguinis (2014) is of a strong view that feedback can help in the identification of weaknesses, strengths and identify any performance deficiencies that may arise within the organisation. Furthermore, employees will get first-hand information in regards to their performance and they can develop themselves accordingly so that they are able to transform their own career paths.

Performance management is also useful in providing information that will be very useful in workforce planning. Cascio & Aguinis (2005) describe workforce planning as a process where organisations foresee and respond to emerging needs that are internal and external to the organisation. It is also seen as a system which organisations use to determine priorities and allocate resources (such as human resources) where it can be most beneficial. One of the main components of workforce planning is talent inventory. Talent inventory refers to the information on current resources such as employee skills and abilities. As such, a performance management system is the primary vehicle through which talent inventory can be accurately assembled. Further to this, performance management can identify future training needs, performance evaluation and achievements and identify where HR interventions are needed.

### **2.7.4 Documentation**

Performance management allows management to collect crucial information that can be used to make decisions that are important for the organisation (Aguinis, 2014). For example, one of the aims of performance management is to identify the strengths and weaknesses of employees.

If an identified weaknesses is not corrected or improved by an employee, then the supervisor can take disciplinary action against the employee and have all the evidence since the required documentation will be available through the performance management system (Hutchison, 2013). This means that if there are any cases of litigation, all the required evidence will be available so that the organisation can successfully defend itself.

## **2.8 Characteristics of a Performance Management System**

There are a number of performance management characteristics that enhance the performance of the organisation and the employees. These are outlined by Aguinis (2014) as follows.

### **2.8.1 Strategic Congruence**

For a performance management system to be effective and successful, it is important that employee goals must be aligned with the team and organisational goals. This means that the performance management system must be congruent with the team and organisational strategies. Härtel & Fujimoto (2010) suggest that to achieve this congruency, a coherent review is required which is systematic and continuous. This means that the performance review must be carried out against organisational objectives and strategic plans including HR goals and objectives. To perform the review effectively, political, economic and technological evaluation must be carried out. These are aspects that are external to the organisation and known as external analysis.

The external analysis is followed by internal analysis. The internal analysis is the auditing of the core competencies, strengths, weaknesses, opportunities and threats (also known as SWOT analysis). Once the two analyses are evaluated, it provides the foundation for setting organisational goals and strategy formulation. These strategies are then formed into business plans and goals that are actionable. Hutchinson (2013) suggests that from a HR perspective, performance management is strategic in nature. This is because it is concerned with attaining the long term goals of an organisation. However, strategy developed by organisations depends on the organisational context; which varies from one organisation to another.

### **2.8.2 Context Congruence**

Organisational culture plays an important role within the organisation and therefore, it is necessary that the performance management system of an organisation is aligned with the organisation's culture as well as the broader cultural context of the region in which the

organisation is operating (Aguinis, 2014). This means that the organisational culture binds the values and norms of an organisation which in turn dictates the behaviours and attitudes of employees at work. The organisational culture should be developed in such a way that there is a shared understanding of goals and values which motivates employees, and increases job satisfaction, and identification within the organisation (Hutchinson, 2013).

### **2.8.3 Performance management should be thorough and practical**

There are four dimensions in which the system must be thorough (Tyson, 1995). It is important that all employees are evaluated regardless of their position, together with the evaluation of the job responsibilities including behaviours and results. In addition, the evaluation should be carried out throughout the review period; not just a few months or weeks before the evaluation. Finally, continuous feedback should be provided on both positive performance and aspects where there is a need for improvement. It is also important for organisations to have a user-friendly system that enables management to make decisions. The benefits shown by the system should be able to outweigh the costs that are involved in implementing the performance management systems. In other words, there should be an increase in performance and job satisfaction in comparison to the time, effort and expenses incurred by the system. Hutchinson (2013) adds to this by suggesting that the systems must be specific to the organisation and should consider aspects such as organisational culture and values. This means that the system developed must be tailor-made and should not be borrowed from another organisation or be bought “off the shelf”.

Härtel & Fujimoto (2010) suggest that this characteristic can also be labelled as taking action. Many organisations do have an abundance of action plans and knowledge but Pferrer & Sutton (1999) claim that organisations still lack in putting these action plans and knowledge into action. As such, it is important that organisations are proactive in taking action and ensuring that employees are trained and have the attributes to bridge these gaps. Furthermore, it is crucial that management are also committed to putting plans into action through performance management related activities. These activities should be organisation wide and work towards the articulated strategic direction.

### **2.8.4 Performance management systems should be meaningful and specific**

A good performance management system should be specific and provide the required details that employees need in regards to the required level of expectation and how individuals can meet these expectations (Sahoo & Jena, 2012). The evaluations and standards that are conducted for job functions should be considered as important and meaningful and the

evaluations that are carried out should emphasise those functions that are under the control of the employees (Dessler, 2015). As mentioned earlier, the evaluations should take place at regular periods. Since one performance evaluation is not enough to measure performance, it is vital to carry out reviews at appropriate periods such as quarterly. This will help employees in continuing their skill development for better performance. Finally, the results obtained by the system should help managers and team leaders make decisions that are timely and contribute towards the performance of the organisation as a whole.

### **2.8.5 Identification of effective and ineffective performance**

The performance management system must provide all the required information where effective and ineffective performances are clearly distinguished (Ashdown, 2014). If two managers are carrying out performance reviews for an employee, their ratings on performance dimensions should be similar. In other words, the performance management system should be reliable, consistent and error free. The systems should also be valid and only include the relevant performance facets. This means that the system should include all critical performance facets and should not include irrelevant performance facets such as factors that are unrelated to performance or factors that are beyond the employees. It is important to note here that the system must also be flexible (Hutchinson, 2013). This is because the system must be able to help organisations respond to the economic changes and competition encountered by the business.

### **2.8.6 Performance system should be acceptable, fair and inclusive**

A good system is one which is accepted and perceived fair by all employees and therefore, it is important for management to get feedback from the employees about the system. Furthermore, good systems get ongoing inputs from all the parties that are involved (Amah & Ahiauzu, 2013). This is because the outcome of the performance management system affects and concerns everyone that interacts with the systems in one way or another. As such, employees should be involved in the creation of the system; i.e. what behaviours and results will be measured and how they will be measured. Generally, all parties must be involved in the design and implementation of the system. This will lead to more successful systems and reduce employee resistance and increase performance (Lau, 2015).

### **2.8.7 Performance management system should be open and standard**

Good performance management systems are open and feedback is provided on an ongoing basis without any secrets where the communications are factual, open, honest and clear. Systems that are standardised are consistently evaluated across people and time. Thus, it is

important that ongoing training and development is provided (especially to managers). An important aspect of a good system is that it should comply with the ethical standards. This means that privacy and employee rights are respected and protected and the person carrying out the evaluation has sufficient information to evaluate employee performance. Härtel & Fujimoto (2010) proclaim that performance management systems can only be open and standard if a multifaceted and multilevel agreement of input and output is sought from all parties involved. This is because a performance management system requires a “comparison between actual performance and strategic organisational objectives and plans” (Härtel & Fujimoto, 2010, p. 265). This means that the performance management process essentially requires vertical and horizontal integration.

### **2.8.8 Vertical integration of performance system**

Vertical integration allows the integration of individual, group, functional and organisational objectives. Macky (2009) adds to this by saying that vertical integration helps align with organisational strategy while horizontal integration aligns HR practices, job analysis and training and development. Vertical linkages are used to integrate organisational activities up and down the organisational chain of command (Nelson & Quick, 2013). There are a variety of structural devices that are used to achieve this; such as rules, procedures, plans and procedures. When employees are not sure about how to solve an issue, they can refer it up to a higher level of hierarchy. In contrast if a particular job needs to be delegated to other employees, they can refer it down the chain of command (Avkiran, 2014). One important point that needs to be noted in terms of vertical integration is that vertical linkages help employees understand their roles within the organisation, especially in times of crisis.

### **2.8.9 Horizontal integration of performance system**

While vertical integration integrates individuals, groups, and functional and organisational objectives, horizontal integration integrates HRM functions (Härtel & Fujimoto, 2010). Therefore performance management can be seen as a cohesive agent that glues HR functions and organisational strategies to achieve employee and organisational effectiveness (Avkiran, 2014). In addition, horizontal linkages provide the much needed communication and coordination platforms that are necessary to provide links across jobs and departments across the organisation. In summary, for effective performance management to take place, both vertical and horizontal linkages are necessary within the organisation. However, Nelson & Quick (2013) suggest that the level of integration depends on how complex the organisation is: the greater the complexity, the greater the need for integration.

## **2.9 Performance Management Techniques**

There are various performance management techniques that are used by organisations today. Sahoo & Mishra (2012) suggest that clear job descriptions, transparent recruitment and selection processes and ongoing training and development help organisations and employees to achieve goals. This means that employee skills and their job capabilities must be matched to ensure that employees are positioned at the right job to function effectively. In cases where there are mismatches between job and employee capability, on-going training and development strategies should be implemented. Thus there should be continuous performance feedback to enable effective performance management. However, as Nelson & Quick (2013) point out, performance feedback can also be stressful. Employees may respond positively in cases where their performance was good. However, they may become defensive when employers give negative feedback on their performance. Therefore organisations need to come up with strategies that will provide platforms for positive learning experiences which can enhance performance and relationships in the long term.

### **2.9.1 Organisational Mission and Vision**

The mission and vision statement of an organisation has been the longest serving performance management technique according to Stakkworth Williams (2008). Further to this, Kemp & Dwyer (2003) suggest that it is the most vital tool used by organisations to communicate organisational goals and strategies so that employees align their personal goals to enhance their performance. This claim is verified by Hirota, Kubo, Miyajima & Park (2010) who say that the reason for organisational existence, its philosophy and core values are dictated by the organisational mission and vision and this therefore can be seen as a powerful performance management technique. Babnik, Breznik, Dermol & Sirca (2014) are of the view that organisational mission and vision statements are closely linked to organisational culture which makes them powerful performance management techniques.

Mullane (2002) goes on to say that mission and vision statements portray how the organisational core values and philosophy are formulated and communicated across the organisation and this enables employees to formulate their own personal goals which can therefore be linked to the overall organisational performance. King, Case & Premo (2012) state that the mission and vision statement provides the much needed link between objectives and helps in the strategic planning of an organisation. Babnik et al. (2014) clarify this by saying that organisational mission and vision answer two questions: what the company's business is

and how to accomplish this business. Bart, Bontis & Taggar (2001) claim that mission and vision when aligned with the strategic perspective, provides platforms that will enhance employee and organisational performance. However, Bart et al. (2001) fail to describe how mission and vision is linked to performance management.

Accordingly, the mission and vision statement reflects organisational goals, philosophy, norms, culture, identity and values, and therefore, enables employees to align and modify their behaviour with that of the strategic existence of the organisation (Bartkus & Glassman, 2008; Khalifa, 2011). Thus, mission and vision statements are not only a strategic tool to implement organisational goals but also a medium through which employees can form personal objectives to enhance their performance. Hirota et al. (2010) go on further to say that the mission and vision statements are power communication tools that managers use to pass on to employees and other stakeholders the goals of the organisation and therefore can be seen as a performance management technique. Schein (2010) proposes that the most important characteristic of mission and vision statements in regards to performance management is that mission and vision outlines the expectation that is needed by employees towards the organisation. This means that mission and vision forms that basis of employee commitment towards the organisation.

### **2.9.2 Organisational Culture**

Härtel & Fujimoto (2010) suggest that organisational culture promotes organisational values and norms which help dictate employee behaviour and work. Thus, organisational culture can also be used as a performance management technique to enhance employees and organisational effectiveness. Having a positive organisational culture fosters continuous performance improvements where employees are highly engaged thus promoting individual and organisational wellbeing. To add further, Nelson & Quick (2013) suggest that organisational culture can be viewed as defining the values and how the employees behave in an organisation.

By having informal and continuous feedback mechanisms in place, early intervention into performance problems can be enabled before they become serious problems. When this performance management technique is done well, Macky (2009) points out, there will be no surprises when formal performance management reviews are done.

### **2.9.3 Balanced Scorecard**

A balanced scorecard is instrumental in translating organisational goals into departments, teams and individual actions (Härtel & Fujimoto, 2010). This has become a very popular

performance technique because it translates organisational vision, mission, values and strategies in a comprehensive set of performance measures. This will allow employees to align their aims, objectives, vision and mission with that of the organisation so that every member of the organisation works towards a common organisational vision and mission. As Otley (2012) pointed out balanced scorecards provide integral views on organisations' performances which are supported by financial and nonfinancial indicators. These indicators in turn are related to the organisational strategies thus making the balanced scorecard an integrated performance management technique. Furthermore, balanced scorecard uses four perspectives to accurately measure performance: financial, internal business process, customer, learning and growth (Petr, Jaroslav & Michal, 2012). Härtel & Fujimoto (2012) agree to this by saying that balanced scorecard has four functional areas: external customer satisfaction, internal operations, people's learning and growth and financial targets.

Since balanced scorecard is an integral part of translating organisational goals, it is noteworthy to use it as a management tool in performance management. Aguilar (2003) suggests that the balanced scorecard can be used as a performance management tool to set out performance criteria and measures because it will determine what constitutes good performance and how different aspects of good performance can be measured. Grant (2010) suggests that most performance management practices are focussed on long term success. However, to measure the short term accomplishment, balanced score cards can and are used by various organisations. This is done by linking the overall organisational goal of value maximising to strategic and financial targets (Becker, Huselid & Ulrich (2001).

#### **2.9.4 Individual Performance Goals**

Wise (2014) views individual performance goals as a form of employee development plan (EDP) that aligns employees to organisational objectives and goals. As such, each employee can assess his personal performance and identify areas which need to be addressed. Therefore, each employee takes ownership of his own performance and ensures that it is correlated with the overall organisational goals and objectives. Thus, individual performance goals can also be considered as a performance management technique.

Individual performance goals linked to team, departmental and organisational objectives is another technique that is commonly used for performance management purposes (Macky, 2010). Aguilar (2003) labels this technique as strategic planning which involves external and internal analysis. External analysis refers to the evaluation of the environment in which the

organisation operates in including political stability, socio-economic and advances in technology that are external to the organisation. Internal analysis is more of a SWOT analysis where audits of the organisations strengths, weakness, opportunities and threats are carried out.

Once the SWOT analysis is carried out, organisational goals and strategies are formulated accordingly and are then translated into actionable business plans and goals. These goals and plans are then cascaded down the organisation. This process is known as vertical integration (Hartel & Fujimoto, 2010). Vertical integration is used to integrate activities up and down the organisation so that organisational strategies, vision, mission, goals and objectives are all aligned together. Performance management plays a crucial role in vertical integration by linking organisational goals, employee performance targets and determining clear links between corporate objectives and employees' daily activities.

### **2.9.5 Performance Development Plans**

Performance development plans (PDPs) is another technique used by organisations. Regular and formal reviews of progress towards employee targets are made including formal feedback and performance diagnosis to identify discrepancies so that these barriers can be eliminated and performance improved (Macky, 2009). Aguilar (2003) labels this technique as taking action. By providing ongoing feedback, strategies such as training and development action plans can be put in place to immediately resolve performance discrepancies that may surface. This will also assist in the professional development of employees and will correlate effectively with organisational goals to provide ongoing training and development of employees. However, as Armstrong & Baron (2005) noted, PDPs should start with the role profile of the employee since this defines the required results, knowledge, skills and behaviours.

While PDPs help improve the overall performance of employees, Nelson & Quick (2013) are of the view that PDPs should also focus on developing employees and enhancing their careers. Therefore, PDPs should be integrated with performance appraisals and emphasis should be placed on individual employee growth and future performance. However, for a PDP and appraisal system to function effectively, the systems must be valid, reliable, responsive, and allow flexibility and equitability.

### **2.9.6 Management by Objectives (MBO)**

While MBO is used in the early stages during the development of performance management systems (Odiorne, 1987), it is also used by many organisations as a performance management

technique because it links organisational goals to that of employee performances (Ashdown, 2014). However, for MBO to be most effective there are four conditions that must be met according to Bacal (1999):

1. Objectives and targets must be clearly set out.
2. The team leaders (and managers) should actively take part and agree to the formulation of the objectives and targets.
3. Performance must be monitored and regularly reviewed against set objectives and targets.
4. Appropriate reward systems must be put in place to foster the achievement of objectives and targets.

