

# ***MBA Dissertation***

## **Employee Perceptions of Performance Management at Peoples Bank South Africa**

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**By :**

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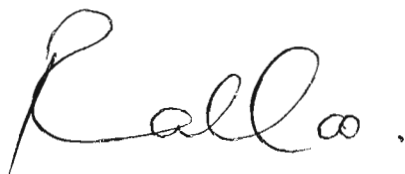
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**Submitted for Masters Degree in Business Administration  
Graduate School of Business-University of Natal Durban**

<b>Declaration</b>
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I, Raviduth Lalloo, declare that the work presented in this Dissertation is my own, and has not been previously accepted for any degree, and is not being currently submitted in candidature for any degree.

Any work done by other persons has been duly acknowledged.

A handwritten signature in black ink, appearing to read 'R. Lalloo', written over a horizontal line.

**SIGNATURE**

<b>Acknowledgements</b>
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## **ABSTRACT**

This study examines the perceptions of the employees of Peoples Bank towards Performance Management. The subjects were 190 non-managers and 46 managers selected from Peoples Bank branches nationally, and from Head Office. All 236 of the voluntary participants completed a mixed-model questionnaire requiring qualitative and quantitative data, where the quantitative data was measured using a Likert Scale. The approach taken to make sense of the data involved the use of descriptive statistics. From the responses received, histograms were prepared reflecting the respondents' views in relation to each question. There is a strong correlation between what the various experts say should be included in a Performance Management System and what the employees of Peoples Bank want included. It is conclusive that employees want a system that is fair and objective; they want to be given regular feedback on their performance; they want to be appraised on measurable criteria and they want to have a say in setting their performance goals. They also want to be trained and developed and, finally, they want to be rewarded in accordance with their performance. The implication is that Peoples Bank will need to re-visit its current Performance Management System to ensure that due consideration is given to employee views for the system to achieve its objectives whilst maintaining its credibility.

## **CHAPTER 1 : INTRODUCTION TO THE STUDY**

### **1.1 Background**

Performance Management is fast becoming recognised as a valuable management tool through which organisations can raise the performance levels of their employees whilst simultaneously keeping them motivated.

More and more, these organisations are beginning to realise that in order to create synergy between organisational and individual goals, a system of measurement and reward needs to be implemented that would benefit both the employee and the organisation.

However, frequent discussions and networking with Human Resource Practitioners, Managers and employees has revealed the following:

- that in many South African companies, Performance Management has been reduced/limited to a form-filling exercise when annual Performance Appraisals are conducted, and
- that Managers find Performance Appraisals tedious and time-consuming, and
- that the Performance Appraisal process actually “interferes” with the day-to-day production activities of Managers
- that Managers are uncomfortable raising contentious issues during performance interviews and prefer to preserve their “nice-guy” status with subordinates.
- that Managers are ill-equipped to conduct Performance Appraisals

Subordinates, on the other hand, accuse Management of:

- placing too much of emphasis on past mistakes
- not focusing on their future development, and
- not clarifying performance requirements

Of some concern was the fact that Managers and employees differed markedly in their perceptions of Performance Management, its objectives, its purpose and the processes that are required in implementing an effective Performance Management System.

Hence, a potentially valuable management tool that could be used to enhance employee performance and improve morale, and simultaneously boost profitability levels in organisations, is fast losing credibility.

## **1.2 Problem Statement**

Expecting the situation to be no different at Nedcor (from that which is described above), it was decided that, with the permission of management, informal exploratory research would be conducted to gauge the level of sophistication in Performance Management at Peoples Bank, which is the newly formed Retail Division of Nedcor.

At this point, it is important to contextualise the setting of the research environment:

Nedcor's recent acquisition of the BoE Bank Group has led to material changes within its own structure. As a result of the acquisition (merger), Peoples Bank now consists of four additional businesses that were inherited from the BoE Bank Group, viz. NBS, PeP Bank, Cashbank and Consumer Credit. Together with the existing

employees of the “old” Peoples Bank, the staff complement of the new merged Peoples Bank, after rationalisation, sits at approximately two thousand employees.

The exploratory research revealed that Performance Management within all of the entities that made up the new Peoples Bank was limited to annual staff Performance Appraisals that were conducted three months before the announcement of salary increases. The pattern and structure of the forms were similar in nature; employees of all of the business units were rated on their key performance areas using a five-point rating scale; performance interviews adopted a similar format and, most significantly, the result of the process was the same: standard salary increases were paid across the board after negotiation with the Unions.

The exploratory research also found that no effort had gone into testing the veracity of any of the appraisals; the attitudes of staff towards performance appraisals had also been untested; the importance (or otherwise) of performance appraisals as a management tool that can be used to motivate and develop people was unknown.

In addition to the above findings, management was now facing a new challenge: to devise a single, common Performance Management System that would replace all of the existing systems. The system must be acceptable to all employees and it must give due consideration to the various cultures that now existed in Peoples Bank.

Management had to now create a single culture that was all-encompassing, and the new Performance Management System was supposed to reflect and entrench this culture in the new Peoples Bank.

### **1.3 Research Objectives**

- 1.3.1 To examine the attitudes and perceptions of the staff and management of Peoples Bank towards Performance Management in general
- 1.3.2 To determine staff attitudes towards the different Performance Appraisal Systems currently used by the four Divisions in Peoples Bank
- 1.3.3 To determine what the staff and management would like to be included (or what factors should be taken into account) when designing a Performance Management System
- 1.3.4 To recommend the implementation of an appropriate Performance Management System that would not only achieve the Bank's business objectives, but also gain acceptance by all levels of staff as a credible Performance Management tool

### **1.4 Importance and Benefits of Doing the Study**

It is anticipated that the following benefits will accrue from the study:

- Management will have sufficient, relevant information to decide on whether to continue with annual Performance Appraisals as a means of managing performance
- Management will be in a position to design a system/s that is appropriate to the organisation, in terms of its business objectives, its values and its culture
- Management will be able to use Performance Management for the benefit of both the employee and the organisation

- Management will, presumably, gain credibility in the eyes of the general employee population from introducing a system that is perceived to be fair and meaningful
- Employees, if they are presently negatively disposed, will more than likely develop positive attitudes towards Performance Management if they perceive that the system can benefit them
- Peoples Bank's image as a prospective employer can improve if they are perceived to be using an equitable Performance Management tool

## **CHAPTER 2:       THEORY OF PERFORMANCE MANAGEMENT**

### **2.1     Introduction**

Research of the literature has uncovered vast amounts of information on Performance Management. However, it is not the intention of this exercise to quote copious amounts of theory written by various experts. Instead, the study aims to remain committed to its objectives, and two key objectives are worth re-visiting at this point, as they form the basis for the theory:

- To determine what the staff and management would like to be included (or what factors should be taken into account) when designing a Performance Management System
- To recommend the implementation of an appropriate Performance Management System that would not only achieve the Bank's business objectives, but also gain acceptance by all levels of staff as a credible Performance Management tool

The study will therefore attempt to extract information from the theory that will act as a conduit between the research objectives on the one hand, and the actual research on the other. In other words, the theory will attempt to offer solutions towards the achievement of the research objectives, and it will form the basis for the type of questions that will be included in the research questionnaire. Hopefully, the research results will also mirror the content of the theory.

The study will also use common trends and opinions that may emerge from the literature to devise a model around which the theory will be based. The model, again, will be used as a foundation for recommendations that may be proposed at the end of the study.

At all times during the above-mentioned process, the literature will be critically evaluated in an attempt to demonstrate the researcher's awareness of the current state of knowledge on the subject of Performance Management.

But, prior to any discussion around a Performance Management Model, it is necessary to take an in-depth look into the theory of motivation in the workplace.

## **2.2. The Role of Motivation in Performance Management**

An appropriate place to commence any discussion on employee performance is in the study of motivation in organisations, since motivation does have a major impact on job performance. For the continued existence of an organisation, it is essential that the activities required for the realisation of its main objectives be carried out effectively and efficiently. Inadequate performance, if widespread, jeopardises its very existence.

Performance in an organisation is mostly determined by the individual, or groups of individual workers. Human beings, as individuals, are very complex in their psychological make up. When they interact with one another in groups and in large organisations, the complexities are multiplied.

Although the question of what motivates workers is a difficult one to answer, an appreciation and/or understanding of the theory is a critical requirement for anyone who is involved in the design and/or implementation of a Performance Management system in an organisation.



The topic of motivation at work has received considerably increased attention in recent years among both practising managers and organisational researchers. Several factors appear to account for the emergence of this topic as a focal point of interest.

To begin with, managers and organisational researchers have recently begun to direct more attention towards the behavioural requirements of an organisation. In addition to the need for financial and physical resources, every organisation requires people to function. More specifically, organisations have three behavioural requirements in this regard:

- people must be attracted not only to join the organisation, but also to remain in it
- people must perform the tasks for which they are hired, and must do so in a dependable manner, and
- people must go beyond this dependable role performance and engage in some form of creative, spontaneous and innovative behaviour at work

A second and related reason behind the increased attention towards motivation centres on the pervasive nature of the concept itself. A comprehensive understanding of the way in which organisations function requires that at least some attention be directed towards the question of why people behave the way they do at work. An understanding of the topic of motivation is thus essential in order to comprehend more fully the effects of variations in other factors (such as leadership style, job re-design and salary systems as they relate to performance, satisfaction, and so forth).

Thirdly, given the ever-tightening constraints placed on organisations by unions, labour legislation and increased foreign-domestic competition, management has to look for new mechanisms to increase – and in some cases just to maintain – its level of organisational effectiveness and efficiency. Organisational effectiveness becomes

to some degree a question of management's ability to motivate employees to direct at least a reasonable effort towards the goals of the organisation.

A fourth reason can be found in the nature of present and future technology required for maintained existence. As technology increases in complexity, machines tend to become necessary, yet insufficient, vehicles of effective and efficient operations. It is necessary for an organisation to ensure that it has employees who are both capable of using – willing to use – the advanced technology to achieve organisational objectives.

Finally, while organisations have for some time viewed their financial and physical resources from a long-term perspective, only recently have they begun seriously to apply this same perspective to their human resources. Many organisations are now beginning to pay increasing attention to developing their employees as future resources upon which they can draw as they grow and develop.

## **2.3 Motivation Motives**

The discussion of motivation will include firstly an evaluation of the four motives that are often seen as prime factors in determining human behaviour. These are the money motive, the affiliation motive, the competence motive and the achievement motive. This will be followed by a discussion of the most well known contemporary motivation theories.

### **2.3.1 The Money Motive**

Although probably the most popular of all theories about what motivates people, very little is actually known about money as a motivator. Most theorists agree that money has an entirely material function. However, money

derives its unique power as a motivator from the fact that its symbolising power is not confined to its market value; money can symbolise almost every other value that people are motivated to pursue for example achievement, prestige, power and security.

Some of the findings about money as a motivator are contradictory to what one would expect. For example, people with no or little capital are not likely to be especially responsive to monetary incentives, despite the fact that their need for money is greater than anyone else's. Workers in this situation are often willing to forego a higher rate of income in order to ensure that employment, even at low pay, will continue.

On the other hand, people who have capital, but who have a constructive attitude towards the future, are quite likely to be attracted by money. Very often, money takes precedence over everything else, because these people regard money as effective instrument for radically improving their standard of living. These people, having begun to save and to acquire some possessions will behave more or less like "economic man", seeking to maximise their wages and respond vigorously to incentive payment plans.

However, while this phase of high attraction to money may last for generations, it often tends to reach a point of diminishing returns. As the individual becomes confident of his/her ability to earn as much as s/he needs, the money motive begins to decline. At this point, money does not cease to be important, it simply ceases to be of primary importance. Other needs may now begin to assert themselves, e.g. achievement, prestige, power, security, and so forth.

If this theory is correct, then it can be said that the money motive varies from person to person as a function of his capital position and future prospects. There are, however, exceptions to this theory. For example, there are some people who are purely motivated by money. No matter what their past experiences, present state of capital or future prospects, these people are always motivated to make more money.

The implications of this for practical use in organisations is that if this theory is correct, then it would be advisable to ascertain the current economic status of an employee before instigating a motivational scheme for him/her based purely on financial incentives. For example, s/he may prefer community status positions, therefore time off to pursue this could prove more effective for him/her, etc

### **2.3.2 The Affiliation Motive**

This theory of motivation can be considered an assumption that human beings need to be with other human beings. Research had indicated that when something happens which contradicts a strongly held belief, the “believers” will tend to seek each other out for discussions about the event. Speculations and possible explanations will be put forward. As soon as some sort of consensus emerges, most people will associate themselves with it. In other words, there appears to be some need to hold opinions that are shared by others.

Schachter (1959), working from this starting point, investigated the conditions under which people seek out each other. He arrived at a number of conclusions, some of which are listed below;

- People who are concerned or perturbed about events to come, prefer to have company while awaiting the onset of events.
- When people are upset, they do not seek autonomy. Instead, they prefer to be with people who are in a similar predicament.
- The tendency for unhappy people to congregate together occurs even when they cannot communicate with each other

In the light of this evidence, it is possible that the informal work group may be a means of coping with a job in which people are unhappy. The group may provide a degree of reassurance that everyone else is equally unhappy on the job.

However, the existence of people who exceed set standards of performance disproves the idea that there is some universal need for affiliation as an end in itself. There are individual differences in the need for affiliation.

Schachter has found that the affiliative desire was much stronger among the somewhat tense people who are sensitive to every shift in the social group than the more carefree individuals who simply take life as it comes.

