An Evaluation of a Performance Management System in the SA Pulp and Paper Manufacturing Industry: A Case Study

By

Pauline Camp

Submitted in partial fulfilment of the requirements for the degree of
MASTER OF BUSINESS ADMINISTRATION

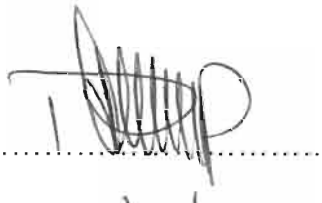
Graduate School of Business, Faculty of Management
University of Natal (Durban)

Supervisor: Prof D Coldwell

August 2003

DECLARATION

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

Signed  .....

Date 15/09/2015 .....

ACKNOWLEDGEMENTS

My appreciation goes to my supervisor Prof Coldwell for his guidance, and to Dr Moolman for his assistance.

Thank you also to my current and past managers, for their continued financial and personal support.

Lastly, to my parents, this is dedicated to you, in appreciation of the sound educational foundation you offered me.

ABSTRACT

This study evaluates the implementation of a performance management system within a division of a company operating in the pulp and paper manufacturing industry.

The research has been carried out in order to establish the perceived effectiveness of a performance management system as well as to identify areas where the system can be improved upon.

An empirical study was carried out in the form of an e-mailed questionnaire to approximately 350 employees at Paterson grading level Upper C to Upper D across all mills, covering all aspects of the performance management system which included the process of establishing individual performance agreements, performance feedback as well as performance rewards.

An analysis on the relationship between salary, salary increase percentage and performance positioning was also carried out.

The survey data showed an overall positive level of satisfaction with the performance management system. A shortcoming, however, was found in the link between performance and pay, which very few of the employees surveyed were satisfied with.

TABLE OF CONTENTS **PAGE**

LIST OF TABLES

LIST OF FIGURES **PAGE**

CHAPTER 1
OVERVIEW OF THE STUDY

1.1 Introduction

One of the key imperatives to business success in an increasingly competitive and ever changing set of market conditions undoubtedly lies in harnessing the full potential of all employees through a formalised and integrated performance management system. Through such a system, employees at all levels of an organisation are focused on a common vision and through a structured cascading process of business objectives are assisted to understand how they contribute towards the broader business success. With the focus on participation in setting individual performance targets, commitment towards the development of all employees, frequent feedback on performance and finally, ensuring that good performance is rewarded both financially and otherwise, organisations will be well positioned to compete and possibly outperform their competitors in a variety of measures.

The objective of this study was to evaluate the success of the implementation of a performance management system within a division of a company operating in the pulp and paper manufacturing industry.

This study aimed to address the following:

- To what extent has the performance management system been implemented as intended during the design phases?
- To what extent does salary increase reflect performance?
- Is there a relationship between the relative positioning of salaries within a grade and work performance?

1.2 Background of the study

In the face of increasing international pressure, a few years ago, the division embarked on a "world class" drive and redefined its vision to that of producing world class value for customers. A key human resources strategy was to ensure world class performance from people through the introduction of a formal performance management system. Based predominantly on the balanced scorecard concept of Kaplan and Norton, the system was introduced through the executive management team. After a series of interactive workshops, a business dashboard was produced. This was cascaded throughout the organisation in natural working teams down. The system was aimed at Paterson grading level Upper C and above, the level immediately above the majority union bargaining unit. The intention was that each employee would have a two-page performance agreement with key performance areas, performance measures and targets on the first page, followed by an individual development plan on the second page.

The system made provision for performance reviews at least twice a year, followed by a final third review from which the reward system in the form of annual salary increases and bonuses were determined.

No rewards were linked to performance for the first trial year of the system. From year two, both the salary and the performance bonus would be determined by each individual's performance percentage. It was also agreed that negotiations with the majority union would be entered into, with the intention of eventually including all decentralised bargaining unit members in the performance management system.

January 2003 saw the first organisation wide round of performance based salary increases for employees at levels Upper C and above, with a theoretical range of 0 – 15 %. At the time, a decision was taken not to factor in the

relative position of employee salaries in their salary scale in determining the increase percentage, since this was not discussed as part of the design but there was agreement that this should be considered the following year.

The annual performance bonus, determined at the end of the annual financial year, being 01 March 2003 was also based on performance.

Subsequent to the "world class" drive of a few years ago, the division has also recently embarked on a "employer of choice" drive, with the intention of transforming the business into an environment where talented individuals are both attracted and retained. One of the key strategies is to create a performance culture through the optimisation of the performance management system and related reward process.

1.3 Problem statement

- To what extent has the performance management system been implemented as intended?

- What type of reward do employees prefer?

- To what extent has the reward system been implemented as intended?

- Is there a relationship between the positioning of salaries within a grade and work performance?

1.4 Research objective

To objective of the research is to evaluate the success of the implementation of the performance management system.

1.5 Benefits of the study

Organisations will need to focus increasingly on strategies to both attract and retain talent in the workplace if they want to maintain a competitive market edge. A formal integrated performance management system with an appropriate reward structure for different categories of performance will certainly contribute towards this aim and entrench this division as an employer of choice.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter will deal with an overview of the literature in the field of performance management. It will progress from definitions of performance management to the difference between performance management and performance appraisal, the benefits of performance management, fundamental approaches to performance management, the components of an effective performance management system and end with a model of an integrated performance management system.

The majority of this chapter will deal with the components of an effective performance management system and will focus on the importance of establishing the business direction, how to introduce the performance management system, the process of establishing a performance agreement, giving performance feedback, the reward system and finally the evaluation stage.

2.2 Definition of performance management

Prior to exploring the definition of the term performance management, it would be beneficial to first gain an understanding of the two separate concepts of performance and management. There are a multitude of definitions to choose from, one of which is offered by Robbins and De Cenzo (1998) who define management as the process of getting things done, effectively and efficiently, through and with people.

The concept of performance, as defined by Reber (1985), can be understood

as an activity or set of responses that has some effect upon the environment.

When the two concepts are combined, the term performance management can then be defined, as Costello (1994) suggests, as that which supports a company's or organisation's overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit.

Noe et al (2000) offer an alternative definition to performance management by suggesting that is the process through which managers ensure that employees' activities and outputs are congruent with the organisation's goals.

Performance management can also be defined, as suggested by Armstrong and Murlis (2001) as an approach to managing people that increases the probability of organisational success.

The writer suggests that another definition of performance management could include a process of guiding, developing and motivating employees to utilise their full potential in achieving shared business goals.

2.3 The difference between performance management and performance appraisal

Noe et al (2000) notes that performance appraisal is one part of the broader process of performance management. He suggests that the most predominant reasons why performance appraisals were disliked by both managers and employees were the lack of frequent reviews, lack of employee involvement and lack of recognition for good performance. He also goes on to say that an effective performance management system should link employee activities with the organisation's strategic goals, furnish valid and useful information for making administrative decisions about employees and provide employees with useful developmental feedback.

Fletcher (2001) suggests that performance appraisal has widened and, in the form of performance management, has become part of a more strategic approach to integrating human resources and business issues. He comments that research on the subject has moved beyond measurement issues to the more social and motivational aspects of performance management.

Spangenberg (1994), in table 2.1 below, outlines a rather comprehensive list of problems associated with the more traditional concept of performance appraisals, which covers issues of context, system characteristics, performance appraisal elements and performance appraisal outcomes:

Table 2.1

Sources of performance appraisal problems

Context	
Organisational characteristics	• Emphasis on past clashes with managerial preference for current information • No commitment to appraisal • Conducting of appraisals not reinforced e.g. no rewards for conscientious appraisals • Performance appraisals not declared an important managerial function • Redundant in democratic participative climate
Position characteristics	• Inability to observe performance
System Characteristics	
Implementation	• No user participation in systems development • Failure to develop performance measures from job analysis • Rating system administered subjectively • Results used to discriminate on the basis of race, sex, etc.
Performance appraisal policies	• No standard policy regarding rater's tasks or roles in appraisal • No standard policy regarding frequency of appraisals
Performance appraisal elements	

Rater and rating process	Observation • Lack of knowledge of ratee's job • Possession of erroneous or incomplete information • Differing expectations because of level in hierarchy and role Judgement • Bias and errors in human judgement • Stereotypes and prejudices
Performance appraisal instrument	Performance measures (criteria) • Ambiguity of performance measures: incompleteness • Lack of specificity and behaviour-based language • Irrelevant performance criteria • Criteria not communicated explicitly to ratees Performance appraisal system • Inability of system to reflect dynamic nature of jobs and organisational context • Credibility loss from outdated systems
Performance appraisal outcomes	
	Evaluation • Failure to recognise excellent performance • Promotional decision errors • Staffing jobs with inadequate skills mix Guidance and development • Failure to recognise potential • Failure to build skills through training Motivation • Grievances because of subjectivity and bias

(Source: Williams, 1998)

Spangenberg (1994) further suggests that an integrated performance management system that will overcome the inadequacies of separate strategic planning and performance appraisal systems will require:

- Top management involvement
- Formulating a corporate vision and mission
- Corporate objectives and strategies communicated downwards and work objectives set for all employees
- A systems view of the organisation
- Conscious efforts to improve core organisational skills, competencies, and strategic capabilities
- Optimising the role of natural teams in determining departmental and smaller unit goals
- A holistic approach towards assessing performance

According to a survey by Development Dimensions International on two hundred and seventy eight organisations as reported in HR Focus (August 2003), it is interesting to note that performance management systems are in use at ninety one percent of organisations, compared to in 1997 when only forty six percent of organisations had this in place. The survey also shows that seventy four percent of organisations use their performance management system with at least seventy percent of their employees.

2.4 Benefits of performance management

Organisations with programmes that manage the performance of their people outperform organizations without such programmes on a wide range of financial and productivity measures, reports Glendinning (2002).

Macaulay and Cook (1994) suggest that effective performance management will result in:

- Accountability
- Quality improvements
- Good communication
- Achievement

2.5 Approaches to performance management

Williams (1998) notes that authors on the subject of performance management seem to take one of three different approaches, where the focus is either on:

- Organisational performance
- Employee performance
- A combination of organisational and employee performance

Organisational Performance

Theories that support the view that performance management is essentially based on the issue of organisational performance, such as Rogers (1990), Bredrup (1995) and Lawson (1995), use a strategic approach to performance management through determining the organisation's vision, mission and strategy followed by the implementation of the chosen strategy through

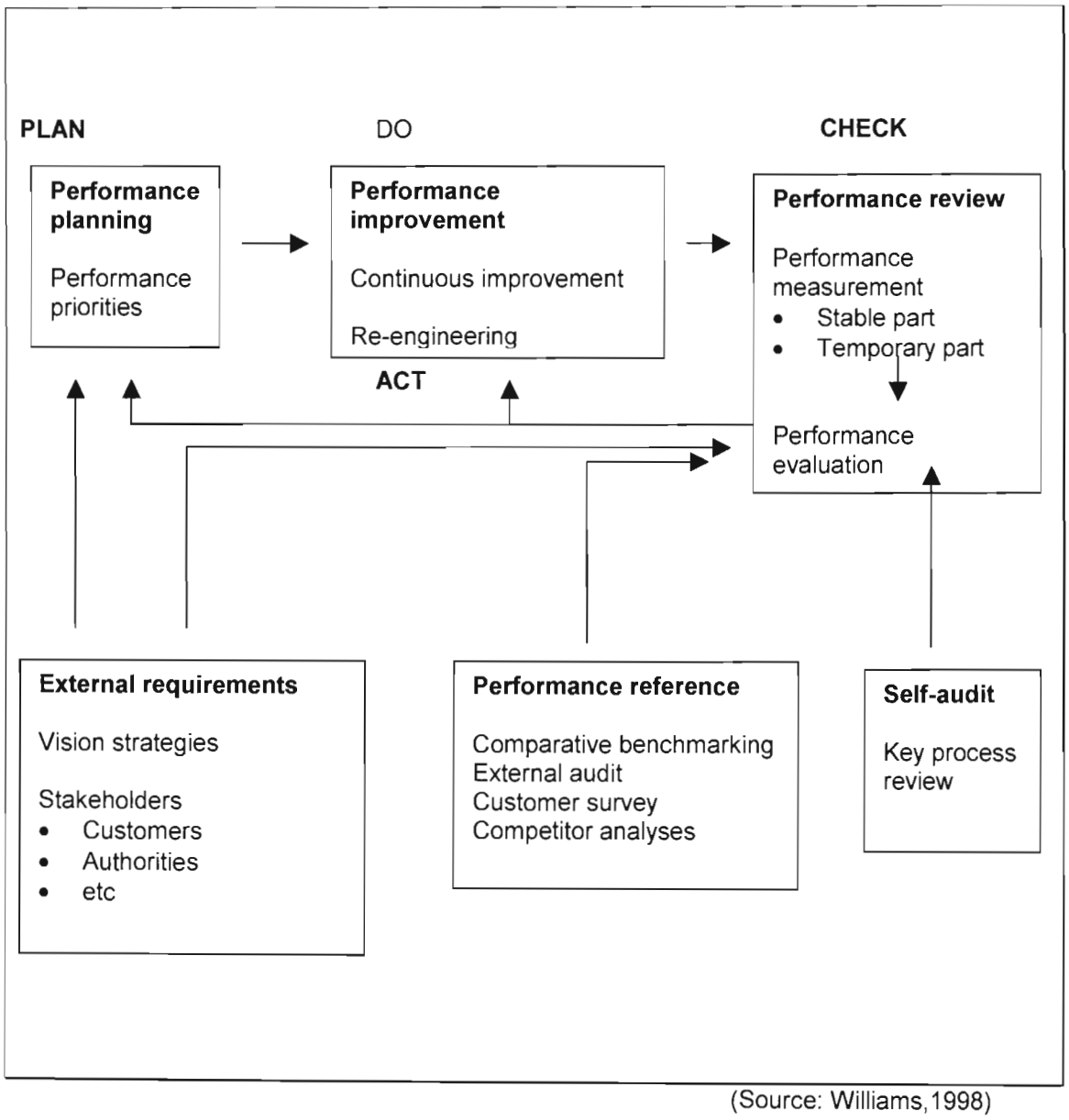
various systems and procedures. The belief is that organisational performance can be best achieved by ensuring the correct systems are in place, the responsibility for which rests primarily with management.

One of these theorists, Bredrup (1998), proposes a performance management system from an organisational perspective that covers three main areas: performance planning; performance improvement; and performance review.

As displayed in figure 2.1 below, the performance planning stage involves formulating the organisation's vision and strategy, the performance improvement stage includes issues such as business process re-engineering, continuous process improvement, total quality management and benchmarking. The performance review stage consists of performance measurement and evaluation.

Figure 2.1

Performance management: planning, improvement and review



(Source: Williams,1998)

Individual performance

Some of the authors who believe that performance management is predominantly about individual performance, include Ainsworth and Smith (1993), Guinn (1987), Heiser et al (1988), Torrington and Hall (1995) and Schneier et al (1987).

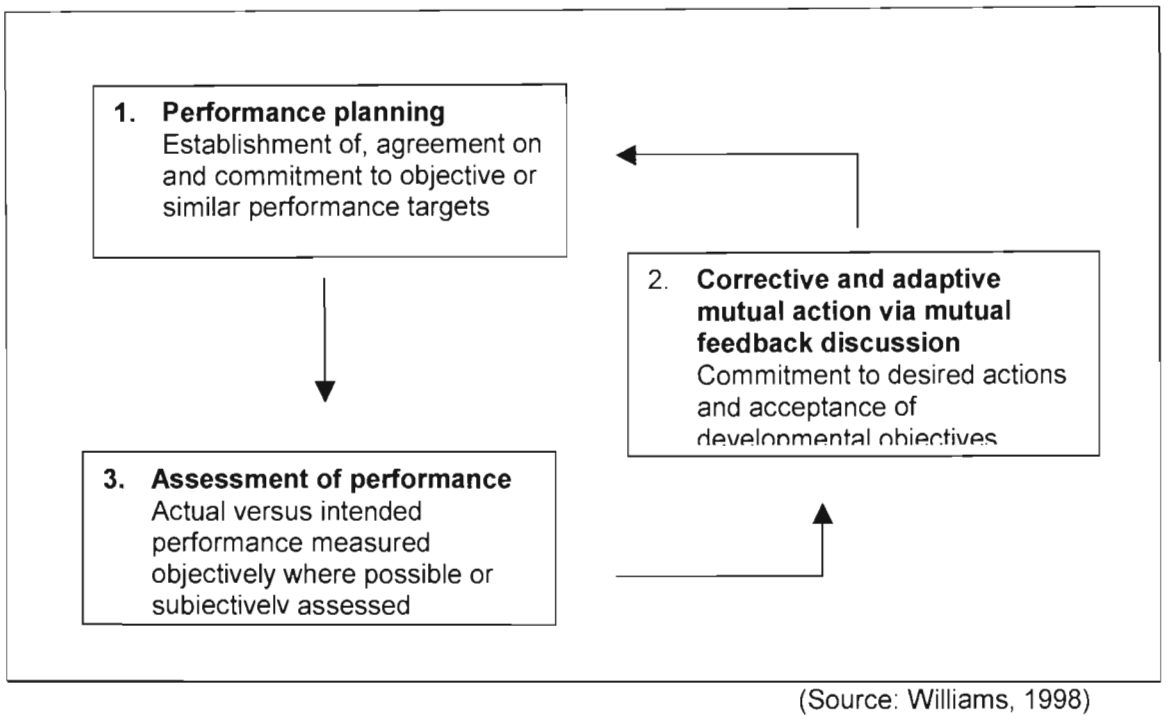
Their theoretical focus is on employee participation and the belief that organisational performance is best achieved by actively involving employees in the process of establishing goals and ensuring continued motivation through ongoing performance reviews. The responsibility for managing the performance process lies jointly with manager and employee.

These theorists do, however, concede that the individual performance does take place within the context of organisational issues such as the organisation's mission, strategy and objectives.

One of these authors, Ainsworth and Smith (1993), developed a three stage model, as found in figure 2.2 below, covering the areas of: performance planning; assessment of performance; and corrective and adaptive mutual action via mutual feedback discussions.

Figure 2.2

Performance management: planning, assessment and feedback



(Source: Williams, 1998)

Another author, Guinn (1987), proposes a similar model in table 2.2 below, covering the following three stages: planning; managing; and appraising.

