

**UNIVERSITY OF KWAZULU-NATAL**

**The Impact of Linking Annual Performance Bonuses to Individual Employee  
Performance within Umgeni Water**

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## DECLARATION

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**Date**

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## **ABSTRACT**

Employees are the greatest asset of any organisation. The employees of any organisation are instrumental in driving performance while the organisation offers those rewards. Presently, many organisations link employee bonuses to their employee performance. This approach has created various impact on the employees in terms of satisfaction and motivation. The main aim of the study focuses on the impact of linking annual performance bonuses to individual employee performance within Umgeni Water. The population of the study comprised of all the 400 employees at Umgeni Water, as they were given equal opportunity to participate in the study. The study utilises a quantitative method to collect the data. A total number of 204 respondents to the questionnaires that were distributed by email, leading up to a response rate of 51%. The Statistical Package for the Social Sciences (SPSS) was used in analysing the quantitative data, and the feedback from the analysis was presented in tables, figures and charts. The findings from the study showed that a significant (78% of employees) proportion of the employees are not happy with the current performance bonus structure and that it was linked to the existing performance management system. The study also showed that there is bias and concerns with transparency over the performance appraisal sessions. There was also a gap between the line managers and their direct reports, as it appears there are poor engagement levels regarding the administration of the current performance management. The study also uncovered that some of the employees had other motivation triggers beyond annual performance bonus. It was recommended that Umgeni Water management and leadership need to review the existing performance management system by engaging properly with employees to understand their concerns. The study suggested that it might be necessary to set up a committee that represents all the departments in the organisation, for the purpose of looking into the current performance management system and highlighting gaps to management. Furthermore, it was also recommended that management need to provide more trainings to line managers and supervisors, so that their skills on employee engagement can be sharpened to enhance the existing relationships with their employees. The study clearly highlighted that the importance of continuous training and engagement cannot be overemphasised.

## **Keywords**

- Performance management
- Performance appraisals
- Annual performance bonus
- Umgeni Water
- Linking
- Evaluation
- Engaging
- Employee engagement

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## List of Acronyms

BSC.....	Balanced Scorecard
EFQM.....	European Foundation for Quality Management
MBO.....	Management by Objectives
PMS.....	Performance Management System
SA.....	South Africa
TQM.....	Total Quality Management

# **CHAPTER 1**

## **INTRODUCTION AND BACKGROUND**

### **1.1. INTRODUCTION**

In recent times, a couple of organisations have willingly jumped into the decision of removing employee performance ratings, as they were seeking for better ways to keep employees motivated (Amling, 2018). Many employers with efficient performance management system, usually link payment of bonus to the usual performance appraisal set up, in order to establish the nature of bonus pay-out and salary increase for their employees (Mayhew, 2019).

There is a direct link that connects the performance of employees and the salary increase or bonus incentive that they receive in South African companies (Visser, 2017). Globally, many companies have also moved the motion to remove ratings, as many of them are trying to explore the fact that employee rewards are becoming complex (Visser, 2017). The study seeks to evaluate the impact of linking annual performance bonuses to individual employee performance within Umgeni Water in Durban. The background, motivation and focus of the study, as well as the problem statement is covered in this chapter. This chapter also present the objectives, research questions, research methodology, limitations of the study, and the overall structure of the study.

### **1.2. BACKGROUND**

There have been an increasing proportion of companies that have added performance-based pay schemes to their compensation packages in recent years, by aligning their pay to individual or company performance. According to Bryson et al., (2011), the rise in incentive pay schemes have been propagated by the issues over inefficiencies observed in the workplace and the idea that incentive pay increases productivity.

The usual pay approach for employees besides that of executives has been consistent across and within many sectors. The recent global work environment

also makes it easier for employees to migrate from one place to another, which increases the competition faced by local companies and makes them to compete with stronger business competencies (Bryson et al., 2011). Nowadays competition is so intense, organisations who want to survive and develop themselves are forced to produce different kinds of solutions. Organisations are required to take into consideration all the external factors that affect the growth of the company, of which employee performance management is one of them. It is difficult to find managers and business leaders who do not agree that salaries and employee's performance should be linked. As a result, employers are encouraging and identifying employees by creating an environment where the bonuses or salaries are linked to employee's performance (Stranco, 2018).

In South Africa, the approach of linking performance bonus to individual performance is a growing trend for many firms. Some employees have argued that they prefer this as it is very transparent and clear to them, particularly when they do not meet the set targets (Stranco, 2018). However, the Union Workers are not very happy with such approach considering that their bonuses are majorly based on negotiation. Recently, the Power Utility Eskom offered to pay Union Workers Bonuses, which was not performance based but linked to the negotiating power of the Union Leaders. This massively affected the budget of Eskom (Mkokeli & Burkhardt, 2018). Globally, some companies have removed the link between pay and employee performance and are currently looking at innovative ways to motivate and reward performances (Visser, 2017). Bonuses and pay for employees affect the workplace motivation and engagement levels of employees; hence, it is a vital topic for companies to review. This is in order to remain competitive and to maintain employee satisfaction. According to Njanja et al., 2013 and Ibrar and Khan 2015 employees that did not get performance bonuses are demotivated and their engagement with other employees gets affected.

Umgeni water is a public entity that was established in 1974 to cater for water services to other water institutions around its service area. Umgeni Water reports directly to the Department of Water and Sanitation through the Chairman of the Board and the Chief Executive (Umgeni Water, 2019). This study aims at evaluating the impact of annual performance bonuses to individual employee

performance within Umgeni Water, a state-owned entity and one of the Africa's most successful organisations involved in water management.

### **1.3. STUDY MOTIVATION**

This study was motivated by Union's Report which stated that some of the Employees in the organisation weren't happy about the new Company Policy of linking performance bonuses to how an individual has performed in the organisation. Various organisations and scholars have used so many philosophies in emphasizing the importance of the workforce as a survival tool in any organisation. According to Erasmus, Rudansky-Kloppers, and Strydom (2016), some of such comments are; "people make up the business", "people are the organisation's greatest assets", "managing human resources is fundamental to organisational success", and "motivated employees make a difference". Employees' needs should be met by any organisation. An employee, emphasizing on the above statement stated that successful organisations are not only measured by just making profits, but also in terms of meeting the needs of other stakeholders such as the customers, government and employees (Erasmus et al., 2016). These assertions clearly highlight the importance of the employees in any organisation.

This study may assist the management of Umgeni Water in understanding internal feelings of employees with regards to performance management. This study may also help to ensure that efficient employees are well rewarded in the company, as this may assist in retaining good talents. This study may effectively assist the management of Umgeni Water in assessing whether their existing performance approach, cater for the necessary aspects of employee motivation and enhanced employee engagement.

### **1.4. FOCUS OF THE STUDY**

The focus of this study is to assess the impact of linking annual performance bonuses to individual employee performance within Umgeni Water. This study will review performance management, rewards, and various performance approaches.

This study was conducted at Umgeni Water in Durban, KwaZulu-Natal Province of South Africa.

### **1.5. PROBLEM STATEMENT**

In 2015, Umgeni Water management introduced a policy of linking Annual Performance bonuses to individual employee performance. Management's aim was to achieve organisational strategic goals by managing skills, competencies, commitment of employees, recognising good performance and managing poor performance effectively. However, employees were concerned with the fairness of the system of performance management processes and policies. Employees' main concern was that the percentage distribution of payments was not the same amongst different levels of employees. Employees were also concerned about alleged biasness during the performance appraisals that was conducted with their immediate supervisors. Some of the employees became disgruntled and left the organisation. As a result, the organisation started losing its best performing individuals and those who remained were demotivated. Also, the organisation started facing the risk of not meeting its strategic goals as previously planned in the long run. Hence, the study is aimed at identifying the impact of linking annual performance bonuses to individual employee performance within Umgeni Water.

### **1.6. OBJECTIVE OF THE STUDY**

The study was guided by the following objectives.

1. Investigate whether employee performance management policy of Umgeni Water provides the purpose of linking performance bonuses to individual employee's performance
2. Evaluate performance management approaches that will improve the current methods, practices and actions that recognise and rewards good employee performance.
3. Investigate whether the current performance management system motivate the employee to perform at their optimum level.

4. Examine whether the performance management policy have the performance management process and system that are procedurally and substantively equitable.

### **1.7. RESEARCH QUESTIONS**

In order to realise the objectives of the research, the study aimed to answer the following questions:

1. Does Umgeni Water employee performance management policy provide the purpose of linking performance bonuses to individual employee's individual performance?
2. Does the performance management approaches improve the current methods, practices and actions that recognizes and reward good employee performance?
3. Does the current performance management system motivate the employees to perform at their optimal level?
4. Does performance management policy have the performance management process and system that are procedurally and substantively equitable?

### **1.8. RESEARCH DESIGN**

The positivism method was utilised in the study as the view denotes that only true knowledge gathered through observation should be trusted (Cooper & Schindler, 2011). The positivism (also known as the quantitative approach) encourages the researcher to assess the outcomes without individual conclusions (Creswell & Creswell , 2018). This approach will be used in evaluating the view of the researcher and will help in contributing to an improved understanding of the study objectives. The study utilise d random sampling method, as it covers the aspects of the study population by offering an equal opportunity of the participants that was selected for the study (Sekaran & Bougie, 2013). A total population of 400 that represents the Umgeni Water employees were given chance to participate in the

study from which a total of 204 completed the study, which represents 51% of the study population.

The questionnaires were manually distributed to the participants. The first part of the questionnaire was made up of biographical data, in order to understand the profile of the participants. The second part questionnaire contained close ended questions that assisted in avoiding wrong feedback from the participants. The data was analysed using the Statistical Package for Social Sciences (SPSS) version 15, and the outcome was presented using both descriptive and inferential statistics.

The researcher ensured that ethical considerations were applied during the study, as great care was exercised to ensure the suitability of wordings. Prior to the study, the researcher obtained a gatekeeper's consent letter from Umgeni Water Human Resource Management, and further obtained ethical clearance approval from the ethics committee of UKZN to ensure that all protocols were observed according the guidelines of the institution.

### **1.9. LIMITATIONS OF THE STUDY**

The researcher directly did not encounter any limitation in conducting the study. However, the researcher was not able to access the union reports to establish the degree of the unhappiness with regards to performance bonuses at Umgeni Water. It is important to note that this study only focuses on Umgeni Water and questionnaires were sent the employees based at the Head Office. As a result, the outcome from this study can only be applied to Umgeni Water and may not be used for other organisations.

### **1.10. ARRANGEMENT OF THE STUDY**

This section outlines the arrangement of the study which will be presented in five chapters described below;

#### **Chapter 1 – Introduction and Background**

This chapter outlines the research by providing an overview, background, statement of the problem, motivation of the study, study objectives and research questions, research methodology and limitations of the study.

## **Chapter 2 – Literature Review**

This second chapter reviews the literature applicable to the study. This section provides an overview on the concept of the study, provides key definitions, overview of the subject, current global and local trends, balance score card and other essential aspects. In this chapter, the existing gaps from literature that relates to the research questions will also be identified. This chapter ended with a conclusion.

## **Chapter 3 – Research Methodology**

The third chapter provides the methodology of the research. It covers the research philosophy and the selected approach applied. This chapter also covers the design methods, location of study, population, design of the question and study sample. It also reviews the reliability and validity of the instruments, ethical clearance and data analysis that will be used for the study.

## **Chapter 4 – Presentation, Discussion and Interpretation of Results**

Chapter four will present the results from the study, presentation of the results, discussion and interpretation of the results. This chapter assess how the outcome of the respondents relates to the study literature and objectives of the study.

## **Chapter 5 – Conclusion and recommendations**

This is the last chapter and outline the study conclusions and recommendations. It will also evaluate whether the study objectives and research questions were answered by the study. It further outlines the recommendations for future study and suggests new areas that should be explored.

## **1.11. CONCLUSION**

This chapter sets the pace for the study which intends to evaluate the impact of linking annual performance bonuses to individual employee performance within Umgeni Water. This chapter outlined the overview of the study by presenting the background, motivation and problem statement. It further highlighted the study objectives, research questions and research methodology guiding the study. The next chapter expounds on the literature review evaluation.

## **CHAPTER 2      LITERATURE REVIEW**

### **2.1. INTRODUCTION**

This chapter presents the literature review of this study. Performance management has been encountering a sea of transformation, a good number of organisations are no longer conducting yearly performance reviews as they are seen as not effective enough (Disha, 2017). Disha further highlights that between 2015 and 2016, big organisations such as Adobe, Accenture, GE, and Deloitte openly announced their intentions to remove the process of conducting performance reviews.

Performance management is seen as way of communicating between a supervisor and an employee that takes place annually. Employee rewards revolves around systems that are instituted in the workplace to reward performance and stimulate workers on an individual or group level (Aggarwal & Thakur, 2013). Performance management policies vary from one organisation to another and application of such systems are also very dynamic amongst variety of industries. A performance management framework clarifies definition and standards for performance information in support of regular audits of such information, improved structures, systems and processes required to manage performance information (Overberg District Municipality, 2017). It also defines roles and responsibilities for managing performance and promotes accountability on an individual or within a team (Al-Omari & Okasheh, 2017).

### **2.2. OVERVIEW OF JOB MOTIVATION, SATISFACTION AND EMPLOYEE ENGAGEMENT**

Nowadays competition is so intense, organisations that want to survive and develop themselves exponentially are forced to produce different kinds of solutions. Organisations are required to take into consideration all the external factors that triggered the organisations to work harder. The most important factor is human, hence organisations are to invest in employees (Güngör, 2011). According to Güngör (2011), one of the best methods organisations can use to catch, retain and motivate high potential employees in order to reach high levels of performance is the reward management systems. Another view by Ibrar and Khan

(2015) highlights that reward systems is an important driver of employee performance. Reward management system is the core function of human resource discipline and strategic partner with company management and it has an important role on employee performance (Güngör, 2011). It is said that reward system is one of the tools that can be utilised in checking employee's performance in any company, as it drives the employees to achieve strategic goals and realise certain specified objectives (Ibrar & Khan, 2015). Rewards attract new employees to any organisation and stimulating the existing employees through proper motivation medium also helps them to perform at higher levels (Ibrar & Khan, 2015).

Rewards can be seen as all manner of compensation or financial benefits and other tangible privileges that an employee is entitled to, as part of his employment relation to his employer (Edirisooriya, 2016). This shows that bonuses and stock options are few examples of rewards. Reward Management System tool includes both extrinsic (Financial) and intrinsic (Non-Financial) rewards. Employees desire to benefit from both financial and non-financial rewards (Ibrar & Khan, 2015). The financial rewards include; salary increase, bonus payout, etc. while non-financial rewards include; promotion and title, authority and responsibility, education, appreciation and praise. However, it is also important to invest in employee development for enhancing the skills and abilities of employees in any organisation (Güngör, 2011).

Over the past years according to Harter, Schmidt, Asplund, Killham and Agrawal (2010), employers have developed elements of compensation with more scope to reward and motivate employees. Nevertheless, financial reward has always been important in managing employee's performance. In some countries where money seems to be one of the challenges facing the employees, financial rewards are still very vital in managing employees (Harter et al., 2010). The main purpose of rewarding employees is to provide a systematic way of delivering positive consequences for contributions to desired performance (D Halls-Ellis, 2014). According to Nielsen, Nielsen, Ogbonnaya, Käsälä, Saari and Isaksson (2017), regardless of company size, corporate strategy or industry, most managers agree that motivated and productive employees are crucial for any organisational success.

One of the common approaches that can be used to achieve this is offering employees performance-based pay. This usually takes one or two forms; bonuses are offered as organisation-wide incentives, or bonuses are offered to individuals based on assessments of their performance, such as profit related pay or share ownership (Nielsen et al., 2017).

These incentives work as intended to, but there are times where these methods of pay backfire. As a result, they cause conflicting behaviour amongst employees who then resort to complaining about unfair pay distribution (Ibrar & Khan, 2015) . Also, very little progress has been made in gathering evidence on how different incentive pay schemes like performance-related pay, profit-related pay, and share ownership might affect employee well-being (Nielsen et al., 2017).

Shilongo (2013) suggest that the best and straightforward way to apply incentive and retain good employees is by awarding higher pay and bonuses to the top performers. He further states that, any performance-based system's key drive is to relate employees' salaries directly to their performance (Shilongo, 2013). He further stressed that employees are likely to increase their efficiency and are highly encouraged if they notice that there is a relationship between the levels of performance and the rewards to be received.

According to Heathfield (2018), a study that was conducted showed that it was in the olden days that money was used solely to motivate employees. Today, the key to motivation is much more complex. It is actually intrinsic motivators like autonomy, mastery and purpose that drive real motivation (Heathfield, 2018). On the other side, there are opinions which suggest that paying out too much incentive rewards can put a company's sustainability at risk when designed poorly. The reason is that it may drive people to want to only meet their targets, as a result companies needs to pay much consideration in this regard (Dale-Olsen, 2012). It is usually recommended to understudy incentive application before implementation in any organisation. Dale-Olsen (2012), states that there is no relationship between executive performance pay and firm productivity. The relationship varies between organisations, and CEO performance pay is strongly associated with high-productivity manufacturing firms.

### **2.3. PERFORMANCE MANAGEMENT IN AN ORGANISATIONAL CONTEXT**

Performance management can be defined as a continuous way of communication between a line manager and an employee, which takes place in course of the year, in line with the accomplishment of the strategic objectives of the company (Berkeley Human Resources, 2017). Another view considers performance management as the process of building a work environment or atmosphere, in which employees are set up to perform at the best of their abilities (Heathfield, 2018).

It is further seen as a whole work environment that starts when a job to be accomplished is explained as needed. According to Noe, Hollenbeck, Gerhart, and Wright (2012), performance management is defined as the process whereby managers ensure that employee's activities and outputs are aligned with the organisations goals. Performance management is central to gaining competitive advantage (Noe et al., 2012).

Price (2015) defines performance Management as a holistic approach to assessing and improving the performance of the organisations' workforce in line with their business objectives. On the other hand, Makoba (2013) defines performance management as an on-going systematic approach to enlightening employees' results through evidence-based decision making, continuous organisational learning and a focus on accountability for performance. The ultimate and the primary purpose of performance management is on achieving results (Makoba, 2013).

According to Turk and Killumets (2014), performance management is also defined as the variety of events aimed at improving effectiveness in an organisation. It was further stated that performance management involves setting of goals on individual, organisation and team level training, development of employees and rewards systems in the organisations (Türk & Killumets, 2014). Performance management should go beyond annual appraisal discussions between the line manager and the employee and should not only be a self-evaluation session (Price, 2015).

According to Heathfield (2018), an ideal performance management beyond the hiring stage should contain the following actions;

- Provide new employee orientation, assign a coach and get the new employee integrated into the organisation.
- Discuss and negotiate requirements and outcomes based on clearly set performance standards, results and monitoring between the employee and the line manager.
- Maintain an ongoing education, training, coaching and feedback as and when required.
- Set up and maintain a quarterly performance development planning sessions.
- Design effective rewards, compensation and recognition systems that reward employees for their ongoing contribution in the company.
- Supply clear career development opportunities which might include a lateral move or opportunities to shadow other colleagues.

#### **2.4. THE ROLE OF REWARDS AS INCENTIVES FOR PERFORMANCE**

It is without doubt that every employee expects some level of reward after carrying out a function or task in their place of work. According to Malik, Butt and Choi (2013), it is very important for any organisation to have reward system as the process that is guiding employee behaviour and stimulating them within an organisation. Most organisations give reward for the purpose of motivating employees in order to increase performance as performance is a vital approach to reaching cooperative goals (Malik et al., 2013).

