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Executive perceptions on performance management in South Africa

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Abstract

Performance management is a management tool with which to align employees and teams goals and objectives with the organisation's strategic goals. Performance management is a strategic and integrated approach to human resource management that facilitates the delivery of sustainable performance to organisations by continuously measuring performance and setting dynamic goals and objectives so that there is continuous improvement of individuals and the organisation.

Historically, companies in South Africa have misunderstood the true elements of a performance management system, and have utilised a performance appraisals, which review and reward historical performance, as opposed to performance management, which is future-orientated for continuous improvement. The main aim of the present study was to explore the perceptions and understanding of performance management of executives in South African companies, and to determine the outcomes of an effective performance management system. This research was important to define the attributes of an effective performance management system, and to obtain clarity on the elements that assist in the implementation thereof.

The researcher conceptualised a framework for performance management, and then conducted semi-structured interviews to gain the perceptions and insights of executives in South African companies regarding their experiences of performance management. A qualitative content analysis method was then utilised to cluster themes of consistency in the approaches of the executives.

The results were consistent with previous literature in terms of the impact and the benefits of the implementation of a performance management system, highlighting the improved performance of individuals and teams in productivity, financial performance, employee engagement, continuous improvement of employees, reward systems, and the culture within the organisation. These findings support the need for performance management to be implemented effectively in South African companies. The implication for South African executives is that performance management should be implemented correctly and effectively, and to be driven by the CEO or the executive team of an organisation in order for it to be implemented effectively.

Declaration

I declare that this project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria.

It has not been submitted before for any degree or examination in any other university.

I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Clinton Crowie

Date

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1. Introduction

1.1 Introduction to the research problem

Performance management is a continuous process. It involves the integration of mapping, measuring, and development of the performance of individuals and teams by aligning it with the strategy of the organisation (Aguinis & Pierce, 2008). The utilisation of performance management tools has been proven to increase organisations' productivity and financial performance, as well as other areas (Delaney & Huselid, 1996).

Kaplan and Norton (1992, p. 73) state implicitly that “what you measure is what you get.” Kaplan and Norton (1992) further state that executives in organisations understand that their organisation’s measurement system strongly influences the behaviour of both managers and employees. It is this behaviour that performance management set outs to influence, so that positive behaviours from individuals and teams, in varying aspects of the business, can influence the behaviour and performance of the organisation.

Cascio (2006) states that a research project gave evidence that companies with strong performance management systems are 51% more likely to perform better on financial measures than their competitors. Despite the criticisms of Cascio's research project, it can be argued that strong performance management impacts positively on organisations. However, as reinforced by Cascio (2006), consistent and frequent feedbacks on

performance are critical procedures that must be administered for the effective implementation of performance management.

Performance management allows people to understand the relevance of improving their performance. It offers them opportunities to progress by allowing them to reflect on the past and learn from their experiences (Yannis et al., 2009). In this way, performance management is a dynamic process that reflects on the past, regulates the present and projects the future.

Performance management has evolved to ensure that there is constant communication and feedback to individuals and teams. This communication allows for continuous direction, which can be constantly monitored, for continuous improvement. Performance management is a strategic and integrated approach that delivers sustainable performance to organisations through a process of continuous improvement of its people and teams. Performance management aims to develop the capabilities of individuals and teams (Armstrong, 2009). Aguinis et al. (2012) argue that this process has a positive impact on employee engagement, productivity, and the prevention of staff turnover.

In addition to the financial rewards and continuous engagement of employees, performance management also allows organisations the opportunity to offer non-financial rewards through recognition, personal development opportunities, and a commitment to support the individual by integrating the individual's and the company's objectives (Yiannis, 2009b).

Through performance management, companies are able to create an environment that regards human resources as the most valuable asset in the organisation. In this way, performance management aids the creation of a culture that develops potential and values individuals. The organisational culture that is developed can provide a sustained competitive advantage (Ahmad & Schroder, 2003).

Performance management has evolved from management by objectives to performance appraisals, and finally to performance management as we know it today. Whilst performance appraisals are more historic in nature and look at past performance, performance management is about setting goals and objectives in the future, and then measuring against these (Armstrong & Baron, 1998). Performance appraisals also traditionally looked at reviews on an annual basis, while one of the founding principles of a performance management system is that it needs to be a continuous process. Armstrong and Baron (1998) state that it should not only be done annually, but quarterly or even monthly.

Performance appraisals have traditionally been administered on an annual basis by a human resources department. It involves a process/procedure whereby managers rate subordinates' performance. Armstrong (2009) describes performance appraisals as a management tool with which to provide structured feedback to the individual. This encourages improvement in the future, and should be performed more often than annually.

1.2 Research problem

The researcher found that South African companies generally utilise performance appraisal systems; and the focus of the present research was to find companies who had implemented performance management systems in order to gain insights from executives in these organisations on their perceptions of performance management as a tool. Cascio (2006) found that companies who had implemented effective performance management systems are more likely to perform better on financial measures than their competitors who had not implement an effective performance management process.

Historically, performance management has been misunderstood by organisations. It was often incorrectly understood to be performance appraisals, which are usually done infrequently and place too much emphasis on the performance of the individual. Because of this misinterpretation, performance management is often viewed as an ineffective, laborious task that must be undertaken by the HR department (Aguins et al., 2011). This misinterpretation of performance management as performance appraisals results in incorrect implementation, which then translates into ineffective outcomes.

Effective performance management involves all stakeholders, and should be steered by executive management. In order for the performance management strategies to become a priority and be performed as an ongoing process, perceptions need to change.

There has been previous research on performance management and its correlation to productivity, its methods to improve operational effectiveness (Ahmad & Schroder, 2003), as well as the correlation between performance management and financial performance (Huselid, 1995). Aguinis et al. (2012) state that performance management entails

communication and continuous feedback to employees, which allows them to improve in the future. Performance management as a management tool has been in place since the 1980s (Hellqvist, 2011), but little empirical research is available on the outcomes of performance management in South African companies. More specifically, research on the perceptions of decision-making bodies within an organisation and the reasons why performance management is not implemented properly is limited.

1.3 Research motivation

By highlighting executives' perceptions of performance management and working towards a more positive engagement with the strategy, one could encourage understanding and improve on the implementation of performance management in South Africa.

In the present study, executives were defined using the Paterson grading system, and South African executives were identified as the sample set for determining the perceptions of performance management. The researcher found little evidence of executives' perceptions of performance management in the literature.

This research aims to highlight the impact of executives' perceptions on effective performance management.

1.4 Research scope

Ahmad and Schroder (2003) describe human resources as being the most important asset of an organisation, and the researcher wanted to determine to what extent performance management has an influence on the outcomes of select organisations. The organisations studied were not restricted to one particular industry, as human resources are common to all organisations, and the increase in output or productivity of an organisation has an effect on the overall productivity of any business.

The researcher set out to determine what South African executives perceive as the outcomes of an effective performance management system. In order to do this, companies who implemented effective performance management systems had to be identified, and then those executives, preferably the chief executive officers, were interviewed to get their understanding on the outcomes of the implementation of the performance management system.

The study was deliberately limited to organisations that effectively apply a performance management system, which was confirmed by the researcher. Furthermore, only executives' perceptions were considered. The rationale behind this approach was the belief that using companies with effective performance management strategies and researching their executives' perceptions will develop a deeper understanding of this topic.

The research looked specifically at performance management's perceived impact on:

1. productivity;

2. financial performance;
3. employee engagement;
4. continuous improvement and development of employees;
5. organisational culture; and
6. reward systems.

This chapter was aimed at creating the context for and an outline of the objectives of the research. It also discussed the need for this specific research project.

The literature review, which follows in Chapter 2 explores the outcomes of an effective performance management system according to organisations' varying criteria.

2 Literature review

The theory reviewed in this section defines the concept of performance management, how it has evolved as a strategic human resources practice, as well as the benefits and outcomes of the implementation of performance management. Executives in South Africa have been defined utilising the Paterson system. Each of these areas is defined further in the literature review. Due to the research being exploratory, the literature review presented in this research proposal was continuously revised and developed as the data were collected and analysed (Creswell, 1998).

2.1 Performance management

The Dorling Oxford Dictionary (2003, p. 447) defines performance as “accomplishment, execution, carrying out, working out of anything ordered or undertaken.” This definition implies outputs or accomplishments, and also makes reference to doing work, and, importantly, to results being achieved.

“Performance management is a continuous process of identifying, measuring and developing individual and group performance in organisations. Performance management systems serve both strategic and operational purposes. Performance management systems take place within the social realities of organisations, and, consequently, should be examined from a measurement/technical as well as human/emotional point of view” (Cascio & Aguinis, 2005, p.82).

Human resources are considered the most important asset of an organisation, but few companies are able to harness the potential or unlock the value that people in organisations create to provide a sustained competitive advantage (Ahmad & Schroder, 2003). Lado and Wilson (1994, p. 201) define a human resources system as “a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing and maintaining (or disposing of) a firm’s human resources.”

Aguinis, Joo, and Gottfredson (2012) make reference to the five performance management universals in the global context of performance management:

- Congruence between job descriptions and the strategic goals of the organisation;
- Specific training for the implementation of a performance management system;
- Measurement of performance indicators based on the behaviours and results at both individual employee and collective team levels;
- Delivering performance feedback utilising a strengths-based approach as opposed to a weakness-based approach, which focuses on the negatives; and
- Allocating rewards that are meaningful to the recipients.

One of the difficulties in the development of a performance management system is developing the correct metrics and indicators (De Leeuw & van den Berg, 2011).

The history of performance management dates back to 221-265 AD in China, where the emperors of the Wei dynasty had external persons whose task it was to evaluate the performance of the official family (Armstrong & Baron, 1998). Performance appraisals were utilised in the 1950s and 1960s, followed by management by objectives in the 1960s and 1970s. Hellqvist (2011) notes that, during the periods up to the 1980s, these practices evaluated the individual employee's past performance.

Performance management has evolved into a process of continuous improvement of teams and individuals (Armstrong & Baron, 1998). Armstrong and Baron (1998) reiterate the necessity of frequent appraisals, state that:

- Appraisals must not only be done annually, but quarterly, or even monthly;
- Appraisals needs to be in the form of structured feedback; and
- Objectives need to be continuously revised in response to changing contexts and circumstances.

Den Hartog, Boselie, and Paauwe (2004, p. 557) define performance management as “an integrated process in which managers work with their employees to set expectations, measure and review results, and reward performance, in order to improve employee performance , with the ultimate aim of positively affecting organisational success.” Armstrong and Baron (1998) see performance management as a continuous process focusing on the future instead of past behaviours and results.

The following table illustrates the evolvement of performance management as a process from management by objectives to performance appraisal, and then to what is currently defined as performance management in the present study.

Table 2.1: History of performance management (Armstrong & Baron, 1998)

**MANAGEMENT BY OBJECTIVES, PERFORMANCE APPRAISAL
AND PERFORMANCE MANAGEMENT COMPARED**

Management by objectives	Performance appraisal	Performance management
Packaged system	Usually tailor made	Tailor made
Applied to managers	Applied to all staff	Applied to all staff
Emphasis on individual objectives	Individual objectives may be included	Emphasis on integrating corporate, team and individual objectives
Emphasis on quantified performance measures	Some qualitative performance indicators may also be included	Competence requirements often included as well as quantified measures
Annual appraisal	Annual appraisal	Continuous review with one or more formal reviews
Top-down system, with ratings	Top-down system, with ratings	Joint process, ratings less common
May not be a direct link to pay	Often linked to pay	May not be a direct link to pay
Monolithic system	Monolithic system	Flexible process
Complex paper work	Complex paper work	Documentation often minimised
Owned by line managers and personnel department	Owned by personnel department	Owned by line management

2.2 Executives

The Paterson grading system is an analytical method of job evaluation, used predominantly in South Africa. It analyses decision-making in job task performance or job descriptions, and categorises jobs into six groups that are graded and grouped into two to three sub-grades according to stress factors, individual tolerance, length of tenure, and number of job responsibilities that correspond to organisational levels. The six grades, also called bands, define pay scales.

Table 2.2: Paterson’s grading bands

F	<p>Strategic intent / signs off policy</p> <p>Usually board of directors</p> <p>E.g., Managing Director, CEO, Chairman</p>
E	<p>Strategy execution / long-term planning</p> <p>Senior management</p> <p>E.g., General manager, business unit manager</p>
D	<p>Middle management / professional</p> <p>Interprets long-term plan. Outcomes are probabilistic</p> <p>Makes rules and procedures (e.g., can change shift times)</p> <p>E.g., financial analyst, engineer</p>
C	<p>Advanced operational (skilled)</p> <p>Understands theory/principles behind a process/system</p> <p>Decisions are deterministic</p> <p>E.g., recruitment officer, bookkeeper, artisan</p>
B	<p>Operational (semi-skilled)</p> <p>Understands sub-system, not processes or underpinning theory</p> <p>Problem-solving is based on past experience</p> <p>E.g., clerk, receptionist, operator</p>

A	Basic skills, primary Can be taught quickly (hours to days) Task-based E.g., cleaner, tea person
---	---

Source: Bussin, M (2010). *Paterson* [Powerpoint Slides].

As per the Paterson's grading, executives, for the purpose of the present research, are considered to be on levels E and F.

2.3 Performance management impact on productivity

One of the key factors in the success of performance management is that it's a tool that forces goal-setting, which is an agreement between the employer and the employee. Research has proven that, on average, productivity can be expected to improve using goal setting as a tool (Cascio, 2006).

The provision of job security encourages employees to work harder, and affects the loyalty of employees to their organisations (Delaney & Huselid, 1996). Huselid (1995) states that there is a belief that there is positive correlation between individual performance and the productivity of the organisation. "Interest in this area has intensified, however, scholars have begun to argue that, collectively, a firm's employees can also provide a unique source of competitive advantage that is difficult for its competitors to replicate (Huselid, 1995, p. 636).

Cutcher-Gershenfeld (1990) found that organisations that adopt 'transformational' labour practices, emphasising co-operation and dispute resolution, enjoy lower employee costs, higher productivity, and a greater return to direct labour hours than organisations that adopted a more adversarial style of human resource management.

Bloom and Van Reenen (2011) state the following in their research:

- High-quality human resource management practices show a positive correlation between productivity and incentive pay, for both individual and group performances.
- Productivity increases because workers with high abilities are attracted to organisations offering higher incentives linked to measurable performance outputs.
- Human resource bundles of teamwork and group incentives are complementary, as productivity increases.

De Leeuw and van den Berg (2011) state that it is generally believed that organisations that effectively implement performance management practices outperform those that do not measure and manage the performance of individuals and teams. There have been studies examining the link between performance management and performance improvement, which have proven that performance management affects the behaviour of individuals and teams, which leads to the achievement of the organisation's objectives and goals. The study

by De Leeuw and van den Berg focused on the operational and technical side of performance management, and found a positive correlation between performance management practices, behaviour on the shop floor of manufacturing organisations, and improved performances. They also verified a positive correlation between the number of performance management practices applied and the quantum of the improvement in performance, “suggesting that it is not only which practices are applied but also how many” (De Leeuw & van den Berg, 2011, p. 224).

There have been extensive empirical studies on performance management in practice in service-related organisations. However, to improve operational effectiveness in manufacturing organisations, the human aspect requires particular attention, as state-of-the-art technologies and innovative manufacturing processes on their own, without effective human resources management, may lose their overall operational effectiveness (Ahmad & Schroeder, 2003).

In their studies, Rathore, Mohantym, Lyons, and Barlow (2005) state that the phenomenon of globalisation has changed the structural configuration of business and the operating frameworks of manufacturing industries. Total productivity measures are being recognised and established for the organisational restructuring of business and manufacturing assets and the continuous improvement of business processes. “Productivity is concerned with establishing congruency between organisational goals and societal aspirations through input-output relationships. Productivity is the culminating result of interactions of the organisational management systems with external environmental factors” (Rathore et al., 2005, p. 1021).

2.4 Performance management impact on financial performance

Cascio (2006) states that a research project gave evidence that companies with strong performance management systems are 51% more likely to perform better on financial measures than their competitors. In the same survey conducted, 41% of companies with strong performance management systems were more likely to outperform their direct competition on non-financial measures such as customer satisfaction, employee retention, and the overall quality of their products. Dunn and Sainty (2009) further reinforces this by referring to a study conducted in 2001, where 173 Fortune 500 companies were researched, and it was found that organisations that had adopted strategic HR practices performed better than those who had not. He also argues, in a study of 740 organisations, that those companies with HR practices that utilise strong performance measures have a measure of higher market value per employee.

However, positive financial implications as a result of implementing a performance management system is not always the case, as argued by Aguinis and Pierce (2008), who, in study of 1000 Australian professionals, less than 20% found that it assisted in improving financial performance. It was found that most of the employees were dissatisfied with the feedback received, as well as the frequency of the reviews. Cascio (2006) reiterates the fact that constant feedback and the frequency of the appraisals are critical success drivers of performance management.

2.5 Continuous improvement and development of employees

The effectiveness of skilled employees have limitations in a continuously changing economic environment if they are not motivated to perform their jobs, and if the organisation is not instrumental in ensuring that there are processes to perform (Delaney & Huselid 1996). Delaney and Huselid (1996) further state that the form and structure of an organisation's human resource management system has an effect on employee motivation levels in several ways:

- Organisations can implement merit or incentive compensation systems that reward employees for meeting specific objectives.
- Protecting employees from arbitrary disciplinary procedures may also increase levels of motivation to work harder, as they can expect their efforts to be fairly rewarded.
- The structure of the workplace should affect organisational performance to the degree that skilled and motivated employees are directly involved in what work is performed and the manner in which it is performed.

Performance management is an integrated and strategic approach that facilitates sustained organisational success by improving the performance of its leaders and employees by developing the capabilities of groups or teams and individual contributors, (Yiannis, 2009a).

One of the cornerstones of the performance management process is communication, including continuous feedback, with employees as this allows employees to improve in the future (Aguinis et al., 2012). The strengths-based approach requires the manager to identify and determine the strength of the individual or team, and deliver positive feedback on how their particular strengths are being utilised to achieve successful performance, and how this

relates to the goals of the organisation or the particular business unit. This has a positive effect on employee engagement, productivity, and retention (Aguinis et al., 2012).

Aguinis, Joo, and Gottfredson (2011) highlights the distinct difference between performance management and performance appraisal, where performance appraisal is defined as the depiction of strengths and weaknesses of individuals statically, and typically once a year. Performance appraisal is often perceived as a “bureaucratic waste of time created by the human resource department” (Aguinis et al., 2011, p. 504). Furthermore, it focuses solely on past performance, with no well-defined benefits for the line manager, employee, or the organisation as a whole.

Yiannis, Ioannis, and Nikolaos (2009b) define performance management from a learning and personal development point of view, and state the performance management’s primary focus is to improve performance by developing skills and the capacity to work effectively. Improvement and learning are closely integrated, and performance management is a key component of this process by helping employees appreciate the need for constant improvement and creating an understanding of how this should take place, and by ensuring that they are constantly learning from the experiences (Yiannis et al., 2009b).

2.6 Integrating performance management and reward systems

Yiannis (2009a) further states that the performance management process should be about the continuous development of people in the organisation, and links this to a reward system in its broadest sense. The fundamental basis of the reward system should comprise:

- Base pay;
- Contingent pay;
- Employee benefits; and
- Non-financial rewards.

The literature highlights various types of non-financial measures of performance, but the most notable is the balanced scorecard from Kaplan and Norton. The strategic objectives of most companies take the form of long-term, sustainable profits, but short-term profitability is most often utilised as an indicator of success, and is then used as a performance metric in a performance management system. Kaplan and Norton (1992) therefore established a multi-dimensional instrument that captures the performance indicators of future success, based on the four broad principles of:

- Finance;
- Customer perspective;
- Internal business process; and
- Learning and growth.

The principles of measurement underlying these metrics are that past indicators do not necessarily predict or forecast similar principles for future success. Financial indicators such as profitability, return on assets, and return on equity are calculated utilising financial accounting information, which are historic and do not automatically predict the same levels of success in the future, due to changing environments and contexts (Kaplan & Norton, 1996).

Nilsson and Kald (2002) conducted research on the advancement of performance management in the Nordic countries, and compared them to contrasting regions, such as North America, Europe, and the Eastern regions. It was found that there appears to be greater progress in linking operations to strategy in Japan than in most other regions. The conventional boundaries between the design of strategy, performance management, and technical operations were as clearly defined as in some of the traditional western beliefs, with the systems of control utilised differently, encompassing the entire firm in the process of strategic development. One of the fundamental processes in Japanese firms is strategic dialogue between senior management and lower levels of management regarding operations in developing the goals and objectives of the organisation (Nilsson & Kald, 2002).

Yiannis (2009b) expands on the theory of non-financial rewards, highlighting the importance of the following:

- Recognition;
- Provision of resources and tools to succeed, which is related to role design and personal development opportunities;
- Personal career planning and skills development through mechanisms such as mentoring, coaching, learning, and review discussions; and
- Commitment, by integrating individual and company objectives.

The link between performance and pay has been researched extensively, as many organisations have implemented pay-for-performance initiatives, but are utilising subjective managerial ratings as the measurement to calculate the amount of the merit pay (Rynes,

Gerhart & Park, 2005). Merit pay is defined as a programme that determines varying or fluctuating reward amounts according to the performance levels of the employee (Helm, Holladay & Tortorella, 2007). Helm et al. (2007) further state that pay for performance platforms are consistent in many firms, but that few companies clarify the goals of the performance management system, evaluate the achievement of the goals, or align the goals to the strategic objectives of the organisation.

For pay-for-performance programmes to be appropriate as an incentive, in manner in which the assessment is done and, importantly, how it is converted into financial reward must be communicated clearly (Yiannis, 2009a). The performance management system metrics must be consistent, year on year, and any changes, and the reasons for these changes, must be effectively communicated. Changes must not be deemed to be subjective due to being based on management's assumptions (Helm et al., 2007).

2.7 Performance management and employee engagement

Gruman and Saks (2011) define performance management as an essential aspect of organisational effectiveness, because it is a business process through which work is accomplished. It is referred to as the “Achilles heel” of human capital, and, as such, should be the top priority of all line managers and organisations as a whole. However, less than a third of employees believe that their company’s performance management process assists them in improving their personal performance or that of the team. Furthermore, performance management is consistently ranked the lowest in employee satisfaction surveys (Pulakos, Schmitt, Dorsey, Arad, Borman & Hedge, 2009).

Macey, Schneider, and Barbera, (2009) argue that employee engagement can be source of competitive advantage in companies. In a study of 65 organisations in different industries, the top 25% companies, according to an employee engagement index, showed better returns on assets (ROA) and profitability, as well as double the shareholder value, compared to the bottom 25%.

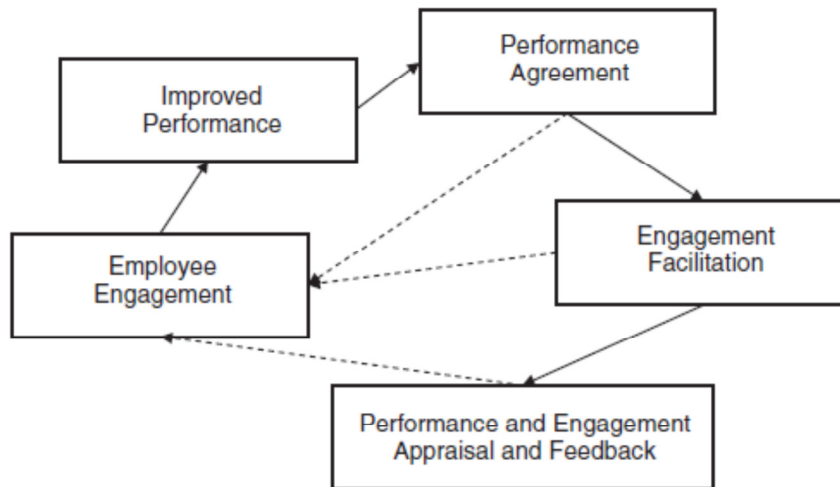


Figure 1 – The Engagement Management Model. (Note: Arrows around the circumference of the model represent the engagement management process. Dotted lines represent the drivers of employee engagement.)

The figure above illustrates that employee engagement has a direct, positive influence on employee performance, which is consistent with the viewpoint of Macy et al. (2009) regarding the employee engagement value chain. Macey et al. (2009) further suggest that performance management, if effectively implemented, will assist in the creation and development of high levels of employee engagement.

Chapter 3 present the research questions of the present study, as well as an outline of the interview questions.

3 Research questions

The research questions were developed from the literature review. To gain insight into the executives' understanding of performance management, it was important to determine the extent of their knowledge, as well as the extent to which they value performance management. The questions were then expanded, and more detailed was included, in order to determine their perceptions of the impact of performance management according to different criteria. Lastly, the issue of responsibility and ownership of these performance management practices is discussed.

The following research questions were developed:

- 1 What is the extent of South African executives' understanding of performance management?

This question was aimed at gaining an understanding of South African executives' perceptions of performance management. This was an open-ended question, as the researcher did not want to direct the answering of the question. In order to obtain the varying opinions and to extract themes from the data, it was important that the researcher allowed the participants the freedom to express their own views and feelings.

- 2 To what extent do South African executives prioritise the implementation of a performance management system?

This question was posed in order to determine whether South African executives view the implementation of a performance management system.

3 What is the perceived impact of performance management on the following:

- a. productivity;
- b. financial performance;
- c. employee engagement;
- d. continuous improvement and development of employees;
- e. culture; and
- f. reward systems?

This question was posed to all the participants in order to determine the impact of performance management on specific areas in each organisation. It is, however, important to note that the answers represent the subjective perceptions of the executives, with specific reference to their respective organisations.

4 Who do South African executives believe should own the performance management system?

This question was posed to each of the participants in an effort to determine who should be the custodian of the implementation of the performance management

system. Too often, this aspect is left to the human resources department, the researcher wanted to determine who, in the opinion of the executives, should drive the system.

The interview schedule that was designed for the present qualitative research appears in Appendix 9. The questions were aimed at creating an understanding of executive perceptions regarding performance management and its impact on productivity, as well as the overall performance of the business.

In Chapter 4, the research methodology, data-gathering method and data analyses are described.

4 Research methodology

4.1 Introduction

This chapter focuses on the research methods and procedures followed to conduct the study. The research was conducted using a qualitative research method, utilising semi-structured interviews to gather the data. This chapter outlines the methodology that was used in the research.

4.2 Research design

Zikmund (2003) states that a research design is a blueprint that maps out the plan of the research project. Wellman and Kruger (2001) define the research design as the plan according to which participants are determined and information is extracted from them. Babbie and Mouton (2005) state that a research design is a plan of how the researcher intends conducting the research. Babbie and Mouton (2004) further state that all research designs have shortcomings and weaknesses, but these should not negate the validity or the value of the information or the project. Researchers should strive to a measure of balance and objectivity, whilst remaining as human as possible, questioning not only the epistemology, but also the methodology of a study.

Whilst there has been research on performance management in various fields and industries, there has been little empirical research on executives' perceptions of performance management in South Africa. The performance management process is a continuous two-way communication between line managers and employees, and not an annual appraisal, which is more commonly found in South African companies.

As the present research study explored executives' perceptions and experiences of performance management, the design was exploratory and qualitative in nature. Saunders and Lewis (2012) define the exploratory research approach as a means of determining and finding new insights and asking relevant questions. The three ways of conducting exploratory research are:

- A search of the literature;
- Talking to experts on subject matter; and
- Conducting interviews.

4.3 Research approach

This section outlines the approach that was adopted to meet the objectives of the study, as well as the methodology that was followed throughout the research project.

Qualitative research is defined as a technique that seeks to describe, decode and translate a phenomena (Blumberg, Cooper & Schindler, 2008). The focus is on words and

observations, such as stories, body language, visual portrayals, meaningful characterisation, interpretations, and other expressive descriptions (Zikmund, 2003, p. 111).

In the present study, the researcher conducted semi-structured interviews with executives of the companies in the sample set. Leedy and Ormrod (2001) state that qualitative studies focus on phenomena that occur in natural settings, and refer to these studies as “real world” studies. Expert studies are useful when seeking to elicit information from persons who are experienced in, and well-informed on, the area of study (Blumberg, Cooper & Schindler, 2008). According to Blumberg et al. (2008), advantages of personal interviews include willing co-operation from the participants, and the interviewer can pre-screen participants to ensure that they fit the population profile. Qualitative data allows the researcher to more comprehensively explore complex relationships between variables in their natural setting (Worley & Doolen, 2006).

The present study was an ethnography-type study, where the researcher was examining an entire group in depth; more specifically, a group that shares a common culture (Leedy & Ormrod, 2001). The focus of the investigation was the day-to-day behaviours common to the group, in order to identify cultural patterns and beliefs within the group (Leedy & Ormrod, 2001). The researcher then set out to determine whether there were cultural habits common to the organisations that had implemented performance management systems.

The researcher set out to study various perspectives and experiences of executives, as a result of the implementation of a performance management system in the companies. Creswell (1998) states that different individuals or groups may hold multiple perspectives,

with each perspective having equal validity or truth, and that one of the goals of qualitative studies is to reveal the nature of these multiple perspectives.