Table 2.2

Elements in the performance management system

Planning	Managing	Appraising
• Establish performance targets • Identify job behaviours • Identify bias for measuring performance • Provide direction, initial energising of behaviour	• Monitor behaviour and objectives • Reinforce desired behaviours and objective attainment • Redirect inappropriate behaviours • Provide control	• Formal meeting of employee and manager • Written record • Focus on future and employee's development • Provide for replanning and new objective establishment

(Source: Williams, 1998)

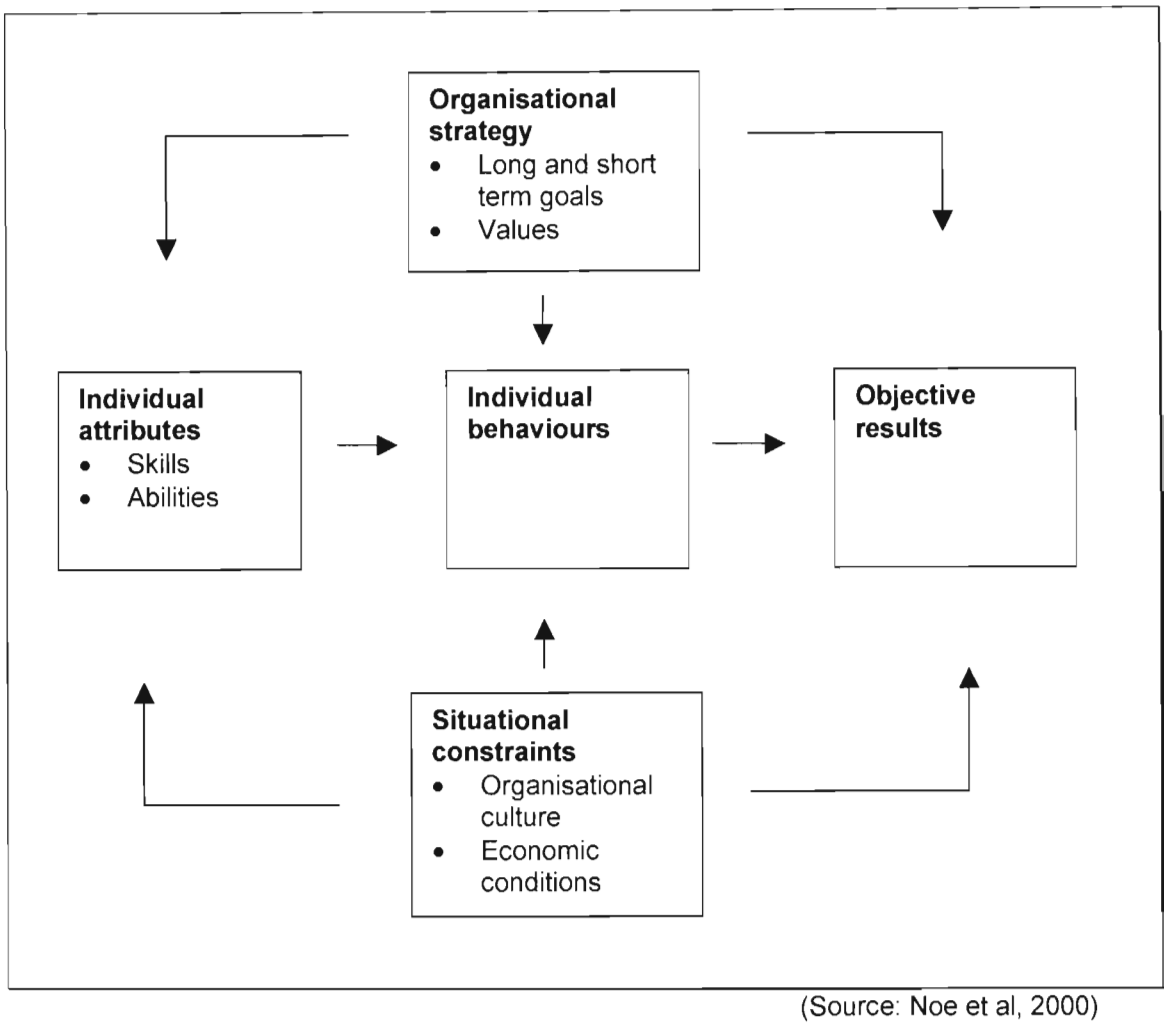
Organisational and employee performance

Theories in this category, including those of Mc Afee and Champagne (1993), Storey and Sisson (1993), Bevan and Thompson (1991), Fletcher (1993) Lockett (1992), Rummler and Brache (1995), Mohrman (1990), Noe et al (2000) and most notably Spangenberg (1994) recognise that performance management is an integrated and holistic process where there is a need for an organisation to have a vision, mission, strategy and goals and the correct systems in place while also actively involving employees and ensuring constant feedback .

One of these sets of theorists, Noe et al (2000), propose a model of performance management in organisations (see figure 2.3 below) where it is suggested that objective results are determined by individual behaviours which are in turn determined by individual attributes, within a context of an organisational strategy and various situational constraints.

Figure 2.3

Model of performance management in organisations



(Source: Noe et al, 2000)

One of the most comprehensive models of the integrated nature of performance management has been developed by Spangenberg (1994). See table 2.3 below. The five stage process includes: performance planning; design; managing performance; reviewing performance; and rewarding performance at an organisational level, process or function level and a team or individual level.

Table 2.3

Spangenberg's integrated model of performance

Organisation	Process / Function	Team / Individual
Performance planning		
• Vision • Mission • Strategy • Organisational goals set and communicated	• Goals for key processes linked to organisational and customer needs	• Team mission, goals, values and performance strategies defined • Individual goals, responsibilities, and work-planning aligned with process / function goals
Design		
• Organisation design ensures structure supports strategy	• Process design facilitates efficient goal achievement	• Teams are formed to achieve process / function goals • Job design ensures process requirements reflected in jobs; jobs logically constructed in ergonomically sound environment
Managing performance (and improvement)		
• Continual organisation development and change efforts • Functional goals (in support of organisational goals) managed, reviewed and adapted quarterly • Sufficient resources allocated • Interfaces between functions managed	• Appropriate sub-goals set: process performance managed and regularly reviewed • Sufficient resources allocation • Interfaces between process steps managed	• Active team-building efforts, feedback, co-ordination and adjustment • Developing individual understanding and skills; providing feedback • Sufficient resources allocated

Reviewing performance		
• Annual review, input into strategic planning	• Annual review	• Annual review
Rewarding performance		
• Financial performance of organisation	• Function rewards commensurate with value of organisational performance and function contribution	• Rewards commensurate with value of organisation performance, and: for team – function and team contribution; for individual – function / team performance and individual contribution

(Source: Williams, 1998)

From a more practical point of view, survey data from the Institute of Personnel Management in Williams (1998) provides evidence that organisations with formal performance management systems in place were more likely to:

- Have mission statements which are communicated to all employees
- Regularly communicate information on business plans and progress towards achieving these plans
- Implement policies such as total quality management (TQM) and performance related pay (PRP)
- Focus on senior managers' performance rather than the other manual and white collar employees
- Express performance targets in terms of measurable outputs, accountabilities and training/learning targets
- Use formal appraisal processes and CEO presentations as ways of communicating performance requirements
- Set performance requirements on a regular basis
- Link performance requirements to pay, particularly for senior managers

2.6 The components of an effective performance management system

Theorists referred to so far, from both an organisational and individual viewpoint, seem to suggest therefore that a formal, integrated performance management system should consist of a combination of the following elements:

2.6.1 Establishing the business direction

It is essential for any organisation to start the performance management process by establishing a shared vision, mission, strategy and set of values.

Bredrup, in Williams (1998) explains that a vision indicates what the company is aiming at in the future. It serves as the long-term road map for the company.

He goes on to clarify that a mission defines the scope of the business activities the company pursues and answers the question "What business should the company be in?"

A strategy, says Lynch (2000), is a plan that integrates an organisation's major goals or policies and action sequences into a cohesive whole.

Ulrich (1998) refers to core values as a small set of guiding principles that have intrinsic value and importance to those inside the organisation.

Key inputs into this process would be an analysis of the external environment through a PEST (political, economic, socio-cultural and technological) analysis as well as the competitive situation within the industry through a model such as Porter's five forces model. After this has been completed, the internal environment can be analysed through a typical SWOT (strengths, weaknesses, opportunities, and threats) analysis, all the models of which are explained by most strategic management authors such as Lynch (2000) or

Thompson and Strickland (2001).

By performing this analysis on both the internal and external environment, an organisation will not only more accurately be able to determine an appropriate vision, mission, strategy and set of values but also an appropriate organisational structure.

Once these statements have been developed and there is agreement on the content, it will be important for these issues to be "lived" on a daily basis rather than documented, filed and forgotten about. The organisation may wish to place colourful visual symbols all around the workplace such as posters to ingrain the message in every employee's hearts and minds.

According to a survey conducted by Deloitte Touche Tohmatsu as reported in New Zealand Management (April 2001), performance management systems have been found to lack strategic purpose. Around thirty percent of participants either didn't indicate or don't have any strategic purpose for their performance management system.

2.6.2 Introducing the performance management system

At the outset, it will be critical for the performance management system to be introduced through briefing sessions for both management and employees.

As explained by Williams (1998), these sessions will need to cover the aim of the performance management system, how it fits in with the business strategy, the link to other systems, the benefits to various stakeholders, full details of the performance management cycle, precisely what is expected from who at what stage of the cycle, what happens with the evaluation data as well as what training will be provided.

As the Pay for Performance Report (April 2001) indicates, a key concept to

instil at the outset is that the system is not owned by human resources but rather by line management. Managers at all levels need to feel that they are being evaluated on the performance and development of the people they manage.

Glendinning (2002), metaphorically refers to a performance management system as a three-legged stool where the legs or parties are the employees, line managers and senior management. He acknowledges that for the stool to remain standing, the buy-in of all three legs or parties is needed.

Winstanley & Stuart-Smith (1996) maintain that from an ethical point of view, stakeholders should be incorporated in the design and not just the execution of performance management systems so as to allow for a "creator" rather than a "victim" attitude to prevail towards performance management.

Leading from this, training workshops will need to be held for managers that explain how to go about making the system work. Issues such as how to go about setting objectives and development plans, how to ensure effective feedback, how to deal with performance problems and how the reward system will work, will need to be covered, maintains Williams (1998).

A Best Practice Measurement Strategies Report (October 2001) explains how at Ernest & Young Corporate Finance in the USA, after delegates have been on classroom training on how to give effective feedback, evaluation questionnaires are sent periodically thereafter to their direct reports to measure how well the principles of feedback have been implemented within their teams. Managers also frequently receive reinforced messages about the value and quality of good feedback.

Williams (1998) notes that similar training sessions, separate from management, should also be scheduled for employees, dealing with how to go about setting objectives and compiling a development plan, the importance of

self-management, how to receive feedback and also how to provide upward feedback.

A Worklife Report (1998) publication notes that a performance management system should start as and remain a work in progress and that performance management, like a business plan, should evolve to meet changing conditions.

2.6.3 Establishing a performance agreement

The organisation's longer-term strategy will need to be translated into practical and measurable short-term objectives through a system such a Kaplan and Norton's balanced scorecard. With this approach, there is a focus on multiple aspects of performance (financial, customer, internal business process and learning and growth), which are targeted to meeting the needs of diverse stakeholders, rather than a single focus on traditional measures of productivity.

Armstrong and Murlis (2001) explain that the balanced scorecard concept is a move away from performance measurement based purely on financial control to one focused on longer-term strategic alignment and measuring value.

Ingram and Mc Donnell (1996) summarise the balanced scorecard dimensions as follows:

- Financial: to succeed financially, how should we appear to our shareholders? Includes bottom line measures such as sales, profits ad return on investment
- Customer: to achieve our vision, how should we appear to our customers? Includes measurements of customer satisfaction
- Internal: to satisfy our shareholders and customers, what business processes must we excel at? Includes measurements such as teamwork, employee development, internal efficiency

- Innovation and Learning: to achieve our vision, how will we sustain our ability to change and improve? Includes measures such as identification of new markets and improvements to facilities

These measures should ideally be created at an organisational level from which departmental and individual balanced scorecards or agreements flow.

Lefkowith (2001) maintains that a properly designed organisational balanced scorecard is when anyone can at a glance immediately determine the performance of the organisation. He provides the following three simple steps to successfully implementing an organisational balanced scorecard:

- Use simple to read and prepare bar charts and numbers
- Use colours consistently. Green always means good, yellow always means neutral and red always means bad
- Put it on one or two pages

Winstanley and Stuart-Smith (1996) also argue that there is a need to move from seeing organisations as purely economic entities serve only a profit motive and towards viewing them as communities of interest.
This view is closely associated with the current organisational drive towards ensuring sustainable development measures in line with guidelines from the Global Reporting Initiative (GRI). An Anglo American Plc Report to Society (2002) outlines the categories of measurement of sustainable development as:

- Corporate governance and management systems
- Business practices and performance
- Workplace (safety, health and human resources)
- Environment (air quality, water use and discharge, land biodiversity, waste management)
- Society (community health, corporate social investment, culture and heritage, human rights)

- Economic contribution to regional development

Once these business measurements have been agreed, a cascading process will need to take place to team and individual level, ensuring a suitable balance between outputs (what needs to be done i.e. results) and the much neglected inputs (how it is done i.e. behaviours or competencies).

On the issue of measuring how employees achieve their objectives, Parkington (2001) cautions that people can accomplish a lot of things while trampling all over others and explains how as a result of this, companies are now beginning to pay more attention to how they expect employees to meet objectives.

Along the same line, Rutter (2002) remarks that managers at Nokia are encouraged not only to examine what has been achieved but also how it has been achieved. It is not enough to achieve all objectives if the way they've been achieved goes against the values and the Nokia culture. Nokia place substantial emphasis on this issue in the form of a comprehensive list of fifteen values that are reinforced by value workshops where employees are taught what the values mean in everyday life.

It will be essential to ensure that each person knows what is expected of them and how they fit into the bigger picture. Individual performance measure will need to cover all key aspects from a person's job description as well as any cascaded projects identified at a strategic level.

Macaulay & Cook (1994) suggest that the following three questions can be asked to determine between four to eight key result areas for a performance agreement:

- Why does this job exist?
- What is its primary purpose?

- What are the key services that the person in this job is providing to others?

From these key result areas, objectives should be set which address the priorities for the year. Objectives should ideally reflect an adequate balance between team and individual objectives to harness the synergies of teamwork on the one hand as well as recognise individual excellence on the other. It may be appropriate to place the emphasis more on team based measurements at lower levels and to only measure that which the person has direct control over, while at higher levels placing the emphasis more on individual measurements (but not at the exclusion of team measures) as well as on total business performance for example profitability of the business.

On the issue of team performance management, Sui-Ppheng and Khoo (2001) explain a Japanese team performance management system called the 5-S, an acronym for five Japanese words: seiri, seiton, seiso, seiketsu and shitsuke which when translated mean organisation, neatness, cleanliness, standardisation and discipline respectively. This system has been shown to enhance team performance by drawing management and staff to a common set of organisational objectives and consistently producing quality products and services.

In determining suitable objectives, it will also be important to ensure both vertical consistency i.e. that there is a common thread running from the business objectives through to team and individual objectives and that there is horizontal consistency across functions i.e. everyone has similar "stretch" built into their objectives in order to reap similar rewards. This is important in ensuring the perception of fairness in the system. Armstrong & Murlis (2001) refer to a peer review process as well as a more senior moderator to ensure consistency across different managers.

While setting these performance measurements, basic objective setting principles must not be forgotten such as ensuring SMART objectives (specific

and stretching, measurable, achievable and agreed, relevant and time based).

A very important principle that needs to be understood is the motivational aspect of performance objectives i.e. people will try harder when faced with a more difficult but not unreachable task rather than easy to achieve tasks.

Adler (2001) comments that the idea is to push the employees you're rating, but cautions not to set standards so high that everyone fails. At the same time, he warns that if everyone's exceptional, then your standards may not be high enough.

Objectives should be either quantitative or qualitative. While it is ideal for objectives to be measured in terms of either quantity, quality or time, if this is not possible, subjective measures may be used, bearing in mind that even a subjective measurement is better than no measurement.

Once objectives are set, it is clear how they will be measured and clear targets have been set, each objective should then be weighted out of one hundred points in order to indicate the relative importance of each one.

Once the objectives have been agreed upon, there should be a common understanding that these may change during the year, should there be changes at a strategic level. This does not, however, imply that if someone is not making the effort to achieve their performance targets that they can be changed at a later stage to make them easier to achieve.

Macaulay and Cook (1994) emphasise this by cautioning that objectives should not be waived at the first sign of a crisis but equally this does not mean sticking to outdated objectives when business requirements and priorities have changed.

An important consideration may be to include performance measures for

managers on how thoroughly they have implemented the performance management system and their commitment to making the system work. In this way, there is more likelihood that the system will succeed. People will do that what they are measured on.

In addition to the process of setting individual objectives, an extremely important aspect at this stage will be to focus attention on systems issues that may prevent people from performing as effectively as they could. Williams (1998) explains that some of the more popular techniques that could be used are those of business process re-engineering (BPR), total quality management (TQM) and continuous process improvement.

In addition to setting measurable objectives, an equally important area is to ensure that individual training and development needs are identified and documented into a formal development plan, the contents of which should be based on development needs for both the employee's current position as well as anticipated future positions, whether that be vertically or horizontally.

Dale (1998) mentions that development planning has grown rapidly as a result of the increased use of assessment techniques.

The concept of employee development is receiving increasing focus, as Ho (2002) says is reflected by the increase in South African organisations who are obtaining accreditation with the newly introduced 'investors in people' standard, an industry standard of excellence for people development, similar in nature to the ISO concept.

Ho (2002) reports that as part of a multi-pronged national skills development strategy that was mapped by the Department of Labour in 2001, a pilot programme is already underway to introduce this globally recognised industry standard for performance in employee training and development to South African companies.

Training and development interventions could range from formal classroom training (technical or behavioural), on the job training, part time studies, job rotation assignments or involvement in work related projects.

2.6.4 Performance feedback

Another key aspect of ensuring the success of a performance management system will be frequent performance feedback sessions where progress on both performance against set objectives as well as progress on development plans are dealt with.

Torrington and Hall (1998) suggest that ongoing reviews assist employees to plan their work and priorities and highlight to the manager well in advance if the agreed performance will not be delivered by the agreed dates. The reviews also allow the manager and employee the opportunity to share perceptions of how the other is doing in their role and what they could do that would be more helpful.

Cascio in Nel et al (2002) suggests the following framework for conducting a feedback interview:

- Encourage employee participation
- Judge performance not personality
- Be specific
- Be an active listener
- Set mutually agreeable goals for future improvement
- Avoid destructive criticism

At the end of the year, a formalised performance feedback session or review would usually be held. According to Armstrong and Murlis (2001), if regular feedback is maintained throughout the year, the annual review should be a "no

surprises" summary of performance during the year and the beginning of a new performance agreement.

Winstanley and Stuart-Smith (1996) do, however, advocate that it would be ethically correct to allow individuals the opportunity to appeal against those decisions that are believed to be unfair.

Typically, the final performance feedback session should result in employees being place in one of a number of performance categories. These can vary from the more common three-category scale (above average, average, below average) to a more expanded version. Joinson (2001) refers to an organisation that has gone as far as to reduce the rating system to two categories, either achieving performance standards or not achieving performance standards.

An important principle to instil with performance feedback is that of self-management. Employees need to put systems in place to monitor their own performance and development and be able to identify areas that are deficient and seek assistance as and when required.

Asking employees to submit self-evaluations to managers prior to a review, says Parkinson (2001), puts the onus on the person being assessed and the manager and employee can also use this as a basis for discussion.

In addition to the traditional method of feedback from one's superior, a popular method of performance feedback is three hundred and sixty degree feedback where in addition to a self-appraisal, performance feedback is elicited from peers, subordinates, superiors as well as internal and external customers. This is especially useful for "softer" performance measures, which do not lend themselves to objective forms of measurement.

Glendinning (2002) remarks that both three hundred and sixty degree

feedback and employee self-appraisal raise the level of employee involvement and thereby increase the chance of success of a performance management system.

Rutter (2002) reports that employees at Nokia have been extremely positive about the inclusion of three hundred and sixty degree feedback and reports that the use of this feedback helps to avoid creating a "please your manager" culture. Some of the three hundred and sixty degree feedback questions used at Nokia include:

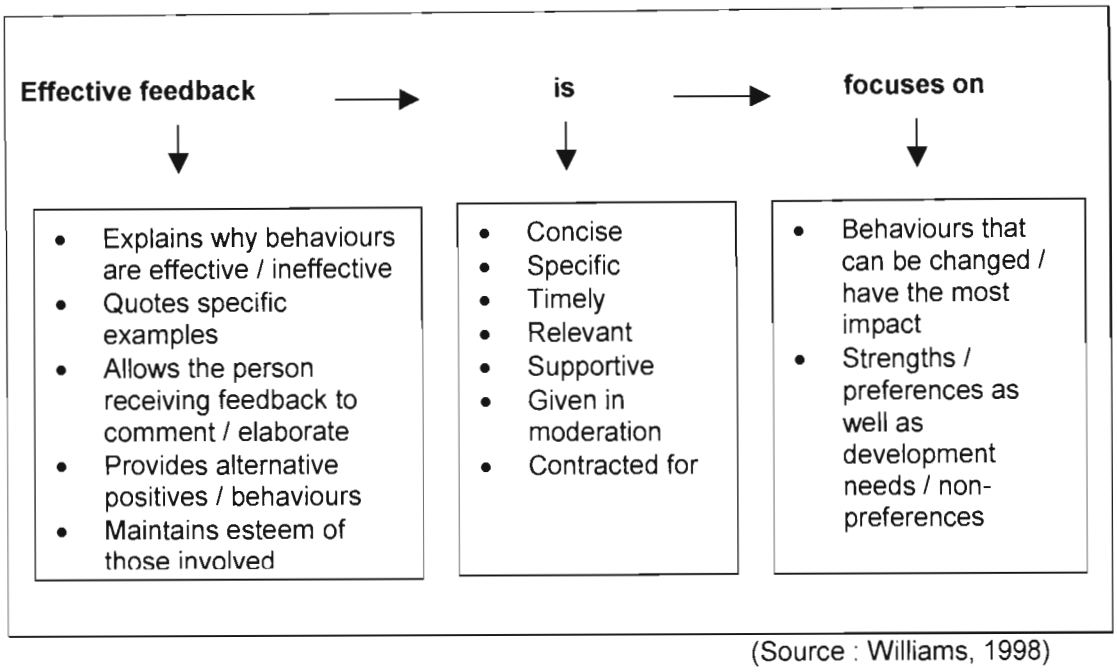
- Does John ask and use feedback from others?
- Does he welcome new ideas, initiatives, and innovations?
- Does he admit it when he makes a mistake?
- Does he identify and use diverse skills of team members?
- Does he recognise the achievement of others?