Ndungu (2017) states that organisation's main aim for rewards is to retain existing employees, attract new employees, and maintain commitment to their stakeholders. Aktar, Sachu and Ali (2012), highlights that one of the important elements that can be used to motivate employees for contributing their best effort and generating innovative ideas that lead to better business functionality, and further improve company performance both financially and non-financially are rewards. Other means of rewards includes commendations that employees get from their line managers, and attention from leadership (Ndungu, 2017). A

previous study that was conducted proved that employees will give their maximum participation to their job roles, when they have the trust from management that their efforts will be rewarded (Aktar et al., 2012).

Rewards has been explained as the monetary, non-monetary and psychological benefits that a firm make available to employees in return for their participation and efforts (Victor & Hoole, 2017). Rewards can be either tangible or intangible. Tangible rewards include bonuses and benefits which may include salary increase that are external to the work itself, whereas intangible rewards are rewards that include praise and recognition that are intrinsic to the work (Victor & Hoole, 2017). Rewards can also be defined as all forms of financial return, tangible services and benefits that an employee receives as part of an employment relationship (Ndungu, 2017).

For individuals to support the organisation's standards and mission, they should be rewarded for the significant role they play in the organisation. Rewards that are based on performance are the furthestmost mutual kind of rewards (Iqbal, 2016). Al-Zawahreh and Al-Madi (2012) indicates that rewards play a huge role in the success and failure of businesses because employees are not carrying out responsibilities for free. Employees work only when they know they are going to be rewarded. Rewards is an important factor because employee's morale and employees performance are being influenced by rewards (Al-Zawahre & Al-Madi, 2012). Organisations provide rewards to employees to encourage retention and to ensure that employees are motivated. For some companies, it has become very popular for management to reward by providing bonuses linked to employee's performance (Al-Zawahre & Al-Madi, 2012).

#### **2.4.1. Bonuses – A Type of Reward**

Organisations have different purposes for offering bonuses to their employees. Bonuses are mostly used as a contingent reward to encourage employees to increase their effort when performing their functions. The main essential reason why organisations link bonuses to performance is to increase employee's work effort and participation (Alghazo & Al-Anazi, 2016). This is from the presumption

that extrinsic incentives will lead to higher performance. This is further supported as another view believes that the reason why organisation uses bonus schemes of different kinds is that they see it as a good tool for attracting and retaining talent in an organisation (Ndungu, 2017).

It is vital for employees to understand how the bonus system works, which means they also, need to comprehend how the targets are set. This is similar to the complaints raised by a number of organisations in SA (Victor & Hoole, 2017). Employers need to explain the process of qualifying for bonus and this should remain transparent. It is for this reason that many organisations are utilising the bottom-up approach for setting up performance management system. The bottom-up approach encourages the setting up of performance management system by seeking the contributions of talented line managers, supervisors and employees (Quain, 2018).

Older firms typically employ the top-down approach which could result in lack of trust from employees, as they usually do not feel comfortable when management decides on the breakdown of the system without their participation in the entire process (Quain, 2018). The rules of the reward systems must be accessible and made clear to all employees in the organisation. This reward system needs to be fair and transparent in a way that employees understand why they qualified or did not qualify for the bonus (Albertyn, 2018).

Further investigation proved that there is a major difference between permanent and part-time employees, as the permanent employees get a bigger bonus than the part-time employees (Albertyn, 2018). Some employees feel that bonus targets are unachievable and that the limits are mostly set too high which set employees up for failure (Modise & Nkuna, 2014). Paying bonuses have generally been used by organisations to motivate employees' performance, although the payouts can be large, there is a risk of receiving no payouts by those employees who did not meet their performance thresholds (Modise & Nkuna, 2014). In most instances, the relationship and formula on how to qualify for the bonus payout is known upfront and the bonus is paid out after achieving the pre-determined set goals (Duddeck, 2016).

## **2.5. LINKING PERFORMANCE BONUS TO INDIVIDUAL EMPLOYEE PERFORMANCE**

Corporate environment is becoming more competitive and complex every day. Organisations need well competent employees who can face present and uncertain future challenges, in order to survive in this competitive environment. As a result, organisations are always seeking for new ways to improve employee's performance (Toppo & Prusty, 2012). Nowadays, linking pay to performance is something that employers are striving to achieve. Recent study that was conducted proved that workers of higher ability are being attracted by jobs with performance related pay, and performance related pay encourages workers to provide greater commitment over specified job functions (Boachie-Mensah & Dogbe, 2011).

One of the factors that could increase motivation for employees is to link salary bonus to individual performance. However, the emphasis of this view is that organisations need to be aware on how to conduct this, as employees sometimes feel that the targets set out for rating performance are not fair. This is critical as employees can be demotivated (Modise & Nkuna, 2014). Another important thing that must be noted is that the overall financial performance results are not improved by having good working conditions; instead they are achieved by having employees with positive attitudes toward their jobs. According to Han, Bartol and Kim (2015), the employees with positive attitude are most likely to transfer such positive attitude over to customers and engage in the discretionary effort it takes to serve customers at high level.

Fang and Gerhart (2012), indicates that good salaries that are based on individual performance has positive influence on performance. Linking salary to individual performance is one of the strategies designed by organisations to attract the best talents, while ensuring that its present employees are operating at optimum levels of job satisfaction so that it achieves its strategic goals (Nel & Werner, 2014) It further outlines that performance appraisal should not only be about remuneration, but a link which remuneration could be part of it. Nel and Werner (2014) further states that there should be a clear separation between performance appraisal and salary review. There are some employees that have strong sense of responsibility

to every activity and would be happy to assist in every aspect of team goals. Such employees should be encouraged as they play a role in achieving organisational goals. Hence, in trying to link benefits and rewards to performance, team efforts in achieving organisational goals should also be taken into consideration (Han et al., 2015).

Njanja, Maina, Kibet and Njagi (2013) proved that performance management do not always encourage teamwork as it has the tendency to fragment an organisation. In a dysfunctional team, unfortunately the team leader often ends up doing all the work for the task to be a success. Therefore, linking salary bonuses to individual performance is not always accepted by some employees, as they feel performance appraisal is not a fair process (Njanja et al., 2013).

Individuals who do not get along with their supervisors could see themselves in a disadvantaged position. This is because most times, their supervisors or line managers may not score them positively, whereas those that are their favourites will always be scored positively. For instance, Njanja et al., (2013) found that principals in the United States preferred giving higher scores than the educators deserved, in order to build trust between the administration and the teaching staff and also to serve as a form of formative evaluation. The understanding from Njanja et al., (2013) was that principals perceived that the functioning relationship between their educators and them would be undermined using performance-based reward. Moral can be affected by performance related pay since it creates unfair competition between employees in the area of school education. Some employees, who were not rewarded and did not qualify for the increase, questioned the fairness of the evaluation process, as in most cases they feel the process is not transparent and that it lacks equity in some aspects (Nel & Werner, 2014).

In the past, most organisations used the strategy of linking performance to salaries. However, managers now view performance appraisal as an annual ritual as they perceive this to be merely a norm of completing forms (Njanja et al., 2013). Some managers' carryout performance appraisal just because it is the process that needs to be done, due to the fact that they know that it is mandatory or

because its requirement that must be complied with, in accordance with the company's human resource policy. Some line managers feel lousy carrying out performance appraisal as they view the process as an administrative burden (Njanja et al., 2013).

Managers claim that performance appraisals are complicated, and they consume a lot of time. Another view by Matsuki and Nakamura (2019) compares performance appraisals to vehicle seat belts, as most people see performance appraisals as a necessity but are not entirely conformable using them. In essence, these behaviours by line managers and supervisors show that there is some of lack of insight from them as line managers on the issue of performance appraisal (Matsuki & Nakamura, 2019).

In the past, the formal performance appraisal system was viewed as the primary means for managing employee performance. Compared to nowadays, managers do not see performance appraisal as a useful tool. It is important for companies to look very closely at their performance management and appraisal systems as they can harm company productivity and relationship between employees and managers (Njanja et al., 2013).

If the process of appraisal is perceived as unfair and the employees are dissatisfied, then employees will not accept the results of the appraisal for development. The usual process is for the employee to utilise the procedure of raising a complaint should they perceive that their supervisor or line manager was not fair during the session (Joses, 2013). It is only employees who are engaged that will agree with performance appraisal evaluation and take it as a useful approach in improving their performance and career development.

## **2.6. PERFORMANCE MANAGEMENT APPROACHES**

The backbone for any organisation's management is measuring performance of employees. According to Iqbal, Javaid, Ahmad and Ateeq (2013), employee's performance is usually measured by assessing the contribution the employee is making to the company's growth. Such information is conveyed to the employees during the process of performance appraisal. Performance of an employee

depends upon several factors which play a vital role in determining the productivity of an employee and as a result the overall organisational development (Iqbal et al., 2013). Some of the factors are listed below:

- conducive work environment
- work profile
- compensation
- bonus system
- job satisfaction
- company policies
- technology

### **2.6.1. Different Approaches of Measuring Performance**

According to Ismajli, Zekiri, Qosja and Krasniqi (2015), there are various tools found in the literature that measures performance and each model offers its unique approach to employee performance management. All these tools have common goal, which is improving employee performance in order to achieve organisational objective. The implementation of the organisation-wide business plan can be monitored using these performance measuring tools, thereby contributing to their organisational success (Ismajli et al., 2015). While organisations can use different approaches and strategies when measuring performance, there are five major approaches that are presented in the figure 2.1 below:

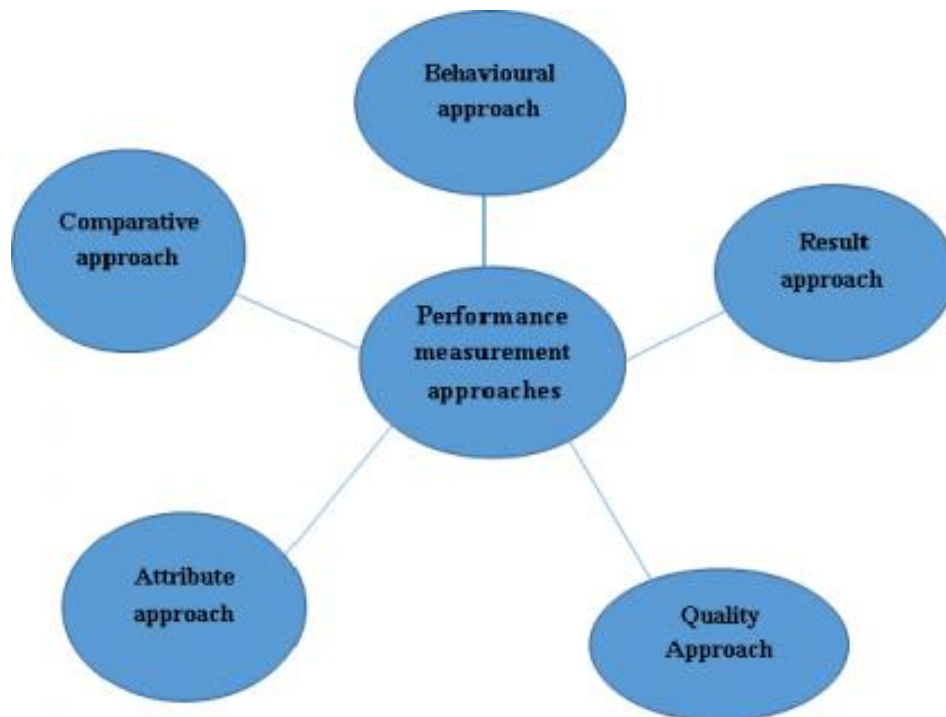


Figure 2.1: Source: Different approaches of measuring performance. Ismajli et al., (2015:25)

Figure 2.1 differ in characteristics and suitability. An organisation can select any one or a combination of these approaches based on their business goals and management type.

#### **2.6.1.1. Comparative Approach**

In the comparative approach, an employee's performance is ranked with respect to that of others in the group (Ismajli et al., 2015). The individuals are graded from the top to the lowest performer in the group. Individuals are ranked based on highest to the lowest performer. Some of the techniques applied for comparative approach are forced distribution technique, comparison and graphic rating scale. This approach is usually applied in a business scenario with small group of workers that have the same job profile (Dey & Giri, 2017). The downside of this approach is that it is not appropriate with companies with larger number of workers or a business with varying job profiles. As the scale is dependent on subjective judgement, there is more probability that there will be bias (Dey & Giri, 2017).

#### **2.6.1.2. Attribute Approach**

The attribute approach utilises the parameters like; problem solving skills, innovation, teamwork and communication, judgement and creativity, to measure and evaluate the employees (Ismajli et al., 2015). This method is very easy to implement, which is why many organisations utilise it. The shortfall of this method is that it is effective in identifying the best and the weakest performers (Dey & Giri, 2017).

#### **2.6.1.3. Behavioural Approach**

One of the oldest performance measurement techniques is the behavioural approach. It is made up of series of vertical scales for varying dimensions of the job. This style is appropriate for reliability and accuracy, even though the major weakness is the amount of data that the line managers or supervisors need to remember (Ismajli et al., 2015). This makes the managers to mostly remember only the dominant behaviours that relates closely to the performance rating and this has proved to result in prejudiced rating (Dey & Giri, 2017).

#### **2.6.1.4. Result Approach**

Result-oriented approach measures the performance of the employee using results as a main focus. It concentrates on viewpoints like financial, customer, internal operation and learning. The result based method of employee performance management turns strategy into operations with a more all-inclusive view (Ismajli et al., 2015). The result approach also takes into consideration the external environment of the job and does not only rely on financial indicators of the employee's job performance (Dey & Giri, 2017). A major weakness of the result based approach is that it does not focus efficiently on human resource aspect and it also lacks certain key participants in the indicators (Ismajli et al., 2015).

#### **2.6.1.5. Quality Approach**

The quality approach concentrates on enhancing the satisfaction of the customers by minimizing errors and achieving steady service creativeness. It enables the employers to track regular feedback on the personal and career characteristics of the employee by the line managers and colleagues, in other to resolve performance issues. This approach utilises the Kaizen process to ensure

continuous improvement. It also utilises multiple scores to assess both the employee and the system, while ensuring efficient problem solving through teamwork (Ismajli et al., 2015).

### **2.6.2. Organisational Performance Measuring Tool**

An organisation can apply all these approaches efficiently to assess and monitor the employee performance. The application of these approaches yields positive impact on employee's motivation and encourages the employees to perform better. This will enable the employees through proper understanding of the organisational goals in order to improve their skills in achieving them (Ismajli et al., 2015). Employee performance is enhanced by improved communication between the employee and line managers or supervisors which is used in discussing job related duties and work based issues (Dey & Giri, 2017).

### **2.6.3. Importance of Performance Management Tools**

Performance measuring tools are vital as they help companies to monitor the implementation of the business strategic plans, which will enable them to improve the contribution of employees for enhanced organisational success (Gomes & Romão, 2014). According to Gomes and Romão (2014), an ideal performance measuring tools should provide the following;

- Helps the company to evaluate whether they are receiving the expected contribution from employees and suppliers.
- Assists in assessing whether the firm is giving each stakeholder group the necessary support required to achieve key objectives.
- Enables the company in building and applying business processes that help in realising their strategic objectives.
- Assist the company to assess and monitor strategic planning in line with the agreements negotiated with their key stakeholders.

## **PERFORMANCE MANAGEMENT SYSTEMS**

### **2.7.1. Balance Score Card**

The objective of Balance Score Card (BSC) is to overcome the inadequacies of the traditional financial based performance measurement tools (Awadallah & Allam, 2015). Nowadays most organisations have implemented the BSC to support a wide range of strategic organisational objectives. Some organisations use BSC as a strategy to management tool in other to support decision making at the strategic management level. The four-performance metrics that organisations focuses on when using the BSC are: financial, internal process, customer, learning and growth metrics (Awadallah & Allam, 2015). BSC assists organisations to track all the important aspects of an organisation's strategy as well as achieve continuous improvement of teamwork. BSC assist managers to make informed decisions about long and short term objectives, internal and external performance, and financial and operational performance by providing strategic managers with a deep insight into organisation overall. According to Heathfield (2019), the BSC is a report that evaluates a variety of different areas. The major objective of the BSC is to assist the user to concentrate on many aspects of the business and it is also used to resolve issues in many departments in a business (Heathfield, 2019). The BSC empowers managers to renovate strategy into tangible performance measures, bring into line strategy with the overall organisation's mission and vision. It also helps to articulate and monitor organisation activities, in other to promote, support and enhance the achievement of a strategy (Heathfield, 2019). The BSC is useful for strategic management, which is used to coordinate a wide range of management processes such as resource allocation, employee learning and development, goal setting and performance appraisal (Awadallah & Allam, 2015).

According to Gomes, Romão and Caldeira (2013), globalisation and other market factors results in an increase of competition where organisations are expected to perform at their best capabilities. BSC provides the executives with a comprehensive framework that translate a company strategic objective into a comprehensible set of performance measures (Gomes et al., 2013). BSC is a

management system that can motivate breakthrough improvements in such critical areas as product, process, customer and market development.

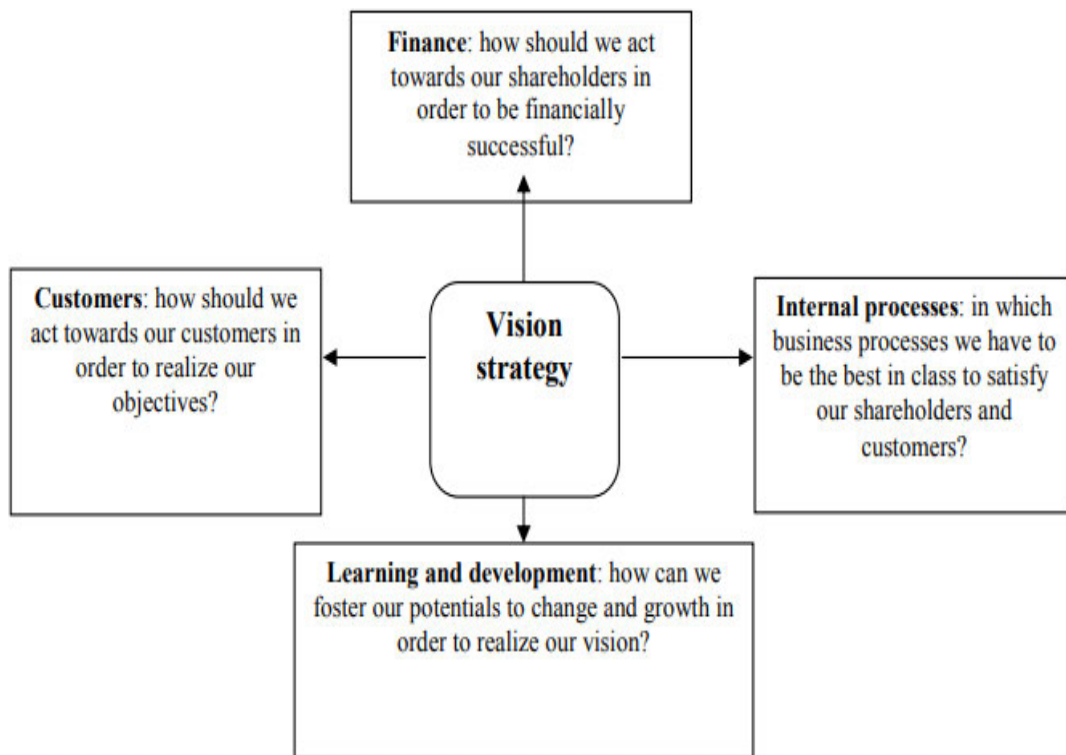


Figure 2.2: Highlights of the four functional roles of BSC in an organisation

Source: Salem et al., (2012:5)

Figure 2.2 shows the Balance Score Card (BSC) and highlights the four functional roles of the BSC in any organisation. BSC's major strength approach is the emphasis it places on linking performance measures with business unit strategy. Organisations that use BSC do not have to rely only on short term financial measures as the sole performance indicators. The first step in creating management processes for implementation of strategy must be to construct a dependable and reliable framework for describing strategy, which is known as Strategy Map (SM) (Gomes & Romão, 2014). BSC is a strategy management tool, which focuses on an entire organisation. The Balanced Scorecard (BSC) is a PM system which may be used to align the organisations' vision and mission with all the needed functional requirements and day-to-day work activities. TQM and BSC are both used to integrate the performance management and control systems, focusing on reducing the cost, communication and control systems, thereby

stressing the importance of organisations to manage the system and not the people. Both these tools requirement is to be supported by the top management (Heathfield, 2019).