From an organisation's point of view, what emerges from Schachter's work is a clearer understanding of why employees sometimes form groups which may set low levels of productivity. The group can be a means of creating an artificial world in which the things that are lacking in the job, such as pride, importance, and security, can be found.

### **2.3.3 The Competence Motive**

Robert W. White says, “one of the mainsprings of human motivation is an interest in getting to know what the world is like and in learning to get what one wants from it”. White calls this need for knowledge and control over one’s environment ‘the competence motive’. According to White, a child who has many successes in dealing with his/her environment at an early age, will develop a strong sense of competence – and vice versa.

In the work situation, the competence motive is likely to lead to a desire to master one’s job, and a sense of personal growth or achievement. In addition, the sense of competence probably plays an important part in the successful execution of a job, particularly where initiative or innovation is required.

This theory of motivation portrays humans as striving towards something more than simply economic gain or social relationships. It describes humans as striving towards a sense of accomplishment, a need to be successful at whatever one chooses to do. This need has sometimes been called a need for self-actualisation – to be what one is capable of being.

Following from this, the competence motive theory can probably be said to be based on a third assumption about man’s motives – the motive to self-actualise.

### **2.3.4 The Achievement Motive**

A further theory of motivation which also views humans as “self-actualising” has been proposed by McClelland (1964). According to McClelland, people

with a high need for achievement work harder at experimental tasks, learn faster, do somewhat better work at high school, and seem to do their best when it counts for their record, and not when other special incentives are introduced such as money prizes or time-off from work. They are more resistant to social pressures, choose experts over friends as work partners, and tend to be more active in the community. They like risky occupations, perform better under larger odds and choose moderate risks over either safe or speculative ones.

High achievers set goals that are potentially attainable, and choose to participate in activities where the outcome is determined by chance. Furthermore, they need concrete feedback on how they are doing.

### **2.3.5 McGregor's Theory X, Theory Y**

McGregor's (1960) contribution to motivation theory lies in the basic assumptions of two opposing theories of human behaviour in organisations.

Theory X provides an explanation of some human behaviour in industry. These assumptions, which are listed below, would not have persisted if there were not a considerable body of evidence to support them:

- The average human being has an inherent dislike for work and will avoid it if he can
- Because of this dislike for work, most people must be coerced, controlled, directed and threatened to get them to make an effort towards the achievement of organisational objectives

- The average human being prefers to be directed, wishes to avoid responsibility, has relatively little ambition, and wants security above all.

Theory Y assumptions, listed below, are dynamic rather than static: they indicate the possibility of human growth and development; they stress the necessity for selective adaptation, rather than for a single absolute form of control, and they are framed in terms of a resource that has substantial potential:

- The expenditure of physical and mental effort in work is as natural as play or rest
- Humans will exercise self-direction and self-control in the service of objectives to which they are committed
- Commitment to objectives is a function of the rewards associated with the achievement
- The average human can accept and seek responsibility
- The capacity to exercise imagination, ingenuity and creativity to solve organisational problems is widely distributed in the population
- In modern industry, the intellectual potential and capabilities of the average human are only partially utilised

From an organisational perspective, the assumptions of Theory X imply that the limits on human collaboration are not limits of human nature, but of management's ingenuity in discovering how to realise the potential represented by its human resources. Theory X offers management an easy rationalisation for ineffective organisational performance.



Theory Y, on the other hand, places the problem squarely on the lap of management. If employees are lazy, indifferent, unwilling to take responsibility, intransigent, uncreative, and uncooperative, then the causes lie in management's methods of organisation and control.

Genuine innovation requires firstly the acceptance of less limiting assumptions about the nature of human resources we seek to control, and secondly the readiness to adapt selectively to the implications contained in these assumptions. Theory Y is an invitation to innovation.

#### **2.3.6 Schein's Approach**

Following McGregor's vague description of human nature in organisations, various writers have tried to formulate a clearer set of assumptions. Of these, Schein's (1980) description is perhaps the best known.

He speaks of "Rational – Economic Man" whom he says is motivated primarily by economic incentives and wants to be controlled by the organisation. He suggests that organisations can and must be designed in such a way as to neutralise and control man's feelings, and therefore his unpredictable traits.

In describing his "Social Man" doctrine (which he developed from Elton Mayo's studies), Schein suggests that man is basically motivated by social needs, seeks social relationships in the job, and is more responsive to the peer group than he is to management.

Schein's "Self-actualising Man" seeks a sense of meaning and accomplishment in his work, is mature on the job, is primarily self-controlled and self-motivated and there is no inherent conflict between self-actualisation and more effective organisational performance.

From an organisational perspective, there is clear evidence that self-actualisation needs are important in the higher-levels, such as managers and professionals, but it is not clear how characteristic these needs are of the lower-level employee.

In the case of those workers who are not actively seeking self-actualisation at the work place, either this need is lacking, or it has not been given an opportunity to express itself. The latter may occur because lower-order needs are not yet fulfilled, or the organisation has "trained" workers not to expect meaning in their work as part of the psychological contract.

Finally, Schein's assumption of "Complex Man" assumes that man has many motives that are arranged in some sort of hierarchy of importance, and is subject to change. His motives interact and combine into complex motive patterns (for example, since money can facilitate self-actualisation, for some people, economic strivings are equivalent to self-actualisation).

Man learns new motives through his organisational experiences, and his motives differ from one department to the next or from one organisation to the next. If he feels alienated in the formal organisation, he may find fulfilment in unions or the informal organisation. His ultimate satisfaction depends in part on the nature of his motivation, which is based on the nature of his tasks and his abilities and experience.

From an organisational perspective, man can respond to many different kinds of managerial strategies depending on his own motives and abilities, and the nature of the task. In other words, there is no one correct strategy that will work for all men at all times. The importance of Schein's theory for motivation lies in the concept that man is a complex being, and should be approached as such. Motivation can therefore never be a simple process.

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

Maslow's (1954) theory is one of a very few motivational theories, which has given management a motivational tool to use in the organisational setting. The theory identifies five different levels of needs in a hierarchy: Basic Physiological Needs, Safety and Security Needs, Social Needs, Status and Esteem Needs and Self-actualisation needs

The implications of the hierarchical nature of human motivation are important for an understanding of why people behave the way they do. The assumption is that once a person's basic needs are satisfied (such as food, water and shelter), s/he will strive for companionship, a sense of belonging, love and affection. After these needs are met, s/he will then strive for higher psychological needs such as recognition, praise, status and adulation.

From an organisation's perspective, it is important to note though that not all people during their psychological development progress all the way up the hierarchy. Some people are limited by personality factors, or are stunted by the environment. Their lower - order needs are never satisfied to an extent that enables the higher need to become operative.

Furthermore, needs don't always follow the same order for all individuals. Some people may strive towards the fulfilment of status needs before they try to satisfy social needs. It is also true that a threat to a person's basic need may force him/her to forget about higher-order needs until the basic need is fulfilled once more.

### **2.3.8 Herzberg's Theory**

Herzberg (1966) contributed the following two theories to motivation: Hygiene Theory and Motivation.

The first part of the motivation theory involves the hygiene theory and involves the job environment. The hygiene factors include the company, its policies and its administration, the kind of supervision which people receive while on the job, working conditions, salary, status and security. These factors do not lead to motivation, but without them there is dissatisfaction.

The second part of the motivation theory involves what people actually do on the job. The motivators are achievement, recognition, growth, and advancement and interest in the job. These factors result from internal generators in employees, yielding motivation rather than movement.

Herzberg also provided a list of principles (*Table 2.1*) that can be used at work, together with accompanying motivators for each principle:

*Table 2.1* **HERZBERG'S PRINCIPLES AND MOTIVATORS**

<b>PRINCIPLE</b>	<b>MOTIVATORS INVOLVED</b>
1.Remove some controls while retaining accountability	Responsibility and personal achievement
2.Increase the accountability of individuals for own work	Responsibility and recognition
3.Give a person a complete, natural unit of work (e. g. division, area)	Responsibility, achievement and recognition
4.Grant an employee additional authority in his activity	Responsibility, achievement and recognition
5.Make periodic reports directly available to the worker rather than to the supervisor	Internal recognition
6.Introduce new and more difficult tasks not previously handled	Growth and learning
7.Assign individuals specific or specialised tasks to enable them to become experts	Responsibility, growth and advancement

From an organisational perspective, both the approaches (hygiene and motivation) must be done simultaneously. Treat people as best you can so that they have a minimum of dissatisfaction. Use people so that they get achievement, recognition for achievement, interest, and responsibility, and they can grow and advance in their work.

### 2.3.9 Job Satisfaction

An individual's sense of satisfaction with work and organisation derives from at least four different considerations:

- **Work Itself:** people must feel that they are using skills that they value, and that their work requires them to apply those skills in different situations. Thus, they are challenged
- **Supervision Received:** people need to feel comfortable with the guidance, recognition, and equity in the evaluation they receive
- **Compensation:** is important, but also what it signals in terms of status and promotion
- **Influence or Control:** people must feel a sense of influence or control regarding work or the results of their efforts

The second group of four factors important to job satisfaction emphasise features of the work itself.

- **Variety of Skills:** relates directly to the span of abilities one has to draw upon in performing a task. Serious under-utilisation of abilities can cause boredom or frustration
- **Task Importance or Significance and Task Identification:** connects effort to organisational outcomes (products, services or results)
- **Feedback:** should provide the information needed to judge performance, share in accomplishments, and take corrective action where required

The fifth factor dealing with job satisfaction deals with Autonomy: a feeling of independence and the ability to exert influence, individual opportunity and ability to make decisions and to build a sense of autonomy.

### **2.3.10 The Last (but not the final) Word on Motivation**

Notwithstanding the fact that motivation is a highly theoretical and often very complex subject, it should be regarded as an important aspect of work behaviour. The views of the various theorists, who have collectively spent many years researching behaviour in the workplace, must be considered when implementing systems to manage the performance of employees.

## **2.4 Performance Management Defined**

Armstrong (1998) echoes the sentiments of most authors on the subject when he defines Performance Management as a “ means of getting better results from the organisation, teams and individuals by understanding and managing performance within an agreed framework of planned goals, objectives and standards”.

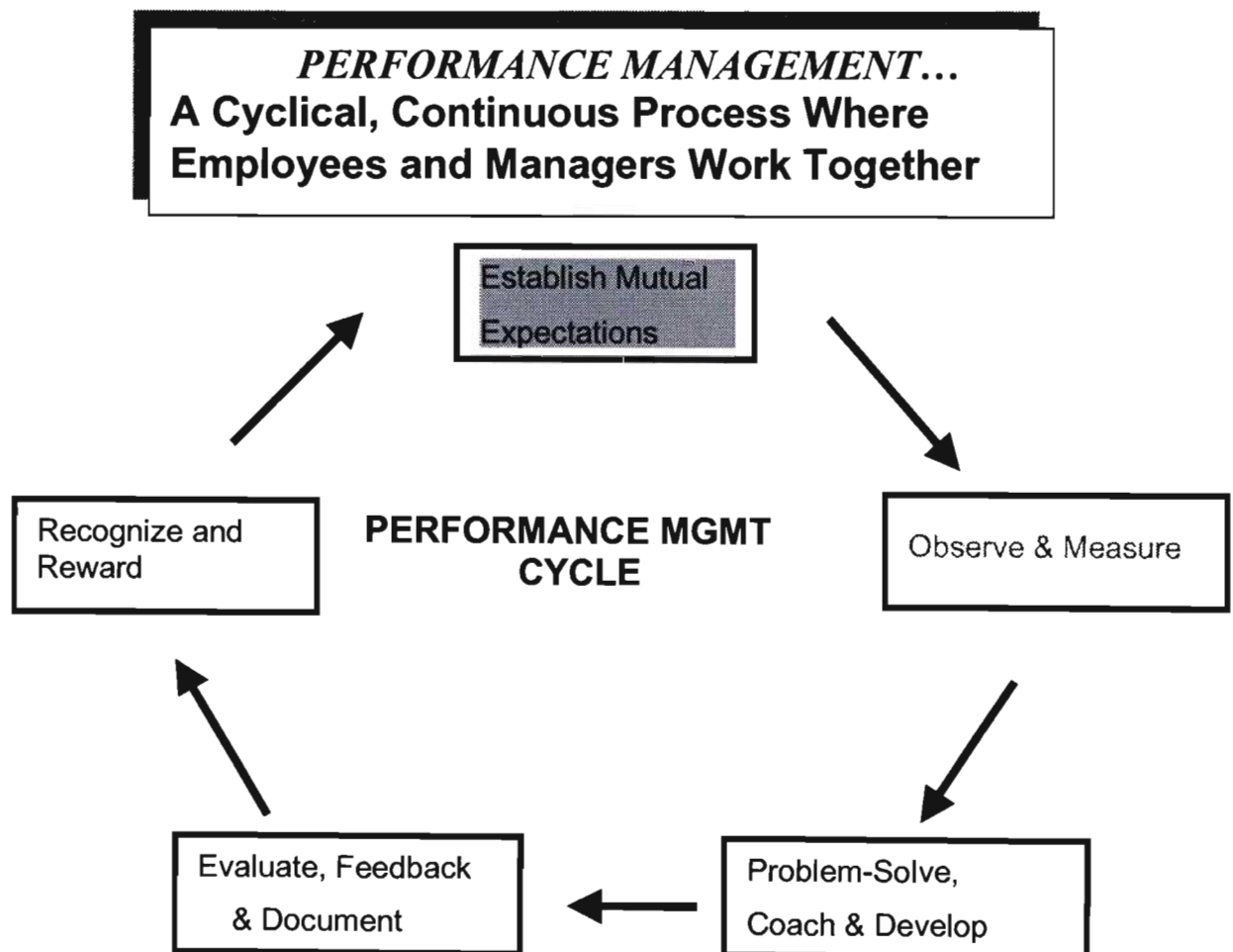
Performance Management, therefore consists of a systematic approach to managing people, goals, measurement, feedback and recognition as a way of motivating them to their full potential. It is thus broader than Performance Appraisal, which is an element in a Performance Management System.