A Managing Training and Development (April 2002) report suggests that organisations need to create a feedback-friendly environment and make feedback fun. An example is given of how a once-ignored monthly bar chart printout was rejuvenated with colourful graphic displays using a basketball theme to depict progress against targets and then placed in a prominent position in high traffic areas.

Latham and Marchbank (1994) propose a feedback model in figure 2.4 below for both positive and negative feedback:

Figure 2.4

Feedback



(Source : Williams, 1998)

During this performance review stage, it will be important for leaders to be able to distinguish between people and system factors on performance and to be aware of attribution errors as explained by attribution theory. One of these errors, the fundamental attribution error, as explained by Ivancevich & Matteson (1996) refers to where we underestimate the importance of external factors and overestimate the importance of internal factors when making attributions about the behaviour of others. Leaders, therefore, need to be made aware of their tendency to possibly over manage the individual while under managing the environment.

Closely linked to this is another attribution error called the self-serving bias, where people tend to take credit for successful work and deny responsibility for poor work, blaming external factors. Leaders would, therefore, need to be aware of the tendency for people to attribute successes to their own efforts and failures to system issues and ensure that this does not distort the performance evaluation process.

If this separation is made correctly, the route to finding performance solutions is made so much easier in that if the performance deficiency is a people issue, the solution can be narrowed down to possibly a knowledge or skill gap or a motivation issue. If the performance deficiency is a system issue, the solution may be in redesigning or fine-tuning business processes, ensuring optimal factory layout or re-evaluating the adequacy of machinery and equipment for example.

On the issue of motivation, Macaulay and Cook (1994) note that good performance over time will come only from well motivated staff and as a manager this means having a good understanding of individual employee needs and helping to engender the right climate to satisfy these. They highlight that unmotivated employees will display apathy, lack of ownership of problems, poor timekeeping, unco-operative attitude and unwillingness to change, all of which have profound implications for customer service.

There are a host of motivational theories that can be applied in these situations. Robbins and De Cenzo (1998) outline those of Maslow, Herzberg, McGregor, McClelland, Adams, and Vroom. The last two of these will be discussed in more detail in the section on rewards and the motivational effect thereof.

Fandray (2001) refers to an example of improving systems to aid in uplifting performance by suggesting that rather than for example have hotel management come down hard on a desk clerk in an annual review for being too slow in processing the check-outs of departing guests, it would be more productive to rather set up an express checkout system, and this way address the performance problem.

Leaders also need to be mindful of common rater errors and try to minimise the interference of these in establishing accurate performance scores. Noe et

al (2000) refers to the following examples of such rater errors:

- Halo and horn error: where one aspect of performance causes the rater to rate all other aspects of performance positively (halo) or negatively (horn)
- Leniency or central tendency or strictness error: when a rater assigns high ratings (leniency), low ratings (strictness) or middle of the scale ratings (central tendency) to all employees
- Similar to me error: where one rates those who are similar to us higher than those who are not
- Contrast error: when we compare people to each other rather than to an objective standard

He also mentions an additional error that he calls appraisal politics, where a rating is purposely distorted to achieve personal or company goals

In cases of poor performance, performance feedback alone may not be sufficient and should be supplemented with coaching. Weiss and Hartle (in Armstrong and Murlis (2001) maintain that good coaching is: genuine, empowering, understanding and problem-solving.

Fandray (2001), suggests that employees should be able to think of their managers as coaches who are there not to pass judgement but to help them achieve success.

An HR Focus (February 2001) report outlining the responses on a joint survey by the Society for Human Resource Management (SHRM) and Personnel Decisions International (PDI) found that more development planning, three hundred and sixty degree feedback, coaching and leadership development are needed in performance management programmes.

According to another study of best-practice management by the American Productivity and Quality Centre (APQC) found in Harvard Management

Update (August 2000), best practice organisations believe that too few people are terminated each year for poor performance and so are focusing their performance management systems specifically on weeding out non-contributors. At the same time though, these companies are also beginning to single out star performers for pay increases and other rewards not available to the majority of employees.

On the topic of poor performance, Glendinning (2002) notes that it is important to understand that performance management systems have evolved over time into legally recognised entities and that a well constructed performance document can assist in the defence of legal action taken against an organisation by an employee for a performance related demotion or termination.

London in Noe (2000) propose a model, as shown in table 2.4 below, of how to manage employee performance based on their level of ability and motivation:

Table 2.4

Ways to manage employee performance

		Ability	
		High	Low
Motivation	High	**Solid performers** • Reward good performance • Identify development opportunities • Provide honest, direct feedback	**Misdirected effort** • Coaching • Frequent performance feedback • Goal setting • Training or temporary assignment for skill development • Restructured job assignment
	Low	**Underutilisers** • Give honest, direct feedback • Provide counselling • Use team building and conflict resolution • Link rewards to performance outcomes • Offer training for needed knowledge or skills • Stress management	**Deadwood** • Witholding pay increases • Demotion • Outplacement • Firing • Specific, direct feedback on performance problems

(Source: Noe et al, 2000)

Amaratunga and Baldry (2002) point out that results of performance measurement indicate what happened, not why it happened, or what to do about it so for an organisation to make effective use of its performance measurement outcomes, it must be able to make the transition from measurement to management.

All in all, performance feedback should be a positive experience for both employee and leader, where both performance strengths and development areas are dealt with in such a manner that builds self-confidence and motivation to reach peak performance levels.

2.6.5 Rewards

Another very important link needs to be made between performance and rewards, be it financial or non-financial in nature. Good performance needs to be consistently recognised and suitably rewarded through systems such as salary increases, performance bonuses and stock options as well as through other non-financial systems such as opportunities for career growth and development, gala function awards, mention in company publications, overseas holidays and the like.

A key issue to remember is the employee perception of fairness with respect to rewards. Adams' equity theory, as mentioned previously, explains how work attitude and behaviour is influenced to a large degree by an employee's perception of the equity or fairness of their own ratio of inputs (effort) to outputs (reward) to the ratio of other employees. Robbins (1991) explains that any perceived unfairness could result in either a decrease in effort, a demand for more pay or resignation.

Performance reward schemes, especially those such as public good performance awards, should therefore have a clear and fair selection criteria if they are not to demotivate the majority of others who will wonder why they

have not been chosen.

Another important concept to remember is that a reward will best motivate when the employee appreciates or places sufficient value on what is being offered. Vroom's expectancy theory, explained in Robbins (1991) states that an individual tends to act in a certain way in the expectation that the act will be followed by a given outcome and according to the attractiveness of that outcome. This highlights the importance of understanding individual motivators and building flexibility into reward systems where possible.

Non-financial rewards

Armstrong and Murlis (2001) outline five key types of non-financial rewards, namely:

- Achievement
- Recognition
- Responsibility
- Influence
- Personal Growth

Christopher and Bussin (2000) offer thirty-four non-financial suggestions on how to reward employees, some of which include:

- Give immediate one-minute praises when due
- Use the employees first name often when talking to them
- Greet employees
- Start a yearbook with the names and photographs of outstanding employees
- Recognise employees in front of their colleagues and spouses
- Introduce a field trip or travel reward for high performers for example a weekend away

- Thank employee for initiative
- Give credit where credit is due

Financial Rewards

The more common methods of financial rewards are performance related salary increases, performance bonuses and at more senior levels share options.

In a recent survey by Price Waterhouse Coopers comparing South African human resources practices to others in the world, as reported by Turvey (2003), it was found that only thirty five percent of South African participants use performance-based pay as the most common method of rewarding staff, compared to fifty percent of global participants.

Czakan (2003) reports than in another survey, the Kelly Human Capital Satisfaction survey, whereas sixty five percent of respondents agreed that a rise in base pay is the most satisfactory means of reward, only forty percent supported performance-related pay.

An important concept is that rewards should be commensurate with the value of the total organisational performance, the contribution of the section or function, the contribution of the team within that section or function as well as the individual contribution.

The issue of performance related pay has been the attention of much polarised research.

On the topic of linking performance ratings to pay, Armstrong and Murlis (2001) comment on the deep-seated psychological issues of forced choice distributions and refers to evidence from focus groups that shows that employees may well prefer to keep a rating they deserve and even forego a

pay increase or accept a lower pay rise rather than have their performance devalued to ensure a statistically normal distribution of performance scores. They go on to report that many organisations have abandoned this approach in the face of evidence on its demoralising effect and that only five percent of organisations in 1998 reportedly used this approach.

Heneman in Williams (1998) reports that a number of studies have shown that higher performance ratings are associated with higher increases in merit pay but concludes that the results on the relationship between merit pay and subsequent motivation and performance are not encouraging.

Williams (1998) indicates that there is very little evidence which confirms the positive effects of performance related pay yet suggests on the other hand that there is research which clearly points to the negative consequences of performance related pay. He also notes that none of the studies to date refer specifically to the motivational effect of pay.

Williams (1998) also refers to research by Fletcher and Williams which shows that at management level there were those who believed that money was the prime factor in motivating improved performance while on the other hand the majority believed that the real motivators were professional and personal pride in the standards achieved, or loyalty to the organisation and its aims, or peer pressure.

Thompson, in Williams (1998), purports that there is a risk that performance related pay may contribute to a downward spiral of demotivation for the bulk of employees which draws into question the real costs and benefits of such schemes.

Stajkovic and Luthans (2001) argue that the controversy surrounding pay for performance is largely around implementation issues and suggests that commonly used incentive motivators are different in nature and thus have

different impacts on performance. The authors suggest that the motivating powers of money, social recognition and feedback generalise differently for different employees, tasks and contexts and point out the importance of systematic behaviour based rewards in preference to routine pay for performance schemes.

Zingheim and Schuster (2001) distinguish between pay and total reward, observing that whilst pay must deliver appropriate messages about what is important to the business, total compensation should be aligned with business goals. They go on to explain that total rewards include all forms of compensation, growth opportunities and a positive workplace and that the pay plan should reflect the company's specific situation. They recommend rewarding individual value (skills, competencies, track record and value in labour market) in base pay, whilst rewarding results in cash incentives and stock options.

Kennedy (1995) suggests that worker morale is determined by relative pay status and that for less skilled employees, rewards for individual performance only can undermine morale and adversely affect productivity. On the other hand he notes that with highly skilled employees, competition for relative pay status tends to boost productivity

2.6.6 Evaluation

An often neglected aspect is the evaluation and fine-tuning of a system.

According to a survey conducted jointly by the Society for Human Resource Management and Personnel Decisions International reported by Fandray (2001), forty two percent of the organisations that participated, reported that management do not bother to review the performance management systems that are currently in use.

It would be important to establish an evaluation committee which is representative both vertically and horizontally across organisation, and which meets at various stages of the annual process to evaluate and recommend system adjustments to ensure its sustainable existence.

A valuable exercise would be to monitor trends in performance scores by department, by team, by leaders, by gender, by colour, by age and similar variables and raise red flags if skewed trends with no logical reason are observed.

Another aspect would be to monitor the interference of policies, procedures, systems and culture on individual and team performance and recommend solutions where appropriate.

Ingram and Mc Donnell (1996) explain that another useful evaluation technique is that of benchmarking by comparing internal practices with best practices demonstrated by both rival organisations and those from unrelated industries. The benchmarks established through external comparisons can be incorporated into the balanced scorecard as desirable levels of performance.

2.7 An integrated performance management model

This chapter concludes with a performance management model, proposed by the writer, as shown in figure 2.5.

This model separates performance management into inputs, process and outputs.

The main components of the performance management process involves establishing a performance agreement, providing frequent performance feedback and a final performance review.

Establishing a performance agreement involves both the process of setting objectives as well as compiling a training and development plan. Inputs into the process of setting objectives include issues such as the business vision, mission, strategy and values. Inputs into the process of establishing a training and development plan should include an assessment of current as well as projected future knowledge and skills gaps.

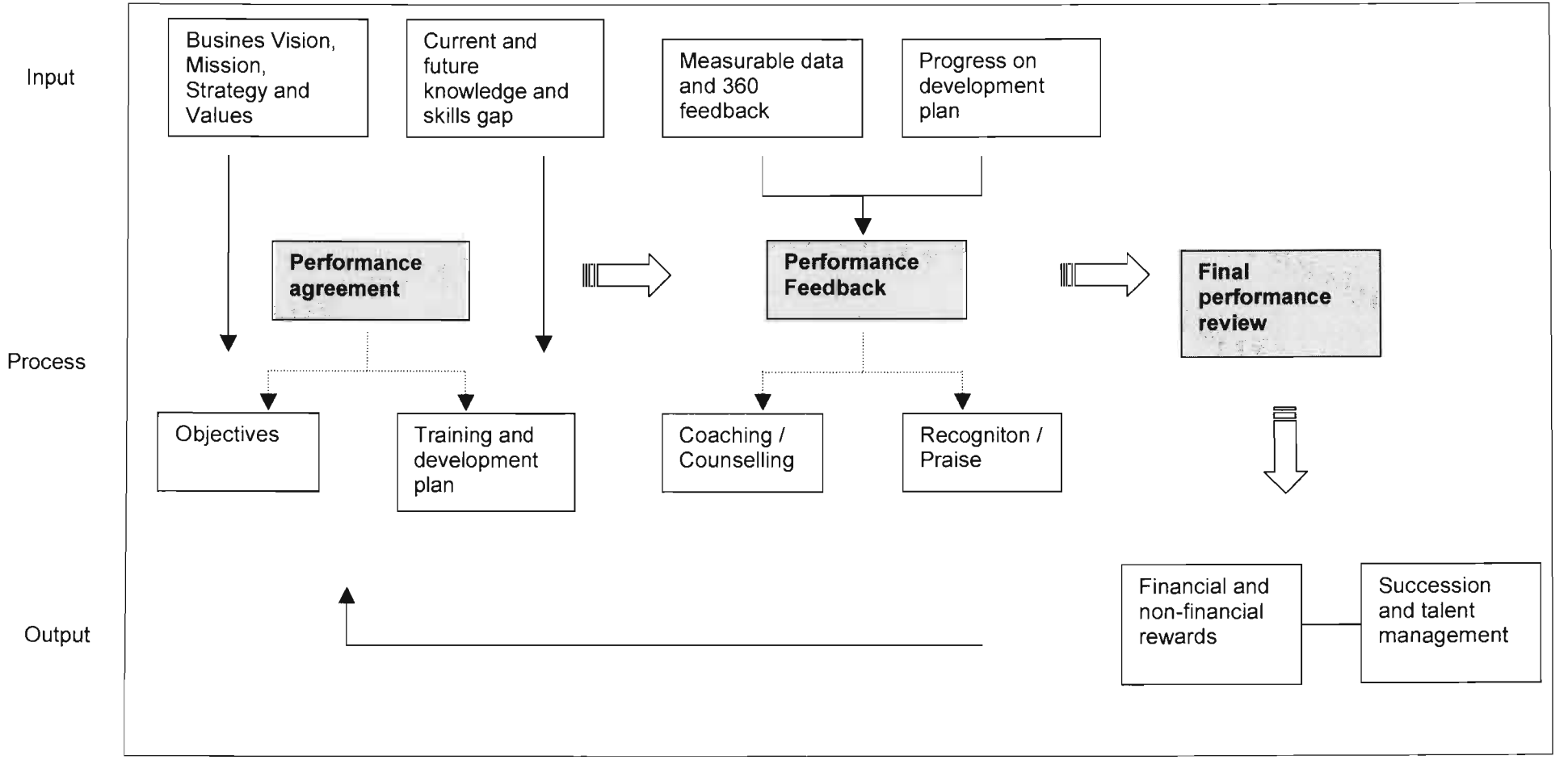
Performance feedback should include both recognition for good performance as well as coaching and counselling on development areas. Inputs into this process should be both measurable performance data as well as three hundred and sixty degree feedback on behavioural issues.

Outputs to the final performance review should include links to both financial and non-financial rewards as well as to a formalised succession or talent management system.

The arrows indicate the cyclical and related nature of the processes.

Figure 2.5

An integrated performance management model



CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the research methodology will be discussed with particular reference to the sample and sampling technique used, the research design and analytic techniques used, the method of data collection and the measurement instrument used.

3.2 Sample and sampling technique

The sample frame was restricted to employees at Paterson grading Upper C-band to Upper D-band. The total population size was 351, of which 68 employees responded (nineteen percent).

The instrument was distributed to the population and would therefore have been fully representative of grades Upper C, Lower D and Upper D, however, due to the non-response of approximately eighty percent of the population, representativeness could not be assured. The sample, therefore, becomes a non-probability one with an uncertain representation of the population.

The sample by worksite ranged from a very low five percent at the one worksite to twenty four percent at one of the others, as reflected in table 3.1 below. The worksite with the lowest sample size is the most geographically remote and was also without a mill manager for most of the year in review, which may partially explain why the response rate was so low.

Table 3.1

Sample by worksite

		R	F	S	P	D	Total respondents	Total population	% response
Worksite		30					30	143	21%
			10				10	42	24%
				3			3	16	19%
					3		3	56	5%
						22	22	94	23%
							68	351	19%

The sample by grade, as indicated in table 3.2 below, showed an interesting trend where the highest sample of fifty one percent came from the more senior graded employees as opposed to the lowest of fourteen percent from the Upper C-band employees.

Table 3.2

Sample by grade

		R	F	S	P	D	Total respondents	Total population	% response
Grade	UC	11	4	1	1	10	27	189	14%
	LD	12	3		1	5	21	123	17%
	UD	7	3	2	1	7	20	39	51%
							68	351	19%

The sample by function, showed that the largest sample of thirty three percent was obtained from the Technical function, while the lowest response came from Engineering employees. See table 3.3 below.

Table 3.3

Sample by function

		R	F	S	P	D	Total respondents	Total population	% response
Function	Production	11	3	1			15	84	18%
	Engineering	14	1				15	121	12%
	Technical	5	2		1		8	24	33%
	Divisional		4	2	2	22	30	122	25%
							68	351	19%

The sample by age group, as shown in table 3.4 below, shows a response of one hundred and fifty percent for the <25 age group. This can only be explained by an additional person who completed the survey form but who was not in the population at the time under review. The samples for the remaining age categories were fairly consistent with no particular notable trends.

Table 3.4

Sample by age group

		R	F	S	P	D	Total respondents	Total population	% response
Age Group	<25		1		2		3	2	150%
	25 - 35	6	4		1	6	17	87	20%
	36 - 45	13	2	2		9	26	134	19%
	>46	11	3	1		7	22	128	17%
							68	351	19%

The sample by ethnic group, ranged from zero percent for Coloureds to twenty three percent for Whites, as indicated in table 3.5 below. The Coloured population in this geographical area is very low, with only one person in this category of the population.

Table 3.5

Sample by ethnic group

		R	F	S	P	D	Total respondents	Total population	% response
Ethnic Group	African		1			1	2	38	5%
	Indian	4	3	1		4	12	75	16%
	Coloured						0	1	0%
	White	26	6	2	3	17	54	237	23%
							68	351	19%

The sample by gender, shows a close balance between males at nineteen percent and females at twenty percent. See table 3.6 below.

Table 3.6

Sample by gender

		R	F	S	P	D	Total respondents	Total population	% response
Gender	Female	2			1	6	9	44	20%
	Male	28	10	3	2	16	59	307	19%
							68	351	19%

Lastly, the sample by identity, as shown in table 3.7 below, also shows a close balance between those respondents who chose to remain anonymous (fifty one percent) and those who offered their names on their survey forms (forty nine percent). This finding might indicate that the culture of transparency within the division is perhaps in a stage of transition.

Table 3.7

Sample by identity

	R	F	S	P	D	Total respondents	Total population	% response
Anonymous						34	67	51%
Names						33	67	49%

Cooper and Schindler (2001) note that a satisfactory return for mail surveys would be about thirty percent.

On the issue of the sample size that is needed in order to make accurate inferences about the population, they comment that if the sample size exceeds five percent of the population, the sample size may be reduced without sacrificing precision.

3.3 Design and analytic techniques

The research design made use of a self-administered questionnaire, distributed via e-mail to all members within the population via the organisational intranet. (The full questionnaire and covering letter are attached in appendix one).

The self-administered mail survey as a data collection technique, was chosen over other collection methods such as the personal interview or telephone interview firstly because of the large geographical spread of the operations. The approximate geographical range of the population is in the region of 350 kilometres. The second reason for choosing this method was the increased chance of contacting respondents who might otherwise have been inaccessible due to other work commitments. Many of the Upper C band population members are shift workers while most of the more senior members

of the population have a series of back-to-back meetings during their work week. The e-mail option would allow respondents the freedom to complete the questionnaire at a time that was convenient for them. Lastly, given the size of the population, the e-mail facility was most definitely the quickest method to contact the entire population at once.