## **2.7.2. Strengths and Limitations of the Balance Score Card**

### **2.7.2.1. Strengths of the BSC**

According to Gomes et al., (2013), some of the strenghts of the BSC are listed as: Firstly, BSC is a multidimensional approach to measuring and managing performance that is specifically linked to organisational strategy. It stresses the linking performance measures with the strategies of the business units.

Secondly, BSC translates strategy into operational terms as the organisation aligns its strategy, focusing on the business units and employees about their role in fulfilling the organisation's mission.

Thirdly, BSC allows employees understand the strategy and objectives, making the connection to the company's day-to-day activities. BSC facilitates assessment and feedback on an ongoing basis.

Fourthly, BSC can be applied in companies of any size to manage and evaluate business strategy, monitor operation efficiency, and communicate related processes to all employees.

The communication strategy of the BSC allows managers to understand how measurement results are affected by their actions.

The development of the BSC was one of the answers to criticisms of traditional forms of assessment accounting for knowledge-based companies.

The BSC is a framework for performance measurement that focuses the attention of management in just a few steps and makes bridges between the different functional areas.

The BSC is balanced in both internal and external aspects of the business. It highlights both the importance of internal processes to achieve business results and also the external view from customers about the market position. A designed

BSC should be able to describe your strategies through the objectives and measures you have chosen.

### **2.7.2.2. Limitations of the BSC**

According to Salem et.,al (2012), some of the limitations of the BSC are listed below. They include;

- Not all stakeholders were included in the BSC, in particular suppliers and public authorities, which can be decisive for many organisations.
- The BSC provides no mechanism to maintain the relevance of the initially defined measures.
- The lack of focus on the human resources dimensions of organisations is likely the biggest shortfall of BSC.
- The BSC does not track the activities of the competition or technological developments. This shows that it does not take into consideration the uncertainty inherent risks involved in the events that can threaten strategy. This approach can result in serious dysfunctional behaviour and loss of control over strategy implementation.
- It makes unacceptable assumptions about the causal relationships between performance indicators. These assumptions may result in dysfunctional outputs and can have negative effects on company performance.
- The difficulties in the implementation of the BSC make it hard to attain a balance between financial and non-financial measures.

### **2.7.3. Total Quality Management**

TQM describes a management approach of long term success through customer satisfaction. In the TQM effort, all members of an organisation participate in improving processes, products, services and the culture in which they work. It uses strategy, data, and effective communication to integrate the quality discipline into the culture and activities of the organisation. It is an approach that looks at improving quality and performance, which will achieve or go beyond customers' expectations (Murray, 2019). TQM focuses mostly on the systems of the organisation. It has been a widely applied process for improving competitiveness

around the world, but with mixed success (Barone, 2019). There has been literatures that revealed that the relationship between TQM practice and organisational performance is significant in a cross-sectional sense, in that TQM practice intensity explains a significant proportion of variance in performance (Lewis & Smith, 1994) .

#### **2.7.4. ISO14001**

ISO14001 is a system that emphasis on environmental issues, regardless of the other aspects that may be affected by the environmental aspects. ISO14001 is not linked to the strategic planning and management of the company but it is run on the operating level (Barone, 2019).

#### **2.7.5. European Foundation for Quality Management (EFQM)**

This is a practical instrument used to help firms in determining and identifying their stage on the path of excellence and assessing the current state of the firm. BSC and EFQM are instruments that are used to estimate the performance of the organisation for the goal of improvement (Abushaiba & Zainuddin, 2012). The EFQM incorporates present key business challenges; it builds agility into the business, places emphasis on developing approaches, ensures accountability of leadership and governance, puts focus on the entire value chain (Gorenak, 2015). This has also been widely accepted and deals with similar issues. The BSC design processes start with the articulation of a shared strategic vision that defines the priority strategic activities and outcomes, while the EFQM assesses performance with the activities as a basis (Abushaiba & Zainuddin, 2012).

#### **2.7.6. Management by Objectives (MBO)**

MBO is the establishment of a management information system which compares actual performance and achievements against the set objectives (Hayes, 2019). It is believed by experts that the major paybacks of MBO are that it enhances the motivation of employees and their commitment, thereby encouraging better communication between management and employees (Hayes, 2019). In MBO, each goal is determined through agreement between managers and subordinates.

A total goal is composed of section's goals and each section's goal is made up of individual's goals (Hayes, 2019). It emphasizes employee's participation and thereby takes the employees' motivation into account (Anastasios & Boulouta, 2012).

#### **2.7.7. Relationship Between BSC and ISO 14001**

The main variation between BSC and ISO 14001 is that BSC is purely a strategic management tool, which depends on the entire organisation. However, ISO14001 is a system that relies on environmental issues notwithstanding other aspects that may be affected by the environmental aspects. Hence, it can be said that ISO14001 is applied on the operational level and it is not aligned to the strategic planning and management of the organisation (Salem, et al., 2012).

#### **2.7.8. Relationship Between BSC and EFQM**

The main focus of the EFQM is to enhance organisational performance via self-assessment and enhancement activity against major benchmark outstanding criteria. Both tools measure organisational performance for the goal of improvement and both are widely accepted and applied to in other broader issues. Nevertheless, BSC design begins with the sharing of strategic activities and outcomes that need to occur, while EFQM assesses performances against a standard of activities and general best practice criteria (Salem, et al., 2012). As a result, this could lead to the view that BSC design is more complex than the design of EFQM.

#### **2.7.9. Relationship Between BSC and MBO**

Some of the advantages of the MBO are; effect on employee motivation, improved communication, coordination, clarity of goals etc. Also, managers can make sure that the objectives of the subordinates are tied to the organisational objectives (Salem et al., 2012). MBO is configured based on the discussion between managers and subordinates. MBO requires eight areas like worker performance, public responsibility, manager performance and development, profitability, financial resources, market standing, innovation and productivity. MBO stresses on the

setting of goals over the marking of a plan as a driver of outcomes. BSC has the better advantages over MBO because of their focus on four strategic areas. Each of those areas concentrates only on the most viable indicator (Hayes, 2019).

### **2.8.360 DEGREE PERFORMANCE FEEDBACK APPRAISAL**

According to Aggarwal and Thakur (2013), 360 degree feedback appraisal is a popular performance appraisal technique that includes assessment input from manifold levels within the firm as well as external sources. The 360 degree feedback can also be defined as the performance appraisal process relying on input from employees, managers and customers or suppliers at the time of the employees' performance rating (Aggarwal & Thakur, 2013). Many organisations have had an increase of adopting the 360° feedback and this involves feedback from all four sources, for an example downwards from supervisors, upwards from the subordinates, from peers.



Figure 2.3: Source: 360 degree performance appraisal. Aggarwal and Thakur (2013: 93)

The Figure 2.3 shows the 360 degree performance appraisal. It contains five important stages that are necessary to have a complete 360 degree performance appraisal cycle. Many organisations have benefited from 360 degree feedback in instilling organisational culture especially at management level. The 360 degree feedback relies on the input of an employee’s superior, colleagues, subordinates, sometimes even customers and suppliers (Aggarwal & Thakur, 2013). It provides people with information about the effect of their action on others in the workplace (Aggarwal & Thakur, 2013). According to Chopra (2014), some of the advantages of the 360 degree performance appraisal include;

- a. It provides total and precise evaluation of the employee capabilities and performance result.

- b. 360 degree performance appraisal enhances the credibility of performance appraisal.
- c. The feedback collected from other staff is very effective.
- d. The feedback from others encourages employees or managers who devalue themselves.
- e. The manager does not only have the freedom to make assessment on its staff performance, 360 degree appraisal also provides feedback that arms other participants with the same freedom.

360 degree appraisal is not without some demerits. Extension of exchange feedback could result in tensions and troubles for several staff, there is an increased amount of time involved and the administration can be complex. The feed can be intimidating and may result in frustration or resentment (Chopra, 2014).

## **2.9. PERFORMANCE MANAGEMET SYSTEM DESIGN (PMSD)**

Performance Management System (PMS) is defined as a formal structure design for providing information to managers. PMS is defined as a system that has a set of characteristics like the integration of long-term strategy and operational goals (Georgious-Botaris, 2018). Designing a performance management system begins with evaluating the present job responsibilities existing in the organisation (Fay, 2019). Based on the observations, the responsibilities are aligned to some performance standards that is needed for the organisation, which is done by applying parameters like completion time and customer satisfaction (Fay, 2019). Designing a good PMS is vital as it improves the firm's overall profitability. This helps to establish employee expectations around specific roles, show resources available to them, and supply the structure for employee appraisals (Fay, 2019).

Several essential features of PMS include a comprehensive and diverse set of performance measures, the integration of measures with strategy/link to value outcomes and the coverage of performance measures related to different parts of the organisation (Georgious-Botaris, 2018). Managers receive comprehensive information from PMS. It plays a crucial role in strategy implementation by assisting to translate an organisational strategy into desired behaviours and

results, communicate expectations, monitor progress, provide feedback, and motivate employees to improve firm's performance (Fay, 2019). According to Bernardin, Thomason, Buckley and Kane (2016), for a business strategy to succeed and a strategic performance to occur, executives must align cross functional organisational factors, for an example strategy and purposes structure, systems and processes, leadership style, staff, resources, shared values and strategic performance with each new strategy. All of these factors have been integrated in a practical model for successful executive strategy called Eight "S" s of Strategy Execution which is illustrated by Figure 2.4 (Bernadin, et al., 2016).

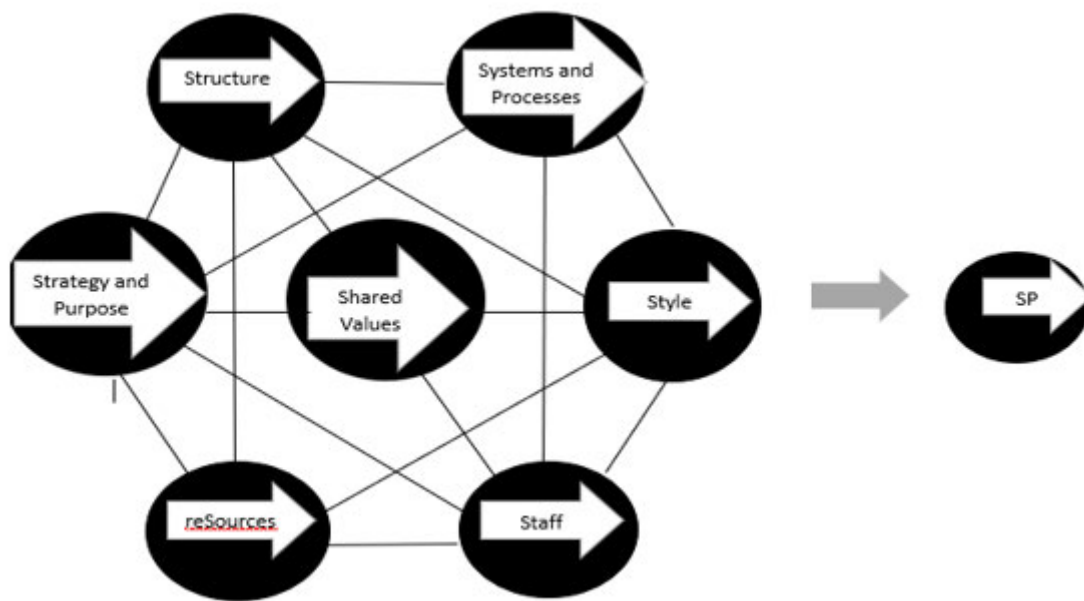


Figure 2.4: Source:Eight "S"s of strategic execution integrated model for successful executive strategy. Bernadin et al., (2016:6)

## 2.10. PERFORMANCE APPRAISALS

Bernadin, et al. (2016) define performance appraisal as the assessment of employees' performance over a certain period. It is the methodical assessment of employees by supervisors and a merit rating whereby an employee is scored as good or bad in comparison to other employees. It is a process typically performed by a supervisor to a subordinate, designed to help employees understand their roles, objectives, expectations and performance success. Akuoko and Kanwetuu (2012) defines performance appraisal as the process of obtaining, analysing and

recording information about the worth of an employee. A planned interaction between supervisors and employees that report to them during which the former examines the performance of the latter in order to identify strengths and weaknesses with the view to improving future performance (Akuoko & Kanwetuu, 2012). Performance appraisal is a continuous review of employee's job performance and entire participation and contribution to a company (Silver, 2019). It is also known as an annual review or evaluation that reviews employee's skills, achievements and growth, or the lack thereof. Most organisations utilise appraisals as a platform to give employees feedback on their job. They also use it to justify increased pay and bonuses, as well as discontinuation of employment contract in some cases (Silver, 2019).

The objective of performance appraisal is to give assessment to work results, provide feedback and advance work performance, thereby ensuring that work results are better. Several administrative functions are being carried out during the appraisal process, for an example control and documentation of employees' work performances, plus performance dates that are transformed into comparable form (Türk & Killumets, 2014). Its main aim is to improve the way employees contribute to an organisation's goals and job performance. Performance appraisals are often considered as unpleasant and time-consuming processes because of their several important objectives which cannot be achieved by any other human resource programme. As a result, it has remained one of the great paradoxes of effective human resource management of many organisations (Silver, 2019). Organisations are faced with serious inconsistencies, as there is no other management tool more critical to productivity than effective performance appraisals, of which effective performance appraisals can improve employee's performance (Türk & Killumets, 2014). A well conducted appraisal can benefit the organisation in identifying the strongest and the weakest employees (Bernadin, et al., 2016). Impreciseness in appraisals can demoralise employees, forcing them to go reading "want ads". The appraisal system in Ghana was fraught with problems and abuses that made its credibility questionable. Also a recent study in Barclays Bank Ghana, reported that employees viewed performance appraisal as biased, castigatory and judgemental

processes, where cronyism and unfair considerations dominated objectivity (Akuoko & Kanwetuu, 2012).

As a concept over the years, performance appraisal has grown and has become part of a more strategic approach in integrating human resource activities and business policies and management (Mishra & Roch, 2013). According to Dusterhoff, Cunningham, and MacGregor (2014), performance appraisals are also intended to sustain, improve, and assist employees develop and overcome barriers to performance. Performance appraisals allow employers and employees to define, communicate, and review expectations, goals, and processes in achieving strategic objectives (Dusterhoff et al., 2014).

According to DeNisi and Smith (2014), the efficiency of an organisation can be estimated by the efforts of an organisation. One way that can be used in which those efforts can be affiliated with the objectives of an organisation is performance appraisal. Performance appraisal is among the most vital human resource practices. Performance appraisal is also classified as one of the elements of performance management which he defines as a formal and systematic process where job-relevant weaknesses and strengths of employees are developed, identified, measured, observed and recorded (DeNisi & Smith, 2014).

#### **2.10.1. Why Companies Give Performance Appraisal and Purpose of Appraisals**

Many organisations have limited pool of funds from which to award raises and bonuses. Hence, performance appraisals enable them to establish how to allocate funds for every financial year (Silver, 2019). Performance appraisal creates an avenue by which companies determine which employee has added significantly to their growth, so that they can reward their best performers accordingly (Silver, 2019). Performance appraisals also aid workers and their line managers to develop a plan for employee development via additional trainings and increased responsibilities thereby identifying gaps that the worker needs to address (Gupta & Kumar, 2012). Performance appraisals should not be the only time in the year that managers communicate with their employees. Communications between employee and line managers should be consistent as it enables everyone to be on

the same page, build stronger relationships among managers and employees, and create a less tense annual reviews (Silver, 2019). Most performance appraisals are top-down, which implies that supervisors and line managers assess their staff with no input from the employee. Other types of performance appraisals are Gupta and Kumar (2012):

- Self-assessment: In this type of appraisal, the employee score their job performance and behaviour.
- Peer assessment: This is a case where individual's work group rates his performance.
- 360-degree feedback assessment: This includes input from an individual, line manager/supervisor and the employee's peers.
- Negotiated appraisal: This type is a new style of appraisal, but it utilises a mediator and attempts to moderate the entire process by allowing the subject (employee) to present first. This type is usually used when there is conflict between the employee and supervisor.

According to Gupta and Kumar (2012), the three basic functions of an effective appraisal are;

- a. A good appraisal gives proper feedback to an employee on their performance.
- b. It creates opportunities to discuss matters face to face between manager and subordinate.
- c. A good appraisal gives managers an opportunity to understand their employees during performance appraisals and advise on future job assignments and compensations.

According to Baah and Amoako (2011), the objectives of performance appraises are summarised as follows:

- a. Appraisals are strong determinants of organisational progress
- b. Performance appraisals are an indispensable human resource program
- c. It is also used for administrative purposes, for development and as an evaluation tool.

### **2.10.2. Performance Appraisal System Implementation**

Performance appraisal implementation processes should largely centre on exercise sessions and introductory training (Atkinson, 2012). The content of training may be determined by the level of involvement of users during development stages, the level of proficiency in performance management, and the complexity of the specific system of the managers involved (Mkhonta, 2015). For performance appraisals to be applied effectively; the line managers need to be trained and the following aspects should be considered for their training (Bernadin, et al., 2016). They include:

- a. Training formats which promote managers participation in a training process.
- b. A practical training on performance measuring tools and scales.
- c. Providing managers with feedback on their own ranking behaviour in comparison with an expert evaluation.
- d. Allowing experiential training like exercises and practices.
- e. Ensure that managers meet the requirements that are set for their task. A minimum of one training per year is recommended to assess the evaluating behaviour of the managers.

The implementation of the performance appraisal is vital as employees' development could only be achieved through effective performance appraisal system (Mkhonta, 2015).

### **2.10.3. Maintaining the Performance Appraisal System**

According to Atkinson (2012), the activities for maintaining performance appraisal system entails:

- a. The monitoring application of performance rating on a regular basis
- b. Reviewing the application of pay decision and recommended disciplinary measures.
- c. Ensuring that all issues arising from performance appraisal results are addressed on the training and development
- d. Ensure that performance appraisal system allow changes where necessary.

#### 2.10.4. Benefits and Requirements for an Effective Performance Appraisal

Performance appraisals tend to be more effective when the line managers or supervisors are aware of the employee's daily tasks, such that they know and understand the responsibilities that an individual is performing, fully informed and aware of the environment in which these responsibilities are performed (Zenger, 2017). In cases where there is a bad relationship between employee and the line manager, performance appraisal can be used as the platform to address and resolve the issues (Jones, 2013). In contrast, where there is good relationship between the employee and the line manager, there could be bias and the employee could be given higher scores that he or she does not deserve (Zenger, 2017). The figure 2.5 shows the key aspects of an effective appraisal process.