Posadas (2014) claims that MBO is an effective performance management technique in the current business arena. This is because the organisation can be seen as an open system where communication, development of organisational values and core cultures, organisational structures, leadership styles and effective performance management systems are crucial for organisations to achieve their goals. Further to this, Čiutienė & Petrauskas (2012) claim that MBO is a powerful performance management technique because it incorporates five important elements that contribute to a performance management system. These are review of organisational objectives, setting employee objectives, monitoring of progress, evaluating performance, reward systems and MBO for the next review period.

Conclusively, Niven (2008) states it is one of the most successful performance techniques that organisations use (while incorporating other techniques as well) because it enhances productivity, improves performance and contributes towards strategy execution of the organisation. Therefore, MBO can be summed up as a performance management technique because it helps identify organisational strategy, helps collaborate goal setting, links goals to rewards, develops action plan and reviews organisational and employee performance. While Mello (2011) suggests that MBO is a way of assessing performance, employees and their team leaders meet and discuss performance before the actual performance assessment meeting. It is vital to note that both parties agree on employee's work objectives for the upcoming performance review.

### **2.9.7 360-Degree Feedback**

Many organisations use this technique to enhance their accuracy of the performance systems. This is because the information gathered is from multiple sources (Nelson & Quick, 2013). However, for the feedback process to be more effective, self-evaluation should be included in the process because it proves to be more satisfying, more constructive, and less defensive. While there is some argument around agreeing to the performance level from the team leaders point of view, this method is praised for its strength in providing a well-rounded view of performance from superiors, peers, followers and customers (DeNisi & Kluger, 2000).

To have a successful 360-degree feedback system and improve its effectiveness, Robbins, Judge, Millett & Jones (2010) suggest two recommendations: add a systematic coaching component and separate the performance feedback component from the management development component. Systematic coaching will enhance employee self-awareness and behavioural management and therefore the coaching model can further improve performance and reduce employee turnover. This is consistent with the goals of the performance management system, i.e. to improve performance and retain skilled employees. Furthermore, emphasis should be placed on the quantitative feedback and performance measures whereas the management development component should focus on qualitative feedback and competencies for further development.

## **2.10 Links between HR Strategy and Performance Management**

Kearns (2003) suggests that the links between the HR strategy and performance management are simple. They should consider the financial measures of the organisation, customer needs and satisfaction, internal efficiency and effectiveness and learning and innovation. To achieve these links in the organisation, it is crucial to ensure that the HR measures are meaningful. Tyson (1995) claims that the basic problem with HR and performance management is that the data collected tend to focus on what can be measured rather than on what information is really useful. Mello (2011) came up with a simple yet comprehensive solution to this. The HR strategies must be formulated so that management information systems are designed to measure individual employee performance.

Many organisations tend to shy away from measuring individual performance according to Kearns (2003). Hartel & Fujimoto (2010) seem to suggest that this is because it raises personal accountability levels significantly. Therefore, this is the type of issue that HR strategy should be addressing. Employee performance measures should be a critical and integral part of any HR system that underpins the HR strategy. The strategy has to create a performance culture through clear and timely communication strategies, by acknowledging, recognising and rewarding performance. An organisation that claims it has a HR strategy that is linked to performance management should be able to measure the effectiveness of that strategy.

HR scorecard is the answer to measuring the effectiveness of the strategy. Macky (2009) suggests that the HR scorecard combines three main components of the performance management system and therefore can be considered as the major link between HR strategy and performance management. It keeps track of the performance appraisal system and collects and uses that data to help managers make informed decisions and boost organisational effectiveness. Secondly, it provides an integrated and diverse set of options that managers can use to help the organisation achieve strategic organisational goals. Furthermore, HR scorecards provide information on performance objectives that are vertically integrated with the organisational goals and strategic plans (Dessler, 2013). In terms of horizontal alignment, HR scorecards integrate other HR strategies and practices across the organisation that can be used to reward, develop and involve employees. Thirdly, HR scorecards help enhance the values of the organisation. The aim of the performance management system is to enhance the employee and organisational effectiveness. Thus, by integrating all the core values of the organisation, the HR scorecard plays a crucial role in enhancing the values of the organisation as well.

Becker, Huselid & Ulrich (2001) are of the view that the HR scorecard assists the organisation in two important ways; managing HR as a strategic asset and demonstrating HR's contribution towards the organisational performance. Accordingly, there are four crucial phases where HR measurement systems can be developed and used as a link between HR and performance management (Becker et al. 2001). The first phase involves identifying HR deliverables which consists of stable, high talent staffing in the research and development function and secondly optimal staffing levels within the organisation. The next phase is a high performance work system. This stage is very closely knotted with the performance management systems of an organisation because it presents data which can be used to present the proportion of performance on each work element in the organisation. Thirdly, HR scorecards help identify

the HR system's alignment with the organisational goals and objectives. This again is closely related to the performance management system of an organisation because it dictates whether or not there is horizontal and vertical alignment in the organisation (Dessler, 2015). Finally, the scorecard identifies the measures of HR efficiency where the effectiveness of HR in the organisation is measured and improvements are made if needed to complete the links between employee, strategies and performance.

## **2.11 Chapter Summary**

The literature review explored and investigated the concepts surrounding performance management systems. The literature was executed with the purpose of exploring the detailed definition of a performance management system, motivational theories, rewards systems and the aims and the role of a performance management system in an organisation. While there are two main approaches to performance management systems, this literature review revealed that there is another approach (strengths based approach) used by organisations; although it is controversial because organisations just focus on further developing the strengths of their employees rather than focusing on identifying, addressing and developing areas of employee weakness. The various characteristics, phases, processes and performance management techniques were discussed. Finally, the use of HR scorecards in organisations was discussed. The HR scorecard was viewed as a link between the employees, organisational strategies and organisation performance.

The literature on performance management systems provides the platform for the research questions. These gave more depth to this research and helped create the hypotheses for this research. In addition to this, the literature review provided an in-depth exploratory view on various processes of the performance management system and how these are linked to the employee and organisational effectiveness. During the literature review, the use of the HR scorecard in linking employees, strategies and organisation performance was revealed. Becker et al. (2001) claim that scorecards are the best approach to ensure that strategic goals and organisational performance are fully accomplished.

In Chapter three the methodology to execute the survey and the methods that were used are discussed. The data analysis techniques used in this research project are also discussed.

## **Chapter Three: Methodology**

### **3.0 Introduction**

The preceding two chapters built the conceptual foundation for the research study. This chapter outlines the importance of quantitative and qualitative research methods. It also includes the data analysis techniques used in this research. Williams (2007) states that research is the process whereby data is collected, analysed and interpreted to get a better understanding of a particular phenomenon. Furthermore, it is also known as the system which defines the objectives of research, manages data and communicates findings of the research framework and its relationship with existing information (Williams, 2007). The framework will then help the researcher to identify factors that should be included in the research (Williams, 2007).

The goal of this research is to investigate the performance management techniques used to enhance organisational effectiveness. To ensure effective data collection, it is imperative that the researcher evaluates the data collection methods to decide on the relevant approach. It is important to understand the research method that will be most suitable, depending on the business problem and its purpose (Ghuri & Gronhaug, 2005). There are two types of data collection methods: quantitative and qualitative paradigms. The mixed method combines elements of both quantitative and qualitative methods. This research will use a mixed method approach, the choice of which is explained later.

### **3.1 Quantitative approach**

Quantitative research stems from the concept of human desire to quantify data and this idea has become the research method that could create new awareness (Curwin & Slater, 2008; Khalid, Hilman & Kumar, 2012; Williams, 2007). Quantitative research has a numeric and statistical base (Williams, 2007). That is to state that in applying a quantitative method, researchers tend to use numeric and mathematical models to underpin the approach to data analysis (Curwin & Slater, 2008; Khalid et al., 2012; Williams, 2007). Therefore, the quantitative method is typically used in the physical sciences such as chemistry and physics (Curwin & Slater, 2008; Khalid et al., 2012).

Quantitative methods need to have distinctive research designs where the focus of research is to describe, explain and forecast. Often this requires sampling with statistically appropriate

sample sizes (Curwin & Slater, 2008; Khalid et al., 2012). The nature of quantitative methods is deductive reasoning from the general to the specific (Curwin & Slater, 2008; Williams, 2007). The advantage of the quantitative method is that it uses numbers to help describe, define, and resolve problems. It also provides the models that capture ones thinking about particular issues (Curwin & Slater, 2008). In business, after data analysis, quantitative methods have provided various validated variables that could be used to support the decision making of business (Curwin & Slater, 2008).

Since the main purpose of this research project is to search for the techniques of performance management that can be used to enhance organisational effectiveness, quantitative methods are relevant. The analysed data will be used as a baseline to compare and test the variables. Therefore, the quantitative method will be applicable when using questionnaires to collect data.

## **3.2 Qualitative approach**

The qualitative method is the process of getting the viewpoints of people identifying or understanding certain phenomena in particular areas (Williams, 2007). Williams (2007) also suggests that the “qualitative method is termed as an unfolding model in a natural setting that enables the researchers to develop a level of detail from high involvement in the actual experience” (p.67). Researchers use the qualitative method in data collection to obtain in-depth understanding of human behaviour and function and the reasons for the occurrence of the behaviour (Ghauri & Gronhaug, 2005; Khalid et al., 2012; Moriarty, 2011). It is quite suitable to be used when studying organisations, groups, and individuals (Ghauri & Gronhaug, 2005).

The nature of qualitative methods is inductive reasoning because it proceeds from the specific to the general (Khalid et al., 2012). There are several different methods for conducting qualitative research. However, it is recommended five major methods be followed: case studies, grounded theory, ethnography, content analysis and phenomenological (Ghauri & Gronhaug, 2005; Khalid et al., 2012; Moriarty, 2011).

The advantage of qualitative research is that the size of the sample is small (Ghauri & Gronhaug, 2005; Moriarty, 2011). However, the collection of data usually involves close contact between the researcher and the samples. Consequently, the data is very detailed, highly informative and extensive (Ghauri & Gronhaug, 2005; Moriarty, 2011).

For this research, qualitative methods will be useful in obtaining data from employees in the sample organization. Employees have lots of information, as they have direct experience with performance management techniques and will be able to provide in-depth information. Thus, the qualitative method is particularly relevant to the requirements of this research.

### **3.3 Secondary data**

Based on the aim and objectives of the research, secondary data will also be collected. Secondary data collection is the process of the extraction of knowledge on topics from existing sources rather than relying on primary research such as conducting a survey (Smith, 2008). Using secondary research helps the researcher save time in obtaining potentially relevant information. Secondary data may be in the form of quantitative or numeric and qualitative or non-numeric data (Saunders, Lewis, & Thornhill, 2012; Smith, 2008). Non-numeric data, includes data that are retrieved from second hand interviews, ethnographic accounts, documents, photographs or conversations (Smith, 2008). Examples of numeric secondary data are population census, government survey, company survey, administrative survey and many others (Smith, 2008). There have been many surveys, research and studies conducted in the field of performance management and, therefore, the use of secondary data will be helpful in this research.

### **3.4 Method of Data Collection and Analysis**

#### **3.4.1 Rationale for mixed method approach to research**

The primary data for this project was collected in New Zealand. English is the first language in New Zealand and therefore all questionnaires and interviews was conducted in English. It was planned that this research will use mixed method and therefore the collection of data would be derived from both questionnaire and interview. Mixed method refers to the approach that combines qualitative and quantitative data collection and data analysis method in one research inquiry (Borrego, Douglas, & Amelink, 2009; Venkatesh, Brown, & Bala, 2013). Researchers who use mixed method appreciate the value of both the quantitative and qualitative concepts to develop a deep understanding of the phenomenon (Borrego et al., 2009). The purpose of this method is to obtain in-depth, contextualized and breadth information (Borrego et al., 2009; Cresswell & Clark, 2011). Cameron & Molina-Azorin (2010) also suggest that mixed methods have now become a legitimate methodology that many researchers use when carrying out research in the field of business and management. As far as the researcher was concerned, both

quantitative and qualitative methods were suitable for this study and the rationale for this was based on three main factors: namely, (1) constraints on the number of participants; (2) the complex nature of strategic human resource management (more specifically performance management) and (3) the focus on participants' perspectives.

First, the potential participants for this project are those employees who have an understanding of how human resource activities are carried out in the organisation. The organisation chosen for this study is a small and medium sized consulting firm which has around 100 employees (including 5 senior management). Since the targeted participants for this project are from a special interest group, it was vital for the researcher to get views from employees across the targeted organisation. Using the questionnaire to collect data from non-senior management employees deemed to be the best method because it allowed the researcher to get a general consensus about performance management so that appropriate conclusions could be drawn from this population. On the other hand, collecting data through interview techniques was deemed the best research instrument from 5 senior management staff. Although the number in this population was small, it did not pose any issues because qualitative findings are not often generalised. As suggested by Malterud (2001), qualitative findings are descriptive and therefore represent the perspectives of one particular group.

Second, because performance management is a broad and complex subject, using a structured questionnaire as a data collection method from non-senior management employees was deemed straight forward. This is because, the questionnaire used simple and straightforward English that was easily understood by participants. The respondents just had to tick or list their preferences in response to the questions presented in the questionnaire. On the other hand, adopting a qualitative approach such as interviews not only allowed the researcher to encourage and elicit relevant information, it also allowed the researcher to clarify and gain more insight into the research questions that were being researched.

Third, since the project collected data from both non-senior management and senior management, discovering the perspectives from senior management regarding performance management using qualitative research methodology was most applicable. This enabled the researcher to get involved in the situation allowing him to observe, investigate further and gain more insight into the performance management process, characteristics and techniques used by the consulting firm under investigation. Tracy (2012) also suggests that qualitative research

methods allow researchers to gain more insight into the cultural practices of an organisation that can only be revealed by qualitative methods.

### **3.4.2 Questionnaire Development**

Holbrook, Cho & Johnson (2006) suggest that designing questionnaires is crucial because the research being carried out depends on how well the respondents are able to understand the questionnaire. Lietz (2009) is of the view that question length and grammatical complexities should be taken into consideration when designing questionnaires. Holbrook et al. (2006) suggest that questions or statements should be as short as possible. This will enable increased understanding by the respondents (Dillman, 2000; Fink, 2003). In addition to this, the questions posed in the questionnaires were of reduced grammatical complexity (Brislin, 1986; Dillman, 2000; Dornyei, 2003). This can be achieved by using the active voice rather than the passive voice in the questions or statements. By asking specific and simple questions, confusion on the part of the respondents will be reduced (Brislin, 1986; Martin, 2002; White, Jennings, Renwick & Barker, 2005). The use of double-barrelled questions should also be avoided according to Fowler (2009). Double-barrelled questions consist of two different verbs or concepts and therefore may increase confusion.

When designing questionnaires, 5- point or 7- point scales are most common (Brace, 2004; Dillman, 2000; Fink, 2003). This is because a 5- point or a 7- point scale can easily be rescaled to facilitate comparisons (Dawes, 2008). Furthermore, a 7- point scale is more reliable than a 5- point scale because it allows more differentiation in comparison to a 5- point scale (Alwin, 1992; Masters, 1974). The questionnaire designed for this research were formulated in simple and easy language and was divided into categories so that the respondents were better able to understand and give appropriate responses to each question. The content of the questionnaire was refined and the wording was revised through a pilot study before the final questionnaire was developed. The questionnaire was ordered from general to specific. The pilot study was carried out in line with the arguments presented by Priest, McColl, Thomas & Bond (1995) where they claim that questionnaire content should be developed from various useful sources such as review of related literature, consultation of experts, and through proposed participants.

### **3.4.3 Ethical Approval and Pilot Survey**

The pilot survey was executed using 5 respondents. The aim of this survey was to identify the required time to complete the survey. The focus of the pilot survey was also on cultural issues and to ensure that all ethical issues were taken into consideration. The UNITEC ethics

committee approved the research proposal and issued an ethics approval letter (N. 2014-1021) prior to any of the research being undertaken. The approved start date for data collection was 12/06/2014 and the end date was 12/06/2015. The consent forms were given to all the potential participants in this project.