Cooper and Schindler (2001) provide a comprehensive summary of the advantages and disadvantages of using self-administered surveys. Some of the advantages of this method include:

- Allows contact with otherwise inaccessible respondents
- Often the lowest cost option
- Allows for expanded geographic coverage without an increase in costs
- Requires minimal resources
- Perceived as anonymous
- Allows respondents time to think about questions
- Fast access to a large number of people

Cooper and Schindler (2001) continue their discussion by highlighting the following draw-backs of the self-administered survey method:

- Low response rate
- No interviewer intervention available to probe
- Cannot be long or complex
- Accurate mailing lists needed
- Respondents returning survey may represent extremes of the population
- Need for low-distraction environment for survey completion

Data from the survey respondents was captured on a spreadsheet and analysed using:

- descriptive statistics such as mean calculations
- the chi-square test, a non-parametric measure of association used to test for significant differences between the observed distribution of data among categories
- the Pearson product moment correlation coefficient, a bivariate correlation analysis
- Cronbach's coefficient alpha, a reliability coefficient of internal consistency used to measure the degree to which instrument items are homogeneous.

An analysis was also conducted on salary increase percentages and performance scores as well as on salary positioning with salary scale and performance scores.

3.4 Method of data collection

As mentioned, data was gathered from the selected sample by means of a self-administered questionnaire, distributed via e-mail to all respondents simultaneously together with a covering note.

The respondents had the option to either give their names or remain anonymous. To allay any fears of how to remain anonymous when the respondent's name would appear on their return e-mail, the covering note gave the recipients the assurance that once the completed e-mailed questionnaire had been received by the researcher, the attachment would be printed and the e-mail deleted so that the contents could not be linked to the respondent. In addition to this, respondents were also given the option of printing out the questionnaire and returning by mail of fax if they preferred.

In an attempt to increase the response rate, the cover note outlined the benefits associated with completing the survey and attempted to elevate the status of the survey by referring to it as an MBA research project, with the name of the institution. Employees were also advised that feedback on the survey results would be made available through their department managers. (Feedback presentation sent to department managers attached in Appendix 2). To further encourage response, employees were given a deadline date for receipt of completed questionnaires which was highlighted in bold text together with a plea for co-operation in meeting the stated deadline. Employees were also given the option to contact the researcher if they required clarification on any part of the questionnaire. Lastly, a general e-mail reminder was then sent to all employees in the population after approximately one week, with a general note of thanks to those who had already submitted their responses.

Although Cooper and Schindler (2001) note that one of the most effective means of improving the response rate to surveys of this nature is to offer a monetory incentive, this was not considered appropriate by the researcher on this occasion since the respondents were internal employees and the questionnaire was on a work-related system.

In addition to information gathered from the questionnaire, other quantitative data on individual performance, salary increase percentages in January 2003, and salary positioning was extracted from a computerised human resources information system called PeopleSoft.

3.5 Measurement instrument

The questionnaire was developed by the researcher and consisted of three sections:

- Biographical information including worksite, grade, department, age group, ethnic group, gender as well as the option of submitting their name (section A)
- Feedback on the performance management system covering aspects of the compilation of the performance agreement, the contents of the agreement, their involvement and interaction with management during the process, an assessment of the outcome of the agreement, as well as reward priorities (section B). This section consisted of 20 questions.
- A free-response section for comments on perceived problem areas and solutions on any aspect of the performance management system (section C).

The questions in section B were drawn from recommended components and practices of a performance management system, as noted in the literature review.

The questions made use of a combination of categorisation, ranking and rating scales to elicit quantitative data of a nominal, interval and ordinal nature including:

- Simple category scale (dichotomous) eliciting a "yes" or "no" response of a nominal nature. There were four questions of this nature in section B (questions 1, 3, 4, 6).
- Multiple choice single response scale questions requiring a single response of a nominal nature from a list of options. There were two such questions used in section B (questions 2 and 5).
- Four-point Likert summated rating scale questions of an interval nature where respondents are required to select one of four levels of agreement

with a given statement. The majority of questions in section B were of this nature (questions 7 to 19). An even numbered Likert scale was used as opposed to an odd number in an attempt to eliminate the central tendency effect.

- Forced ranking scale question of an ordinal nature where respondents are required to rank a list of reward options (question 20) relative to each other.

Qualitative data was elicited through an open-ended question at the end of the survey where respondents could comment on any area of the Performance Management System. (Section C)

In order to determine the internal reliability of questionnaire items, the Cronbach co-efficient alpha was applied to questions 7 – 19. When the forty seven respondents who answered these questions are taken as variables, the alpha co-efficient is calculated as 0,9288 which is well above the acceptable level of 0,6 indicating that the instrument contains sufficient internal reliability.

Table 3.8 below shows the breakdown per item:

Table 3.8

Item analyis

Question	Cronbach co-efficient alpha
7	0,8887
8	0,8889
9	0,8907
10	0,8844
11	0,8931
12	0,8894
13	0,8878
14	0,8980
15	0,8977
16	0,8858
17	0,9013
18	0,8970
19	0,8875

As shown above, the alpha co-efficients range from 0,8844 for item 10 up to 0,9013 for item 17, indicating with a high degree of confidence that all of the above questions are significantly reliable.

CHAPTER FOUR
FINDINGS

4.1 Introduction

This chapter will concentrate on an analysis of the quantitative research data under the categories of the compilation and delivery of the performance management system, the contents of the performance agreements, employee involvement in the performance management process and level of interaction with management, possible associations between areas of the performance management system and reward priorities followed by a qualitative analysis of respondent comments.

The chapter also includes an analysis of salary increase percentages and performance scores as well as salary positioning and performance scores.

A detailed summary of the results is included in appendixes two, three and four.

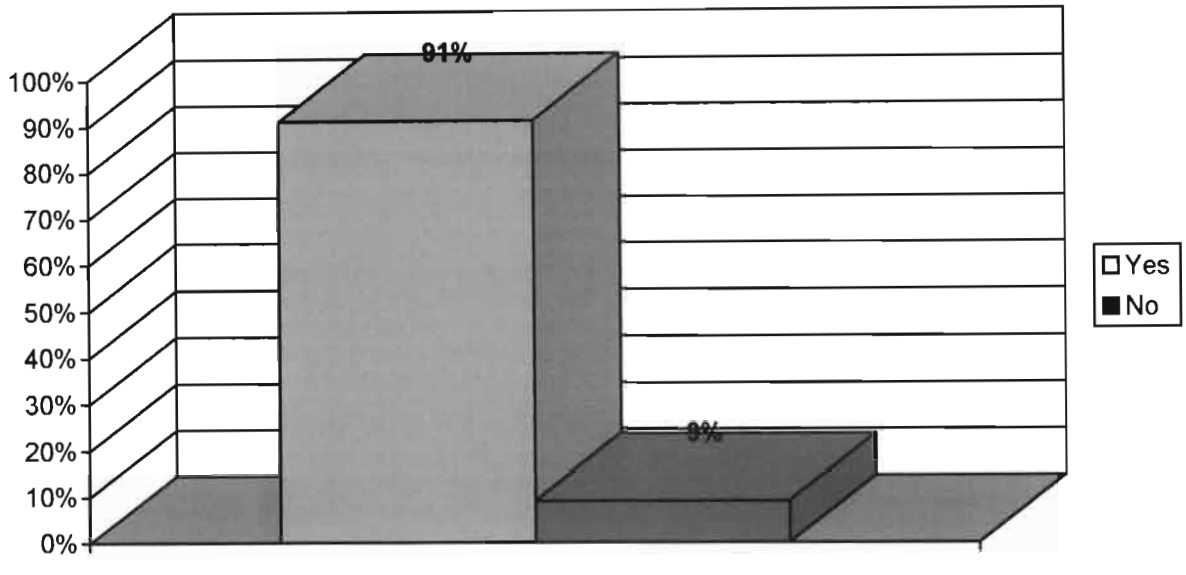
4.2 Compilation and delivery

When the performance management system was introduced within the division, it was expected that all employees should have in their possession a documented performance agreement by at least the end of the first quarter of the year.

Figure 4.1 below, quite encouragingly, indicates that just over ninety percent of the respondents did have a documented performance agreement in place in 2002.

Figure 4.1

Question 1: Did you have a documented performance agreement in place for 2002?



On average, this performance agreement was compiled 4,68 months after the beginning of the year (during the third week in May) as shown in figure 4.2 below. This is of concern since only forty percent of the performance agreements were compiled before the end of March and eighty percent before the end of June. Twenty percent of the respondents thus entered the second half of the year without a performance agreement.

Figure 4.2

Question 2: When was this document compiled?

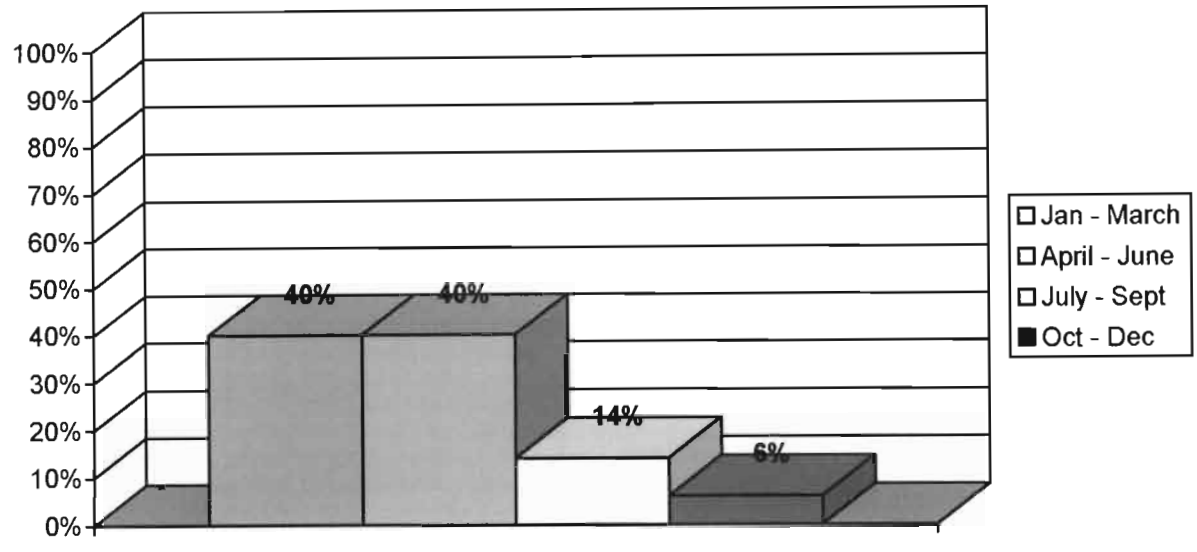
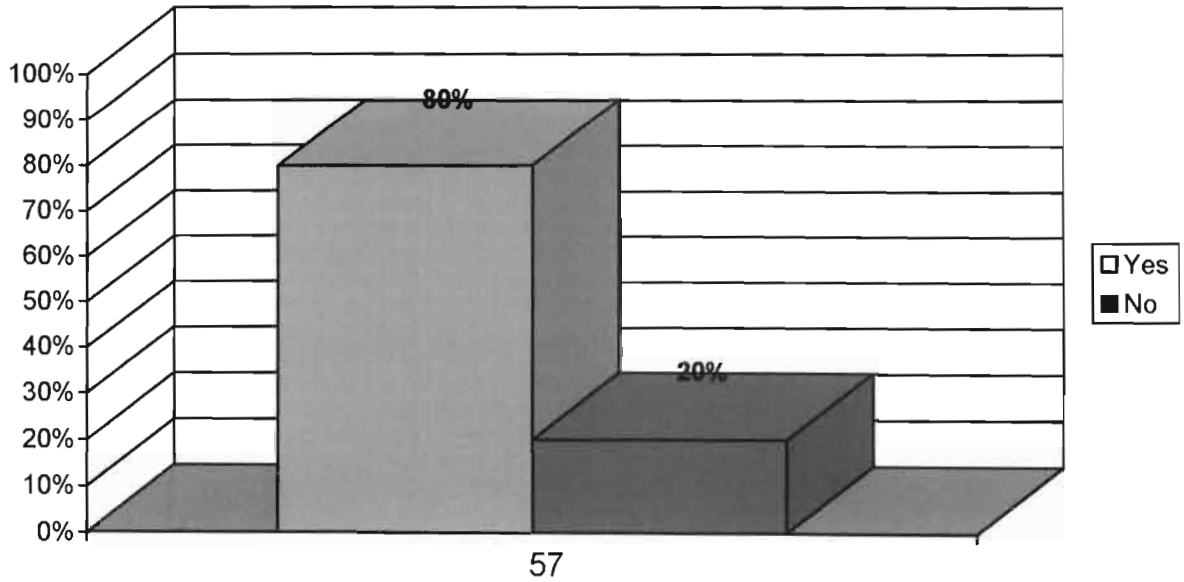


Figure 4.3 below, shows that eighty percent of the respondents received copies of their performance agreements, while twenty percent of the respondents indicated that they had a performance agreement but never received a copy.

Figure 4.3

Question 3: Did you receive a copy of this agreement?



The implementation, therefore, falls short of the intention as shown in table 4.1 below.

Table 4.1

Implementation short fall percentage

Criterion	Percentage short
Agreement in place	100-90 = 10
Document received	100-80 = 20
Time of completion	100-40 = 60

Two other issues that need to be kept in mind on the issue of "implementation as intended" are:

- The relative importance of each criterion. The above assessments are based on equal importance of criteria. If "time of compilation" is regarded as (say) three times as important as the other two criteria, the implementations will be further from the intention as when all three criteria are considered equally important.

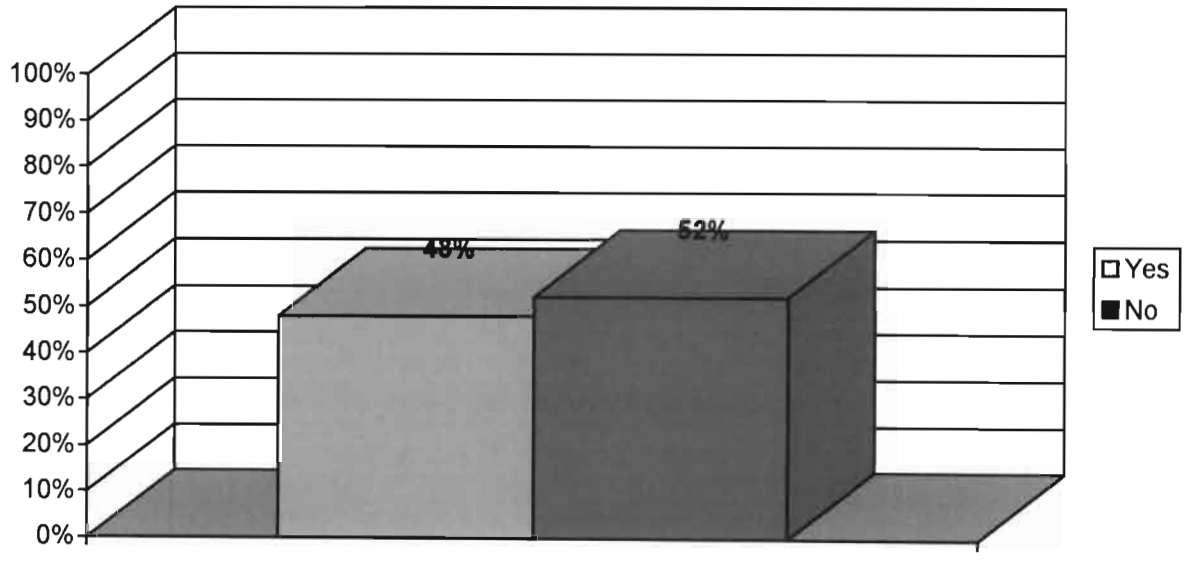
- A single figure can cause a "not implemented as intended" conclusion irrespective of the stated implementation, for example twelve percent of the respondents had an agreement but did not receive a copy of this agreement. This figure alone is an indication that the implementation is not quite as intended.

4.3 Contents of the agreement

Of great concern is that only forty eight percent of the survey respondents thought that the performance agreement covered training and development needs, as shown in figure 4.4 below. The majority of respondents, therefore, seemed not to have a formal training and development plan.

Figure 4.4

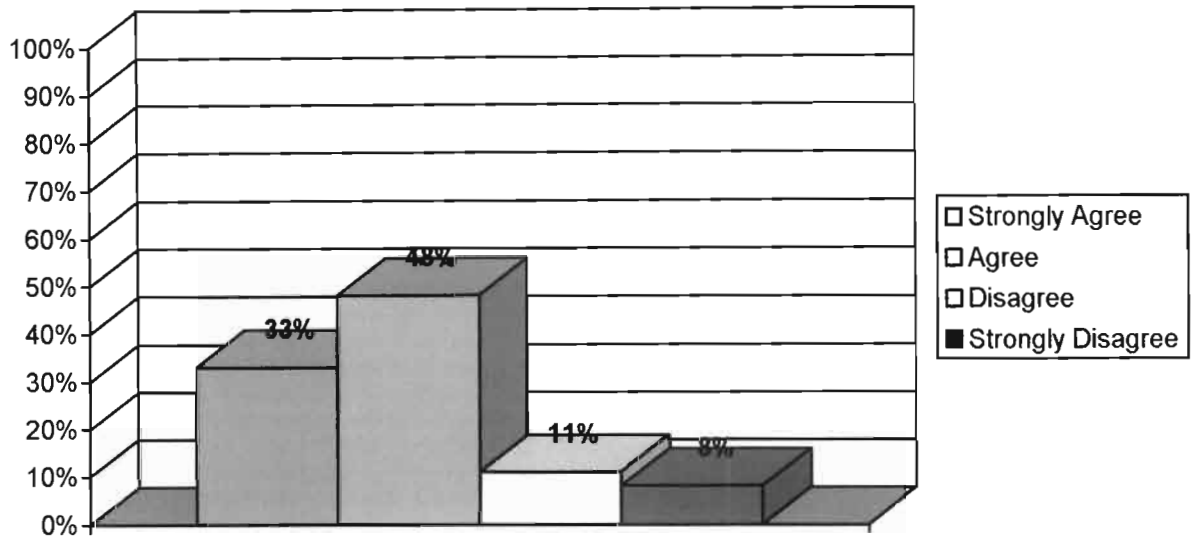
Question 4: Did the performance agreement cover training and development needs?



On a more positive note, eighty one percent feel that performance agreement is clear and specific about what is expected of them in order to deliver above average performance, as reflected in figure 4.5 below.

Figure 4.5

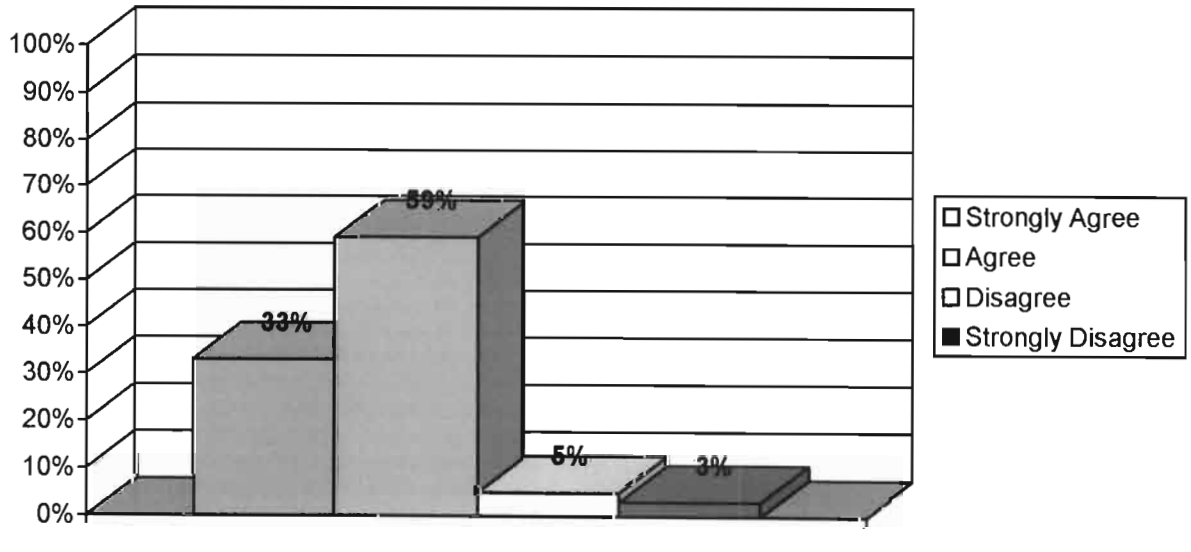
Question 8: My performance agreement is clear and specific about what is expected of me in order to deliver above average performance



Another very positive finding was that over ninety percent of respondents indicated that their objectives in their performance agreement are weighted in order to indicate the relative importance of each. See figure 4.6 below.