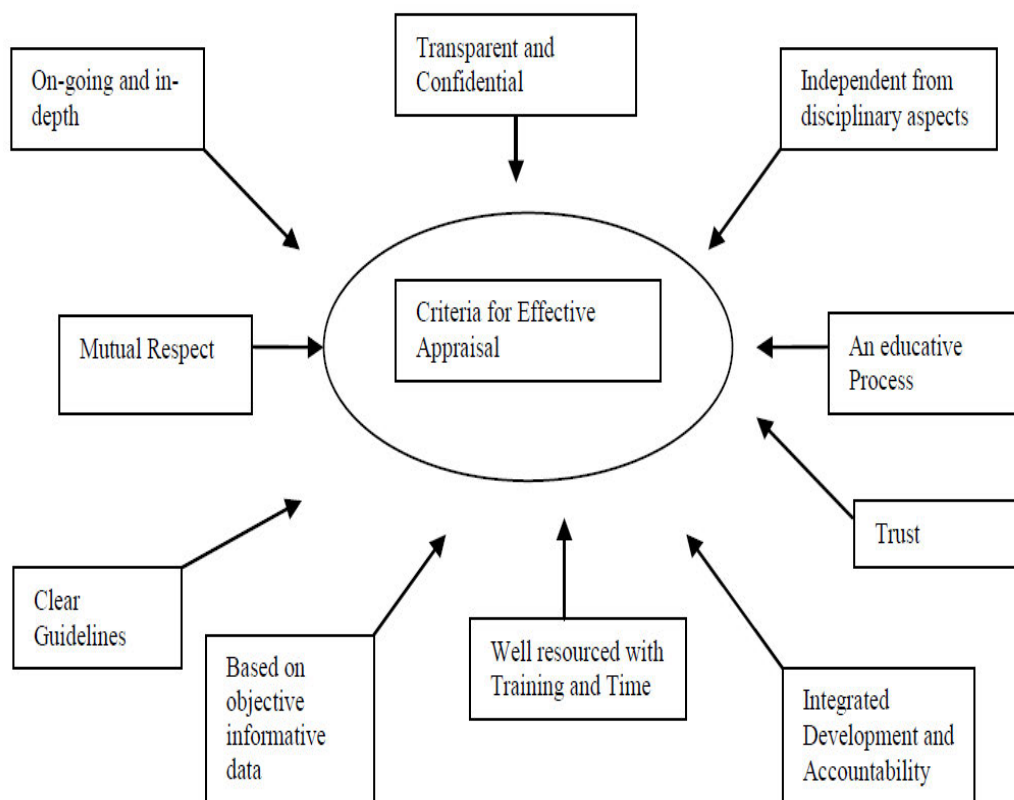


Figure 2.5: Source: Key aspects of an effective appraisal. Zenger, (2017: 56)

According to Zenger (2017), some of the key elements and requirements that can enhance the quality of the PMS include:

- a. Fair and accurate system
- b. The system must be efficient
- c. The system should elevate performance and not just ranking against lower limits
- d. The decision on compensation should be an outcome of performance management
- e. The PMS should utilise multiple data sources
- f. Formal development and coaching should be included in the process

According to Noe et.,al (2012), The table 2-1 below shows some of the criticism of performance appraisals and suggestions on how the problem can be fixed.

Table1: Criticism of performance appraisals and recommended solution (Source: Noe et al., 2012)

Problem	Solution
Discourages teamwork	Make collaboration a criterion on which employees will be evaluated
Evaluators are inconsistent or use different criteria and standards	Provide training for managers, have the HR department look for patterns on appraisals that suggest bias or over – or undervaluation
Only valuable for very good or very poor employees	Evaluate specific behaviour or results to show specifically what employees need to improve
Encourages employees to achieve short term goals	Include both long-term and short goals in the appraisal process
Manager has complete power over the employee	Managers should be appraised for how they appraise their employees
Too subjective	Evaluate specific behaviour or results

Produces emotional anguish	Focus on behaviour, do not criticize employees, conduct appraisal on time
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Managers and supervisors perceive performance as lacking procedural fairness. The fear is that performance is sometimes assessed unfairly and subjectively. Sometimes, performance appraisals are used as a political tool where managers reward their favourites and punish those that are less favoured (Noe, et al., 2012).

**2.10.5. Relationship between Performance and Organisational Culture**

It is understood that there is a relationship between employee’s job performance and culture of the organisation, as different studies have indicated that employee’s work performance is vital for the growth of organisations (Anozie & Nizam, 2016). The performance of employees improves the establishment of a stronger culture in the organisation, and the loyalty of employees relies upon knowledge and awareness of culture that improves behaviour of organisation (Anozie & Nizam, 2016).

According to Weerarathna and Geeganage (2014), organisation culture can be defined as the conduct and interactions of human beings in an organisation. Organisational culture is deemed to be the personality of the organisation and guides the way the organisation functions (Weerarathna & Geeganage, 2014). Organisational culture is made up of approaches, views, experiences, and values of the organisation. These values are usually acquired through direct and indirect social learnings that control the way employees and groups in the organisation communicate and interact with each other (Weerarathna & Geeganage, 2014). Hofstede according to the Figure 2.6 (otherwise known as onion diagram of organisational culture) arranged culture into four difference levels which are symbols, heroes, rituals and values.

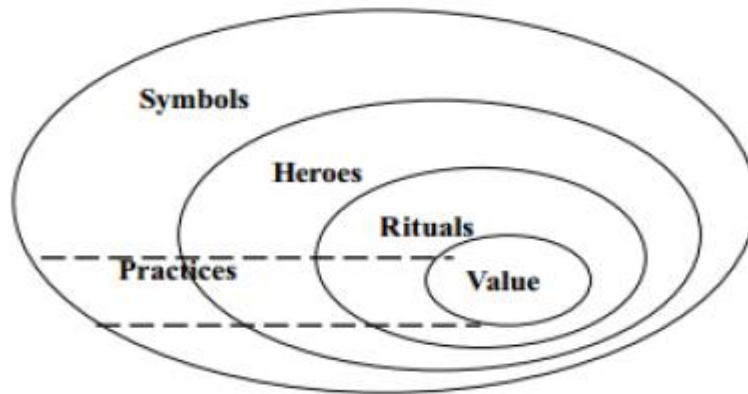


Figure 2.6: Onion diagram of an organisational culture. Source: Anozie and Nizam, (2016: 22)

Figure 2.6 by Hofstede clearly shows that value is positioned as the life of culture in the organisation. It further shows that value cannot stand without ethics and moral identity capability of the employees to be creative on their responsibilities to be carried out (Anozie & Nizam, 2016). From various literature reviews that have been carried out on the relationship between organisational culture and performance, the conceptual framework shown by Figure 2.7 have been adopted from Hofstede framework.

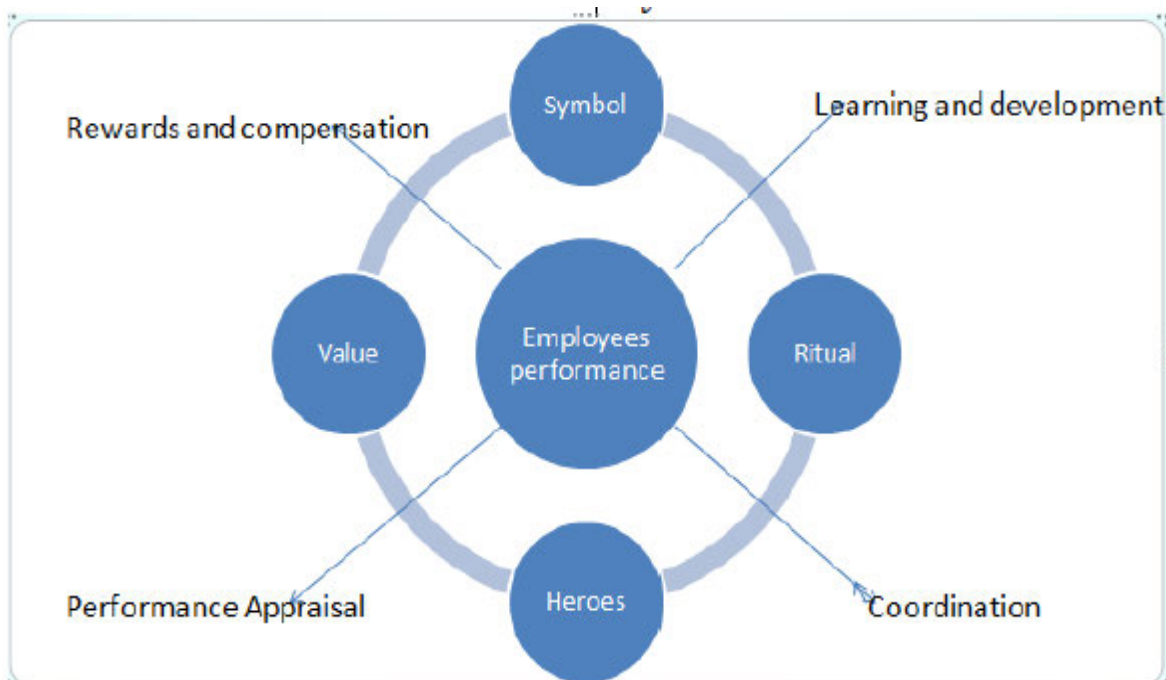


Figure 2.7: Successful organisation as a result of the contribution of employee. Source: Anozie and Nizam, (2016: 23)

Figure 2.7 shows that a successful organisation is as a result of the contributions of the employees. In other words, those organisations that value their employees usually end up with good customer relation that improves viable profits and these will not be possible except for the employees' performance (Weerarathna & Geeganage, 2014). Hence, the more organisations value their employees, the more profit they will achieve due to high performance of the employees. For instance, there is a significant influence of heroes on employees' performance. Many workers in a firm gets motivated from their colleagues in the firm, as many of them feel challenged on others performance. This will encourage them to improve their performance in order to be heroes (Anozie & Nizam, 2016).

Another view highlights that the culture of a firm moulds the behaviour of the workers, as it informs them about what is right and wrong, what to believe and not to believe, how to react and how to feel (Wambugu, 2014). For instance, the words and actions of the quality control and production managers in any firm demonstrate the values and beliefs of senior management. Since performance management is the process of creating a work atmosphere in which people are enabled to perform the best of their abilities, the predominant culture in the organisation will ultimately influence the performance of the organisation (Wambugu, 2014). A contrary view by Nazir and Zamir (2015) study showed that there was no contact of organisational culture to employee performance. Another view by Wanjiku and Agusioma (2014) further indicates that the impact of culture on employee and organisational performance is not always positive as it depends on the type of culture which forms the independent variable affecting the dependent variable (organisational performance). This argument is illustrated by the Conceptual framework represented by Figure 2.8.

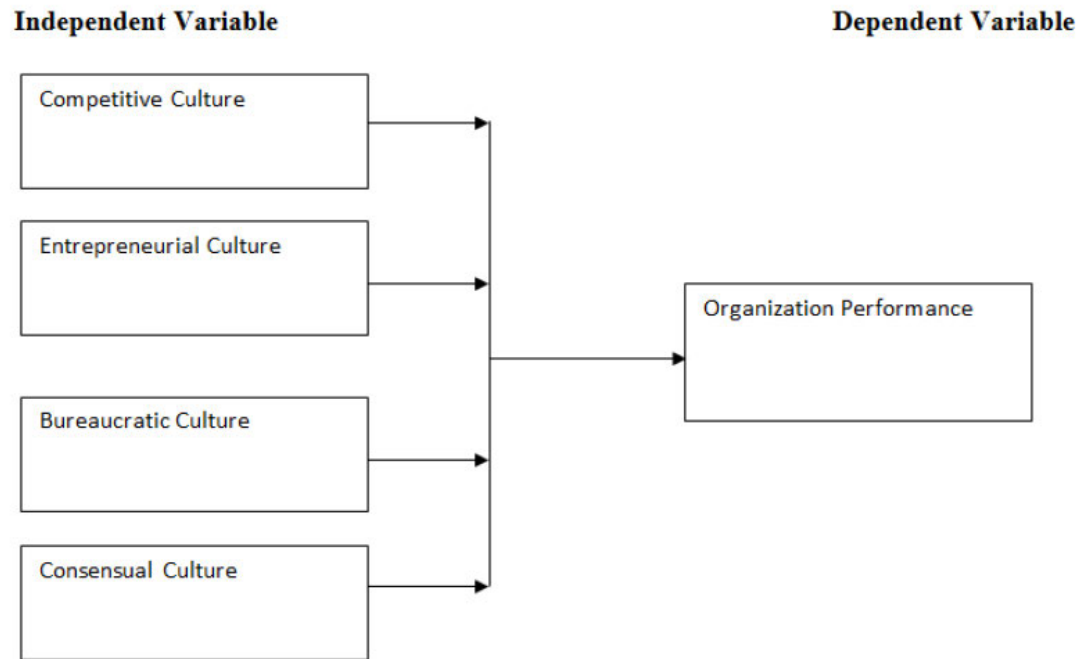


Figure 2.8: Conceptual framework illustrating predominant type of culture in any organisation. Source: Wanjiku and Agusioma, (2014:7)

Figure 2.8 shows that the predominant type of culture in the organisation will affect employee performance. The implication is that if a bureaucratic culture is the dominant organisational culture in an organisation, the impact on employee performance will be different from other organisations dominated by an entrepreneurial culture (Wankiku & Agusioma, 2014). Even though there is a relationship between organisational culture and performance, the relationship can either be positive or negative since it depends on the organisation itself (Nazir & Zamir, 2015).

## 2.11. EMPLOYEE MOTIVATION

Employee motivation is often seen as the degree of strength, obligation and energy that an employee put into their work. It is also seen as the factor that results in an employee pursuing work tasks or targets (Grimsley, 2015). Some of the factors that can affect employee performance are working conditions, employer and worker relationship, training and development opportunities, company's overall policies and procedures for rewarding employees , job security, etc. these are all the factors that demotivate employees and affect employee performance (Aktar et al., 2012). An engaging environment may stimulate

employee discretionary actions that cause improvements in intermediate outcomes, which then accumulate to eventually improved financial outcomes (Aktar et al., 2012). Snelgar, Shelton, and Giesser (2017) also define job motivation as the process which enhances employee's strength and tenacity towards achieving a particular goal. Motivation encourages and stimulates the behaviour of the work in any organisation in order to achieve a set target or goals (Snelgar, et al., 2017). High productivity and performance in the organisation is best ensured by having highly motivated employees who are willing to give their best in serving the organisation in its best interest (Grimsley, 2015). Many firms utilise two primary theories of motivation in understanding their business, which could be internal (intrinsic) or external (extrinsic).

### **2.11.1. Intrinsic and Extrinsic Motivation**

#### **2.11.1. Intrinsic Motivation**

This is the type of motivation that comes from within an employee. An employee is intrinsically motivated to work when they are on their own motivated to work (Grimsley, 2015). It is said that intrinsic motivation is usually more effective than extrinsic motivation due to the fact that it originates from the employee instead of being imposed on the employee. Some of the drivers that assist intrinsic motivation are creating conducive environment and empowering the employee to make decisions themselves (Aktar, et al., 2012).

#### **2.11.2. Extrinsic Motivation**

Extrinsic motivation is usually driven by external factors that make an employee to participate fully in the completion of his or her task. This type of motivation is usually linked with rewards or punitive measures. Rewards like bonus pay out is one of the external factors that motivate employees, even though it is recommended that these rewards be performance based in order to protect the organisation (Branding, 2018). Branding (2018) found that employees tend to be more productive when rewards are part of the performance reviews. Punitive measures also stimulate an employee to deliver their best even though this can vary from one industry to another (Snelgar, et al., 2017). There are other relevant

theories on what motivates employees. These are briefly reviewed in the next section.

### 2.11.3. Theories of Motivation

#### 2.11.3.1. Maslow's Theory of Hierarchy of Needs

In 1943, Maslow reasoned that humans have special needs pushing them on towards self-actualization and personal advantage. Maslow analysed a human being and concluded that there are five different levels of needs and if all can be satisfied as per their level stages on the hierarchy, they can have an influence on humans' behaviour (Notze, 2014). He says that at such levels, human's behaviour tends to weaken and that results into putting forth a more powerful behaviour for the next level up the hierarchy (Notze, 2014). The Maslow's hierarchy of needs is presented by Figure 2.9.

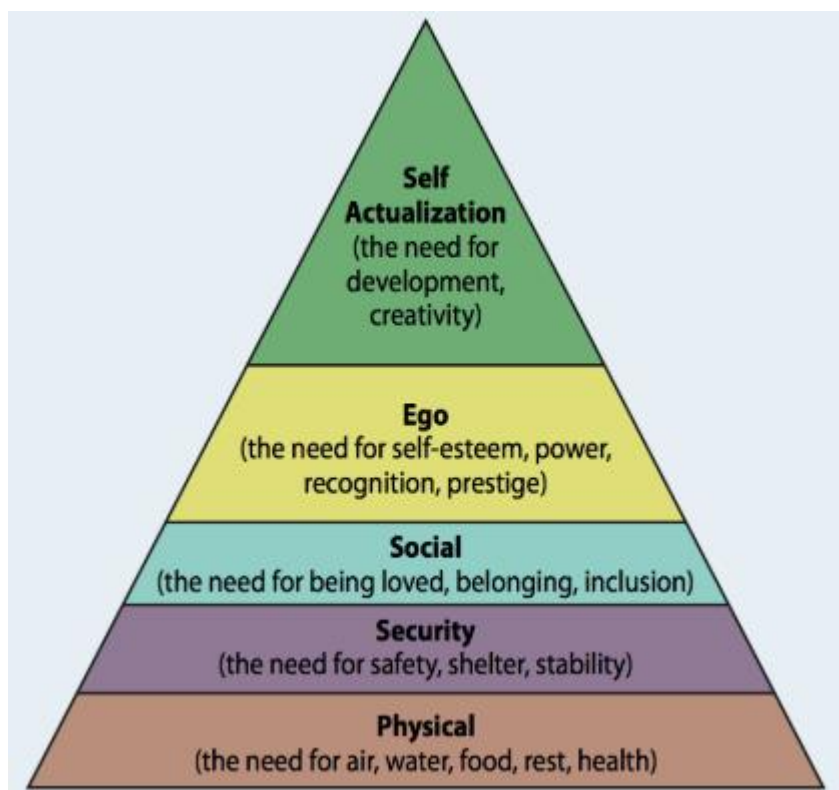


Figure 2.9: Maslow's hierarchy of needs. Source: Fallatah and Sayed, (2018:54)

From Figure 2.9, Maslow believed that individuals were motivated by Psychological or physical needs. According to Maslow, these basic needs include

food, clothing, warmth and shelter. He emphasised that when people are hungry, without cloths or shelter, they are more motivated to ensure that they achieve these as they are the major influence on their behaviour (Kaur, 2013). The next level is the security needs. He believed that security was the most important need for people, which is expressed in the employees' safety in most organisations (Kaur, 2013). The third level of needs is social needs. As people feel secured and safe at work, they will place job relations as their focus. Ultimately, every individual wants to become all they can be in life which is seen as the ultimate need according to the Maslow model (Fallatah & Syed, 2018).

#### **2.11.3.2. Alderfer's ERG Theory**

Alderfer's theory is another content theory of motivation. This theory by Clayton amended Maslow's model and changed the levels from five to three, and named them as; existence, relatedness needs and growth needs (Kaur, 2013). According to Xu and Cooper-Thomas (2011), it is believed that the most dissimilar impact of Clayton's theory was that it transformed Maslow's method of a one-way hierarchical movement to an arrangement that allowed for regression to lower levels, if these highlighted needs are not being met. This theory displayed that when workers were satisfied with a service, the satisfaction made them to have passion for services that addressed the same need or other complex needs (Xu & Cooper-Thomas, 2011). It was further suggested that ERG theory has been used as a concept to understand in-house standpoints that drive individuals to certain behaviours (Caulton, 2012).

#### **2.11.3.3. Theory X and Theory Y – Douglas McGregor**

This theory follows "management assumptions", which summaries that every manager makes certain assumptions about employees and holds a management approach due to their assumptions (Fallatah & Syed, 2018). This theory has two main categories and also believes that managers in any organisation would usually embrace one or the other. Theory X believes that individuals possess innate dislike for work and will avoid work at all cost. Theory X further believes that workers prefer to be coerced and have little ambitions, but desire security above all (Russ, 2013). In contrast, Theory Y suggests that working is inborn to workers

and that commitment to organisational goals is dependent on the rewards applicable to such commitments (Notze, 2014).