Performance Management is a continuous process and is about improving both results and the quality of working relationships. Another major advantage is that everybody should be clear about what their priorities are, what they should be doing, what they

should be aiming for, and what the effect will be on team and organisational performance.

Performance Management starts out with a set of objectives agreed between individual and manager. This is continually monitored and assessed with high performance being reinforced and low performance dealt with by counseling and coaching.

*Fig 2.1*





## **2.5. The Performance Management Model**

Earlier in the chapter, mention was made of a Model around which the discussion would be based. The above Model, derived from the literature research, represents a synthesis of the common elements that comprise a Performance Management Model.

The Model suggests that there are five components to Performance Management, and that each component, although significant in its own right, operates interdependently with the other four components.

There is also the suggestion that the entire cyclical process is a continuous one. This view of Performance Management is significant because of general misconceptions that Performance Management is supposed to take place at certain times in a year, or at specific stages of an employee's work tenure. The Model seems to imply that Performance Management is almost a daily process during which one or more of the five components must be applied.

This study will discuss the common thread that emerged from the literature regarding each component, from a practical perspective, and will attempt to provide a critical evaluation of each.

### **2.5.1 Establish Mutual Expectations**

It is critical for the expectations of the job to be established mutually between the employer and employee. When both parties are clear and aware of the requirements of the position then the potential for conflict is minimised. The employee also understands how s/he is contributing to the organisation's goals

and what the rewards/consequences would be. Furthermore, there is a greater opportunity for all-round success when the employee is given the opportunity to buy-in to the plan through a process of consultation.

The process through which these mutual expectations are established is Performance Planning, which sets out in detail the employer's expectations, explains how the employee is contributing to organisational objectives, and obtains the employee's buy-in to the process. The critical aspect of Performance Planning is setting standards of performance, and implementing mechanisms to measure these standards.

The goal of this entire process is to get everyone in the organisation performing at the highest level possible. Good Performance Plans with clear standards are an important component in this process. Developing clearly-written, mutually agreed upon performance standards is not easy, but it is well worth the investment in time.

### **2.5.2 Observe and Measure**

Observation involves noticing specific facts, events or behaviours relating to work performance, and noticing the results of work performance. Observations are the raw data upon which effective performance feedback may be based. The purpose of the observation process is to identify and describe work behaviour and performance results in order to help the employee succeed, and continue to develop his/her skills, knowledge and experience.

When observations are made about the results of employee performance, the output employees generate and the impact of their work, additional information is gathered with which praise and constructive feedback can be

made more effective. Observations should be the basis for feedback, and may also suggest actions which might be taken to support, develop or improve performance.

Feedback based on observation or verifiable data is more likely to influence employee behaviour than feedback that cannot be supported by first-hand information. It is not always possible to observe employees at work, employers should build occasions to observe their performance into a work day. In that way, employers will get to understand what employees do; to talk with and get feedback from them; to see employees as they perform at their best, and to recognise areas in which their performance could be improved.

When an employer is unable to observe employee performance, s/he should implement processes through which s/he can learn how the employee is doing. These processes should be open, fair and understood by everyone.

The measurement aspect works in tandem with observation and stems directly from the standards that were agreed during the design of the Performance Plan. Measurement is critical because it supports the feedback process, which is supposed to describe observed or verifiable behaviour. Feedback should not be based upon assumptions, interpretations, generalisations and judgements.

It is worth once again emphasising the importance of setting standards of performance that are measurable, during performance planning, as they do facilitate the other Performance Management processes, such as feedback, development and reward. The feedback becomes more constructive and, as a result, more palatable for the employee. This reduces the risk for conflict and tension, thereby creating a harmonious work environment.

### **2.5.3 Evaluate, Feedback and Document**

The Performance Appraisal is the systematic evaluation of individuals in relation to their performance on the job, and their potential for development. It is also the point in the Performance Management cycle where the employee usually receives formal feedback from his/her superior, and the contents of the discussion are documented on the employer's chosen forms. The Performance Appraisal is widely used in organisations, and therefore deserves some discussion, with specific focus on the problem areas uncovered through the research.

Many organisations have an annual appraisal process, but this doesn't necessarily lead to good Performance Management. Some of the problems that have been observed in organisations include:

- Perceptions that the formal appraisal interview will impact upon pay. As a result, employees do not review their past performance openly and honestly
- Lack of commitment to the Performance Appraisal process. Forms are filled in, appropriate boxes are ticked, but there is little meaningful discussion about performance and how it could be improved
- Managers discussing the end results, but ignoring how the employee's attitude and behaviour may have impacted upon the results
- Managers lacking the interpersonal skills necessary to get employees to change their behaviour

- A culture in which employees do not feel able to give negative feedback to their bosses. As a result, employees tend to say what they think the boss wants to hear.
- Managers abdicating responsibility for the development of their employees. Employees then end up attending training programmes with little understanding of how it is going to help them improve performance.

### **2.5.3.1 Common Appraisal Techniques**

Two of the commonly used types of appraisal techniques are the Rating Scales and Job Ranking. Rating Scale techniques require an evaluation of employee performance on several dimension or factors such as:

- Personal Traits and Behavioural Scales. Where the employee is rated on several characteristics such as work quality/quantity, job knowledge, initiative, etc
- Job Dimension Scales. Sets of scales are used for each job, and each factor is a major job duty or responsibility
- Behaviourally Anchored Rating Scales. Each job has its own appraisal form with between seven and nine anchors which are specific statements that illustrate actual job performance

Some of the common problems associated with the use of Rating Scales are:

- Halo Effect- making generalisations about the candidate and failing to identify his/her specific strengths and weaknesses- either within or across dimensions
- Central Tendency- inappropriately assigning ratings which fall toward the middle of the rating scale, even when observed behaviour should result in lower or higher ratings
- Recency Effect- greater weight is given to recent events of an evaluation period than to preceding ones
- Varying Standards- different standards applied to individuals
- Contrast Error- comparing employees to one another instead of comparing to a standard of performance
- Behavioural Focus- failure to focus on specific candidate behaviours
- Rater Bias- rater prejudices and stereotypes directly affect his/her ratings
- Ambiguous Criteria- criteria not defined clearly, leaving individual managers to substitute their own approach
- Inappropriate Criteria- unfair expectations and/or criteria which are not related to the job

Job Ranking is the ranking of all employees from highest to lowest according to their performance. A growing number of American organisations such as Ford, Microsoft and Cononco have adopted Performance Appraisal models in which best-to-worst ranking methods are used to identify poor performers. The poor performers are given a period of time to improve. If they fail, they must leave.

According to Time magazine, around 20% of U.S. companies are using what has become known as “rank and yank”. For example, California-based Sun Microsystems ranks its 43 000 employees into three groups. The top 20% are rated as “superior”, the next 70% as “standard” and the bottom 10% “under-performers”.

Advocates believe that forced rankings make managers and supervisors take the tough decisions that otherwise they would avoid as being too difficult or unpleasant. Some organisations view the forced ranking approach as a way to create a continuously improving workforce.

However, there are problems with the forced ranking approach. It has been found that those ranked as “poor performers” in highly productive departments may contribute more to the overall progress of the organisation than those rated as “good performers” in other departments. Furthermore, forced ranking can weaken teamwork. It can also encourage unhealthy levels of internal competition, leading to a decline in team values as individuals seek to protect their own positions at the expense of their co-workers.

#### **2.5.3.2 The Balanced Scorecard**

One Performance Appraisal technique that is fast becoming popular is the Balanced Scorecard. Balanced Scorecard is a concept that helps the organisation to translate strategy into action. It starts from the company vision and strategies from which critical success factors are

defined. Measures are then constructed that aid target-setting and performance measurement in areas critical to the strategies. Hence, Balanced Scorecard is a performance measurement system, derived from vision and strategy, and reflecting the most important aspects of the business.

Some of the benefits of Balanced Scorecards can be summarised as follows:

- It helps align key performance measures with strategy at all levels of an organisation
- It provides management with a comprehensive picture of business operations
- The methodology facilitates communication and understanding of business goals and strategies at all levels of an organisation
- The Balanced Scorecard concept provides strategic feedback and learning

## **2.6 Problem-solving, Coaching and Developing**

There are four principal occasions when preparation of a Performance Development Plan may be considered:

- After definition or review of performance standards
- As a part of the ongoing process of observation and feedback
- As the final element of the Performance Appraisal process



- When an employee initiates a request for education and development opportunities

The Development Plan, which will include elements of problem-solving and coaching, must be detailed, structured and documented. It must also contain a action plan that will track developmental events and people. Below is a sample (*Table 2.2*) of a Developmental Plan:

*Table 2.2* **SAMPLE DEVELOPMENTAL PLAN**

**TELLER:**

ESSENTIAL FUNCTION / ANNUAL GOALS	TASKS/ STRATEGIC INITIATIVES	PEFORMANCE STANDARDS	DEVELOPMENT PLAN
Conduct deposit and withdrawal transactions	<ul style="list-style-type: none"> <li>• Receive cash and cheque deposits</li> <li>• Effect cash and cheque withdrawals</li> </ul>	<p>Employee's performance will meet expectations when she:</p> <ul style="list-style-type: none"> <li>- Completes all transactions accurately, within agreed time-frames, and within the Bank's policies and procedures.</li> <li>- Balances her cash and related documents to the computer at the end of each work day</li> </ul>	<p>1. Attend training on cash and cheque handling Procedures</p> <p>Completion date: _____</p> <p>2. Attend customer service training</p> <p>Completion date: _____</p>

**NOTE:**

The Development column must include the names of specific trainers, resource persons or programmes involved in the accomplishment of the plan.

## **2.7 Recognition and Reward Strategy**

Recognising and rewarding employees is a critical element in the Performance Management System, and it therefore requires an entire strategy to ensure that its implementation is successful and effective.

In today's competitive employment market, employers know that finding, hiring and keeping skilled workers is not just about money anymore. To attract, manage and retain an effective and efficient workforce, more and more employers are learning to think in terms of broader strategic rewards. This means: re-thinking how talented and highly-skilled employees can be offered the rewards that will keep them engaged and focused on meeting strategic objectives.

In the South African environment, employers have an additional reason to expand their thinking on Strategic Rewards: more and more, labour legislation is insisting on the

transparency of salaries within companies. This is resulting in the development of broad-banded salary structures into which employees are slotted, and which they are finding increasingly demotivating as they are quick to realise that it would take many years for them to migrate from one band to the next. Strategic Rewards therefore offer an acceptable alternative for employers to maintain employee motivation levels.

The next few sections will define the concept of Strategic Rewards and examine the various elements that are critical to a Strategic Rewards Strategy.

### 2.7.1 Strategic Rewards Defined

Strategic Rewards embrace everything that employees value in the employment environment, and the term refers to the complete bundle of reward elements. What makes these rewards strategic is the care employers must take to align their design and effects with strategic objectives.

One view of Strategic Rewards, as depicted below (*Table 2.3*), shows four quadrants of a Strategic Rewards framework:

*Table 2.3*

<b>COMPENSATION</b> <ul style="list-style-type: none"> <li>• Basic Salary</li> <li>• Variable Pay</li> <li>• Job Evaluation</li> <li>• Performance Management</li> <li>• Paid Time Off</li> </ul>	<b>BENEFITS</b> <ul style="list-style-type: none"> <li>• Medical Aid</li> <li>• Retirement Funds</li> <li>• Other insurance</li> </ul>
<b>DEVELOPMENT AND LEARNING</b> <ul style="list-style-type: none"> <li>• Training</li> <li>• Career Development</li> <li>• Learning Experiences</li> <li>• Succession Planning</li> </ul>	<b>WORK ENVIRONMENT</b> <ul style="list-style-type: none"> <li>• Work/Life Balance</li> <li>• Leadership</li> <li>• Performance Support</li> <li>• Organisational Culture/Climate</li> </ul>

#### *Strategic Rewards Framework*

The two top quadrants, Compensation and Benefits, cover the areas that are traditionally thought of as rewards that the employer provides. These are sometimes referred to as Transactional Rewards because they include the tangible results of the agreement between employer and employee. Transactional Rewards play an important part in an employee's decision about where to work and whether to stay with an organisation.

The bottom two quadrants, Development and Learning, and Work Environment cover areas that are increasingly recognised as critical contributors to employee satisfaction. They are sometimes referred to as Relational Rewards because they tend to represent the relationship (versus the transaction) between the employer and employee. They are important additional rewards that can significantly enhance an employee's desire to remain with an organisation.

These rewards:

- Can emphasise the importance of the employee to the organisation
- Can influence the employee's sense of loyalty
- Are rarely seen in terms of their cash value, but can have an equally important impact when an employee is trying to decide whether to accept other employment

To many employees, a supportive and engaging work environment is at least as important as medical aid and pay. For example, dependant care support, flexible work schedules, opportunities to telecommute, flexible leave programs, meaningful employee involvement, and well-trained Supervisors providing quality leadership, may make all the difference in the world when a person with a hard-to-find skill is considering your job offer, or when an

employee with valuable institutional experience is considering a competitor's offer.