The aim of these qualitative, semi-structured, interviews with experts was to determine what the participants' views and experiences are of the actual implementation of the performance management systems in different industries, as well as the results and outcomes of the implementation of the systems.

4.3.1 Ontology

Ontology is the philosophical study of the nature of being, existence, or reality, as well as the basic categories of being and their relations. According to Potter (1996), social reality can be investigated, analysed, and interpreted differently, depending on the researcher's belief of reality. It was important for the present researcher to avoid bringing his own beliefs into the interview discussions, which is why open-ended questions were asked at the outset of the interview, with specific questions then relating to the impact if the implementation of the performance management systems.

4.3.1 Epistemology

The present research was based on the general descriptions, thoughts, and ideas of the participants, which is a form of epistemological research. Epistemology is concerned with

“what ought to be,” rather than facts, and interview questions are formulated from principles (Leedy & Ormrod, 2001). Empirical investigations, in contrast, are concerned with how things actually work, rather than what they ought to be (Leedy & Ormrod, 2001). Schrunk (2009) suggests that, prior to the research being undertaken, the researcher needs to ask the question on how respondents see the social reality of the problem. There are two general assumptions in empirical research:

1. Peoples’ behaviour can be explained via observations from the outside, using general scientific laws; and
2. Human beings are different from inanimate things, and human behaviour can only be described and interpreted from the specific person’s view.

4.4 Population and unit of analysis

The research population of the study consisted of companies in South Africa that had recently implemented formal performance management systems. The participants were all executives of the respective organisations, which was in line with the research design.

The unit of analysis was the executives in the companies in the sample set.

4.5 Sampling method

The researcher utilised a purposive sampling technique, which is a non-probability sampling technique. According to Welman and Kruger (2001), non-probability sampling is used when the probability exists that certain members of the population may have no chance of being included in the sample. Since the participants were identified from a specific network of clients of 21st Century, specifically Crowie Holdings and Deloitte, this sampling technique was deemed appropriate. Barbour (2001) states that this method uses either the judgement of an expert in selecting cases, or it selects cases with a specific purpose in mind. Barbour (2001) argues that purposive sampling gives the researcher a degree of control in terms of the selection of the sample set, rather than being at the mercy of any selection bias inherent in pre-existing groups.

Saunders and Lewis (2012) define a purposive sampling technique whereby the researcher utilises his/her judgement to actively choose those who are best able to answer the research questions. A performance management system has a specific definition; therefore the researcher needed to ensure that the companies had implemented a performance management system, as defined in Section 2. Saunders and Lewis (2012) further state that the criteria for selecting the participants must be clearly defined.

Sampling involves any process that utilises a small number of items, the results of which are then used to deduct a conclusion for the entire population.

4.6 Data collection

The method of data collection has to ensure that the sample represents the entire population, and that the opinions of the sample represent those of the total population (Saunders & Lewis, 2012).

Data were collected by conducting semi-structured interviews with 13 participants, which were done in person, where possible. Creswell (1998) states that the researcher that decides that ethnography is the most suitable approach, must determine the solid grounding on which the common culture of the organisation is structured.

Creswell (1998) further states that the following information should be included in an ethnographic study:

- An introduction that provides the rationale and context of the study;
- A description of the setting and methods, which describes the group and the methods used to study the group; and
- An analysis of the culture studied, which describes the patterns of behaviour studied.

Semi-structured interviews are useful in extracting additional information for which there is no particular question in the collection instrument (Wellman & Kruger, 2001). Semi-structured interviews are useful in extracting deeper levels of understanding as the process progresses (Saunders & Lewis, 2012).

Gillham (2005) argues that the semi-structured interview is the most important way of conducting a research interview, because of its flexibility and balanced structure, as well as the high quality of the data obtained. Gillham (2005) further provides the following key aspects of a semi-structured interview:

- The same questions are used for all participants;
- It is possible for the interview questions to go through a process of development;
- Supplementary questions are used if the interviewer judges that there is more to be disclosed at a particular point of the interview; and
- All interviewees are afforded approximately the same amount of time.

Each participant in the present study was contacted telephonically to secure the interview. As the participants are executives of the companies, the researcher needed to ensure sufficient time for the interview process, as cancellations and postponements by the researcher could have pose problem in terms of the availability of the participants. Each interview lasted between 45 and 60 minutes. Responses to the interview and any additional comments were captured into the set collection instrument by the researcher.

An interview guide was developed in accordance with the objectives of the research, and was sent to the participants, prior to the interview. This allowed the participants to prepare, and also ensured that the same general areas of information would be collected from each

participant. Formal consent was obtained from each participant, prior to the interview, and all interviews were digitally recorded and transcribed.

Leedy and Ormrod (2001) recommend the following guidelines for conducting a productive interview:

- Interviewees must be representative of the group;
- A suitable location is convenient for the interviewee should be found, and should be quiet setting where both parties are unlikely to be interrupted;
- The researcher should take a few minutes prior to the interview to establish a rapport with the interviewee, which will allow the interview to flow;
- Written permission to conduct the research must be obtained prior to the interview. The nature and purpose of the interview has to be explained prior to the commencement of the interview. Interviewees have to provide written consent to partake in the study, and should be offered a copy of the report upon finalisation;
- The interview should focus on actual facts, rather than on abstract ideas; interviewees are more willing to provide factual information;

- The interviewer may not put words in interviewees' mouths. The interviewees must feel comfortable in choosing their own expressions of ideas and thoughts;
- Verbatim responses are to be recorded using handwritten notes or audio recording to accurately record the thoughts and ideas of the interviewees;
- The interviewer may not display any reactions to interviewees responses; and
- The interviewer has to remember that the facts presented by the interviewee are not necessarily the true facts. As confident and convincing as interviewees may be, their responses should always be treated as perceptions, rather than actual facts.

4.7 Data validity and reliability

According to Babbie and Mouton (2001), a research study must seek to ensure that its findings are both valid and reliable. Qualitative research is often open to criticism regarding its ability to be free from errors and therefore yield consistent results (reliability), and regarding the research measuring what it was intended to measure (validity) (Zikmund, 2003).

4.8 Data analysis

Content analysis was utilised to extract themes from the data and to categorise the data into a format that could be used to derive a list of generic best practices. Welman and Kruger (2001) state that content analysis can be used to systematically analyse data and extract information from interviews.

In addition to the content analysis, an inductive approach to analysis was utilised to review the findings produced, in order to evaluate the effectiveness of the performance management implementation in each of the companies. According to Zikmund (2003), data analysis is the application of reasoning to understand and interpret the data that were collected. An inductive approach to the analysis entailed condensing the raw text data into a brief summary format, and then establishing clear links between the research objectives and the summary findings.

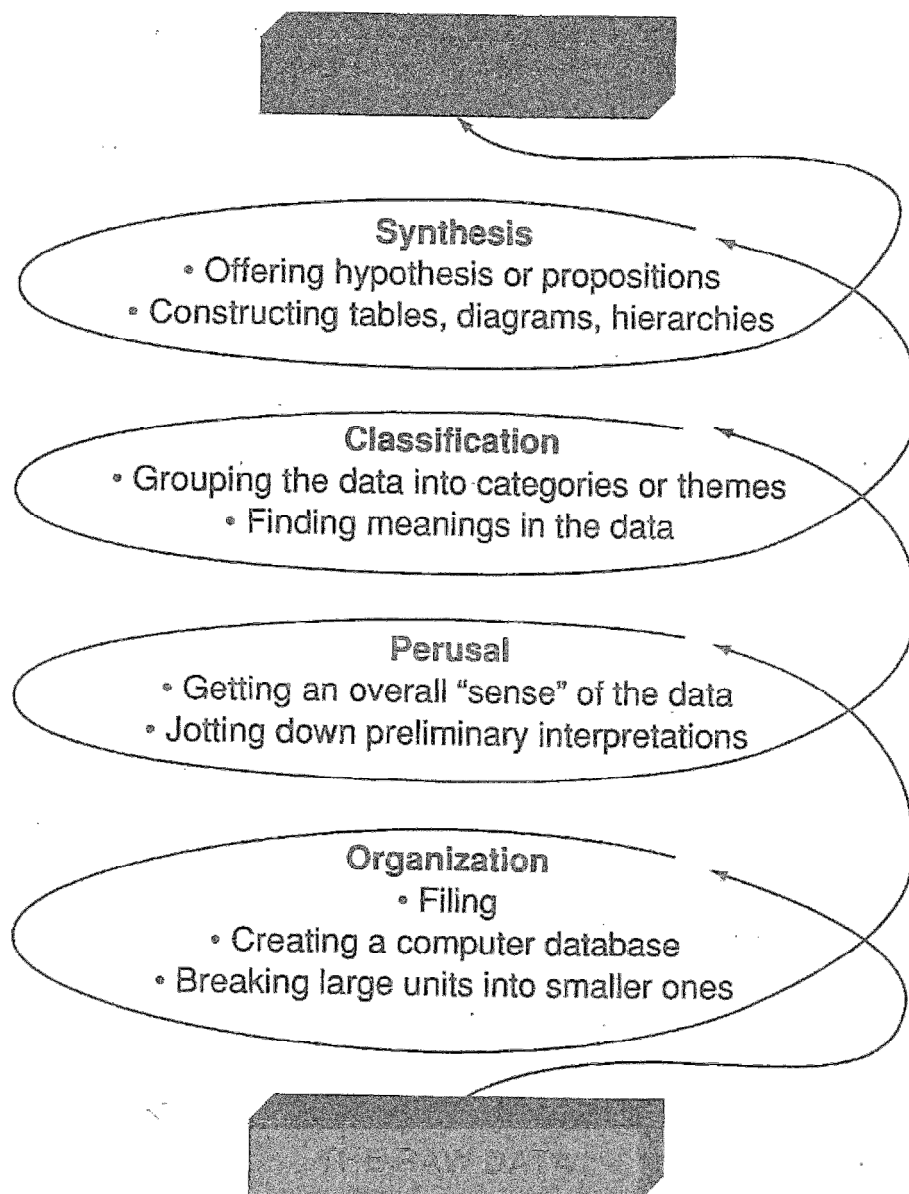
Leedy and Ormrod (2001) suggest the following approach to content analysis:

- Organise the data, utilising index cards. Large bodies of text may be reduced to smaller units in the form of stories, sentences, or individual words;
- Peruse the entire data set a number of times to get an understanding of the contents as a whole, which will provide the understanding necessary for categorising the data;

- Identify general categories or themes, with possible sub-categories and sub-themes, and then classify each piece of data accordingly. A general understanding of the patterns of the themes is required; and
- Integrate and summarise the data. This step may include offering propositions that describe the relationships among the categories.

The following diagram illustrates the basic process for content analysis.

Table 4.1: The data analysis spiral (Leedy & Ormrod, 2001)



Constant comparative analysis was also used to compare the findings of each interview with the results of the previous interview.

The researcher utilised Nvivo 10 computer software for organising and analysing the gathered data. By computerising the data, the researcher was able to easily retrieve pieces of information from the database. This process provides a practical means of storing and organising lengthy field notes, and assists in identifying common patterns in the data (Leedy & Ormrod, 2001).

4.9 Research limitations

Possible limitations of the research:

- The sample size may be too small to be considered representative of all South African executives of companies.
- The sample set represented companies operating only within the Gauteng region, and did not extend to companies across the entire country.
- The participants were not closely involved in the implementation of the performance management system, and therefore could not provide detailed information on the general outcomes of implementing the system.
- It is possible that the study could be subject to response error, due to participants having incomplete knowledge of certain aspects of the subject matter.

Chapter 5 presents the data gathered during the interviews with all 13 of the participants. The methodology described in this chapter was utilised in an effort to obtain as much rich data from the qualitative process as possible.

Chapter 5: Results

5.1 Introduction

This chapter presents the results from the interviews that were conducted. The research results were analysed utilising a qualitative content analysis approach and a software programme, Nvivo 10, which was used to capture the data and assist with coding and analysis.

The results presented themes that emerged from the interviews, as guided by the interview questions, and support the research questions outlined in Chapter 3. The sample demographics are presented first, followed by the results obtained through the interviews with the participants.

5.2 Sample demographics

The interview participants were selected on the basis that they were executives in companies in South Africa, and that their respective companies had recently implemented a performance management system.

The sample included 13 senior employees, distributed as follows:

- One chairman;
- Nine chief executive officers;

- One chief financial officer;
- One chief director of human resources; and
- One operational director.

Table 5.1: Participant Profiles

	Position	Company
R1	CFO	CONSTRUCTION PROJECT MANAGEMENT
R2	CEO	CONSULTING SERVICES
R3	CEO	AUDIT CONSULTING SERVICES BUSINESS UNIT
R4	CEO	INTERNATIONAL ENGINEERING CONSULTING
R5	MANAGING PARTNER	MANAGEMENT CONSULTING AND AUDIT GROUP
R6	DIVISIONAL MD	LARGE NATIONAL PARASTATAL
R7	CEO	INTERNATIONAL INSURANCE GROUP
R8	CHAIRMAN	CONSULTING SERVICES
R9	CEO	LISTED CONSTRUCTION COMPANY
R10	CHIEF DIRECTOR: HR	PARASTATAL
R11	CEO	INTERNATIONAL INSURANCE GROUP
R12	CEO	PROPERTY AND CONSTRUCTION GROUP
R13	OPS. DIRECTOR	PROPERTY DEVELOPMENT COMPANY

Of the 13 participants, 12 were employed in the services industry, and one was employed in the construction sector. A list of the participants and their relevant industries is provided in Table 5.1.

The companies of 10 of the 13 participants had been using a performance management system for longer than five years, and four companies had implemented a system less than five years ago.

Nine of the participants were interviewed in person, with the interviews recorded electronically and then transcribed. Three of the participants were interviewed telephonically, due to time constraints and their respective travels, and one participant, who was not available during the interview period, responded to the questions in a written document.

12 of the 13 participants were involved in the implementation of the performance management system, and were passionate about the performance management process and, particularly, about the outcomes of the system. While the engagement of the participant who sent his report via email could not be measured, other questions were answered in detail.

5.3 Presentation of findings from interviews

The findings are presented verbatim in this report, to capture and demonstrate the understanding and perceptions of performance management by executives of organisations. Each of the participants was coded to ensure anonymity when cited. For the purposes of this research, R1 denotes the first respondent, with R13 being the last.

5.3.1 Interview Question 1: What is your understanding of performance management? What are your thoughts and experiences around the value of an effective performance management system?

This was the first question posed to all of the respondents. The researcher was trying to get an overall understanding of participants' views of performance management. This question was designed to be broad, in order to elicit the personal opinions of each of the participants.

It was determined executives in South Africa do not have a definitive definition of performance management, but a broad range of what performance management meant to each of the participants was evident. Because the findings regarding the definitions were broad, the researcher broke these down into themes, which were then analysed.

The following categories were common:

- Strategy;
- Consistent and transparent;
- Goals and objectives;

- Employee performance;
- Performance contracts; and
- User friendly.

Strategy

One of the most consistent views amongst the participants was that a performance management system has to be closely aligned to the overall strategy of the business. Of the 13 participants, 11 indicated the necessity of the linkage between company strategy and performance management of the building (77%), and the number of references to strategy totalled 29. The Balanced scorecard method was mentioned in 9 of these 29 references to strategy. The table below provides verbatim quotes in this regard.

Table 5.2: Strategy responses

R1	<i>We need to understand what the company's strategy is, and how employees performance is linked to that strategy.</i>
	<i>In order to get the performance of an individual, we as a company need to understand what are our goals and objectives.</i>
	<i>From a company perspective, management needs to understand what is the turnover, objectives, and employees need to see exactly how do we link those aspects to achieve the companies goals.</i>
R2	<i>What I wanted to achieve when we first put our performance management, the way I would put it is that everybody is on the same ship going the same direction.</i>
	<i>Strategy needs to be driven right through that performance management system.</i>
	<i>The performance management system should inadvertently converge that strategy talk into language that somebody at the most basic level in your organisation understands, if the performance management system is a good one will stop soon I am starting to touch on the things that I believe.</i>
	<i>The balanced scorecard approach and that balance scorecard approach we want is least one measure out of each balance scorecard measure and those measures must</i>

	<i>talk to the strategy of the company. So as long as they talk to the strategy of the company at the level of that person's job that works.</i>
	<i>There are only part of the system that is not simple is that the measures that are put in place might lead to strategy.</i>
	<i>The focus should be a on development people are coming to work every day and ultimately if they could then the business will improve.</i>
	<i>So that collective tries in the strategy to the top is very noticeable, as soon as you have any area in the business way that is not happening you can immediately see it if you've got a good performance management strategy in place.</i>
	<i>And those are the measures which are aligned back to the strategy, which are only four measures</i>
R4	<i>Performance management for me starts with the management of the business performance. The metrics are useful for managing the business performance but actually had to be made explicit in people's individual performance.</i>
	<i>At the time we were thinking about what we were going to do about our strategy, we didn't have any way of allocating things and we needed to start defining where we were going to go. We needed to know where to go and how to give people clear objectives.</i>
	<i>And the only way you get to that, is when you take a long-term objectives and you break it down into smaller tasks which the performance management system forced us to do.</i>
	<i>So for instance when I put the strategic plan together, I know what the targets and objectives are to looked like and I know what the interim targets and objectives are. I know what the targets and objectives need to look like to make the into one easy to set.</i>
	<i>I have utilised the balanced scorecard, and the strategy of the business to implement it and therefore it is not a human resource administration thing, but it is centred around the business.</i>
	<i>You have to be careful in that you have to put the balanced scorecard together in a way that reflects the business objectives, and it must be an accurate reflection.</i>
	<i>If new tools are being introduced into the business then it needs to ensure that it works for the business. The only way you get to that level is when you've got your strategy and it has been signed off.</i>
	<i>Some of that planning doing gaps, from my experience, is because there are differences in the way we manage strategy from business, and business to business units, from business unit to Department, and Department to people. There is no consistency and it is difficult to get that consistency when there are a whole bunch of different stakeholders in the system and the business drivers need to be defined properly.</i>

R5	<i>Thinking in the academic version about performance management which is in line with the strategy cascading will lead to...</i>
R6	<i>Performance management is a result of an intent by an organisation. Before you start defining your performance management system, you need to understand your strategy.</i>
R8	<i>...it is the feedback to employees. It is one of the ways we use to drive our strategy. So it is a non-negotiable.</i>
	<i>...performance management converts strategy into simple language...</i>
R9	<i>...the targets are linked back to the performance targets of the business.</i>
	<i>It is linked to things like completing projects on time, profit before interest and tax, which is a really aligned back to the strategy of the business.</i>
R10	<i>Performance management is about getting the performance standards of the organisation.</i>
R11	<i>An effective performance management system tracks organisation-wide performance.</i>
	<i>The scorecard dimensions are Financial, Strategic, Process, Business Development, HR and Self Development. The end score is that of a percentage. The system has the capacity to integrate all of the dimensions into individual, departmental/divisional and Company performance scores. Linked to this are modules integrating competencies and learning and development.</i>
R12	<i>The thing for me performance management is really about the strategy of the business and how you can translate the strategy of your business into performance management measures for each individual within the company and in as well as some to business units.</i>
	<i>The big thing for me is that a strategy of the business and the translation of the strategy into these performance criteria and the one thing that we have experienced is that it almost forces the company to translate the strategy. The strategy doesn't become one big target out there which can't be reached. It is broken down into measurable targets.</i>

	<i>It is broken down. It is defined properly and it forces the business to define the strategy so that this can be translated into it each individuals performance contract.</i>
	<i>...but the one thing that it has made me realise is that it is able to capture firstly, the goals and objectives of the business, and then how each person has been performing against those goals and objectives.</i>
	<i>...we have obviously gone now down into the detail into the strategy of the business and now only in the last year have implemented a formal performance management system.</i>
R13	<i>It's a process which aligns business strategy which in is then interpreted into an HR strategy that allows the business to achieve its goals and objectives.</i>

Balanced scorecard

Of the 11 participants who stated the importance of alignment between company strategy and the performance management system, 8 (73%) referred to the balanced scorecard approach, as highlighted in the quotes below:

Table 5.3: Balance scorecard responses

R1	<i>What happens is that it takes the 5 key elements of the business which is financial, business development, governance, process and self-development?</i> <i>At different levels we define what are your financial responsibilities and link it into the business strategy.</i>
R2	<i>...you use the balanced scorecard approach and that balance scorecard approach we want is least one measure out of each balance scorecard measure and those measures must talk to the strategy of the company.</i>
	<i>...you need a balance scorecard approach with the process, financial</i>

R4	<i>I have utilised the balanced scorecard, and the strategy of the business to implement it and therefore it is not a human resource administration thing, but it is centred around the business.</i>
	<i>So now when I do performance appraisals it is about how we run the business. I have managed to get people to recognise is that they need to report back on the balanced scorecard which includes the financial and all other business drivers.</i> <i>You bring the ownership back on the business heads, where they are the owners of the balanced scorecard who need to reflect what the business is doing.</i>
	<i>You have to be careful in that you have to put the balanced scorecard together in a way that reflects the business objectives, and it must be an accurate reflection.</i>
R7	<i>The performance management system we use in a is an online system that you know categorises basically the various elements of the business</i>
R8	<i>...we call our system outputs not activities, and we agree between four and seven outputs that are over and above the job description.</i>
	<i>After the 4 to 7 outputs the is narrative at the end of it with the narrative normally covering areas of development.</i>
	<i>The scorecard dimensions are Financial, Strategic, Process, Business Development, HR and Self Development. The end score is that of a percentage. The system has the capacity to integrate all of the dimensions into individual, departmental/divisional and Company performance scores. Linked to this are modules integrating competencies and learning and development.</i>
R12	<i>One of the measure, in terms of how balanced scorecard, is the measurement on financial performance.</i>
R13	<i>Performance management is the process of the management of recruitment and assisting people, the metrics relating to the scorecard of the measurement, and the training and development interventions and the retention of key staff.</i>

Consistent and fair

Consistency over a period of time is one of the key attributes of an effective performance management system. In order to get the correct results from the system, the measures and the outputs need to be fair, unbiased, transparent, objective, and consistent over time. Honest and frank feedback is critical, both in positive recognition and in constructive criticism. Of the 13 respondents, 8 (62%) made specific reference to the importance of consistency and transparency in a performance management system, as highlighted below:

Table 5.4: Consistency and fairness responses

R3	<i>Its an inherently fair system which works well.</i>
	<i>A lot of subjectivity has been taken out, this is the type of input that we have put into the process.</i>
	<i>Finally we got guys to realise that this is a real performance measurement process and it needs to be done subjectively and unbiased. That's the only way you get people to come through on a performance basis.</i>
	<i>And on the basis of that we were able to also restructured the organisation on a fair and equitable basis, based on the performance management process.</i>
	<i>One of our values, and one of our peoples principles, is to give our staff frank and honest feedback around performance. That is one of the things that you have a right to expect. I expect our leaders to be frank and honest enough to give you honest feedback. That underlines our philosophy of leadership.</i>
R4	<i>We needed to make sure we had consistent goals and objectives. What we realised was that the performance management system was perhaps a way to do it a little bit easier.</i>
	<i>You take all the debate about whether you are performing well or not, because you go back to the point and take out the subjectivity. So when you get a there you are wanting to act quickly and organisations can act quickly when the performance measures are clearly defined.</i>
	<i>...it promoted a very open culture in the organisation. There was a common culture of transparency and it took subjectivity out of the performance review system.</i>
R5	<i>...it'll also about treating people fairly.</i>

	<i>...think it quite important from a performance management point of view so that it comes out to drive equality or fitness in the way we evaluate people.</i>
	<i>In practice I think what I have found is, people don't mind giving good news that they don't like giving the bad news.</i>
	<i>Again one of the problems is, if you and I assess the same person, you might give him very different ratings.</i>
	<i>You need to be honest with your employees, and you need to ensure that when there are problems, that these are formerly captured which the performance management system helps with.</i>
	<i>He also had to be cheerful about telling people just that something is wrong, unable to give in direction and tell them where they going wrong in what they can do to make it right is a critical element of performance management.</i>
R6	<i>What you don't get it is people giving honest feedback on the areas where they can personally improve...</i>
	<i>...especially if you are in a large organisation to get you a level of consistency.</i>
R7	<i>Transparency.</i>
R9	<i>...then you need to communicate this in an honest way so that they are expectations which are achievable. It's important to be transparent and honest.</i>
R11	<i>Accurate and consistent performance data is therefore generated through consistent application, fair evaluation, and differentiation of performance.</i>
R12	<i>So its an online system and because it is done quarterly, you take out the subjectivity of it.</i>

Employee performance

Another consistent theme was the system's ability to measure and track employee performance over a period of time. 9 of the 13 respondents (69%) made reference to the utilisation of the performance management system to track performance. A total number of 15 statements made reference to this aspect of employee performance, as is evidenced the quotes provided in the table below:

Table 5.5: Employee performance responses

R1	<i>...identify and individuals strengths and the need to manage the strengths and weaknesses that you have identified.</i>
R3	<i>...the assistance with performance on a regular basis to the individual and to the individual feedback with a particular development.</i>
	<i>...the value is that if we hear level of performance has increased, expectations go up where people are rising to those expectations.</i>
	<i>...what they are doing with specific personal goals and their strengths and weaknesses. A discussion is had, we make changes and we make additional inputs.</i>
	<i>We had to part of the practice that will really under pressure during the difficult times, and with out the performance management system in place, we would not have been able to pinpoint where the real problems were in the individuals, and some of those guys with directors we had been here for a long time. Which you can do if you have followed a rigorous process.</i>
	<i>So I think that we have found in tough economic times, it is good that you have a good formal performance process, which enables you to send the same consistent messages, and then when you do get into trouble you can deal with these issues fairly. ...and inclusive fee process.</i>
R4	<i>And for me, a good performance management system is to avoid getting to the crisis. Because crises cost you money and time and effort.</i>
	<i>The real strength of the Evalex performance management system is that when you sit down and look at objectives, it forces you to sit down and think about it. The stuff you going to do in the next three months in ways which are very simple, clear and not ambiguous. That process corrects your planning doing gap. On its own it corrects your planning doing gap.</i>

	<p><i>Clearly he hadn't performed, and we sat down and discussed what we were going to do and why we agreed what needed to be done and why, and broken down into small steps, and agreed that when they got back what exactly was going to happen.</i></p> <p><i>I had to follow up with him on a more regular basis, just reinforcing the objectives and tasks which we had agreed, and this eventually resulted in his performance is starting to improve.</i></p>
	<p><i>With out the measures in the performance management system you can never be 100% sure that a person is not performing and you cannot be sure that you actually know exactly where the problem is.</i></p>
R5	<p><i>People often look at the negative side of performance appraisals, but it is really motivational fight the positive side of performance management which can try in a performance of a business.</i></p>
R6	<p><i>One step further is to determine what the problem is, and what the issues are, indeed do need to be captured in the performance management system.</i></p>
	<p><i>A performance contract should not be a job description.</i></p>
	<p><i>The value of each is that it encourages performance in areas that matter.</i></p>
	<p><i>...our view of the performance management system is that there should be a bias towards that abnormal type of effort that you need to put into getting things done.</i></p>
	<p><i>Performance contract should be customised for the particular individual within the organisation, for that role, for the issues that matter. That is how it should be done, and that is typically the framework that we have.</i></p>
R7	<p><i>Over time they are easily monitored and evaluated so that feedback and adjustments and corrective action can be put in place should things go wrong or should things go right.</i></p>
	<p><i>The competencies are also defined for the role and the gaps between what is required and the role and the skills possessed by the individual are measured and then, together the organisation and the employee had to close the gaps over time.</i></p>
R8	<p><i>For me performance management is a systematic framework for getting better performance on people teams and the company. It is a conversation and dialogue with the sole purpose of improving performance at every level.</i></p>

	<i>It focuses the mind equal as you can see what is missing, you make notes, you get a very good feel on where the gaps are, what needs to happen.</i>
R9	<i>And my view is that performance management is probably the best way to understand your people and motivate them through the system.</i>
R10	<i>...used on an annual basis to evaluate people's performance and of the performance of the business.</i>
R11	<i>Performance Management should be a balanced methodology to both evaluate the past and the future of an individual, business unit and a business.</i>
	<i>Most systems unfortunately dwell on the past which you cannot really do anything about. It is however important for the purposes of rectifying and improving performance and informing remuneration.</i>
	<i>...it reinforces culture, motivates employee performance, and allocates reward effectively.</i>
	<i>The scorecard dimensions are Financial, Strategic, Process, Business Development, HR and Self Development. The end score is that of a percentage. The system has the capacity to integrate all of the dimensions into individual, departmental/divisional and Company performance scores. Linked to this are modules integrating competencies and learning and development.</i>
R12	<i>...but the one thing that it has made me realise is that it is able to capture firstly, the goals and objectives of the business, and then how each person has been performing against those goals and objectives.</i>
	<i>...it forces a dialogue between the line manager and the employee. And where people aren't meeting their targets, its put down into the system and its then captured there. So what you then get over a period of time, you get a trend on where a person has been constantly performing or constantly not performing, you can address those areas of growth, or gaps.</i>

Goals and objectives

The results of the interviews highlighted that goals and objectives were high priority items in the performance management systems. 11 (85%) of the 13 respondents made a total of 40 statements to this effect.