#### **2.11.3.4. McClelland's Theory**

The McClelland's theory model highlights that individuals have the three needs which are achievement, affiliation and power (Kaur, 2013). This theory debates that there is a linear relationship between high performing employees and their inward need for accomplishment. It denotes that employees with a stronger ambition to be successful and exceptional have more inclination to remain well motivated than employees with a lower passion to be successful (Fallatah & Syed, 2018). This theory further upheld the view that it is possible to design work circumstances and conditions in order to gain the improved motivational benefits from employees with a stronger achievement desire (Kaur, 2013).

#### **2.11.3.5. Herzberg's Theory**

It is said that the Herzberg's theory has received the most response within firms and organisations (Notze, 2014). This theory distinguished between factors that made workers to be satisfied and the ones that made workers to be discontented. It revealed that some features of a job are constantly connected to job satisfaction while other factors are connected with job dissatisfaction (Baah & Amoako, 2011). Herzberg related that the factors that influence motivation is peculiar to the job content, which are intrinsic to the job in itself and is not a factor of job incentives. The weakness of this model by experts is that it does not elucidate how motivation and the factors that affect it are to be measured (Tan & Waheed, 2011).

#### **2.11.3.6. Content Theories – Critics View**

Even though these theories have been popular over decades, there are quite a number of disparagements against these theories (Notze, 2014). It is suggested that although some of these criticisms can be applied to a specific model, the summary below indicates that they can be applied to all the content theories (Tan & Waheed, 2011).

- a. It is debated strongly by consultants that these models are not universal, as it does not always consider culture, age, gender, religion and other theories.
- b. It is argued that many of these models were not conceived based on research but were founded on opinions of the founders (Raeisi, et al., 2012).
- c. Many of these theories believed that the workplace is the environment where needs are realized. These models ignore the importance of other aspects of individual's lives and how they contribute to their workplace behaviour (Baah & Amoako, 2011).
- d. Another concern is that these models do not take into consideration the criticality of individual differences, thus it makes these models not relevant to real workplace (Fallatah & Syed, 2018).
- e. Another criticism is that these models accept that there is no link between needs and that human individual behaviour is not a problem (Notze, 2014).

#### **2.11.4. Highlight on Expectancy Theories of Motivation**

A review on Vroom's theory specifies that motivation, expectancy, instrumentality, and valence are all related to each other. It is highlighted by the expression below which denotes that motivation is a function of motivation, expectancy, and instrumentality (De Simone, 2015).

$$\text{Motivation} = f(\text{Expectancy} * \text{Instrumentality} * \text{Valence})$$

The expression above shows that motivation is dependent on other three parameters which act as the independent variables (Cong & Van, 2013). This can be further seen as the fact that increased levels of motivation will occur when the dependent variables are all high, in comparison to when they are lower (De Simone, 2015). For instance, if an employee believes that his or her effort in the company will result in good performance that will culminate to a reward; the motivation will be zero assuming that her expectation is zero (Cong & Van, 2013).

## **2.12. CONCLUSION**

This chapter critically started by reviewing job motivation, satisfaction and employee engagement. Performance management concept and views on linking performance bonus to individual performance was also reviewed. The outline of performance appraisals, different approach, benefits and demerits of performance appraisal was also reviewed. BSC and other performance management system were also assessed. Various theories of motivation were also reviewed which contextualise the scholastic premise of performance and reward synergy. The next chapter presents the research design and the methodology employed in this study.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1. INTRODUCTION**

This chapter presents the methodology employed by the study. The paradigmatic stance focusses on the comprehensive elucidation of the research questions and research objectives underpinning the approach of the study. The chapter further presents the general research methodology and philosophy that was employed to understand the study objectives. This chapter covers research design, strategy, population, sample size, sampling procedure, evaluating the chosen methodology adopted for the study, reliability, validity, data analysis, limitations of the study, and ethical considerations.

#### **3.2. RESEARCH DESIGN**

Research is defined as the process of finding solutions to a problem after a thoroughly structured study of a problem and analysis of the situational factors relevant to the problem (Sekaran & Bougie, 2013). Research methodology uses several methods in solving a problem. It is a theoretical structure indicating how the research would be conducted. It actually provides a plan by which the research is to be conducted, it is a platform where procedures to be followed by the researcher when describing and explaining are being detailed.

Another view defines research methodology as a technique used to structure the study, collect and analyse information in a systematic way (Chetty, 2016). Research methodology is also seen as the process used to collect information and data for the purpose of making decisions on the study (Cooper & Schindler, 2011). Blanche, Durrheim, and Painter (2008) is of the opinion that research methodology is a strategy which one has to follow in order to achieve an objective.

The major aim of the study is to determine the impact of linking performance bonus to individual performance. The researcher's assumption is that there is a positive and the negative impact on linking performance bonus to individual performance, hence the study is to establish that null hypothesis (Harper & Thompson, 2012). It involves the explanation of suitable variables that have been

arranged, characterised, measured and converted by applying statistical methods in a firmly objective way (Blanche, et al., 2008).

### **3.3. RESEARCH STRATEGY**

The way in which research objectives are questioned is called research strategy. There are five basic research strategies, namely: the experimental strategy, the quasi-experimental strategy, the non-experimental strategy, the correlational strategy and the descriptive strategy. Experimental strategy is a type of research that is conducted with a specific approach. The set of variables are being measured as the subject of experiment whereas the other set are kept constant. This is normally used when there is no enough data to support decisions and required to carry out experiments to discover facts in order to make better decisions.

Quasi-experimental strategy is type of design is similar to experimental research. The difference between the two is the assignment of control group. In this design the independent variable is manipulated before calculating the dependent variable as the result the directionality problem is eliminated. Quasi research is used in fields settings where random assignments are not required or are irrelevant. Non-experimental strategy is when the researcher cannot manipulate, control or alter the predictor subject or variable but relies instead on interpretation to come to a conclusion.

Depending on the nature of the study and its goals, known methods that can be used when conducting a research are: quantitative method, qualitative method or mixed methods which is the combination of both qualitative and quantitative.

#### **3.3.1. Quantitative Method**

Quantitative method is appropriate in analysing close ended questions within the subject matter (Creswell & Creswell , 2018). Quantitative approach uses a scientific approach to decision making and consists of defining a problem, developing a model, acquiring input data, developing a solution, testing the solution, analysing the results and implementing the results (Cooper & Schindler,

2011). In simple terms, quantitative method uses numbers to determine the results of the research problem. Quantitative research tries to give precise measurements of something and uses the numerical measurements. It also uses statistical analyses of measurements to examine social phenomena (Kenton, 2018). Its fundamental design principle is that correlations do not imply causation (a relationship between cause and effect).

### **3.3.2. Qualitative Method**

Qualitative research is a research whereby methods such as case studies, participant observation, in-depth interviews, questionnaires and perusal of documents are used (Kenton, 2018). According to Saunders, Lewis, and Thornhill (2012), qualitative research is often associated with an interpretive philosophy as researcher needs to make sense of the subjective and socially constructed meanings expressed by those who take part in the research about the phenomenon being studied. In simple terms qualitative method explains the situation as it is in words (Saunders, et al., 2012).

### **3.4. POPULATION, SAMPLE SIZE AND SAMPLING PROCEDURE**

According to Kenton (2018), population is the universe of units from which a sample is to be collected, while sampling is the process of selecting units from a population of interest. By studying the sample, fairly generalised results are traced back to the population from which they were chosen. Population is defined as the total membership of a defined class of people, events, or objects. It is important that the researcher knows exactly what is included in the population for his or her study (Surbhi, 2016). The researcher also needs to identify and describe the population to which the results are to be obtained (Cooper & Schindler, 2011).

The targeted population is a total of 400 employees from different departments who received the questionnaire. Some responded via email and some responded manually when the researcher visited them by making a follow up to their offices. The researcher saw a need for departmental representation as the purpose of the study affected all the employees. The respondents were given a two-week period to complete the questionnaire. A total of 204 (51 %) employees responded to the

questionnaire. Hence the sample for the study is 204 which surplus the population sample size (N) determination of 196 respondents for a corresponding population target (N) (Cooper & Schindler, 2011). The researcher used questionnaire (close ended questions) as the research instrument.

### **3.5. DATA COLLECTION PROCEDURE AND CAPTURING**

Decision and action regarding the data collection from the participating respondents is required to address research questions are all involved in the data collection methods. It is important that data is correct, as inaccurate data collection impacts negatively on the results of the study, thereby leading to invalid results which cannot be used to population's interest (Saunders, et al., 2012). There are many ways that can be used when collecting data. They include; questionnaires, interview, video- taping, etc. It is imperative that the researcher examines and selects a suitable method of collecting data which will be informed by research type, sample size and other methods applicable (Creswell & Creswell , 2018).

For this research, data was collected by sending questionnaires to Umgeni Water employees. The researcher had requested for the list of the employees from the Human Resource department. The respondents were assured of confidentiality and they were informed that the exercise was for academic purposes only. This was done in order to make sure that they were motivated to give their responses without reservations. The questionnaires utilised by the researcher consists of two sections. Section A, covering the biographical information and Section B was divided into four, covering all the objectives of the study. The researcher gave the respondents a period of two weeks to respond to the questionnaire (See appendix). After the week of sending out questionnaire, researcher visited the respondents in their offices and asked them to fill the questionnaire manually. All the data collected was captured into excel spreadsheet by the researcher for data analysis (Saunders, et al., 2012).

### **3.6. RELIABILITY AND VALIDITY**

In order to establish the credibility of the study, it is necessary to evaluate the chosen research methods. Kenton (2018) gives the two dominating factors of evaluating the study, which are reliability and validity. Validity and reliability of the

questionnaire are the most important criteria one can use in evaluating quantitative instrument.

Reliability refers to whether the data collection techniques and analysis yield consistent findings. It determines if similar observations could be produced by other researchers and also determines if there is transparency in the way the raw data was interpreted. Reliability can be measured using the Cronbach's alpha and is a measure used to evaluate the reliability, or internal consistency or a range of scale. In other words, the reliability shows the degree to which it is a consistent measure of a concept.

Validity is defined as the generalisation of findings and the extent to which the research results present the accurate picture of what they are supposed to describe (Cooper & Schindler, 2011). Validity in a quantitative study is also expressed as the degree to which a perception is precisely measured (Heale & Twycross, 2015). For instance, a questionnaire which intends to explore anxiety but actually measures depression would not be considered valid.

### **3.7. DATA ANALYSIS**

Statistical analysis are the principal tools for extracting, highlighting and organizing information for developing theories, testing hypothesis and drawing conclusions from current investigations (Saunders, et al., 2012). The responses to the questionnaires were firstly captured to form a data set and thereafter, the questionnaire was analysed statistically using Statistical Package for Social Sciences (SPSS) Version 15 for Windows. The raw data that was collected was broken down into simpler quantitative and tabular form for easy understanding and assimilation using the SPSS. The feedback from the data analysis was presented in form of tables, pie charts, histograms and bar charts for easy understanding.

#### **3.7.1. Factor Analysis**

Factor analysis is a statistical technique whose main goal is data reduction or by reducing the number of variables (Navlani, 2019). A typical use of factor analysis is in survey research, where a researcher wishes to represent a number of questions with a small number of hypothetical factors (Navlani, 2019). For

example, as part of a national survey on political opinions, participants may answer three separate questions regarding environmental policy, reflecting issues at the local, state and national level. Each question, by itself, would be an inadequate measure of attitude towards environmental policy, but together they may provide a better measure of the attitude.

Factor analysis can be used to establish whether the three measures do, in fact, measure the same thing (Camara, 2014). If so, they can then be combined to create a new variable, a factor score variable that contains a score for each respondent on the factor (Camara, 2014). Factor techniques are applicable to a variety of situations. A researcher may want to know if the skills required to be a decathlete are as varied as the ten events, or if a small number of core skills are needed to be successful in a decathlon. You need not believe that factors actually exist in order to perform a factor analysis, but in practice the factors are usually interpreted, given names, and spoken of as real things. In this study, the factor analysis was only done for the Likert scale items.

### **3.7.2. Chi Square Test**

The traditional approach of reporting a result requires a statement of statistical significance. A p-value is generated from a test statistic. A significant result is indicated with “ $p < 0.05$ ”. A second Chi square test was carried out to establish whether there was a statistically significant relationship between the variables (rows and columns). The null hypothesis states that there is no association between the two while the alternate hypothesis indicates there is an indication.

### **3.8. ETHICAL CONSIDERATIONS**

The planning phase of any research requires that ethical issues be addressed (Fouka & Mantzorou, 2011). According to Sanjari, Bahramnezhad, Fomani, Shoqhi and Cheraghi (2014), the communication between scholars and participants can be challenging from an ethical point of view. Ethics is the appropriateness of the behaviour of the research in relation to the rights of those who are the subject and could also be seen as the preference that influence behaviour in human relations (Sanjari et al., 2014). Ethics deals with issues of right and wrong among society,

hence it is important for everyone dealing with research be aware of the ethical concerns (Bawa, 2014). Amongst others the following ethical issues have been identified as important to be considered during research: Informed consent, avoidance of harm, violation of privacy, anonymity and confidentiality, deceiving respondents or concealing of information and debriefing respondents.

With regard to this study, a number of ethical considerations were respected and addressed by the researcher. Firstly, the researcher submitted the research proposal to the University's Ethics Committee in line with university requirement. After the approval was obtained by the committee, the researcher was able to continue with the study. Secondly the researcher needed to obtain permission to conduct the study from Umgeni Water Company. A letter of informed consent was obtained from Umgeni Water Human Resource Manager, giving the permission to conduct the research. Respondents were informed that their participation was strictly voluntary and that they had the right to withdraw from the study at any time if they wished. This confirmed that all participants were not forced to participate in the questionnaire. Confidentiality and anonymity were assured. Each questionnaire was accompanied by the introduction letter which stated clearly that participation was voluntary and that information given; would be done on a confidential bases. The questionnaire was also accompanied by a covering letter which explained the objectives of the study.

### **3.9. PILOT STUDY**

A pilot study can be defined as a preliminary small-sized study that scholars carry out in order to assist them in deciding how best to conduct a large-size project (Crossman, 2019). They are utilised by researchers in testing their research before conducting it on the ideal participants or sample population (Sekaran & Bougie, 2013). The pilot study usually checks if something can be done, should the scholar continue with it, and if so, how. Through the pilot study, the researcher can identify or modify a research question, uncover a better method of carrying out the study, and even estimate how much time and resources that are essential in completing the main study (Crossman, 2019). In addition, the pilot study is vital for the enhancement of the quality and effectiveness of the main study, research or investigation (Junyong, 2017). The pilot study was done using five participants to

ensure improved research and research instrument. It also enabled the researcher to improve the wordings of the questionnaire. The participants in the pilot study phase did not form part of the broader data collection.

### **3.10. CONCLUSION**

This chapter reviewed the research methodology applicable to the research. The absence of a proper research methodology makes it difficult to trust the output of any study. This chapter also reviewed the quantitative approach, research procedure, sample population, data collection and analysis in addition to ethical considerations. The next chapter outlines the result outcome, results interpretation and discussion of findings.

## **CHAPTER 4**

### **PRESENTATION OF RESULTS AND DISCUSSION OF FINDINGS**

#### **4.1. INTRODUCTION**

The previous chapter reviewed the research methodology. This chapter outlines the results from the study based on the data that was collected. The data analysis was done using both descriptive and inferential statistics, in order to allow the researcher to see patterns among the data and enable them to make sense. The discussion on the study outcomes were compared with the literature of the study.

#### **4.2. QUESTIONNAIRE STATISTICAL REPORT**

Table 4-1 showed that a total of 400 participants were involved in the study out of which 204 completed the study questionnaire. Therefore, the completion or response rate was 51%. According to Lindemann (2018), there is no agreed minimum acceptable response rate. Lindemann further stated that it will hugely depend on how the researcher distributes and collects the survey (Lindemann, 2018). Another view indicates that 50% is an acceptable rate (Nulty, 2008). There is also no least adequate rate, as the response rate will be influenced by how the researcher distributed and collected the survey (Cooper & Schindler, 2011). Therefore 51% is considered an acceptable response rate.

The research instrument consisted of 36 items, with a level of measurement at a nominal or an ordinal level. The questionnaire was divided into 5 sections which measured various themes as illustrated below:

- a. Biographical data.
- b. Performance management policy which provides the purpose of linking performance bonuses to individual employee's performance within the organisation.
- c. Evaluate performance management approaches that will improve the current methods, practices and actions that recognizes and reward good employee performance.

- d. Current performance management system that motivates the employees to perform at their optimum level.
- e. Performance management policy which has processes and systems that are procedurally and substantively equitable.

### 4.3. CRONBACH ALPHA – RELIABILITY STATISTICS

Reliability is a measure of the internal consistency or measure of the scale reliability (Lani, 2014). This is computed by taking several measurements on the same subjects. A reliability coefficient minimum between 0.6 and 0.8 is considered as acceptable for a newly developed construct (Tavakol & Dennick, 2011). The reliability score of 0.678 exceeds the recommended Cronbach’s alpha, which indicates a degree of acceptability and consistent scoring for the overall questionnaire. The Table 2 below reflects the Cronbach’s alpha score for all the items that constituted the questionnaire.

Table 2: Cronbach's Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
0.678	30

### 4.4. BIOGRAPHICAL DATA

This section includes gender, working experience, academic qualification, current salary grade scale, and the participant’s department in Umgeni Water.

#### 4.4.1. Gender

Cross tabulation is a basic technique for evaluating the relationship between two categorical variables (DeFranzo, 2012). Table 3 from cross tabulation describes the overall gender distribution by age.

Table 3: Overall Gender Distribution by Age

Age (years)			Gender		Total	
			Male	Female		
21 - 30	Count		9	9	18	
		% within Age	50.0%	50.0%	100.0%	
		% within Gender	8.0%	9.7%	8.7%	
		% of Total	4.4%	4.4%	8.7%	
	31 - 40	Count		52	28	80
			% within Age	65.0%	35.0%	100.0%
			% within Gender	46.0%	30.1%	38.8%
			% of Total	25.2%	13.6%	38.8%
	41 - 50	Count		27	32	59
			% within Age	45.8%	54.2%	100.0%
			% within Gender	23.9%	34.4%	28.6%
			% of Total	13.1%	15.5%	28.6%
> 50	Count		25	24	49	
		% within Age	51.0%	49.0%	100.0%	
		% within Gender	22.1%	25.8%	23.8%	
		% of Total	12.1%	11.7%	23.8%	
Total	Count		113	93	206	
		% within Age	54.9%	45.1%	100.0%	
		% within Gender	100.0%	100.0%	100.0%	
		% of Total	54.9%	45.1%	100.0%	

Overall, the ratio of males to females is approximately 1:1 (54.9%: 45.1%). For example, within the age category of 31 to 40 years, **65%** were male, while within the category of males (only), **46%** were between the ages of 31 to 40 years. This category of males between the ages of 31 to 40 years formed 25.2% of the total sample. In the same category of 31 to 40 years, 35% were females, while within the category of females (only), 30.1% were between the ages of 31 to 40 years. This category of females between the ages of 31 to 40 years formed 13.6% of the total sample. This indicates that mostly males dominated the study. The company consist of more males than females. Figure 10 depicts the percentages in terms of the respondents' gender.