#### **3.4.4 Final Questionnaire Development**

Hart (1987) suggests that in a structured questionnaire, a proper sequence is followed to which the respondents write their responses. The data collected in this study were executed via a structured questionnaire and interviews. The structured questionnaire is based on three main assumptions:

One, to successfully accomplish the research objectives, the respondents should have an appropriate vocabulary so that the meaningfulness of each question is maintained (Nachmias & Nachmias, 1976).

Two, it is vital to phrase the questions in a way that it meaningful to each respondent.

Three, the questions should be arranged in such a way so that the previous question forms the context for the following question.

#### **3.4.5 Semi-structured interviews**

Apart from questionnaires, this project also employed semi-structured interviews as part of the data collection technique. This formed the basis of the qualitative research methodology. According to Hammersley (2012), researchers who are involved in a data collection process via interviews and observations gain more insight into the phenomenon that is being studied. Semi-structured interviews are also sometimes called non-standard interviews because they allow the researcher to gain more insight into the topic of interest by allowing interviewees to elaborate freely on the discussion topic during the course of the interview.

In adopting a semi-structured interview, a clear list of interview questions was prepared so that the researcher could facilitate the flow of the interview as well as encourage interviewees to come up with descriptive responses so that new and valid findings could be gathered to meet the research objectives of this project.

The questions were developed in English and the interview was also facilitated in English. Each interview was recorded, transcribed and analysed. This was then forwarded to the interviewees for their approval before it was written down in this project.

### **3.4.6 Data Collection**

Based on the above discussion of qualitative and quantitative methods, this research considered a mixed method for data collection from 12<sup>th</sup> June 2014 to 12<sup>th</sup> June 2015 as approved by UREC. According to Fowler (2009) the use of a structured questionnaire is one of the common data collection methods. This is because it allows data to be collected from a sample of the population which represents the whole population. Furthermore, interviews allow the researcher to observe the behaviour, emotions and body language which can be interpreted by the researcher to draw appropriate conclusions (Fowler, 2009).

### **3.4.7 Selection of Target Organisation**

The organisation chosen for this project is a SME consulting firm located in Auckland, New Zealand. There are 105 current employees in this consulting firm with 5 employees in the senior management team. This firm specialises in HR, employee recruitment, project management, cost planning, estimating and construction. The organisation under study had been operating in the market for around 5 years and indicated to the researcher that it wanted to improve its internal structures such as the performance management process so that organisational and employee effectiveness was enhanced. It provides consulting services in the areas of HR, project management and construction. In addition to this, the target organisation carries out domestic and commercial renovation and construction works. In recent years, the organisation has noticed that some employees were not satisfied with the way the performance management process was carried out within the organisation. In addition to this, the organisation also indicated it wanted to improve its performance appraisal process and thus, this firm was deemed to be good target organisation for the researcher to carry out this project.

### **3.4.8 Selection of Participants**

As explained by Creswell (2009) the identification of appropriate participants for research is crucial because it determines the extent to which the questions for the research are best answered. Furthermore, the selection of respondents should be based on theoretical perspectives with evidence supporting the research study and research questions. Therefore, the participants selected to take part in this project were senior management and non-senior management employees from the consulting firm who had knowledge about performance management in their organisation. These participants had been selected based on their ability to identify performance management practices, characteristics and they had participated in the performance appraisal process in their organisation and therefore, would help in answering the research questions and contribute better towards the understanding of the studied phenomenon.

As mentioned above, this project was carried out in a consulting firm which was based in Auckland and had been operational in Auckland for 5 years. This consulting firm specialises in providing consultancy in HR, employee recruitment, project management, cost planning, estimating and construction. The senior management noticed that there had been employee turnover and some employees indicated they were not satisfied with the current performance management system the consulting firm had in place. Furthermore, employees also showed dissatisfaction towards the current performance appraisal process employed by the consulting firm. This had provided the researcher a very good foundation for selecting the target organisation for this project.

During the course of an exploratory literature review, the researcher found that there was limited study carried out on consulting firms in New Zealand. Furthermore, the consulting firm chosen for this project operated in a competitive environment and therefore, the senior management of the organisation under study requested the researcher to carry out the study on how the firm could improve its performance management activities within the organisation so that its employee and organisational effectiveness was enhanced. Thus, this project only looked at improving the internal structure such as the performance management process and performance appraisal process. It is important to note that this project only investigated the performance management process within the organisation and did not investigate how the firm could better improve its services to its clients.

It is important to note that sample size also plays an important role when selecting participants. Participants in a qualitative research are small in comparison to quantitative research methods. Sargeant (2012) argues that the sample size for quantitative study is not predetermined. This is because the richness of the data collected is determined by 'data saturation. This means the number of participants is usually identified when no new data or information is discovered or revealed through additional interviews. The planned sample size for this study was 80 participants for the quantitative study. The number of participants was decided upon after the discussion with the HR manager took place whereby the researcher was advised that out of 105 employees, 25 employees were either casual staff or had little knowledge about the performance management procedures within the target organisation. A total of 5 employees were chosen for the qualitative study. While the sample size for the qualitative study was achieved, only 64 participants took part in the quantitative study. Since the percentage of

participants taking part in this project was more than 60%, it was sufficient to use the sample size as a representative of the whole population.

### **3.4.9 Research Participants**

Boeije (2010) suggests that participants taking part in the research should be professionals from the field associated with the observed phenomena so that their knowledge can be passed on to the researcher. The researcher selected 5 senior management (HR professionals) from the target organisation (for qualitative research methodology). A total of 64 non-senior management employees took part in the quantitative research methodology. These participants had sufficient knowledge about SHRM and had participated in the performance appraisal process in the target organisation. The names of the consultancy firm and participants were withheld in line with the ethical consideration of confidentiality. The collection of data was conducted without coercion, offence or inducement.

### **3.4.10 Data Gathering Process**

The Unitec Research Ethics Committee (UREC) reviewed the application and gave approval (approval number: 2014-1021) to commence the gathering of data via questionnaires and face-to-face interviews. The approved start date for data collection was 12/06/2014 and the end date was 12/06/2015. The consent forms were given to all the potential participants in this project. The potential participants for this project were from a consulting firm identified by the researcher. The human resource manager was contacted and the consent form, ethics approval letter from UREC and sample questionnaire was forwarded to him.

After the relevant documents were reviewed by the manager, the researcher was contacted via email to have a face-to-face discussion with the human resource manager. After meeting with the manager, approval was given to the researcher to distribute questionnaires to the potential participants from 23/06/2014 to 03/10/2014. It was also made clear by the management of the participating consulting firm that in an event of breach of the company's policy, all the data collected should be immediately destroyed and the company will withdraw its participation from the project. The human resource manager agreed to distribute the questionnaires to the potential participants and a total of 100 questionnaires were given to the manager.

The manager distributed the questionnaires to the potential participants and on 03/10/2014, contacted the researcher to come and collect the filled questionnaires. During the course of data collection, the manager and the researcher were in regular contact via email to keep track of

number of the filled questionnaires being returned. The face-to-face interview of five senior management of the firm commenced on 06/10/2014 and ended on 10/10/2014.

## **3.5 Sampling Approach and Procedure**

### **3.5.1 Random Sampling**

Random sampling presents as one of the simplest methods of probability sampling. Levy & Lemeshow (2013) suggest that in random sampling, each element in a population has an equally likely chance of being selected. In this study, data was collected through face-to-face interviews with the senior management and using questionnaires that was distributed to employees.

### **3.5.2 Limitation of Sampling Method**

The respondents selected for this study had the choice of participating or not participating in the survey that was being carried out. A total of 100 questionnaires were distributed to potential employees of the consulting firm. However, 70 questionnaires were returned out of which 6 questionnaires were unusable because they were only partially filled. It was expected that a sample size of 60 questionnaires was enough to practically achieve the statistical reliability sought for this project. In addition to this, there were some specific terms within the questionnaire that were not fully understood by the respondents. This may have had an impact on the quality of the responses made by the participants.

### **3.5.3 Data Analysis Technique**

Data collected from the questionnaires are analysed mainly using three techniques:

- Descriptive Data Analysis
- Confirmatory Factor Analysis
- Structural Equation Modelling

However, the information collected from the proposed questionnaires and face-to-face interviews for this project were analysed thoroughly using Descriptive Data Analysis.

### **3.5.4 Descriptive Data Analysis**

Thompson, Schwartz, Davis & Panacek (1996) explain that descriptive statistics are numbers that give a summary of the data collected with the purpose of describing what occurred in the sample that was collected from the whole population. In addition to this, Thompson (2009) suggests that descriptive data analysis helps the researcher to identify and eliminate invalid and unusable data items that may significantly affect the conclusion of the study being carried out.

### **3.5.5 Frequency Analysis**

Frequency test is one part of descriptive statistics. Frequency refers to the number of times an event occurs. Frequency test is a significant area of statistics that deals with the number of occurrences, and then analyses measures of central tendency, dispersion and percentiles for interval level data (Greasley, 2007; Hinton et al., 2014). In addition to this, frequency analysis provides the researcher with an initial overview of the selected sample or study population. It also shows the different ways respondents answered a question (Unitec, 2014b). However, frequency analysis can test only one variable, and therefore it is unable to test the relationship between variables (Unitec, 2014b).

### **3.5.6 Cross Tabulation**

Cross-tabulation is a contingency table that summarises categorical data. Cross-tabulation is mostly used in business, surveys, and scientific research. The cross-tabulation can illustrate the basic picture or visualise the interrelation between two variables (Rubin, 2012). Frankfort-Nachmias & Nachmias (2008) point out that only nominal and ordinal variables are able to be tested in the cross-tabulation analysis. A cross-tabulation table illustrates how two or more nominal variables are connected or related. A cross-tabulation table also shows the frequencies or percentages of the groups of one variable, cross-tabulated with the frequencies or percentages of other variables (Rubin, 2012). Typically, in cross-tabulation, a Chi-square test is used to examine null hypotheses (Unitec, 2014c). In the Chi-square process, if the p-value in the Chi-square test is larger than 0.05, then null hypotheses are rejected and alternative hypotheses are accepted. If a null hypothesis is accepted, this means there is no relationship between the two variables. On the contrary, if an alternative hypothesis is accepted, this means there is a relationship between two variables (Norusis, 2011; Rubin, 2012).

### **3.5.7 T- Test**

The t-test is a basic statistical test that measures group differences. Typically, a t-test analysis is used to test hypotheses by comparing the means of two groups to determine whether there is a significant difference between them (Andrew, Pedersen, & McEvoy, 2011). If the results of a t-test illustrate that the two means are equal then the null hypothesis is accepted and an alternative hypothesis is rejected, but if the two means are not equal then an alternative hypothesis is accepted and the null hypothesis is rejected (Unitec, 2014c).

There are three basic types of t-test: one-sample t-test, independent-samples t-test, and paired-samples t-test. The one-sample t-test is used to test if the mean of one variable differs from a value identified or specified by the researcher whereas the paired-samples t-test is used to

compare the scores of two interval variables drawn from studied populations (Andrew et al., 2011; Zikmund & Babin, 2012). The independent-samples t-test is used to compare the means of two independently sampled groups; for example, males and females. In other words, the independent-samples t-test is used to determine if the mean scores of groups can be considered markedly different (Andrew et al., 2011). This research study has used only the independent-samples t-test as a tool to test the hypotheses.

### **3.5.8 ANOVA (Analysis of variance)**

ANOVA is a useful technique concerning economics, education, sociology, psychology, and business research (Kothari, 2004). ANOVA analysis is used when many or multiple sample cases are involved. Unlike the t-test that can examine only the two different sample means, ANOVA can test the significance of the difference among more than two means at the same time. In other words, the principle of ANOVA is to examine differences among the means of the populations by determining the amount of variation with each of the samples (Kothari, 2004; Reddy, 2011).

There are two types of ANOVA analysis. If the researcher takes only one factor and examines the differences amongst its several categories that have many possible values, this means the researcher uses one-way ANOVA analysis. On the other hand, if the researcher investigates two or more factors at the same time, then this means the researcher uses factorial ANOVA (Reddy, 2011). Most researchers use ANOVA to test for null hypothesis (all of the means are equal) and alternative hypothesis (not all of the means are equal). As with many other analyses, the ANOVA has its own test statistic, the F statistic or F-Test (Reddy, 2011; Shankar, 2009). In the F-Test process, if the p-value is lower than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted (Shankar, 2009).

### **3.5.9 Correlation Analysis**

Correlation analysis is used to test the relationship or association between two continuous numeric variables or two interval variables (Greasley, 2007; Norusis, 2011; Unitec, 2014b). In other words, correlation analysis measures how variables are related or linked. Only interval variables can be tested in correlation analysis (Unitec, 2014c). There are two types of correlation analysis: (1) bivariate correlation and (2) partial correlation. Bivariate correlation is used to determine if two variables are directly related or linked to each other. For example, bivariate correlation is used to test if there is a relationship between a husband's contribution to housework (a dependent variable) and the number of children (an independent variable) (Healey, 2012). On other hand, partial correlation is used to determine if two variables arise

because both are correlated or linked with a third variable (Sharma, 2007). In other words, partial correlation is used to test how the bivariate relationship changes when a third variable (a control variable) is introduced.

### **3.5.10 Factor Analysis**

Factor analysis is an interdependent method in which all variables are simultaneously considered. Zikmund et al. (2012) assert that factor analysis is a technique which is applied in many different areas of business research in order to reduce and summarise the information in the set of interdependent variables by using some smaller set of linear composite variables. Srivastava & Rego (2011) add that factor analysis is a data reduction and summarisation method. It is used to analyse inter correlation among a large number of variables, and then explicitly explains these variables in terms of their underlying factors.

Bryman & Bell (2011) point out that researchers mostly use factor analysis to identify underlying factors or variables that describe the pattern of correlations with a set of observed variables. Burns & Burns (2008) conclude that the main purpose of factor analysis is simplification, reduction, summarisation or to make order out of chaos by identifying or observing underlying factors that explain a greater number of other related variables in a logical way.

## **3.6 Hypothesis Testing**

In hypothesis testing, the null hypothesis ( $H_0$ ) and the alternative hypothesis ( $H_1$ ) are created, only one of which can be true (Cunningham & Aldrich, 2012). The null hypothesis states that there is no significant difference in what was observed and the alternative hypothesis states otherwise. Bryman & Cramer (2005) add that not expecting any difference is known as the null hypothesis. Anderson, Burnham & Thompson (2000) state that hypothesis testing is the process of determining whether to reject the null hypothesis compared with the alternative hypothesis.

### **3.6.1 Type I and Type II Errors**

Type I and Type II error rates are assumed to be a zero-sum game for any sample chosen by the researcher according to Lieberman & Cunningham (2009). Any method (either quantitative or qualitative) that protects one more against one type of error gives rise to the other type of error. This means that Type I and Type II errors are inversely related. When a researcher states a null hypothesis, an attempt is made to draw conclusions about a population based on the samples that were collected. If the researcher rejects a null hypothesis that, in reality is true, then a Type I error has occurred. Where the researcher fails to reject a null hypothesis that is,

in reality false, then a Type II error has occurred (Cunningham & Aldrich, 2012; George & Mallery, 2006). In simple terms, a Type I error occurs when the researcher falsely rejects the null hypothesis and a Type II error occurs when the null hypothesis is falsely retained. Most researchers would consider the Type I error more costly when drawing conclusions and therefore would wish to minimise the probability of making such errors (Bryman & Cramer (2005). The reason researchers regard Type I errors as being more costly is because their research has suggested some statistically significant relationship between the factors under investigation when, in fact, there is no true relationship.

### **3.7 Chapter Summary**

This chapter covered the methodology used to identify and apply the research questions for this research to the consulting firm. Data were collected from respondents through survey a method using a structured questionnaire and face-to-face interviews. This chapter also identified the data analysis techniques and its measurements.

In the next chapter, the analysis of the results will be undertaken. The findings are outlined based on the five research questions formulated in Chapter one.

## **Chapter Four: Findings**

### **4.0 Introduction**

In this chapter the findings of the investigation are presented. As described in the methodology, this chapter consists of descriptive data analysis, frequency analysis, cross tabulation, t-test, ANOVA and correlation analysis. The data collected via semi-structured interviews is also analysed.