Figure 4.6

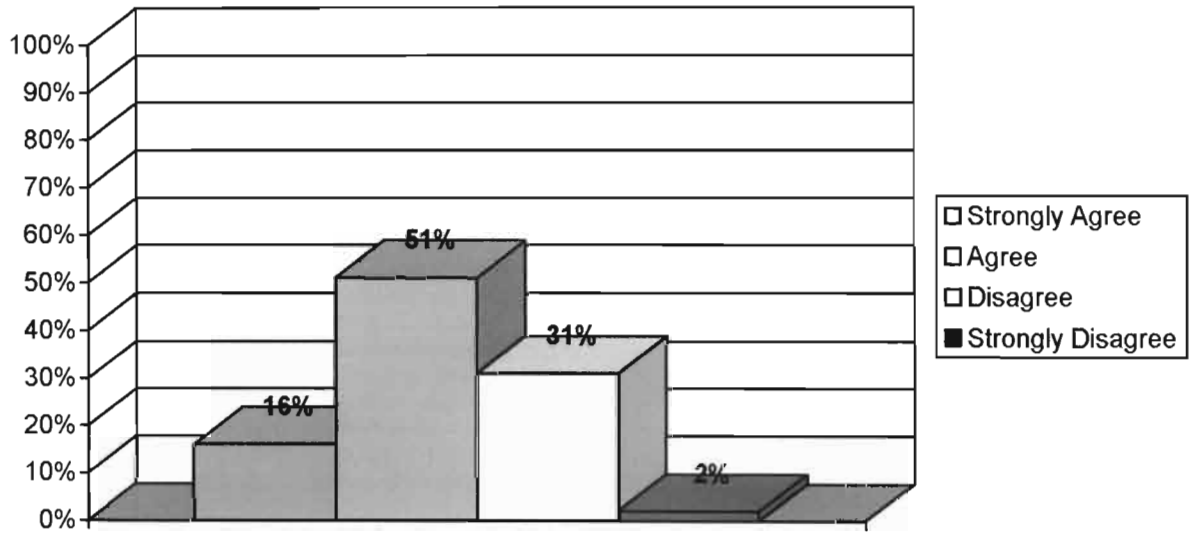
Question 9: The objectives in my performance agreement are weighted to indicate which objectives are more important than others



Of concern is that only sixty seven percent of respondents feel that their performance agreements contain sufficient stretch in order to motivate them to succeed, as shown in figure 4.7 below.

Figure 4.7

Question 10: My performance agreement contains sufficient stretch in order to motivate me to succeed

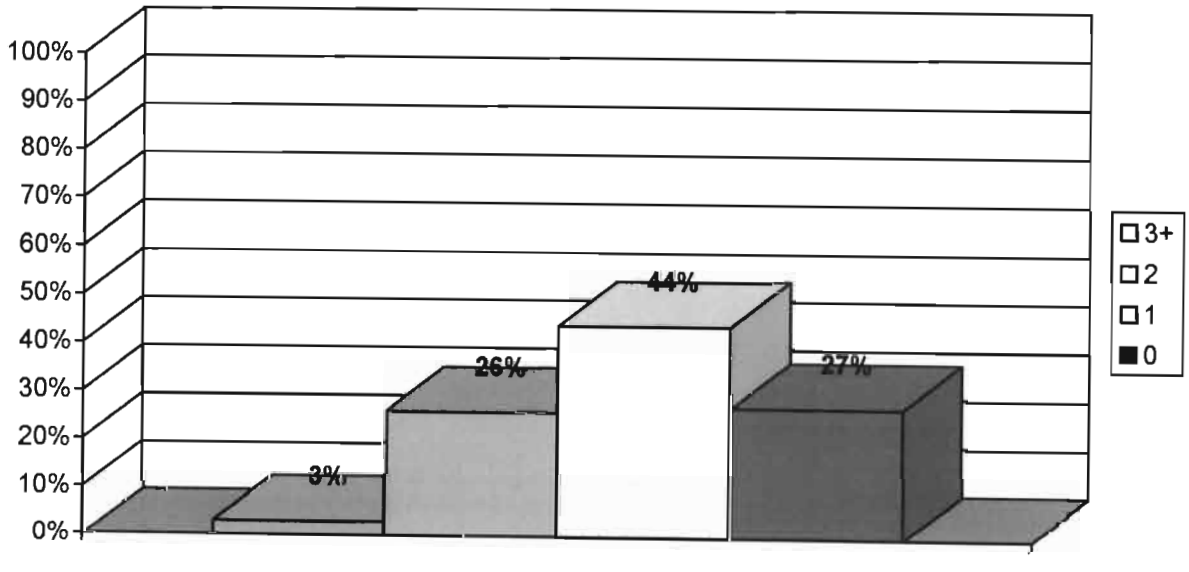


4.4 Employee involvement in the process and interaction with management

Managers in this division are expected to have three sit-down reviews with each of their staff during the year. Of dramatic concern is that this seems to be happening with less than two percent of the respondents. See figure 4.8 below. The majority of respondents claim that they had only one sit-down review during the year. More horrifically, twenty seven percent indicate that they had no sit-down review with their manager. There is a definite need to instill discipline back into the system.

Figure 4.8

Question 5: How many sit-down performance reviews did you have in 2002?



The majority of questions in this category attracted a rather positive response with seventy nine percent indicating that they were advised of their final performance score for 2002 (see figure 4.9), eighty one percent indicating that they were involved in determining the contents of their performance agreement (see figure 4.10), ninety five percent indicating that they are aware of the reason why they have a performance agreement (see figure 4.11), eighty percent felt that the performance feedback process was held in a fair manner (see figure 4.13) and seventy eight percent indicating that they discussed their performance against each objective contained in their performance agreement with their manager and they had the opportunity to express their view on each one (see figure 4.12).

Figure 4.9

Question 6: Were you advised of you final performance score for 2002?

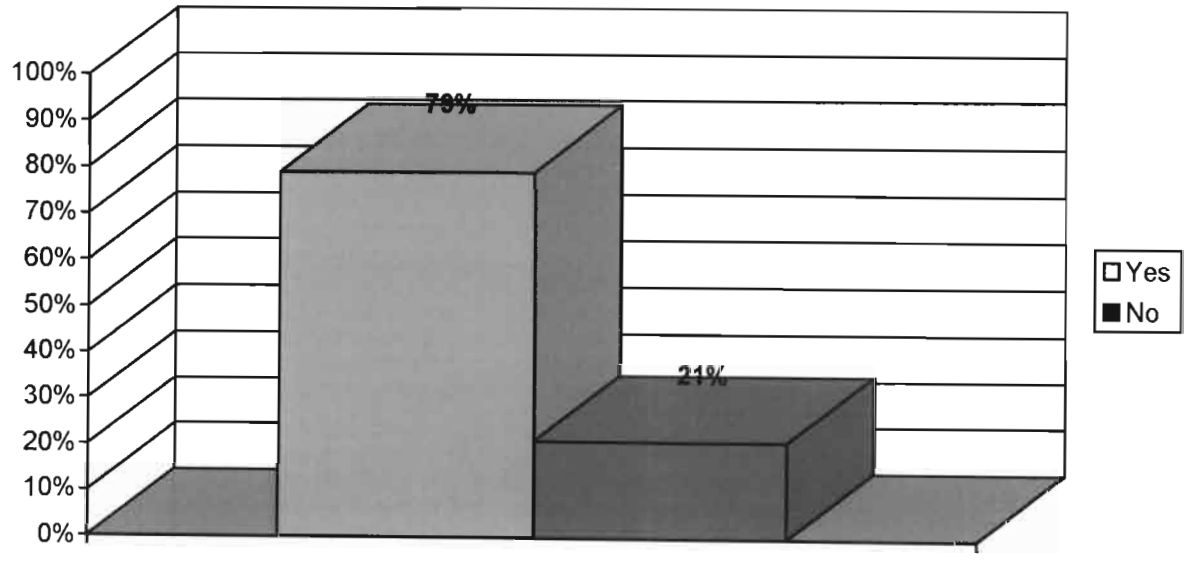


Figure 4.10

Question 7: I have been involved in determining the contents of my performance agreement

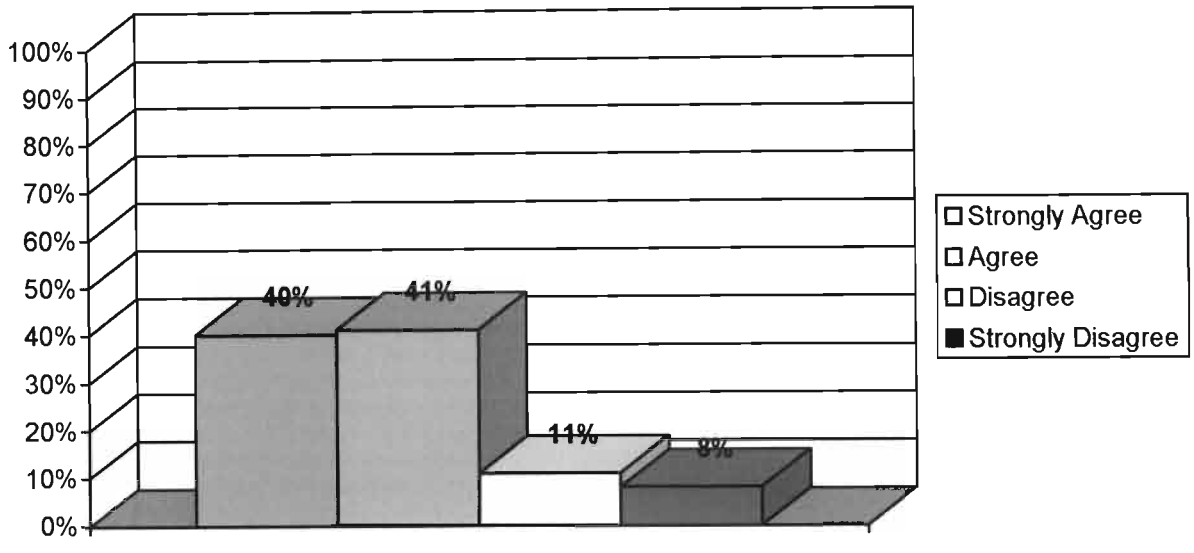


Figure 4.11

Question 11: I understand why I have a performance agreement

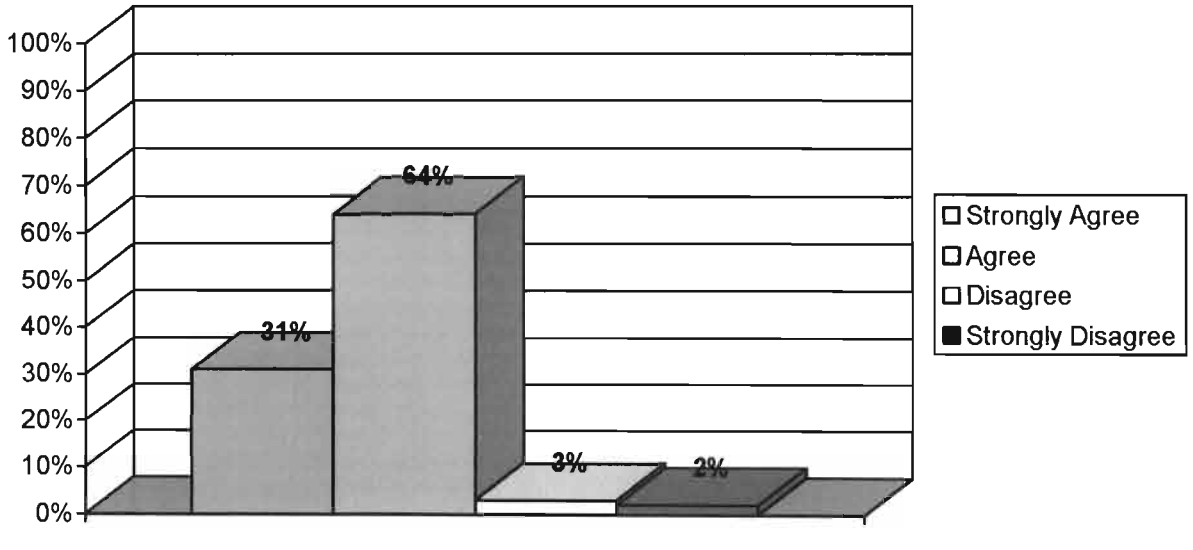


Figure 4.12

Question 12: My manager and I discussed my performance against each objective contained in my performance agreement and I had the opportunity to express my view on each one

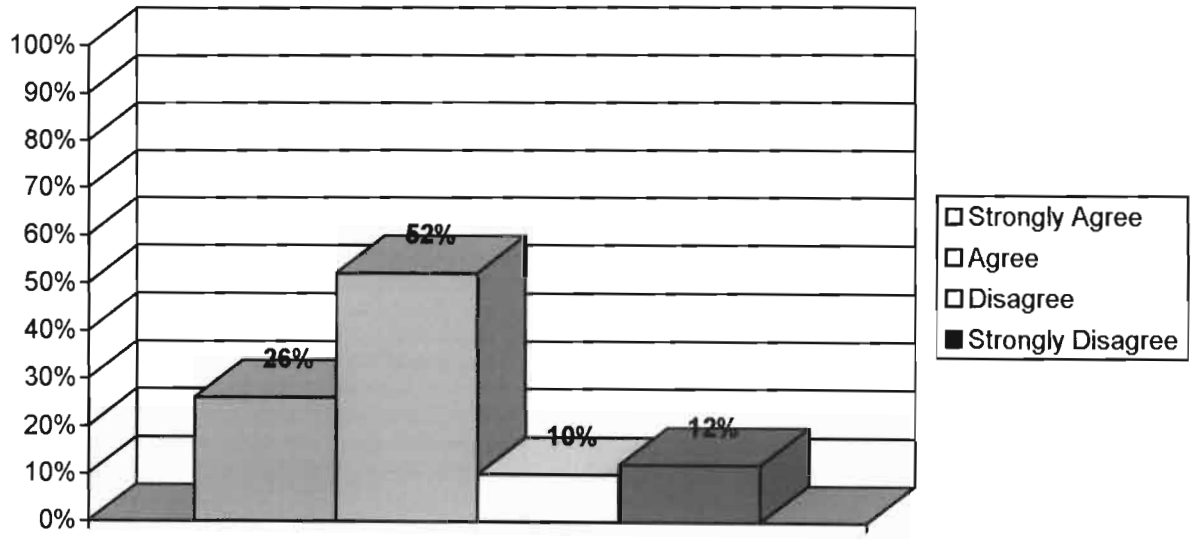
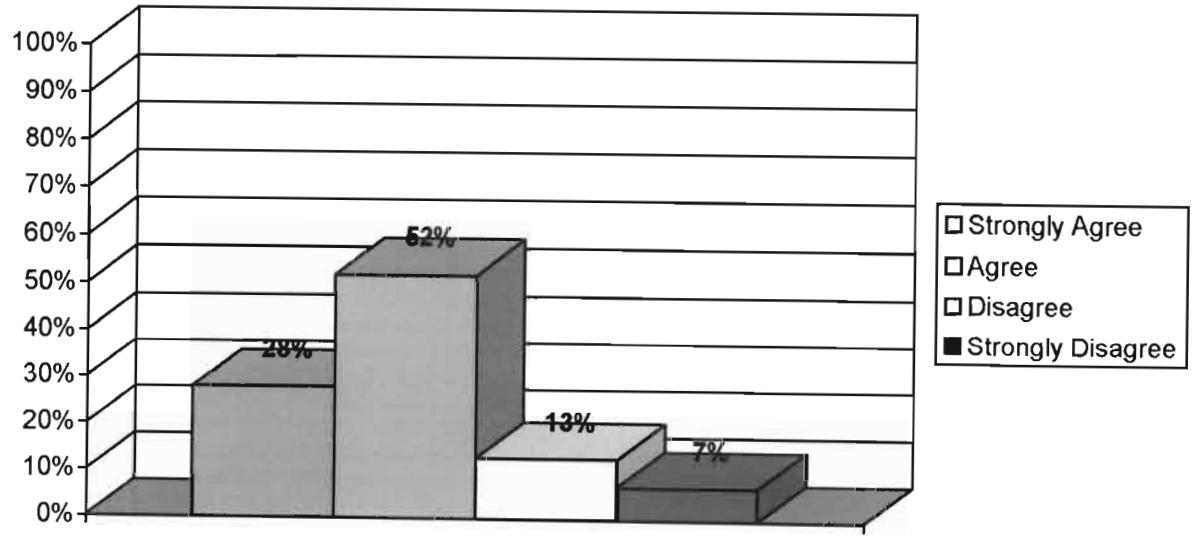


Figure 4.13

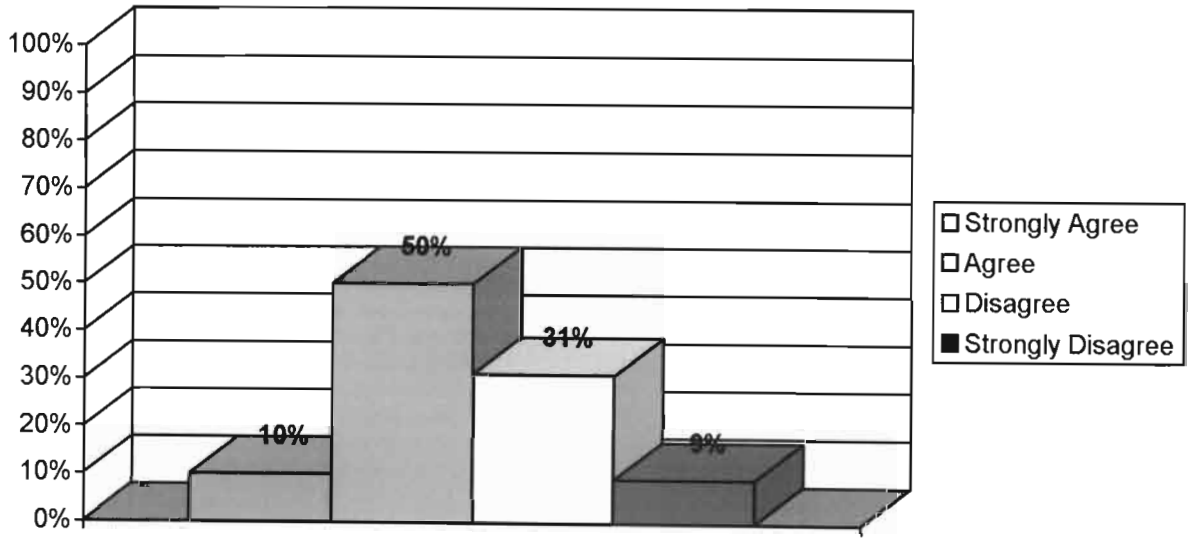
Question 13: The performance feedback process was handled in a fair manner



Of concern is that only sixty percent of the respondents say that during the performance feedback process they were made aware of areas where they could still improve, as indicated in figure 4.14 below. This could either indicate that these respondents were all above average performers and therefore did not have areas for improvement or it could indicate a problem with the feedback process. Given the spread of final performance scores indicating that of the entire population of 351 employees, only twenty five percent were categorised as above average employees, the researcher would place more weight on the latter.