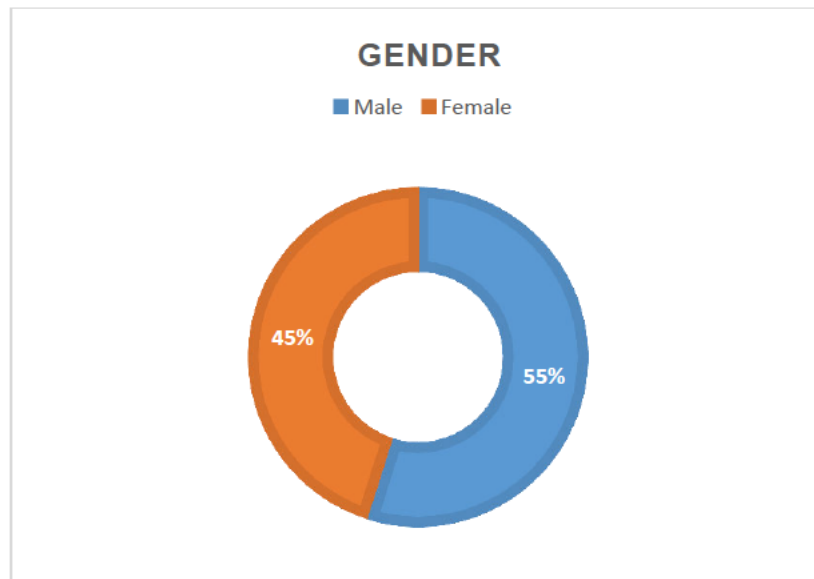


Figure 4.1: Gender of Participants

Figure 4.1 showed a proportion of males (55%) to females (45%) in the organisation. Individually, there was no significant difference by gender ( $p = 0.163$ ).

#### 4.4.2. Respondents' Age Range

Figure 4.2 shows the age range of the participants.

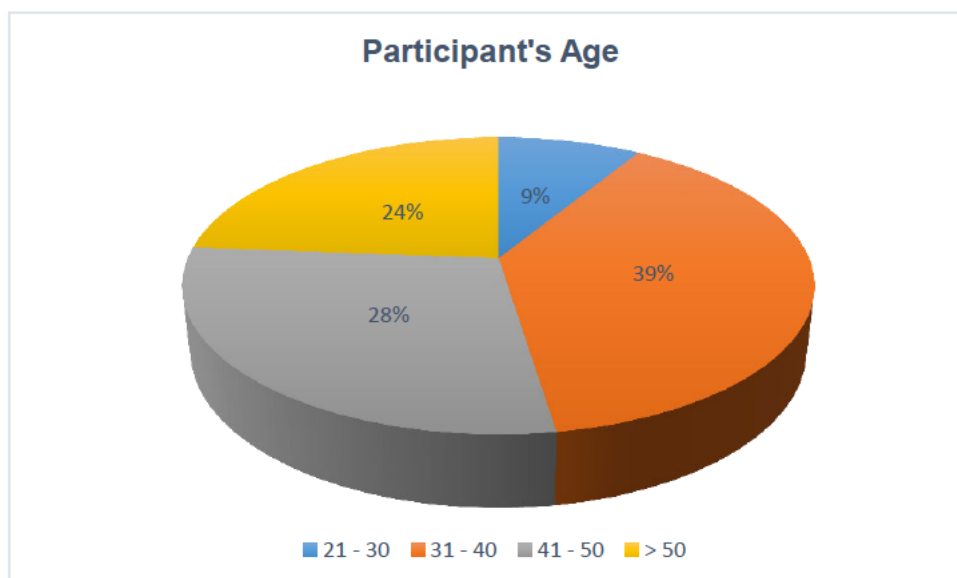


Figure 4.2: Participant's Age Range

Figure 4.3 indicate that majority of the respondents are between 31 to 40 years (39%), followed by age range of 41 to 50 years (28%), and followed by respondents that are more than 50 years (24%). The least age range are respondents that are between 21 to 30 years (9%).

#### 4.4.3. Respondents' Qualification Category

The Figure 4.3 shows the highest academic qualifications of the respondents.

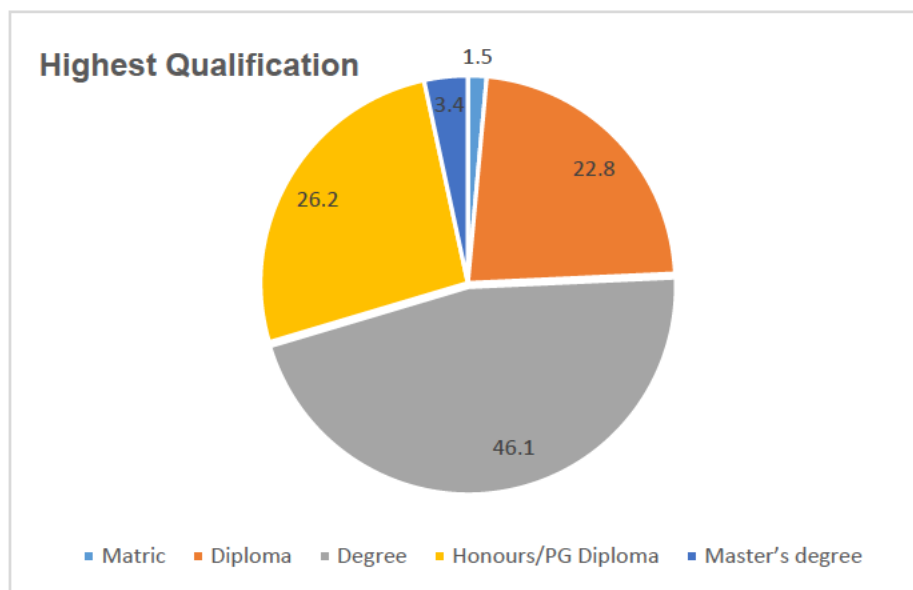


Figure 4.3: Respondent's Highest Academic Qualification

Figure 4.3 showed that less than 25 of the respondents had a matric certificate while the remaining respondents have a post matric certificate. Nearly half of the respondents (46.1%) have a degree, with a little more than a quarter of the respondents (26.2%) having an honours degree ( $p < 0.001$ ). This is useful statistics as it showed that a major proportion of the respondents have a higher qualification. This indicates that the responses gathered would have been from the informed participants.

#### 4.4.4. Working Experience

Figure 4.4 shows the working experience of the respondents.

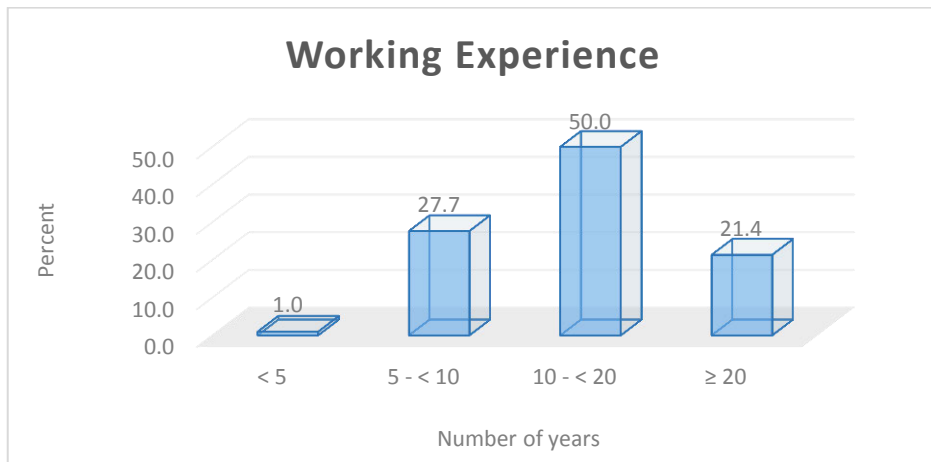


Figure 4.4: Working Experience of Respondents

Figure 4.4 showed that majority of the respondents have had between 10 to 20 years' experience (50%), followed by those that have had between 5 to 10 years' experience (28%), while about 21% have had more than 20 years of experience. In essence, all of the respondents (99%) have been in the employ for more than 5 years ( $p < 0.001$ ). This showed that the respondents' feedback was a useful fact as it showed responses from experienced workers.

#### 4.4.5. Equivalent Salary Grade Scale

Figure 4.5 shows the current or equivalent salary grade scale of the respondents.

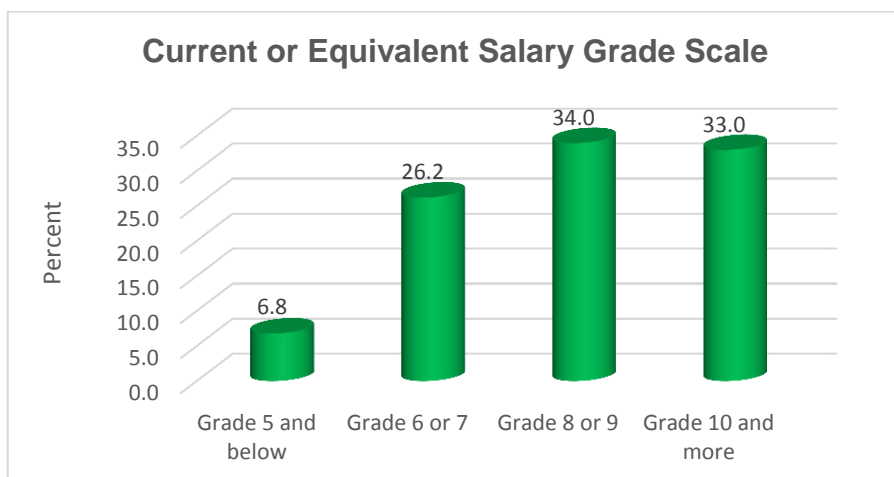


Figure 4.5: Equivalent Salary Grade Scale of Respondents

Figure 4.5 showed that a higher proportion (67%) of respondents were from grade 8 upwards while a lower proportion (33%) was from grade 7 downwards. This shows that a good proportion of respondents are well remunerated by Umgeni Water. In addition, there is a significant difference in the number of people per scale ( $p < 0.001$ ).

#### 4.4.6. Department

Figure 4.6 shows the work departments of the respondents.

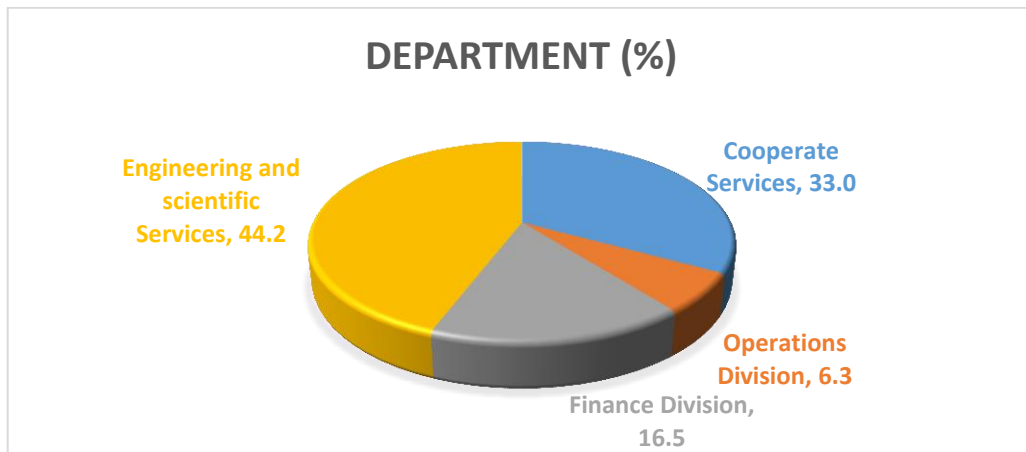


Figure 4.6: Respondents' Work Department

Figure 4.6 indicate majority of the respondents (44%) were in the engineering and technical department, followed by co-operate services (33%), and finance division (17%). The least department was operations department (6%). This showed that significantly, more respondents were in Engineering and Scientific Services ( $p < 0.001$ ).

#### 4.5. SECTION A: PERFORMANCE MANAGEMENT POLICY PROVIDES THE PURPOSE OF LINKING PERFORMANCE BONUSES TO INDIVIDUAL EMPLOYEE'S PERFORMANCE WITHIN THE ORGANISATION.

This section investigates whether employee performance management policy of

Umgeni Water provides the purpose of linking performance bonuses to individual employee's performance within the organisation. There were 8 questions which tested this statement. Table 4 below summarises the scoring patterns.

Table 4: Scoring Pattern for Section A

		Strongly Agree		Agree		Unsure		Disagree		Strongly Disagree		Chi Square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	p-value
I do understand the Organisation's strategic goals	A1	76	36.9%	118	57.3%	9	4.4%	3	1.5%	0	0.0%	0.000
My performance contract is aligned to organisational and divisional balanced score cards	A2	56	27.2%	115	55.8%	35	17.0%	0	0.0%	0	0.0%	0.000
I do understand the purpose of linking performance bonuses to individual employee performance	A3	56	27.2%	125	60.7%	15	7.3%	10	4.9%	0	0.0%	0.000
I am happy that my performance bonus is linked to how I've performed	A4	33	16.0%	106	51.5%	15	7.3%	50	24.3%	2	1.0%	0.000
I am happy with the way the weighted performance rating is structured	A5	2	1.0%	24	11.7%	20	9.7%	106	51.5%	54	26.2%	0.000
I do understand the processes that are being followed for me to qualify for performance bonus	A6	31	15.0%	95	46.1%	61	29.6%	19	9.2%	0	0.0%	0.000
I am happy that my salary increase is based on how I've performed	A7	3	1.5%	33	16.0%	3	1.5%	115	55.8%	52	25.2%	0.000
It is fair that the final score during performance appraisal are being used to determine salary annual increase	A8	6	2.9%	41	19.9%	1	0.5%	118	57.3%	40	19.4%	0.000

The feedback of respondents to Statements A1 to A3 from the Table explain higher levels of agreement, while Statements A7 to A8 showed higher significant levels of disagreement. Statements A4 showed that a significant proportion (68%) agreed to the statement, while 78% disagreed to statement A5 and 61% of respondents agreed to statement A6. However, a 30% under statement A6 clearly showed that they are not clear as to the process followed for one to qualify for a bonus. To determine whether the scoring patterns per statement were significantly different per option, a chi square test was done. The highlighted significant values (p-values) were less than 0.05 (the level of significance), which implies that the distribution was not similar. In other words, the differences between the way respondents scored (i.e. agree, unsure, disagree) were significant.

Strategic planning is crucial in any organisation as it provides a clear sense of the firm's direction and highlights measurable goals for the entire organisation as well as the individuals (Gartenstein, 2018). As much as it is vital to set strategic goals for the organisation, it is essential for the leadership to communicate clearly the overall strategy to the employees (Harrison, 2013). Gomes and Romão (2014) also highlights that performance management assists the company to assess and monitor strategic planning in line with the agreements negotiated with the stakeholders. The feedback of the response to statement A1 clearly showed that the respondents understood Umgeni Water strategic goals. Their agreement to A2 to A3 also showed that they understood that their performance contract is aligned to business and performance management goals. The reason for such a link made it clear to them that management have made some effort in communicating this clearly to them as the employees (Awadallah & Allam, 2015).

However, the feedback of the respondents to Statement A4 showed that some of the respondents were not happy that it is linked to how they have performed, as only 68% agreed with the statement while 24% disagreed. Statement A5 further showed that 78% of the respondents were not happy about the way the performance rating was structured. Employees usually display unhappiness if they did not get proper communication during the structuring of the performance rating (Green, 2016). Such inputs are important as it enables them to assimilate and

understand the background to such performance rating structures. An engagement session in course of setting up the performance management structures facilitates a clear understanding and creates a comfortable atmosphere between employees and their employer (Gomes et al., 2013). The feedback of the respondents to Statement A4 and A5 was in line with existing literature.

With regards to Statement A6, 30% of the respondents indicated that they did not understand the processes that were followed in qualifying for performance bonus even though 61% significantly agreed to the statement. According to Scherer, Kern, Berger, Medvec, and Swaab (2018), the importance of maintaining transparency in the performance rating process in the organisation cannot be overemphasized. Continuous communication and transparency is important in building employee trusts with regards to performance rating processes (Schaerer, et al., 2018).

Every organisation interested in maintaining and achieving their strategic goals in an organisation will ensure that performance management system rating/appraisals of employees are free of bias and favouritism (Maier, 2016). Linking salary bonuses and increase to individual performance is not one of the ideas that employees like, as they feel performance appraisal is not a fair process (Njanja, et al., 2013). The feedback of the respondents to Statements A7 and A8 showed that there could be bias in the system, and raises suspicion with regards to how the management implements the outcomes of performance appraisals. It could also be that the employees are unhappy with the increases awarded to specific set of people in the organisation which can easily spark disgruntlement from the employees (Cameron, 2013)

#### **4.6. SECTION B: EVALUATE PERFORMANCE MANAGEMENT APPROACHES THAT WILL IMPROVE THE CURRENT METHODS, PRACTICES AND ACTIONS THAT RECOGNISE AND REWARD GOOD EMPLOYEE PERFORMANCE.**

This section assesses performance management approaches that will enhance the present methods, practices and actions that recognises and rewards good

employee performance. Table 5 summarises the scoring pattern.

Table 5: Scoring Pattern for Section B

		Strongly Agree		Agree		Unsure		Disagree		Strongly Disagree		Chi Square p-value
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	
My job profile is clear to me	B1	63	30.6%	121	58.7%	4	1.9%	14	6.8%	4	1.9%	0.000
My supervisor monitors my progress	B2	6	2.9%	91	44.2%	32	15.5%	75	36.4%	2	1.0%	0.000
I've been sent to training programs that helped me improved my performance and personal development	B3	69	33.5%	128	62.1%	1	0.5%	8	3.9%	0	0.0%	0.000
We frequently discuss my concerns and my personal development with my supervisor	B4	14	6.8%	92	44.7%	5	2.4%	91	44.2%	4	1.9%	0.000
The steps to be taken by my supervisor should I fail to perform are fair and reasonable	B5	1	0.5%	97	47.1%	85	41.3%	22	10.7%	1	0.5%	0.000
In my opinion company profit should be shared amongst all the employees	B6	65	31.6%	119	57.8%	1	0.5%	20	9.7%	1	0.5%	0.000
From dealing with my colleagues every day, I feel that they are happy having their performance bonuses linked to their performances	B7	3	1.5%	19	9.2%	26	12.6%	105	51.0%	53	25.7%	0.000
In my opinion salary increase shouldn't be based on individual performance	B8	64	31.1%	102	49.5%	2	1.0%	21	10.2%	17	8.3%	0.000

The response of the respondents to Statements B1, B3, B6 and B9 from the Table vividly showed higher levels of agreements, while Statements B2 showed two ends as about 47% agreed while 36.4% disagreed to the statement. This is similar to B4, where 51.5% agreed to the statement while 46% disagreed. The response of respondents on question B5 showed that about 41% of respondents were unsure, while 77% disagreed to statement B7. To determine whether the scoring patterns per statement were significantly different per option, a chi square test was done. The highlighted significant values (p-values) was less than 0.05 (the level of significance), which implies that the distribution was not similar. In other words, the differences between the way respondents scored (i.e agree, unsure, disagree) were significant.

Statements B1 to B4 from Table 5 deal with job role clarity, coaching, training, and continuous communication with respondents. A clear job description is a road map for an employee's career, which satisfies the employee's need in other to be comfortable, confident, and realise a higher level of accomplishment (Cook, 2015). Stanleigh (2012) indicates that job descriptions influence employees' performance, hence it is vital to be clear. Respondents' feedback to B1 was in line with the existing literature.

The feedback to Statement B2 and B4 showed a division on the respondents' feedback. On statement B2, 47% agreed while 36% disagreed with the statement. The pattern is similar to B4 where 52% agreed to the statement while 46% disagreed with the statement. Both statements revolve around communication and communication is expected to remain the lifeline of any organisation (Stanleigh, 2012). Performance management is very effective if it remains an ongoing process instead of the usual formal conversations during annual performance appraisals (Tavawala, 2015). The feedback of respondents to B2 and B4 statements clearly showed that a good proportion of respondents disagreed with the statements while similar proportion agreed to the statements. It is either that the managers are not working hand in hand with the respondents or they are not communicating well enough (Cameron, 2013). Effective communication and engagement is vital with direct reports because it provides them with real-time feedback which can help

them to stay motivated in order to do their best. It also gives the platform to continuously improve themselves without waiting for the next performance review (Engagedly, 2018). It is important that goals and expectations are properly communicated to employees, with minimal assumptions which helps to ensure that employees can work towards achieving them (Kalyanasundaram, 2014). Again, the feedback of respondents to Statement B5 also insinuates that there is a lack of proper communication to the respondents, as about 41% of respondents were unsure, 11% disagreed while only 47.6% agreed.