### **4.1 Demographic Profile**

Considering the ethical concerns of anonymity and confidentiality, the information pertaining to the gender, ethnic background and names of participants were omitted. The name of the consultancy firm was also withheld. Senior managers and team leaders made up 12.5% of the respondents in this study. Managers and supervisors made up of 7.8% and 15% respectively. As expected, the employees made up the highest number of respondents which was 51.6%. There were a total of 5 senior management who participated in the qualitative research process. The number of participants who participated in the quantitative research process were 64. It was specifically requested by the participating target organisation that the researcher refrain from using a coding system when analysing data from senior management.

### **4.2 Descriptive Data Analysis- Quantitative Analysis**

The results of the descriptive data analysis are shown in the appendix. Initially, the level of employment of the respondents and the performance management techniques that applied to the respondents is analysed (see Table 1 on the next page).

Table 1: Descriptive Data Analysis - Performance Management Techniques

Performance Management Techniques		Count	Column N %
Performance planning	yes	10	29.4%
	no	24	70.6%
Performance evaluation	yes	28	82.4%
	no	6	17.6%
Career development planning	yes	8	23.5%
	no	26	76.5%
360-degree feedback	yes	17	50.0%
	no	17	50.0%
Coaching/mentoring	yes	7	20.6%
	no	27	79.4%
Professional development training	yes	14	41.2%
	no	20	58.8%
Leadership development	yes	6	17.6%
	no	28	82.4%
Rewards	yes	25	73.5%
	no	9	26.5%
Discipline	yes	28	82.4%
	no	6	17.6%

Table 1 presents the summary of the various performance management techniques used in the target consultancy firm. The number of valid responses from the employees of the consulting firm was 64 which accounted for 100%. The participants in this study were asked which performance management techniques were applicable to them. The results were summarised and presented in Table 1 above.

1. Out of 64 respondents, 65.6% of the participants indicated that performance evaluation was used to manage their performance. The use of a 360-degree feedback technique stood at 56.3% whereas professional development training has 40.6%. Interestingly, the leadership development technique attracted only 15.6% whereas rewards and discipline had 46.9% and 54.7% each.
2. It is interesting to note that only 14.1% of the respondents were very satisfied with the current performance management practices in their organisation whereas 53.1% were satisfied. 29.7% were neutral in their response and 3.1% were unsatisfied.

3. While a significant number of respondents (95.3%) indicated that they were aware of the mission and vision of their organisation, a small number (4.7%) said they were unaware of their organisational mission and vision.
4. Many participants (75%) agreed that the role of mission, vision and organisational strategy play an important role in the development of performance management policies and practices in comparison with 17.2% who said no and 7.8% were unsure.
5. A large number of respondents (96.9%) indicated that having clear, concise and well defined job descriptions played an important role in their performance at work.
6. Out of the total number of participants (48.4%) agreed that performance management helps employees with careers development whereas 12.5% strongly agreed to this as well. 14.1% were neutral on this whereas 17.2% strongly disagreed and 7.8% disagreed.
7. Most of the respondents (70.3%) agreed that performance management helps provide feedback and review.
8. As anticipated, 78.2% of the participants responded by saying that performance management helps identify areas of improvement.
9. There was somewhat an even split where 42.2% were either neutral, disagreed or strongly disagreed whereas 57.8% agreed or strongly agreed that performance management helped identify productive and good employees in their organisation.
10. In regards to reward management and promotion, 59.4% said performance management helps identify which employees should be rewarded or promoted, 15.6% were neutral, 17.2% disagreed and 7.8% strongly disagreed.
11. Around half of the respondents (46.9%) indicated that performance management helped determine and address the misconduct of employees in their organisation whereas 32.8% were neutral and 20.3% either strongly disagreed or disagreed.
12. Out of the total number of the participants, 75% accepted that generally, the main aim of performance management should be to achieve organisational goals.
13. In regards to motivation, 70.3% said that performance management systems should be designed in such a way that they motivates employees. In contrast, 14.1% disagreed and 4.7% strongly disagreed.
14. A high percentage of the respondents (76.5%) supported the fact that the performance management systems of an organisation should be well defined and realistic. The remaining 23.5% were either neutral, did not agree or strongly disagreed.
15. Out of the total number of respondents, 57.8% said that the objectives of performance management should be specific, 71.9% said it should be measurable, 76.6% indicated it

should be achievable, 59.4% suggested it should be realistic and interestingly, only 34.4% said that objectives of performance management should be time-bound.

16. In regards to performance planning, 62.5% indicated that they were either satisfied or very satisfied, 28.2% said they were either unsatisfied or very unsatisfied whereas 9.4% were neutral. 56.2% said they were either satisfied or very satisfied with the current performance evaluation practices in their organisation whereas 43.7% were either neutral or unsatisfied. About half of the respondents (51.6%) were satisfied with the career development planning whereas 48.4% were either unsatisfied, neutral or said it was not applicable to them.
17. A fairly low percentage of employees (28.2%) indicated that they were either very unsatisfied or unsatisfied with current performance planning initiatives whereas 62.5% said they were either very satisfied or satisfied with current performance planning practices. However, 9.4% said they were neutral in this regard.
18. When it came to performance evaluation, more than half of the respondents (56.2%) were satisfied or very satisfied with the current performance evaluation in their organisation. However, 20.3% of the employees were not satisfied with 23.4% being neutral.
19. Around half of the employees (51.6%) were satisfied with the current career development planning practices undertaken by their organisation. On the other hand, 12.5% were unsatisfied. However, a fair number of respondents (34.4%) were neutral whereas a very small number (1.6%) said it was not applicable to them.
20. While 11% of the participants said they were not satisfied with the 360-degree feedback initiative, a fairly high number of respondents (60.9%) said they were satisfied with this with 26.6% being neutral.
21. Out of the total number of respondents, 56.3% of the respondents were satisfied with the current coaching/mentoring practices in their organisation in comparison to 18.8% who were not satisfied whereas 25.1% said either they were neutral or it was not applicable to them.
22. The professional development training programs undertaken by employees showed that about half of them were satisfied (57.8%) whereas a small number (11%) indicated they were unsatisfied.
23. A fairly high number of respondents (65.6%) said they were satisfied or very satisfied with the current leadership development in their organisation whereas 21.9% said either it was not applicable to them or they were unsatisfied.

24. More than half of the total number of respondents (64%) said they were satisfied with their current rewards management practices in comparison to 18.7% who indicated they were unsatisfied with the discipline procedures in their organisation.
25. The review of the performance management systems in the sample indicated that 59.4% of the employees had their performance reviewed yearly.
26. Out of the total number of participants (64 being 100 %), 92.2% of the respondents indicated that the performance management systems in their organisation were somewhat integrated whereas a fairly small number (7.8%) said it was not integrated.
27. A fairly high percentage of the respondents (68.7%) said effective measure of performance should be valid, 75% said it should be reliable, a large number (96.9%) indicated it should be fair and practical.
28. Out of the total number of participants, 76.6% indicated that the immediate manager/supervisor should carry out the performance appraisal process, 25% said employees should do self-appraisal, 46.9% indicated 180-degree appraisal should be done, 6.3% and 9.4% indicated that appraisal should be done by subordinates and customers respectively whereas 46.9% thought 360-degree performance appraisal process is the best practice.
29. When carrying out performance appraisal, 92.2% of the respondents thought conflicting aims would cause problems, 78.1% thought management behaviour would cause problems, 68.8% indicated that subjectivity and bias would cause problems, 57.5% thought control will be an issue and 43.7% said bureaucracy would cause some problems as well.
30. In regards to the various techniques used by organisations to manage performance, 95.3% of the participants said regular informal feedback and guidance was effective. 79.7% of the respondents indicated that formal process reviews were also effective, 82.8% thought employee development and training was also an effective technique. 84.4% also said that maintaining employee motivation was also an effective technique in conjunction with coaching (79.7%), counselling (62.5%) and employee assistance programs (70.3%). However, when it came to capability, disciplinary and soft skills performance indicators/measures and financial performance indicators/measure, it attracted only 57.8%, 40.6%, 42.2% and 43.8% respectively.
31. Performance appraisal (81.3%), regular review meetings to assess progress (48.4%), performance related pay (62.5%), and 360-degree feedback (57.8%) were found to be effective performance management activities that help employees align their personal goals with that of the organisation.

The above results were from the 64 valid responses of the employees from the consulting firm. Their views were in response to the various questions that were asked in the quantitative research methodology. The questions were designed to get more insight into the various HR and performance management activities within their organisation.

### 4.3 Hypothesis Testing

***H<sub>01</sub>*: The aim of performance management systems in an organisation is not to achieve organisational goals.**

Table 2 reports that the significance value in the ANOVA table is 0.000, which is less than 0.05. Therefore, the null hypothesis is rejected and alternative hypothesis is accepted. In other words, there is some difference in the attitude of employees in regards to the main aim of performance management.

Table 2: Performance Management and Organisational Goals

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	32.924	2	16.462	13.789	.000
Within Groups	72.826	61	1.194		
Total	105.750	63			

To test whether the null hypothesis is supported or rejected, the post hoc Table 3 (see below) is used.

Table 3: Role of Mission, Vision and Organisational Strategy in Performance Management

(I) Role of mission, vision and organisational strategy in performance management	(J) Role of mission, vision and organisational strategy in performance management	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Yes	No	1.867*	.365	.000	.95	2.78
	not sure	.958	.513	.184	-.33	2.25
No	Yes	-1.867*	.365	.000	-2.78	-.95
	not sure	-.909	.589	.311	-2.39	.57
not sure	Yes	-.958	.513	.184	-2.25	.33
	No	.909	.589	.311	-.57	2.39

\*. The mean difference is significant at the 0.05 level.

The significance level of the two groups highlighted above are all less than 0.05 and therefore the null hypothesis is rejected and alternative hypothesis is accepted, meaning the main aim of performance management systems of an organisation is to achieve organisational goals.

***H<sub>02</sub>: Having clear, concise and well defined job descriptions does not play an important role in the employees' performance at work.***

Table 4 (see next page) shows employees who disagree on the issue that clear job descriptions play important role in carrying out their work effectively.

Table 4: Role of Clear Job Descriptions

			Role of clear job description		Total
			yes	no	
Level of employment	senior manager	Count	7	1	8
		% within Level of employment	87.5%	12.5%	100.0%
		% within Role of clear job description	11.3%	50.0%	12.5%
	Manager	Count	5	0	5
		% within Level of employment	100.0%	0.0%	100.0%
		% within Role of clear job description	8.1%	0.0%	7.8%
	team leader	Count	8	0	8
		% within Level of employment	100.0%	0.0%	100.0%
		% within Role of clear job description	12.9%	0.0%	12.5%
	Supervisor	Count	10	0	10
		% within Level of employment	100.0%	0.0%	100.0%
		% within Role of clear job description	16.1%	0.0%	15.6%
	employee without management portfolio	Count	32	1	33
		% within Level of employment	97.0%	3.0%	100.0%
		% within Role of clear job description	51.6%	50.0%	51.6%
Total	Count	62	2	64	
	% within Level of employment	96.9%	3.1%	100.0%	
	% within Role of clear job description	100.0%	100.0%	100.0%	

In this sample of 64 employees, there is a relationship between having clear, concise and well defined job descriptions and levels of employment in an organisation. Senior managers, managers, team leaders, supervisors and employee’s without any management portfolio have higher percentages (above 85%). The relationship between role of clear, concise and well defined job descriptions and level of employment in significant, with  $p = 0.547$  (see Table 5).

Therefore, we have enough statistical evidence to reject the null hypothesis and accept the alternative hypothesis and conclude that having clear, concise and well defined job descriptions play an important role in the employees' performance at work.

Table 5: Relationship between clear, concise and well defined job descriptions and level of employment.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.065 <sup>a</sup>	4	.547
Likelihood Ratio	2.809	4	.590
Linear-by-Linear Association	.729	1	.393
N of Valid Cases	64		

a. 6 cells (60.0%) have expected count less than 5. The minimum expected count is .16.

This can also be confirmed using the Means procedure (Table 6) given below.

Table 6: Table of Means Procedure

Role of clear job description	Mean	N	Std. Deviation
Yes	3.89	62	1.415
No	3.00	2	2.828
Total	3.86	64	1.446

In this sample, having clear, concise and well defined job descriptions play important role in work performance on average ( $M = 3.89$ ,  $SD = 1.42$ ,  $n = 62$ ) than not having a clear, concise and well defined job descriptions ( $M = 3.00$ ,  $SD = 2.83$ ,  $n = 2$ ). Therefore, our claim that clear, concise and well defined job descriptions play an important role in the performance at work is justified.

***H<sub>03</sub>: Awareness of mission and vision of an organisation does not play an important role in developing performance management policies and practices.***

While in this sample the mean of role of mission, vision and organisational strategy in performance management are  $M = 1.36$ ,  $SD = 0.637$ ,  $n = 59$  (see Table 7 on next page) was longer than ( $M = 1.00$ ,  $SD = 0.000$  and  $N = 3$ ), this difference was significant,  $t(60) = 0.960$ ,  $p = 0.341$ .

Table 7: Role of Mission, Vision and Organisational Strategy

Group Statistics					
	Awareness' of mission and vision	N	Mean	Std. Deviation	Std. Error Mean
Role of mission, vision and organisational strategy in performance management	Yes	59	1.36	.637	.083
	No	3	1.00	.000	.000

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Role of mission, vision and organisational strategy in performance management	Equal variances assumed	6.031	.017	.960	60	.341	.356	.371	-.385	1.097
	Equal variances not assumed			4.293	58.000	.000	.356	.083	.190	.522

However, using a more conservative approach and taking ‘Equal variance not assumed’ statistics,  $p = 0.000$  which is less than 0.05 and therefore the null hypothesis was rejected and the alternative hypothesis was accepted which stated that the role of mission and vision plays an important role in the development of performance management policies and practices. The significance level of 0.000 informs us that it is very unlikely that the observed mean absolute difference of 0.356 was due to chance. Specifically, it can be stated that there was a 0.000 probability that the observed difference was the result of chance and that the null hypothesis can be rejected. However, taking ‘Equal variance assumed’ into consideration, the difference should be taken seriously and more detailed and comprehensive analysis should be taken.

***H<sub>04</sub>*: Effective measures of performance should not be valid, reliable, fair or practical.**

The *p*-value in the above Chi-Square is 0.000 (see Table 8) which of course is less than 0.05 and therefore it can be concluded that there is some relationship between effective measures of performance being reliable and valid because  $\chi^2(12) = 95.119$  and *p* = 0.000.

Table 8: Performance should be valid and reliable.

		performance components should be reliable				Total
		unimportant	neutral	important	very important	
performance component should be valid	very unimportant	7	2	1	0	10
	Unimportant	0	4	0	0	4
	Neutral	0	3	2	1	6
	Important	0	0	17	12	29
	very important	0	0	2	13	15
Total		7	9	22	26	64

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	95.119 <sup>a</sup>	12	.000
Likelihood Ratio	80.828	12	.000
Linear-by-Linear Association	46.088	1	.000
N of Valid Cases	64		

a. 16 cells (80.0%) have an expected count less than 5. The minimum expected count is .44.

The cross tabulation test tries to establish the relationship between effective measures of performance being fair and valid. Using the results of Chi-Square Tests, the *p*-value is less than 0.05 (see Table 9 on next page) and therefore the null hypothesis can be rejected and the alternative hypothesis accepted and it can be concluded that there is a relationship between components of performance management being fair and valid.

Table 9: Performance should be valid and fair.

**Crosstab**

		performance components should be fair			Total
		neutral	important	very important	
performance component should be valid	very unimportant	2	4	4	10
	unimportant	0	4	0	4
	Neutral	0	2	4	6
	important	0	10	19	29
	very important	0	1	14	15
Total		2	21	41	64

**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.099 <sup>a</sup>	8	.001
Likelihood Ratio	23.734	8	.003
Linear-by-Linear Association	13.511	1	.000
N of Valid Cases	64		

a. 11 cells (73.3%) have an expected count less than 5. The minimum expected count is .13.

The calculated  $p$ -value in the Table 10 is 0.003 and is less than 0.05. Therefore we can statistically conclude that at a 95% confidence level, there is a relationship between performance components being practical and valid.