### **2.7.2 Performance Management and Strategic Rewards**

The Performance Management policies, programmes and practices that organisations use play an essential role in Strategic Rewards. Performance Management should not only include planning, monitoring and rating performance, but also developing and rewarding performance.

Performance Management is listed specifically in the Compensation quadrant to signify that credible measures of performance, and using monetary rewards to reinforce results achievement are essential parts of effective performance-oriented pay.

Good performance management practice also plays a vital role in Relational Rewards. If managers do not develop employees, they are effectively managing employee performance and not making best use of Strategic Rewards. Through monitoring performance, providing feedback, coaching for improvement, and identifying developmental needs, managers create a learning environment that can be enriching and rewarding for employees.

Performance Management also plays an important role in the work environment quadrant. Studies conducted by the Hay Group, the Gallup organisation, and others, show that good Performance Management practices create rewarding experiences for employees. For example, when surveyed about work environment issues, employees in highly-productive work groups reported high levels of agreement with the following statements:

- I know what is expected of me at work (planning)
- In the last six months, someone has talked to me about my progress (developing)
- In the last seven days, I have received recognition or praise for doing good work (rewarding)

### **2.7.3 Pay for Performance**

As an extension of the holistic Reward Strategy presented above, this section will focus on one area of the Strategy that is often neglected in organisations: rewarding good performers (whilst overpaying under-performers).

Not paying for performance is likely to have an impact on potential employees who are attracted to the organisation. Lawler (1966) states that “there is some reason to believe that individuals who are highly motivated towards achievement and accomplishment tend to stay away from those organisations that do reward performance”. Overall, then, it appears that whether performance has an impact on total remuneration is a very important strategic issue in organisations.

#### **2.7.3.1 Objectives of Performance Related Pay (PRP)**

The main objective is to improve the performance of both the organisation and the employees. In order to achieve this primary objective, Armstrong (1998), states that PRP aims to:

- motivate all employees

- increase the commitment of employees by encouraging them to identify with the organisation's mission, strategies and values
- reinforce high levels of performance, innovation and teamwork
- help to change cultures to be more performance oriented
- reward employees according to their contribution
- focus the attention of employees on the key performance issues
- direct attention specific goals and standards
- emphasise individual performance or teamwork-as required
- improve the recruitment and retention of high quality employees
- link pay costs in line with company performance

### 2.7.3.2 Types of PRP Schemes

There are various methods of grouping schemes and alternative options within each grouping. There is no one best scheme. Each organisation may have its own unique requirements.

*Table 2.4* below provides a synopsis of some of the schemes together with the advantages of each scheme:

PLAN TYPE	HOW IT WORKS	WHAT'S REQUIRED FOR EFFECTIVENESS	ADVANTAGES
Profit sharing	Annual bonus paid based on Corporate profits	Employees must influence profits and owners must value employees' contribution enough to be willing to share profits	The incentive formula is simple and easy to communicate, pays when Co. is profitable, unites employer/employee Interests
Gain sharing	When a unit meets pre-determined performance	Objectives must be measurable. Management must encourage employee	The plan enhances co-ordination and teamwork. Employees learn more about the business and focus on objectives. Employees

	targets, all members get bonuses. Objectives include improved productivity, quality, customer service	involvement. Employees must have a high degree of trust in Management.	work harder and smarter.
Lump-sum bonus	Instead of a salary increase, employees get a one-time cash payment based on performance. The bonus does not become part of base pay.	Employees must have a sense that their prosperity mirrors the Company's. Management must have a good relationship with employees	The plan lets companies control fixed costs by limiting pay raises and attendant benefit increases
Pay for knowledge	Employee's salary rises with the no. of tasks s/he can do regardless of the job s/he performs	Skills must be identified and assigned a pay grade. The Co. must have well-developed employee assessment and training procedures	By increasing flexibility, the plan lets the Co. operate with a leaner staff complement. The plan gives workers a broader perspective, making them more adept at problem solving.

**Table 2.4*****A Guide to Incentive Pay Plans*****2.7.4 Informal Rewards in Performance Management**

Whilst PRP seems to emphasise the importance of monetary rewards in inducing exceptional levels of performance, another trend that is fast gaining importance, and therefore deserves some discussion, is that of Informal Rewards.

Any well-rounded Performance Management System – a perspective of which this study aims to provide - should take cognisance of the attributes of Informal Rewards and their ability to maintain employee motivation in organisation.



The value of informal rewards, that is, spontaneous non-monetary forms of recognition, as employee motivators is increasing today for two reasons: firstly, traditional rewards such as compensation and promotions – although still important – are becoming less and less effective in motivating employees to achieve high levels of performance. Secondly, informal rewards are already proving to be effective, and highly desired by today's employees.

Separate studies conducted in the United States have revealed the following responses:

- 81% of workers say they will not receive any reward for productivity increases
- 60% of managers feel their compensation will not increase if their performance improves
- 3% of base salary separates average from outstanding employees

#### **2.7.4.1 Informal Recognition**

While on-the-spot praise is an immediate and easy method of recognizing employees' performance, Nelson noted other ways that employees could be given informal recognition.

He gave several effective, low cost, and easy-to-do examples: create a wall of fame by displaying photos of achievers, give certificates of appreciation, present balloons, display computer banners, give award pins, or create a special award.

Nelson said that designers of low-cost awards programs should be creative, the award should match the achievement, and the award should be given as soon as possible after the achievement.

#### **2.7.4.2 Examples of Non-monetary Awards**

Many organisations in the United States of America use formal, staged awards events with the presence of Senior Management, to recognise exceptional achievers throughout the organisation.

The National Aeronautics and Space Administration's (NASA) Kennedy Space Centre in Florida conducts its Annual Honour Awards Ceremony each spring. The Center's Director and Deputy Director present various awards in the form of medals and certificates. The ceremony in the Center's auditorium is open to all employees and broadcast to employees who are unable to attend. A reception is held afterwards.

The idea of "ceremony" is not limited to such formal events. Less elaborate expressions can be equally meaningful, easier to plan for, and offer an attractive low-cost option to add flair when granting less formal recognition and awards.

The "Thanks! You Made a Difference!" award given at the Naval Inventory Control Point (NICP) in Pennsylvania, is a good example of such an informal ceremony. This award goes to employees who have gone the extra mile to help others at NICP and can be given by any

individual or group of employees to another employee, with no supervisory approval required.

The award is presented by the group of givers to the employee in his or her work area. The features of this "ceremony" include a standing ovation by the group, a certificate of commendation, a cluster of helium balloons, and a photograph of the event.

Another example of an informal ceremony is the "H.R.D." (Highly Regarded Dynamo) award, a non-monetary award established by the Pension Benefit Guaranty Corporation's Human Resources Department (HRD). Every HRD employee is eligible.

At the monthly staff meeting, a chosen HRD employee is recognised for accomplishments or special efforts made during the previous month by having the latest winner pass along to the next winner a trophy mug stuffed with candy to share. The mug is kept at the awardee's desk for the next month.

#### **2.7.4.3 Advantages of Non-monetary Awards**

In each case, the focus of attention and the source of esteem are not so much on the items that are awarded, but more the public acts and expressions of respect and admiration the ceremonies include. Those acts and expressions are awards in themselves, and they are among the most powerful non-monetary awards that organisations can grant.

Ceremonies and honours have a value for the organisation that extends well beyond the individuals being recognized. Publicly identifying "organisational heroes" individuals and groups who embody the organization's core values is key to their serving as examples and inspiring others. Getting those heroes into the public eye is easily accomplished through both formal and informal ceremonies.

## **2.8 The Performance Management Cycle in Summary**

The Performance Management Cycle is based on the following tenets:

- The primary purposes of the Performance Management processes are:
  - to help employees succeed in their current assignment and grow in their capability to contribute to the operations of the organisation
  - to provide a means by which the efforts of individuals and groups are aligned with the key goals of the organisation
- Performance Management is not an annual event; rather, it is a continuous process requiring clear performance expectations, periodic feedback, coaching/instruction, and recognition for improvement and contributions
- Effective Performance Management is built on the foundation of a trusting relationship between supervisor and employee that enables open, two-way communication
- The annual Performance Appraisal is simply a report to management that briefly summarises the performance-related conversations between employee and

supervisor during the preceding performance period. This information is used in basic administrative decisions such as work assignments, training investments, employee development opportunities, and reward/recognition actions

- Performance Management is not an option; the only question is how well it is done. The steps in the Performance Management process simply remind organisations of their responsibilities in helping their people to succeed.

## **2.9 The Performance Management Self-Audit**

The five components of the Performance Management cycle discussed above cannot operate effectively if the organisational climate is not conducive to their functioning. In other words, the five components cannot exist in isolation. This is perhaps the most powerful message that this study wishes to convey.

Performance Management is one of the most basic management processes, yet organisations often struggle to implement and maintain effective Performance Management programmes.

In most cases, this is due to the fact that the organisation never goes beyond forms and procedures to deal with the broad range of factors that ultimately determine the success/failure of Performance Management efforts. Supervisory skill and commitment are critical requirements, but a variety of other factors are also important. These factors are presented below (*Table 2.5*), (*Table 2.6*) and (*Table 2.7*) in the form of audit-type questions.

### 2.9.1 Performance Goals and Planning

Table 2.5

CRITICAL FACTORS	Y	N
Does the employee have a clear understanding of the organisation's mission, goals/objectives and priorities?		
Does the employee know how organisational performance is defined and measured?		
Do people know the relationship between organisational goals and their individual goals and responsibilities?		
Do people clearly understand their roles, what they are expected to do or accomplish?		
Do people understand how well they are expected to perform?		
Does the organisation have performance standards in place and are people aware of these standards?		
Do Supervisors know how well people are doing their jobs?		

## 2.9.2 Climate for Performance Management

Table 2.6

CRITICAL FACTORS	Y	N
Is the trust level between employees and management high enough to support an effective Performance Management programme?		
Do Supervisors/Managers view Performance Management as a valuable management tool?		
Is the Performance Management System understood and supported by Senior Management?		
Is information regarding the unit's performance readily available and systematically used in its daily operations?		
Do people believe that the primary purpose of annual appraisals is developmental – to help employees improve their competencies while contributing to the organisational goals?		

### 2.9.3 Performance Management Practices

Table 2.7

CRITICAL FACTORS	Y	N
Are employees allowed to contribute to the development of organisational and individual performance plans?		
Are Supervisors/managers held accountable for effective performance management practices?		
Is the Performance Management System designed to provide timely feedback to employees in order to facilitate self-correction and improvement?		
Is positive as well as negative feedback encouraged?		
Has a counseling system been established to handle serious performance and disciplinary issues?		
Are employee developmental plans and progress monitored and documented during the performance period?		
Does the system provide meaningful reward for different levels of performance?		



## **2.10 Performance Management Improvement Errors**

Typically, attempts to “improve” an existing Performance Management System begin in the middle. Great effort goes into modifying forms or even choosing a completely different method to manage performance. But what is almost never undertaken is a return to the beginning, and asking the basic and fundamental question: “What do we want this “thing” to accomplish, or, “what is the purpose or how will this “thing” contribute to the well-being of the company, management and staff?”

Another common error that organisations commit when attempting to improve their Performance Management System is to exclude those employees who form the bulk of their workforce. Often, the people involved in the re-design process are a handful of executives, a handful of managers and supervisors and a handful of human resource staff.

Managers need to know and understand why they are doing Performance Management, and see how it helps them do their jobs more effectively. As importantly, so do employees, or else there will be a perception that the “new system” is just about as beneficial as the “old system”. Which means that it isn’t seen as useful at all.

If Performance Management System improvement does not include all four groups, it is likely to fail. All must have input into the process, and usually, all must redevelop their understanding of the purpose and benefits of the process.

Clearly then, the input of employees must be part of the process. But perhaps most importantly, there must be a conscious effort to explain and demonstrate how this new system is completely different and beneficial to employees.

## **CHAPTER 3 : RESEARCH METHODOLOGY**

### **3.1. The Environment in Perspective**

In order to ensure that the research methodology is clearly understood, and viewed as appropriate, it is relevant to re-visit the environment in which the research was conducted, and to explain the conditions that existed at the time of the research. The following points provide a summarised description of the conditions:

- Nedcor's acquisition of the BoE Bank Group had reached the stage where various Divisions with common products/ services/ structures from both Banking Groups were merging
- All jobs were advertised, and people were required to re-apply for their own jobs
- The natural result of the merger was that people were losing their jobs, or being forced to accept jobs with lower salaries/status, or were being transferred to jobs in other centres
- A climate of uncertainty and distrust prevailed
- Peoples Bank, the Division of Nedcor where the research was conducted underwent a similar restructure
- The end result of the Peoples Bank merger was that the new Peoples Bank now consisted of employees from Peoples Bank (old), NBS, PeP Bank and Consumer Credit

### **3.2. Introduction to Methodology**

This study utilised a cross-sectional survey design to assess the attitudes towards Performance Management of a sample of employees from the new, merged Peoples Bank.

A mixed model quantitative and qualitative study was used simultaneously (as part of the same questionnaire). It could be argued, though, and as will be evidenced later in the Data Analysis section, that the quantitative sections of the questionnaire hardly required sophisticated analytical techniques to interpret because of the nature of the information that was required from the results.

#### **3.2.1 Participants in the Research**

It was decided that all branches of Peoples Bank would be included in the research, together with staff from the two central processing centres in Johannesburg and Durban. The reason for this selection decision was that the research was going to be based on voluntary responses: four employee volunteers and the Manager (if s/he desired) would be asked to complete the survey from each of forty branches. Forty employee volunteers and ten Managers were required to respond from the various departments at the processing centres, taking the anticipated number of participants to two hundred and fifty.