The feedback to Statement B3 also shows that the respondents are satisfied with the level of training they have been exposed to as 95.6% agreed to the statement. This shows that Umgeni Water has put a good effort in training their employees by ensuring that they have all it takes to improve their performance, thereby earn good performance bonuses. An effective training programme is one that enables employees to learn and acquire precise skills or knowledge in order to improve their performance (Employee Development, 2019). In order to achieve strategic goals and objectives, it is essential for firms to invest in employee training that are aligned to business values (Ruff, 2019).

Respondents' feedback to B6 showed that respondents preferred company profits to be shared amongst them as 89% agreed to the statement. They also indicated from B7 responses that many of the employees were not happy that their performance bonuses were linked to their performances, as 77% disagreed to the statement. They further highlighted on their feedback to B8 that salary increase should not be based on individual performance, as 81% agreed to the statement. The feedback from the respondents in these categories suggests that a top-down performance management system was utilised at Umgeni Water while setting up the existing performance management system.

The feedback from the respondents indicates that they were not happy and preferred profit sharing, even though this may not be realistic in state owned institutions. Although many organisations select the top-down method, there are several shortcomings, including the fact that senior managers can discard the contributions of talented line managers, supervisors and employees (Quain, 2018). The truth is that businesses with regimented levels of management are usually

comfortable with the top-down approach that maintains discipline and transparency in the firm. In contrast, firms with an easy going management structure usually find the bottom-up approach to be ideal (Quain, 2018). The fact that respondents' feedback to B6 showed that they preferred profit sharing implies that some of the unhappiness with regards to the current performance management system is likely coming from union workers. Union workers are known to demand for more pay and usually more interested in profit sharing instead of performance based bonuses or salary increases (Blasi & Beyster, 2016). The fact that 89% of the respondents agreed to Statement B6 shows that majority were not in agreement with linking annual performance bonuses to individual employee performance. It further showed the negativities of the respondents to the present performance management system.

#### **4.7. SECTION C: CURRENT PERFORMANCE MANAGEMENT SYSTEM MOTIVATES THE EMPLOYEES TO PERFORM AT THEIR OPTIMUM LEVEL.**

This section assesses the current performance management system that motivates the employees to perform at their optimum level. There are 7 questions in this category. Table 6 summarises the scoring pattern and summarises the respondents' feedback to section C questions.

Table 6: Scoring Pattern for Section C

		Strongly Agree		Agree		Unsure		Disagree		Strongly Disagree		Chi Square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	p-value
I understand the company's performance management systems	C1	10	4.9%	55	26.7%	90	43.7%	51	24.8%	0	0.0%	0.000
The relationship I have with my supervisor allows me to grow and perform at my level best	C2	24	11.7%	78	37.9%	14	6.8%	89	43.2%	1	0.5%	0.000
Current reward system motivates me to perform my job	C3	16	7.8%	79	38.3%	45	21.8%	62	30.1%	4	1.9%	0.000
The fact that I get salary bonus keeps me motivated during the year	C4	12	5.8%	77	37.4%	44	21.4%	70	34.0%	3	1.5%	0.000
I am very satisfied with the company's working conditions	C5	81	39.3%	122	59.2%	1	0.5%	2	1.0%	0	0.0%	0.000
Working environment are favourable I am able to perform at my level best	C6	47	22.9%	128	62.4%	6	2.9%	24	11.7%	0	0.0%	0.000
I am motivated to do my work as I have all the necessary equipment I need to perform my tasks	C7	8	3.9%	97	47.1%	3	1.5%	83	40.3%	15	7.3%	0.000

The respondents' feedback to Statements C1 to C4 from Table 6 clearly showed that their agreements or disagreements were not one dimensional, instead showed two ends. In other words, some of the respondents agreed while some disagreed. The response of the respondents to Statements C5 and C6 from Figure 5 above vividly showed higher levels of agreements, while Statement C7 showed two ends. To determine whether the scoring patterns per statement were significantly different per option, a chi square test was done. The highlighted significant values (p-values) was less than 0.05 (the level of significance), which implies that the distribution was not similar. In other words, the differences between the way respondents scored (i.e. agree, unsure, disagree) were significant.

The respondents feedback to C1 (32% agreed, 44% unsure, and 25% disagreed) showed that majority of the respondents do not understand or were unaware of the present performance management. It is the responsibility of any organisational leadership to communicate what performance management system is, its application and also ensure that employees understand this well in their acknowledgement process (Puckett, 2015). The engagement session should be continuous until the employees have properly understood their roles in the performance management process (Hearn, 2018). The feedback of the respondents showed that there was misalignment with their responses and indicated that senior management still need to invest more in engagement sessions, in other to ensure the entire employees are on board. The effectiveness of the performance management system is as good as how the employees understand the system, and what they stand to benefit from it (Schiemann, 2017).

Good relationship is vital between line managers, supervisors and employees in the workplace (Puckett, 2015). According to Chaudhry, Sohail, and Riaz (2013), employee relations assists in dealing with issues related to employee management and performance management. The relationship between a line manager and the employee creates a type of bond that enables the employee to buy into the line manager's goals, thereby increasing the performance of the employee (Chaudhry, et al., 2013). The respondent's feedback to Statement C2 showed that 49% agreed that the relationship with the managers affects their

performance while 43% disagreed with the statement. The proportion that disagreed showed there are likely other factors beyond line manager relationship that helps to improve their performance as employees.

With reference to Statements C3 and C4, 22% and 21% were unsure whether the current reward system motivates them to perform their job or that the fact that they get a salary bonus keeps them motivated throughout the year. Their feedback infers that linking annual performance bonuses to individual employee performance may not be best for this group of respondents. Continuous engagement is vital in uncovering gaps in the performance management for any organisation (Chaudhry, et al., 2013). According to Sawithri, Nishanthi, and Amarasinghe (2017), some employees are motivated by other factors beyond performance bonuses such as; private recognition, public recognition, clear career path, lunch or vacation with a critical partner, etc. It is vital for line managers to uncover these through dynamic engaged employee session (Sawithri, et al., 2017). These factors beyond performance bonus can also be uncovered through informal sessions with the line managers (Gupta & Kumar, 2012).

The feedback of respondents to Statements C5 (98.5%) and C6 (85%) showed that they significantly agreed to these statements. However, the two-ended (51% agreed and 47.6% disagreement) feedback to Statement C7 showed that some were motivated to work better when they have the required equipment while some were not. Good working conditions and environment stimulate employees, thereby enabling them to bring excitement and dynamic energy to the workplace (Notze, 2014). Maslow's hierarchy model clearly highlighted that individuals are motivated when physical needs, which comprises of physical, security and social are met by employers (Fallatah & Syed, 2018). Working conditions refers to aspects like; freedom of expression, learning environment, creative work practices, team building exercises, and unique culture identity (Chand, 2015). Factors such as noise, office furniture condition, ventilation, and lighting, are the key work environment situations that impact adversely on job performance (Al-Omari & Okasheh, 2017). The feedback from the respondents is in agreement with existing literatures. This shows that beyond performance bonuses and salary increase,

Umgeni Water must continuously pay attention to the working conditions and the environment in order to maintain motivated employees that perform optimally.

**4.8. SECTION C: PERFORMANCE MANAGEMENT POLICY HAVE THE PERFORMANCE MANAGEMENT PROCESSES AND SYSTEMS THAT ARE PROCEDURALLY AND SUBSTANTIVELY EQUITABLE.**

This section measures the impact the performance policy has on processes and systems that are procedurally and substantively equitable. There are 7 questions in this category. Table 7 summarises the scoring pattern and respondents' feedback to statements from section D.

Table 7: Scoring Pattern for Section D

		Strongly Agree		Agree		Unsure		Disagree		Strongly Disagree		Chi Square
		Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	p-value
My performance appraisal is always based on the agreed performance targets	D1	52	25.2%	129	62.6%	2	1.0%	23	11.2%	0	0.0%	0.000
Performance agreement and appraisal are the shared responsibility between myself and my supervisor	D2	8	3.9%	106	51.5%	50	24.3%	40	19.4%	2	1.0%	0.000
My supervisor is always fair and reasonable during my performance appraisal	D3	5	2.4%	72	35.0%	2	1.0%	96	46.6%	31	15.0%	0.000
I am aware of the procedures to follow should I feel my supervisor is not fair during performance appraisal	D4	10	4.9%	55	26.7%	65	31.6%	69	33.5%	7	3.4%	0.000
I accept whatever score my supervisor gives me even though I feel I am not happy with the score	D5	16	7.8%	73	35.4%	1	0.5%	73	35.4%	43	20.9%	0.000
I discuss the objectives of our components with my supervisor every time when we prepare performance contract	D6	28	13.6%	98	47.6%	3	1.5%	67	32.5%	10	4.9%	0.000
My supervisor is very good at communicating useful information	D7	17	8.3%	96	46.6%	7	3.4%	86	41.7%	0	0.0%	0.000

The respondents' feedback to Statements D1 showed higher level of agreement. Statements D2 to D7 from Table 7 clearly showed two ends. In other words, some of the respondents agreed while some disagreed. To determine whether the scoring patterns per statement were significantly different per option, a chi square test was done. The highlighted significant values (p-values) was less than 0.05 (the level of significance), which implies that the distribution was not similar. In other words, the differences between the way respondents scored (i.e. agree, unsure, disagree) were significant.

The respondents significantly agreed to Statement D1 (88%), indicating that their performance appraisals were always based on the agreed performance targets. As earlier highlighted, respondents feedback to D2 to D4 showed some agreed while some disagreed with the statements. However, a good proportion (24.3% and 31.6%) indicated that they were unsure with regards to D2 and D4 statements respectively. Performance appraisals tend to be more effective as the line managers or supervisors are aware of employee's daily tasks, as they know and understand the responsibilities that an individual is performing, fully informed and aware of the environment in which these responsibilities are performed (Zenger, 2017). Respondents' feedback to Statement D4 showed that they were not aware of the procedures to follow should they feel their supervisor was not fair in raising their concern.

The performance appraisal can be used as a platform to address and resolve issues when there is a bad relationship between the employee and the line manager (Jones, 2013). In response to Statement D5, existing literature highlight that employers are encouraged to focus on behaviours and not to overly criticise the employee (Noe, et al., 2012). Again, the importance of communication from the initial phase of the performance management process to the end, cannot be over emphasised. Effective communication is necessary to enable employees clearly understand the set goals and objectives (Chaudhry, et al., 2013). Line managers and supervisors should be trained and equipped to communicate strategic goals, and to also manage effective engaged sessions with employees (Sawithri, et al., 2017). In general, there seem to be a lack of equity in the manner

by which the current performance management system is applied at Umgeni Water.

#### 4.9. CHI SQUARE TEST

A second Chi square test was performed to determine whether there was a statistically significant relationship between the variables (rows versus columns). The null hypothesis states that “there is no association between the two” while the alternate hypothesis indicates “that there is an association”. Table 8 below summarises the results of the chi square tests.

Table 8: Chi Square Test for Section A Statements versus Biographical Data

Description		Gender	Age	Highest qualification	Working experience	Your current or equivalent salary grade scale	Department you work for
I do understand the Organisation's strategic goals	Chi-square	2,249	8,184	10,796	17,450	12,784	14,769
	df	3	9	12	9	9	9
	Sig.	0,522	0,516	0,546	.042*	0,173	0,097
My performance contract is aligned to organisational and divisional balanced score cards	Chi-square	1,159	3,424	8,829	6,818	9,226	7,845
	df	2	6	8	6	6	6
	Sig.	0,56	0,754	0,357	0,338	0,161	0,25
I do understand the purpose of linking performance bonuses to individual employee performance	Chi-square	3,804	14,499	15,532	14,347	8,240	13,677
	df	3	9	12	9	9	9
	Sig.	0,283	0,106	0,214	0,11	0,51	0,134
I am happy that my performance bonus is linked to how I've performed	Chi-square	1,599	27,397	25,377	31,804	51,769	10,734

	df	4	12	16	12	12	12
	Sig.	0,809	.007*	0,063	.001*	.000*	0,552
I am happy with the way the weighted performance rating is structured	Chi-square	2,058	30,219	26,225	13,147	44,051	15,069
	df	4	12	16	12	12	12
	Sig.	0,725	.003*	0,051	0,358	.000*	0,238
I do understand the processes that are being followed for me to qualify for performance bonus	Chi-square	4,857	24,086	13,276	13,467	13,449	29,352
	df	3	9	12	9	9	9
	Sig.	0,183	.004*	0,349	0,143	0,143	.001*
I am happy that my salary increase is based on how I've performed	Chi-square	3,666	22,721	20,694	45,151	22,440	7,372
	df	4	12	16	12	12	12
	Sig.	0,453	.030*	0,191	.000*	.033*	0,832
It is fair that the final score during performance appraisal are being used to determine salary annual increase	Chi-square	3,567	16,329	13,809	7,633	13,800	14,116
	df	4	12	16	12	12	12
	Sig.	0,468	0,177	0,613	0,813	0,314	0,293

From Table 8, the p-value between “Working experience” and “I do understand the Organisation’s strategic goals” is 0.042. This means that there is a significant relationship between the variables highlighted in grey. In other words, the **experience of the respondent** did play a significant role in terms of the respondents’ understanding of the organisation’s strategic goals. (78% of employees (higher percentage) are not happy with the way the weighted performance rating is structured). Similarly, there is a significant relationship between the variables highlighted grey. This also showed that **age, experience and current salary grade** did play a role in terms of respondents’ highlighting “If they were happy that their salary increased in based on how they have performed”.

Table 9: Chi Square Test for Section B Statements versus Biographical Data

Description		Gender	Age	Highest qualification	Working experience	Your current or equivalent salary grade scale	Department you work for
My job profile is clear to me	Chi-square	6,215	32,304	14,252	29,494	11,997	9,966
	df	4	12	16	12	12	12
	Sig.	0,184	.001*	0,58	.003*	0,446	0,619
My supervisor monitors my progress	Chi-square	2,969	6,801	15,787	9,228	17,284	26,748
	df	4	12	16	12	12	12
	Sig.	0,563	0,87	0,468	0,683	0,139	.008*
I've been sent to training programs that helped me improved my performance and personal development	Chi-square	3,503	7,568	13,897	18,064	28,301	11,834
	df	3	9	12	9	9	9
	Sig.	0,32	0,578	0,307	.034*	.001*	0,223
We frequently discuss my concerns and my personal development with my supervisor	Chi-square	5,928	11,888	13,580	4,917	9,438	9,438
	df	4	12	16	12	12	12
	Sig.	0,205	0,455	0,63	0,961	0,665	0,665
The steps to be taken by my supervisor should I fail to perform are fair and reasonable	Chi-square	6,880	5,722	9,432	7,925	11,823	10,941
	df	4	12	16	12	12	12
	Sig.	0,142	0,929	0,895	0,791	0,46	0,534

In my opinion company profit should be shared amongst all the employees	Chi-square	5,674	14,652	10,528	13,444	13,603	6,970
	df	4	12	16	12	12	12
	Sig.	0,225	0,261	0,838	0,338	0,327	0,86
From dealing with my colleagues every day, I feel that they are happy having their performance bonuses linked to their performances	Chi-square	1,830	17,789	26,927	9,541	54,098	13,510
	df	4	12	16	12	12	12
	Sig.	0,767	0,122	.042*	0,656	.000*	0,333
In my opinion salary increase shouldn't be based on individual performance	Chi-square	5,565	38,650	30,494	55,345	12,227	18,093
	df	4	12	16	12	12	12
	Sig.	0,234	.000*	.016*	.000*	0,428	0,113

From Table 9, the p-value between “age”, “working experience” and “my job profile is clear to me” are 0.001\* and 0.003\*. This means that there is a significant relationship between the variables highlighted in grey. In other words, **age** and **the experience of the respondent** did play a significant role in terms of the respondents’ understanding of the organisation’s strategic goals. Similarly, there is a significant relationship between the variables highlighted grey in the last row. This also showed that **age**, **highest qualification** and **experience** did play a role in terms of respondents’ highlighting “That their salary increase shouldn’t be based on individual performance”. Similar Tables with the same pattern are included in the appendix section.

#### **4.10. CONCLUSION**

This chapter outlined the survey results and the discussion. The chapter revised the demographics of the respondents which covered age, work experience, age range, years of service, and current grade scale. The question statements from the survey were arranged under each category factor and discussed accordingly. This was with the intention to ascertain respondents' feedback in comparison with the literature, in establishing how they could impact the linking of annual performance bonuses to individual employee performance within Umgeni Water. The next chapter presents the conclusions and recommendations of the study.

## **CHAPTER 5**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1. INTRODUCTION**

This chapter, reviews on the aspects where the study added to existing knowledge and evaluations on aspects where the study contributed to the research areas are presented. It also aligned outcomes of the questionnaires discussed in chapter four to the research questions and objectives. This chapter will also comprise of the findings and extractions from the study. It further highlights the conclusions, recommendations and potential opportunities for further study.

#### **5.2. SUMMARY OF OBJECTIVES**

The findings from the data are presented under the objectives as headings.

##### **Objective 1:**

**Investigate whether employee performance management policy of Umgeni Water provides the purpose of linking performance bonuses to individual employee's performance**

Organisations are always seeking for new ways to improve employee's performance (Toppo & Prusty, 2012). Nowadays, linking pay to performance is something that employers are striving to achieve. Recent study that was conducted proved that workers of higher ability are being attracted by jobs with performance related pay, and performance related pay encourages workers to provide greater commitment over specified job functions (Boachie-Mensah & Dogbe, 2011). The study showed that employees of Umgeni water do understand the organisation's strategic goals and that their performance contract is aligned to organisational and divisional BSC. A good proportion of respondents clearly understood the purpose of linking performance bonuses to individual employee performance, and were happy that their performance was linked to how they have performed. In order for a performance contract to work effectively, it is usually essential to link it to individual performance so that each employee or a team can be rewarded optimally (Price, 2015). According to Berkeley Human Resources (2017), some organisations have taken this route of linking performance bonus to

individual performance in order to minimize bias or unfairness concerns from other employees. This link also exists so that the management will have a clear insight on the performance of their workers and to enable them to know how to assist underperforming employees (Türk & Killumets, 2014).

However, many of the respondents were unhappy at the weighting structure of their performance management system. Unfortunately, the statement on the questionnaire was not structured to understand how the weighting system was set up. Nonetheless, the preferred feeling by employees is that the performance management weighting system should be such that it focuses on the job the employees are employed to do. As Heathfield (2018) highlighted, performance management weighting should be primarily focused on the tasks that the employee performance. Another view agrees with this assertion that weightings should be focused on the core task that the employee performance (Malik, et al., 2013). Employees usually desire management to ensure that their efforts are recognised and that the weighting should be higher on tasks where they have input. For instance, the weighting on expenses should be lower if their key role is not primarily on the control of budget and expenses.

The feedback of respondents in this category showed that they understood the process currently followed for them to qualify for performance bonus. However, they strongly indicated that they were not happy that their salary increase was based on how they have performed. Many of the respondents also highlighted that it was not fair for their final score from performance appraisal to be used to determine their annual salary increase. In some organisation, performance management system is primarily used for performance bonus while the salary increase is determined more by the overall company performance. It is also said that some organisations base salary increases on company success, cost of living, economic conditions, etc (Becker et al., 2011). Umgeni water management need to evaluate if the performance management appraisal outcome should be the only criteria for determining salary increases. The researcher concluded from the study it is evidence that the expectations of the employees are very high, and it is unclear how the employer will meet such expectations. This is because the results indicate that the percentage of employees that are not happy that their salary

increase is based on how they've performed is 81% which proves that employee expect more than just salary increase.