Figure 4.14

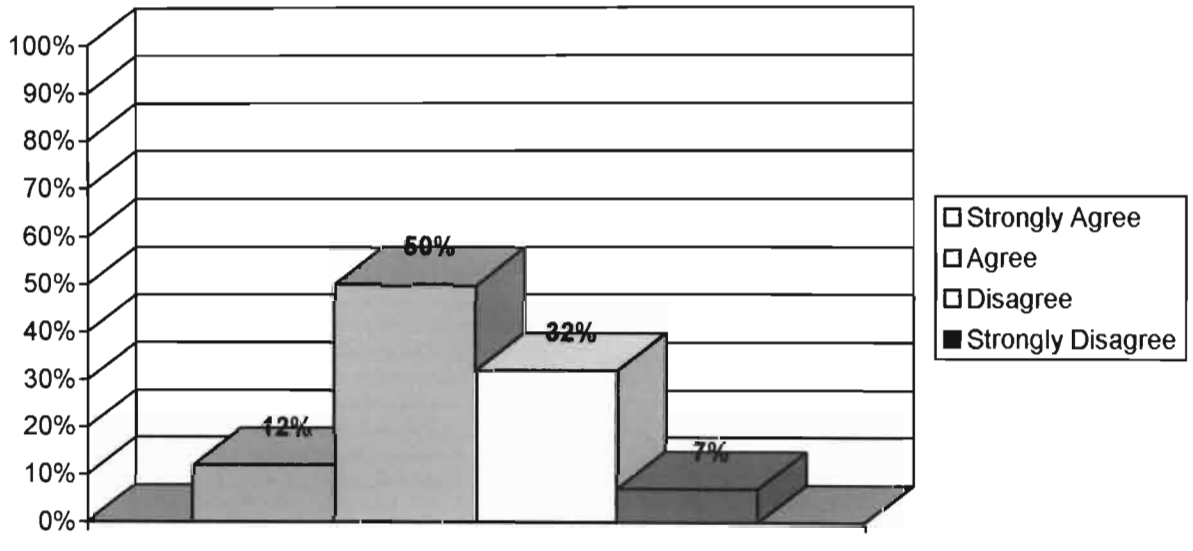
Question 14: During the performance feedback process, I was made aware of areas where I could still improve



Another related concern is that only sixty two percent of these respondents say that during the same feedback process, they were given recognition for good performance, as shown in figure 4.15 below. This would clearly indicate a need to highlight and possibly offer training to managers on the value and process of giving feedback.

Figure 4.15

Question 15: During the performance feedback process, I was given recognition for the areas where my performance was especially good



The researcher found that there was a relationship between inclusion of training and development needs in a performance agreement (question 4) and feedback during the performance review on areas for improvement (question 14). See table 4.2 below.

Table 4.2

Relationship between question 4 and 14: inclusion of training and development needs in performance agreement and feedback on areas for improvement

	Strongly Agree or Agree (Q14)	Strongly Disagree or Disagree (Q14)
Yes (Q4)	20	7
No (Q4)	13	15

The chi-square statistic = 4,377*

A chi-square test shows significant association between the answers for these questions. The chi-square statistic of 4,377 is significant at the five percent level of significance. From the table it is clear that those who answered "yes" to question 4 (saying that their performance agreement covered training and development needs) are more likely to agree or strongly agree or less likely to disagree or strongly disagree with the statement in question 14 (saying that during the performance feedback process, they were made aware of areas where they could still improve) than those who answered "no" this question.

The researcher also found that there was a relationship between receiving feedback on areas for improvement and receiving recognition for good performance as indicated in table 4.3 below:

Table 4.3

Relationship between question 14 and 15: feedback on areas for improvement and recognition for good performance

	Strongly Agree or Agree (Q15)	Strongly Disagree or Disagree (Q15)
Strongly Agree or Agree (Q14)	19	8
Strongly Disagree or Disagree (Q14)	8	12
chi-square 4,335*		
p-value 0,037		

Those who disagreed to question 14 (feedback on areas for improvement) were more likely to disagree to question 15 (recognition for good performance) than those who agreed to question 14.

The results indicate that forty percent of the respondents were made aware of both improvement areas and given recognition for good performance.

4.5 Assessment of the outcome of the agreement by employees

All the responses to these questions were of concern. Respondents did not see any value in the performance management system and did not think there was any fairness in the method of linking their performance to salary increase.

While seventy percent of respondents felt that their final performance score was a fair reflection of their performance during the year (see figure 4.16), only a marginal fifty one percent felt that the salary increase they received was a fair reflection of their performance during the year (see figure 4.17)

This would certainly indicate a need to ensure that both the contents of the performance agreement and the feedback process are done in such a manner as to uplift both individual and collective performance. There is also a need to

review the fairness of the performance related pay system.

Figure 4.16

Question 16: I would say that my final performance score was a fair reflection of my performance during the year

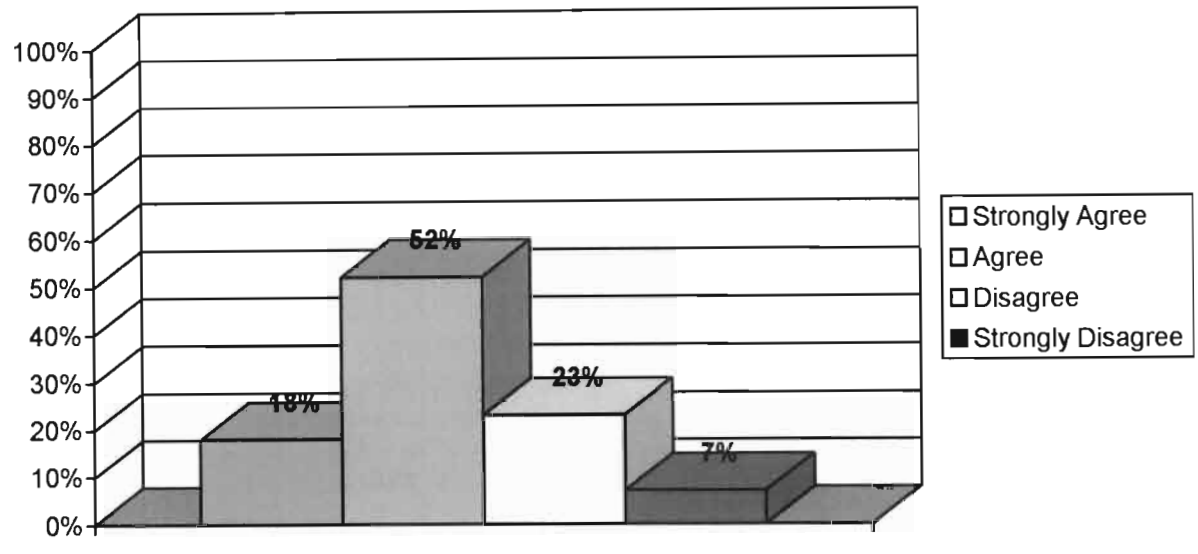
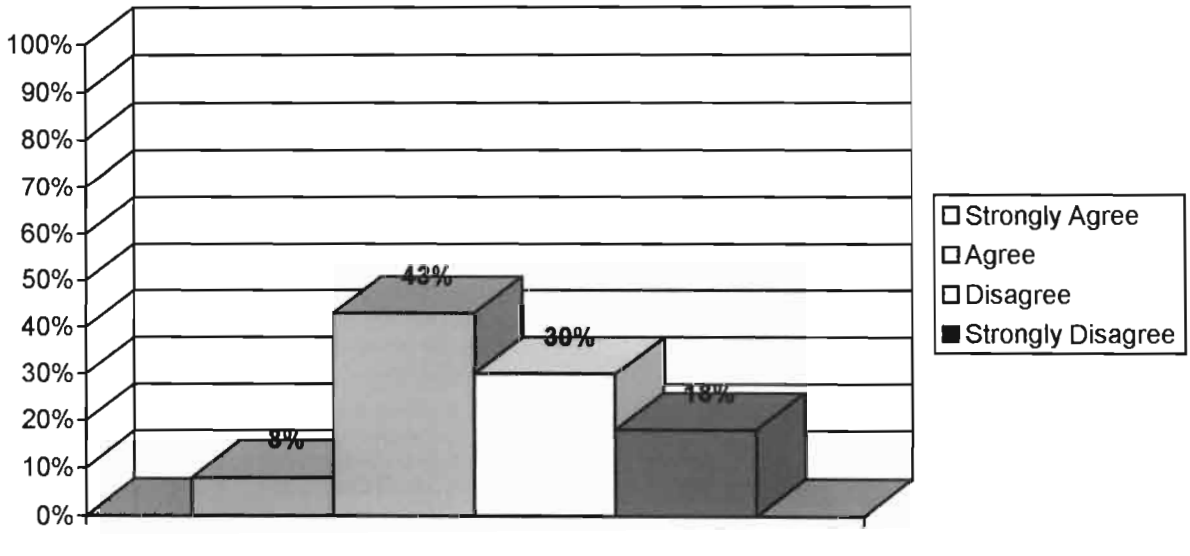


Figure 4.17

Question 17: The salary increase I received was a fair reflection of my performance during the year



Only thirty eight percent of respondents felt that the performance management process had contributed towards an improvement in the overall performance of their department (see figure 4.19), while only forty three percent felt that the performance management process had contributed towards an improvement in their individual level of performance (see figure 4.18).

Figure 4.18

Question 18: The performance management process has contributed towards an improvement in my level of performance

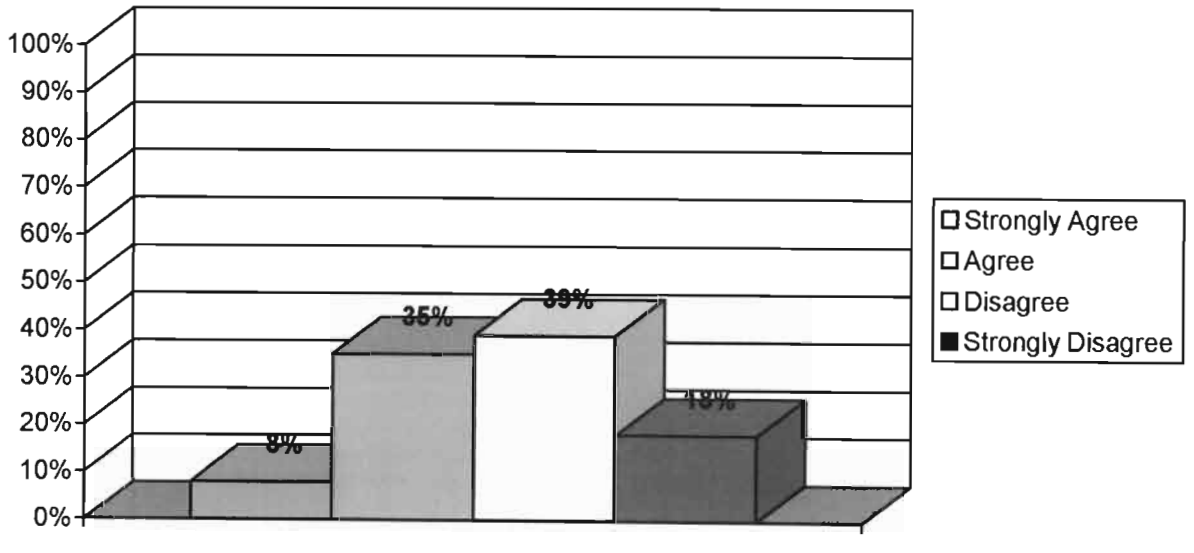
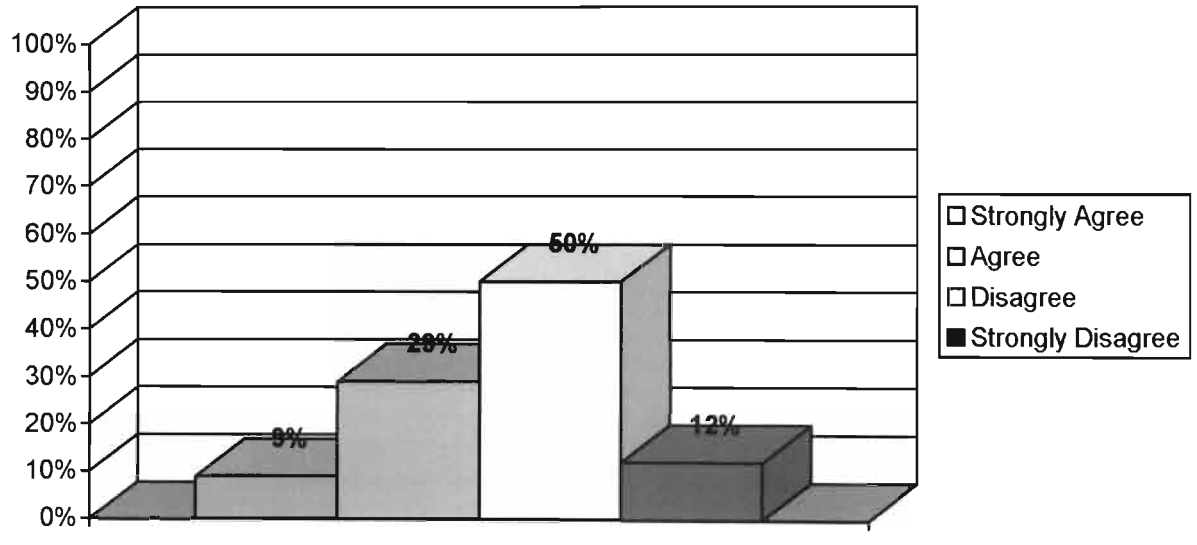


Figure 4.19

Question 19: The performance management process has contributed towards an improvement in the overall performance of my department



The researcher found that there was a high association (r=0,868) between the level of improvement in individual performance (question 18) and level of improvement in overall performance of the department (question 19) as indicated in table 4.4 below.

Table 4.4

Relationship between question 18 and 19: level of improvement in individual performance and level of improvement in overall performance of department

	Strongly Agree or Agree (Q19)	Strongly Disagree or Disagree (Q19)
Strongly Agree or Agree (Q18)	20	4
Strongly Disagree or Disagree (Q18)	1	32

Chi-square = 38,507

p-value = 0,000

4.6 Associations

In addition to above categories covering the compilation and delivery of the performance management system, the contents of the performance agreements, employee involvement in the performance management process and level of interaction with management, the researcher also investigated the following four relationships:

- Involvement in determining contents of performance agreement (question 7) and fairness of final performance score (question 16)
- Inclusion of training and development needs in a performance agreement (question 4) and level of improvement in overall performance of department (question 19)
- Amount of stretch in performance agreement (question 10) and level of improvement in individual (question 18) and departmental performance (question 19)
- Fairness of the feedback process (question 13) and fairness of final performance score (question 16)

4.6.1 Question 7 and 16

The association between the extent of involvement in determining the contents of the performance agreement (question 7) and the perception of fairness of the final performance score (question 16) as shown in table 4.5 is not as high as one might expect (r=0,506).

Table 4.5

Relationship between question 7 and 16: involvement in determining contents of performance agreement and fairness of final performance score

	Strongly Agree or Agree (Q16)	Strongly Disagree or Disagree (Q16)
Strongly Agree or Agree (Q7)	37 (65%)	11 (19%)
Strongly Disagree or Disagree (Q7)	3 (5,5%)	6 (10,5%)

Chi-square = 6,931

p-value = 0,008

Sixty five percent of the respondents are satisfied both with their involvement in determining the contents of the performance agreement and their score. However, nineteen percent of the respondents were satisfied with their involvement in determining the contents of the performance agreement but not with their score. This is the reason why the "agree" answer to question 7 is more positive than that to question 16. Some employees are of the opinion that the performance agreement is not reflected in the performance score.

4.6.2 Question 4 and 19

As seen in table 4.6 below, there appears to be some evidence of a relationship between the inclusion of training and development needs in a performance agreement (question 4) and the level of improvement in overall performance of the department (question 19). The proportion that disagree with the question 19 statement is higher among those who answered "no" to question 4 than among those who answered "yes".

Table 4.6

Relationship between question 4 and 19: inclusion of training and development needs in performance agreement and level of improvement in overall performance of department

	Strongly Agree or Agree (Q19)	Strongly Disagree or Disagree (Q19)
No (Q4)	7	18
Yes (Q4)	11	11

Chi-square = 2,397 *

p-value = 0,122

4.6.3 Question 10 and 18, 19

As indicated in table 4.7 and 4.8 below, there is evidence that those who agree that their performance agreements contain sufficient stretch in order to motivate them to succeed (question 10) are more likely to agree that the performance management process has contributed towards an improvement in individual performance (question 18) and departmental performance (question 19). Those who disagree that their performance agreements contain sufficient stretch in order to motivate them to succeed (question 10) will almost definitely disagree that the performance management process has contributed towards an improvement in individual performance (question 18) and

departmental performance (question 19).

Table 4.7

Relationship between question 10 and 18: amount of stretch in performance agreement and level of improvement in individual performance

		Strongly Agree or Agree (Q18)	Strongly Disagree or Disagree (Q18)
Strongly Agree or Agree (Q10)		19	14
Strongly Disagree or Disagree (Q10)		2	12
chi-square	7,453 *		
p-value	0,006		

Table 4.8

Relationship between question 10 and 19: amount of stretch in performance agreement and level of improvement in overall performance of department

		Strongly Agree or Agree (Q19)	Strongly Disagree or Disagree (Q19)
Strongly Agree or Agree (Q10)		17	16
Strongly Disagree or Disagree (Q10)		1	13
chi-square	8,190 *		
p-value	0,004		

4.6.4 Question 13 and 16

Those who felt that the feedback process was handled in a fair manner (question 13) are more inclined to agree that their final performance score was a fair reflection of their performance during the year (question 16), as shown in table 4.9 below.

Table 4.9

Relationship between question 13 and 16: fairness of feedback process and fairness of final performance score

	Strongly Agree or Agree (Q16)	Strongly Disagree or Disagree (Q16)
Strongly Agree or Agree (Q13)	30	10
Strongly Disagree or Disagree (Q13)	3	4
chi-square	2,943 *	
p-value	0,086	

4.7 Priorities for rewards

The mean priority was calculated for each reward category listed under the most preferred reward and these values ranked, as shown in table 4.10 below. The results indicate that there is a clear preference amongst respondents for financial rewards over non-financial ones. The most preferred reward is a variable salary increase and the least preferred reward is a gift.

Table 4.10

Mean priority per reward category for most preferred reward

Reward Category	Mean Priority	Rank
Increase	1,625	1
Bonus	1,81	2
Shares	2,959	3
Leave	4,044	4
Holiday	4,667	5
Air Miles	5,714	6
Gift	6,5	7

The number and percentage of responses for each reward category under the most preferred reward is shown in table 4.11 and 4.12 as follows:

Table 4.11

Number per reward category for most preferred reward

Priority	Increase	Bonus	Shares	Leave	Holiday	Air Miles	Gift	*Total*
1	36	18	5	-	1	-	-	*60*
2	11	33	12	3	1	-	-	*60*
3	5	7	18	12	5	2	-	*49*
4	3	-	9	15	10	5	2	*44*
5	-	-	4	11	16	9	2	*42*
6	1	-	1	3	12	13	11	*41*
7	-	-	-	1	-	13	27	*41*
Total	*56*	*58*	*49*	*45*	*45*	*42*	*42*	

Table 4.12

Percentage per reward category for most preferred reward

Priority	Increase	Bonus	Shares	Leave	Holiday	Air Miles	Gift	*Total*
1	60	30	8	-	2	-	-	*100*
2	18	55	20	5	2	-	-	*100*
3	10	14	37	24	10	4	-	*99*
4	7	-	20	34	23	11	5	*100*
5	-	-	10	26	38	21	5	*100*
6	2	-	2	7	29	32	27	*99*
7	-	-	-	2	-	32	66	*100*
Total	*97*	*99*	*97*	*98*	*104*	*100*	*103*	

4.8 Qualitative feedback

Forty nine percent or thirty three of the sixty eight respondents who submitted completed questionnaires completed the comments section. Of these thirty three respondents who made comments, they were equally split across grades, predominantly from one worksite (forty five percent from the same worksite), mostly employees from the Production and Divisional departments with a combined total of seventy two percent, mostly White (seventy eight percent) and male (eighty one percent). The respondents were equally split between those who remained anonymous and those who offered their names.

Ninety four percent of the comments were negative while only forty eight percent of those who offered comments, also offered solutions to perceived problem areas.

Although the comments section was a free-response section without categories, the comments were later combined into the following three sections:

- Rewards
- Contents of the performance agreement
- The performance management process

The majority of the comments (forty nine percent) were related to the reward system. Thirty six percent related to the performance management process and twenty four percent to the contents of the performance agreement. It should, however, be noted that when allocating the comments to categories, a single respondent was allocated to the category where the majority of the focus fell and that in some cases, the comment could have fallen into more than one category.