The following were the reasons for adopting a voluntary approach to the survey:

- It was felt that given the organisational climate at the time of the research, employees could not be relied upon to respond at all
- If employees felt coerced into responding, then they would provide information that could not be relied upon
- Volunteers were more likely to provide valid and reliable information

It was felt that if two hundred and fifty responses were received from a total population of two thousand employees, the sample would be fairly representative, especially since all branches from all regions would be selected.

### **3.2.2 Instrumentation**

After discussions with the Dissertation Supervisor, it was agreed that an existing questionnaire would be used, but that this instrument would be adapted to suit requirements of the study. A significant adaptation was the inclusion of two questions, which asked the participant to firstly, recommend changes to his/her present Performance Management System, and, secondly, to offer suggestions on how s/he would like his/her performance to be managed in future. These two questions formed the qualitative part of the research.

- *The Appropriateness of the Measure:* it was felt that, considering the adult population and the setting, it would be appropriate to use the Likert Scale that offered the following options: (1) Strongly Agree (2) Agree (3) Neither Agree nor Disagree (4) Disagree (5) Strongly Disagree

- *The Measurement Characteristics of the Instrument:* the Likert Scale has been used extensively in this type of study, therefore there was sufficient reason to believe that the instrument would be :
  - Reliable, that is, it would produce consistent results, and
  - Valid, that is, the measure measures what it purports to measure
- *Administering and Scoring the Measures:* the measures used were self-administered, that is, they were simply e-mailed with instructions to “place a cross (X) in the box that most represents your feelings”.

### **3.2.3 Procedures (How was it done?)**

*Step One:* Agreement was reached one-month prior to the survey with Senior Management that such a survey was necessary, and that the results of the survey would be used to shape the design of a new Performance Management System for Peoples Bank

*Step Two:* Human Resources Consultants in the different regions nationally then advised branches that a Performance Management survey was about to be conducted, and that they would be supplied with further information in due course. The Consultants’ communication included the writer’s name and role in assisting to devise a Performance Management System for Peoples Bank.

*Step Three:* A three-page questionnaire was devised that incorporated the following:

- an explanatory note on the purpose of the survey. This included a motivation that, by offering to participate in the survey, the employee

was determining how his/her Performance was going to be managed in future

- an instruction section that included an explanation of the Likert (measurement) Scale
- a confidentiality section which offered participants the assurance that their information was going to be used for no other purpose than for the design of an appropriate Performance Management System. ( To offer participants further peace of mind, personal details such as names and places of work were eliminated)
- a section stipulating the date (two weeks hence) by which completed questionnaires should be returned to the writer. While the intention was to simplify the process for participants by conducting an electronic survey (where the questionnaire is completed and returned via e-mail), a fax number was also given for the small percentage of volunteers who did not have access to such facility.
- The writer's return E-mail address was given together with a telephone number for participant queries

*Step Four:* The questionnaire was e-mailed to all Human Resource Consultants for onward transmission to Branch and Departmental managers. The request was for managers to complete the questionnaire (if they wanted to) and simultaneously seek four employee volunteers in their respective branches/ departments who would be willing to participate

*Step Five:* the writer gave ongoing support to the participants for the two-week period, especially where further clarity was required on the purpose of the survey.

### **3.2.4 Data Analysis**

#### **3.2.4.1 Statistical Technique**

The approach taken to make sense of the data involved the use of descriptive statistics. Because such a large sample population was used in the study there was no point in making use of complex inferential statistics.

As mentioned previously, a standard 5 point Likert Scale was used. From the responses received, histograms were prepared reflecting the respondents' views in relation to each question.

#### **3.2.4.2 Analysis Methodology**

The data was analysed by means of a tool designed in Microsoft Access. The percentages for each question reflected the views of the sample population. For example, where the scores were greater than 60%, this reflected a positive view in relation to the question. Scores below 40% reflected a negative response by the population, and those around 50% reflected indifference to the question indicating that the sample population neither agreed nor disagreed. Or, that they were unsure.

Data from the qualitative responses were grouped according to their themes, and certain deductions were made from them. However, a cautious approach was used in the analyses of the qualitative data to avoid making broad assumptions.

### **3.2.5 Limitations of the Research**

The significant limitation of the study was that the researcher could not conduct interviews due to the tenuous organisational climate that existed at the time. Interviews with focus groups consisting of Managers, employees and Human Resource Consultants would, in all probability, have generated valuable information and ideas that would have contributed significantly to the design of an appropriate Performance Management System.



CHAPTER 4 :      PRESENTING THE RESULTS

4.1.    Describing the sample

Fig. 4.1

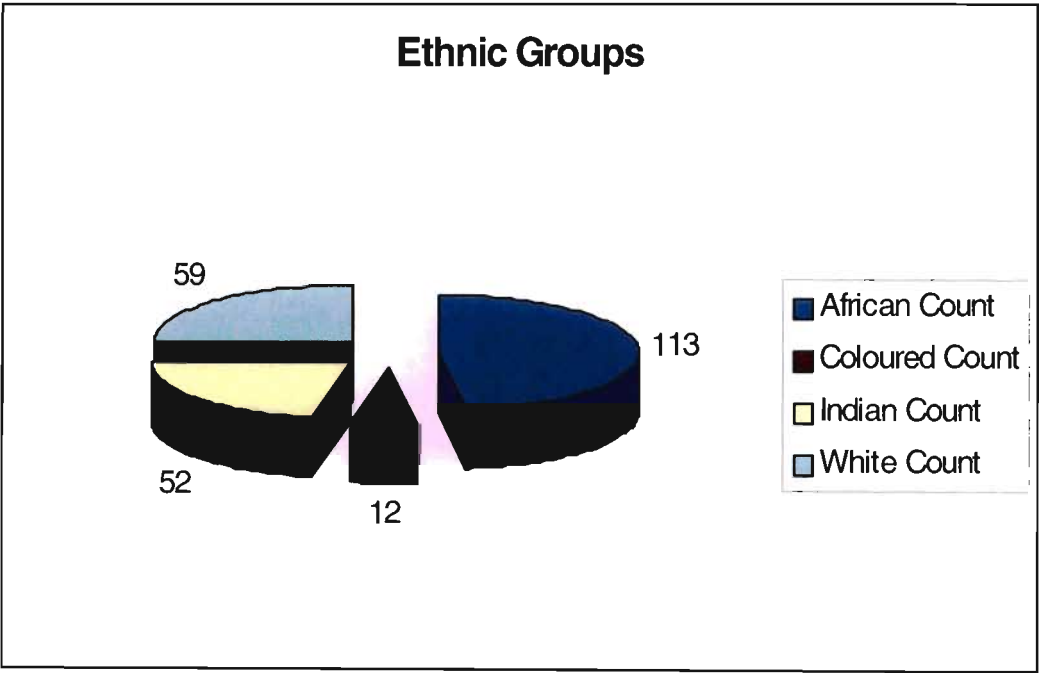
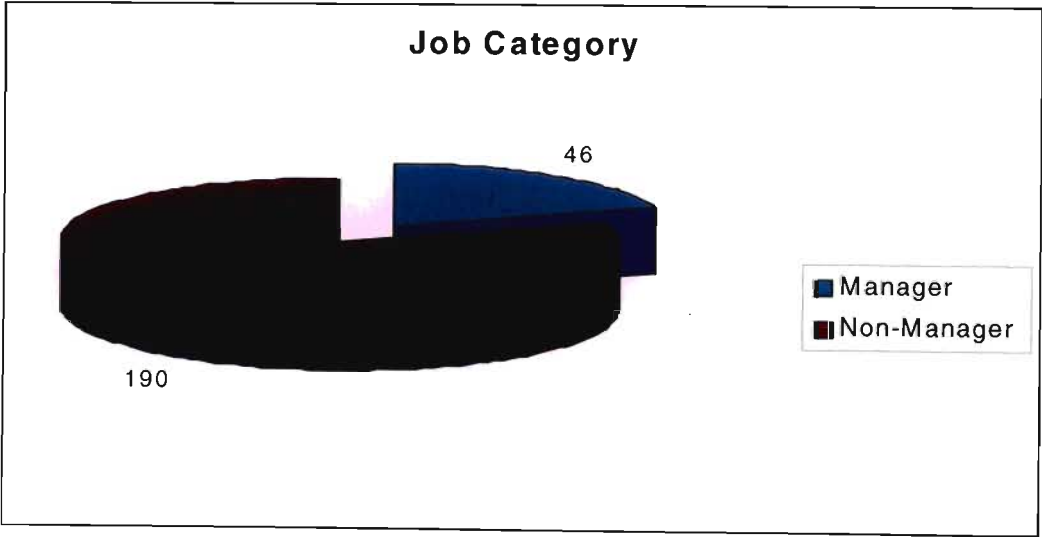


Fig.4.2



Describing the Sample (Continued...)

Fig. 4.3

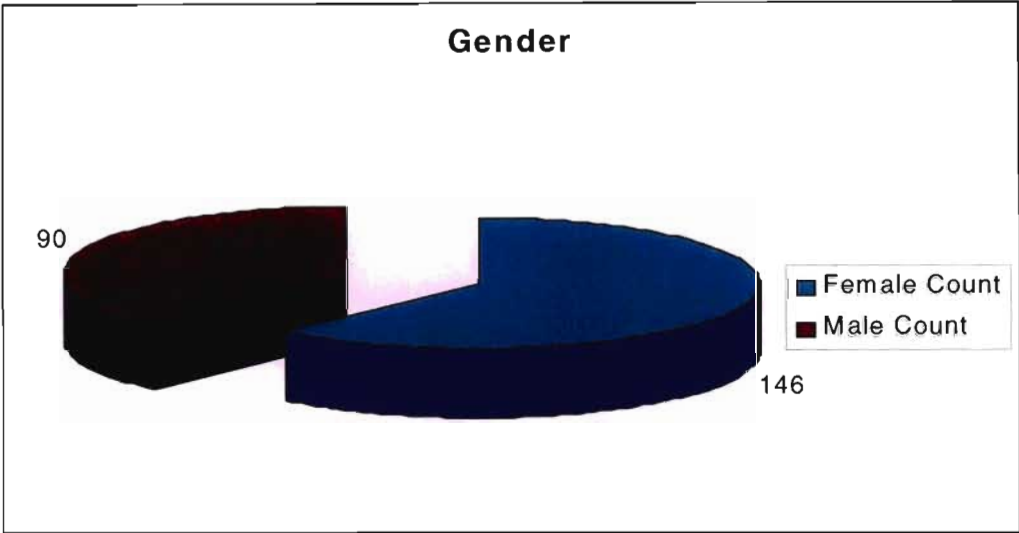
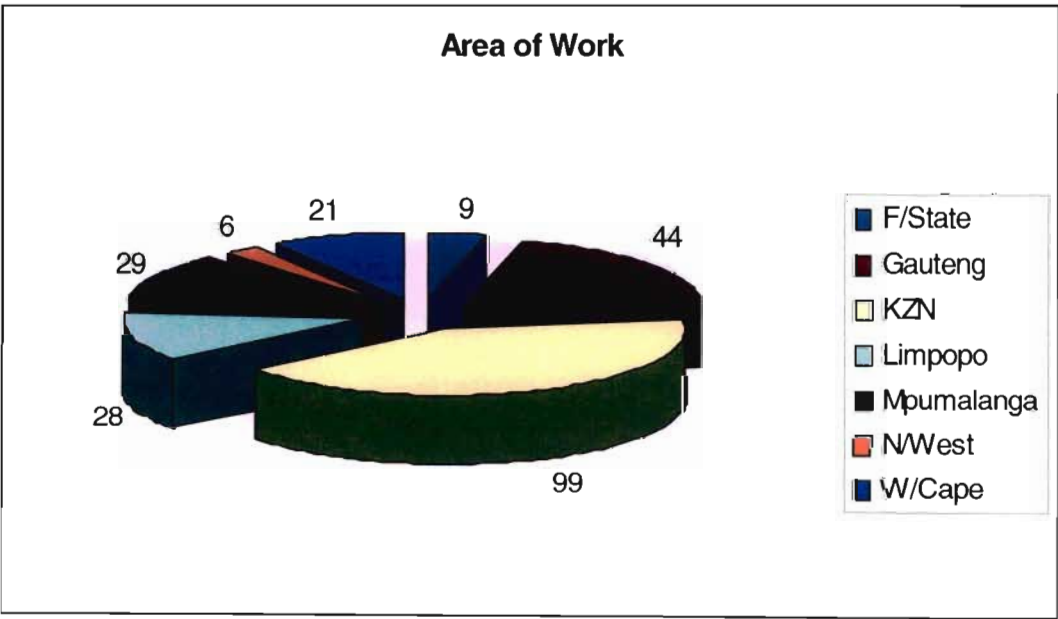


Fig.4.4



**Describing the Sample (Continued...)**

As illustrated above, various categories of information was requested from the participants on the questionnaire. However, it was subsequently decided that race and gender would not be used for analysis purposes, based on the following broad assumptions:

- that employees of different races and genders would feel the same way about Performance Management issues, and
- that employees of all races and genders are looking for similar characteristics in a Performance Management System: the system must treat all employees with a sense of fairness and equity

It was also decided not to ask questions such as the participants' names and their actual place of work (branch or department), in order to give them a sense of comfort from a confidentiality point of view.