**Objective 2:**

**Evaluate performance management approaches that will improve the current methods, practices and actions that recognise and rewards good employee performance.**

The respondents in the study indicated that their job profiles were clear to them and that they had received training programs that enabled them to improve their performance and personal training. The performance approaches used at Umgeni were fair, but the major aspects uncovered in the study were the need for continuous engagement and communication with regards to how their progress was monitored. Continuous engagement with employees is very important as it improves employees' comfort levels, thereby enabling them to buy into the objectives of the organisation (Njanja, et al., 2013).

There also appeared to be a gap with regards to discussing the concerns of the employees particularly in relation to their personal development. These outcomes showed that the leadership of Umgeni Water need to encourage the line managers to have more open discussion sessions with their direct reports. Communication is a useful approach that can have an enormous impact on the growth and sustainability of the organisation (Stiles, 2018). The feedback of the respondents are in line with existing literature, as poor leadership communication styles in an organisation can demoralise employees significantly, thus affecting employee engagement levels (Iqbal, et al., 2013). An efficient performance management system demands continuous communication and discussion with employees, to ensure that they buy into the set goals and objectives. This will ensure that their duties and responsibilities are clear to them, and that they also understand management roles as well.

It should not be merely paper exercise that the line managers chase up, just to ensure that due dates are met as set by the Human Resources department. The trend of feedback also raises the question if the employees have good working relationships with their line managers. The nature of the psychological relationship between an employee and their line manager will the employee's engagement

levels positively or negatively (Akuoko & Kanwetuu, 2012). Good relationship will create a free environment that enable employees to discuss concerns observed from the performance management system with their line managers and receive the required clarity (Ariani, 2015). It is important for the leadership to communicate at all levels in the company to a point where the goal of the company is clear to everyone.

### **Objective 3:**

#### **To investigate whether the current performance management system motivate the employee to perform at their optimum level**

In this objective, many of the respondents indicated that they do not understand Umgeni Water's performance management system. It was also clear from their feedback that the nature of the relationships with their managers influenced their growth and optimum work performance. The current reward system motivated some of the respondents to perform their job while others were not motivated by the existing system. Again, the management of Umgeni Water need to do more in ensuring that their employees understand the existing performance system or consider a type of initiative that is focused on reviving the system. It was also revealed from the study that it appears that there are other factors that keep the employees motivated beyond the current reward system. On a better note, the working conditions and environment statements received good feedback from the respondents. This suggests that Umgeni Water has done enough to create good environment and working conditions for their employees. This is supported by Maslow's theory of motivation. Maslow analyzed a human and concluded that there are five different levels of needs and if all can be satisfied as per their level stages on hierarchy they can have an influence on human's behavior. Physical and security appear as basic needs. This agrees with the fact that Umgeni water employees are motivated as they work under good environment and working conditions Such practices should be maintained as they are some of the motivational drivers that improve employee satisfaction and motivation in any organisation.

**Objective 4:**

**To examine whether the performance management policy have the performance management process and system that are procedurally and substantively equitable.**

In this objective, the feedback on the statements showed majorly two ended outcomes. In order words, there was almost an even split with regards to the respondents that agreed and those that disagreed with the statements. A couple of statements indicated that a good number of respondents were unsure of the questions; hence they neither agreed nor disagreed. The study revealed that there was a gap with regards to equity, as many of the respondents highlighted that their supervisors were not always fair and reasonable during their performance appraisals. This agrees with motivation theory “Theory X and Y” where this theory follows “management assumptions” which summarises that every manager makes certain assumption about employees and holds a management approach due to their assumptions (Fallatah & Syed, 2018). This theory also believes that individuals possess innate dislike for work and will avoid work at all cost. According to Hancock, Hioe and Schaninger (2018), this pattern of feedback is not only new, as previous surveys have shown that employees complained that the response they receive seems biased and increases their disconnection from work. This feedback by Hancock et al., (2018) indicated that a good number of line managers take performance appraisals as an unpleasant, box-ticking exercise. It was recommended from this survey that managers and supervisors should continuously invest in coaching and open discussion with employees to build trust (Hancock, et al., 2018). This will eliminate such negative feelings and biasness that hamper the true application of performance management (Aktar, et al., 2012). Majority of the respondents were also unsure of the procedures to follow to raise their concerns, if they felt that their supervisors were not fair during the performance appraisal sessions. Many disagreed that they were not aware of the procedures to follow in raising their concerns, even though they believed that a procedure existed. The respondents also highlighted that their supervisors were not good at communicating and sharing useful information with them in course of

the yearly cycle and during appraisals. Developing a successful performance management system requires the leadership and management to continue engaging with the employees through transparent communication as often as possible (Zenger, 2017). The trend in this section showed that many of the respondents felt that there was lack of equity in the way the performance policy is currently applied. It is possible that the employees perceived a lack of equity as managers did not confront employees' problems timeously, but only brought this up during performance appraisals. It is difficult to say as the questionnaires did not make provision to uncover reasons for perceived lack of equity.

### **5.3. FINDINGS FROM THE STUDY**

The following deductions can be drawn from the study. These include;

Strategic goals and plans are vital for the success of any organisation. From the data 36.9% of the employees strongly agree that they are familiar with the company strategic goals. 57.3% agree none of the employees strongly disagrees and only 4.4% were unsure. This validates the fact that organisation is doing well because its employees are aware about the direction of the company.

Umgeni Water employees are not happy with the structure and linking of performance bonuses to the present management system.

The respondents are not comfortable with linking annual salary increase to the existing performance management system.

There are concerns that the present performance management system is lacking with regards to transparency of the process.

There is a bias on the existing system as some of the employees strongly highlighted that there is lack of equity in the performance appraisal process and sessions.

Employees are unclear as to the proper route to follow when they are not satisfied with regards to the performance appraisal processes and sessions.

There is clarity in the job description and roles of the employees.

There is a gap with regards to how the line managers and supervisors communicate the performance management system. In essence, some respondents highlighted that the engagement was poor which makes the process too formalised for the employees.

A good proportion of the respondents stressed that there is a gap in terms of relationship between the employees and the line managers. They highlighted that the condition of such relationships affect their performance at work.

Umgeni Water provides good working condition and environment for the employees. This is a good motivation for the employees.

Some of the employees have other motivation triggers beyond linking performance bonuses and salary increases in the existing performance management system.

#### **5.4. RECOMMENDATIONS OF THE STUDY**

From the deductions drawn from the study, below are the researcher's recommendations to Umgeni Water leadership and management.

- a. The feedback from the study showed that Umgeni Water leadership must continue to improve the communication of their strategic goals by employing the "high, wide and deep" approach. This will ensure clarity at all levels in the organisation. Data shows that 36,9% of the employees strongly agree that they understand company strategic goals. Umgeni water needs to ensure that 100% of the employees understand the company strategic goals.
- b. It is suggested to utilise a bottoms-up approach in setting up performance management systems. In this manner, the employees feel belonged and represented in the entire process.
- c. It is recommended for the leadership and senior management of Umgeni Water to consider reviewing the existing performance management system. As a recommendation, it is suggested that they set up a committee that represents senior management, all departments, and union workers. They will be tasked to evaluate the existing system and uncover current gaps,

thereby provide new solutions and initiatives for a revived performance management system the entire organisation will uniformly embrace.

- d. It is also recommended that Umgeni Water management should explore other ways of employee motivation beyond bonuses and salaries, which will enhance and improve employee performance. Motivation theory by Maslow's emphasis that the basic needs by people are Physical and security. This indicates that other than salary and bonuses company needs to ensure that the basic needs are met.
- e. Organise a training session that will clarify how to raise concerns over unhappy performance appraisal sessions.
- f. More trainings and seminars should be organised for line managers and supervisors on effective communication with their employees during any performance cycle.
- g. Line managers and supervisors should strive in building good relationships with their employees. This will minimise the probability of highly tensed atmospheres during performance appraisal processes.

### **5.5. LIMITATION OF THE STUDY**

The researcher was unable to access the Union Reports, in order to establish the degree of unhappiness regarding the performance bonuses at Umgeni Water.

### **5.6. SCOPE FOR FURTHER STUDY**

It is recommended that the study should be applied to other companies in South Africa. In addition, further studies can be carried out that explores the impact of performance management systems on union workers in government owned companies.

### **5.7. CONCLUSION**

This chapter reviewed how the study talked to the scope of the study and objectives. Performance management system is still prevalent in how organisations pay bonuses and increase salaries on an annual basis (Visser, 2017). Some courageous firms have taken the initiatives to remove ratings from

their performance management systems, while some others have removed the link between employee performance and remunerations. Thus, they have explored new ways to motivate and reward performance. This chapter outlined the findings extracted from the study, conclusions and recommendations. The researcher believes the study was a good study and that there are still more rooms for future studies.

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# APPENDIX A

## Ethical Clearance Approval



11 May 2018

Mrs Cordella Matilda Simangele Dlamini (200102776)  
Graduate School of Business & Leadership  
Westville Campus

Dear Mrs. Dlamini,

Protocol reference number: HSS/0363/018M

Project Title: The impact of linking Annual Performance bonuses to Individual Employee Performance within Umgeni Water

### Approval Notification – Expedited Application

In response to your application received 02 May 2018, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

PLEASE NOTE: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



Dr Shamila Naidoo (Deputy Chair)

## APPENDIX B

### Gatekeeper's Letter



'Water for Growth and Sustainable Development'

Reference: 3.12 Dlamini CMS,  
Permission to conduct research  
Enquiries: N Hlombe  
Date: 08 March 2018

Humanities and Social Sciences Research Ethics Committee  
University of KwaZulu-Natal  
Durban  
4000

ATTENTION: Committee Members

MBA STUDENT: MS CMS DLAMINI – PERMISSION TO CONDUCT RESEARCH ON UMGANI WATER

Dear Sir/Madam

A request has been received from MS. Dlamini, an employee of Umgeni Water, requesting permission to conduct her research project on Umgeni Water. The topic she has chosen is **THE IMPACT OF LINKING ANNUAL PERFORMANCE BONUSES TO INDIVIDUAL EMPLOYEE PERFORMANCE WITHIN UMGANI WATER**. She is being granted a permission to conduct the research.

It is trusted that this meets with your approval and look forward to the results of the research. For any queries, kindly contact Ms. Nothile Hlombe ([Nothile.hlombe@umgeni.co.za](mailto:Nothile.hlombe@umgeni.co.za)).

Yours faithfully,

A black rectangular box redacting the signature of Mr. Z. Dube.

Mr. Z Dube  
Talent & Organisational Development Manager

**APPENDIX C**  
**Chi Square Test (for Section C and D)**

Description		Gender	Age	Highest qualification	Working experience	Your current or equivalent salary grade scale	Department you work for
I understand the company's performance management systems	Chi-square	2,303	13,627	19,873	11,313	9,628	9,139
	df	3	9	12	9	9	9
	Sig.	0,512	0,136	0,07	0,255	0,381	0,425
The relationship I have with my supervisor allows me to grow and perform at my level best	Chi-square	5,313	18,881	14,544	5,562	18,511	14,132
	df	4	12	16	12	12	12
	Sig.	0,257	0,091	0,558	0,937	0,101	0,292
Current reward system motivates me to perform my job	Chi-square	5,420	11,581	33,532	5,888	12,854	22,489
	df	4	12	16	12	12	12
	Sig.	0,247	0,48	.006*	0,922	0,38	.032*
The fact that I get salary bonus keeps me motivated during the year	Chi-square	3,870	15,922	44,675	9,532	21,970	24,949
	df	4	12	16	12	12	12
	Sig.	0,424	0,195	.000*	0,657	.038*	.015*
I am very satisfied with the company's working conditions	Chi-square	4,490	4,247	9,448	6,597	4,203	3,850
	df	3	9	12	9	9	9
	Sig.	0,213	0,894	0,664	0,679	0,898	0,921
Working environment are favourable I am able to perform at my level best	Chi-square	2,952	17,008	19,592	25,804	18,988	8,418
	df	3	9	12	9	9	9

I am motivated to do my work as I have all the necessary equipment I need to perform my tasks	Sig.	0,399	.049*	0,075	.002*	.025*	0,493
	Chi-square	0,837	17,695	21,613	2,346	14,983	19,434
	df	4	12	16	12	12	12
	Sig.	0,933	0,125	0,156	0,999	0,242	0,079

Description		Gender	Age	Highest qualification	Working experience	Your current or equivalent salary grade scale	Department you work for
My performance appraisal is always based on the agreed performance targets	Chi-square	0,105	9,865	25,607	9,839	14,032	20,458
	df	3	9	12	9	9	9
	Sig.	0,991	0,362	.012*	0,364	0,121	.015*
Performance agreement and appraisal are the shared responsibility between myself and my supervisor	Chi-square	1,047	16,031	9,264	10,631	14,468	9,081
	df	4	12	16	12	12	12
	Sig.	0,903	0,19	0,902	0,561	0,272	0,696
My supervisor is always fair and reasonable during my performance appraisal	Chi-square	1,328	18,192	21,834	11,704	15,920	13,865
	df	4	12	16	12	12	12
	Sig.	0,857	0,11	0,149	0,47	0,195	0,309
I am aware of the procedures to follow should I feel my supervisor is not fair during performance appraisal	Chi-square	5,869	15,764	15,266	18,175	35,692	15,589
	df	4	12	16	12	12	12
	Sig.	0,209	0,202	0,505	0,11	.000*	0,211
I accept whatever score my supervisor gives me even though I feel I am not happy with the score	Chi-square	5,932	13,701	44,993	15,118	55,727	13,165
	df	4	12	16	12	12	12

	Sig.	0,204	0,32	.000*	0,235	.000*	0,357
I discuss the objectives of our components with my supervisor every time when we prepare performance contract	Chi-square	1,669	30,178	27,906	6,735	21,581	23,489
	df	4	12	16	12	12	12
	Sig.	0,796	.003*	.032*	0,875	.042*	.024*
	Chi-square	1,505	10,499	14,959	15,251	21,138	10,360
My supervisor is very good at communicating useful information	df	3	9	12	9	9	9
	Sig.	0,681	0,312	0,244	0,084	.012*	0,322

## APPENDIX E - Questionnaire



Dear Respondent,

### **MBA Research Project**

**Researcher:** Cordelia Dlamini (0788738756)

Email Address: [200102776@stuukznac.onmicrosoft.com](mailto:200102776@stuukznac.onmicrosoft.com)

**Supervisor:** Mr Tony Ngwenya (031-2608937)

Email Address: [Ngwenyat2@ukzn.ac.za](mailto:Ngwenyat2@ukzn.ac.za)

**Research Office:** Ms Mariette Snyman (031- 2608350)

Email Address: [Snymanm@ukzn.ac.za](mailto:Snymanm@ukzn.ac.za)

I, Cordelia Dlamini (Student Number: 200102776), an MBA student at the Graduate School of Business and Leadership, of the University of KwaZulu-Natal, kindly invite you to participate in a research project entitled:

### **THE IMPACT OF LINKING ANNUAL PERFORMANCE BONUSES TO INDIVIDUAL EMPLOYEE PERFORMANCE WITHIN UMGENI WATER**

The aim of the study is to understand if Umgeni Water employees are happy with the systems and processes of linking annual performance bonuses to individual employee performance and if not come up with better ways of improving the system.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequences. There would be no monetary gain emanating from participating in this research. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, University of KwaZulu-Natal.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor, the details of which are listed above.

The survey should take about 15 minutes to complete. I hope you will take some of your precious time to complete.

Yours Sincerely

Student/Researcher Signature: .....

Date: .....

***This page is to be retained by the participant.***



Dear Respondent,

**MBA Research Project**

**Researcher:** Cordelia Dlamini (+27 788738756)

Email Address: Dlaminilungile10@yahoo.com

**Supervisor:** Mr Tony Ngwenya (0734618159/0312608937)

Email Address: Ngwenyat2@ukzn.ac.za

**Research Office:** Ms Mariette Snyman (0027 31 260 8350)

Email Address: [Snymanm@ukzn.ac.za](mailto:Snymanm@ukzn.ac.za)

Research Project Title:

**THE IMPACT OF LINKING ANNUAL PERFORMANCE BONUSES TO  
INDIVIDUAL EMPLOYEE PERFORMANCE WITHIN UMGENI WATER**

**CONSENT**

I .....  
(Full names of participant)

Working ..... for  
..... (Full  
company name)

Hereby confirm that I fully understand the contents of this document and the nature of the research project and I consent fully to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT: .....

DATE : .....

## QUESTIONNAIRE -

The participant or respondent is Umgeni Water Employee

### 1. SECTION A: PERSONAL PARTICULARS

Please fill in the relevant answer box.

1. Gender

Male	
Female	

2. Age

21 - 30	
31 - 40	
41 - 50	
50 and above	

3. Highest qualification

Matric	NQF 5	
Diploma	NQF 6	
Degree	NQF 7	
Honours/PG Diploma	NQF 8	
Master's degree	NQF 9	
Doctorate	NQF 10	

4. Working experience

Less than 5 years	
>5 years but <10 years	
>10 years but <20 years	
>20 years	

5. Your current or equivalent salary grade scale

grade 5 and below	
Grade 6 or 7	
Grade 8 or 9	
Grade 10 and more	

6. Department you work for

Cooperate Services	
Operations Division	
Finance Division	
Engineering and scientific Services	
CE's office	

Please continue to section B

**2. SECTION B:**

Please answer the following question by indicating with X on your appropriate answer on the tables below.

1. I do understand the Organisation's strategic goals

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

2. My performance contract is aligned to organisational and divisional balanced score cards

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

3. I do understand the purpose of linking performance bonuses to individual employee performance

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

4. I am happy that my performance bonus is linked to how I've performed

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

5. I am happy with the way the weighted performance rating is structured

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

6. I do understand the processes that are being followed for me to qualify for performance bonus

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

7. I am happy that my salary increase is based on how I've performed

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

8. It is fair that the final score during performance appraisal are being used to determine salary annual increase.

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

9. My job profile is clear to me

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

10. My supervisor monitors my progress

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

11. I've been sent to training programs that helped me improved my performance and personal development

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

12. We frequently discuss my concerns and my personal development with my supervisor

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

13. The steps to be taken by my supervisor should I fail to perform are fair and reasonable

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

14. In my opinion company profit should be shared amongst all the employees

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

15. From dealing with my colleagues every day, I feel that they are happy having their performance bonuses linked to their performances

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

16. In my opinion salary increase shouldn't be based on individual performance

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

17. I understand the company's performance management systems

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

18. The relationship I have with my supervisor allows me to grow and perform at my level best

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

19. Current reward system motivates me to perform my job

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

20. The fact that I get salary bonus keeps me motivated during the year

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

21. I am very satisfied with the company's working conditions

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

22. Working environment are favourable I am able to perform at my level best

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

23. I am motivated to do my work as I have all the necessary equipment I need to perform my tasks

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

24. My performance appraisal is always based on the agreed performance targets

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

25. Performance agreement and appraisal are the shared responsibility between myself and my supervisor

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

26. My supervisor is always fair and reasonable during my performance appraisal.

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

27. I am aware of the procedures to follow should I feel my supervisor is not fair during performance appraisal

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

28. I accept whatever score my supervisor gives me even though I feel I am not happy with the score

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

29. I discuss the objectives of our components with my supervisor every time when we prepare performance contract

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	

30. My supervisor is very good at communicating useful information

Agree	
Strongly Agree	
Unsure	
Disagree	
Strongly disagree	