Table 10: Performance should be valid and practical.

**Crosstab**

		performance components should be practical				Total
		very unimportant	neutral	important	very important	
performance component should be valid	very unimportant	1	0	1	8	10
	Unimportant	0	0	2	2	4
	Neutral	0	0	1	5	6
	Important	0	1	24	4	29
	very important	0	0	5	10	15
Total		1	1	33	29	64

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.273 <sup>a</sup>	12	.003
Likelihood Ratio	31.770	12	.002
Linear-by-Linear Association	.135	1	.713
N of Valid Cases	64		

a. 15 cells (75.0%) have expected count less than 5. The minimum expected count is .06.

In summary, the Chi-Square Test (above) illustrates that the asymptotic significance values are all less than 0.05 and this means that the null hypothesis is rejected and the alternative hypothesis is accepted which states that effective measures of performance should be valid, reliable, fair or practical. Consequently, for effective measures of performance, we have statistical evidence that the measures undertaken by organizations' should be valid, reliable, fair and practical. The correlation Table 11 (see next page) also supports this claim.

***H<sub>05</sub>: There is no correlation between the performance management system being specific, measurable, achievable, realistic and time-bound.***

The correlation between objectives of performance management being specific and time-bound is 0.314 (see Table 11 on next page). This indicates close to moderate strength, a positive relationship between objectives of performance management being specific and time-bound. Further to this, the correlation between objectives of performance management being measurable and achievable is 0.474 (see Table 11 on next page) which is again close to moderate and in a positive direction. The correlation between objectives of performance management being measurable and realistic provides similar correlation as well. Since all the correlations indicate that they are moderately correlated and in the positive direction, using the statistical evidence the null hypothesis was rejected and the alternative hypothesis was accepted and it was concluded that performance management systems should be specific, measurable, achievable, realistic and time-bound.

Table 11: Performance Management System should be specific, measurable, achievable, realistic and time-bound.

			Correlations				
			objectives of performance management- t- specific	objectives of performance management- t- measurable	objectives of performance management- t- achievable	objectives of performance management- t- realistic	objectives of performance management- t- time-bound
Spearman's rho	objectives of performance management- specific	Correlation Coefficient	1.000	.088	.121	.197	.314*
		Sig. (2-tailed)	.	.491	.342	.120	.012
		N	64	64	64	64	64
	objectives of performance management- measurable	Correlation Coefficient	.088	1.000	.474**	.425**	.233
		Sig. (2-tailed)	.491	.	.000	.000	.064
		N	64	64	64	64	64
	objectives of performance management- achievable	Correlation Coefficient	.121	.474**	1.000	.464**	.245
		Sig. (2-tailed)	.342	.000	.	.000	.051
		N	64	64	64	64	64
	objectives of performance management- realistic	Correlation Coefficient	.197	.425**	.464**	1.000	.310*
		Sig. (2-tailed)	.120	.000	.000	.	.013
		N	64	64	64	64	64
	objectives of performance management- time-bound	Correlation Coefficient	.314*	.233	.245	.310*	1.000
		Sig. (2-tailed)	.012	.064	.051	.013	.
		N	64	64	64	64	64

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*.. Correlation is significant at the 0.01 level (2-tailed).

The above claim (on page 70) is further justified using Factor Analysis. Bartlett's Test of Sphericity is significant. This indicates that there are significant correlations between the variables. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is 0.703 (see Table 12 on next page) and therefore, the data sets are suitable to conduct factor analysis.

Table 12: Objectives of Performance Management.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.703
Bartlett's Test of Sphericity	Approx. Chi-Square	56.042
	df	10
	Sig.	.000

	Component	
	1	2
objectives of performance management- measurable	.866	
objectives of performance management- achievable	.843	
objectives of performance management- realistic	.684	.259
objectives of performance management- specific	-.165	.891
objectives of performance management- time-bound	.251	.662

Extraction Method: Principal Component Analysis.

Rotation Method: Oblimin with Kaiser Normalization.

a. Rotation converged in 5 iterations.

The pattern matrix produced from the factorial analysis shows that the three variables strongly loaded with Factor 1 are measurable, achievable and realistic. The variables strongly related to Factor 2; are realistic and specific. This again confirms that the objectives of performance management should be measurable, achievable, realistic, specific and time-bound.

***H<sub>06</sub>: Rewards management policies and practices do not motivate employees to perform better.***

The Chi-Square Goodness of Fit table lists the computed value of  $\chi^2$  is 141.30 and the level of significance is 0.000 (see Table 13 on next page). Since 0.000 is less than 0.05, the null hypothesis was rejected and the alternative hypothesis was accepted and it was concluded that reward procedures in an organisation motivate employees to perform better at work.

Table 13: Rewards Management and Motivation.

	Observed N	Expected N	Residual
strongly disagree	12	53.4	-41.4
Disagree	41	53.4	-12.4
Neutral	24	53.4	-29.4
Agree	69	53.4	15.6
strongly agree	121	53.4	67.6
Total	267		

**Test Statistics**

	performance management should be designed to motivate employees
Chi-Square	141.296 <sup>a</sup>
Df	4
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 53.4.

***H<sub>07</sub>: Having a strong disciplinary procedure in an organisation does not enable employees to be more motivated, productive, and perform better in their work.***

The Chi-Square Goodness of Fit Test shows the relationship between employee performance and disciplinary procedures. The computed value of  $\chi^2$  is 2.26 and the level of significance is 0.133 (see Table 14). Since this value is more than 0.05, using statistical evidence the null hypothesis was accepted and it was concluded that having strong disciplinary procedures in an organisation do not motivate employees to perform better at work.

Table 14: Motivation and Disciplinary Procedure.

	Observed N	Expected N	Residual
Effective	96	107.0	-11.0
not effective	118	107.0	11.0
Total	214		

**Test Statistics**

	Disciplinary procedure
Chi-Square	2.262 <sup>a</sup>
Df	1
Asymp. Sig.	.133

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 107.0.

## 4.4 Qualitative Analysis

As part of the qualitative methodology, a total of 5 interviews were conducted with the senior management. A key objective of the interviews was to gain a deeper context of the performance management in the organisation. Another objective was to learn the opinions of senior management on how performance management contributed to the overall effectiveness of the organisation. Further to this, the characteristics and steps in implementing performance management were revealed during in-depth interviews.

Of the 5 interviews, 3 were recorded and subsequently transcribed. Two of the interviewees did not give consent to record the interview. However, written notes were taken of those 2 interviews. The volume of information gathered from the interviews was analysed in line with the research objective of this study. It should also be noted that the interviewees requested that all their responses be analysed and presented as a standard response as per the consulting firm's policies. Therefore, it was decided that the researcher would refrain from using designated codes to identify individual interviewees.

## 4.5 What is Performance Management and how does it link Organisational Strategies, HRM and employees?

***H<sub>08</sub>: There are no links between performance management, organisational strategies, HRM and Employees.***

A performance management system has many purposes in an organisation. It serves strategic purposes because it provides the link where employee's activities and organisational mission and goals are correlated. It also helps to identify the results and behaviours that are required and needed to carry out the strategies. In addition to this, it provides the platform which enables employees to maximise the extent to which desired behaviours and results are attained. From an administrative point of view, it provides information that is critical in reward systems and other HR decision making such as employee promotion, terminations and disciplinary procedures.

It also acts as an information source within an organisation because it enables the employees to learn and assess their performance and how their performance aligns with the organisational expectations. A performance management system is also a maintenance mechanism because it

provides information that is very useful for workforce planning and evaluating how effective other HR systems are. For example comparing the performance of an employee before and after a training program and whether the training conducted made any difference. A performance management system also helps organisations achieve legal obligations because it supports HR decisions and helps meet legal requirements. For example, if an employee is terminated due to poor performance, all the documents will be accounted for in line with the performance management system should a legal challenge be issued. It is important to note that management by objectives is crucial in the development of performance management. It can be seen as a style or system of management that attempts to correlate the performance of individual employees to that of the goals of the organisation.

Specifically, there are four key elements in the management by objectives process;

- Setting clear objectives and targets.
- Managers and individual employees actively participating in the formation and agreement of these targets.
- Monitoring and review of performance against agreed targets regularly.
- Using reward management to support the process.

Analysing the results of interviews from senior management, there appears to be a clear, strong and positive correlation between performance management, strategies, HRM and employees. Performance management incorporates two main factors; alignment and integration which enables performance management to support the unique circumstances of an organisation. Aligning the mission, vision and goals of an organisation and integrating the activities of HRM such as rewards systems, training and development, assessment and feedback, induction programmes, disciplinary procedures and other HRM activities ensure that these activities of HRM are mutually reinforcing and propel the HRM strategies effectively. Therefore the null hypothesis was rejected and alternative hypothesis was accepted which stated that there are links between performance management, organisational strategies, HRM and employees.

## **4.6 Chapter Summary**

This chapter displayed an analysis of the secondary based data provided by the consulting firm that was chosen for this project. The quantitative analysis was carried out using descriptive data analysis and the null hypothesis was tested. Qualitative analysis was also carried out for the face-to-face interviews of 5 personnel from the senior management team and these were

recorded, transcribed and analysed. A total of 8 null hypotheses were tested in this chapter and the acceptance or rejection of each null hypothesis was stated accordingly.

In the next chapter, key findings revealed by Chapter four are discussed in detail.

# Chapter Five: Discussion of Results

## 5.0 Introduction

This chapter is focussed on discussing the important research findings presented in Chapter four by critically commenting on the findings that address the research objectives and hypotheses. The discussion is based on the five research questions with the support of the literature review from Chapter two.

## 5.1 Hypotheses Relations

This section focusses on identifying the relationship between the proposed constructs of the hypotheses.

*Hypothesis 1* posited that the aim of the performance management systems is *not* to achieve organisational goals. Establishing an explicit link between the performance objectives of employees and the organisational goal serves a vital purpose of forming collective understanding of what is to be achieved and how it is to be achieved. Accordingly, Aguinis (2014) suggests that systems that do not have links between employees and organisational goals are not true performance management systems. This means that organisations that have more formal and systematic systems are more likely to achieve organisational goals and perform better in the market.

In response to the questions related to organisational goals and performance management system, the ANOVA table returned a significance value of less than 0.05 (see Table 2). This was further verified using the post hoc table (see Table 3) and the test again returned a value less than 0.05 meaning that the null hypothesis was rejected and therefore, it was concluded that the aim of the performance management system perceived by the respondents is to achieve organisational goals. According to Iselin, Mia & Sands (2008), the success of an organisation relies upon the effectiveness of the performance management systems put in place and its alignment with the organisational goal. It is concluded that the null hypothesis was rejected and alternative hypothesis was accepted. The alternative hypothesis stated that “*The aim of performance management systems in an organisation is to achieve organisational goals*”.

*Hypothesis 2* posited that having clear, concise and well defined job descriptions does *not* play a crucial role in employees’ work performance. The results obtained from the cross tabulation do not support the proposed null hypothesis. Out of the total number of respondents (64 being

the total), 96.9% of the participants said that clear, concise and well defined job descriptions played an important role in their work performance. However, on 3.1% (2 out of 64) respondents didn't support this claim. To verify *hypothesis 2*, a Chi-Square Test was carried out which returned a *p-value* of 0.547 which was enough to support the claim that clear, concise and well defined job descriptions play important role in work performance.

Job descriptions include information about what tasks are to be performed, and what knowledge, skills and abilities are needed to perform the tasks. Therefore, job descriptions are a key prerequisite for any system because it provides the criteria that will be used in measuring employee performance. Such criteria may include behaviours (i.e. how to perform the job) or results (what outcomes should result from performance). Having a job description which clearly and accurately outlines the broad nature of the job enables the employees to have a clear understanding of the key tasks that they are expected to perform for the job and the employee's duties or obligations and qualifications that are mandatory to perform the job. Pennell (2010) agree to this by saying that job descriptions identify tasks, duties and responsibilities of a job and therefore, the clearer the job descriptions, the better it is for employees to perform their duties. It is concluded that the alternative hypothesis is accepted which stated that "*having clear, concise and well defined job descriptions does play an important role in the employees performance at work*".

*Hypothesis 3* posited that awareness of the organisational mission and vision does *not* play an important role in the development of performance management policies and practices. Taking into account the conservative approach and equal variance assumed, a *p-value* of 0.000 was returned which was less than 0.05 and therefore, the null hypothesis was rejected. The mission statement defines why an organisation exists, the scope of its activities and products and services offered by the organisation. Furthermore, it can also include statements about organisational values, beliefs and philosophy. On the other hand, the vision statement outlines the future aspirations of the organisation and describes what the organisation would like to achieve in future. While vision statements are usually written after the mission statements are completed, sometimes these are combined and written as one.

One of the characteristics of a performance management system is strategic congruence which helps organisations achieve goals which are outlined as part of the mission and vision of an organisation. Therefore, it facilitates the organisational change. In the changing market demand, the organisation needs to adapt to changes so that it is up to par with its competitors

and this can only be achieved if the organisation has strategic plans put in place. Strategic planning allows organisations to define their identities, prepare for the future and analyse their operating environment, and provides focus, allows resource allocation, produces culture of cooperation and allows exploitation of new options and opportunities. Thus, when developing policies and practices for performance management, it is vital that all parties are fully aware of the organisational mission and vision because it helps the organisation define the organisational strategies more clearly. For performance management to be strategic, both vertical and horizontal integration are required. Individual employee's and team contributions must be integrated with the aims and priorities of the organisation and the various performance management practices and policies must be aligned into a coherent and integrated bundle to support and reinforce the organisational strategies (Hutchinson, 2013). It is concluded that the alternative hypothesis is accepted which stated that "*awareness of the mission and vision of an organisation plays an important role in developing performance management policies and practices*".

*Hypothesis 4* posited that performance management should *not* be valid, reliable, fair and practical. This hypothesis was tested using cross tabulation and Chi-Square Tests. The resulting *p-value* obtained was less than 0.05 indicating the null hypothesis was rejected. The validity of performance measures means the extent to which the performance criteria chosen to measure actually measures what it claims to measure. This means, the higher the validity of performance measures, the more accurate the reflection of what an employee is required to do. In addition, the reliability of the system concerns the accuracy of the measurements; it should be consistent and stable. Therefore, reliability is achieved if the measurements repeatedly produce the same ratings for a specific level of performance.

The importance of the system to be fair has a strong impact on equity and justice. A system that is fair ensures that measures are meaningful and accurate and are understood and accepted by employees. Furthermore, fairness of the system allows it to be applied fairly and consistently across the organisation and overtime. If a system is not valid or reliable, it will have a negative impact on the employees' attitudes and behaviour and this will in turn create uncertainty about the legitimacy of the performance system. The practicability of a system relates to objectives or other performance standards that are realistic rather than too difficult or too easy. However, practicability can conflict with other requirements. For example, systems that are complex and are designed to improve reliability and validity can be costly and time consuming to develop.

Furthermore, systems designed to ensure high validity may require an array of performance measures which may not be practical to manage or administer.

Therefore, although the performance management system should be valid, fair, reliable and practical, it should be noted that no one method is likely to be consistently reliable, valid, practical and cost effective to deliver. A performance management system should be highly contextual and job-specific and should be constructed within the overall framework of organisational values, strategies and goals. It should accurately reflect an individual employees' contribution which requires accurate diagnosis of performance using some measurement scheme. It is concluded that the alternative hypothesis is accepted which stated that "*Effective measures of performance should be valid, reliable, fair and practical*".

*Hypothesis 5* posited that a performance management system should *not* be specific, measurable, achievable, realistic and time-bound. The correlation test carried out between each of these constraints produced moderate strength and all in a positive direction. *Hypothesis 5* proposed that motivation at work is important- more specifically the goal-setting theory. In simple terms, the proposed hypothesis examined what types of goals are most successful in generating high levels of motivation. The correlation test found out that goals must be specific and challenging. Goals that are specific and challenging produce better performance as well as being capable of objective measurement so that performance can be evaluated.

Systems that have goals which are attainable and time-bound can motivate and enhance performance. In contrast, goals that are too difficult are likely to demotivate and reduce performance. However, for systems to be most effective; prompt and precise feedback should be given so that employees know how they are performing. In addition, the system must allow employees to accept goals and show commitment and this can be achieved by having employees involved in the selection of the goals. But it must be stressed that employees must feel self-efficacy.