A detailed list of comments is provided in full in appendix 4. Some of the more salient issues raised were:

Rewards

- The rewards for an above average performer need to be more substantial
- Annual increases should not be linked to performance
- Performance should only be linked to bonus
- Annual increase should be biased towards individual performance and bonus towards team performance
- The forced bell curve distribution results in demotivation since each department needs some bad workers to make the system work or good people don't get full increases

Contents of the performance agreement

- Performance agreements should include training and development
- Customer ratings should be included
- Need more focus on individual performance
- The full scope of work needs to be covered
- Objectives need to be achievable
- Judgement of more than one person should be used in reviews

The performance management process

- Results among employees doing the same job should be more transparent
- Verbal recognition for things done well is important
- Performance reviews should be carried out more frequently
- The performance management system needs to be cascaded down to lower levels
- Performance needs to be reviewed at the time if an employee moves between positions during the review period

- Objectives should focus on factors within ones control
- Managers need to be fair and avoid favouratism
- Sufficient time needs to be allocated to the process

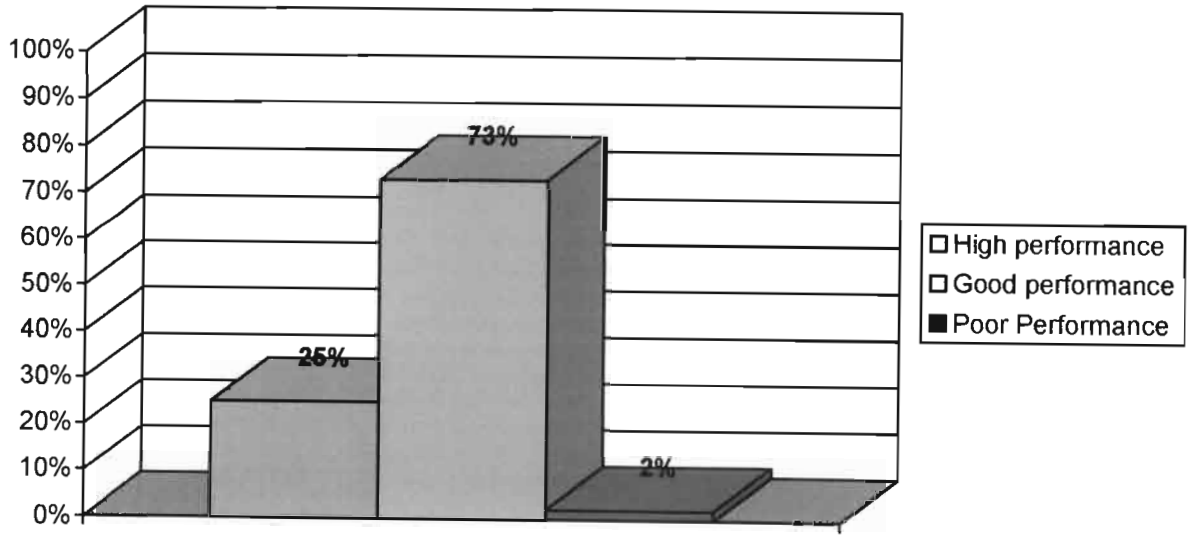
4.9 Analysis of salary increases and performance scores

Final performance scores for the period under review were categorised as follows:

- High performance: 101 to 120
- Good performance: 80 to 100
- Poor performance: 1 to 79

As shown in figure 4.20 below, twenty five percent of the employees were categorised as high performers, seventy three percent as good performers and two percent as poor performers.

Figure 4.20
Performance distribution



Welch (2002) recommends from his experience at General Electric that an optimal spread of performance in an organisation should show around twenty percent as high performers, or what he calls "A-players" or the "Top 20". The "B-players" or the "Vital 70" would consist of approximately seventy percent of the workforces and consists of good or average performers. He is quite outspoken about the poor performers or "Bottom 10" or "C-players" and suggests that it is essential to identify and consciously deal with this category by either developing to become "B-players" or ending the employment relationship.

When comparing Jack Welch's recommendations to the findings from this division, it would seem that there is a very close link between the percentage spread per performance category, with the exception of a possibly being a bit top heavy on high performers and light on poor performers.

The recommended salary increase percentage guideline for each performance category was:

- High performance: 5 to 7.5
- Good performance: 8 to 9.5
- Poor performance: 10 to 15

An analysis of the actual performance scores and salary increase percentages for each of the 351 employees, revealed that:

- Thirty two percent of high performers received lower than the recommended salary increases for this category

- Salary increases for good performers fell predominantly within the recommended guideline with around three percent receiving increases above this and less than one percent below this

- Seventy one percent of poor performers were paid over the recommended guideline

This information confirms the reason for the large number of negative comments outlined in section 4.9 with respect to the link between pay and performance.

Due to the sensitive nature of salary information, only a very broad analysis of this data has been shown. The same will apply to the information in section 4.8.

4.10 Analysis of salary positioning and performance scores

An analysis of performance scores and salary positioning within the salary scales for each grade was done for each of the following groups:

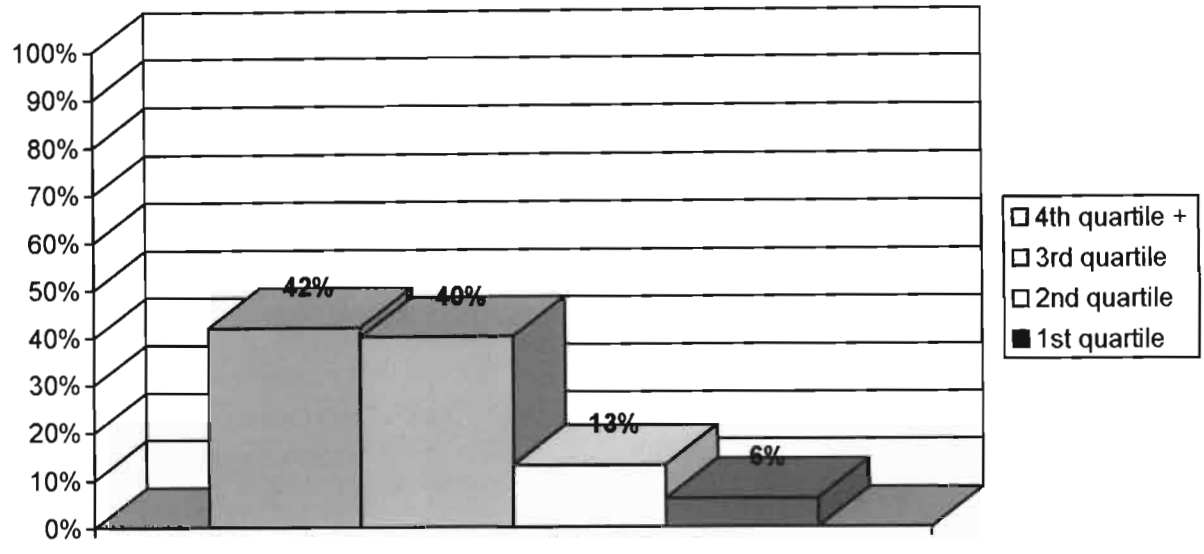
- High performers
- Good performers
- Poor performers

High performers

As shown in figure 4.21 below, just over eighty percent of high performers are paid above the mean of their salary scale. Forty two percent are paid in either the fourth quarter or above. Six percent of high performers are paid within the first quarter of their salary scale of which a further analysis reveals that most of these have been in their current position for less than a year.

Figure 4.21

High performer salary positioning

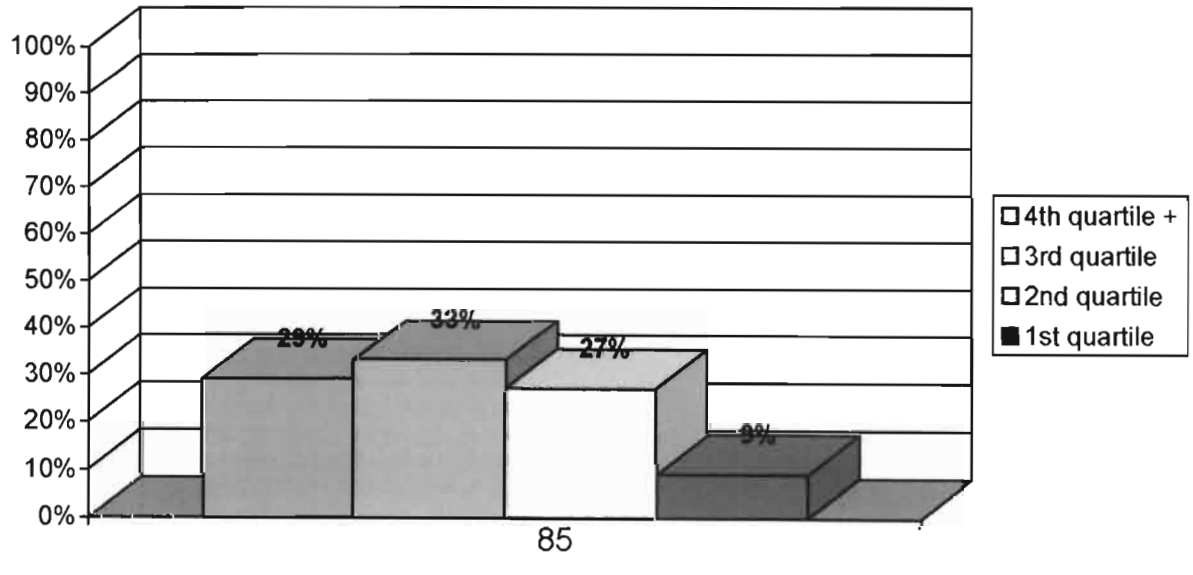


Good performers

The spread of salaries for good performers, as shown in figure 4.22 below, indicates that close on thirty percent of good performers are paid in either the fourth quarter or above their scale. Sixty two percent are paid above the mean.

Figure 4.22

Good performer salary positioning

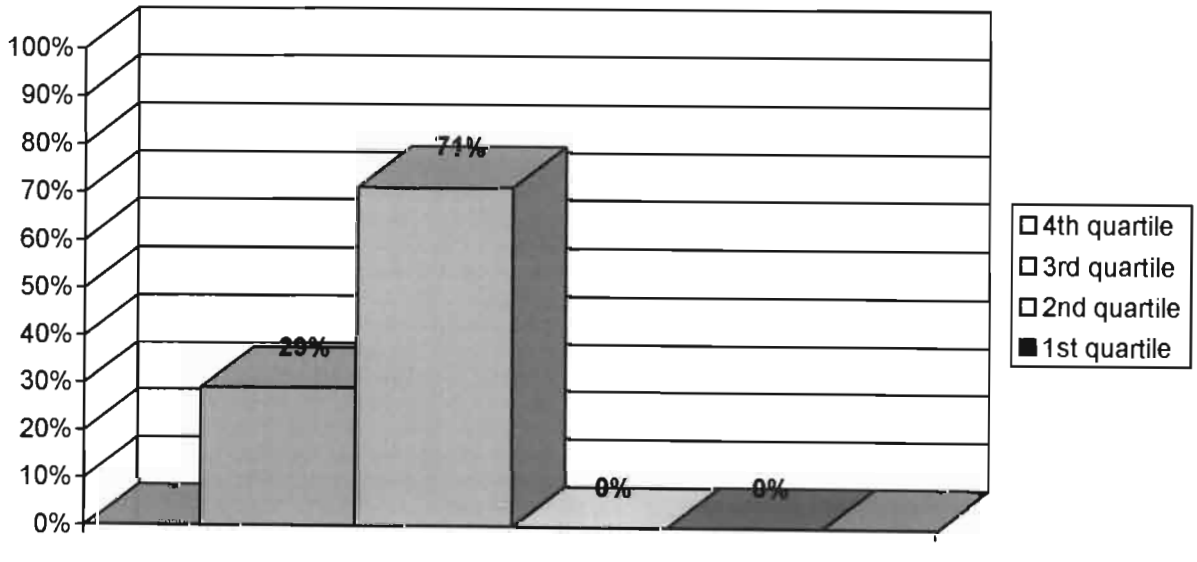


Poor performers

As shown in figure 4.23 below, twenty nine percent of low performers are paid in the fourth quartile of their salary scale while the remaining seventy one percent are paid within the third quartile.

A further analysis reveals that over eighty percent of the employees within the low performance category have fifteen years service or more with the organisation. This may explain why all of them are paid above the mean of their salary scale.

Figure 4.23
Poor performer salary positioning



CHAPTER FIVE
DISCUSSION OF FINDINGS

5.1 Introduction

In this penultimate chapter a summary of the survey findings will be discussed together with possible limitations of the study.

5.2 Findings

The overall survey results from 68 respondents seem to indicate that the performance management system within this division was implemented sixty five percent successfully during the review period from January 2002 to January 2003.

Areas of concern about the implementation of the performance management system are that:

- Only forty percent of performance agreements are compiled by the end of the first quarter of the year
- Training and development needs are covered in just under fifty percent of performance agreements
- Less than two percent of employees partake in the required three sit-down performance reviews per annum
- Only two thirds of the performance agreements contain sufficient stretch in order to suitably motivate employees to succeed
- During the performance feedback process, only sixty percent of employees are made aware of areas where they can improve their performance
- Recognition for good performance is only given during the performance feedback process sixty two percent of the time
- Just over fifty percent of employees believe that their salary increase is a

fair reflection of their performance

- The performance management process has only contributed towards an improvement in performance for just under half of the employees
- Less than forty percent of employees believe that the performance management system has contributed towards an improvement in the overall performance of their department

Commendable aspects regarding the implementation of the performance management system are that:

- Just over ninety percent of employees have a documented performance agreement
- Eighty percent of employees have their own copy of this performance agreement
- Managers involve just over eighty percent of their employees in determining the contents of performance agreements
- Over eighty percent of the employees have performance agreements that are clear and specific about what is expected of them in order to deliver above average performance
- The objectives contained in performance agreements are weighted to indicate their relative importance amongst ninety percent of employees
- Over ninety percent of employees understand why they have a performance agreement
- Managers discuss their employees performance against each of the objectives contained in their performance agreement and allow them the opportunity to express their view on each one in just under eighty percent of the time
- Eighty percent of employees feel that the performance feedback process is handled in a fair manner
- Seventy percent of employees feel that their final performance score is a fair reflection of their performance during the year

It was also found that employees prefer financial rewards over non-financial rewards. The most favoured reward is still the variable salary increase, followed by a bonus. The least favoured reward is a gift, followed by air miles.

An analysis of performance scores and salary increases showed that:

- Thirty two percent of high performers received lower than the recommended salary increases for this category
- Salary increases for good performers fell predominantly within the recommended guideline
- Seventy one percent of poor performers were paid over the recommended guideline

When performance scores and salary positioning within the salary scale were analysed, it was found that:

- Just over eighty percent of high performers are paid above the mean
- Sixty three percent of good performers are paid above the mean
- All of the poor performers are paid above the mean

5.3 Limitations of study

A significant limitation of this study was the non-randomness of the sample associated with a low response rate and possible sample bias arising from a perceived lack of anonymity on the part of respondents.

Another possible limitation of this study could be the use of only a self-administered questionnaire to elicit feedback from respondents. The use of focus groups in addition to the self-administered questionnaire could have possibly enhanced the findings.

A further limitation was that the scope of this research did not allow for an analysis to be conducted on the relationship between reward systems and ethnic group, gender and age. It would be beneficial if future research could cover this aspect, especially within a South African context.

It would also be beneficial for a more detailed study to be conducted on performance related pay, including the motivational aspect of performance pay.

CHAPTER SIX
RECOMMENDATIONS AND CONCLUSION

6.1 Introduction

This final chapter will outline recommendations arising from the research findings followed by a conclusion to this research paper.

6.2 Recommendations

The researcher would recommend that in order to reap the full benefit that a performance management system can offer, top management within this division should re-communicate to all employees the value and benefits that reside within the performance management system, take a firm stand on insisting that managers take responsibility for making the system work by including a heavily weighted objective in each of their performance agreements covering the successful implementation of performance management within their sections, as measured by an annual survey such as this one.

Refresher training workshops should also be held for all managers on the do's and don'ts of compiling a performance agreement, the importance of a training and development plan as well as the skills of coaching, giving effective performance feedback and dealing with performance deficiencies.

The method of linking performance to financial reward systems should also be revisited, especially the concept of ensuring forced normal distributions.

It would also be recommended to ensure a larger salary increase differential between the high performers, good performers and poor performers by

ensuring that salary increases remain within the recommended salary increase guidelines.

Lastly, it is recommended that frequent comparisons are carried out between performance categories and relative positioning of salaries within salary scales to ensure once again that there is sufficient differentiation between high, good and poor performers.

6.3 Conclusion

The research shows that if constructed and used properly, an integrated performance management system offers many benefits to individuals, teams and organizations who can master the implementation of the principles as outlined in this research.

REFERENCES

Books

Ainsworth, M. & Smith, N. 1993. Making it happen: managing performance at work. Sydney: Prentice Hall.

Armstrong, M. & Murlis, H. 2001. Reward management. Biddles Ltd: Norfolk.

Bredrup, H. 1995. Background for performance management. In Rolstadas, A. Performance management: a business process benchmarking approach. Chapman & Hall: London.

Cooper, D.R. & Schindler, P.S. 2001. Business research methods. 7th edition. McGraw-Hill: New York.

Dale, M. 1998. Development: skills techniques for improving learning & performance. Biddles Ltd: UK.

Fletcher, C. 1993. Appraisal: routes to improved performance. Institute of Personnel Management: London.

Heisler, W.J., Jones, W.D. & Benham, P.O. 1988. Managing human resources issues. Jossey-Bass: San Francisco.

Ivancevich, J.H. & Matteson, M.T. 1996. Organisational behaviour and management. 4th edition. Irwin: USA.

Lathan, C. and Marchbank, T. 1994. Feedback techniques. In Lee, G. & Beard, D. Development Centres. Mc Graw-Hill: Maidenhead.

Lawson, P. 1995. Performance management : an overview. In Walters, M. The performance management handbook. Institute of Personnel Development: London.

Lockett, J. 1992. Effective performance management. Kogan Page: London.

Lynch, R. 2000. Corporate strategy. 2nd edition. Pitman: UK.

Mohrman, A.M. 1990. Deming versus performance appraisal: is there a resolution? In Mc Lean, G.N., Damme, S.R. and Swanson, R.A. Performance appraisal: perspectives on a quality management approach. American Society for Training and Development: Alexandria.

Nel, P.S., Gerber, P.D.,Van Dyk, P.S., Haasbroek, G.D., Schultz, H.B., Sono, T. & Werner,A. 2001. Human resource management. 5th edition. Oxford: Cape Town.

Noe, Hollenbeck, Gerhart & Wright. 2000. Human resource management: aining a competitive advantage. 3rd edition. Mc Graw-Hill: USA.

Reber, A.S. 1985. Dictionary of Psychology. Penguin: England.

Robbins, S.P. 1991. Organisational behaviour: concepts, controversies and applications. 5th edition. Prentice-Hall: New Jersey.

Robbins, S.P. & De Cenzo, D.A. 1998. Fundamentals of management: essential concepts and applications. 2nd edition. Prentice-Hall: USA.

Rogers, S. 1990. Performance management in local government. Longman: Essex.

Rummler, G.A. & Brache, A.P. 1995. Improving Performance. 2nd edition.

Jossey-Bass: San Francisco.

Schneier, C.E., Beatty, R.W. & Baird, L.S. 1987. The performance management sourcebook. Human Resources Development Press: Amherst.

Spangenberg, H. 1994. Understanding and implementing performance management. Juta: Cape Town .

Storey, J. & Sisson, K. 1993. Managing human resources and industrial relations. Open University Press: Buckingham.

Thompson, A.A. & Strickland, A.J. 2001. Crafting and executing strategy. 12th edition. McGraw-Hill: Singapore.

Torrington, D. & Hall, L. 1998. Human resource management. Prentice Hall: Tokyo.

Ulrich, D.1998. Delivering results. Harvard Business School: USA .

Welch, J. 2002. Jack : What I've learned leading a great company and great people. Headline: London

Williams, R.S. 1998. Performance management: Perspectives on employee performance. Thomson Learning: London.

Journals

Amaratunga, D & Baldry, D. 2002. Moving from performance measurement to performance management. Facilities. Vol 20. No 5. Pg 217 – 223.

Bevan, S & Thompson, M. 1991. Performance management at the crossroads. Personnel Management. November. Pg 36 – 39.

Bussin,M & Thomsom, D. 2000. Wealth sharing for all South Africans. People Dynamics. Vol 18. No 2. Pg 33 – 35.

Christopher, D & Bussin, M. 2000. Thirty four ways to reward employees. People Dynamics. Vol 18. No 11. Pg 66.

Czakan, T. 2002. Paying Attention. People Dynamics. Vol 21. No 6. Pg 26.

Fandray, D. 2001. The new thinking in performance appraisals. Workforce. Vol 80. Issue 5. Pg 36 – 40.

Fletcher, C. 2001. Performance appraisal and management: the developing research agenda. Journal of Occupational and Organisational Psychology. Vol 74. Issue 4. Pg 473 – 488.