Significantly, a region-by-region analysis produced consistently similar results, further entrenching the assumption that all employees feel the same way about Performance Management issues. This similarity in the results will obviate the need for a regional discussion of the results, which follows in the following paragraphs.

An aspect of concern, however, was that the employees in one particular region felt that the Performance Appraisal process lacked credibility. This view was further entrenched in the qualitative section of the questionnaire, when some participants in the said region even accused management of victimisation.

In the final analysis, it was felt that of significance to the study was the perceptions towards Performance Management of Managers on the one hand and Non-Managers on the other. The discussion below is presented as such.

#### **4.2. Analysis of the Results**

The results below are presented in a manner that gives due consideration to fairness and objectivity. Comments are grouped under the headings “POSITIVES” and “CHALLENGES”, in order to ensure that a balanced, constructive analysis is presented.

Whilst the quantitative discussion has been separated from the qualitative, the comments are presented holistically. The nature of the study and the analysis techniques allow for similar assumptions to be made to both aspects of the questionnaire.

Since a key objective of the study is to recommend an appropriate Performance Management System to Peoples Bank, the discussion will focus on factors in the results that will contribute significantly to the design and implementation of such a system.

**It must be noted that all 236 participants (190 non-managers and 46 managers) completed the quantitative part of the questionnaire. However, less than half of the participants undertook to complete the qualitative section.**

#### 4.2.1. Positives

*Fig.4.5*

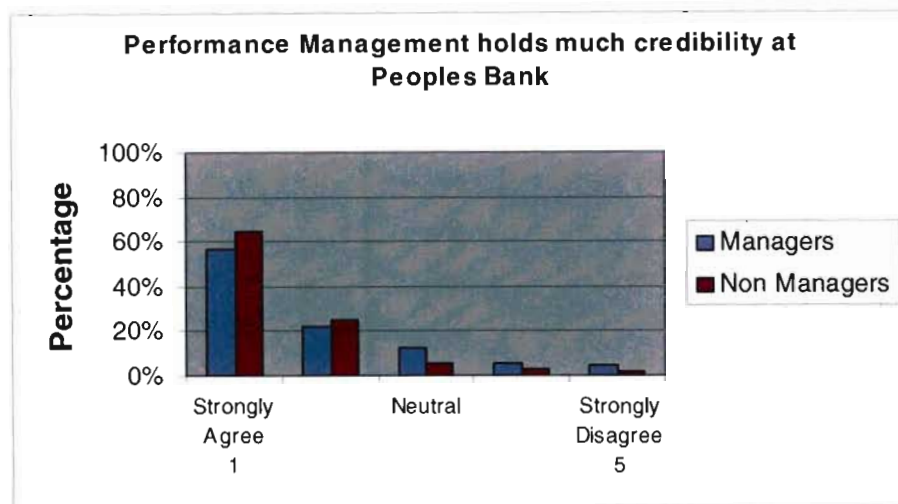


Fig 4.5 above shows that there was generally a positive attitude by **non-managers** towards the **credibility** of Performance Appraisals in the organisation. However, and perhaps worryingly, **managers** showed a degree of uncertainty in this regard.

The reason for the managers' uncertainty could stem from unhappiness with the manner in which their own performances are appraised, by their superiors and/or their unhappiness with the resultant rewards that emanate from the Appraisals.

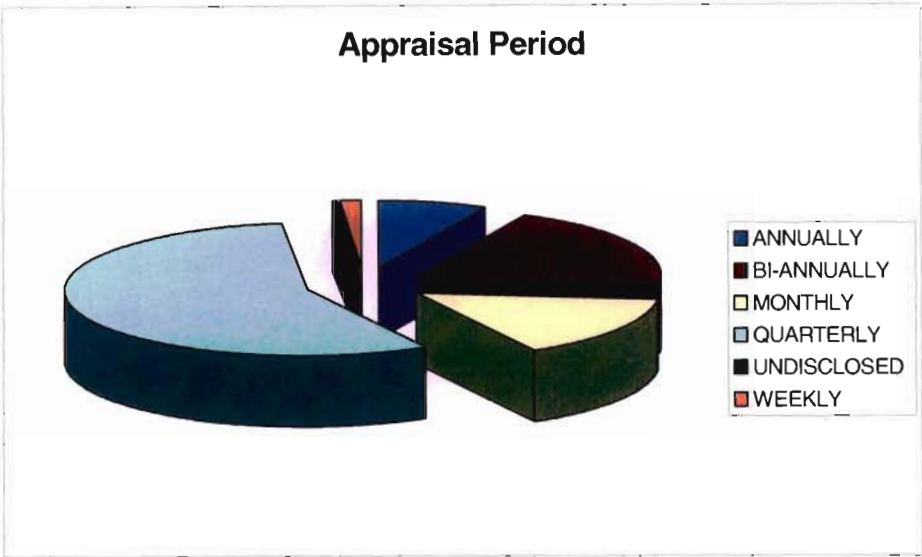
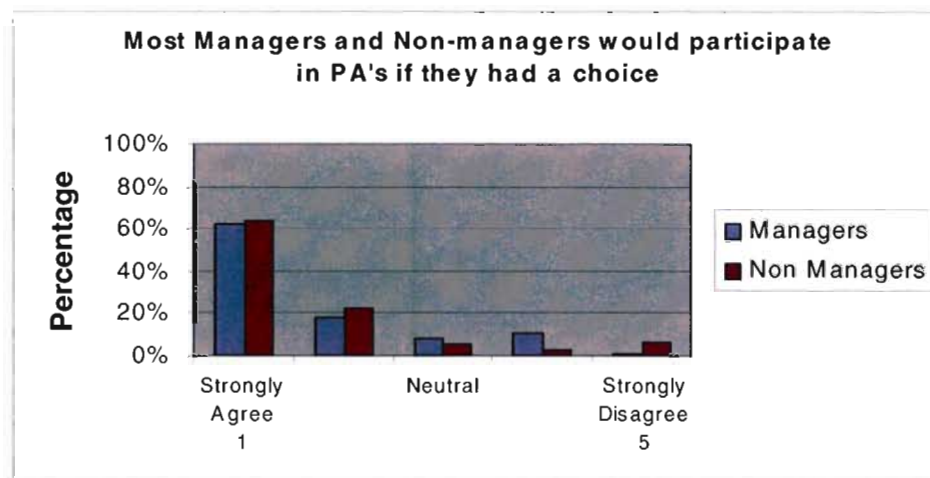


Fig 4.6

Fig 4.6 above shows that a large percentage of both managers and non-managers felt that appraisals should be conducted more frequently (**at least quarterly**).

This suggests a need for regular feedback by **non-managers possibly** due to the possible time lapse after which correction takes place, and possibly a suggestion by **managers** that they need to monitor performance more often in order to take any corrective action if required.



**Fig.4.7**

Fig 4.7 above indicates clearly that both managers and non-managers **would** participate in Performance Appraisals, if they had a choice.

This suggests that employees and managers view Performance Appraisals as an important tool with which to measure performance

Fig.4.8

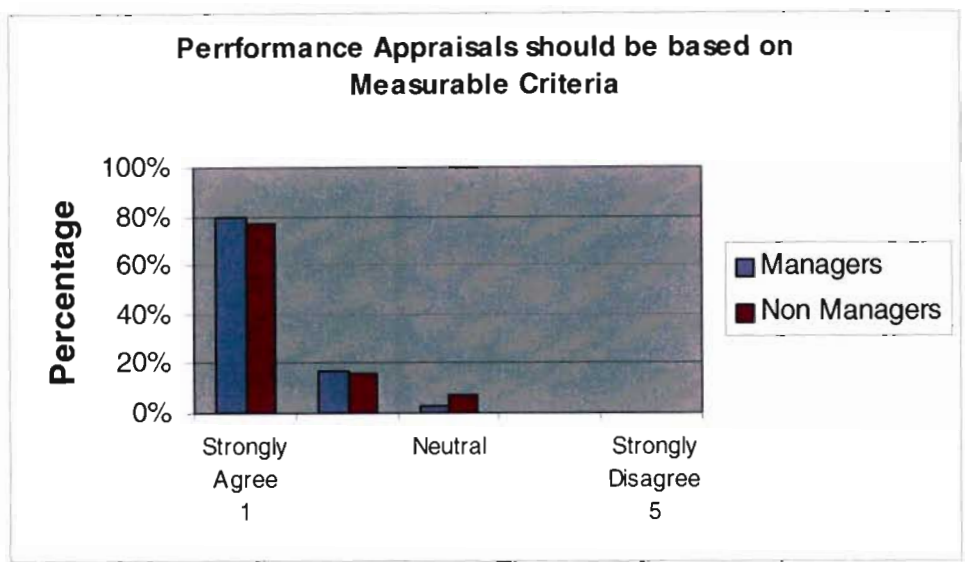


Fig 4.8 above illustrates that Performance Appraisals should be based on **measurable criteria**. Both managers and non-managers portrayed this feeling quite strongly.

This is significant, since the exploratory study of current Performance Appraisal Systems used by the entities that were absorbed into Peoples Bank revealed that a fair amount of subjectivity existed in the performance criteria. Clearly, this has made the Appraisal process more challenging than it should be.

Fig. 4.9

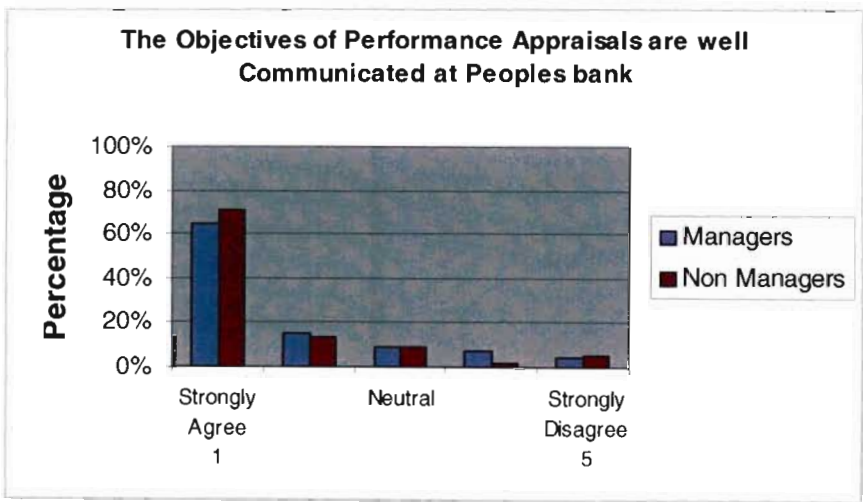




Fig. 4.9 above reflects that the **objectives** of Performance Appraisals seem to be generally understood by Managers and non-managers.

Since the questionnaire did not ask for details on this, it must be assumed that the objectives had been communicated sometime during the appraisal process.

*Fig.4.10*

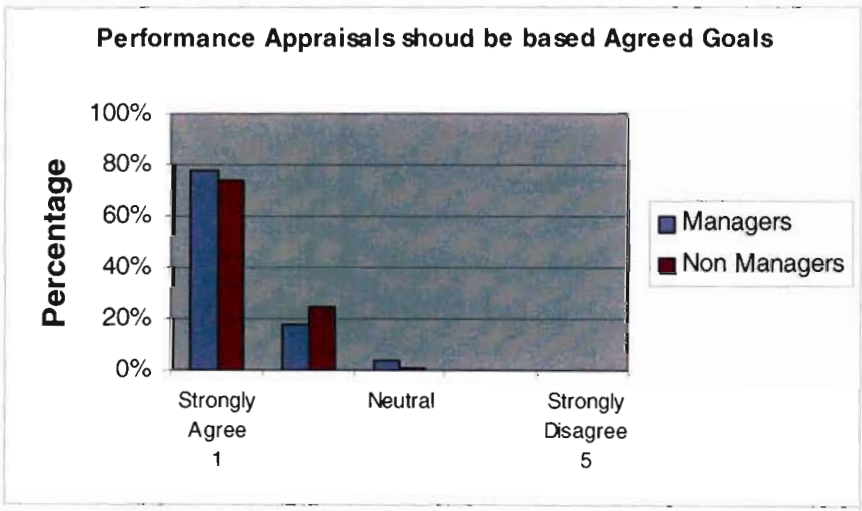


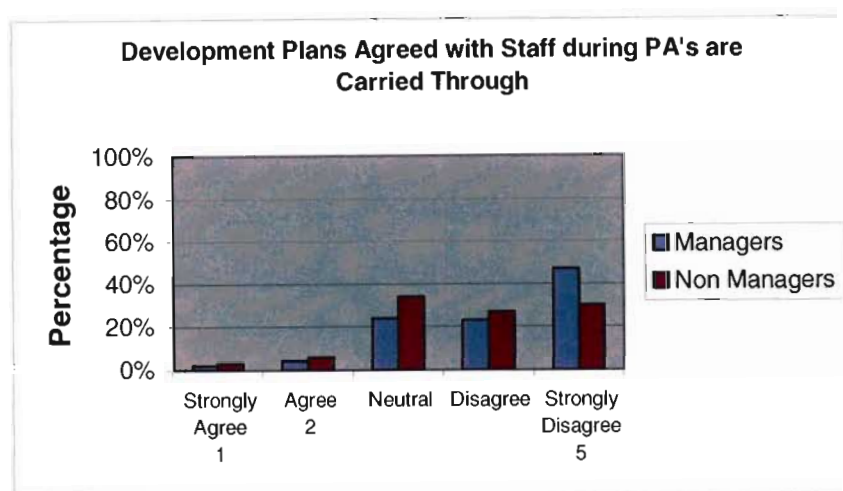
Fig 4.10 above shows that both managers/non-managers felt strongly that Performance Appraisals should be based on **agreed goals**.