While motivation is a necessity of overall performance, it is important that managers understand why an employee behaves in a certain way and the factors that may influence that behaviour. The issue here, however, is that motivation is an invisible process and very individual in nature. In other words, what motivates one employee may leave another employee completely unmotivated. The positive correlation in the proposed hypothesis indicated clear practical implications where the system has to be specific, measurable, achievable, realistic and time-bound. Therefore, the null hypothesis was rejected and the alternative hypothesis was

accepted which stated that “*a correlation between performance management system should be specific, measurable, achievable, realistic and time-bound*”.

*Hypothesis 6* posited that rewards management policies and practices *do not* motivate employees to perform better. The Chi-Square Test returned a *p-value* of less than 0.05 which strongly supported the alternative hypothesis. Performance based rewards can be either financial based, non-financial based or both. From the hypothesis test carried out in this project, it can be said that the principle of linking reward to performance is sound. This is because a performance based reward has the power to motivate and meet the basic human need for achievement and perhaps is a fair way of treating employees. However, it is important to point out that rewards are not only tied to financial incentives. Organisations who employ rewards management as part of their performance management system also have non-financial rewards in the form of recognition, opportunities to develop skills and knowledge, career opportunities and quality of working life; such as flexible working hours- to name but a few. Ashdown (2014) labels the combination of financial and non-financial rewards as a total reward system.

A total reward system can be seen as a holistic reward approach to motivate employees because it does not place a burden on one or two reward mechanisms alone. Wilton (2011, p. 217) provides an excellent summation of rewards management by saying that “rewards constitute a principal means by which employers attempt to generate and direct required effort and behaviours to be consistent with the organisational objectives”. However, it is important to note that if there is misalignment of reward strategy to that of performance management, the organisation is unlikely to achieve the expected performance required to achieve the organisational goals.

While financial rewards generally tend to motivate employees to be more productive and enhances commitment towards organisational goals and objectives, one of the limitations of such a reward system is that it can also have an adverse effect on motivation. To resolve this, organisations should perhaps ensure that policies are formulated and implemented so that the issue of monetary rewards is eliminated - by paying employees sufficiently and fairly for the job being performed. The focus then should be on providing opportunities for employees to have autonomy and professional development in order to create a motivating working culture within the organisation. Accordingly, McGuire (2014) suggests that not all employees are motivated by financial rewards; for example knowledge workers tend to show that monetary rewards are not the most valued element in the total reward package.

A system that is effective will identify individual employee motivators and will aim to provide an environment that enhances these motivators. However, motivators can change overtime and having an effective performance management system in place will facilitate a line of communication through which an understanding of an employees' motivation can be maintained in such cases. In the organisation that this project was carried out, the contingent pay system of performance and competency or contribution-related pay was practised. This was to ensure that employees were motivated to achieve specific targets and demonstrate certain behaviours or skills. Linking this to the expectancy theory, the management believed that the contingent pay system was appropriate because it enabled employees to believe that with a reasonable amount of effort, the goal set was achievable and the employees' had a sense of control and belief that they could have an impact on the end results. In summary, getting the reward management and policies correct to drive effective performance is very crucial for organisations as it helps motivate employee to perform better and be more committed towards organisational effectiveness, goals and strategies- as argued by *hypothesis 6*. It is concluded that the alternative hypothesis is accepted which stated that "*Reward management policies and practices motivate employees to perform better*".

*Hypothesis 7* posited that strong disciplinary procedures within the organisation *do not* enable employees to be more motivated and productive, or enhance their work performance. The Chi-Square test returned a significance value of 0.133 which is greater than 0.05 and therefore, the null hypothesis was accepted and it was concluded that strong disciplinary procedures do not enhance employee motivation to be more productive and perform better. Disciplinary procedures are put in place to address mainly the issue of under-performance. However, it is important for personnel in charge to understand that underperformance or unethical behaviour constitute a complex array of variables; such as trust (or mistrust) between managers and employees, commitment and motivation and employees' willingness to respond to certain organisational stimuli (such as organisational changes).

All the above variables may contribute to under-performance or unethical behaviour on the part of the employees. Hutchinson (2013) suggests that line managers play a vital role in managing under-performance. One of the functions of performance management is documentation. Line managers who have proper documentation will be able to use robust performance management processes to ensure that if it is necessary, formal disciplinary action should be carried out- on a fair and sound basis with evidence (collected from the performance management system). However, any disciplinary procedures should be the last step after all the necessary avenues

have been exhausted. This may include counselling, having performance related dialogue and training and development.

Effective management of disciplinary procedures will ensure organisations are less exposed to claims relating to discrimination. Consistent, fair and transparent processes in managing disciplinary issues will help create a positive image for the organisation so that employees are not treated unfairly or feel disadvantaged. Procedures that are consistent and fair are more likely to be accepted and will impact on the attitude and behaviour of employees and may also enhance positive performance and create a culture of trust. It is concluded that the null hypothesis is accepted which stated that “*Having a strong disciplinary procedure in an organisation enables employees to be more motivated, productive and perform better in their work*”.

*Hypothesis 8* posited that there are *no* links between performance management, organisational strategies, HRM and employees. The qualitative analysis (face-to-face interviews) carried out in this project revealed that organisations are recognising the fact that greater effectiveness can be achieved through strategic HRM and performance management initiatives. This means that the null hypothesis was rejected and the alternative hypothesis was accepted. This claim is supported by Krinks & Stack (2008) where they suggest that developing and retaining employees, anticipating and managing change, enhancing organisational effectiveness and transforming HR into a strategic partner provides the much needed links for organisations to achieve its goals. For performance management, organisational strategies, HRM and employees to be networked, it is important that all performance management strategies and processes are aligned with the business strategies and the internal and external factors are accounted for. This can be done by SWOT analysis as discussed in Chapter two of this project. Organisations face difficulties in translating strategies into action and therefore, employers use the balanced scorecard which aims to help managers demonstrate the strategic linkages. The following two models (Figure 1 and Figure 2) attempt to clarify the links between the variables argued by hypothesis 8.

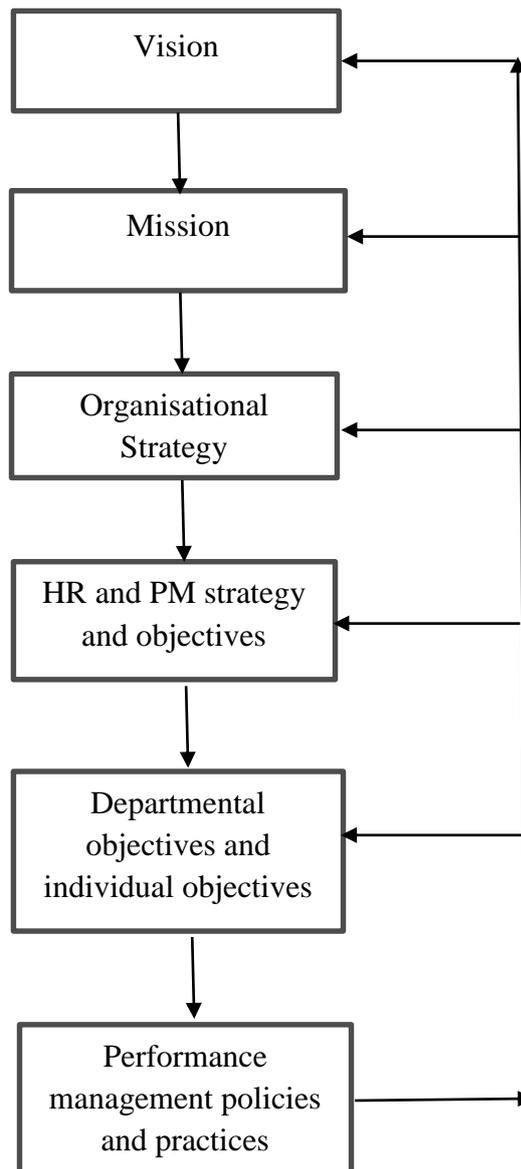


Figure 1: Strategic Performance Management. (Hutchinson, 2013, p. 29)

Performance management can be viewed as a strategic tool which integrates individual employees and team contributions with the organisational aims and priorities and more importantly aligns the various HRM practices into a coherent and integrated bundle. Clear links between performance management, organisational strategies, HRM and employees was noted in the target organisation where this project was undertaken. These links were confirmed by the face-to-face interviews of the five senior management during the qualitative data collection process. Figure 1 above can be seen as a systematic cascade process where links between business and individual objectives underpinned a range of performance management practices. To further validate and confirm the argument presented by *hypothesis 8*, another model proposed by Nankervis, Baird, Coffey & Shields (2014) is presented in Figure 2.

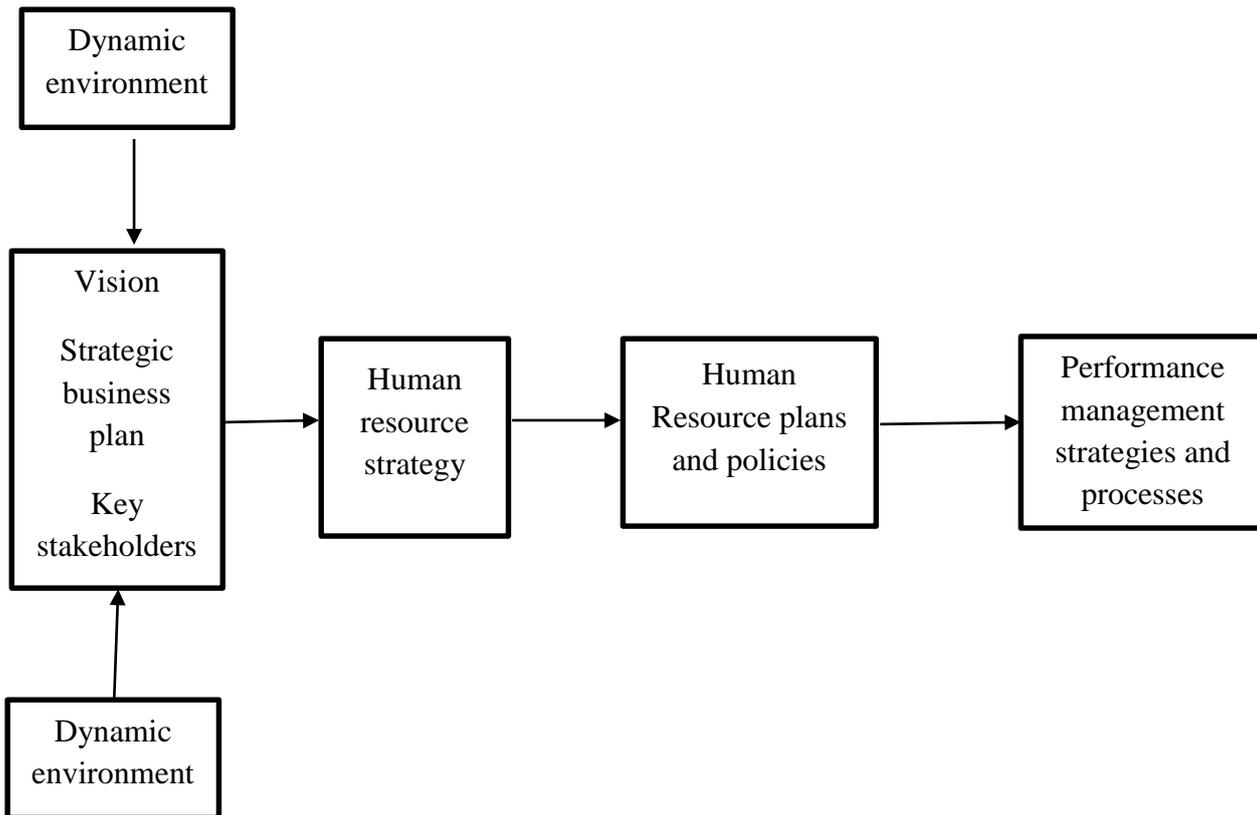


Figure 2: A strategic model of links between performance management, strategy, HRM and employees (Nankervis et al. 2014, p. 340).

From Figure 2, it can be seen that the process can be cascaded down to each level in the organisation so that all individuals are able to contribute towards the strategic direction of the organisation. The success of an organisation is largely dependent (among other factors) on how strong the links are between performance management, strategy, HRM and employees. Using the two models above (Figure 1 & 2), it can be validated that there are in fact clear links between the variables identified in *hypothesis 8*. The variables are interlinked and interdependent to foster organisational effectiveness. Therefore, the proposed hypothesis that performance management, organisational strategy, HRM and employees are all linked is valid and justified. It is concluded that the alternative hypothesis is accepted which stated that “*There are links between performance management, organisational strategies, HRM and employees*”.

## 5.2 Chapter summary

This chapter focussed on the results of the five research questions and the various research hypotheses. The data collected indicated that employees within the consulting firm perceived that a good performance management system encourages and makes sure that organisational

goals are achieved and that each unit within the organisation is networked and fully involved in the formulation and implementation of the performance management system. For employees to perform effectively, it is vital that their job descriptions are congruent with the organisational goals, strategies, mission and vision. In the consulting firm under this study, the participants indicated that clear job descriptions play a vital role in the work performance of employees.

Moreover, the findings also indicated that organisational strategies cascade down to all levels of the organisation. These include organisational mission and vision, strategies and organisational objectives. An ideal performance management system has various characteristics that are suited to the business needs of the organisation, including being fair, reliable, valid, meaningful, open, specific to the needs of the business and being able to identify effective and ineffective performance. In terms of linking performance management, HR and employees, the system has to make sure that individual employee goals are aligned with unit and organisational goals. This will ensure that every individual and every team in the organisation is moving in the same direction to achieve overall employee and organisational effectiveness. To answer the five research questions for this project, a total of 8 hypotheses were tested.

The test carried out on *hypothesis 1* revealed that the aim of performance management system is to achieve organisational goals. This means the null hypothesis was rejected and alternative hypothesis was accepted which stated that the aim of a performance management system is indeed to achieve organisational goals. In *hypothesis 2*, the test revealed that having clear and concise job descriptions enables employees to perform their job better. In this instance, the null hypothesis was again rejected and alternative hypothesis was accepted which stated that for employees to perform better, clear and concise job descriptions are important. When developing performance management practices and policies, it is important to keep in mind the organisational mission and vision as this forms the basis of organisational strategies. The test carried out to test *hypothesis 3* revealed that the employees perceived that awareness of organisational mission and vision is vital, and therefore the null hypothesis was rejected and the alternative hypothesis was accepted which stated that the awareness of organisational mission and vision is important when formulating performance management policies and practices.

A good performance management system has several characteristics. However, depending on the business needs, some features of the performance management may not be implemented

due to the issue of practical implementation for example. *Hypothesis 4* revealed that systems implemented by the organisation should be valid, reliable, fair and practical. In other words the system must give accurate information, should be standardised and be suited to the business needs. In this instance, the null hypothesis was again rejected and the alternative hypothesis was accepted which stated that performance management system should be valid, reliable, fair and practical. The test on *Hypothesis 5* revealed that a good system must be specific, measurable, achievable, realistic and time-bound. Therefore, the null hypothesis was rejected and the alternative hypothesis was accepted which stated that an ideal system must be specific to business needs, should be measurable, achievable, realistic and time bound.

The literature review in Chapter two revealed that rewards and motivation were closely linked. The test carried out in *hypothesis 6* revealed that rewards play a vital role in employee motivation and therefore, the null hypothesis was rejected and the alternative was accepted which stated that reward policies and practices implemented by the organisation indeed motivated employees to perform better. Disciplinary procedures within the organisation are formulated to correct undesirable behaviours and to solve underperformance issues. However, to minimise resistance from employees, it is vital for management to involve employees in the formulation and implementation of disciplinary procedures. The test on *hypothesis 7* revealed that the null hypothesis was accepted which stated that disciplinary procedures do not motivate employees to perform better. For organisations to be effective and achieve their goals and objectives, every employee and unit must work towards a common goal. Therefore, it is vital that every unit in the organisation is interlinked. In *hypothesis 8*, the test was carried out to validate this link and it was found through the qualitative research method (interviews with senior management) that the null hypothesis was rejected and alternative hypothesis was accepted meaning there are links between performance management, organisational strategies, HRM and employees.