Glendinning, P.M. 2002. Performance management: pariah or messiah. Public Personnel Management. Vol 31. Issue 2. Pg 161 – 179.

Guinn, K. 1987. Performance management: not just an annual appraisal. Personnel. August. Pg 39-42.

Ho, U. 2002. A uniform standard of excellence. People Dynamics. Vol 20. No 4. Pg 13.

Joinson, C. 2001. Making sure employees measure up. HR Magazine. Vol 46. Issue 3. pgs 36 – 42.

Ingram, H & Mc Donnell, B. Effective performance management – the teamwork approach considered. Managing Service Quality. 1996. Vol 6. No 6. Pg 38 – 42.

Kennedy, P.W. 1995. Performance pay, productivity and morale. Economic Record. Vol 71. No 214.

Lefkowith, D. 2001. What gets measured gets done: turning strategic plans into real world results. Management Quarterly. Vol 42. Issue 2. Pg 20 – 25.

Macaulay, S. & Cook, S. 1994. Performance management as the key to customer service. Industrial and Commercial Training. Vol 26. No 11. Pg 3 – 8.

Mc Afee, R.B., Champagne, P.J. 1993. Performance management: a strategy for improving employee performance and productivity. Journal of Managerial Psychology. Vol 8. Issue 5. Pg 24 – 32.

Rutter, L. 2002. Considering the means, not just the end, at Nokia. Strategic HR Review. Vol 1. Issue 4. Pg 22 – 26.

Stajkovic, A.D. & Luthans, F. 2001. Differential effects of incentive motivators on work performance. Academy of Management Journal. (USA). Vol 44. No3.

Sui-Ppheng, L & Khoo, S.D. 2001. Team performance management: enhancement through Japanese 5-S principles. Team Performance Management. Vol 7. No 7. Pg 105 – 111.

Turvey, S. 2003. A global HR picture: How do we rate? People Dynamics. Vol12. No 6. Pg 23.

Zingheim, P.K. & Schuster, J.R. 2001. Powering up incentives for the fast-moving economy. Strategy & Leadership. (UK). Vol 29. No1.

Other publications

Towards sustainable development. 2002. Anglo American Plc report to society.

Real feedback for performance improvement. 2001. Best practice measurement strategies. Vol 1. Issue 8. Pg 8 – 10.

From the editor's desk. 2000. Harvard Management Update. Vol 5. Issue 8. Pg 11.

HR Focus News Brief. 2003. HR Focus. Vol 80. Issue 8. Pg 8 – 10.

Performance management programmes need to focus more on ... performance. 2001. HR Focus. Vol 78. Issue 2. Pg 9.

Two ways you can improve the impact of performance management programmes. 2002. Managing Training & Development. Vol 2. Issue 4. Pg 1 – 3.

Six fundamentals make performance management. 2001. Pay for Performance Report. Vol1. Issue 4. Pg 11 –12.

Performance management practices – going through the motions. 2001. New Zealand Management. Vol 48. Issue 3. Pg 11.

The benefits of performance management. 1998. Worklife Report. Vol 11. Issue 2. Pg 10 – 13.

APPENDIX 1

Performance management questionnaire

Dear Colleague,

Please would you take a few minutes to give us feedback on our newly implemented performance management system.

Not only will your feedback provide valuable information in assisting us to continuously improve our performance management process and thereby help *(edited for anonymity)* to continue to make strides towards creating a performance culture, but you will also be providing valuable assistance towards an MBA research project on performance management through the Graduate School of Business of Natal University.

Responses will remain anonymous, unless you choose to identify yourself. The choice is yours.

Feedback on the survey results will be made available to interested parties by means of a general communication through department managers.

Please would you return your completed questionnaire back to me by no later than Wednesday 09 April. This project is based on tight deadlines so your co-operation in this respect will be much appreciated.

You may send your completed questionnaires to me via any one of the following methods :

- E-mail (once the attachment has been printed, your e-mail will be deleted so you don't have to worry about being identified)
- Internal mail
- Fax to *(edited for anonymity)*

Should you require further clarification on any part of this questionnaire, please feel free to either e-mail me or call me on extension *(edited for anonymity)*.

Regards

Pauline

Pauline Camp

Section A : Some information about you ....

Place a (x) in the appropriate block

Work Site	R *(edited for anonymity)*	
	F *(edited for anonymity)*	
	S *(edited for anonymity)*	
	P *(edited for anonymity)*	
	D *(edited for anonymity)*	

Grade	UC	
	LD	
	UD and above	

Function	Production	
	Engineering	
	Technical	
	Divisional	

Age Group	< 25	
	25 – 35	
	36 – 45	
	≥ 46	

Ethnic Group	African	
	Indian	
	Coloured	
	White	

Gender	Female	
	Male	

Your Name : (optional)

Section B : Your feedback on the Performance Management System to date ...

Place a (x) in the appropriate block. If any of the questions from 7 – 19 are not applicable, please leave blank.

1. Did you have a documented performance agreement in place for 2002

Y	N

2. When was this document compiled.

Jan - March	
April - June	
July - Sept	
Oct - Dec	

3. Did you receive a copy of this agreement

Y	N

4. Did the performance agreement cover training and development needs.

Y	N

5. How many sit-down performance reviews did you have during 2002

0	
1	
2	
3	
>3	

6. Were you advised of your final performance score for 2002

Y	N

7. I have been involved in determining the contents of my performance agreement

Strongly Agree	Agree	Disagree	Strongly Disagree

8. My performance agreement is clear and specific about what is expected of me in order to deliver above average performance

Strongly Agree	Agree	Disagree	Strongly Disagree

9. The objectives in my performance agreement are weighted to indicate which objectives are more important than others

Strongly Agree	Agree	Disagree	Strongly Disagree

10. My performance agreement contains sufficient stretch in order to motivate me to succeed

Strongly Agree	Agree	Disagree	Strongly Disagree

11. I understand why I have a performance agreement

Strongly Agree	Agree	Disagree	Strongly Disagree

12. My manager and I discussed my performance against each objective contained in my performance agreement and I had the opportunity to express my view on each one

Strongly Agree	Agree	Disagree	Strongly Disagree

13. The performance feedback process was handled in a fair manner

Strongly Agree	Agree	Disagree	Strongly Disagree

14. During the performance feedback process, I was made aware of areas where I could still improve.

Strongly Agree	Agree	Disagree	Strongly Disagree

15. During the performance feedback process, I was given recognition for the areas where my performance was especially good.

Strongly Agree	Agree	Disagree	Strongly Disagree

16. I would say that my final performance score was a fair reflection of my performance during the year

Strongly Agree	Agree	Disagree	Strongly Disagree

17. The salary increase I received was a fair reflection of my performance during the year

Strongly Agree	Agree	Disagree	Strongly Disagree

18. The performance management process has contributed towards an improvement in my level of performance

Strongly Agree	Agree	Disagree	Strongly Disagree

19. The performance management process has contributed towards an improvement in the overall performance of my department

Strongly Agree	Agree	Disagree	Strongly Disagree

20. Please indicate which of the following rewards would appeal to you the most. Allocate a "1"to the most important item, a "2" to the second most important item etc. You may only use each number once i.e. you may not have items that are equally important

You are also free to add in any additional rewards.

Variable salary increase	
Annual bonus	
Company shares	
Free air miles	
Free holiday	
Additional leave	
Free gift	

Section C : Your comments please ...

Please feel free to give any other feedback on your experience with the performance management process to date. We are very interested to know how we can improve on the existing system, so wherever you have identified a problem area, please also try to suggest a solution.

Thank you very much for your time and your feedback.

APPENDIX 2

Presentation of results

Performance Management Survey Results

April 2003

Performance Management Questionnaire

- **Q1 : Did you have a documented Performance Agreement in place for 2002 ?**
  - Yes 91%
  - No 9%
- **Q2 : When was this document compiled ?**
  - Jan – March 40 %
  - April – June 40%
  - July – Sept 14 %
  - Oct – Dec 6 %
- **Q3 : Did you receive a copy of this Agreement ?**
  - Yes 80%
  - No 20%

Performance Management Questionnaire

- **Q4 : Did the Performance Agreement cover Training & Development needs ?**
  - Yes 48 %
  - No 52%

- **Q5 : How many sit-down Performance Reviews did you have during 2002 ?**
  - 0 27 %
  - 1 44 %
  - 2 26 %
  - 3 1.5 %
  - >3 1.5 %

Performance Management Questionnaire

- **Q6 : Were you advised of your final performance score for 2002 ?**
  - Yes 79 %
  - No 21%

- **Q7 : I have been involved in determining the contents of my Performance Agreement ?**
  - Strongly Agree 40 %
  - Agree 41 %
  - Disagree 11 %
  - Strongly Disagree 8 %

Performance Management Questionnaire

- **Q8 : My Performance Agreement is clear and specific about what is expected of me in order to deliver above average performance ?**
  - Strongly Agree 33 %
  - Agree 48 %
  - Disagree 11 %
  - Strongly Disagree 8 %
- **Q9 : The objectives in my Performance Agreement are weighted to indicate which objectives are more important than others ?**
  - Strongly Agree 33 %
  - Agree 59 %
  - Disagree 5 %
  - Strongly Disagree 3 %

Performance Management Questionnaire

- **Q10 : My Performance Agreement contains sufficient stretch in order to motivate me to succeed ?**
  - Strongly Agree 16 %
  - Agree 51 %
  - Disagree 31 %
  - Strongly Disagree 2 %
- **Q11 : I understand why I have a Performance Agreement ?**
  - Strongly Agree 31 %
  - Agree 64 %
  - Disagree 3 %
  - Strongly Disagree 2 %

Performance Management Questionnaire

- **Q12 : My manager and I discussed my performance against each objective contained in my Performance Agreement and I had the opportunity to express my view on each one ?**
  - Strongly Agree 26 %
  - Agree 52 %
  - Disagree 10 %
  - Strongly Disagree 12 %
- **Q13 : The performance feedback process was handled in a fair manner ?**
  - Strongly Agree 28 %
  - Agree 52 %
  - Disagree 13 %
  - Strongly Disagree 7 %

Performance Management Questionnaire

- **Q14 : During the performance feedback process, I was made aware of areas where I could still improve ?**
  - Strongly Agree 10 %
  - Agree 50 %
  - Disagree 31 %
  - Strongly Disagree 9 %
- **Q15 : During the performance feedback process, I was given recognition for the areas where my performance was especially good ?**
  - Strongly Agree 12 %
  - Agree 50 %
  - Disagree 32 %
  - Strongly Disagree 7 %

Performance Management Questionnaire

- **Q16 : I would say that my final performance score was a fair reflection of my performance during the year ?**
  - Strongly Agree 18 %
  - Agree 52 %
  - Disagree 23 %
  - Strongly Disagree 7 %
- **Q17 : The salary increase I received was a fair reflection of my performance during the year ?**
  - Strongly Agree 8 %
  - Agree 43 %
  - Disagree 30 %
  - Strongly Disagree 18 %

Performance Management Questionnaire

- **Q18 : The performance management process has contributed towards an improvement in my level of performance ?**
  - Strongly Agree 8 %
  - Agree 35 %
  - Disagree 39 %
  - Strongly Disagree 18 %
- **Q19 : The performance management process has contributed towards an improvement in the overall performance of my department ?**
  - Strongly Agree 9 %
  - Agree 29 %
  - Disagree 50 %
  - Strongly Disagree 12 %

Performance Management Questionnaire

- **Q20 : Please indicate which of the following rewards would appeal to you the most. Allocate a "1"to the most important item, a "2" to the second most important item etc ?**
  - 1 Increase
  - 2 Bonus
  - 3 Shares
  - 4 Leave
  - 5 Holiday
  - 6 Air Miles
  - 7 Gift

APPENDIX 3

Most preferred reward

	Bonus	Holiday	Increase	Shares	Grand Total
Total	18	1	36	5	60

Mill	Bonus	Holiday	Increase	Shares	Grand Total
D	7		10	2	19
F	2		4	3	9
P	1		2		3
R	7	1	18		26
S	1		2		3
Grand Total	18	1	36	5	60

Grade	Bonus	Holiday	Increase	Shares	Grand Total
CU	8		17		25
DL	3	1	11	3	18
DU	7		8	2	17
Grand Total	18	1	36	5	60

Discipline	Bonus	Holiday	Increase	Shares	Grand Total
Div/Prod					
Divisional	7		14	4	25
Engineering	3		10		13
Prod/Eng			1		1
Production	5		9	1	15
Technical	3	1	2		6
Grand Total	18	1	36	5	60

Age	Bonus	Holiday	Increase	Shares	Grand Total
25-	1				1
25-35	4		9	3	16
36-45	8	1	16		25
46+	5		11	2	18
Grand Total	18	1	36	5	60

Ethnic	Bonus	Holiday	Increase	Shares	Grand Total
African			2		2
Indian	6		6		12
White	12	1	28	5	46
Grand Total	18	1	36	5	60

Gender	Bonus	Holiday	Increase	Shares	Grand Total
Female		1	6		7
Male	18		30	5	53
Grand Total	18	1	36	5	60

APPENDIX 4

Summary of qualitative feedback

Reward

1 If you are informed that your performance rating is above average one expects a good reward in the form of money. It was a big disappointment when you realised that good performance is only worth so little. If this is what one gets then PMS is definitely not worth while. (shortened)

2 PMS requires a lot of admin. A simpler method is required. PMS and annual increments should be separated. It has a negative impact on performance when it is seen as a threat to annual salary increases. Provision should be made for a substantial merit bonus (eg 3 months salary). Customer surveys are subjective and should not be used as part of PMS. If used then should be a quarterly survey at the minimum. There is no provision for someone who works harder and smarter sharing the same objectives as someone else to earn more. (shortened)

3 Above average performance not measured and rewarded.

4 Last year management imposed certain things and made certain promises which were not kept at the end when it came to rewarding us. We were first promised that the highest will get at least 12.5 % but though I was the highest I only got 11.3%. This is dropping the morale. We need a better system to assess individuals and identify the non-performers. There is too much weight on teams and groups. D-Band management in my department interfere a lot and take poor decisions that result in increased downtime and at the end our KPI's suffer. We are also hindered from achieving our objectives due to the old management style of dictating rather than empowering. Our department needs a total restructuring (shortened)

5 PMS focuses on planning, organising and controlling. What about a Performance Leadership System which focuses entirely on leadership. Start from profit/loss perspective. I also strongly disagree with the link between PMS and annual salary increase. Performance measurement is very difficult in practice and is far too easy to allow subjectivity to affect salaries. Annual salary increases must be deemed to be cost of living adjustments. The production bonus and any other perks are negotiable.

6 Your PMS should not be linked to your increase but to your bonus. It is anti-team.

7 The awards for a performer are not adequate.

8 The process and especially the individual results amongst employees doing the same job should be more transparent. By this I mean as an example 4 shift supervisors / managers in the same department under the same boss should be able to see each others results say on a team list. This will help each employee to look at others rating and be guided by where and why a particular individual does better or worse than themselves. It also serves as an assurance that each is assessed impartially on the same criteria. The calculation on annual production bonus should not include PMS results as this can be seen as being penalised thrice (annual increment, annual bonus as well as production bonus). The production bonus should be viewed as a team effort seeing that it is the overall result of this team effort.

9 I strongly disagree with the principle of having the same KPI's for annual increase as well as performance bonus. I feel the annual increase is a personal thing, and should be heavily biased towards personal performance I.e. the KPI's should measure the performance of the individual not the team or mill. Theoretically, an individual could then have a very good score, even if the mill or team did poorly. On the other hand, performance bonus should be paid on the performance of the team, mill, division and group. In this case, it should be difficult for an individual to get a good bonus if the mill did poorly.

10 I strongly disagree that PMS be applied to annual salary increases but rather a bonus scheme. I strongly agree that PMS is good for the company, the rewarding process needs to be carefully audited so the the total number of reward points are not adjudicated based on: a theoretical distribution fit along all bands and departments, available points are not unilaterally given to select individuals. These issues should be adressed by other incentives/rewards i.e.shares and/or free miles. Also these rewards are certainly more private and less prone to public scrutiny.

11 The PMS has worked well for me but believe it has also created a fair amount of unhappiness as you cost of living increase is affected by it. In effect some people may get a decrease?

12 How can you interfere with the cost of living increases. Each department need some bad workers so the system works or good people don't get full increases. If you score over 100% you still get a below average increase. The system does not work. It de-motivates people.

13 I am all for a PMS but it must be fair. We were led to believe increments will vary between 8 - 11 % on an annual basis but I scored 115 and received an increment of 9.1%. To date nobody can explain how my score was adjusted to realise an average increase. The system will lose credibility this way.

Contents of the Performance Agreement

1 PMS should include development and upgrading. It should also include customer rating. As the receiver of services from many other departments, I am surprised that they get bonuses as on many occasions I have to waste time repeatedly asking for information.

2 I suggest that future development / succession planning / career path training and development needs be included in the overall process.

3 When I joined this dept last year, there was no PMS document. I voiced my concerns to my superior and he promised to try and compile one. He did, in a way, by calling a meeting towards the end of the year between him, myself and my other 2 colleagues. But, unfortunately, what we discussed and agreed upon is not all in place yet. Although a document stipulating the objectives and targets of the dept were sent around for 2003 via e-mail.

4 The scope of your work is not fully covered in the mentioned performance indicators so you may excel in an area not covered that becomes very important during the year.

5 Last year's KPI's were not achievable. Divisional objectives should be production based as inefficiencies would be highlighted by the output of the various mills. The goal should be the most saleable product out of each of the Mills and increases/bonuses should be based on these achievements so that we all work to the same vision/goals.

6 As we focus on only listing items which can be measured objectively, some areas which can only be scored on a subjective basis are left out. I feel that a person's effectiveness of performance needs to be considered however it will be subjective. Unfortunately this is where personalities and possible favouratism comes into the equation. Maybe have a customer survey as a compulsory item to ensure that a measure of how a person is satisfying his/her internal customers is perceived.

7 Much of the achievement of goals relies on the performance of peers where you have no control. Goals must reflect own performance only. All subjectivity must be removed and the judgement of more than one person must be used. This is however very time consuming, impractical and thus done in a sloppy manner in order to get the paperwork done as there are more pressing matters to devote ones time to instead of doing what some bored or under utilised HR person has spent his unproductive time dreaming up to impress his boss!

Process

1 My manager and I have regular meetings so there is little need for a formal appraisal. Each issue is dealt with as it comes up. As with any employee, verbal recognition for things I do well is important to me.

2 It would be a great advantage if performance reviews were carried out more frequently.

3 I believe the PMS has been in place informally all along but has been formalised now which will realise improved overall employee performance down the organisation as it has a recognition and reward system attached to it. It is imperative that the system is cascaded down through the organisation in order to realise maximum benefit.

4 My experience is that your supervisor could change your final mark without consulting you which meant that you did not receive the increase you expected. If you changed positions during the year your KPI's were not adjusted and you could not accomplish the results needed for a full increase. (shortened)

5 I feel that only the items specified on the PMS will be concentrated on and the other smaller issues will be neglected.

6 In view of various issues, it is a shame to notice that we do not have managers, or very little of them, in the engineering department. Futhermore I find it difficult to accept the fact that, taking into account our level of responsibilities, we are way behind the other departments on grading and salary. At the last point I would like to propose that the HR dept to start their actual function again and do what they are supposed to do. The structures are chopping and changing within the engineering dept without consent of HR. HR should be leading and not be puppets. (shortened)

7 There is still no schedule in place or set layout for the PMS. It changes with each manager. The last year we CL was only given our directive in August and only a week to complete then by the review time the document had changed. Also when peer evaluation was requested in my case only 2 out of 5 returned their questionnaire due to either lack of time or interest in the system.

8 I could not achieve some of my objectives due to factors out of my control i.e. one staff member off sick for 4 - 5 months so could not attend the stipulated 10 days of training etc. My opinion is that the "slap gat" workers like this system as they can still obtain 100% by concentrating only on their objectives and not be bothered about anything else that is requested or expected of them. Why does (this division) not reward staff who do not abuse the sick leave system? (shortened)

9 This is a very good system but your manager has to be fair. The biggest problem is that there is favouratism.

10 Insufficient time allocated to this process by management.

11 The current PMS is not effective for production shift workers. Their performance assessments rely mostly on gut-feel of the supervisor. The plant performance on a shift basis cannot be used, as the continuous process cannot be cut up in specific 8-hour shifts.

12 I do not believe the system is responsible for extracting any more effort / motivation than would have been the case without it. However, the big difference is that I now receive financial reward for the effort and results achieved. It is however dependent on a number of areas beyond my control eg effects on profits due to exchange rates and group performance eg other divisions.