Bearing in mind claims from employees during the exploratory study that goals were set unilaterally by managers, this was a significant plea for collaboration in the setting of performance goals

Managers probably see the merits of measuring employee performance based on agreed goals, as it almost certainly makes the appraisal process less conflictual.

#### 4.2.2 Challenges

*Fig 4.11*



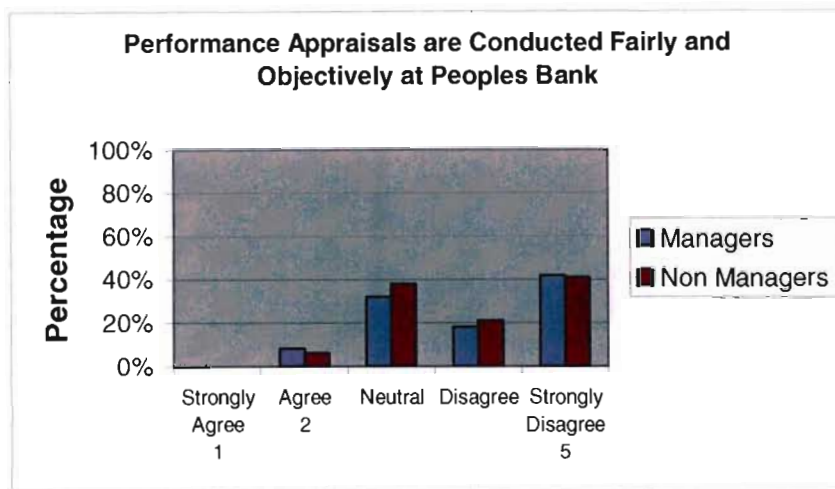
*Fig. 4.11* above shows that scores from both managers and non-managers indicated a significant degree of **uncertainty** over whether **development plans** are carried through.

This could be interpreted in one or more of the following ways:

- That promises made to employees regarding their development have not materialised, and/or
- That the organisation does not have the proper structures in place to effectively implement development plans. These structures could include communication, succession planning, career management, etc.

- That not enough training is taking place, and/or
- That structural changes emanating from the Nedcor/BoE merger have impacted negatively on the development of employees

*Fig. 4.12*



*Fig. 4.12* above indicates that the scores of both managers and non-managers suggest that a fair amount of uncertainty exists over whether Performance Appraisals are conducted **fairly and objectively**.

This area, which should be of concern to management, could stem from:

- Inadequate training of managers, and/or
- The Performance Appraisal process being too subjective

The following comments were taken from the qualitative section of the survey. Less than half of the participants completed this section, and the most common opinions are summarised below:

4.2.2.1. Many of the comments suggested that Management should receive holistic **Performance Management training** that includes everything from its strategic significance through to its do's and don'ts.

This is a clear indication that:

- Managers have not been adequately trained, and
- Unhappiness exists among employees about the Appraisal process

4.2.2.2 An aspect of concern was the claims of **victimisation** by many respondents in one specific region

There was a dire need for managers in the region to be trained and counselled as this could lead to the demotivation of employees which could impact negatively on employee and organisational performance.

4.2.2.3 There was a strong feeling that there should be a link between **performance and reward**.

A significant number of participants expressed concern that poor, mediocre and high performers were being rewarded equally. It was felt that not only was this demotivating to the high performers, but that it also encouraged mediocrity since all employees were certain of receiving the same reward anyway.

4.2.2.4 Many participants suggested that they should receive some sort of **interim rewards** as it was not motivational to wait until April each year in order to receive salary increases and bonuses.

### 4.3 Synopsis of the Results

There seems to be a strong correlation between what experts say should be included in a Performance Management System, and what the employees and management of Peoples Bank want included.

It is apparent that employees want a system that is fair and objective; they want to be given regular feedback on their performance; they want to be appraised on measurable criteria and they want to have a say in setting their performance goals. They want to be trained and developed and, finally, they want to be rewarded in accordance with their performance.

The following Credo can be adopted from the results of the study:

- Agree with me the results you expect from me
- Give me the opportunity to perform
- Provide me with guidance when I need it
- Remove all barriers to my performance
- Reward me in terms of my contribution

## **CHAPTER 5 : CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

At a strategic level, the Performance Management System must support the organisation's desire to create a customer-serving, motivated, accountable, reliable, creative, dedicated and happy workforce.

The Performance Management System must set employees up to succeed, so that they can help the organisation to succeed.

At Peoples Bank, the process, as described in the following sections, should be followed:

### **5.2 Summary of Key Strategic Imperatives**

The following seven imperatives must be addressed and resolved:

#### **5.2.1 Integration Issues need to be Addressed**

All issues of integration pertaining to people must be addressed with a sense of urgency and commitment. These include issues such as role clarification, compensation and employee location, right down to the equipment that people need to be effective and efficient. A concerted effort is required that will give people a sense of comfort and stability. People are more likely to perform in a secure environment where they perceive that management cares.

Change management workshops must extend beyond the level of management to help employees deal with the stresses of change.

Systems and administrative processes (especially communication channels) that could have changed during integration must be re-visited, and their impact tested against employee performance. All barriers to performance must be removed.

A separate strategy is required to deal with integration issues – such is its importance – so that they can be addressed effectively within every branch and division.

#### **5.2.2 Clear Job Descriptions need to be Developed**

One cannot emphasise more the impact of role definition on performance. Not only will this assist employees to understand the expectations of their position, but it will also ensure that the correct individual is placed during recruitment and selection. And, that is where PM starts.

Job descriptions must be expressed as outcomes.

#### **5.2.3 Clear Development Plans need to be Devised and Communicated**

A separate strategy is required to deal with Talent-Management, Succession-Planning and Employee Development. This “interest” in the employee has enormous motivational benefits that ultimately impact on employee performance.

#### **5.2.4 Effective Compensation and Recognition Systems need to be Designed**

Employees must be recognised and rewarded for their contributions. Research has shown that this is often overlooked and downplayed in organisations. It is often not so much about the money as it is about the message any reward or recognition sends to an individual about his/her value. Money has become a metaphor for value.

The system should be all-encompassing, ie. consideration should be given to formal and informal rewards, cash and non-cash benefits, and ongoing recognition (in addition to those that are paid annually).

#### **5.2.5 Effective Orientation, Education and Training needs to be Provided**

Firstly, the employee must be provided with appropriate job-related, position-related and company-related information to perform. Secondly, the employee must have an excellent understanding of product and process use and requirements; and thirdly, the employee must have complete knowledge of customer needs and requirements.

All three of the above should form the first level of education and training.

The education and training must almost occur at three levels, with the next level focusing on soft-skills such as motivation and assertiveness, and the third level should concentrate on tertiary/external qualifications.



### **5.2.6 On-going Coaching and Feedback needs to be Provided**

Employees need ongoing, consistent feedback that addresses both their strengths and the weaker areas of their performance. Mechanisms should be implemented that not only focuses intensely on helping individuals build on their strengths, but also encourages them to seek help through a structured feedback process. A work environment should be created in which people feel comfortable asking, “how am I doing?”

Performance development discussions should be held more frequently and performance reviews should change from negative, evaluative, one-sided presentations to positive, planning meetings. Frequent feedback sessions will help employees to always know how they are performing and what the next goals and challenges are.

### **5.2.7 Feedback must be obtained from Exit Interviews**

Learn why valued employees are leaving the organisation and use this information to improve the work environment and retain valued individuals.

## **5.3 Steps in The Implementation Process**

### **5.3.1 Agree on Proposal**

Management should debate and reach agreement on sentiments expressed in this proposal, or similar.

Communicate findings together with a plan to address areas that require attention.

### **5.3.2 Establish Work Groups**

Work groups should be formed to assess each of the seven imperatives identified above (and any other imperative that may have been inadvertently omitted). The groups' assessments must be able to quantify how much has been achieved and what still needs to be accomplished.

Communicate findings together with a plan to address critical areas.

### **5.3.3 Formulate a Performance Management Philosophy**

An example of a philosophy:

“Peoples Bank aims to achieve its business objectives by developing the potential of its employees, improving their performance and compensating them through an appropriate system of recognition and reward, whilst embracing the RIPI values”.

Communicate the philosophy.

## **5.4 Appraisal System Design**

There are four groups of people that need to be on the same wavelength to make Performance Management work. Executives, Managers, the Human Resources Department and Employees. All four categories play vital roles in this process.

It is absolutely critical that top management is involved in the design process, as it is well documented that nothing works in an organisation without top management involvement.

Furthermore, for Performance Management to work, it MUST rest on a foundation of co-operation, based on at least the prospect of benefit for all.

The collaboration is particularly significant in the context of integration, as any system that is implemented unilaterally will encounter resistance from new entrants to the Peoples Bank structure.

Finally there must be a conscious and concerted effort to demonstrate how the new system is beneficial to both management and employees (in other words, what's in for me?)

## **5.5 Critical Factors That Will Influence Performance Management At Peoples Bank**

5.5.1 A Performance Management Support System must be built. In other words, work processes and human resource management systems must be aligned to the Bank's philosophy regarding Performance Management.

5.5.2 The Bank's Mission, Vision, Values and Core Beliefs must be embedded in the Performance Management System.

5.5.3 The system must strive to eliminate a "fear" culture and promote innovation and creativity.

5.5.4 Deliverables must remain consistent and fairly similar to sustain motivation levels.

## **5.6 Platform for Performance Management**

The focus this year should be very much on laying the foundation for effective Performance Management at Peoples Bank, and the Appraisal System should reflect this.

The Bank's mission, vision, values and core beliefs should be entrenched in the Performance Appraisal System, together with critical objectives that the Bank wants to achieve this year. The critical objectives can then become the key performance areas for Management, which can then be cascaded to employees.

People development and future goal-setting should form the bulk of the system. Targets should be carefully selected, defined, recorded, tracked and reported.

Training, this year, should focus on all of the above, and ALL LEVELS of Management should be targeted, as they would be expected to drive Performance Management. The entire Human Resources Team must also be trained to be able to provide effective, consistent and professional support to the business.

Feedback must be viewed critically, and mechanisms must be implemented at all levels to facilitate this. Training again must play a significant role in entrenching a culture of feedback. A separate communication strategy is the ideal platform to kick-start the feedback process.

The Performance Management process must extend beyond the Appraisal Form, therefore every effort must be made to ensure that organisational factors, which enhance Performance, are in place.

### **5.7 The Performance Appraisal**

The Balanced Scorecard System is recommended. However, making drastic changes to the current Performance Appraisal system at Peoples Bank will become too much of a “culture-shock” for employees. It is therefore recommended that the current system be used for the next appraisal in July, but that elements of a Balanced Scorecard System be introduced to facilitate the transitional process.

The Balanced Scorecard System should be researched thoroughly and a proper process should be effected to ensure that adequate training and communication takes place for its successful implementation.

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### **Performance Appraisal Policies and Forms:**

Consumer Credit	<b>Performance Appraisal Policy and Form, 2000</b>
Peoples Bank	<b>Performance Agreement, 2002</b>
Pep Bank	<b>Performance Appraisal Form, 2002</b>
NBS	<b>Performance Plan, 2002</b>

### **Articles:**

Bevan, S, (1998)	<b>Performance Related Compensation and Company Strategy</b> ( <a href="http://www.fpn.com">www.fpn.com</a> )
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HR Dept.              **University of California**

HR Dept.              **University of Arizona**

HR Dept.              **LA Trobe University**

HR Dept.              **Mondi Kraft (South Africa)**

## **8. APPENDICIES**

Performance Management Employee Survey

Performance Management Implementation Proposal

## PERFORMANCE MANAGEMENT - EMPLOYEE SURVEY-

### RATIONALE

**Peoples Bank** is committed to providing a work environment that is conducive to **exceptional performance** and **high levels of productivity**. We also recognise that crucial to this process is the effective management of **employee performance and development**. Research has shown that the **credibility** and **success** of any system depends largely on the extent to which key stakeholders, such as yourself, are included in its design.

The merger has afforded us an ideal opportunity to revisit the **Performance Management Systems** that are currently used by the **various brands** within Peoples Bank. Simultaneously, we would like to give **you** the opportunity to participate in the creation of a Performance Management System that will determine how **your performance** will be managed in future.

Should you be willing to participate, you are required to complete the enclosed questionnaire **electronically** and **E-mail** it to Ravi Lalloo (on the Outlook address list) or to **r.lalloo@credcor.co.za**, by close of business on **Friday, 14 March 2003**. Please also feel free to call Ravi on **031-367 3845**, should you have any queries.

The questionnaire should take you approximately **15 minutes** to complete.

Thank You

**Dumisani Ncala (Head: HR-Peoples Bank)**

### CONFIDENTIALITY

You are assured that the information you provide will not be used for any other purpose but for the generation of statistics that will assist the project team to devise an appropriate **Performance Management System**.