In the next chapter the conclusions, recommendations, strengths, limitations and opportunities for future research for this project are outlined.

# **Chapter 6: Conclusions and Recommendations**

## **6.0 Introduction**

This chapter summarises the key findings emanating from this research project and provides recommendations based on the findings in order to answer the main research question: “To identify performance management techniques that organisations need to have in place so that organisational effectiveness is enhanced”. To answer the main research question, this research project primarily focussed on identifying the various performance management techniques that the consultancy firm undertakes to improve its internal structures to enhance employee and organisational effectiveness.

This chapter focuses on providing conclusions and recommendations for the consulting firm for this project that are drawn from the five sub-research questions discussed in Chapters four and five. The strengths and limitations are also outlined before future research opportunities and the final summary is provided.

## **6.1 Research Conclusion**

This research project was conducted using quantitative and qualitative research methods. The quantitative approach used structured questionnaire to collect data from non-senior management employees whereas semi-structured interviews were used to collect data from the senior management from the target organisation. The findings from the data have been analysed and discussed, based on the five research questions. The findings and conclusions are based on relationships deduced from the perceptions of the respondents in this study.

### **6.1.1 Characteristics of Performance Management**

While there are many performance management characteristics, formulating and implementing a perfect performance management system is a difficult and tedious task. However, organisations that have successfully formulated and implemented the ideal system demonstrate strategic congruence. This means there is a clear alignment of goals of each employee, team and organisation as a whole which allows each unit within the organisation to move towards a common goal. In addition to this, the ideal system should be thorough and all employees in the organisation are evaluated. The use of 360-degree feedback and 180-degree feedback are very useful in these instances allowing the system to be open and transparent. The practicality of the

performance system makes it very ideal because it does not require too much time or excessive resources.

Based on the findings, performance systems are meaningful, specific and reliable because it provides the network throughout the organisation and have crucial consequences that provides solid employee improvement plans. In addition to this, the measurement of performance should consistent and should not be contaminated or deficit. In other words it should be valid. An important aspect of performance management is that it should be able to identify performances that are effective and ineffective. This helps management to distinguish employees at different levels of performance. Because performance management promotes an open system and enables all employees to be evaluated, it should be fair and respondents who participated in this project perceived that the process and its outcomes should be justified. Further to this it should be inclusive, correctable, standardised and ethical. Therefore, it can be concluded that an effective performance management system enhances horizontal and vertical integration throughout the organisation.

### **6.1.2 The Performance Management Process**

The findings from this project showed that performance management is an ongoing and never ending process. It is a strategic process that can be flexible, continuous, and adaptable. It involves a range of formal and informal interlinked processes and practices such as induction programmes, job designing, performance appraisal, coaching, mentoring, training and development, talent management, rewards and discipline. Once it is established in an organisation, it becomes part of the organisational culture. In simple terms, the performance management process can be outlined in four stages: planning, action, monitoring and action.

The senior management who were interviewed indicated that during the action stage, individual objectives and performance targets are defined, outlined, shared and agreed upon. This allows transparency, consistency and accountability. It is important that during the planning process, the overall objectives of the organisation are aligned to that of each employee and developed within the context of the job descriptions. This allows specific performances to be agreed upon by all the parties and the timeframes for the achievement of the targets agreed upon. Once the performance targets are agreed upon and outcomes clearly defined, the actual job performance is carried out. The involvement of the manager or immediate supervisor in supporting and guiding the employee during this period depends on the employee and the job role. However, it is important that 360-degree feedback is utilised during the action stage so that the job carried

out by the employee is in line with the outcomes or performances that were agreed during the planning process.

While the job is being carried out, it is important that the performance of the employee is monitored as mentioned above. This is not only to point out the shortfalls in performance but also to identify the strengths in performance. It is important to have a holistic view of performance during the monitoring stage because performance will be subject to change due to changing demands and situations of the organisation. Therefore, the objectives set during the planning stage will need reviewing so that the response to changes is carried out in a timely manner. While the performance reviews are ongoing, formal review processes need to be carried out as well. The main objective of reviews is to share the information gathered on the progress towards achievement targets. In addition to this, the review process sheds important light on identifying any actions that need to be taken so that performance targets are achieved. Therefore reviews may or may not be linked to rewards.

The performance management cycle may work well for organisations that operate in a stable environment. It may also work well for organisations that are well established and do not have much competition. However, an organisation that operates in a rapidly changing environment or is new in the market will have some issues. These issues can be rectified if clear links between various components are established that are flexible and adaptable. For example, performance planning will prove to be futile if performance execution is not carried out properly. In summary, this project found that the basic principle of the performance management process is that it is ongoing, cyclical, adaptable and flexible to the changing needs and demands of the organisation. Each step must be thoroughly implemented because if one step is poorly executed, the whole system will suffer.

### **6.1.3 Techniques of Performance Management**

There are many performance management techniques that organisations employ to achieve and enhance organisational and employee effectiveness. The participants who took part in this project indicated that performance planning usually begins at the induction stage but should be ongoing which involves formal and informal discussions between employee and manager to clearly define and agree performance expectations. It is important to clarify expectations because it links to organisational values and objectives. More specifically it helps clarify role expectations, performance measurement agreement, setting of objectives and the formulation of personal development plans.

Performance evaluation is one of the most common techniques that the target organisation in this project has in place for each employee. Within the evaluation are many components that can be inscribed such as surveys, focus groups and performance appraisals - to name but a few. Evaluation involves looking at what measures are effective and which ones are ineffective. Career development, 360-degree feedback, self-appraisal, personal development plans, leadership development and professional development training are all part of adopting a balanced approach in an organisation. While performance management can offset the balance between employer and employee (for example by being focussed on performance outcomes or performance related pay), greater involvement and ownership will make the performance management process more engaging and will enhance employees to achieve their own objectives.

This project also found out that rewards and discipline are more related to the motivational theories in performance management. While rewards are linked to good performance or performances that are over par, it increases trust, motivation and commitment on the part of employees. Underperformance or misconduct leads to disciplinary actions and if implemented poorly may lead to high staff turnover, failing to meet objectives, legal issues, insubordination, poor work standards and low outputs. Performance management systems play a crucial role in the disciplinary procedures because it assume the role of documentation and therefore, when disciplinary actions are taken, all documentation and evidence are presented by the performance management system.

#### **6.1.4 Steps of Performance Appraisal**

It was also found that performance appraisal is a part of a performance management system; it can be seen as a small circle inscribed inside a bigger circle. It provides management with a systematic description of an individual employee's strengths and weakness. If an organisation has an end of the year review of an individual without ongoing support, training and development or coaching, it cannot be labelled as a performance management system. There are basically five steps of performance appraisal and although each process can be done formally, it can also be conducted informally. The steps of performance management differ from organisation to organisation- depending on the goals, objectives and the needs of the organisation. Holistically, Figure 3 (on the next page) shows the steps of performance appraisal.

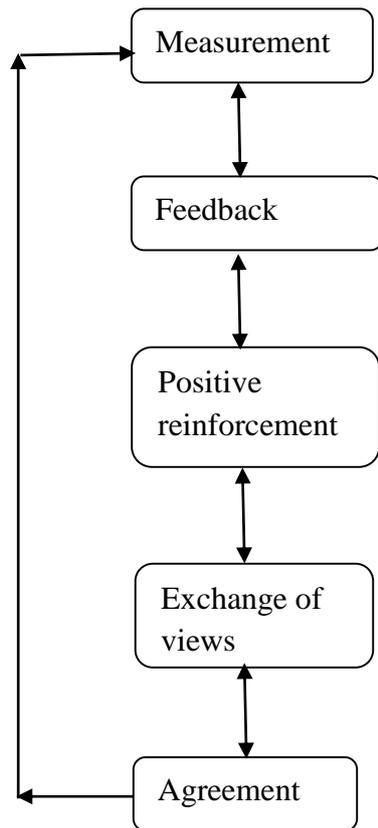


Figure 3: Performance Appraisal Steps (Hutchinson, 2013, p. 120).

### 6.1.5 Problems with Performance Appraisal

The findings from this study also revealed that there are five major problems associated with performance measurement: conflicting aims, management behaviour, subjectivity and bias, control and bureaucracy. Evaluating performance requires looking back at past performance and making judgements and looking forward and providing suggestions and support. If performance is linked to rewards, then employees may be reluctant to admit shortfalls in their performance. Furthermore, they may not be open about their training and development needs because these issues may affect their rewards or pay. This leads to conflicting aims. Employees whose performance is not up to the agreed threshold may display less commitment to their job, tend to be less satisfied with their job and start thinking about leaving the organisation. In addition to this, they are likely to be resistant to changes and challenge decisions made by the management. These issues eventually lead to dysfunctional behaviour and employees deliberately “forget” to carryout assigned tasks or are “too busy” to undertake additional responsibilities or tasks. All these issues are linked to management behaviour problems.

This project also revealed that a major problem associated with performance appraisal is the assessment of performance due to subjectivity and bias. Employees who are close to their

manager or are “in-group” have more access to information than those who are in “out-group”. This results in assessors providing inaccurate ratings on employees and therefore increases mistrust with other employees. In addition to this, the halo or horns effect also contributes towards inaccurate assessments. The assessor may assess an employee who has done well in one criterion and assumes that the performance is same for other criteria, regardless of their performance in other criteria. 4 out of 5 senior management interviewed suggested that one of the key objectives of performance appraisal is indirect control.

Employees are made aware of their performance appraisal during the early stages of performance management. While it is unspoken, employees are made aware that they are under surveillance - the performance appraisal. Any shortfalls seen in the appraisal may result in loss of rewards, pay cuts or disciplinary action. Bureaucracy is one issue that affects both managers and employees. Systems that have too much paperwork and form filling are time consuming and tend to increase more stress. These multi-ratings systems require more time to collate and analyse information so that it aligns with the required performance management system. However, to eliminate these issues to some extent, most organisations make use of e-HRM platforms.

## **6.2 Recommendations**

### **6.2.1 Recommendation one**

Senior management need to formulate and implement an open system where all the employees are involved in the design and implementation of the performance management system. The findings revealed that some aspects of the performance system are implemented using a top down approach. This means that management develops and implements policies and practices without consulting or taking on-board the views of non-senior management employees. This was clearly seen when a majority of the non-senior management employees indicated that disciplinary procedures do not enhance their performance. To maximise the acceptance of the system, the management should involve employees, understand employee needs, provide facts and consequences and use multiple channels of communication.

In addition to having and implementing a communication plan, training programmes should be provided for employees who perform performance appraisal to minimise errors during the appraisal process. Furthermore, a pilot testing system should be put in place to revise and make changes before that actual system is implemented.

### **6.2.2 Recommendation two**

It is highly recommended that the organisation embark on developing personal development plans for all its employees because it is one of the key components of a performance management system as it specifies the course of action that can be taken to improve performance. Short term and long term development plans should be clearly outlined so that improvements on the current job can be addressed and sustained. The plan should also focus on preparing employees for advancement in their careers even if advancement within the organisation is not clear. These plans can be implemented in the form of developmental objectives such as on-the-job training, courses, mentoring and job rotation.

Immediate supervisors play important roles in helping employees define the scope of their developmental objectives. The supervisors have the responsibility to ensure that employees are progressing towards achieving their developmental objectives and providing appropriate resources that will enable employees to engage in appropriate activities such as courses and mentoring. However, to facilitate these activities effectively, it is important for supervisors to be motivated to support the developmental plans of employees as well as measure and reward employee accomplishment appropriately.

### **6.2.3 Recommendation three**

The findings also revealed that many employees do not support the disciplinary procedure that is in place. This was indicated by the extent of employee turnover noted by senior management. In addition many employees indicated that disciplinary procedures do not improve their performance. The disciplinary procedures should not come as a surprise to employees if there is a good performance management system in place. This is because the system will allow many opportunities to overcome performance problems before the disciplinary procedures are commenced.

However, when implementing the disciplinary procedures, it is important that management are aware of the various pitfalls such as acceptance of poor performance and arguments that performance standards are unfair or unrealistic. These arguments can be easily avoided if the employees are involved in the formulation and implementation of the disciplinary procedures. Having appropriate documentation such as past performance appraisal documents and performance reviews will help management avoid unnecessary arguments and debate. A well designed and well implemented system will enable management to have all the necessary documentation to present to employees in times of disciplinary procedures.

#### **6.2.4 Recommendation four**

While senior management acknowledged that performance management systems should be integrated with other HR and development activities, the research found that the system was still unable to retain talent and therefore the organisation experienced employee turnover. Performance management also provides crucial information for workforce planning. The talent inventory of an organisation is based upon the information collected through the performance management system. The study found that there was no talent inventory process put in place to make decisions regarding recruitment and hiring.

It is highly recommended that a talent inventory be formulated so that knowledge about the current and future organisational talents are recorded. This will enable the consultancy firm to decide what types of skills need to be sought from external sources and what types of skills are available within the organisation. In addition to this, the talent inventory will help the organisation forecast what potential talents will be required in the future and how these skills can be developed within the organisation.

#### **6.2.5 Recommendation five**

According to the findings, reward management played a vital role in the motivation of employees in the target organisation. It is recommended that reward management employed by the organisation should be used in a strategic context to further enhance employee motivation and performance. There was no indication as to how the consultancy firm used its reward management strategies to help communicate the organisation's desired behaviours, values and expectations. This can be done by clearly outlining how employees can complete their work tasks that are aligned with the organisational goals and strategies.

In addition to this, it is recommended that the consultancy firm undertake a survey to determine how other consultancy firms reward their employees so that it is able to match the market reward systems. One of the services provided by the consultancy firm is construction and therefore, this service can be used by the organisation in a strategic context. For example, providing free domestic house renovations for high performing employees. This will further motivate employees as a form of non-financial reward.

#### **6.2.6 Recommendation six**

While the target organisation uses technology to track employee and organisational performance and for documentation purposes, it is recommended that a more e-HRM platform is implemented. This will allow the firm to develop and maintain HRM more effectively so

that HR strategies, policies and practices are implemented faster with minimum cost. While the researcher noted some HR activities such as recruitment, within the target organisation using an e-HRM platform, this can be used more effectively to improve its performance management system. E-HRM is associated with increased productivity and reduces the administration tasks undertaken by HR professionals in an organisation.

Therefore, by implementing an e-HRM system that is bundled together with the performance management system will further enhance employee and organisational effectiveness. One of the functions of performance management is documentation and therefore by implementing the e-HRM system, the functions of the performance system will be further strengthened.

## **6.3 Strengths and limitations**

### **6.3.1 Strengths of the research study**

The key strengths of this research project were the validity and reliability of the data collected and the analysis carried out by the researcher. Data were collected from two main sources within the consulting firm. Quantitative data were collected from the non-senior management employees and qualitative data were collected from senior management. Both groups had an understanding about performance management and how it was practised within their organisation. Therefore, the data that were collected was valid and relevant to the research project and reflected the various performance management practices that were employed by the consulting firm. While one group gave their views from a management point of view (senior management), the other indicated their views from subordinate points of view (non-senior management employees). This enabled the research to analyse the data, draw conclusions and gain better understanding of the study phenomenon. Every participant (for quantitative research) was given one questionnaire each and was given ample time to fill the questionnaire out without any interference from the researcher and this ensured that the data collected was reliable. In addition to this, the qualitative data was collected from senior management individually with discrete interviews with each participant.

The results obtained from the data analysis were consistent with the various theories explored in Chapter two of this project. The conclusions drawn from the various tests in Chapter four and Chapter five were consistent with the performance management practices in the consulting firm. For example, most respondents indicated that reward management practices within the consulting firm motivated them to perform better at their jobs. When the Chi-Square Test was

carried out, it returned a *p-value* of less than 0.05 which indicated that reward management indeed motivated employees and this was consistent with the reward management theory explored in Chapter two of this project.

### **6.3.2 Limitations of the research study**

The survey was carried out in a consulting based company and therefore, the performance management practices and conclusions drawn from the proposed hypothesis may be relevant to the specific consulting firm, or to the consulting industry only. Furthermore, there are many performance management techniques that are employed by organisations which are relevant to individual business needs that provide competitive advantage for individual businesses. Therefore, the various techniques and implications discussed in this project may not be suitable to all organisations.