Table 5.6: Goals and objectives responses

R2	<i>From the top to the bottom saw that everyone at any point knows that they are all on the same ship going in the same direction.</i>
	<i>...you could stop any one of your employees on their way to work and ask them what are you going to do today and what are your objectives for the next. And if they can't answer that question then they are performance management system isn't being communicated effectively or is too complicated or they are using the wrong medium in terms of...</i>
	<i>I would sometimes speak to people on a daily basis and asked them how are they being against a performance targets, because they know exactly what those targets are, and if you can get to where people know that with out looking at the system then you have achieved your goal is.</i>
	<i>Add a director level, it is also a wonderful tool, because the line of sight is so direct.</i>
R3	<i>Performance management for me is the alignment of people behind the goals of the organisation.</i>
	<i>By the deliberate and conscience goal setting with the individual.</i>
	<i>So it's a holistic thing which makes you understand and align people's goals, measure their performance and reward them more appropriately. It is key to our success in terms of our experiences.</i>
	<i>...is at the beginning of the year we have goal setting process. At the director and the associate director level, we publish it and send it out to all the leadership and say that these are all of your goals together and this is what we expect.</i>
R4	<i>The experience that I have, is that many South African companies particularly, we have the problem with South Africans in that we have a planning doing gap. And what tends to happen, is it is a crisis. And we are really good at thinking on our feet, and we manage a crisis but you find that you always come through at the last minute. And actually what you get is sub optimal.</i>
	<i>...it's about vision and objectives. And how to take the objectives and translate them into goals that people can work towards. And then performance management happen by itself, almost by itself. You can then go and say here are your goals and don't come and</i>

	<i>tell me in three months time. And it becomes easier.</i>
	<i>We needed to make sure we had consistent goals and objectives. What we realised was that the performance management system was perhaps a way to do it a little bit easier.</i>
	<i>It was quite helpful in giving us to the point where we could agree what we were going to do in the next three months, what is possible in the next three months, and when you break down to that what we then found is that people are hopelessly optimistic.</i>
	<i>The performance management system goes a long way because you can put objectives in scales which can be measured.</i>
	<i>Most people, I found, are quite honest if your objective is clear. If you leave them fuzzy, it will affect their performance. If you can get your objective defined and its binary, and what happens is people are generally honest with themselves.</i>
	<i>The real strength of the Evalex performance management system is that when you sit down and look at objectives, it forces you to sit down and think about it. The stuff you're going to do in the next three months in ways which are very simple, clear and not ambiguous. That process corrects your planning doing gap. On its own it corrects your planning doing gap.</i>
R5	<i>...thinking in the academic version about performance management meeting about getting the goals we which is in line with the strategy cascading will lead to.</i>
	<i>I think that old adage, Clinton. is true, what not measured is not managed.</i>
	<i>Firstly, if the goals and objectives organisation are achieved and that's where it cascades down...</i>
R6	<i>...where you want to go as an organisation, and is then translated into a business plan and to understand what drives this business plan...</i>
	<i>First you need to determine what you want to achieve for the year, those are the translated into measurable performance measures in a performance management system.</i>
	<i>Going one step further, even if you know what drives your business plan for the year, the performance management system must not only at those measures.</i>
	<i>One of the things that I say is that you need to determine whether the key things will key deliverables of the business or the individual and the system they need to focus on those performance measures.</i>

R7	<i>The elements of that contract are the drivers of the output of that contract, and are clearly defined upfront.</i>
R8	<i>We tend to have face time, so we sit with the incumbent, we set their targets and goals for the year, and we have regular reviews and how they are tracking against that, and then it's probably a function of the size of the company.</i>
R9	<i>...giving clear objectives to the relevant employees.</i>
	<i>It's just about setting a standard or objectives for the year.</i>
	<i>These are specific objectives for the year ahead.</i>
	<i>We communicate exactly what is expected from them.</i>
	<i>...because the last few years we have done really well on our sites, because the guys know what is expected of them.</i>
R10	<i>...being clear in terms of expectations, people knowing when they are below or above the standard.</i>
	<i>And an effective performance management system is where you have defined actions or objectives for everybody.</i>
R12	<i>Its about giving people clear goals and objectives and then ensuring that they meet these goals and objectives. I think really for me the crux is that it creates a constant dialogue between the business and the employee, making sure that their goals and objectives are clearly defined. And then people are constantly measured against that.</i>
	<i>...but the one thing that it has made me realise is that it is able to capture firstly, the goals and objectives of the business, and then how each person has been performing against those goals and objectives.</i>
	<i>...in a short period of time, then you certainly get clarity of goals, which in turn leads to delivery.</i>
	<i>Once again, once you put that down, it means you have thought about them, and when you have thought about them, people then have a line of sight in terms of the objective.</i>

R13	<i>It's a process which aligns business strategy which in is interpreted into and HR strategy that allows the business to achieve its goals and objectives.</i>
	<i>It is only effective if it measures the correct business goals and objectives that it is trying to achieve.</i>
	<i>What I mean by being effective is by achieving the business goals and objectives.</i>
	<i>...make those into definitive goals, and it is only effective if it assisted the business in achieving those objectives.</i>
	<i>So, if you need specific skills in order to achieve a specific objective, it is it is responsibility to either retain employees or skills that are existing in the company, or train and develop them, or recruit those specific skills to achieve that particular object of.</i>

Performance contracts

5 of the 13 respondents (38%) indicated the utilisation of a performance management system for setting standards through a formal performance contract for the review year:

Table 5.7: Performance contract responses

R6	<i>...your performance contract needs to be in place...</i>
R7	<i>Performance management is a systematic process which ensures that there is an effective contract between the employer and the employee.</i>
	<i>The elements of that contract are the drivers of the output of that contract, and are clearly defined upfront.</i>
	<i>...we use this to capture the performance contract and to be able to review, and base the key performance indicators on an ongoing basis for an individual to actually get a score and that gives you indicators over time.</i>
R8	<i>Ours is fairly contracted with individuals.</i>

R9	<i>The performance management system is geared to ensure that employees are doing the jobs...</i>
R10	<i>..so normally would use this for the contracting of people, reviewing the performance against the contract...</i>
R12	<i>We have performance contracts for each employee, including directors, for the forthcoming year, which are renewed on an annual basis. And we use these performance contracts to measure against at the quarterly reviews.</i>
R13	<i>Performance contracts are reviewed annually for all employees.</i>

User-friendly

6 (46%) of the 13 respondents indicated that a performance management system should be user-friendly, as indicated in some of the quotes below:

Table 5.8: User friendly responses

R1	<i>What I think is important is that it is dependent on the user. You may have any performance management system but it is how often you use the system...</i>
R2	<i>I don't think that it should be complicated, I think the simpler the better.</i>
	<i>I think that the performance management system must be easy to use, if it is not easy to use then people will not use it.</i>
	<i>... it is something that comes back to the simplicity of it and then obviously being able to communicate it, talks to the simplicity of that as well...</i>
	<i>You could stop any one of your employees on their way to work and ask them what are you going to do today and what are your objectives for the next. And if they can't answer that question then they are performance management system isn't being communicated effectively or is too complicated or they are using the wrong medium in terms of...</i>

	<i>...we us a 180 degree system, the main reason is because of time and efficiency...</i>
R4	<i>When we went to the staff members and told them that we were going to implement a performance management system online, they were very excited. What they got was the buy in from all staff members.</i>
R5	<i>...also it doesn't matter whether you've got a performance management system or not, it's how you apply the implementation of the system.</i>
R6	<i>The system is currently simple and uncomplicated.</i>
R8	<i>Other predictors of success are the simplicity of the performance management system, and everyone understanding it, the extent to which everyone has been trained to use the performance management system.</i>
	<i>Another key success factor I think is the length of the forms. If the performance appraisal forms are too long or complicated, they tend to hijack the conversation. People focus on trying to fill out a form rather than conduct a meaningful performance discussion.</i>
R12	<i>We have an online system which is user friendly, and it had to be that way to ensure that everyone uses it. We do it quarterly, so it's imperative that it doesn't take a lot of peoples time when filling in the forms.</i>
R13	<i>It has to be user friendly to ensure commitment from all levels of the employees.</i>

Interview Question 2a: Is the performance management system used organisation-wide?

All 13 of the respondents (100%) confirmed that the performance management system was being applied throughout the organisation. However, one of the respondents noted that that two large projects in the organisation had not implemented the performance management system adopted by the organisation. The following table captures the responses from all respondents:

Table 5.9: Organisation wide responses

R1	<i>It is across the entire organisation.</i>
R2	<i>It is organisation wide...</i>
R3	<i>...it is across the whole of Deloitte...</i>
R4	<i>The performance management system was organisation wide at PB.</i>
R5	<i>Yes it is throughout the entire organisation.</i>
R6	<i>The performance management system within the business is organisation wide.</i>
R7	<i>It is organisational wide. Throughout the whole Hollard...</i>
R8	<i>Its across the entire organisation.</i>
R9	<i>Yes it is you are the whole of Group 5.</i>
R10	<i>Its performance amongst the whole of NT, so yes, it is organisation wide.</i>
R11	<i>Yes it is.</i>
R12	<i>Yes it is organisation wide.</i>
R13	<i>It is organisation wide.</i>

Interview Question 2b: Is performance management a continuous process?

Aguinis & Pierce (2008) highlight the fact that one of the key components that separate a performance management system from a performance appraisal system is the fact that it is a continuous process. This fact was confirmed by all 13 (100%) respondents, who also confirmed that performance reviews took place more than once a year

The following table illustrates the differences in the number of performance reviews that are performed in the different companies, as stated by the respondents:

Table 5.10: Continuous process responses

R1	<i>At the moment we do it quarterly. Four times a year.</i>
R2	<i>Although there are only two review per year everyone including the managers know they are measures are the people reporting to them and they should be having those discussions on an on-going basis anyway.</i>
R3	<i>The assistance with performance on a regular basis to the individual and to the individual feedback with a particular development...</i>
R4	<i>The trick I think is to follow up on a regular basis. So when I look at the performance management system it is a continuous improvement tool.</i>
R5	<i>It is a continuous process in Deloitte consulting. We do performance management reviews seriously twice a year whereas on the audit dies in specifically with the order, or the clocks we do a performance management review off there every single assignment.</i>
R6	<i>You should be doing continuous appraisal, but it does not necessarily have to be formally. We need to do four formal appraisals for the year. Two that are report outcome driven, and two that are on an interview basis.</i>
R7	<i>We do performance appraisals twice a year. So it is a continuous process</i>
R8	<i>For a performance management, it is required every day, every week, this is just the formalisation of it. I don't believe we need to have the formal reviews more often because performance management happens every day in our business</i>

R9	<i>As I mentioned earlier it is a continuous process in that we do it twice a year.</i>
R10	<i>It is a continuous process in that we do it formally twice a year.</i>
R11	<i>Yes it is organisation wide and is a continuous process – Formal reviews being conducted in June and November and Informal Reviews in March and September.</i>
R12	<i>The one thing I can say is that it's not a performance appraisal which is looking back at the past, it's about looking forward and making sure that people have clear direction in order to for which to be measured against. We do it four times a year so quarterly, so there is a constant dialogue, so it is always coming back to the person, with what are the goals for me of the business, over the next three months, over the next six months, and over the next year.</i>
R13	<i>From a continuation process, we confirm that it is, and we do it quarterly.</i>

Interview Question 3: How long ago was the performance management system implemented in the organisation?

This question was aimed at determining the number of years the companies' performance management systems had been in place. All 13 respondents confirmed their experience in the implementation of the performance management system, with the time of implementation ranging from as recent as the previous year to the 1990s. The results are captured in the table below.

Table 5.11: Length of implementation responses

R1	<i>In the last 12 months.</i>
R2	<i>And I think we put it in about eight years ago.</i>
R3	<i>We've been at it now for about 10 years, doing it properly with directors we are probably into our 3rd year.</i>

R4	<i>It was 2 and a half years ago.</i>
R5	<i>As far back as I can remember, we have always had it. In 1986 when I started working, we had it.</i>
R6	<i>It was pre-2000.</i>
R7	<i>More than 10 years I think.</i>
R8	<i>You could say was probably five years ago.</i>
R9	<i>As long ago as probably 15 years. At least 10 to 15 years ago.</i>
R10	<i>It was implemented in 2006, however it was revised in 2009.</i>
R11	<i>The current system was formalised and implemented in 2008.</i>
R12	<i>We have only just implemented it formerly in the last year.</i>
R13	<i>In the last year, I think nine months ago.</i>

Interview Question 4: To what extent do you as an executive prioritise of the implementation of a performance management system?

Table 5.12: Executive prioritisation comments

R1	<i>Very high. It is something that is close to my heart, and clearly we are in a business that believes that employees are important.</i>
R2	<i>The CEO must drive the system as a top priority.</i>
R3	<i>I would say that it is absolutely vital.</i>
R4	<i>Its high priority. Its business performance management and you have to do it altogether with people performance management.</i>

R5	<i>I think it is absolutely absolutely essential. I just don't know how people could operate without one.</i>
R6	<i>The performance management system is a non-negotiable. It is a building block you have to have it and it is a top priority for me.</i>
R7	<i>It is a high priority I mean it is one of the most important management tools. Absolutely.</i>
R8	<i>For me it is critical, we are a high performance organisation, and you can't run a high-performance organisation without performance management. It is the feedback to employees. It is one of the ways we use to drive our strategy. So it is a non-negotiable.</i>
R9	<i>It is top priority.</i>
R10	<i>It's a key priority. Particularly because, like I say, it forms the foundation of other processes.</i>
R11	<i>A culture of PM should primarily be driven by the leadership of an organisation. It is critical.</i>
R12	<i>Well, for me, certainly as the CEO of the group, it is a top priority. As I said it's a non-negotiable priority and I think then that filters through the executives in the organisation, which in full view of the organisation.</i>
R13	<i>It has a very high priority, in that I believed that it should have equal prioritisation as the operations of the business. The same in operations management.</i>

The next set of questions was aimed at determining the impact of the performance management system on different outcomes within the organisation.

Question 5: What was the impact of the system on productivity in the organisation?

This question was aimed at determining the impact of the performance management system on productivity in the organisation as a direct result of its implementation. All 13 of the respondents answered this question, and their answers are in the table below.

Table 5.14: Productivity responses

R1	<i>But I can guarantee you on third round of appraisals that you will see an increase in the productivity because now they know we serious about it.</i>
R2	<i>...productivity is very direct, because we call that one process, and everybody has a process measure. And that process measure is directly related to productivity. So that is a very direct link.</i>
R3	<i>...the value is that if we hear level of performance has increased, expectations go up where people are rising to those expectations.</i>
	<i>We are creating that battle hardened people through the process who can deal with the next level and perform better. So I think we are getting a better level of leadership and...</i>
	<i>It increases the bar every year.</i>
	<i>...in terms of productivity, as I said, and every year the level of the bar increases.</i>
R4	<i>At PB our average profit margin when I left ear was 20% to 22% per year, whereas at my new company the average profit margin is 6%. It is now got to about seven or 8%. And we can get 15% without a problem. That is margin which reflects the productivity of the business.</i>
R5	<i>...that is one way which you deal with poor performance to increase the performance show the result on productivity.</i>
	<i>At Deloitte since 2006, two 2012, we have doubled the turnover and increased profits by 110%, and we are growing and growing profitably, because productivity is an outcome of performance management.</i>

R6	<i>If utilised properly and you have the correct measures in place, then it definitely should improve productivity.</i>
R7	<i>Well you know, it is a tool to manage productivity, to ensure that people do what they are paid to do. In that sense it has a direct impact on productivity.</i>
R8	<i>For me performance management is a systematic framework for getting better performance on people teams and the company.</i>
	<i>I think that the impact on the business for each one of these is a function of the type of system that one goes for. And the particular system that we have gone for is called outputs, and not activities, and it focuses the mind. So for productivity, one is completely focused on what one needs to produce and it has increased, and that is what makes us a high-performance organisation</i>
R9	<i>Productivity, it definitely does.</i>
R10	<i>It is what I highlighted in the beginning, in that the impact of a performance management system is able to track and improve performance so it definitely impacts on productivity in driving a high performance culture.</i>
R11	<i>...greater focus on productivity, personally I have seen some improvement in performance...</i>
R12	<i>People know what they have to do when you are forced to write things down, and you come back to it, in a short period of time, then you certainly get clarity of goals, which in turn leads to delivery. We are not giving delivery, and this is the reason why and it certainly does improve productivity.</i>
R13	<i>People are now more focused, in that they know what they need to do, so this does affect productivity in a positive way, there is no doubt about that. In terms of the measurements of the productivity, it is difficult to measure in a service related industry.</i>

Interview Question 6: What was the impact of the system on the financial performance of the organisation?

This question was aimed at determining the impact of the performance management system on the financial performance of the organisation as a direct result of its implementation. All 13 respondents answered this question, and their answers are provided in the table below.

Table 5.15: Financial impact responses

R1	<i>...financial performance for me at this stage is not applicable.</i>
R2	<i>It has a direct link, because everybody has financial targets, and it is a direct measurement against that. It is easier in a small business, but even the lower level employees, can attach a financial target to what they are doing. What they can influence.</i>
R3	<i>...over the last 10 years, we have heard two setbacks in terms of financial performance, through the recession, but they have been small, relative to our competitors and relative to what happened in the market overall. We lost 250 million Rand revenue from our top clients, and our bottom line went down by 10 million Rand. And that is an indicator of exceptional performance even in tough economic times.</i>
R4	<i>Where we did have it implemented effectively, you could see the improvement in the performance of the financials...</i>
R5	<i>Firstly most important thing are our people, and (funny enough not our clients) because if I have good people, they also the client well anyway. And that will enhance relationships. Financial performance is a consequence of that.</i>
	<i>...if you don't do the performance that's right, and you don't get your people motivated, then financial performance is a consequence.</i>
	<i>...at Deloitte since 2006, two 2012, we have doubled the turnover and increased profits by 110%, and we are growing and growing profitably...</i>

R6	<i>...but it has driven us to a large extent to meet certain financial targets, which everybody is striving towards...</i>
R7	<i>...because you know that some of the key performance indicators on that system is financial performance.</i>
	<i>It has a direct link on financial performance.</i>
R8	<i>It is one of the key drivers for financial performance.</i>
	<i>...even for the support staff are very effective, because they know exactly what they need to be doing. Even if it is cost savings or sticking within budget, the outputs are clear.</i>
R9	<i>In financial performance, different targets are set for the guys and they are measured against these targets. They know what they have got to achieve because the guys don't get bonuses if they don't achieve the targets.</i>
R10	<i>Financial performance, not really, as we are the public sector, and there is not such a high drive for financial performance...</i>
R11	<i>...greater focus on financial performance, and personally I have seen some improvement in performance.</i>
R12	<i>In the system, we track various financial indicators of the business, put targets in line, for the various directors, and employees throughout the business. They all have financial targets to meet.</i>
	<i>In the short space of time, I have noticed some individuals within the business getting better financial results in their projects.</i>
R13	<i>...by achieving business goals and objectives, you are going to achieve financial success...</i>

Interview Question 7: What was the impact of the system on employee engagement within the organisation?

This question was aimed at determining the impact of the performance management system on employee engagement in the organisation as a direct result of its implementation. All 13 of the respondents answered this question, and their answers are provided in the table below.

Table 5.16: Employee engagement responses

R1	<i>Only a slight improvement, but it is still early days within the implementation of the system.</i>
R2	<i>...when I come to my performance review, I've managed to meet or these targets. And people feel proud about that. That increases employee engagement unbelievably.</i>
R3	<i>It empowers the leadership when they engage with staff.</i>
	<i>I would say it definitely improved employee engagement, however there are some people don't like it, they may not like the outcome, but at least it is the best process and is a free process.</i>
R4	<i>...from my personal assistants and to the people that walk into my office on a day-to-day basis I've got feedback that the employee engagement has definitely improved.</i>
R5	<i>...in actual fact, to get performance management working, you have to have committed employees...</i>
	<i>Now a committed employee will say that I'm not looking good because you are not making me look good. You're not doing your part and now I have to get on with your</i>

	<i>work as well as doing my work.</i>
	<i>...we can tell how much attrition we going to have after we have done a commitment survey.</i>
R6	<i>One thing I can say is that performance management has become the only platform for proper employee engagement in our organisation. Because it is forced through the system.</i>
	<i>It is a good thing if you have nothing, but the problem with it is becomes when it is the only form of employee engagement. So for me our performance management system has become a platform for employee engagement.</i>
R7	<i>It contributes contributed positively because management engage with the employees to formal communication, transparency, its objectives, and facilitates clear communication upfront...</i>
	<i>...performance management is a one on one, and we talk about, and give feedback to the individuals...</i>
R8	<i>...we can tell whether someone is or is not engaged and repeated at from the performance management system in addition to walking about and talking to employees on a daily basis.</i>
R9	<i>...because of the performance management system, you have to spend the time of the guys, so yes it definitely improves employee engagement.</i>
R10	<i>Yes definitely he has an impact on employee engagement because we have done employee engagement survey is for the last three years, and you can see a link, where the performance management processes which are clearer, you have a higher employee engagement and get better feedback.</i>
R11	<i>Employee engagement. I have no evidence that our current system enhances employee engagement. For many employees, our current system is complicated and cumbersome.</i>

R12	<i>...once again, the beauty of the system is that it forces a dialogue. With this dialogue, people then in share the experiences, both positive and negative which certainly enhances employee engagement.</i>
	<i>I know what is then expected of me, and because of that, I am then going to engage with the various leaders of the business in order to improve myself. From that point of view in terms of a continuous improvement, I think it is really a positive.</i>
R13	<i>That is a specific measurement item that we do on the matrix, and employees are focused on that and it is brought to their attention, so that does increase.</i>

Interview Question 8: What was the impact of the system on learning and employee development within the organisation?

This question was aimed at determining the impact of the performance management system on learning and development within the organisation as a direct result of its implementation. All 13 of the respondents answered this question, and their answers are provided in the table below.

Table 5.17: Learning and employee development responses

R1	<i>This system currently develops an individual key focus areas and if you are lacking in specific areas how we could develop you in those specific areas.</i>
	<i>...shortfalls of every employee, which is linked to the performance management system...</i>
	<i>...and have identified training programmes which has identified employee shortfalls and from those shortfalls, we have developed training requirements and that would hopefully work.</i>
	<i>...so it has done very well in terms of the development of employees...</i>
R2	<i>You would say let's discuss your job, you need to develop yourself, how are you going to develop yourself, let's put together a statement for that.</i>

	<i>...and one of our strategies is that development of personal or self development, so we translated to a very simple statement for that person at the underlying theme is to develop the scorecard approach.</i>
	<i>...we'll run the review their managers are trained to not focus on the link to remuneration and focus on the development....</i>
	<i>...the young generation Y in terms of their employee value proposition they want career development...</i>
	<i>...because they are more interested progress thing in their careers then getting a bit more money...</i>
	<i>...but at the end of the day the organisation has got quite a high learning environment so...</i>
	<i>We regard that very strongly with everyone has to, learn, and demonstrate that they can use three new skills per six months. And those three skills do not have to be hugely dramatic; they have to be new skills. And if they do in the new skills, they get a performance score of three, which means they are just doing their job. So if they want to exceed, they had to do four or five new skills every six months. You won't believe what that does to people, and in any drives people to improve.</i>
R3	<i>We also have a system of councillors – at the staff level, staff member can select somebody to be a councillor, like a career guide. That individual should meet with that guide at least once a quarter, see how it's going, get feedback, or if things are worrying you see how they can help.</i>
	<i>People can select their councillors not necessarily from their direct reports. The councillor at half year and end of year, do due diligence. They then develop template which they put into process. They come up with their preliminary rating, assessment of their arguments for that rating, and their strengths and weaknesses which is then represented at a round table where all of the councillors for that particular group of people will meet together and they will then agree the curve.</i>
	<i>Once a year the councillors then meet with the individuals and talk about career plans, milestones, learning experiences, maybe specific things they need to do. Looking at specific career milestones which are applicable to that specific individual. So it is quite a rich discussion</i>
	<i>...when I think that the performance process as I was explaining in the beginning, and the career pathing, does force you to look at some of the key outcomes for the individual. And then in theory, because we are nowhere near where I would like it to be, is that individual's development could be better.</i>
	<i>Everybody has an individual development plan (IDP), and indeed the expectation is discussed with the councillor, around the learning outcomes. Because most of the learning is on the job.</i>

R4	<i>...we hadn't got to personal training programs at PB but we had feedback on the training programmes which we had put in place for general staff which was good.</i>
R5	<i>This is done so that you can get your feedback fairly quickly which accelerates the learning and development.</i>
	<i>Since 2006, when I took over, we have increased the lead the ship of employees from three days to 23 days. Article clerks will spend 46 days in learning. That 23 days is a minimum which is an absolute requirement from all our employees, and the training interventions which are required are monitored and managed through the performance management system.</i>
	<i>...our training budget for the year is in excess of R100 million, which is administered through the performance management...</i>
R6	<i>Again if you know your business, you know what you're resources or, you should have plans in place to deal with that, and then pull through the benefits which is then learning.</i>
R7	<i>Yes absolutely, because remember it has a learning and development module...</i>
R8	<i>Other predictors of success are the simplicity of the performance management system, and everyone understanding it, the extent to which everyone has been trained to use the performance management system.</i>
	<i>So the first round is to identify gaps and a purpose for that is training, making sure that people know what they should be doing, to address the gaps and it is more developmental in nature.</i>
	<i>It is a much more focused approach to learning.</i>
R9	<i>...and it is also about career management.</i>
	<i>Then we also look at will look at things like career development and the employees might have concerns about where they are going, how long it is going to take them to get day, and a look at things around training and stuff.</i>

	<i>You would then determine for the next year what specific training courses are required...</i>
	<i>Yes as I mentioned earlier the learning and development is done through the performance management system where you follow up on the training and development programmes. Things like agreeing which people have got to go on mentorship programmes, etc., and the objectives for the rest of the year are aligned with the training programmes.</i>
R10	<i>The performance management system should be the foundation of other critical human resource processes because it allows you to have a track record and manage career plans and other things...</i>
	<i>In terms of performance. It's a foundation of your succession, career management, a lot of the other interventions which we have in terms of human resources.</i>
	<i>We have a lot of in-house development programmes, 70% of our training is done in-house, for the Treasury, and the performance management system which is called IPM (integrated performance management). We have integrated with the human resource departments unit. So basically they get, for the learning interventions actually come out of the performance management system. And clearly where we see gaps in the individuals performance, learning and development is based specifically on the individual, which comes out of the performance management system.</i>
R11	<i>The scorecard dimensions are Financial, Strategic, Process, Business Development, HR and Self Development. The end score is that of a percentage . The system has the capacity to integrate all of the dimensions into individual, departmental/divisional and Company performance scores. Linked to this are modules integrating competencies and learning and development...</i>
	<i>My view is that learning and development is very good in the company, but whether this can directly be attributed to the PM system is doubtful...</i>
R12	<i>...we have mapped out competencies of each employee, and links back to that is the psychometric assessment which has been done, and in linked back to that is the performance management. If he and all encompassing system, which is a to identify the gaps in employees. Throughout all the levels of the organisation. And once you have identified the gaps, then you can start filling those gaps with specific tailor-made training for each employee for them to improve. From that point of view the development of employees across the board it definitely has an impact on.</i>
	<i>People are now talking about the goals, and then talking about the career development and where they want to be.</i>

R13	<i>Performance management is the process of the management of recruitment and assisting people, the metrics relating to the scorecard of the measurement, and the training and development interventions and the retention of key staff.</i>
	<i>So, if you need specific skills in order to achieve a specific objective, it is it is responsibility to either retain employees or skills that are existing in the company, or train and develop the, or recruit those specific skills to achieve that particular object of.</i>
	<i>The game that is an outcome of the coaching and mentoring of guys, so we purposely link juniors with seniors. There is a specific training and development module of the performance management system which outlines areas of development specifically to that employee.</i>

Interview Question 9: What was the impact of the system on general communication within the organisation?