### SECTION ONE – STATISTICAL DETAILS (Required for analysis purposes only)

*Please place a cross (X) in the appropriate box*

ETHNIC GROUP	AFRICAN	INDIAN	COLOURED	WHITE
1.1. Please indicate your ethnic group				

JOB CATEGORY	MANAGER	NON-MANAGER
1.2. Please indicate your job category		

GENDER	MALE	FEMALE
1.3. Please indicate your gender		

AREA OF WORK	KZN	W/CAPE	E/CAPE	GAUTENG
1.4. Please indicate the region in which you work				

F/STATE	N/WEST	MP'MLANGA	LIMPOPO

# PERFORMANCE MANAGEMENT QUESTIONNAIRE

## INSTRUCTIONS

- The following statements ask for **your** opinion on the **Performance Management System** presently being used in your Business Division.
- Please indicate the extent to which you **Agree or Disagree** with each statement below by placing a **cross (X)** in the box that **most closely** corresponds to your opinion
- **Remember : Only one cross (X) per statement/question is required**

## RATING SCALE:

*(Applies to Sections 2, 3 and 5 only)*

1. Strongly agree
2. Agree
3. Neither agree nor disagree (neutral)
4. Disagree
5. Strongly disagree

## SECTION TWO – PERFORMANCE APPRAISALS IN GENERAL

STATEMENT	1	2	3	4	5
2.1. I understand what the objectives of performance appraisals are					
2.2. The objectives of performance appraisals are well communicated in our organisation					
2.3. I have an understanding of how the results of performance appraisals are used in my organisation					
2.4. Performance appraisals are fairly and objectively conducted in our organisation					
2.5. I understand the language/terminology used on performance appraisal forms					
2.6. Managers and subordinates pretty much agree on what constitutes good or poor performance					
2.7. Most managers would not participate in performance appraisals if they had a choice					
2.8. Most co-workers would not participate in performance appraisals if they had a choice					
2.9. Performance Appraisal systems hold much credibility in our organisation					
2.10. Development plans that are agreed with staff during Performance Appraisals are carried through					

## SECTION THREE – EFFECT OF PERFORMANCE APPRAISALS

STATEMENT	1	2	3	4	5
3.1. Performance Appraisals motivate individuals to improve their performance					
3.2. Performance Appraisals typically lead to productive changes in the subordinate's behaviour					



#### SECTION FOUR – FREQUENCY OF PERFORMANCE APPRAISALS

4.1. How often should Performance Appraisals be conducted? *(Please bold or colour your one choice)*

DAILY

WEEKLY

MONTHLY

QUARTERLY

BI-ANNUALLY

ANNUALLY

#### SECTION FIVE – PURPOSE OF PERFORMANCE APPRAISALS

STATEMENT	1	2	3	4	5
5.1. Succession/promotion decisions should be based on the results of Performance Appraisals					
5.2. Performance Appraisals should be based on measurable performance criteria					
5.3. Performance Appraisal practices should provide accurate feedback to the subordinate					
5.4. Performance Appraisals should lead to a better manager – subordinate understanding of what the subordinate's role should be					
5.5. The subordinate's self-appraisal should be an important part of the Appraisal process					
5.6. Performance Appraisals should be based on goals agreed to by manager-subordinate					
5.7. Performance Appraisals should place sufficient emphasis on future development					

#### SECTION SIX – PERFORMANCE MANAGEMENT RECOMMENDATIONS

6.1. Given the opportunity, what changes, if any, would you make to your current Performance Management System? **Note:** This could include changes to the philosophy, process, documentation, communication, etc. *(If you are completing this survey electronically, please delete the lines below before typing your response)*

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6.2. What would you recommend as the most effective method that could be used to manage performance in your organisation, and why?

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**PEOPLES BANK**

**PERFORMANCE MANAGEMENT  
IMPLEMENTATION PROPOSAL**

## 1. EXECUTIVE SUMMARY

This document is intended to serve as a **succinct, yet practical proposal** of how performance should be managed at Peoples Bank. The proposal will provide a **holistic** perspective of **Performance Management**, and it will attempt to address issues that could exist beyond just the **Performance Appraisal**. Key initiatives such as **training and development**, and **communication** will also be highlighted and there will be some alluding to the issue of **organisational culture** especially since it is a critical derivative of **integration**.

The proposal will assume that **sufficient knowledge** of Performance Management exists among readers of this document, therefore the writer will not delve into the **theoretical factors** that impact on Performance Management, such as the various motivation theories, but will rather focus on **issues of implementation**.

The objective is for this proposal is to **act as a catalyst** for the implementation of an effective **Performance Management Strategy** and a detailed **Performance Plan**, so that Peoples Bank is able to **achieve its business goals and become the employer of choice**.

## 2. INTRODUCTION

At a strategic level, the **Performance Management System** must support the organisation's desire to create a **customer-serving, motivated, accountable, reliable, creative, dedicated and happy workforce**.

The Performance Management System must **set employees up to succeed**, so that they can help the organisation to succeed. Factors that determine Performance are summarised below.

## 3. SUMMARY OF KEY STRATEGIC IMPERATIVES

At Peoples Bank, the following imperatives must be addressed and resolved:

### 3.1. Integration Issues need to be Addressed

**All** issues of **integration** pertaining to people must be addressed with a sense of urgency and commitment. These include issues such as role clarification, compensation and employee location, right down to the equipment that people need to be effective and efficient. A concerted effort is required that will give people a sense of comfort and stability. People are more likely to perform in a secure environment where they perceive that management cares.

Change management workshops must extend beyond the level of management to help employees deal with the stresses of change.

Systems and administrative processes (**especially communication channels**) that could have changed must be re-visited, and their impact tested against employee performance. All **barriers to performance** must be removed.

A separate **strategy** is required to deal with integration issues – such is its importance – so that they can be addressed effectively within every branch and division.

### 3.2. **Clear Job Descriptions need to be Developed**

One cannot emphasise more the impact of role definition on performance. Not only will this assist employees to understand the expectations of their position, but it will also ensure that the correct individual is placed during recruitment and selection. And, that is where PM starts.

Job descriptions must be expressed as outcomes.

### 3.3. **Clear Development Plans need to be Devised and Communicated**

A separate strategy is required to deal with **Talent-Management, Succession-Planning and Employee Development**. This “interest” in the employee has enormous motivational benefits that ultimately impact on employee performance.

### 3.4. **Effective Compensation and Recognition Systems need to be Designed**

Employees must be recognised and rewarded for their contributions. Research has shown that this is often overlooked and downplayed in organisations. It is often not so much about the money as it is about the message any reward or recognition sends to an individual about his/her value. **Money has become a metaphor for value.**

The system should be **all-encompassing**, ie. consideration should be given to formal and informal rewards, cash and non-cash benefits, and ongoing recognition (in addition to those that are paid annually).

### 3.5. **Effective Orientation, Education and Training needs to be Provided**

Firstly, the employee must be provided with appropriate job-related, position-related and company-related information to perform. Secondly, the employee must have an excellent understanding of product and process use and requirements; and thirdly, the employee must have complete knowledge of customer needs and requirements. All three of the above should form the **first level of education and training**.

The education and training must almost occur at three levels, with the next level focusing on **soft-skills** such as motivation and assertiveness, and the third level should concentrate on **tertiary/external qualifications**.

### 3.6. **On-going Coaching and Feedback needs to be Provided**

Employees need ongoing, consistent feedback that addresses both their strengths and the weaker areas of their performance. Mechanisms should be implemented that not only focuses intensely on helping individuals build on their strengths, but also encourages them to seek help through a structured feedback process. A work environment should be created in which people feel comfortable asking, “how am I doing?”

Performance development discussions should be held more frequently and performance reviews should change from negative, evaluative, one-sided



presentations to positive, planning meetings. Frequent feedback sessions will help employees to always know how they are performing and what the next goals and challenges are.

### **3.7. Feedback must be obtained from Exit Interviews**

Learn why valued employees are leaving the organisation and use this information to improve the work environment and retain valued individuals.

## **4. STEPS IN THE IMPLEMENTATION PROCESS**

### **4.1. Agree on Proposal**

Management should debate and reach agreement on sentiments expressed in this proposal, or similar.

**Communicate** findings together with a plan to address areas that require attention.

### **4.2. Establish Work Groups**

Work groups should be formed to assess each of the seven imperatives identified above (and any other imperative that may have been inadvertently omitted). The groups' assessments must be able to quantify how much has been achieved and what still needs to be accomplished.

**Communicate** findings together with a plan to address critical areas.

### **4.3. Formulate a Performance Management Philosophy**

An example of a philosophy:

"Peoples Bank aims to achieve its business objectives by developing the potential of its employees, improving their performance and compensating them through an appropriate system of recognition and reward, whilst embracing the RIPI values".

**Communicate** the philosophy.

## **4.4. APPRAISAL SYSTEM DESIGN**

There are four groups of people that need to be on the same wavelength to make Performance Management work. **Executives, Managers, the Human Resources Department and Employees.** All four categories play vital roles in this process.

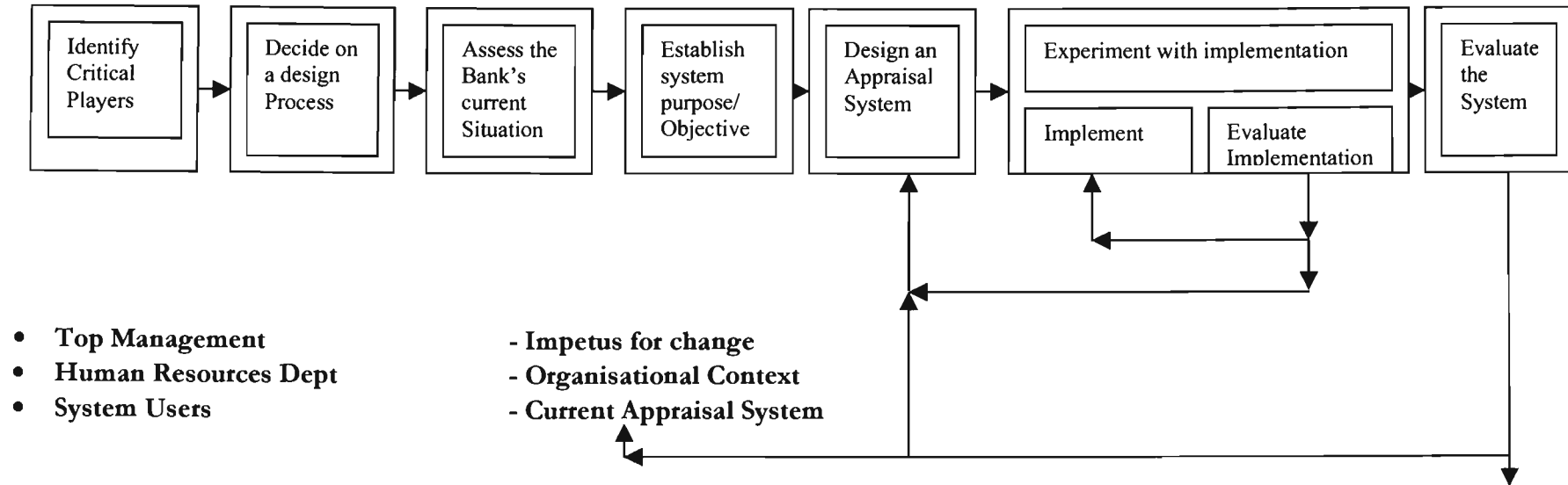
**It is absolutely critical that top management is involved in the design process, as it is known that nothing works in an organisation without top management involvement.**

Furthermore, for Performance Management to work, it **MUST** rest on a foundation of **co-operation**, based on at least the prospect of benefit for all.

**The collaboration is particularly significant in the context of integration, as any system that is implemented unilaterally will encounter resistance from new entrants to the Peoples Bank structure.**

Finally there must be a conscious and concerted effort to demonstrate how the new system **is beneficial to both management and employees (in other words, what's in for me?)**

## A STEP-BY-STEP APPROACH FOR PERFORMANCE APPRAISAL SYSTEM DESIGN



## 5. CRITICAL FACTORS THAT WILL INFLUENCE PERFORMANCE MANAGEMENT AT PEOPLES BANK

- 5.1. The Performance Management System must take cognisance of the findings of the **employee survey on Performance Management**, and the **Deloitte's** survey.
- 5.2. A Performance Management **Support System** must be built. In other words, work processes and human resource management systems must be aligned to the Bank's philosophy regarding Performance Management.
- 5.3. The Bank's **Mission, Vision, Values and Core Beliefs** must be embedded in the Performance Management System.
- 5.4. The Performance Management System must espouse tenets of **Investors in People**.
- 5.5. The system must strive to eliminate a "fear" culture and promote innovation and creativity.
- 5.6. Deliverables must remain **consistent** and **fairly similar** to sustain **motivation** levels.

## 6. CONCLUSION AND RECOMMENDATIONS

The focus this year should be very much on **laying the foundation** for effective Performance Management at Peoples Bank, and the **Appraisal System** should reflect this.

The Bank's **mission, vision, values and core beliefs** should be entrenched in the Performance Appraisal System, together with **critical objectives** that the Bank wants to achieve **this year**. The critical objectives can then become the **key performance areas** for **Management**, which can then be cascaded to employees.

**People development and future goal-setting** should form the bulk of the system. Targets should be carefully **selected, defined, recorded, tracked and reported**.

Training, this year, should focus on **all of the above**, and **ALL LEVELS** of Management should be targeted, as they would be **expected to drive** Performance Management. The entire **Human Resources Team** must also be trained to be able to provide **effective, consistent and professional support** to the business.

**Feedback** must be viewed critically, and mechanisms must be implemented at all levels to facilitate this. Training again must play a significant role in entrenching a culture of feedback. A separate **communication strategy** is the ideal platform to kick-start the feedback process.

The central theme of this proposal is that an effective Performance Management System extends far beyond the Appraisal Form, and research dictates that when most other Performance factors are in place in an organisation, the Performance Appraisal become a **mere formality**. In fact, if it were not required for its administrative purpose, the Performance Appraisal would almost become redundant.