This project focussed on collecting data using quantitative and qualitative methods and while the data were collected using structured questionnaires and face-to-face interviews, the respondents may not have been able to articulate their thoughts very well. Further to this, the respondents who took part in this project were chosen based on random sampling and it was assumed by the researcher that they represented the whole population of the consulting firm.

Another limitation of this project was associated with the targeted participants. Since this project was based on a specific subject and targeted specific participants, some employees who might have provided important information for this research project might have been missed. While the researcher had pre-arranged to carry out research with the consultancy firm, there was a delay in getting the filled questionnaires back from non-senior management employees. This delay in collecting data slowed the research writing and data analysis process of this project which led to some frustration for the consulting firm in getting the results to make adjustments to their processes.

## **6.4 Future Research**

Future research opportunities exist to conduct more detailed studies on performance management. While this project used only one organisation for data collection, research can be conducted in other larger organisations to explain how different organisations use performance management effectively to support the pursuit of organisational goals.

While theoretically it has been established that there are clear links between performance management, organisational strategies, HRM and employees, these links can be easily

misunderstood and therefore, carrying out more authentic and personalised research for individual consulting organisations may be very beneficial. There are many consulting firms operating in New Zealand and each firm has its own performance management system, and therefore conducting research on individual firms may prove beneficial.

Another very interesting area in which comparative research potential lies is how various motivational theories relate to performance management and organisational and employee effectiveness and how these are linked to reward management. This study found that reward and motivation are closely linked and it clearly defines a positive link. However, it will be interesting to see the correlation if reward management practices are absent. How will employers and management motivate employees to be more productive and what impact will this have on the achievement of organisational goals and objectives? In addition to this, the consulting firm could carry out a longitudinal study and see how the implementation of performance management practices is taking place overtime.

This research project only focussed on how performance management can be used to enhance employee and organisational effectiveness within the consulting firm. Therefore, it would be very beneficial for the consulting firm to carry out a research project to find out how the organisation can make use of the performance management practices identified in this project from a client point of view to get opinions from its clients so that it is able to retain and attract more clients for its business. This could be done perhaps by using SWOT analysis and balanced scorecards.

## **6.5 Chapter Summary**

It can be concluded that performance management is an ongoing and continuous process which requires input from all stakeholders in an organisation. Performance management does not take place at intervals but is an ongoing process consisting of several components. It is important that the performance management process is carefully and well implemented at each stage, otherwise the whole system will be poorly implemented and will provide inaccurate and invalid information. This will affect the overall effectiveness of the organisation because poor and inaccurate decisions will be made. A well designed and well implemented system will provide accurate and valid information and will make a substantial contribution towards organisational effectiveness.

In the case of the consulting firm, although the performance management system was in place, there were some employees who were not entirely satisfied with the way it worked. For example, many participants indicated that they were not satisfied with the disciplinary procedures. Every organisation has disciplinary procedures in place to deal with under-performance and undesirable behaviour. However, if the employees are involved with the design and implementation of the disciplinary procedures, there will be minimum resistance when these procedures are carried out. The performance management system integrates all the activities of an organisation and presents it as a central function of the organisation and therefore, if poorly designed and incorrectly implemented, it will not be beneficial for the organisation.

By carefully considering and implementing the results of this research study, the consulting firm will undoubtedly enhance its internal structures within the firm and its competitive position in the consultancy market it operates in. This is because it now has empirically proven data to achieve its organisational objectives, goals and effectiveness and to formulate, re-adjust and implement its SHRM activities.

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# APPENDICES

## APPENDIX 1: Approval letter



Anjeshwar Singh  
225B Edmonton Rd  
Te Atatu South  
Auckland, 0610

26.6.14

Dear Anjeshwar,

Your file number for this application: **2014-1021**

Title: **Using performance management techniques to enhance employee and organisational effectiveness.**

Your application for ethics approval has been reviewed by the Unitec Research Ethics Committee (UREC) and has been approved for the following period:

Start date: **12.6.14**

Finish date: **12.6.15**

Please note that:

1. The above dates must be referred to on the information AND consent forms given to all participants.
2. You must inform UREC, in advance, of any ethically-relevant deviation in the project. This may require additional approval.
3. Organisational consent/s must be cited and approved by your primary reader prior to any organisations or corporations participating in your research. You may only conduct research with organisations for which you have consent.

You may now commence your research according to the protocols approved by UREC.

We wish you every success with your project.

Yours sincerely,

Gillian Whalley  
Deputy Chair, UREC

CC: Pieter Nel  
Cynthia Almeida

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Henderson  
Auckland 0612  
New Zealand

## **APPENDIX 2: Information sheet**



### **Information for participants**

#### **Research Project Title: “Using performance management techniques to enhance employee and organisational effectiveness”**

My name is Anjeshwar Singh, and I am a post-graduate student, studying Master of Business at Unitec Institute of Technology, New Zealand. To fulfil the programme’s requirements, I will conduct a research study on performance management and will focus on exploring various performance management techniques used by organisations to enhance employee and organisational effectiveness.

#### **What am I doing?**

The aim of this project is to identify the performance management techniques organisations need to have in place so that organisational effectiveness is enhanced. It also explores the various performance management techniques that organisations currently have in place and attempts to verify the link between performance management, organisational strategy, employees and HR. By taking part in this project, you will assist me understand more about the performance management techniques that are employed in your organisation. It will further help me understand which techniques are more effective to attain organisational and employee effectiveness. Furthermore, it will help investigate and understand the link between various HR activities, performance management, organisational strategy and employees. Therefore, the research will develop a model which can be used as a guideline by consulting firms to enhance performance management practices.

### **What will it mean for you?**

The researcher would like you to take part in this project to answer some questions related to performance management. If you are taking part in the interview, it will take about 30-60 minutes. However, if you are taking part in filling out the questionnaire, it will take you about 10- 20 minutes. After I get the permission to undertake research at your organisation, I will visit your organisation and hand over the questionnaires to your HR manager who will pass it onto you should you agree to take part in filling the questionnaire. If you agree to take part in the interview, I will visit your organisation at a time convenient to you as pre-arranged between us. However, this is a voluntary process and you are under no obligation to participate in this project if you do not wish to. If you agree to participate, you will then be signing a consent form (for interviewees only) on the day of the interview. If during the interview process you change your mind and decide not to continue with the interview process, you have the right to withdraw without any explanation. If you decide to withdraw after the interview process has taken place, it must be done within two weeks after the interview.

Your personal information such as your name and employment status/ hierarchy will not be presented and will be kept anonymous. Your comments or answers will not be identified as belonging to you or your organisation. All information collected from you will be kept in a confidential manner and will be stored secured on a password protected file and only you, the researcher and my supervisors will have access to this information.

For the information collected via questionnaires will be entered into SPSS software and analysed without revealing any confidential information such as your name or the organisation you work for. Information collected via interviews will be recorded and then transcribed by the researcher. To ensure confidentiality, the researcher will sign a confidentiality agreement. I will then send you a copy of the transcript to check for accuracy and amend as you see fit. In addition, you also have the right to access the final report should you wish to. However, the information collected maybe presented in future publications and conference presentations.

If you have any concerns or queries about this project, please do not hesitate to contact my primary supervisor at Unitec, New Zealand, Professor Pieter Nel, telephone +64 9 8154321 ext. 7026 or email [pnel@unitec.ac.nz](mailto:pnel@unitec.ac.nz)

**UREC REGISTRATION NUMBER: 2014-1021**

**This study has been approved by UNITEC Research Ethics Committee from 12<sup>th</sup> of June, 2014 to 12<sup>th</sup> of June 2015. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (Phone: 09 815 4321 ext 6162). Any issues you raise will be treated in confidence and will be fully investigated and you will be informed of the outcome.**

## **APPENDIX 3: Participants consent form**



### **Participant Consent Form**

#### **Research Project Title: “Using performance management techniques to enhance employee and organisational effectiveness”**

I have had the research project explained to me and I have read and understood the information sheet given to me.

I understand that I don't have to part of this project if I don't want to and I have the right to withdraw from the project within two weeks after the interview.

I understand that everything I say or any comment I make is confidential and none of the information I give will identify me or my organisation. However, only the researcher and his supervisors will have access to all the information or comment I make. In addition to this, I fully understand that all information or comment I make will be stored securely on a computer at Unitec Institute of Technology for a period of 5 years.

I understand that my discussion with the researcher will be recorded and transcribed.

I also understand that I will be able to see and approve the transcription as well as the finished research document.

I have had time to consider all the information presented to me by the researcher and I give my consent to be part of this project.

*Participant Signature:* ..... *Date:* .....

*Project Researcher: Anjeshwar Singh*

*Date:* .....

**UREC REGISTRATION NUMBER: 2014-1021**

**This study has been approved by UNITEC Research Ethics Committee from 12<sup>th</sup> of June, 2014 to 12<sup>th</sup> of June 2015. If you have any complaints or reservations about the ethical conduct of this research, you may contact the Committee through the UREC Secretary (Phone: 09 815 4321 ext 6162). Any issues you raise will be treated in confidence and will be fully investigated and you will be informed of the outcome.**

## APPENDIX 4: Organisational consent form



### Organisational Consent

I (*name*), (*position in organisation*) of (*organisation name*) give consent for *Anjeshwar Singh* to undertake research in this organisation as discussed with the researcher.

The consent is subject to approval of the research ethics committee application number **2014-1021** by the Unitec Research Ethics Committee and a copy of the approval letter being forwarded to the organisation as soon as possible.

Signature:

Date:

## APPENDIX 5: Questionnaire



*Dear participant*

*This questionnaire is designed to help the researcher to gain more understanding of the performance management techniques that can be used to enhance organisational effectiveness. Please be assured that you will remain anonymous. It is intended that this questionnaire will provide the researcher with more information that will help the researcher draw appropriate conclusions in determining performance management techniques in your organisation. Thank you for your participation.*

1) Please tick your appropriate level of employment with your organisation.

- Senior Manager
- Manager
- Team Leader
- Supervisor
- Employee (without any management portfolio)

2) Below is the list of various performance management techniques that organisations undertake to manage performance. Please tick the techniques that applies to you (you may tick more than one box).

- Performance planning (or goal setting)
- Performance evaluation
- Career development planning
- 360-degree feedback
- Coaching/ mentoring
- Professional development training
- Leadership development
- Rewards

- Discipline
- Other (Please specify): \_\_\_\_\_

3) Are you satisfied with the current performance management practice(s) in your organisation?

- Very Satisfied
- Satisfied
- Neutral
- Unsatisfied
- Very Unsatisfied

4) Are you aware of the mission and vision for the organisation you work for?

- Yes
- No

5) Do you think the mission, vision and organisational strategy play important role in developing performance management policies and practices?

- Yes
- No
- Not sure

6) Does having clear, concise and well defined job descriptions play important role in your performance at work?

- Yes
- No

7) From your own point of view, what are the aims and objectives of performance management in your organisation? Please tick the appropriate box.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
To help employees with career development					
To provide feedback and review					
To identify areas of improvement					
To identify productive and good employees					
To identify which employees should be rewarded or promoted.					
To help determine and address misconduct of employees					

8) The list below outlines statements that address performance management in general. Please indicate if you strongly disagree, disagree, neutral, agree or disagree by putting a tick.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The main aim of performance management should be to achieve organisational goals					
Performance management systems should be designed in					

such a way that it motivates employees.					
Performance management system of an organisation should be well defined and must be realistic.					

9) Using the list given below, please indicate which objectives are important in terms of performance management. (You may tick more than one box)

- Should be specific
- Should be measurable
- Should be achievable
- Should be realistic
- Should be time-bound

10) Using the following scale, please rate your satisfaction with your current performance management system

	Very Unsatisfied	Unsatisfied	Neutral	Satisfied	Very Satisfied	Not Applicable
Performance planning (or goal setting)						
Performance evaluation						
Career development planning						
360-degree feedback						
Coaching/ mentoring						

Professional development training						
Leadership development						
Rewards						
Discipline						
Other (Please specify) _____						

11) How often is the effectiveness of your performance management system reviewed? (Please tick that applies)

3 months	6 months	Yearly	Every two years	Not Reviewed

12) In your own opinion, do you think the components of your performance management system are integrated? (such as performance planning/goal setting and evaluation, career planning and development, training and development, feedback, coaching and mentoring, rewards and promotion). Please tick that applies.

Not integrated	Integrated	Average	Very Integrated

13) Please rate the importance of the following requirements for effective measures of performance.

	Very Unimportant	Unimportant	Neutral	Important	Very Important
Should be valid					
Should be reliable					
Should be fair					
Should be practical					

14) Listed below are five steps of performance appraisal. Please indicate which way the appraisal steps should be carried out. (1 = step 1, 2 = step 2, 3 = step 3, 4 = step 4, 5 = step 5)

Measurement \_\_\_\_\_

Feedback \_\_\_\_\_

Positive reinforcement \_\_\_\_\_

Exchange of views \_\_\_\_\_

Agreement \_\_\_\_\_

15) In your opinion, who do you think should carry-out the performance appraisal process? (Please tick- you may tick more than one box).

- Immediate manager/supervisor
- Self
- Peers
- Subordinates
- Customer
- Multi-level or 360 degree appraisal.

16) Listed below are some problems associated with performance appraisal. Please indicate the level of these problems. (1- very problematic, 2- somewhat problematic, 3- neutral, 4- no problem at all).

Conflicting aims \_\_\_\_\_

Management behaviour \_\_\_\_\_

Subjectivity and bias \_\_\_\_\_

Control \_\_\_\_\_

Bureaucracy \_\_\_\_\_

17) The table below shows various techniques used to manage performance. Please indicate by ticking appropriate box whether it is effective or not effective.

Technique	Effective	Not effective
Regular informal feedback and guidance		
Formal process reviews		
Employee development and training		
Maintaining employee motivation		
Capability procedure		
Disciplinary procedure		
Coaching		
Soft skills performance indicators/measures		
Counselling		
Financial performance indicators/measures		
Employee assistance programmes		

18) Using the range of performance management activities below, please indicate which activities help employees align their personal goals with that of the goals of the organisation. (You may tick more than one option).

- Performance appraisal
- Objective or target setting
- Regular review meeting to assess progress
- Development opportunities meetings
- Performance related pay
- Career development meetings
- 360-degree feedback

## APPENDIX 6: Semi-structured interview



### SEMI-STRUCTURED INTERVIEW QUESTIONS

#### **I. Identifying the performance management techniques currently employed**

1. What are the current performance management techniques that are used by your organisation?
2. Do you think the employees in your organisation are satisfied with the current performance management practices in your organisation?
3. Do you think the employees in your organisation are aware of the mission and vision for this organisation?
4. How do you think the mission, vision and organisational strategy play important role in the development of the performance management policies and practices in this organisation?
5. How are reward management practices employed in your organisation?

#### **II. Aims and objectives of performance management**

1. From the management point of view, what do you think are some of the aims and objectives of performance management?
2. Do you think performance management should be well defined, realistic and should be designed to motivate employees?
3. How do you ensure that performance management practices achieves organisational goals in your organisation?

#### **III. Effectiveness of performance management**

1. How often do you think the performance management system should be reviewed?
2. How do you ensure that the components of performance management system are integrated in your organisation?

3. Do you think all employees in your organisation are aware of the effective measures of performance in your organisation?

**IV. Difference between performance management and performance appraisal**

1. In your opinion, what is the difference between performance management and performance appraisal?
2. What are some of the steps your organisation takes to carry out performance appraisal?
3. Who do you think should carry out the performance appraisal process?
4. What are some of the issues you face when carrying out the performance appraisal process?

**V. Link between organisational strategy, performance management, HR and employee**

1. How do you ensure that organisational goals are aligned with the personal goals of the employees in your organisation?
2. How do you determine the link between organisational strategy, performance management, HR and employees in your organisation?
3. How do you think performance management and organisational strategy relate to improved organisational effectiveness?

**VI. Technology and strategic human resource management**

1. Do you believe technology has transformed the way organisations do business?
2. What are some of the technological initiatives employed by your organisation?
3. Do you think e-HRM enhances productivity?
4. How effective is the use of e-HRM in your organisation?
5. Are there any further comments that you would like to add?