This question was aimed at determining the impact of the performance management system on general communication within the organisation as a direct result of its implementation. All 13 of the respondents answered this question, and some of the responses are provided in the table below:

Table 5.18: General communication responses

R1	<i>...but having said that it has improved general communication when it comes to performance related matters...</i>
R2	<i>...that is something that we encourage your where we start using the performance management system on a daily basis for communication and feedback...</i>
	<i>I think it does generate communication within the organisation, even though I never thought of it that way, because the certain objects is that the department or division has to get to, they talk to each other about their own performance objectives. What that does is it creates alignment, and a communication of alignment...</i>
	<i>...having it, also does reinforce the culture of performance, so people are thinking about</i>

	<i>performance, and communicating to each other about performance.</i>
R3	<i>It's a very rich discussion and feedback with the individual which creates a much more holistic feedback than simply one guy coming in. here we force a discussion, we force the leadership to sort through the messages, and sometimes the individual doesn't like the leadership, and then we push back on the individual. It empowers the leadership when they engage with staff.</i>
R4	<i>There were areas where performance improved as a result of the performance management system, which then provide some form of peer pressure, so then everybody started to utilise the system more effectively</i>
	<i>It was very good in that it forced communication between line and functional managers.</i>
R5	<i>It definitely enhances communication within the organisation.</i>
R6	<i>... for a certain level it may encourage a little bit of rivalry between departments but we believe that it does enhance communication. If the performance management system is running then there is a correlation between communication within the organisation and the performance management system.</i>
R7	<i>... it facilitates clear communication upfront.</i>
	<i>It boils down to the fact that it fosters a unique language with which to discuss performance management.</i>
R8	<i>It is a conversation and dialogue with the sole purpose of improving performance at every level.</i>
R9	<i>We communicate exactly what is expected from them.</i>
	<i>It becomes a dialogue and it's not just a one way communication system. The employee has got to rate himself before they come in for the formal performance appraisal.</i>

	<i>...in terms of general communication I'm not too sure whether that can be linked back to the performance management system, however there are other forums or programme within the business which are used to enhance general communication.</i>
R10	<i>...when you have a good performance management system, then you create a language within the organisation of people being clear in terms of expectations, people knowing when they are below or above the standard.</i>
	<i>I think it does create a dialogue it performance management, the system creates a specific dialogue amongst staff...</i>
R11	<i>I have seen no impact of our PM system on general communication in the company.</i>
R12	<i>...it creates a constant dialogue between the business and the employee...</i>
	<i>...it forces a dialogue between the line manager and the employee...</i>
	<i>...in the short year that we have utilised the system, we have certainly noticed a more meaningful type of conversation or communication within the organisation. People are now talking about the goals, and then talking about the career development and where they want to be. From that point of view it has generated a communication within the organisation which is performance related.</i>
	<i>...that this is now sort of facilitated or initiated a communication of performance around the organisation, which is very very healthy.</i>
R13	<i>General communication is a little more of a difficult one in that I do not see the correlation between the general communication and the performance management system so I would disagree.</i>

Interview Question 10: What was the impact of the system on the organisation's culture?

This question was aimed at determining the impact on the culture within the organisation as a direct result of the implementation of the performance management system. All 13 of the respondents answered this question, and some responses are provided in the table below.

Table 5.19: Culture responses

R1	<i>Its still very early days to determine the impact on culture.</i>
R2	<i>...we have got quite a high performance culture here...</i>
	<i>I would say that it does, because it is a high performance culture, when people don't get good performance reviews, they already know before they get the feedback.</i>
	<i>It also influences the culture, because the receptionist can ask the director whether they have returned that call, and it is a culture of responsibility and accountability.</i>
	<i>...having what it also does is it reinforces the culture of performance, so people are thinking about performance, and communicating to each other about performance.</i>
	<i>That culture is so important for business. I have often wondered whether culture desires the performance management system or whether the implementation of the performance management system drive the culture within the business.</i>
R3	<i>...we are a performance driven culture with heart, and we are fair. One of our values, and one of our people's principles, is to give our staff frank and honest feedback around performance.</i>
R4	<i>...you start you start getting their culture where if I say I'm going to do something I better do it.</i>
	<i>...it promoted a very open culture in the organisation. There was a common culture of transparency and it took subjectivity out of the performance review system.</i>
	<i>...the culture of high performance within the in the organisation and it certainly got people to focus in the right areas...</i>
R5	<i>Culture is extremely important, as you know we have the Deloitte way, and they are various habits and actions which are also monitored in the performance management system because we have to ensure that we maintain our culture. And it does make a</i>

	<i>big difference...</i>
R6	<i>Yes it definitely has a positive correlation to culture.</i>
R7	<i>I think that if you measure performance objectively, fairly and it drives the culture of performance.</i>
	<i>It drives a culture of delivery, and its a driver of target.</i>
	<i>It drives a culture of measurement</i>
R8	<i>It makes or breaks and sets your culture.</i>
	<i>... as a high performing culture and if it is not working you generally just bumble along. And you criticise it and the system becomes a real nuisance. So the unintended consequences of implementing it badly really messes up the culture.</i>
	<i>...performance management is the second biggest lever to drive organisation culture.</i>
R9	<i>Culture is a also a little bit difficult. When it comes to culture, but thinking about it does develop a culture of performance, and to drive the company culture to ensure that guys are behaving in accordance with it.</i>
	<i>Definitely it has impacted culture and we have used the performance management system to drive the culture of the business.</i>
R10	<i>The performance management process helps drive, certain behaviour, which goes a long way to improving culture of the organisation...</i>
R11	<i>...it reinforces culture...</i>
R12	<i>Everybody knows that we are taking it seriously, performance is a serious thing, and we are trying to create a performance culture which is the objective of the business.</i>

	<i>...for us now, you're certainly talking now about a culture of performance and a culture of the delivery. We are now trying to build a culture of performance so that that comes through with in the measures within the system. With this we are trying to drive the cult of performance and culture of delivery which is facilitated by the performance management system.</i>
R13	<i>...that whole system needs to take cognizance of and operate within the company's framework of culture, policy, structure, and values.</i>
	<i>It helps to align people to the culture of the business so you are measuring cultural issues that you want people to be aligned to, and you are discouraging bad culture,. So it helps to create a culture that you particularly want.</i>

Interview Question 11: What is the impact of the performance management system on reward systems within the organisation?

This question was aimed at determining the impact of the performance management system on the reward systems within the organisation as a direct result of the implementation of the performance management system. All 13 of the respondents answered this question, and some of their responses are provided in the table below.

Table 5.20: Reward responses

R1	<i>...performance management system will determine what the rewards are in the future, which will include both bonuses and salary increments...</i>
R2	<i>Then just in terms of the frequency, we have two review a year and when we ran the review the one review of links to merit increases and either a review links to performance bonuses, having said that when we'll run the review their managers are trained to not focus on the link to remuneration and focus on the development.</i>
	<i>...one of the other interesting things, and every business would have experienced it, because the link remuneration to the performance review, so that there is actually a monetary outcome at the end of the day...</i>

	<i>...during an economic downturn, people didn't get lower bonuses, and they do get lower increases, just as a result of the environment.</i>
	<i>Our system is a direct link to the performance management system, and because we do it on an ongoing basis, it doesn't matter as much...</i>
	<i>...and finally tie it back to the remuneration system and the promotion...</i>
R3	<i>It became really really clear that people were being rewarded on the basis of tenure and all that sort of stuff and not on the basis of performance which is critical for the business. So if you don't do it this way, you begin to get yourself into unfair situations.</i>
	<i>The link back to the performance management system or process, is the only fair a way to do it. The system, or the process which we do, but at the required increase and the necessary adjustments for promotions where applicable.</i>
R4	<i>It has a positive impact on the reward system in the business as bonuses now could be accurately allocated to all parties.</i>
R5	<i>...at Deloitte since 2006, till 2012, we have doubled the turnover and increased profits by 110%...</i>
	<i>...but you know that the differential in towards certainly also comes at a promotion level...</i>
R6	<i>...primary linkages are the reward systems...</i>
	<i>...so what you get is that people are doing the performance reviews only for the rewards, and they don't give poor reviews as the affect the bonuses...</i>
	<i>It is an equitable basis with which to measure and reward people. The challenge comes in how we structure that. It does however have unintended consequences in that reward becomes the driver of the behaviour rather than the actual performance of the individual. This is the challenge of any performance management system is to try and determine what are the unintended consequences so as not to fall foul of them.</i>
R7	<i>...the rewards can be objectively based on measurable outputs, which are monitored and properly evaluated.</i>

	<i>...it gives people the feeling that rewards are fair and that those that work harder get rewarded the most. So absolutely.</i>
R8	<i>The second one is expressly linked to the pay increase and the bonuses. The feedback is extremely direct, there is no guesswork, people know exactly how they have performed.</i>
	<i>The reward systems are the focused, and linked to the performance management system as bonus systems. So your pay increase and your bonus as a direct link to the performance management system. Direct and everybody knows it. It is crystal clear.</i>
	<i>The performance management system has a really resulted in much better and focused performance, and all the ducks are aligned. There is no person in this organisation who does not know what gets measured. Everybody knows, it's on the tip of the fingers.</i>
R9	<i>How we enforce this is that if they do not do a performance appraisal then bonuses do not get paid to them.</i>
	<i>They know what they have got to achieve because the guys don't get bonuses if they don't achieve the targets.</i>
	<i>And yes definitely. Their bonuses or linked directly to the performance management system. It is linked to things like completing projects on time, profit before interest and tax, which is a really aligned back to the strategy of the business.</i>
R10	<i>We do have a bonus system which is linked to the performance management system, However I think that it might be driving the wrong behaviour. To be honest it is one of the things we have had to be in a position to say, the better you make performance management system linked to the business drivers, the better in terms of driving the correct behaviour in terms of the reward.</i>
	<i>...because people turn it into a bonus thing only in terms of the performance management system because I think it's shifting the focus about being about to a reward...</i>
R11	<i>.. it reinforces culture, motivates employee performance, and allocates reward effectively...</i>
	<i>...there has been a more scientific and better link in terms of reward to actual recorded performance. This is because the bonus, incentive and increase process is so designed...</i>

R12	<i>What we found that now that with the performance management system, we are going to differentiate between the stand out performers, the mediocre performers, and also the non-performers. And in linking back that the reward system or the profit-sharing scheme to the performance management system this morning further enhance or further drive our culture of delivery and performance, we're people get rewarded for the effort that they put in.</i>
R13	<i>Those are definitely needed and required to be in place. So it helps to align people to the correct behaviour, because you are rewarding them for specific behaviour that you are then measuring in the balanced scorecard. Reward systems are aligned to your objectives of a business.</i>

Interview Question 12: Who do you believe should own the system?

This question was aimed at determining who executives believe should take responsibility for or drive the performance management system. All 13 respondents answered this question, and their answers are captured in the table below.

Table 5.21: Owning of the system responses

<i>R1</i>	<i>It should be driven by the HR subcommittee which was mandated by the CEO of the business, but every single employee should own the system.</i>
<i>R2</i>	<i>I believe that in any company, if the CEO is not endorsing any system, he has got to empower the people some of the system, and the CEO must drive the system. He has to agree with it, and he has to empower the people to implement the system.</i>
<i>R3</i>	<i>The process of the administration of the system should be done by HR, that the driving of the system should be by the business head leaders.</i>
<i>R4</i>	<i>The performance management system should be driven directly from the top- from the CEO of the business</i>
<i>R5</i>	<i>So for me, as the CEO of the business, it's vital that I own the system, so that</i>

	<i>everybody takes it seriously, because it is results and people orientated, and to make sure that things get done.</i>
R6	<i>Leadership should be the owners.</i>
R7	<i>Line management.</i>
R8	<i>If the CEO, owns it, which is your last question, I think it is the single biggest predictor of performance. The CEO is much more involved with the line management and the bulk of it falls squarely in his responsibility. I'm totally convinced, and there is nothing that will change my mind, that the CEO should own. The CEO must use it as a business tool to drive strategy. And if the CEO can't see that and palms it off onto the HR department it is dead in the water. It is a lame duck. For me there is no other way, it's as simple as that.</i>
R9	<i>HR is the facilitator, and not the driver. The line manager must own it. They must take ownership of it.</i>
R10	<i>Definitely would say he the executors or head of organisations should drive it. I think in HR should play a role of administering it, but the custodian of it should be the head of the organisation. That way would keep everyone on their toes that it should definitely be right from the top. People take it really seriously when it is driven right from the top. Knowing that there are consequences if the system was not adopted properly.</i>
R11	<i>A culture of performance management should primarily be driven by the leadership of an organisation.</i>
R12	<i>Well certainly for me, the CEO of the business needs to drive the system. He has got to own the system. It is not an easy process to follow through, it is a big change in everybody's lives, and unless it comes from the very top, people are going to be resistant to change or more importantly, people are resistant to change. And the only way we are going to be able to do it, could change people's behaviour, to change the culture of the business, is if it is driven from the very top.</i>
R13	<i>It is administered by HR, however in terms of ownership of the system it is definitely a leadership responsibility, so the higher you go up the ladder of the business dated is because you can then sway the direction and the behaviour will be emulated from those at the top. It really needs to be owned by the CEO.</i>

All the collected data were categorised into various themes that emerged from the interviews. Chapter 6 provides an interpretation of the results in relation to the literature discussed in Chapter 2.

6. Interpretation of results

6.1 Introduction

The objective of the present study was to determine the perceptions of South African executives of performance management. This chapter provides insight into the findings as they relate to the purpose and objectives of the study, which findings are discussed in relation to studies found in the literature. The results of the interviews, as presented in Chapter 5, are synthesised into a comprehensive assessment of executives' perceptions of the performance management process.

The chapter commences with a brief discussion of the participants' profiles and their industry representation. The research results are then analysed and discussed with respect to the research questions posed in Chapter 3.

6.2 Participants profiles and industry representation

A discussion of participants' profiles and industry representation is pertinent to the reliability and relevance of research results. As can be seen in Table 5.1, all the participants were at executive levels, with the majority of the participants being chief executive officers of the respective businesses. All the respondents were from organisations in service related sectors.

6.3 Respondents' understanding of performance management

All the respondent were asked to provide their understanding, view and experiences of performance measurement. The question was open-ended, so as not to prompt answers which respondents thought the researcher wanted to hear.

Once all the information was received from the respondents, the researcher used a qualitative content analysis process, and then divided the data into the following themes, which became apparent during the course of the interviews:

- Strategy;
 - 1. Balance scorecard
- Consistent and fair;
- Goals and objectives;
- Employee performance;
- Performance contracts; and
- User-friendly

Each of the above themes were coded utilising the Nvivo 10 software package, and then analysed according to:

- number of sources or respondents and,
- number of coding references.

The respondents were the sources, which yielded a total of 157 coding references (the number of times a statement was made in a category or a theme).

6.3.1 Strategy

From the analysis of the interview data it can be seen that 11 (85%) of the 13 respondents made references to performance management being integrated with the overall strategy of the organisation, and utilising this process in order to communicate and measure performance against the strategy, throughout the organisation. Of the 157 coding references, 46 (29%) were made specifically in line with the theme of strategy, as well as alignment of the performance management system with the strategic intent of the organisation. From the analysis of the data, it was clear to the researcher that strategy is one of the fundamental aspects of a performance management system. In this regard, definitions provided by the participants when asked about their general understanding of performance management included: "... employees' performance is linked to the strategy" (R1); "... Strategy needs to be driven right through the performance management system" (R2); "... performance management converts strategy into simple language..." (R8); "The

only way to get to that level is when you have your strategy and it has been signed off...” (R4); and “... which is really aligned back to the strategy of the business” (R12).

The responses expressed by the respondents were in line with the definition of the concept of performance management as provided by Aguinis and Pierce (2008), who define performance management as the measurement and development of individuals and teams in alignment with the strategy of the organisation. Nillson and Kald (2002), in their study of performance management, found that one of the fundamental successes of Japanese companies is the strategic dialogue between senior management and executives. They state that being able to cascade the strategy of the business to lower levels of the organisation is fundamental to the success of an organisation.

6.3.1.1 Balanced scorecard approach

13 respondents remained after 2 withdrew from the study due to the parties being unable to co-ordinate their respective diaries. These 13 respondents supported the alignment of strategy with the performance management system, and 8 (73%) made a direct reference to the balanced scorecard approach. A total of 14 coding references were linked to the balanced scorecard approach. Some of the references by the respondents included: “I have utilised the balanced scorecard...” (R4); “...it takes the five key elements of the business...” (R1); “You need a balanced scorecard approach with the process, financial...” (R2); and “one of the major, in terms of how balanced scorecard...” (R12).

The researcher found that a balanced scorecard approach was a prominent strategy framework utilised in the performance management process. Kaplan and Norton (1992) therefore established a multi dimensional instrument that captures performance indicators of future success, based on the four broad principles of finance, customer perspective, process, and learning and growth.

6.3.2 Goals and objectives

11 (85%) of the 13 respondents made references to performance management being a management tool to define the goals and objectives of the organisation, and to align the performance of employees with the organisation's goals. Of the 157 coding references, 40 (25%) were specifically in line with the setting of goals and objectives, and the fact that the goals and objectives must be clarified at the commencement of the performance review period.

In this regard, the following are some of the definitions provided by the participants: "...its an holistic thing which makes you understand and align peoples' goals..." (R3); "We needed to make sure we had consistent goals and objectives..." (R4); "...we set their goals and targets for the year..." (R8); "...giving clear objectives to the relevant employees is critical..." (R9); and "...where you have defined actions and objectives for everybody..." (R10).

The fact that 85% of the respondents confirmed that the developing of goals and objectives of individuals and teams must be aligned to the goals and objectives of the organisation is significant, as well as consistent with the argument of Nillson and Kald (2002).

6.3.3 Employee performance

11 (85%) of the 13 respondents made references to performance management being a predictor of employee performance for the upcoming review period, if the measures are clearly understood and realistic. Of the 157 coding references, 30 (19%) specifically referred to employee performance. None of the participants was prompted to make specific reference to employee performance, yet this was a consistent theme.

In this regard, the following are some of the responses consistent with the theory of employee performance: "...where people are rising to those expectations..." (R3); "...so that feedback and corrective action can be put in place..." (R7); "...that process corrects your planning doing gap..." (R4); "...how each person is performing against those goals and objectives..." (R12); and "...you get a trend over time where a person has been constantly performing, or constantly not performing..." (R12).

The high number of respondents linking the performance management system to employee performance is confirmed in the literature by Den Hartog, Boselie, and Paauwe (2004), who define performance as an integrated process in which managers work with their employees

to set expectations, and measure and review results, with the principle objective of improving employee performance. This ultimately leads to enhanced organisation performance.

6.3.4 Consistent and fair

8 (62%) of the 13 respondents made references to performance management being a system or a process that needs to be consistent over time, and that should be a fair and unbiased approach to the measurement of employee, in line with the agreed metrics at the commencement of the performance review period. Of the 157 coding references, 20 (13%) were specifically in line with the concept of consistency and fairness, with respondents using terms such as frank and honest, objective, and not being subjective to describe this notion.

Not every respondent described the effectiveness a performance management system as being dependent on, specifically consistence and fairness, as is evident from the following quotes: “...it is all about treating people fairly...” (R5); “...it’s an inherently fair system...” (R3); “...you take out all the debate and you take out the subjectivity...” (R4); “...you need to communicate this in an honest way...” (R9); ‘...accurate and consistent performance data is therefore generated through consistent application...’ (R11).

Aguinis et al. (2011) state that the fundamentals of the performance management system are that it should be fair and reliable, and should minimises error and maximises consistency.

6.3.5 User-friendly

6 (46%) of the 13 respondents made references to the fact that a performance management system should be easy to utilise and understand. Of the 157 coding references, 11 (7%) were specifically in line with a system being user-friendly in order to achieve effective implementation, and, hence, reliable results.

Whilst not all respondents indicated that the system or process should be user-friendly, no statements to the contrary were made in this regard. The following are some of the responses from the participants regarding the simplicity of the system: “...the simpler the better...” (R2); “...the system is currently simple and uncomplicated...” (R6); “...other predictors of success are the simplicity of the performance management system...” (R8); “...if the performance appraisal forms are too long or complicated, they tend to hijack the conversation...” (R8).

However, even a user-friendly system requires formal training of all users of the system. Aguinis et al. (2011) also state that ongoing training of the performance raters and employees is a prerequisite for effectiveness of use of the system.

6.3.6 Performance contracts

6 (46%) of the 13 respondents made references to performance management being an effective tool for the confirmation and formalisation of performance contracts for employees for the review period ahead, where the measures required of the employee are formalised in writing, and confirmed in the performance management process for each employee. Of the 157 coding references, 9 (6%) were made specifically in line with the utilisation of performance contracts to set the performance standards required by the organisation.

6.4 Continuous Process

All 13 of the respondents (100%) confirmed that performance reviews need to be done more than once a year, and the continuous feedback to individuals and teams is fundamental to the success of the organisation.

The following are some of the responses from some of the participants with reference to feedback: "...we do it quarterly..." (R1); "...do performance appraisals twice a year. So it is continuous' (R7); "...every day, every week, this is just the formalisation of it" (R8).

Armstrong and Baron (1998) state that performance management must not only be done annually, but quarterly, or even monthly. One of the cornerstones of performance management is the communication and continuous feedback to employees, which facilitates the continuous development of the employee and the organisation (Aguinis et al., 2012).

6.5 The extent to which executives prioritise implementation of performance management

All 13 (100%) of the respondents confirmed that executives need to place a high priority on the implementation of a performance management system.

The following are some of the responses from some of the participants with reference to the importance of implementing the system: “The CEO must drive the system as a top priority” (R2); “...high priority; I mean, its one of the most important management tools...” (R7); ‘...it’s critical; we are a high-performance organisation...’ (R8); “...a very high priority...” (R13).

6.5.1 The impact on productivity within the organisation

All 13 (100%) stated that implementation of the performance management system had had a positive impact on productivity within the organisation.

The following are some of the responses regarding productivity within the organisation: “...process measure is directly linked to productivity...” (R2); ‘...in terms of productivity, every year the level of the bar increases...’ (R4); “...one is completely focused on what one needs to produce, and it has increased...” (R8); “...we are now getting delivery, and it certainly does improve productivity...” (R12).

This is consistent with Cascio's (2006) statement that productivity can be expected to improve when using goal setting as a tool. Productivity can be expected to increase when skilled workers are attracted to organisations offering higher incentives linked to measurable performance outputs (Bloom & Van Reenen, 2011).

6.7.2 The impact on the financial performance of the organisation

10 (77%) of the 13 respondents stated that implementation of the performance management system had a positive impact on the organisation's financial performance. None of the respondents indicated a negative correlation in this regard.

The following are some of the responses on the financial performance of the organisation: "...it has a direct link..." (R2); "...since 2006 we have doubled turnover and increased profits by 110%..." (R4); "...greater focus is on financial performance, and personally, I have seen some improvement..." (R11); "...in a short space of time I have seen individuals within the business getting better financial results..." (R12).

In two of the state-owned enterprises, there was no tangible link the performance management system and financial performance, as is evident in some of the quotes: "...not really, we are in the public sector...(R10); "...its not really applicable..." (R6).

This impact on financial performance is in line with the finding of a study conducted by Cascio (2006), where it was confirmed that companies with strong performance management systems are likely to perform better than companies without such a system. Delaney and Huselid (1996) state that it has been proven that organisations increase their productivity and financial performance through the utilisation of performance management tools.

6.7.3 The impact on employee engagement within the organisation

11 (85%) of the 13 respondents stated that the implementation of the performance management system had had a positive impact on productivity within the organisation, whereas two respondents noted that there was no evidence of improved employee engagement.

The following are some of the responses regarding employee engagement within the organisation: “...I have got feedback that employee engagement has definitely improved...” (R4); ‘...it contributes positively...’ (R6); “...because of the performance management system, you have to spend time with the guys, so it definitely improves employee engagement...” (R9); “...it definitely has an impact on employee engagement because we have done commitment surveys for the past three years, and you can see the link...” (R10).

Gruman and Saks (2011) argue that organisations can gain a competitive advantage through employee engagement. A study by Macey, Schneider, Barbera and Young (2009),

using a sample of 65 organisations in various industries, found that the top 25% of organisations on the employee engagement index achieved greater returns on assets, profitability, and more than double the shareholder value than the bottom 25%.

6.7.4 The impact on learning within the organisation and the development of employees

12 (92%) of the 13 of the respondents stated that there had been a positive impact on learning within the organisation and the development of employees.

The following are some of the responses on learning and development within the organisation: "...so it has done very well in terms of the development of employees..." (R1); "...the organisation has got quite a high learning environment..." (R2); "...the benefits, which is then learning..." (R6); "...feedback which accelerates the learning and development..." (R5); "...much more focused approach to learning..." (R8).

This is consistent with the literature of Aguinis et al. (2012), which states that one of the cornerstones of performance management is communication (including continuous feedback), as it facilitates improvement of employees in the future. Delaney and Huselid (1996) re-iterate this notion by stating that if performance management processes are not implemented in an organisation, employees will not be motivated to perform, which will have a negative impact on the performance of the organisation. Improvement and learning are closely integrated, and performance management is a key component of this process, as it

allows employees to appreciate the need for constant improvement, which has a positive effect on the organisation's performance (Yiannis et al., 2009b).

However, one of the respondents (R11) noted that "...learning and development is [*sic*] very good in the company, but whether this can be directly attributed to the performance management system is doubtful."

6.7.5 The impact on culture within the organisation

12 (92%) of the 13 of the respondents stated that the performance management system had a positive impact on the culture of the organisation.

The following are some of the responses on the culture of the organisation: "...we have got quite a high performance culture..." (R2); "...it definitely has a positive correlation with culture..." (R5); "...it drives a culture of delivery and it's a driver of targets..." (R6); "...it makes or breaks your culture..." (R7); "...helps driver certain behaviour, which goes a long way to improving the culture of the organisation..." (R9).

Culture is defined by Zhou, Bundorf, Chang, Huang, and Xue (2009) as a set of shared and implicit assumptions that a group holds, and that determines how it perceives, thinks about, and reacts to various elements within the environment.

6.7.6 The impact on reward systems

All 13 (100%) of the respondents stated that the performance management system and the rewards programmes are closely integrated to enhance the performance of individuals and teams.

The following are some of the responses on reward systems within the organisation: "...the link back to the performance management system is the only way to do it..." (R2); "...bonuses can now be accurately allocated to parties..." (R4); "...it is an equitable basis with which to measure and reward people..." (R6); "...it has resulted in a much better and focused performance, as your pay increase and bonus is directly linked..." (R8); "...it helps to align people in the correct behaviour, because you are rewarding them for specific behaviour..." (R13).

This is consistent with the literature of Helm et al. (2007), which states that pay-for-performance platforms are common to many organisations, but that few clarify the goals of the performance management system and link the two. For a reward system to be an effective incentive for performance, it must be communicated clearly how the assessment will be done, and more importantly, how the results will be converted to the appropriate financial reward (Yiannis, 2009a).

The next chapter sets out the conclusions of the research and the findings, and provides recommendations for future research.

7. Recommendations and conclusion

7.1 Introduction

This chapter summarises the research objectives, the major findings of the research, as well as the contributions that have been made to the existing body of knowledge. The researcher also makes recommendations based on the findings of the research, and offers suggestions for future research. These are then followed by a conclusion.

7.2 Motivations, aims, and contributions

7.2.1 Motivations of the study

The management of human capital is critical to the performance of an organisation, as highlighted by Ahmad and Schroder (2003) in their statement that human resources are the most important asset of an organisation. Yiannis (2009b) states that the primary objective of a performance management system is to improve performance of individuals and teams by developing skills and the capacity to carry out work effectively, which has the overall effect of improving the performance of the organisation. The present researcher set out to prove that companies that have implemented effective performance management systems have experiences perceived improvements of various aspects of the business, as set out in Chapter 3.

The literature review revealed that organisations that have implemented effective performance management systems have a greater ability to improve the overall performance of the organisation (Delaney & Huselid, 1996). A good performance management system includes the measurement of behaviours and results of individuals and teams; when employees have a measure of control over the results of their performance measures, it is appropriate and reasonable to measure their performance (Aguinis et al., 2012).

The present research study was motivated by the researcher's desire to determine, in more detail, the outcomes of an effective performance management system. A qualitative study, utilising interviews with executives was undertaken to determine the outcomes of implementing a performance management system. Executives of an organisation understand the results of the business in detail. By examining the perceptions of executives in these organisations, the researcher was able to then determine the effectiveness of a performance management process in organisations.

In the present study, it was necessary to design an interview process with a predetermined questionnaire based on the literature review. This questionnaire was utilised to determine whether the executives' perceptions were in line with those in the literature. The interviews were semi-structured to ensure that the participants could air their views and perceptions without being directed by the researcher. The method of analysis utilised was a content analysis, which then themed the responses from the participants, which were reported earlier.

7.2.2 Contributions to existing bodies of knowledge

This study has confirmed the literature where it states that the following areas are positively impacted through the use of an effective performance management system:

- Productivity;
- Financial performance;
- Employee engagement;
- Continuous improvement and development of employees;
- Culture of the organisation; and
- Reward systems.

The research confirmed that executives of organisations feel that an effective performance management system positively impacts on the abovementioned areas, which makes a positive contribution to the overall performance of an organisation.

7.3 Major findings

The research was able to establish the overall understanding of performance management amongst executives of South African companies. Various themes were extracted from the interviews, which were consistent with the literature. These themes were:

- Strategy – with a strong emphasis on a Balanced Scorecard approach;
- Consistent and fair;

- Employee performance;
- Goals and objectives;
- Performance contracts; and
- User-friendly.

The present research was also able to confirm that effective implementation of a performance management system entails a continuous process, in that it should not be a performance appraisal that takes place on an annual basis. Performance appraisals focus entirely on past performance, resulting in there being no clear benefits for the supervisor, employees, or the organisation (Aguinis et al., 2011). The findings support previous research that performance management needs to be a continuous process in order to be effective in the long run.

The present research confirmed that, for performance management to be effective in an organisation, executives must place a high priority on the implementation of such a system. It was an interesting observation that every one of the executives placed a high priority on the system, which ensured that the system then cascaded from the top to all levels of the organisation.

Previous research confirmed the impact of the performance management systems on the following:

- Productivity;
- Financial performance;

- Employee engagement;
- Continuous improvement and development of employees;
- Culture of the organisation; and
- Reward systems.

The present research confirmed that the abovementioned outcomes of performance management are a consistent perception amongst executives of South African companies.

One of the compelling findings of the research was the fact that the majority of executives within the sample set believed that a performance management system needs to be owned and driven by the chief executive officer of the organisation. In many organisations, performance management is the responsibility of the human resources department. The present study determined that, in order to be effective, a performance management system has to be driven from the top.

The present research highlights the perceptions of South Africa executives on the implementation of performance management, as well as some of the critical success factors that are required for the successful implementation of such a system. It has been found that performance management is perceived to be linked to the performance of the organisation. With this being highlighted by the executives, who are employed in large, recognised organisations, it is recommended that organisations wanting to improve the performance of individuals and teams need to effectively implement such a system, and ensure that it is driven by leadership of the organisation.

7.4 Recommendations for future research

The feelings and perceptions of South African executives on the implementation of a performance management were consistent with the literature, but there is no conclusive evidence that this would be applicable to all organisations in South Africa. The sample set was limited to service-orientated organisations in Johannesburg, and there may be a need to conduct research in other areas of South Africa.

There is also a need for further research within a manufacturing environment, which is reliant on human capital as well as mechanised equipment. In a highly mechanised environment, it cannot be accurately established whether performance management systems for human resources would have a similar impact on all the outcomes examined in this research study.

Further research could also be done on the perceptions of employees in South African companies regarding the implementation of performance management systems. The researcher wanted to determine what the perceptions of executives of South African companies are, in order to determine the perceived impact on the overall performance of the organisation. Future research could also determine the perceptions of employees and different levels of management, to determine whether their perceptions are consistent with those of South African executives.

7.5 Conclusion

This study was conducted on South African companies after a recent (2008-2010) economic downturn. Companies seek a competitive advantage, utilising existing resources, which can be attained by enhancing the performance of individuals and teams.

Smith and Goddard (2002) state that the most common measure of the success of performance management is probably still the financial performance of an organisation, as that is what is perceived to represent shareholder value. The principle interest of organisations is still to optimise financial performance, and the implementation of a performance management system enhances not only financial performance, but also other areas that are critical to a business.

This study was aimed at exploring South African executives' perceptions of performance management and the impact thereof on the performance of the organisation. The findings revealed a reasonably positive correlation between the implementation of a performance management system and the performance of the organisation. The researcher found this encouraging, as there is sufficient evidence to suggest that South African companies should aim to enhance their human capital practices in order to enhance their overall performance.

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9. Appendix 1: Interview Questionnaire

1. What is your understanding of performance management? Your thoughts and experiences around the value of an effective performance management system?
2. Please can you describe your performance management system briefly? There are many systems of performance appraisals, management by objectives, etc. I would just like to understand your system briefly.
 - Is it organisation wide, and is it a continuous process?
3. When did you implement a formal performance management system?
4. To what extent, do you as an executive, place on the prioritisation of the implementation of the performance management system?
5. What has been the impact on
 - 5.1. productivity
 - 5.2. financial performance
 - 5.3. employee engagement
 - 5.4. learning within the organisation and the development of employees (including the development of personal training programmes)
 - 5.5. general communication within the organisation
 - 5.6. culture
 - 5.7. Reward systemspost the implementation of the system? Has it resulted in behavioural changes?
6. Who do you believe should own the system?



University of Pretoria

Executive perceptions on performance management in South Africa

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of Pretoria, in partial fulfilment of the requirements for the degree of

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Abstract

Performance management is a management tool with which to align employees and teams goals and objectives with the organisation's strategic goals. Performance management is a strategic and integrated approach to human resource management that facilitates the delivery of sustainable performance to organisations by continuously measuring performance and setting dynamic goals and objectives so that there is continuous improvement of individuals and the organisation.

Historically, companies in South Africa have misunderstood the true elements of a performance management system, and have utilised a performance appraisals, which review and reward historical performance, as opposed to performance management, which is future-orientated for continuous improvement. The main aim of the present study was to explore the perceptions and understanding of performance management of executives in South African companies, and to determine the outcomes of an effective performance management system. This research was important to define the attributes of an effective performance management system, and to obtain clarity on the elements that assist in the implementation thereof.

The researcher conceptualised a framework for performance management, and then conducted semi-structured interviews to gain the perceptions and insights of executives in South African companies regarding their experiences of performance management. A qualitative content analysis method was then utilised to cluster themes of consistency in the approaches of the executives.

The results were consistent with previous literature in terms of the impact and the benefits of the implementation of a performance management system, highlighting the improved performance of individuals and teams in productivity, financial performance, employee engagement, continuous improvement of employees, reward systems, and the culture within the organisation. These findings support the need for performance management to be implemented effectively in South African companies. The implication for South African executives is that performance management should be implemented correctly and effectively, and to be driven by the CEO or the executive team of an organisation in order for it to be implemented effectively.

Declaration

I declare that this project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria.

It has not been submitted before for any degree or examination in any other university.

I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Clinton Crowie

Date

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1. Introduction

1.1 Introduction to the research problem

Performance management is a continuous process. It involves the integration of mapping, measuring, and development of the performance of individuals and teams by aligning it with the strategy of the organisation (Aguinis & Pierce, 2008). The utilisation of performance management tools has been proven to increase organisations' productivity and financial performance, as well as other areas (Delaney & Huselid, 1996).

Kaplan and Norton (1992, p. 73) state implicitly that “what you measure is what you get.” Kaplan and Norton (1992) further state that executives in organisations understand that their organisation’s measurement system strongly influences the behaviour of both managers and employees. It is this behaviour that performance management set outs to influence, so that positive behaviours from individuals and teams, in varying aspects of the business, can influence the behaviour and performance of the organisation.

Cascio (2006) states that a research project gave evidence that companies with strong performance management systems are 51% more likely to perform better on financial measures than their competitors. Despite the criticisms of Cascio's research project, it can be argued that strong performance management impacts positively on organisations. However, as reinforced by Cascio (2006), consistent and frequent feedbacks on

performance are critical procedures that must be administered for the effective implementation of performance management.

Performance management allows people to understand the relevance of improving their performance. It offers them opportunities to progress by allowing them to reflect on the past and learn from their experiences (Yannis et al., 2009). In this way, performance management is a dynamic process that reflects on the past, regulates the present and projects the future.

Performance management has evolved to ensure that there is constant communication and feedback to individuals and teams. This communication allows for continuous direction, which can be constantly monitored, for continuous improvement. Performance management is a strategic and integrated approach that delivers sustainable performance to organisations through a process of continuous improvement of its people and teams. Performance management aims to develop the capabilities of individuals and teams (Armstrong, 2009). Aguinis et al. (2012) argue that this process has a positive impact on employee engagement, productivity, and the prevention of staff turnover.

In addition to the financial rewards and continuous engagement of employees, performance management also allows organisations the opportunity to offer non-financial rewards through recognition, personal development opportunities, and a commitment to support the individual by integrating the individual's and the company's objectives (Yiannis, 2009b).

Through performance management, companies are able to create an environment that regards human resources as the most valuable asset in the organisation. In this way, performance management aids the creation of a culture that develops potential and values individuals. The organisational culture that is developed can provide a sustained competitive advantage (Ahmad & Schroder, 2003).

Performance management has evolved from management by objectives to performance appraisals, and finally to performance management as we know it today. Whilst performance appraisals are more historic in nature and look at past performance, performance management is about setting goals and objectives in the future, and then measuring against these (Armstrong & Baron, 1998). Performance appraisals also traditionally looked at reviews on an annual basis, while one of the founding principles of a performance management system is that it needs to be a continuous process. Armstrong and Baron (1998) state that it should not only be done annually, but quarterly or even monthly.

Performance appraisals have traditionally been administered on an annual basis by a human resources department. It involves a process/procedure whereby managers rate subordinates' performance. Armstrong (2009) describes performance appraisals as a management tool with which to provide structured feedback to the individual. This encourages improvement in the future, and should be performed more often than annually.

1.2 Research problem

The researcher found that South African companies generally utilise performance appraisal systems; and the focus of the present research was to find companies who had implemented performance management systems in order to gain insights from executives in these organisations on their perceptions of performance management as a tool. Cascio (2006) found that companies who had implemented effective performance management systems are more likely to perform better on financial measures than their competitors who had not implement an effective performance management process.

Historically, performance management has been misunderstood by organisations. It was often incorrectly understood to be performance appraisals, which are usually done infrequently and place too much emphasis on the performance of the individual. Because of this misinterpretation, performance management is often viewed as an ineffective, laborious task that must be undertaken by the HR department (Aguins et al., 2011). This misinterpretation of performance management as performance appraisals results in incorrect implementation, which then translates into ineffective outcomes.

Effective performance management involves all stakeholders, and should be steered by executive management. In order for the performance management strategies to become a priority and be performed as an ongoing process, perceptions need to change.

There has been previous research on performance management and its correlation to productivity, its methods to improve operational effectiveness (Ahmad & Schroder, 2003), as well as the correlation between performance management and financial performance (Huselid, 1995). Aguinis et al. (2012) state that performance management entails

communication and continuous feedback to employees, which allows them to improve in the future. Performance management as a management tool has been in place since the 1980s (Hellqvist, 2011), but little empirical research is available on the outcomes of performance management in South African companies. More specifically, research on the perceptions of decision-making bodies within an organisation and the reasons why performance management is not implemented properly is limited.

1.3 Research motivation

By highlighting executives' perceptions of performance management and working towards a more positive engagement with the strategy, one could encourage understanding and improve on the implementation of performance management in South Africa.

In the present study, executives were defined using the Paterson grading system, and South African executives were identified as the sample set for determining the perceptions of performance management. The researcher found little evidence of executives' perceptions of performance management in the literature.

This research aims to highlight the impact of executives' perceptions on effective performance management.

1.4 Research scope

Ahmad and Schroder (2003) describe human resources as being the most important asset of an organisation, and the researcher wanted to determine to what extent performance management has an influence on the outcomes of select organisations. The organisations studied were not restricted to one particular industry, as human resources are common to all organisations, and the increase in output or productivity of an organisation has an effect on the overall productivity of any business.

The researcher set out to determine what South African executives perceive as the outcomes of an effective performance management system. In order to do this, companies who implemented effective performance management systems had to be identified, and then those executives, preferably the chief executive officers, were interviewed to get their understanding on the outcomes of the implementation of the performance management system.

The study was deliberately limited to organisations that effectively apply a performance management system, which was confirmed by the researcher. Furthermore, only executives' perceptions were considered. The rationale behind this approach was the belief that using companies with effective performance management strategies and researching their executives' perceptions will develop a deeper understanding of this topic.

The research looked specifically at performance management's perceived impact on:

1. productivity;

2. financial performance;
3. employee engagement;
4. continuous improvement and development of employees;
5. organisational culture; and
6. reward systems.

This chapter was aimed at creating the context for and an outline of the objectives of the research. It also discussed the need for this specific research project.

The literature review, which follows in Chapter 2 explores the outcomes of an effective performance management system according to organisations' varying criteria.

2 Literature review

The theory reviewed in this section defines the concept of performance management, how it has evolved as a strategic human resources practice, as well as the benefits and outcomes of the implementation of performance management. Executives in South Africa have been defined utilising the Paterson system. Each of these areas is defined further in the literature review. Due to the research being exploratory, the literature review presented in this research proposal was continuously revised and developed as the data were collected and analysed (Creswell, 1998).

2.1 Performance management

The Dorling Oxford Dictionary (2003, p. 447) defines performance as “accomplishment, execution, carrying out, working out of anything ordered or undertaken.” This definition implies outputs or accomplishments, and also makes reference to doing work, and, importantly, to results being achieved.

“Performance management is a continuous process of identifying, measuring and developing individual and group performance in organisations. Performance management systems serve both strategic and operational purposes. Performance management systems take place within the social realities of organisations, and, consequently, should be examined from a measurement/technical as well as human/emotional point of view” (Cascio & Aguinis, 2005, p.82).

Human resources are considered the most important asset of an organisation, but few companies are able to harness the potential or unlock the value that people in organisations create to provide a sustained competitive advantage (Ahmad & Schroder, 2003). Lado and Wilson (1994, p. 201) define a human resources system as “a set of distinct but interrelated activities, functions, and processes that are directed at attracting, developing and maintaining (or disposing of) a firm’s human resources.”

Aguinis, Joo, and Gottfredson (2012) make reference to the five performance management universals in the global context of performance management:

- Congruence between job descriptions and the strategic goals of the organisation;
- Specific training for the implementation of a performance management system;
- Measurement of performance indicators based on the behaviours and results at both individual employee and collective team levels;
- Delivering performance feedback utilising a strengths-based approach as opposed to a weakness-based approach, which focuses on the negatives; and
- Allocating rewards that are meaningful to the recipients.

One of the difficulties in the development of a performance management system is developing the correct metrics and indicators (De Leeuw & van den Berg, 2011).

The history of performance management dates back to 221-265 AD in China, where the emperors of the Wei dynasty had external persons whose task it was to evaluate the performance of the official family (Armstrong & Baron, 1998). Performance appraisals were utilised in the 1950s and 1960s, followed by management by objectives in the 1960s and 1970s. Hellqvist (2011) notes that, during the periods up to the 1980s, these practices evaluated the individual employee's past performance.

Performance management has evolved into a process of continuous improvement of teams and individuals (Armstrong & Baron, 1998). Armstrong and Baron (1998) reiterate the necessity of frequent appraisals, state that:

- Appraisals must not only be done annually, but quarterly, or even monthly;
- Appraisals needs to be in the form of structured feedback; and
- Objectives need to be continuously revised in response to changing contexts and circumstances.

Den Hartog, Boselie, and Paauwe (2004, p. 557) define performance management as “an integrated process in which managers work with their employees to set expectations, measure and review results, and reward performance, in order to improve employee performance , with the ultimate aim of positively affecting organisational success.” Armstrong and Baron (1998) see performance management as a continuous process focusing on the future instead of past behaviours and results.

The following table illustrates the evolvement of performance management as a process from management by objectives to performance appraisal, and then to what is currently defined as performance management in the present study.

Table 2.1: History of performance management (Armstrong & Baron, 1998)

**MANAGEMENT BY OBJECTIVES, PERFORMANCE APPRAISAL
AND PERFORMANCE MANAGEMENT COMPARED**

Management by objectives	Performance appraisal	Performance management
Packaged system	Usually tailor made	Tailor made
Applied to managers	Applied to all staff	Applied to all staff
Emphasis on individual objectives	Individual objectives may be included	Emphasis on integrating corporate, team and individual objectives
Emphasis on quantified performance measures	Some qualitative performance indicators may also be included	Competence requirements often included as well as quantified measures
Annual appraisal	Annual appraisal	Continuous review with one or more formal reviews
Top-down system, with ratings	Top-down system, with ratings	Joint process, ratings less common
May not be a direct link to pay	Often linked to pay	May not be a direct link to pay
Monolithic system	Monolithic system	Flexible process
Complex paper work	Complex paper work	Documentation often minimised
Owned by line managers and personnel department	Owned by personnel department	Owned by line management

2.2 Executives

The Paterson grading system is an analytical method of job evaluation, used predominantly in South Africa. It analyses decision-making in job task performance or job descriptions, and categorises jobs into six groups that are graded and grouped into two to three sub-grades according to stress factors, individual tolerance, length of tenure, and number of job responsibilities that correspond to organisational levels. The six grades, also called bands, define pay scales.

Table 2.2: Paterson's grading bands

F	<p>Strategic intent / signs off policy</p> <p>Usually board of directors</p> <p>E.g., Managing Director, CEO, Chairman</p>
E	<p>Strategy execution / long-term planning</p> <p>Senior management</p> <p>E.g., General manager, business unit manager</p>
D	<p>Middle management / professional</p> <p>Interprets long-term plan. Outcomes are probabilistic</p> <p>Makes rules and procedures (e.g., can change shift times)</p> <p>E.g., financial analyst, engineer</p>
C	<p>Advanced operational (skilled)</p> <p>Understands theory/principles behind a process/system</p> <p>Decisions are deterministic</p> <p>E.g., recruitment officer, bookkeeper, artisan</p>
B	<p>Operational (semi-skilled)</p> <p>Understands sub-system, not processes or underpinning theory</p> <p>Problem-solving is based on past experience</p> <p>E.g., clerk, receptionist, operator</p>

A	Basic skills, primary Can be taught quickly (hours to days) Task-based E.g., cleaner, tea person
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Source: Bussin, M (2010). *Paterson* [Powerpoint Slides].

As per the Paterson's grading, executives, for the purpose of the present research, are considered to be on levels E and F.

2.3 Performance management impact on productivity

One of the key factors in the success of performance management is that it's a tool that forces goal-setting, which is an agreement between the employer and the employee. Research has proven that, on average, productivity can be expected to improve using goal setting as a tool (Cascio, 2006).

The provision of job security encourages employees to work harder, and affects the loyalty of employees to their organisations (Delaney & Huselid, 1996). Huselid (1995) states that there is a belief that there is positive correlation between individual performance and the productivity of the organisation. "Interest in this area has intensified, however, scholars have begun to argue that, collectively, a firm's employees can also provide a unique source of competitive advantage that is difficult for its competitors to replicate (Huselid, 1995, p. 636).

Cutcher-Gershenfeld (1990) found that organisations that adopt 'transformational' labour practices, emphasising co-operation and dispute resolution, enjoy lower employee costs, higher productivity, and a greater return to direct labour hours than organisations that adopted a more adversarial style of human resource management.

Bloom and Van Reenen (2011) state the following in their research:

- High-quality human resource management practices show a positive correlation between productivity and incentive pay, for both individual and group performances.
- Productivity increases because workers with high abilities are attracted to organisations offering higher incentives linked to measurable performance outputs.
- Human resource bundles of teamwork and group incentives are complementary, as productivity increases.

De Leeuw and van den Berg (2011) state that it is generally believed that organisations that effectively implement performance management practices outperform those that do not measure and manage the performance of individuals and teams. There have been studies examining the link between performance management and performance improvement, which have proven that performance management affects the behaviour of individuals and teams, which leads to the achievement of the organisation's objectives and goals. The study

by De Leeuw and van den Berg focused on the operational and technical side of performance management, and found a positive correlation between performance management practices, behaviour on the shop floor of manufacturing organisations, and improved performances. They also verified a positive correlation between the number of performance management practices applied and the quantum of the improvement in performance, “suggesting that it is not only which practices are applied but also how many” (De Leeuw & van den Berg, 2011, p. 224).

There have been extensive empirical studies on performance management in practice in service-related organisations. However, to improve operational effectiveness in manufacturing organisations, the human aspect requires particular attention, as state-of-the-art technologies and innovative manufacturing processes on their own, without effective human resources management, may lose their overall operational effectiveness (Ahmad & Schroeder, 2003).

In their studies, Rathore, Mohantym, Lyons, and Barlow (2005) state that the phenomenon of globalisation has changed the structural configuration of business and the operating frameworks of manufacturing industries. Total productivity measures are being recognised and established for the organisational restructuring of business and manufacturing assets and the continuous improvement of business processes. “Productivity is concerned with establishing congruency between organisational goals and societal aspirations through input-output relationships. Productivity is the culminating result of interactions of the organisational management systems with external environmental factors” (Rathore et al., 2005, p. 1021).

2.4 Performance management impact on financial performance

Cascio (2006) states that a research project gave evidence that companies with strong performance management systems are 51% more likely to perform better on financial measures than their competitors. In the same survey conducted, 41% of companies with strong performance management systems were more likely to outperform their direct competition on non-financial measures such as customer satisfaction, employee retention, and the overall quality of their products. Dunn and Sainty (2009) further reinforces this by referring to a study conducted in 2001, where 173 Fortune 500 companies were researched, and it was found that organisations that had adopted strategic HR practices performed better than those who had not. He also argues, in a study of 740 organisations, that those companies with HR practices that utilise strong performance measures have a measure of higher market value per employee.

However, positive financial implications as a result of implementing a performance management system is not always the case, as argued by Aguinis and Pierce (2008), who, in study of 1000 Australian professionals, less than 20% found that it assisted in improving financial performance. It was found that most of the employees were dissatisfied with the feedback received, as well as the frequency of the reviews. Cascio (2006) reiterates the fact that constant feedback and the frequency of the appraisals are critical success drivers of performance management.

2.5 Continuous improvement and development of employees

The effectiveness of skilled employees have limitations in a continuously changing economic environment if they are not motivated to perform their jobs, and if the organisation is not instrumental in ensuring that there are processes to perform (Delaney & Huselid 1996). Delaney and Huselid (1996) further state that the form and structure of an organisation's human resource management system has an effect on employee motivation levels in several ways:

- Organisations can implement merit or incentive compensation systems that reward employees for meeting specific objectives.
- Protecting employees from arbitrary disciplinary procedures may also increase levels of motivation to work harder, as they can expect their efforts to be fairly rewarded.
- The structure of the workplace should affect organisational performance to the degree that skilled and motivated employees are directly involved in what work is performed and the manner in which it is performed.

Performance management is an integrated and strategic approach that facilitates sustained organisational success by improving the performance of its leaders and employees by developing the capabilities of groups or teams and individual contributors, (Yiannis, 2009a).

One of the cornerstones of the performance management process is communication, including continuous feedback, with employees as this allows employees to improve in the future (Aguinis et al., 2012). The strengths-based approach requires the manager to identify and determine the strength of the individual or team, and deliver positive feedback on how their particular strengths are being utilised to achieve successful performance, and how this

relates to the goals of the organisation or the particular business unit. This has a positive effect on employee engagement, productivity, and retention (Aguinis et al., 2012).

Aguinis, Joo, and Gottfredson (2011) highlights the distinct difference between performance management and performance appraisal, where performance appraisal is defined as the depiction of strengths and weaknesses of individuals statically, and typically once a year. Performance appraisal is often perceived as a “bureaucratic waste of time created by the human resource department” (Aguinis et al., 2011, p. 504). Furthermore, it focuses solely on past performance, with no well-defined benefits for the line manager, employee, or the organisation as a whole.

Yiannis, Ioannis, and Nikolaos (2009b) define performance management from a learning and personal development point of view, and state the performance management’s primary focus is to improve performance by developing skills and the capacity to work effectively. Improvement and learning are closely integrated, and performance management is a key component of this process by helping employees appreciate the need for constant improvement and creating an understanding of how this should take place, and by ensuring that they are constantly learning from the experiences (Yiannis et al., 2009b).

2.6 Integrating performance management and reward systems

Yiannis (2009a) further states that the performance management process should be about the continuous development of people in the organisation, and links this to a reward system in its broadest sense. The fundamental basis of the reward system should comprise:

- Base pay;
- Contingent pay;
- Employee benefits; and
- Non-financial rewards.

The literature highlights various types of non-financial measures of performance, but the most notable is the balanced scorecard from Kaplan and Norton. The strategic objectives of most companies take the form of long-term, sustainable profits, but short-term profitability is most often utilised as an indicator of success, and is then used as a performance metric in a performance management system. Kaplan and Norton (1992) therefore established a multi-dimensional instrument that captures the performance indicators of future success, based on the four broad principles of:

- Finance;
- Customer perspective;
- Internal business process; and
- Learning and growth.

The principles of measurement underlying these metrics are that past indicators do not necessarily predict or forecast similar principles for future success. Financial indicators such as profitability, return on assets, and return on equity are calculated utilising financial accounting information, which are historic and do not automatically predict the same levels of success in the future, due to changing environments and contexts (Kaplan & Norton, 1996).

Nilsson and Kald (2002) conducted research on the advancement of performance management in the Nordic countries, and compared them to contrasting regions, such as North America, Europe, and the Eastern regions. It was found that there appears to be greater progress in linking operations to strategy in Japan than in most other regions. The conventional boundaries between the design of strategy, performance management, and technical operations were as clearly defined as in some of the traditional western beliefs, with the systems of control utilised differently, encompassing the entire firm in the process of strategic development. One of the fundamental processes in Japanese firms is strategic dialogue between senior management and lower levels of management regarding operations in developing the goals and objectives of the organisation (Nilsson & Kald, 2002).

Yiannis (2009b) expands on the theory of non-financial rewards, highlighting the importance of the following:

- Recognition;
- Provision of resources and tools to succeed, which is related to role design and personal development opportunities;
- Personal career planning and skills development through mechanisms such as mentoring, coaching, learning, and review discussions; and
- Commitment, by integrating individual and company objectives.

The link between performance and pay has been researched extensively, as many organisations have implemented pay-for-performance initiatives, but are utilising subjective managerial ratings as the measurement to calculate the amount of the merit pay (Rynes,

Gerhart & Park, 2005). Merit pay is defined as a programme that determines varying or fluctuating reward amounts according to the performance levels of the employee (Helm, Holladay & Tortorella, 2007). Helm et al. (2007) further state that pay for performance platforms are consistent in many firms, but that few companies clarify the goals of the performance management system, evaluate the achievement of the goals, or align the goals to the strategic objectives of the organisation.

For pay-for-performance programmes to be appropriate as an incentive, in manner in which the assessment is done and, importantly, how it is converted into financial reward must be communicated clearly (Yiannis, 2009a). The performance management system metrics must be consistent, year on year, and any changes, and the reasons for these changes, must be effectively communicated. Changes must not be deemed to be subjective due to being based on management's assumptions (Helm et al., 2007).

2.7 Performance management and employee engagement

Gruman and Saks (2011) define performance management as an essential aspect of organisational effectiveness, because it is a business process through which work is accomplished. It is referred to as the “Achilles heel” of human capital, and, as such, should be the top priority of all line managers and organisations as a whole. However, less than a third of employees believe that their company’s performance management process assists them in improving their personal performance or that of the team. Furthermore, performance management is consistently ranked the lowest in employee satisfaction surveys (Pulakos, Schmitt, Dorsey, Arad, Borman & Hedge, 2009).

Macey, Schneider, and Barbera, (2009) argue that employee engagement can be source of competitive advantage in companies. In a study of 65 organisations in different industries, the top 25% companies, according to an employee engagement index, showed better returns on assets (ROA) and profitability, as well as double the shareholder value, compared to the bottom 25%.

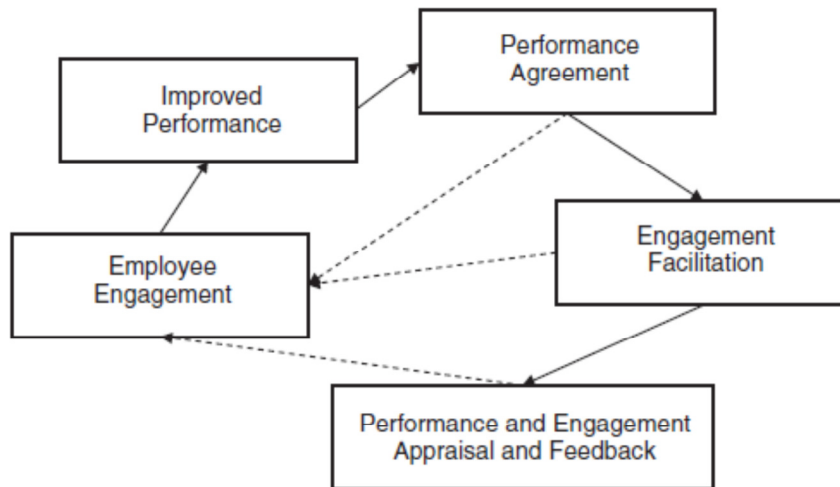


Figure 1 – The Engagement Management Model. (Note: Arrows around the circumference of the model represent the engagement management process. Dotted lines represent the drivers of employee engagement.)

The figure above illustrates that employee engagement has a direct, positive influence on employee performance, which is consistent with the viewpoint of Macy et al. (2009) regarding the employee engagement value chain. Macey et al. (2009) further suggest that performance management, if effectively implemented, will assist in the creation and development of high levels of employee engagement.

Chapter 3 present the research questions of the present study, as well as an outline of the interview questions.

3 Research questions

The research questions were developed from the literature review. To gain insight into the executives' understanding of performance management, it was important to determine the extent of their knowledge, as well as the extent to which they value performance management. The questions were then expanded, and more detailed was included, in order to determine their perceptions of the impact of performance management according to different criteria. Lastly, the issue of responsibility and ownership of these performance management practices is discussed.

The following research questions were developed:

- 1 What is the extent of South African executives' understanding of performance management?

This question was aimed at gaining an understanding of South African executives' perceptions of performance management. This was an open-ended question, as the researcher did not want to direct the answering of the question. In order to obtain the varying opinions and to extract themes from the data, it was important that the researcher allowed the participants the freedom to express their own views and feelings.

- 2 To what extent do South African executives prioritise the implementation of a performance management system?

This question was posed in order to determine whether South African executives view the implementation of a performance management system.

3 What is the perceived impact of performance management on the following:

- a. productivity;
- b. financial performance;
- c. employee engagement;
- d. continuous improvement and development of employees;
- e. culture; and
- f. reward systems?

This question was posed to all the participants in order to determine the impact of performance management on specific areas in each organisation. It is, however, important to note that the answers represent the subjective perceptions of the executives, with specific reference to their respective organisations.

4 Who do South African executives believe should own the performance management system?

This question was posed to each of the participants in an effort to determine who should be the custodian of the implementation of the performance management

system. Too often, this aspect is left to the human resources department, the researcher wanted to determine who, in the opinion of the executives, should drive the system.

The interview schedule that was designed for the present qualitative research appears in Appendix 9. The questions were aimed at creating an understanding of executive perceptions regarding performance management and its impact on productivity, as well as the overall performance of the business.

In Chapter 4, the research methodology, data-gathering method and data analyses are described.

4 Research methodology

4.1 Introduction

This chapter focuses on the research methods and procedures followed to conduct the study. The research was conducted using a qualitative research method, utilising semi-structured interviews to gather the data. This chapter outlines the methodology that was used in the research.

4.2 Research design

Zikmund (2003) states that a research design is a blueprint that maps out the plan of the research project. Wellman and Kruger (2001) define the research design as the plan according to which participants are determined and information is extracted from them. Babbie and Mouton (2005) state that a research design is a plan of how the researcher intends conducting the research. Babbie and Mouton (2004) further state that all research designs have shortcomings and weaknesses, but these should not negate the validity or the value of the information or the project. Researchers should strive to a measure of balance and objectivity, whilst remaining as human as possible, questioning not only the epistemology, but also the methodology of a study.

Whilst there has been research on performance management in various fields and industries, there has been little empirical research on executives' perceptions of performance management in South Africa. The performance management process is a continuous two-way communication between line managers and employees, and not an annual appraisal, which is more commonly found in South African companies.

As the present research study explored executives' perceptions and experiences of performance management, the design was exploratory and qualitative in nature. Saunders and Lewis (2012) define the exploratory research approach as a means of determining and finding new insights and asking relevant questions. The three ways of conducting exploratory research are:

- A search of the literature;
- Talking to experts on subject matter; and
- Conducting interviews.

4.3 Research approach

This section outlines the approach that was adopted to meet the objectives of the study, as well as the methodology that was followed throughout the research project.

Qualitative research is defined as a technique that seeks to describe, decode and translate a phenomena (Blumberg, Cooper & Schindler, 2008). The focus is on words and

observations, such as stories, body language, visual portrayals, meaningful characterisation, interpretations, and other expressive descriptions (Zikmund, 2003, p. 111).

In the present study, the researcher conducted semi-structured interviews with executives of the companies in the sample set. Leedy and Ormrod (2001) state that qualitative studies focus on phenomena that occur in natural settings, and refer to these studies as “real world” studies. Expert studies are useful when seeking to elicit information from persons who are experienced in, and well-informed on, the area of study (Blumberg, Cooper & Schindler, 2008). According to Blumberg et al. (2008), advantages of personal interviews include willing co-operation from the participants, and the interviewer can pre-screen participants to ensure that they fit the population profile. Qualitative data allows the researcher to more comprehensively explore complex relationships between variables in their natural setting (Worley & Doolen, 2006).

The present study was an ethnography-type study, where the researcher was examining an entire group in depth; more specifically, a group that shares a common culture (Leedy & Ormrod, 2001). The focus of the investigation was the day-to-day behaviours common to the group, in order to identify cultural patterns and beliefs within the group (Leedy & Ormrod, 2001). The researcher then set out to determine whether there were cultural habits common to the organisations that had implemented performance management systems.

The researcher set out to study various perspectives and experiences of executives, as a result of the implementation of a performance management system in the companies. Creswell (1998) states that different individuals or groups may hold multiple perspectives,

with each perspective having equal validity or truth, and that one of the goals of qualitative studies is to reveal the nature of these multiple perspectives.

The aim of these qualitative, semi-structured, interviews with experts was to determine what the participants' views and experiences are of the actual implementation of the performance management systems in different industries, as well as the results and outcomes of the implementation of the systems.

4.3.1 Ontology

Ontology is the philosophical study of the nature of being, existence, or reality, as well as the basic categories of being and their relations. According to Potter (1996), social reality can be investigated, analysed, and interpreted differently, depending on the researcher's belief of reality. It was important for the present researcher to avoid bringing his own beliefs into the interview discussions, which is why open-ended questions were asked at the outset of the interview, with specific questions then relating to the impact if the implementation of the performance management systems.

4.3.1 Epistemology

The present research was based on the general descriptions, thoughts, and ideas of the participants, which is a form of epistemological research. Epistemology is concerned with

“what ought to be,” rather than facts, and interview questions are formulated from principles (Leedy & Ormrod, 2001). Empirical investigations, in contrast, are concerned with how things actually work, rather than what they ought to be (Leedy & Ormrod, 2001). Schrunk (2009) suggests that, prior to the research being undertaken, the researcher needs to ask the question on how respondents see the social reality of the problem. There are two general assumptions in empirical research:

1. Peoples’ behaviour can be explained via observations from the outside, using general scientific laws; and
2. Human beings are different from inanimate things, and human behaviour can only be described and interpreted from the specific person’s view.

4.4 Population and unit of analysis

The research population of the study consisted of companies in South Africa that had recently implemented formal performance management systems. The participants were all executives of the respective organisations, which was in line with the research design.

The unit of analysis was the executives in the companies in the sample set.

4.5 Sampling method

The researcher utilised a purposive sampling technique, which is a non-probability sampling technique. According to Welman and Kruger (2001), non-probability sampling is used when the probability exists that certain members of the population may have no chance of being included in the sample. Since the participants were identified from a specific network of clients of 21st Century, specifically Crowie Holdings and Deloitte, this sampling technique was deemed appropriate. Barbour (2001) states that this method uses either the judgement of an expert in selecting cases, or it selects cases with a specific purpose in mind. Barbour (2001) argues that purposive sampling gives the researcher a degree of control in terms of the selection of the sample set, rather than being at the mercy of any selection bias inherent in pre-existing groups.

Saunders and Lewis (2012) define a purposive sampling technique whereby the researcher utilises his/her judgement to actively choose those who are best able to answer the research questions. A performance management system has a specific definition; therefore the researcher needed to ensure that the companies had implemented a performance management system, as defined in Section 2. Saunders and Lewis (2012) further state that the criteria for selecting the participants must be clearly defined.

Sampling involves any process that utilises a small number of items, the results of which are then used to deduct a conclusion for the entire population.

4.6 Data collection

The method of data collection has to ensure that the sample represents the entire population, and that the opinions of the sample represent those of the total population (Saunders & Lewis, 2012).

Data were collected by conducting semi-structured interviews with 13 participants, which were done in person, where possible. Creswell (1998) states that the researcher that decides that ethnography is the most suitable approach, must determine the solid grounding on which the common culture of the organisation is structured.

Creswell (1998) further states that the following information should be included in an ethnographic study:

- An introduction that provides the rationale and context of the study;
- A description of the setting and methods, which describes the group and the methods used to study the group; and
- An analysis of the culture studied, which describes the patterns of behaviour studied.

Semi-structured interviews are useful in extracting additional information for which there is no particular question in the collection instrument (Wellman & Kruger, 2001). Semi-structured interviews are useful in extracting deeper levels of understanding as the process progresses (Saunders & Lewis, 2012).

Gillham (2005) argues that the semi-structured interview is the most important way of conducting a research interview, because of its flexibility and balanced structure, as well as the high quality of the data obtained. Gillham (2005) further provides the following key aspects of a semi-structured interview:

- The same questions are used for all participants;
- It is possible for the interview questions to go through a process of development;
- Supplementary questions are used if the interviewer judges that there is more to be disclosed at a particular point of the interview; and
- All interviewees are afforded approximately the same amount of time.

Each participant in the present study was contacted telephonically to secure the interview. As the participants are executives of the companies, the researcher needed to ensure sufficient time for the interview process, as cancellations and postponements by the researcher could have pose problem in terms of the availability of the participants. Each interview lasted between 45 and 60 minutes. Responses to the interview and any additional comments were captured into the set collection instrument by the researcher.

An interview guide was developed in accordance with the objectives of the research, and was sent to the participants, prior to the interview. This allowed the participants to prepare, and also ensured that the same general areas of information would be collected from each

participant. Formal consent was obtained from each participant, prior to the interview, and all interviews were digitally recorded and transcribed.

Leedy and Ormrod (2001) recommend the following guidelines for conducting a productive interview:

- Interviewees must be representative of the group;
- A suitable location is convenient for the interviewee should be found, and should be quiet setting where both parties are unlikely to be interrupted;
- The researcher should take a few minutes prior to the interview to establish a rapport with the interviewee, which will allow the interview to flow;
- Written permission to conduct the research must be obtained prior to the interview. The nature and purpose of the interview has to be explained prior to the commencement of the interview. Interviewees have to provide written consent to partake in the study, and should be offered a copy of the report upon finalisation;
- The interview should focus on actual facts, rather than on abstract ideas; interviewees are more willing to provide factual information;

- The interviewer may not put words in interviewees' mouths. The interviewees must feel comfortable in choosing their own expressions of ideas and thoughts;
- Verbatim responses are to be recorded using handwritten notes or audio recording to accurately record the thoughts and ideas of the interviewees;
- The interviewer may not display any reactions to interviewees responses; and
- The interviewer has to remember that the facts presented by the interviewee are not necessarily the true facts. As confident and convincing as interviewees may be, their responses should always be treated as perceptions, rather than actual facts.

4.7 Data validity and reliability

According to Babbie and Mouton (2001), a research study must seek to ensure that its findings are both valid and reliable. Qualitative research is often open to criticism regarding its ability to be free from errors and therefore yield consistent results (reliability), and regarding the research measuring what it was intended to measure (validity) (Zikmund, 2003).

4.8 Data analysis

Content analysis was utilised to extract themes from the data and to categorise the data into a format that could be used to derive a list of generic best practices. Welman and Kruger (2001) state that content analysis can be used to systematically analyse data and extract information from interviews.

In addition to the content analysis, an inductive approach to analysis was utilised to review the findings produced, in order to evaluate the effectiveness of the performance management implementation in each of the companies. According to Zikmund (2003), data analysis is the application of reasoning to understand and interpret the data that were collected. An inductive approach to the analysis entailed condensing the raw text data into a brief summary format, and then establishing clear links between the research objectives and the summary findings.

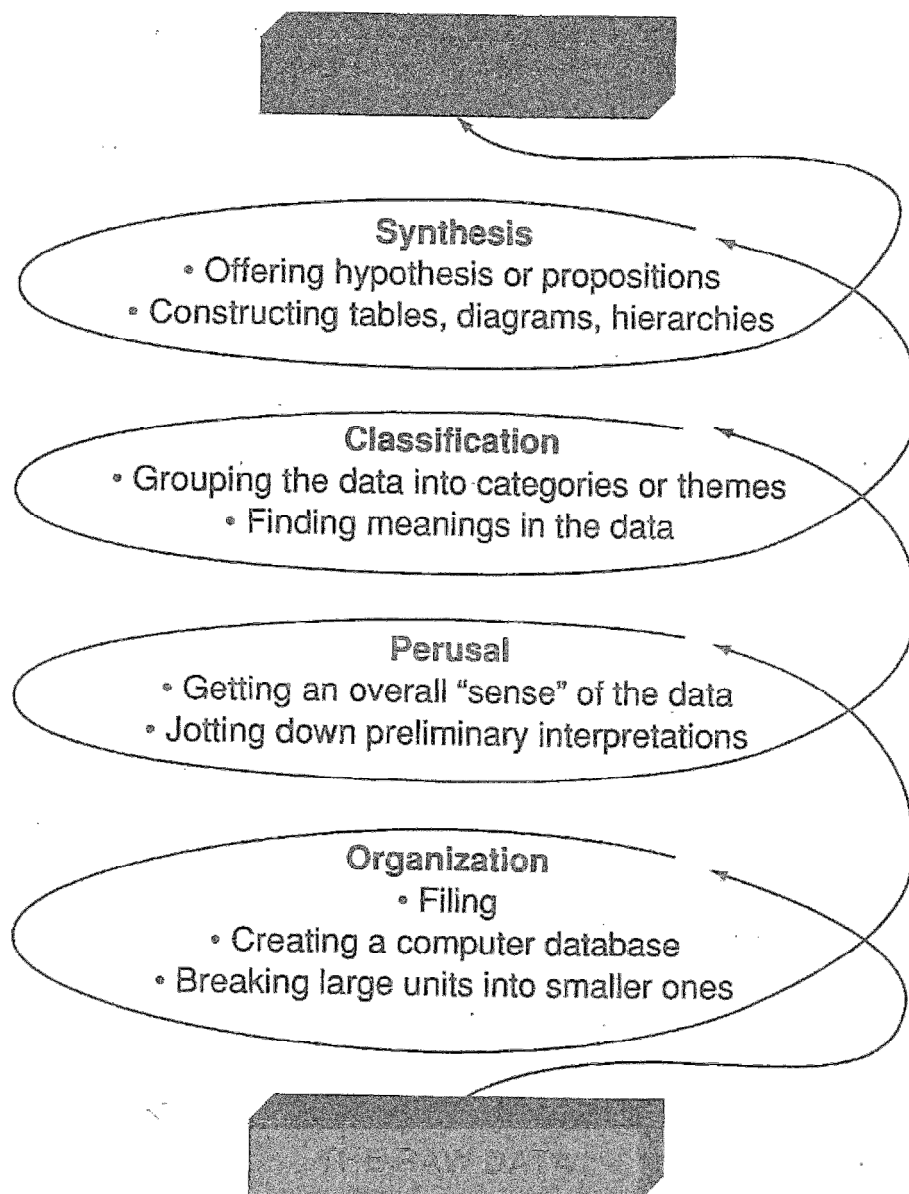
Leedy and Ormrod (2001) suggest the following approach to content analysis:

- Organise the data, utilising index cards. Large bodies of text may be reduced to smaller units in the form of stories, sentences, or individual words;
- Peruse the entire data set a number of times to get an understanding of the contents as a whole, which will provide the understanding necessary for categorising the data;

- Identify general categories or themes, with possible sub-categories and sub-themes, and then classify each piece of data accordingly. A general understanding of the patterns of the themes is required; and
- Integrate and summarise the data. This step may include offering propositions that describe the relationships among the categories.

The following diagram illustrates the basic process for content analysis.

Table 4.1: The data analysis spiral (Leedy & Ormrod, 2001)



Constant comparative analysis was also used to compare the findings of each interview with the results of the previous interview.

The researcher utilised Nvivo 10 computer software for organising and analysing the gathered data. By computerising the data, the researcher was able to easily retrieve pieces of information from the database. This process provides a practical means of storing and organising lengthy field notes, and assists in identifying common patterns in the data (Leedy & Ormrod, 2001).

4.9 Research limitations

Possible limitations of the research:

- The sample size may be too small to be considered representative of all South African executives of companies.
- The sample set represented companies operating only within the Gauteng region, and did not extend to companies across the entire country.
- The participants were not closely involved in the implementation of the performance management system, and therefore could not provide detailed information on the general outcomes of implementing the system.
- It is possible that the study could be subject to response error, due to participants having incomplete knowledge of certain aspects of the subject matter.

Chapter 5 presents the data gathered during the interviews with all 13 of the participants. The methodology described in this chapter was utilised in an effort to obtain as much rich data from the qualitative process as possible.

Chapter 5: Results

5.1 Introduction

This chapter presents the results from the interviews that were conducted. The research results were analysed utilising a qualitative content analysis approach and a software programme, Nvivo 10, which was used to capture the data and assist with coding and analysis.

The results presented themes that emerged from the interviews, as guided by the interview questions, and support the research questions outlined in Chapter 3. The sample demographics are presented first, followed by the results obtained through the interviews with the participants.

5.2 Sample demographics

The interview participants were selected on the basis that they were executives in companies in South Africa, and that their respective companies had recently implemented a performance management system.

The sample included 13 senior employees, distributed as follows:

- One chairman;
- Nine chief executive officers;

- One chief financial officer;
- One chief director of human resources; and
- One operational director.

Table 5.1: Participant Profiles

	Position	Company
R1	CFO	CONSTRUCTION PROJECT MANAGEMENT
R2	CEO	CONSULTING SERVICES
R3	CEO	AUDIT CONSULTING SERVICES BUSINESS UNIT
R4	CEO	INTERNATIONAL ENGINEERING CONSULTING
R5	MANAGING PARTNER	MANAGEMENT CONSULTING AND AUDIT GROUP
R6	DIVISIONAL MD	LARGE NATIONAL PARASTATAL
R7	CEO	INTERNATIONAL INSURANCE GROUP
R8	CHAIRMAN	CONSULTING SERVICES
R9	CEO	LISTED CONSTRUCTION COMPANY
R10	CHIEF DIRECTOR: HR	PARASTATAL
R11	CEO	INTERNATIONAL INSURANCE GROUP
R12	CEO	PROPERTY AND CONSTRUCTION GROUP
R13	OPS. DIRECTOR	PROPERTY DEVELOPMENT COMPANY

Of the 13 participants, 12 were employed in the services industry, and one was employed in the construction sector. A list of the participants and their relevant industries is provided in Table 5.1.

The companies of 10 of the 13 participants had been using a performance management system for longer than five years, and four companies had implemented a system less than five years ago.

Nine of the participants were interviewed in person, with the interviews recorded electronically and then transcribed. Three of the participants were interviewed telephonically, due to time constraints and their respective travels, and one participant, who was not available during the interview period, responded to the questions in a written document.

12 of the 13 participants were involved in the implementation of the performance management system, and were passionate about the performance management process and, particularly, about the outcomes of the system. While the engagement of the participant who sent his report via email could not be measured, other questions were answered in detail.

5.3 Presentation of findings from interviews

The findings are presented verbatim in this report, to capture and demonstrate the understanding and perceptions of performance management by executives of organisations. Each of the participants was coded to ensure anonymity when cited. For the purposes of this research, R1 denotes the first respondent, with R13 being the last.

5.3.1 Interview Question 1: What is your understanding of performance management? What are your thoughts and experiences around the value of an effective performance management system?

This was the first question posed to all of the respondents. The researcher was trying to get an overall understanding of participants' views of performance management. This question was designed to be broad, in order to elicit the personal opinions of each of the participants.

It was determined executives in South Africa do not have a definitive definition of performance management, but a broad range of what performance management meant to each of the participants was evident. Because the findings regarding the definitions were broad, the researcher broke these down into themes, which were then analysed.

The following categories were common:

- Strategy;
- Consistent and transparent;
- Goals and objectives;

- Employee performance;
- Performance contracts; and
- User friendly.

Strategy

One of the most consistent views amongst the participants was that a performance management system has to be closely aligned to the overall strategy of the business. Of the 13 participants, 11 indicated the necessity of the linkage between company strategy and performance management of the building (77%), and the number of references to strategy totalled 29. The Balanced scorecard method was mentioned in 9 of these 29 references to strategy. The table below provides verbatim quotes in this regard.

Table 5.2: Strategy responses

R1	<i>We need to understand what the company's strategy is, and how employees performance is linked to that strategy.</i>
	<i>In order to get the performance of an individual, we as a company need to understand what are our goals and objectives.</i>
	<i>From a company perspective, management needs to understand what is the turnover, objectives, and employees need to see exactly how do we link those aspects to achieve the companies goals.</i>
R2	<i>What I wanted to achieve when we first put our performance management, the way I would put it is that everybody is on the same ship going the same direction.</i>
	<i>Strategy needs to be driven right through that performance management system.</i>
	<i>The performance management system should inadvertently converge that strategy talk into language that somebody at the most basic level in your organisation understands, if the performance management system is a good one will stop soon I am starting to touch on the things that I believe.</i>
	<i>The balanced scorecard approach and that balance scorecard approach we want is least one measure out of each balance scorecard measure and those measures must</i>

	<i>talk to the strategy of the company. So as long as they talk to the strategy of the company at the level of that person's job that works.</i>
	<i>There are only part of the system that is not simple is that the measures that are put in place might lead to strategy.</i>
	<i>The focus should be a on development people are coming to work every day and ultimately if they could then the business will improve.</i>
	<i>So that collective tries in the strategy to the top is very noticeable, as soon as you have any area in the business way that is not happening you can immediately see it if you've got a good performance management strategy in place.</i>
	<i>And those are the measures which are aligned back to the strategy, which are only four measures</i>
R4	<i>Performance management for me starts with the management of the business performance. The metrics are useful for managing the business performance but actually had to be made explicit in people's individual performance.</i>
	<i>At the time we were thinking about what we were going to do about our strategy, we didn't have any way of allocating things and we needed to start defining where we were going to go. We needed to know where to go and how to give people clear objectives.</i>
	<i>And the only way you get to that, is when you take a long-term objectives and you break it down into smaller tasks which the performance management system forced us to do.</i>
	<i>So for instance when I put the strategic plan together, I know what the targets and objectives are to looked like and I know what the interim targets and objectives are. I know what the targets and objectives need to look like to make the into one easy to set.</i>
	<i>I have utilised the balanced scorecard, and the strategy of the business to implement it and therefore it is not a human resource administration thing, but it is centred around the business.</i>
	<i>You have to be careful in that you have to put the balanced scorecard together in a way that reflects the business objectives, and it must be an accurate reflection.</i>
	<i>If new tools are being introduced into the business then it needs to ensure that it works for the business. The only way you get to that level is when you've got your strategy and it has been signed off.</i>
	<i>Some of that planning doing gaps, from my experience, is because there are differences in the way we manage strategy from business, and business to business units, from business unit to Department, and Department to people. There is no consistency and it is difficult to get that consistency when there are a whole bunch of different stakeholders in the system and the business drivers need to be defined properly.</i>

R5	<i>Thinking in the academic version about performance management which is in line with the strategy cascading will lead to...</i>
R6	<i>Performance management is a result of an intent by an organisation. Before you start defining your performance management system, you need to understand your strategy.</i>
R8	<i>...it is the feedback to employees. It is one of the ways we use to drive our strategy. So it is a non-negotiable.</i>
	<i>...performance management converts strategy into simple language...</i>
R9	<i>...the targets are linked back to the performance targets of the business.</i>
	<i>It is linked to things like completing projects on time, profit before interest and tax, which is a really aligned back to the strategy of the business.</i>
R10	<i>Performance management is about getting the performance standards of the organisation.</i>
R11	<i>An effective performance management system tracks organisation-wide performance.</i>
	<i>The scorecard dimensions are Financial, Strategic, Process, Business Development, HR and Self Development. The end score is that of a percentage. The system has the capacity to integrate all of the dimensions into individual, departmental/divisional and Company performance scores. Linked to this are modules integrating competencies and learning and development.</i>
R12	<i>The thing for me performance management is really about the strategy of the business and how you can translate the strategy of your business into performance management measures for each individual within the company and in as well as some to business units.</i>
	<i>The big thing for me is that a strategy of the business and the translation of the strategy into these performance criteria and the one thing that we have experienced is that it almost forces the company to translate the strategy. The strategy doesn't become one big target out there which can't be reached. It is broken down into measurable targets.</i>

	<i>It is broken down. It is defined properly and it forces the business to define the strategy so that this can be translated into it each individuals performance contract.</i>
	<i>...but the one thing that it has made me realise is that it is able to capture firstly, the goals and objectives of the business, and then how each person has been performing against those goals and objectives.</i>
	<i>...we have obviously gone now down into the detail into the strategy of the business and now only in the last year have implemented a formal performance management system.</i>
R13	<i>It's a process which aligns business strategy which in is then interpreted into an HR strategy that allows the business to achieve its goals and objectives.</i>

Balanced scorecard

Of the 11 participants who stated the importance of alignment between company strategy and the performance management system, 8 (73%) referred to the balanced scorecard approach, as highlighted in the quotes below:

Table 5.3: Balance scorecard responses

R1	<i>What happens is that it takes the 5 key elements of the business which is financial, business development, governance, process and self-development?</i> <i>At different levels we define what are your financial responsibilities and link it into the business strategy.</i>
R2	<i>...you use the balanced scorecard approach and that balance scorecard approach we want is least one measure out of each balance scorecard measure and those measures must talk to the strategy of the company.</i>
	<i>...you need a balance scorecard approach with the process, financial</i>

R4	<i>I have utilised the balanced scorecard, and the strategy of the business to implement it and therefore it is not a human resource administration thing, but it is centred around the business.</i>
	<i>So now when I do performance appraisals it is about how we run the business. I have managed to get people to recognise is that they need to report back on the balanced scorecard which includes the financial and all other business drivers.</i> <i>You bring the ownership back on the business heads, where they are the owners of the balanced scorecard who need to reflect what the business is doing.</i>
	<i>You have to be careful in that you have to put the balanced scorecard together in a way that reflects the business objectives, and it must be an accurate reflection.</i>
R7	<i>The performance management system we use in a is an online system that you know categorises basically the various elements of the business</i>
R8	<i>...we call our system outputs not activities, and we agree between four and seven outputs that are over and above the job description.</i>
	<i>After the 4 to 7 outputs the is narrative at the end of it with the narrative normally covering areas of development.</i>
	<i>The scorecard dimensions are Financial, Strategic, Process, Business Development, HR and Self Development. The end score is that of a percentage. The system has the capacity to integrate all of the dimensions into individual, departmental/divisional and Company performance scores. Linked to this are modules integrating competencies and learning and development.</i>
R12	<i>One of the measure, in terms of how balanced scorecard, is the measurement on financial performance.</i>
R13	<i>Performance management is the process of the management of recruitment and assisting people, the metrics relating to the scorecard of the measurement, and the training and development interventions and the retention of key staff.</i>

Consistent and fair

Consistency over a period of time is one of the key attributes of an effective performance management system. In order to get the correct results from the system, the measures and the outputs need to be fair, unbiased, transparent, objective, and consistent over time. Honest and frank feedback is critical, both in positive recognition and in constructive criticism. Of the 13 respondents, 8 (62%) made specific reference to the importance of consistency and transparency in a performance management system, as highlighted below:

Table 5.4: Consistency and fairness responses

R3	<i>Its an inherently fair system which works well.</i>
	<i>A lot of subjectivity has been taken out, this is the type of input that we have put into the process.</i>
	<i>Finally we got guys to realise that this is a real performance measurement process and it needs to be done subjectively and unbiased. That's the only way you get people to come through on a performance basis.</i>
	<i>And on the basis of that we were able to also restructured the organisation on a fair and equitable basis, based on the performance management process.</i>
	<i>One of our values, and one of our peoples principles, is to give our staff frank and honest feedback around performance. That is one of the things that you have a right to expect. I expect our leaders to be frank and honest enough to give you honest feedback. That underlines our philosophy of leadership.</i>
R4	<i>We needed to make sure we had consistent goals and objectives. What we realised was that the performance management system was perhaps a way to do it a little bit easier.</i>
	<i>You take all the debate about whether you are performing well or not, because you go back to the point and take out the subjectivity. So when you get a there you are wanting to act quickly and organisations can act quickly when the performance measures are clearly defined.</i>
	<i>...it promoted a very open culture in the organisation. There was a common culture of transparency and it took subjectivity out of the performance review system.</i>
R5	<i>...it'll also about treating people fairly.</i>

	<i>...think it quite important from a performance management point of view so that it comes out to drive equality or fitness in the way we evaluate people.</i>
	<i>In practice I think what I have found is, people don't mind giving good news that they don't like giving the bad news.</i>
	<i>Again one of the problems is, if you and I assess the same person, you might give him very different ratings.</i>
	<i>You need to be honest with your employees, and you need to ensure that when there are problems, that these are formerly captured which the performance management system helps with.</i>
	<i>He also had to be cheerful about telling people just that something is wrong, unable to give in direction and tell them where they going wrong in what they can do to make it right is a critical element of performance management.</i>
R6	<i>What you don't get it is people giving honest feedback on the areas where they can personally improve...</i>
	<i>...especially if you are in a large organisation to get you a level of consistency.</i>
R7	<i>Transparency.</i>
R9	<i>...then you need to communicate this in an honest way so that they are expectations which are achievable. It's important to be transparent and honest.</i>
R11	<i>Accurate and consistent performance data is therefore generated through consistent application, fair evaluation, and differentiation of performance.</i>
R12	<i>So its an online system and because it is done quarterly, you take out the subjectivity of it.</i>

Employee performance

Another consistent theme was the system's ability to measure and track employee performance over a period of time. 9 of the 13 respondents (69%) made reference to the utilisation of the performance management system to track performance. A total number of 15 statements made reference to this aspect of employee performance, as is evidenced the quotes provided in the table below:

Table 5.5: Employee performance responses

R1	<i>...identify and individuals strengths and the need to manage the strengths and weaknesses that you have identified.</i>
R3	<i>...the assistance with performance on a regular basis to the individual and to the individual feedback with a particular development.</i>
	<i>...the value is that if we hear level of performance has increased, expectations go up where people are rising to those expectations.</i>
	<i>...what they are doing with specific personal goals and their strengths and weaknesses. A discussion is had, we make changes and we make additional inputs.</i>
	<i>We had to part of the practice that will really under pressure during the difficult times, and with out the performance management system in place, we would not have been able to pinpoint where the real problems were in the individuals, and some of those guys with directors we had been here for a long time. Which you can do if you have followed a rigorous process.</i>
	<i>So I think that we have found in tough economic times, it is good that you have a good formal performance process, which enables you to send the same consistent messages, and then when you do get into trouble you can deal with these issues fairly. ...and inclusive fee process.</i>
R4	<i>And for me, a good performance management system is to avoid getting to the crisis. Because crises cost you money and time and effort.</i>
	<i>The real strength of the Evalex performance management system is that when you sit down and look at objectives, it forces you to sit down and think about it. The stuff you going to do in the next three months in ways which are very simple, clear and not ambiguous. That process corrects your planning doing gap. On its own it corrects your planning doing gap.</i>

	<p><i>Clearly he hadn't performed, and we sat down and discussed what we were going to do and why we agreed what needed to be done and why, and broken down into small steps, and agreed that when they got back what exactly was going to happen.</i></p> <p><i>I had to follow up with him on a more regular basis, just reinforcing the objectives and tasks which we had agreed, and this eventually resulted in his performance is starting to improve.</i></p>
	<p><i>With out the measures in the performance management system you can never be 100% sure that a person is not performing and you cannot be sure that you actually know exactly where the problem is.</i></p>
R5	<p><i>People often look at the negative side of performance appraisals, but it is really motivational fight the positive side of performance management which can try in a performance of a business.</i></p>
R6	<p><i>One step further is to determine what the problem is, and what the issues are, indeed do need to be captured in the performance management system.</i></p>
	<p><i>A performance contract should not be a job description.</i></p>
	<p><i>The value of each is that it encourages performance in areas that matter.</i></p>
	<p><i>...our view of the performance management system is that there should be a bias towards that abnormal type of effort that you need to put into getting things done.</i></p>
	<p><i>Performance contract should be customised for the particular individual within the organisation, for that role, for the issues that matter. That is how it should be done, and that is typically the framework that we have.</i></p>
R7	<p><i>Over time they are easily monitored and evaluated so that feedback and adjustments and corrective action can be put in place should things go wrong or should things go right.</i></p>
	<p><i>The competencies are also defined for the role and the gaps between what is required and the role and the skills possessed by the individual are measured and then, together the organisation and the employee had to close the gaps over time.</i></p>
R8	<p><i>For me performance management is a systematic framework for getting better performance on people teams and the company. It is a conversation and dialogue with the sole purpose of improving performance at every level.</i></p>

	<i>It focuses the mind equal as you can see what is missing, you make notes, you get a very good feel on where the gaps are, what needs to happen.</i>
R9	<i>And my view is that performance management is probably the best way to understand your people and motivate them through the system.</i>
R10	<i>...used on an annual basis to evaluate people's performance and of the performance of the business.</i>
R11	<i>Performance Management should be a balanced methodology to both evaluate the past and the future of an individual, business unit and a business.</i>
	<i>Most systems unfortunately dwell on the past which you cannot really do anything about. It is however important for the purposes of rectifying and improving performance and informing remuneration.</i>
	<i>...it reinforces culture, motivates employee performance, and allocates reward effectively.</i>
	<i>The scorecard dimensions are Financial, Strategic, Process, Business Development, HR and Self Development. The end score is that of a percentage. The system has the capacity to integrate all of the dimensions into individual, departmental/divisional and Company performance scores. Linked to this are modules integrating competencies and learning and development.</i>
R12	<i>...but the one thing that it has made me realise is that it is able to capture firstly, the goals and objectives of the business, and then how each person has been performing against those goals and objectives.</i>
	<i>...it forces a dialogue between the line manager and the employee. And where people aren't meeting their targets, its put down into the system and its then captured there. So what you then get over a period of time, you get a trend on where a person has been constantly performing or constantly not performing, you can address those areas of growth, or gaps.</i>

Goals and objectives

The results of the interviews highlighted that goals and objectives were high priority items in the performance management systems. 11 (85%) of the 13 respondents made a total of 40 statements to this effect.

Table 5.6: Goals and objectives responses

R2	<i>From the top to the bottom saw that everyone at any point knows that they are all on the same ship going in the same direction.</i>
	<i>...you could stop any one of your employees on their way to work and ask them what are you going to do today and what are your objectives for the next. And if they can't answer that question then they are performance management system isn't being communicated effectively or is too complicated or they are using the wrong medium in terms of...</i>
	<i>I would sometimes speak to people on a daily basis and asked them how are they being against a performance targets, because they know exactly what those targets are, and if you can get to where people know that with out looking at the system then you have achieved your goal is.</i>
	<i>Add a director level, it is also a wonderful tool, because the line of sight is so direct.</i>
R3	<i>Performance management for me is the alignment of people behind the goals of the organisation.</i>
	<i>By the deliberate and conscience goal setting with the individual.</i>
	<i>So it's a holistic thing which makes you understand and align people's goals, measure their performance and reward them more appropriately. It is key to our success in terms of our experiences.</i>
	<i>...is at the beginning of the year we have goal setting process. At the director and the associate director level, we publish it and send it out to all the leadership and say that these are all of your goals together and this is what we expect.</i>
R4	<i>The experience that I have, is that many South African companies particularly, we have the problem with South Africans in that we have a planning doing gap. And what tends to happen, is it is a crisis. And we are really good at thinking on our feet, and we manage a crisis but you find that you always come through at the last minute. And actually what you get is sub optimal.</i>
	<i>...it's about vision and objectives. And how to take the objectives and translate them into goals that people can work towards. And then performance management happen by itself, almost by itself. You can then go and say here are your goals and don't come and</i>

	<i>tell me in three months time. And it becomes easier.</i>
	<i>We needed to make sure we had consistent goals and objectives. What we realised was that the performance management system was perhaps a way to do it a little bit easier.</i>
	<i>It was quite helpful in giving us to the point where we could agree what we were going to do in the next three months, what is possible in the next three months, and when you break down to that what we then found is that people are hopelessly optimistic.</i>
	<i>The performance management system goes a long way because you can put objectives in scales which can be measured.</i>
	<i>Most people, I found, are quite honest if your objective is clear. If you leave them fuzzy, it will affect their performance. If you can get your objective defined and its binary, and what happens is people are generally honest with themselves.</i>
	<i>The real strength of the Evalex performance management system is that when you sit down and look at objectives, it forces you to sit down and think about it. The stuff you're going to do in the next three months in ways which are very simple, clear and not ambiguous. That process corrects your planning doing gap. On its own it corrects your planning doing gap.</i>
R5	<i>...thinking in the academic version about performance management meeting about getting the goals we which is in line with the strategy cascading will lead to.</i>
	<i>I think that old adage, Clinton. is true, what not measured is not managed.</i>
	<i>Firstly, if the goals and objectives organisation are achieved and that's where it cascades down...</i>
R6	<i>...where you want to go as an organisation, and is then translated into a business plan and to understand what drives this business plan...</i>
	<i>First you need to determine what you want to achieve for the year, those are the translated into measurable performance measures in a performance management system.</i>
	<i>Going one step further, even if you know what drives your business plan for the year, the performance management system must not only at those measures.</i>
	<i>One of the things that I say is that you need to determine whether the key things will key deliverables of the business or the individual and the system they need to focus on those performance measures.</i>

R7	<i>The elements of that contract are the drivers of the output of that contract, and are clearly defined upfront.</i>
R8	<i>We tend to have face time, so we sit with the incumbent, we set their targets and goals for the year, and we have regular reviews and how they are tracking against that, and then it's probably a function of the size of the company.</i>
R9	<i>...giving clear objectives to the relevant employees.</i>
	<i>It's just about setting a standard or objectives for the year.</i>
	<i>These are specific objectives for the year ahead.</i>
	<i>We communicate exactly what is expected from them.</i>
	<i>...because the last few years we have done really well on our sites, because the guys know what is expected of them.</i>
R10	<i>...being clear in terms of expectations, people knowing when they are below or above the standard.</i>
	<i>And an effective performance management system is where you have defined actions or objectives for everybody.</i>
R12	<i>Its about giving people clear goals and objectives and then ensuring that they meet these goals and objectives. I think really for me the crux is that it creates a constant dialogue between the business and the employee, making sure that their goals and objectives are clearly defined. And then people are constantly measured against that.</i>
	<i>...but the one thing that it has made me realise is that it is able to capture firstly, the goals and objectives of the business, and then how each person has been performing against those goals and objectives.</i>
	<i>...in a short period of time, then you certainly get clarity of goals, which in turn leads to delivery.</i>
	<i>Once again, once you put that down, it means you have thought about them, and when you have thought about them, people then have a line of sight in terms of the objective.</i>

R13	<i>It's a process which aligns business strategy which in is interpreted into and HR strategy that allows the business to achieve its goals and objectives.</i>
	<i>It is only effective if it measures the correct business goals and objectives that it is trying to achieve.</i>
	<i>What I mean by being effective is by achieving the business goals and objectives.</i>
	<i>...make those into definitive goals, and it is only effective if it assisted the business in achieving those objectives.</i>
	<i>So, if you need specific skills in order to achieve a specific objective, it is it is responsibility to either retain employees or skills that are existing in the company, or train and develop them, or recruit those specific skills to achieve that particular object of.</i>

Performance contracts

5 of the 13 respondents (38%) indicated the utilisation of a performance management system for setting standards through a formal performance contract for the review year:

Table 5.7: Performance contract responses

R6	<i>...your performance contract needs to be in place...</i>
R7	<i>Performance management is a systematic process which ensures that there is an effective contract between the employer and the employee.</i>
	<i>The elements of that contract are the drivers of the output of that contract, and are clearly defined upfront.</i>
	<i>...we use this to capture the performance contract and to be able to review, and base the key performance indicators on an ongoing basis for an individual to actually get a score and that gives you indicators over time.</i>
R8	<i>Ours is fairly contracted with individuals.</i>

R9	<i>The performance management system is geared to ensure that employees are doing the jobs...</i>
R10	<i>..so normally would use this for the contracting of people, reviewing the performance against the contract...</i>
R12	<i>We have performance contracts for each employee, including directors, for the forthcoming year, which are renewed on an annual basis. And we use these performance contracts to measure against at the quarterly reviews.</i>
R13	<i>Performance contracts are reviewed annually for all employees.</i>

User-friendly

6 (46%) of the 13 respondents indicated that a performance management system should be user-friendly, as indicated in some of the quotes below:

Table 5.8: User friendly responses

R1	<i>What I think is important is that it is dependent on the user. You may have any performance management system but it is how often you use the system...</i>
R2	<i>I don't think that it should be complicated, I think the simpler the better.</i>
	<i>I think that the performance management system must be easy to use, if it is not easy to use then people will not use it.</i>
	<i>... it is something that comes back to the simplicity of it and then obviously being able to communicate it, talks to the simplicity of that as well...</i>
	<i>You could stop any one of your employees on their way to work and ask them what are you going to do today and what are your objectives for the next. And if they can't answer that question then they are performance management system isn't being communicated effectively or is too complicated or they are using the wrong medium in terms of...</i>

	<i>...we us a 180 degree system, the main reason is because of time and efficiency...</i>
R4	<i>When we went to the staff members and told them that we were going to implement a performance management system online, they were very excited. What they got was the buy in from all staff members.</i>
R5	<i>...also it doesn't matter whether you've got a performance management system or not, it's how you apply the implementation of the system.</i>
R6	<i>The system is currently simple and uncomplicated.</i>
R8	<i>Other predictors of success are the simplicity of the performance management system, and everyone understanding it, the extent to which everyone has been trained to use the performance management system.</i>
	<i>Another key success factor I think is the length of the forms. If the performance appraisal forms are too long or complicated, they tend to hijack the conversation. People focus on trying to fill out a form rather than conduct a meaningful performance discussion.</i>
R12	<i>We have an online system which is user friendly, and it had to be that way to ensure that everyone uses it. We do it quarterly, so it's imperative that it doesn't take a lot of peoples time when filling in the forms.</i>
R13	<i>It has to be user friendly to ensure commitment from all levels of the employees.</i>

Interview Question 2a: Is the performance management system used organisation-wide?

All 13 of the respondents (100%) confirmed that the performance management system was being applied throughout the organisation. However, one of the respondents noted that that two large projects in the organisation had not implemented the performance management system adopted by the organisation. The following table captures the responses from all respondents:

Table 5.9: Organisation wide responses

R1	<i>It is across the entire organisation.</i>
R2	<i>It is organisation wide...</i>
R3	<i>...it is across the whole of Deloitte...</i>
R4	<i>The performance management system was organisation wide at PB.</i>
R5	<i>Yes it is throughout the entire organisation.</i>
R6	<i>The performance management system within the business is organisation wide.</i>
R7	<i>It is organisational wide. Throughout the whole Hollard...</i>
R8	<i>Its across the entire organisation.</i>
R9	<i>Yes it is you are the whole of Group 5.</i>
R10	<i>Its performance amongst the whole of NT, so yes, it is organisation wide.</i>
R11	<i>Yes it is.</i>
R12	<i>Yes it is organisation wide.</i>
R13	<i>It is organisation wide.</i>

Interview Question 2b: Is performance management a continuous process?

Aguinis & Pierce (2008) highlight the fact that one of the key components that separate a performance management system from a performance appraisal system is the fact that it is a continuous process. This fact was confirmed by all 13 (100%) respondents, who also confirmed that performance reviews took place more than once a year

The following table illustrates the differences in the number of performance reviews that are performed in the different companies, as stated by the respondents:

Table 5.10: Continuous process responses

R1	<i>At the moment we do it quarterly. Four times a year.</i>
R2	<i>Although there are only two review per year everyone including the managers know they are measures are the people reporting to them and they should be having those discussions on an on-going basis anyway.</i>
R3	<i>The assistance with performance on a regular basis to the individual and to the individual feedback with a particular development...</i>
R4	<i>The trick I think is to follow up on a regular basis. So when I look at the performance management system it is a continuous improvement tool.</i>
R5	<i>It is a continuous process in Deloitte consulting. We do performance management reviews seriously twice a year whereas on the audit dies in specifically with the order, or the clocks we do a performance management review off there every single assignment.</i>
R6	<i>You should be doing continuous appraisal, but it does not necessarily have to be formally. We need to do four formal appraisals for the year. Two that are report outcome driven, and two that are on an interview basis.</i>
R7	<i>We do performance appraisals twice a year. So it is a continuous process</i>
R8	<i>For a performance management, it is required every day, every week, this is just the formalisation of it. I don't believe we need to have the formal reviews more often because performance management happens every day in our business</i>

R9	<i>As I mentioned earlier it is a continuous process in that we do it twice a year.</i>
R10	<i>It is a continuous process in that we do it formally twice a year.</i>
R11	<i>Yes it is organisation wide and is a continuous process – Formal reviews being conducted in June and November and Informal Reviews in March and September.</i>
R12	<i>The one thing I can say is that it's not a performance appraisal which is looking back at the past, it's about looking forward and making sure that people have clear direction in order to for which to be measured against. We do it four times a year so quarterly, so there is a constant dialogue, so it is always coming back to the person, with what are the goals for me of the business, over the next three months, over the next six months, and over the next year.</i>
R13	<i>From a continuation process, we confirm that it is, and we do it quarterly.</i>

Interview Question 3: How long ago was the performance management system implemented in the organisation?

This question was aimed at determining the number of years the companies' performance management systems had been in place. All 13 respondents confirmed their experience in the implementation of the performance management system, with the time of implementation ranging from as recent as the previous year to the 1990s. The results are captured in the table below.

Table 5.11: Length of implementation responses

R1	<i>In the last 12 months.</i>
R2	<i>And I think we put it in about eight years ago.</i>
R3	<i>We've been at it now for about 10 years, doing it properly with directors we are probably into our 3rd year.</i>

R4	<i>It was 2 and a half years ago.</i>
R5	<i>As far back as I can remember, we have always had it. In 1986 when I started working, we had it.</i>
R6	<i>It was pre-2000.</i>
R7	<i>More than 10 years I think.</i>
R8	<i>You could say was probably five years ago.</i>
R9	<i>As long ago as probably 15 years. At least 10 to 15 years ago.</i>
R10	<i>It was implemented in 2006, however it was revised in 2009.</i>
R11	<i>The current system was formalised and implemented in 2008.</i>
R12	<i>We have only just implemented it formerly in the last year.</i>
R13	<i>In the last year, I think nine months ago.</i>

Interview Question 4: To what extent do you as an executive prioritise of the implementation of a performance management system?

Table 5.12: Executive prioritisation comments

R1	<i>Very high. It is something that is close to my heart, and clearly we are in a business that believes that employees are important.</i>
R2	<i>The CEO must drive the system as a top priority.</i>
R3	<i>I would say that it is absolutely vital.</i>
R4	<i>Its high priority. Its business performance management and you have to do it altogether with people performance management.</i>

R5	<i>I think it is absolutely absolutely essential. I just don't know how people could operate without one.</i>
R6	<i>The performance management system is a non-negotiable. It is a building block you have to have it and it is a top priority for me.</i>
R7	<i>It is a high priority I mean it is one of the most important management tools. Absolutely.</i>
R8	<i>For me it is critical, we are a high performance organisation, and you can't run a high-performance organisation without performance management. It is the feedback to employees. It is one of the ways we use to drive our strategy. So it is a non-negotiable.</i>
R9	<i>It is top priority.</i>
R10	<i>It's a key priority. Particularly because, like I say, it forms the foundation of other processes.</i>
R11	<i>A culture of PM should primarily be driven by the leadership of an organisation. It is critical.</i>
R12	<i>Well, for me, certainly as the CEO of the group, it is a top priority. As I said it's a non-negotiable priority and I think then that filters through the executives in the organisation, which in full view of the organisation.</i>
R13	<i>It has a very high priority, in that I believed that it should have equal prioritisation as the operations of the business. The same in operations management.</i>

The next set of questions was aimed at determining the impact of the performance management system on different outcomes within the organisation.

Question 5: What was the impact of the system on productivity in the organisation?

This question was aimed at determining the impact of the performance management system on productivity in the organisation as a direct result of its implementation. All 13 of the respondents answered this question, and their answers are in the table below.

Table 5.14: Productivity responses

R1	<i>But I can guarantee you on third round of appraisals that you will see an increase in the productivity because now they know we serious about it.</i>
R2	<i>...productivity is very direct, because we call that one process, and everybody has a process measure. And that process measure is directly related to productivity. So that is a very direct link.</i>
R3	<i>...the value is that if we hear level of performance has increased, expectations go up where people are rising to those expectations.</i>
	<i>We are creating that battle hardened people through the process who can deal with the next level and perform better. So I think we are getting a better level of leadership and...</i>
	<i>It increases the bar every year.</i>
	<i>...in terms of productivity, as I said, and every year the level of the bar increases.</i>
R4	<i>At PB our average profit margin when I left ear was 20% to 22% per year, whereas at my new company the average profit margin is 6%. It is now got to about seven or 8%. And we can get 15% without a problem. That is margin which reflects the productivity of the business.</i>
R5	<i>...that is one way which you deal with poor performance to increase the performance show the result on productivity.</i>
	<i>At Deloitte since 2006, two 2012, we have doubled the turnover and increased profits by 110%, and we are growing and growing profitably, because productivity is an outcome of performance management.</i>

R6	<i>If utilised properly and you have the correct measures in place, then it definitely should improve productivity.</i>
R7	<i>Well you know, it is a tool to manage productivity, to ensure that people do what they are paid to do. In that sense it has a direct impact on productivity.</i>
R8	<i>For me performance management is a systematic framework for getting better performance on people teams and the company.</i>
	<i>I think that the impact on the business for each one of these is a function of the type of system that one goes for. And the particular system that we have gone for is called outputs, and not activities, and it focuses the mind. So for productivity, one is completely focused on what one needs to produce and it has increased, and that is what makes us a high-performance organisation</i>
R9	<i>Productivity, it definitely does.</i>
R10	<i>It is what I highlighted in the beginning, in that the impact of a performance management system is able to track and improve performance so it definitely impacts on productivity in driving a high performance culture.</i>
R11	<i>...greater focus on productivity, personally I have seen some improvement in performance...</i>
R12	<i>People know what they have to do when you are forced to write things down, and you come back to it, in a short period of time, then you certainly get clarity of goals, which in turn leads to delivery. We are not giving delivery, and this is the reason why and it certainly does improve productivity.</i>
R13	<i>People are now more focused, in that they know what they need to do, so this does affect productivity in a positive way, there is no doubt about that. In terms of the measurements of the productivity, it is difficult to measure in a service related industry.</i>

Interview Question 6: What was the impact of the system on the financial performance of the organisation?

This question was aimed at determining the impact of the performance management system on the financial performance of the organisation as a direct result of its implementation. All 13 respondents answered this question, and their answers are provided in the table below.

Table 5.15: Financial impact responses

R1	<i>...financial performance for me at this stage is not applicable.</i>
R2	<i>It has a direct link, because everybody has financial targets, and it is a direct measurement against that. It is easier in a small business, but even the lower level employees, can attach a financial target to what they are doing. What they can influence.</i>
R3	<i>...over the last 10 years, we have heard two setbacks in terms of financial performance, through the recession, but they have been small, relative to our competitors and relative to what happened in the market overall. We lost 250 million Rand revenue from our top clients, and our bottom line went down by 10 million Rand. And that is an indicator of exceptional performance even in tough economic times.</i>
R4	<i>Where we did have it implemented effectively, you could see the improvement in the performance of the financials...</i>
R5	<i>Firstly most important thing are our people, and (funny enough not our clients) because if I have good people, they also the client well anyway. And that will enhance relationships. Financial performance is a consequence of that.</i>
	<i>...if you don't do the performance that's right, and you don't get your people motivated, then financial performance is a consequence.</i>
	<i>...at Deloitte since 2006, two 2012, we have doubled the turnover and increased profits by 110%, and we are growing and growing profitably...</i>

R6	<i>...but it has driven us to a large extent to meet certain financial targets, which everybody is striving towards...</i>
R7	<i>...because you know that some of the key performance indicators on that system is financial performance.</i>
	<i>It has a direct link on financial performance.</i>
R8	<i>It is one of the key drivers for financial performance.</i>
	<i>...even for the support staff are very effective, because they know exactly what they need to be doing. Even if it is cost savings or sticking within budget, the outputs are clear.</i>
R9	<i>In financial performance, different targets are set for the guys and they are measured against these targets. They know what they have got to achieve because the guys don't get bonuses if they don't achieve the targets.</i>
R10	<i>Financial performance, not really, as we are the public sector, and there is not such a high drive for financial performance...</i>
R11	<i>...greater focus on financial performance, and personally I have seen some improvement in performance.</i>
R12	<i>In the system, we track various financial indicators of the business, put targets in line, for the various directors, and employees throughout the business. They all have financial targets to meet.</i>
	<i>In the short space of time, I have noticed some individuals within the business getting better financial results in their projects.</i>
R13	<i>...by achieving business goals and objectives, you are going to achieve financial success...</i>

Interview Question 7: What was the impact of the system on employee engagement within the organisation?

This question was aimed at determining the impact of the performance management system on employee engagement in the organisation as a direct result of its implementation. All 13 of the respondents answered this question, and their answers are provided in the table below.

Table 5.16: Employee engagement responses

R1	<i>Only a slight improvement, but it is still early days within the implementation of the system.</i>
R2	<i>...when I come to my performance review, I've managed to meet or these targets. And people feel proud about that. That increases employee engagement unbelievably.</i>
R3	<i>It empowers the leadership when they engage with staff.</i>
	<i>I would say it definitely improved employee engagement, however there are some people don't like it, they may not like the outcome, but at least it is the best process and is a free process.</i>
R4	<i>...from my personal assistants and to the people that walk into my office on a day-to-day basis I've got feedback that the employee engagement has definitely improved.</i>
R5	<i>...in actual fact, to get performance management working, you have to have committed employees...</i>
	<i>Now a committed employee will say that I'm not looking good because you are not making me look good. You're not doing your part and now I have to get on with your</i>

	<i>work as well as doing my work.</i>
	<i>...we can tell how much attrition we going to have after we have done a commitment survey.</i>
R6	<i>One thing I can say is that performance management has become the only platform for proper employee engagement in our organisation. Because it is forced through the system.</i>
	<i>It is a good thing if you have nothing, but the problem with it is becomes when it is the only form of employee engagement. So for me our performance management system has become a platform for employee engagement.</i>
R7	<i>It contributes contributed positively because management engage with the employees to formal communication, transparency, its objectives, and facilitates clear communication upfront...</i>
	<i>...performance management is a one on one, and we talk about, and give feedback to the individuals...</i>
R8	<i>...we can tell whether someone is or is not engaged and repeated at from the performance management system in addition to walking about and talking to employees on a daily basis.</i>
R9	<i>...because of the performance management system, you have to spend the time of the guys, so yes it definitely improves employee engagement.</i>
R10	<i>Yes definitely he has an impact on employee engagement because we have done employee engagement survey is for the last three years, and you can see a link, where the performance management processes which are clearer, you have a higher employee engagement and get better feedback.</i>
R11	<i>Employee engagement. I have no evidence that our current system enhances employee engagement. For many employees, our current system is complicated and cumbersome.</i>

R12	<i>...once again, the beauty of the system is that it forces a dialogue. With this dialogue, people then in share the experiences, both positive and negative which certainly enhances employee engagement.</i>
	<i>I know what is then expected of me, and because of that, I am then going to engage with the various leaders of the business in order to improve myself. From that point of view in terms of a continuous improvement, I think it is really a positive.</i>
R13	<i>That is a specific measurement item that we do on the matrix, and employees are focused on that and it is brought to their attention, so that does increase.</i>

Interview Question 8: What was the impact of the system on learning and employee development within the organisation?

This question was aimed at determining the impact of the performance management system on learning and development within the organisation as a direct result of its implementation. All 13 of the respondents answered this question, and their answers are provided in the table below.

Table 5.17: Learning and employee development responses

R1	<i>This system currently develops an individual key focus areas and if you are lacking in specific areas how we could develop you in those specific areas.</i>
	<i>...shortfalls of every employee, which is linked to the performance management system...</i>
	<i>...and have identified training programmes which has identified employee shortfalls and from those shortfalls, we have developed training requirements and that would hopefully work.</i>
	<i>...so it has done very well in terms of the development of employees...</i>
R2	<i>You would say let's discuss your job, you need to develop yourself, how are you going to develop yourself, let's put together a statement for that.</i>

	<i>...and one of our strategies is that development of personal or self development, so we translated to a very simple statement for that person at the underlying theme is to develop the scorecard approach.</i>
	<i>...we'll run the review their managers are trained to not focus on the link to remuneration and focus on the development....</i>
	<i>...the young generation Y in terms of their employee value proposition they want career development...</i>
	<i>...because they are more interested progress thing in their careers then getting a bit more money...</i>
	<i>...but at the end of the day the organisation has got quite a high learning environment so...</i>
	<i>We regard that very strongly with everyone has to, learn, and demonstrate that they can use three new skills per six months. And those three skills do not have to be hugely dramatic; they have to be new skills. And if they do in the new skills, they get a performance score of three, which means they are just doing their job. So if they want to exceed, they had to do four or five new skills every six months. You won't believe what that does to people, and in any drives people to improve.</i>
R3	<i>We also have a system of councillors – at the staff level, staff member can select somebody to be a councillor, like a career guide. That individual should meet with that guide at least once a quarter, see how it's going, get feedback, or if things are worrying you see how they can help.</i>
	<i>People can select their councillors not necessarily from their direct reports. The councillor at half year and end of year, do due diligence. They then develop template which they put into process. They come up with their preliminary rating, assessment of their arguments for that rating, and their strengths and weaknesses which is then represented at a round table where all of the councillors for that particular group of people will meet together and they will then agree the curve.</i>
	<i>Once a year the councillors then meet with the individuals and talk about career plans, milestones, learning experiences, maybe specific things they need to do. Looking at specific career milestones which are applicable to that specific individual. So it is quite a rich discussion</i>
	<i>...when I think that the performance process as I was explaining in the beginning, and the career pathing, does force you to look at some of the key outcomes for the individual. And then in theory, because we are nowhere near where I would like it to be, is that individual's development could be better.</i>
	<i>Everybody has an individual development plan (IDP), and indeed the expectation is discussed with the councillor, around the learning outcomes. Because most of the learning is on the job.</i>

R4	<i>...we hadn't got to personal training programs at PB but we had feedback on the training programmes which we had put in place for general staff which was good.</i>
R5	<i>This is done so that you can get your feedback fairly quickly which accelerates the learning and development.</i>
	<i>Since 2006, when I took over, we have increased the lead the ship of employees from three days to 23 days. Article clerks will spend 46 days in learning. That 23 days is a minimum which is an absolute requirement from all our employees, and the training interventions which are required are monitored and managed through the performance management system.</i>
	<i>...our training budget for the year is in excess of R100 million, which is administered through the performance management...</i>
R6	<i>Again if you know your business, you know what you're resources or, you should have plans in place to deal with that, and then pull through the benefits which is then learning.</i>
R7	<i>Yes absolutely, because remember it has a learning and development module...</i>
R8	<i>Other predictors of success are the simplicity of the performance management system, and everyone understanding it, the extent to which everyone has been trained to use the performance management system.</i>
	<i>So the first round is to identify gaps and a purpose for that is training, making sure that people know what they should be doing, to address the gaps and it is more developmental in nature.</i>
	<i>It is a much more focused approach to learning.</i>
R9	<i>...and it is also about career management.</i>
	<i>Then we also look at will look at things like career development and the employees might have concerns about where they are going, how long it is going to take them to get day, and a look at things around training and stuff.</i>

	<i>You would then determine for the next year what specific training courses are required...</i>
	<i>Yes as I mentioned earlier the learning and development is done through the performance management system where you follow up on the training and development programmes. Things like agreeing which people have got to go on mentorship programmes, etc., and the objectives for the rest of the year are aligned with the training programmes.</i>
R10	<i>The performance management system should be the foundation of other critical human resource processes because it allows you to have a track record and manage career plans and other things...</i>
	<i>In terms of performance. It's a foundation of your succession, career management, a lot of the other interventions which we have in terms of human resources.</i>
	<i>We have a lot of in-house development programmes, 70% of our training is done in-house, for the Treasury, and the performance management system which is called IPM (integrated performance management). We have integrated with the human resource departments unit. So basically they get, for the learning interventions actually come out of the performance management system. And clearly where we see gaps in the individuals performance, learning and development is based specifically on the individual, which comes out of the performance management system.</i>
R11	<i>The scorecard dimensions are Financial, Strategic, Process, Business Development, HR and Self Development. The end score is that of a percentage . The system has the capacity to integrate all of the dimensions into individual, departmental/divisional and Company performance scores. Linked to this are modules integrating competencies and learning and development...</i>
	<i>My view is that learning and development is very good in the company, but whether this can directly be attributed to the PM system is doubtful...</i>
R12	<i>...we have mapped out competencies of each employee, and links back to that is the psychometric assessment which has been done, and in linked back to that is the performance management. If he and all encompassing system, which is a to identify the gaps in employees. Throughout all the levels of the organisation. And once you have identified the gaps, then you can start filling those gaps with specific tailor-made training for each employee for them to improve. From that point of view the development of employees across the board it definitely has an impact on.</i>
	<i>People are now talking about the goals, and then talking about the career development and where they want to be.</i>

R13	<i>Performance management is the process of the management of recruitment and assisting people, the metrics relating to the scorecard of the measurement, and the training and development interventions and the retention of key staff.</i>
	<i>So, if you need specific skills in order to achieve a specific objective, it is it is responsibility to either retain employees or skills that are existing in the company, or train and develop the, or recruit those specific skills to achieve that particular object of.</i>
	<i>The game that is an outcome of the coaching and mentoring of guys, so we purposely link juniors with seniors. There is a specific training and development module of the performance management system which outlines areas of development specifically to that employee.</i>

Interview Question 9: What was the impact of the system on general communication within the organisation?

This question was aimed at determining the impact of the performance management system on general communication within the organisation as a direct result of its implementation. All 13 of the respondents answered this question, and some of the responses are provided in the table below:

Table 5.18: General communication responses

R1	<i>...but having said that it has improved general communication when it comes to performance related matters...</i>
R2	<i>...that is something that we encourage your where we start using the performance management system on a daily basis for communication and feedback...</i>
	<i>I think it does generate communication within the organisation, even though I never thought of it that way, because the certain objects is that the department or division has to get to, they talk to each other about their own performance objectives. What that does is it creates alignment, and a communication of alignment...</i>
	<i>...having it, also does reinforce the culture of performance, so people are thinking about</i>

	<i>performance, and communicating to each other about performance.</i>
R3	<i>It's a very rich discussion and feedback with the individual which creates a much more holistic feedback than simply one guy coming in. here we force a discussion, we force the leadership to sort through the messages, and sometimes the individual doesn't like the leadership, and then we push back on the individual. It empowers the leadership when they engage with staff.</i>
R4	<i>There were areas where performance improved as a result of the performance management system, which then provide some form of peer pressure, so then everybody started to utilise the system more effectively</i>
	<i>It was very good in that it forced communication between line and functional managers.</i>
R5	<i>It definitely enhances communication within the organisation.</i>
R6	<i>... for a certain level it may encourage a little bit of rivalry between departments but we believe that it does enhance communication. If the performance management system is running then there is a correlation between communication within the organisation and the performance management system.</i>
R7	<i>... it facilitates clear communication upfront.</i>
	<i>It boils down to the fact that it fosters a unique language with which to discuss performance management.</i>
R8	<i>It is a conversation and dialogue with the sole purpose of improving performance at every level.</i>
R9	<i>We communicate exactly what is expected from them.</i>
	<i>It becomes a dialogue and it's not just a one way communication system. The employee has got to rate himself before they come in for the formal performance appraisal.</i>

	<i>...in terms of general communication I'm not too sure whether that can be linked back to the performance management system, however there are other forums or programme within the business which are used to enhance general communication.</i>
R10	<i>...when you have a good performance management system, then you create a language within the organisation of people being clear in terms of expectations, people knowing when they are below or above the standard.</i>
	<i>I think it does create a dialogue it performance management, the system creates a specific dialogue amongst staff...</i>
R11	<i>I have seen no impact of our PM system on general communication in the company.</i>
R12	<i>...it creates a constant dialogue between the business and the employee...</i>
	<i>...it forces a dialogue between the line manager and the employee...</i>
	<i>...in the short year that we have utilised the system, we have certainly noticed a more meaningful type of conversation or communication within the organisation. People are now talking about the goals, and then talking about the career development and where they want to be. From that point of view it has generated a communication within the organisation which is performance related.</i>
	<i>...that this is now sort of facilitated or initiated a communication of performance around the organisation, which is very very healthy.</i>
R13	<i>General communication is a little more of a difficult one in that I do not see the correlation between the general communication and the performance management system so I would disagree.</i>

Interview Question 10: What was the impact of the system on the organisation's culture?

This question was aimed at determining the impact on the culture within the organisation as a direct result of the implementation of the performance management system. All 13 of the respondents answered this question, and some responses are provided in the table below.

Table 5.19: Culture responses

R1	<i>Its still very early days to determine the impact on culture.</i>
R2	<i>...we have got quite a high performance culture here...</i>
	<i>I would say that it does, because it is a high performance culture, when people don't get good performance reviews, they already know before they get the feedback.</i>
	<i>It also influences the culture, because the receptionist can ask the director whether they have returned that call, and it is a culture of responsibility and accountability.</i>
	<i>...having what it also does is it reinforces the culture of performance, so people are thinking about performance, and communicating to each other about performance.</i>
	<i>That culture is so important for business. I have often wondered whether culture desires the performance management system or whether the implementation of the performance management system drive the culture within the business.</i>
R3	<i>...we are a performance driven culture with heart, and we are fair. One of our values, and one of our people's principles, is to give our staff frank and honest feedback around performance.</i>
R4	<i>...you start you start getting their culture where if I say I'm going to do something I better do it.</i>
	<i>...it promoted a very open culture in the organisation. There was a common culture of transparency and it took subjectivity out of the performance review system.</i>
	<i>...the culture of high performance within the in the organisation and it certainly got people to focus in the right areas...</i>
R5	<i>Culture is extremely important, as you know we have the Deloitte way, and they are various habits and actions which are also monitored in the performance management system because we have to ensure that we maintain our culture. And it does make a</i>

	<i>big difference...</i>
R6	<i>Yes it definitely has a positive correlation to culture.</i>
R7	<i>I think that if you measure performance objectively, fairly and it drives the culture of performance.</i>
	<i>It drives a culture of delivery, and its a driver of target.</i>
	<i>It drives a culture of measurement</i>
R8	<i>It makes or breaks and sets your culture.</i>
	<i>... as a high performing culture and if it is not working you generally just bumble along. And you criticise it and the system becomes a real nuisance. So the unintended consequences of implementing it badly really messes up the culture.</i>
	<i>...performance management is the second biggest lever to drive organisation culture.</i>
R9	<i>Culture is a also a little bit difficult. When it comes to culture, but thinking about it does develop a culture of performance, and to drive the company culture to ensure that guys are behaving in accordance with it.</i>
	<i>Definitely it has impacted culture and we have used the performance management system to drive the culture of the business.</i>
R10	<i>The performance management process helps drive, certain behaviour, which goes a long way to improving culture of the organisation...</i>
R11	<i>...it reinforces culture...</i>
R12	<i>Everybody knows that we are taking it seriously, performance is a serious thing, and we are trying to create a performance culture which is the objective of the business.</i>

	<i>...for us now, you're certainly talking now about a culture of performance and a culture of the delivery. We are now trying to build a culture of performance so that that comes through with in the measures within the system. With this we are trying to drive the cult of performance and culture of delivery which is facilitated by the performance management system.</i>
R13	<i>...that whole system needs to take cognizance of and operate within the company's framework of culture, policy, structure, and values.</i>
	<i>It helps to align people to the culture of the business so you are measuring cultural issues that you want people to be aligned to, and you are discouraging bad culture,. So it helps to create a culture that you particularly want.</i>

Interview Question 11: What is the impact of the performance management system on reward systems within the organisation?

This question was aimed at determining the impact of the performance management system on the reward systems within the organisation as a direct result of the implementation of the performance management system. All 13 of the respondents answered this question, and some of their responses are provided in the table below.

Table 5.20: Reward responses

R1	<i>...performance management system will determine what the rewards are in the future, which will include both bonuses and salary increments...</i>
R2	<i>Then just in terms of the frequency, we have two review a year and when we ran the review the one review of links to merit increases and either a review links to performance bonuses, having said that when we'll run the review their managers are trained to not focus on the link to remuneration and focus on the development.</i>
	<i>...one of the other interesting things, and every business would have experienced it, because the link remuneration to the performance review, so that there is actually a monetary outcome at the end of the day...</i>

	<i>...during an economic downturn, people didn't get lower bonuses, and they do get lower increases, just as a result of the environment.</i>
	<i>Our system is a direct link to the performance management system, and because we do it on an ongoing basis, it doesn't matter as much...</i>
	<i>...and finally tie it back to the remuneration system and the promotion...</i>
R3	<i>It became really really clear that people were being rewarded on the basis of tenure and all that sort of stuff and not on the basis of performance which is critical for the business. So if you don't do it this way, you begin to get yourself into unfair situations.</i>
	<i>The link back to the performance management system or process, is the only fair a way to do it. The system, or the process which we do, but at the required increase and the necessary adjustments for promotions where applicable.</i>
R4	<i>It has a positive impact on the reward system in the business as bonuses now could be accurately allocated to all parties.</i>
R5	<i>...at Deloitte since 2006, till 2012, we have doubled the turnover and increased profits by 110%...</i>
	<i>...but you know that the differential in towards certainly also comes at a promotion level...</i>
R6	<i>...primary linkages are the reward systems...</i>
	<i>...so what you get is that people are doing the performance reviews only for the rewards, and they don't give poor reviews as the affect the bonuses...</i>
	<i>It is an equitable basis with which to measure and reward people. The challenge comes in how we structure that. It does however have unintended consequences in that reward becomes the driver of the behaviour rather than the actual performance of the individual. This is the challenge of any performance management system is to try and determine what are the unintended consequences so as not to fall foul of them.</i>
R7	<i>...the rewards can be objectively based on measurable outputs, which are monitored and properly evaluated.</i>

	<i>...it gives people the feeling that rewards are fair and that those that work harder get rewarded the most. So absolutely.</i>
R8	<i>The second one is expressly linked to the pay increase and the bonuses. The feedback is extremely direct, there is no guesswork, people know exactly how they have performed.</i>
	<i>The reward systems are the focused, and linked to the performance management system as bonus systems. So your pay increase and your bonus as a direct link to the performance management system. Direct and everybody knows it. It is crystal clear.</i>
	<i>The performance management system has a really resulted in much better and focused performance, and all the ducks are aligned. There is no person in this organisation who does not know what gets measured. Everybody knows, it's on the tip of the fingers.</i>
R9	<i>How we enforce this is that if they do not do a performance appraisal then bonuses do not get paid to them.</i>
	<i>They know what they have got to achieve because the guys don't get bonuses if they don't achieve the targets.</i>
	<i>And yes definitely. Their bonuses or linked directly to the performance management system. It is linked to things like completing projects on time, profit before interest and tax, which is a really aligned back to the strategy of the business.</i>
R10	<i>We do have a bonus system which is linked to the performance management system, However I think that it might be driving the wrong behaviour. To be honest it is one of the things we have had to be in a position to say, the better you make performance management system linked to the business drivers, the better in terms of driving the correct behaviour in terms of the reward.</i>
	<i>...because people turn it into a bonus thing only in terms of the performance management system because I think it's shifting the focus about being about to a reward...</i>
R11	<i>.. it reinforces culture, motivates employee performance, and allocates reward effectively...</i>
	<i>...there has been a more scientific and better link in terms of reward to actual recorded performance. This is because the bonus, incentive and increase process is so designed...</i>

R12	<i>What we found that now that with the performance management system, we are going to differentiate between the stand out performers, the mediocre performers, and also the non-performers. And in linking back that the reward system or the profit-sharing scheme to the performance management system this morning further enhance or further drive our culture of delivery and performance, we're people get rewarded for the effort that they put in.</i>
R13	<i>Those are definitely needed and required to be in place. So it helps to align people to the correct behaviour, because you are rewarding them for specific behaviour that you are then measuring in the balanced scorecard. Reward systems are aligned to your objectives of a business.</i>

Interview Question 12: Who do you believe should own the system?

This question was aimed at determining who executives believe should take responsibility for or drive the performance management system. All 13 respondents answered this question, and their answers are captured in the table below.

Table 5.21: Owning of the system responses

<i>R1</i>	<i>It should be driven by the HR subcommittee which was mandated by the CEO of the business, but every single employee should own the system.</i>
<i>R2</i>	<i>I believe that in any company, if the CEO is not endorsing any system, he has got to empower the people some of the system, and the CEO must drive the system. He has to agree with it, and he has to empower the people to implement the system.</i>
<i>R3</i>	<i>The process of the administration of the system should be done by HR, that the driving of the system should be by the business head leaders.</i>
<i>R4</i>	<i>The performance management system should be driven directly from the top- from the CEO of the business</i>
<i>R5</i>	<i>So for me, as the CEO of the business, it's vital that I own the system, so that</i>

	<i>everybody takes it seriously, because it is results and people orientated, and to make sure that things get done.</i>
R6	<i>Leadership should be the owners.</i>
R7	<i>Line management.</i>
R8	<i>If the CEO, owns it, which is your last question, I think it is the single biggest predictor of performance. The CEO is much more involved with the line management and the bulk of it falls squarely in his responsibility. I'm totally convinced, and there is nothing that will change my mind, that the CEO should own. The CEO must use it as a business tool to drive strategy. And if the CEO can't see that and palms it off onto the HR department it is dead in the water. It is a lame duck. For me there is no other way, it's as simple as that.</i>
R9	<i>HR is the facilitator, and not the driver. The line manager must own it. They must take ownership of it.</i>
R10	<i>Definitely would say he the executors or head of organisations should drive it. I think in HR should play a role of administering it, but the custodian of it should be the head of the organisation. That way would keep everyone on their toes that it should definitely be right from the top. People take it really seriously when it is driven right from the top. Knowing that there are consequences if the system was not adopted properly.</i>
R11	<i>A culture of performance management should primarily be driven by the leadership of an organisation.</i>
R12	<i>Well certainly for me, the CEO of the business needs to drive the system. He has got to own the system. It is not an easy process to follow through, it is a big change in everybody's lives, and unless it comes from the very top, people are going to be resistant to change or more importantly, people are resistant to change. And the only way we are going to be able to do it, could change people's behaviour, to change the culture of the business, is if it is driven from the very top.</i>
R13	<i>It is administered by HR, however in terms of ownership of the system it is definitely a leadership responsibility, so the higher you go up the ladder of the business dated is because you can then sway the direction and the behaviour will be emulated from those at the top. It really needs to be owned by the CEO.</i>

All the collected data were categorised into various themes that emerged from the interviews. Chapter 6 provides an interpretation of the results in relation to the literature discussed in Chapter 2.

6. Interpretation of results

6.1 Introduction

The objective of the present study was to determine the perceptions of South African executives of performance management. This chapter provides insight into the findings as they relate to the purpose and objectives of the study, which findings are discussed in relation to studies found in the literature. The results of the interviews, as presented in Chapter 5, are synthesised into a comprehensive assessment of executives' perceptions of the performance management process.

The chapter commences with a brief discussion of the participants' profiles and their industry representation. The research results are then analysed and discussed with respect to the research questions posed in Chapter 3.

6.2 Participants profiles and industry representation

A discussion of participants' profiles and industry representation is pertinent to the reliability and relevance of research results. As can be seen in Table 5.1, all the participants were at executive levels, with the majority of the participants being chief executive officers of the respective businesses. All the respondents were from organisations in service related sectors.

6.3 Respondents' understanding of performance management

All the respondent were asked to provide their understanding, view and experiences of performance measurement. The question was open-ended, so as not to prompt answers which respondents thought the researcher wanted to hear.

Once all the information was received from the respondents, the researcher used a qualitative content analysis process, and then divided the data into the following themes, which became apparent during the course of the interviews:

- Strategy;
 - 1. Balance scorecard
- Consistent and fair;
- Goals and objectives;
- Employee performance;
- Performance contracts; and
- User-friendly

Each of the above themes were coded utilising the Nvivo 10 software package, and then analysed according to:

- number of sources or respondents and,
- number of coding references.

The respondents were the sources, which yielded a total of 157 coding references (the number of times a statement was made in a category or a theme).

6.3.1 Strategy

From the analysis of the interview data it can be seen that 11 (85%) of the 13 respondents made references to performance management being integrated with the overall strategy of the organisation, and utilising this process in order to communicate and measure performance against the strategy, throughout the organisation. Of the 157 coding references, 46 (29%) were made specifically in line with the theme of strategy, as well as alignment of the performance management system with the strategic intent of the organisation. From the analysis of the data, it was clear to the researcher that strategy is one of the fundamental aspects of a performance management system. In this regard, definitions provided by the participants when asked about their general understanding of performance management included: "... employees' performance is linked to the strategy" (R1); "... Strategy needs to be driven right through the performance management system" (R2); "... performance management converts strategy into simple language..." (R8); "The

only way to get to that level is when you have your strategy and it has been signed off...” (R4); and “... which is really aligned back to the strategy of the business” (R12).

The responses expressed by the respondents were in line with the definition of the concept of performance management as provided by Aguinis and Pierce (2008), who define performance management as the measurement and development of individuals and teams in alignment with the strategy of the organisation. Nillson and Kald (2002), in their study of performance management, found that one of the fundamental successes of Japanese companies is the strategic dialogue between senior management and executives. They state that being able to cascade the strategy of the business to lower levels of the organisation is fundamental to the success of an organisation.

6.3.1.1 Balanced scorecard approach

13 respondents remained after 2 withdrew from the study due to the parties being unable to co-ordinate their respective diaries. These 13 respondents supported the alignment of strategy with the performance management system, and 8 (73%) made a direct reference to the balanced scorecard approach. A total of 14 coding references were linked to the balanced scorecard approach. Some of the references by the respondents included: “I have utilised the balanced scorecard...” (R4); “...it takes the five key elements of the business...” (R1); “You need a balanced scorecard approach with the process, financial...” (R2); and “one of the major, in terms of how balanced scorecard...” (R12).

The researcher found that a balanced scorecard approach was a prominent strategy framework utilised in the performance management process. Kaplan and Norton (1992) therefore established a multi dimensional instrument that captures performance indicators of future success, based on the four broad principles of finance, customer perspective, process, and learning and growth.

6.3.2 Goals and objectives

11 (85%) of the 13 respondents made references to performance management being a management tool to define the goals and objectives of the organisation, and to align the performance of employees with the organisation's goals. Of the 157 coding references, 40 (25%) were specifically in line with the setting of goals and objectives, and the fact that the goals and objectives must be clarified at the commencement of the performance review period.

In this regard, the following are some of the definitions provided by the participants: "...its an holistic thing which makes you understand and align peoples' goals..." (R3); "We needed to make sure we had consistent goals and objectives..." (R4); "...we set their goals and targets for the year..." (R8); "...giving clear objectives to the relevant employees is critical..." (R9); and "...where you have defined actions and objectives for everybody..." (R10).

The fact that 85% of the respondents confirmed that the developing of goals and objectives of individuals and teams must be aligned to the goals and objectives of the organisation is significant, as well as consistent with the argument of Nillson and Kald (2002).

6.3.3 Employee performance

11 (85%) of the 13 respondents made references to performance management being a predictor of employee performance for the upcoming review period, if the measures are clearly understood and realistic. Of the 157 coding references, 30 (19%) specifically referred to employee performance. None of the participants was prompted to make specific reference to employee performance, yet this was a consistent theme.

In this regard, the following are some of the responses consistent with the theory of employee performance: "...where people are rising to those expectations..." (R3); "...so that feedback and corrective action can be put in place..." (R7); "...that process corrects your planning doing gap..." (R4); "...how each person is performing against those goals and objectives..." (R12); and "...you get a trend over time where a person has been constantly performing, or constantly not performing..." (R12).

The high number of respondents linking the performance management system to employee performance is confirmed in the literature by Den Hartog, Boselie, and Paauwe (2004), who define performance as an integrated process in which managers work with their employees

to set expectations, and measure and review results, with the principle objective of improving employee performance. This ultimately leads to enhanced organisation performance.

6.3.4 Consistent and fair

8 (62%) of the 13 respondents made references to performance management being a system or a process that needs to be consistent over time, and that should be a fair and unbiased approach to the measurement of employee, in line with the agreed metrics at the commencement of the performance review period. Of the 157 coding references, 20 (13%) were specifically in line with the concept of consistency and fairness, with respondents using terms such as frank and honest, objective, and not being subjective to describe this notion.

Not every respondent described the effectiveness a performance management system as being dependent on, specifically consistence and fairness, as is evident from the following quotes: “...it is all about treating people fairly...” (R5); “...it’s an inherently fair system...” (R3); “...you take out all the debate and you take out the subjectivity...” (R4); “...you need to communicate this in an honest way...” (R9); ‘...accurate and consistent performance data is therefore generated through consistent application...’ (R11).

Aguinis et al. (2011) state that the fundamentals of the performance management system are that it should be fair and reliable, and should minimises error and maximises consistency.

6.3.5 User-friendly

6 (46%) of the 13 respondents made references to the fact that a performance management system should be easy to utilise and understand. Of the 157 coding references, 11 (7%) were specifically in line with a system being user-friendly in order to achieve effective implementation, and, hence, reliable results.

Whilst not all respondents indicated that the system or process should be user-friendly, no statements to the contrary were made in this regard. The following are some of the responses from the participants regarding the simplicity of the system: “...the simpler the better...” (R2); “...the system is currently simple and uncomplicated...” (R6); “...other predictors of success are the simplicity of the performance management system...” (R8); “...if the performance appraisal forms are too long or complicated, they tend to hijack the conversation...” (R8).

However, even a user-friendly system requires formal training of all users of the system. Aguinis et al. (2011) also state that ongoing training of the performance raters and employees is a prerequisite for effectiveness of use of the system.

6.3.6 Performance contracts

6 (46%) of the 13 respondents made references to performance management being an effective tool for the confirmation and formalisation of performance contracts for employees for the review period ahead, where the measures required of the employee are formalised in writing, and confirmed in the performance management process for each employee. Of the 157 coding references, 9 (6%) were made specifically in line with the utilisation of performance contracts to set the performance standards required by the organisation.

6.4 Continuous Process

All 13 of the respondents (100%) confirmed that performance reviews need to be done more than once a year, and the continuous feedback to individuals and teams is fundamental to the success of the organisation.

The following are some of the responses from some of the participants with reference to feedback: "...we do it quarterly..." (R1); "...do performance appraisals twice a year. So it is continuous' (R7); "...every day, every week, this is just the formalisation of it" (R8).

Armstrong and Baron (1998) state that performance management must not only be done annually, but quarterly, or even monthly. One of the cornerstones of performance management is the communication and continuous feedback to employees, which facilitates the continuous development of the employee and the organisation (Aguinis et al., 2012).

6.5 The extent to which executives prioritise implementation of performance management

All 13 (100%) of the respondents confirmed that executives need to place a high priority on the implementation of a performance management system.

The following are some of the responses from some of the participants with reference to the importance of implementing the system: “The CEO must drive the system as a top priority” (R2); “...high priority; I mean, its one of the most important management tools...” (R7); ‘...it’s critical; we are a high-performance organisation...’ (R8); “...a very high priority...” (R13).

6.5.1 The impact on productivity within the organisation

All 13 (100%) stated that implementation of the performance management system had had a positive impact on productivity within the organisation.

The following are some of the responses regarding productivity within the organisation: “...process measure is directly linked to productivity...” (R2); ‘...in terms of productivity, every year the level of the bar increases...’ (R4); “...one is completely focused on what one needs to produce, and it has increased...” (R8); “...we are now getting delivery, and it certainly does improve productivity...” (R12).

This is consistent with Cascio's (2006) statement that productivity can be expected to improve when using goal setting as a tool. Productivity can be expected to increase when skilled workers are attracted to organisations offering higher incentives linked to measurable performance outputs (Bloom & Van Reenen, 2011).

6.7.2 The impact on the financial performance of the organisation

10 (77%) of the 13 respondents stated that implementation of the performance management system had a positive impact on the organisation's financial performance. None of the respondents indicated a negative correlation in this regard.

The following are some of the responses on the financial performance of the organisation: "...it has a direct link..." (R2); "...since 2006 we have doubled turnover and increased profits by 110%..." (R4); "...greater focus is on financial performance, and personally, I have seen some improvement..." (R11); "...in a short space of time I have seen individuals within the business getting better financial results..." (R12).

In two of the state-owned enterprises, there was no tangible link the performance management system and financial performance, as is evident in some of the quotes: "...not really, we are in the public sector...(R10); "...its not really applicable..." (R6).

This impact on financial performance is in line with the finding of a study conducted by Cascio (2006), where it was confirmed that companies with strong performance management systems are likely to perform better than companies without such a system. Delaney and Huselid (1996) state that it has been proven that organisations increase their productivity and financial performance through the utilisation of performance management tools.

6.7.3 The impact on employee engagement within the organisation

11 (85%) of the 13 respondents stated that the implementation of the performance management system had had a positive impact on productivity within the organisation, whereas two respondents noted that there was no evidence of improved employee engagement.

The following are some of the responses regarding employee engagement within the organisation: “...I have got feedback that employee engagement has definitely improved...” (R4); ‘...it contributes positively...’ (R6); “...because of the performance management system, you have to spend time with the guys, so it definitely improves employee engagement...” (R9); “...it definitely has an impact on employee engagement because we have done commitment surveys for the past three years, and you can see the link...” (R10).

Gruman and Saks (2011) argue that organisations can gain a competitive advantage through employee engagement. A study by Macey, Schneider, Barbera and Young (2009),

using a sample of 65 organisations in various industries, found that the top 25% of organisations on the employee engagement index achieved greater returns on assets, profitability, and more than double the shareholder value than the bottom 25%.

6.7.4 The impact on learning within the organisation and the development of employees

12 (92%) of the 13 of the respondents stated that there had been a positive impact on learning within the organisation and the development of employees.

The following are some of the responses on learning and development within the organisation: "...so it has done very well in terms of the development of employees..." (R1); "...the organisation has got quite a high learning environment..." (R2); "...the benefits, which is then learning..." (R6); "...feedback which accelerates the learning and development..." (R5); "...much more focused approach to learning..." (R8).

This is consistent with the literature of Aguinis et al. (2012), which states that one of the cornerstones of performance management is communication (including continuous feedback), as it facilitates improvement of employees in the future. Delaney and Huselid (1996) re-iterate this notion by stating that if performance management processes are not implemented in an organisation, employees will not be motivated to perform, which will have a negative impact on the performance of the organisation. Improvement and learning are closely integrated, and performance management is a key component of this process, as it

allows employees to appreciate the need for constant improvement, which has a positive effect on the organisation's performance (Yiannis et al., 2009b).

However, one of the respondents (R11) noted that "...learning and development is [*sic*] very good in the company, but whether this can be directly attributed to the performance management system is doubtful."

6.7.5 The impact on culture within the organisation

12 (92%) of the 13 of the respondents stated that the performance management system had a positive impact on the culture of the organisation.

The following are some of the responses on the culture of the organisation: "...we have got quite a high performance culture..." (R2); "...it definitely has a positive correlation with culture..." (R5); "...it drives a culture of delivery and it's a driver of targets..." (R6); "...it makes or breaks your culture..." (R7); "...helps driver certain behaviour, which goes a long way to improving the culture of the organisation..." (R9).

Culture is defined by Zhou, Bundorf, Chang, Huang, and Xue (2009) as a set of shared and implicit assumptions that a group holds, and that determines how it perceives, thinks about, and reacts to various elements within the environment.

6.7.6 The impact on reward systems

All 13 (100%) of the respondents stated that the performance management system and the rewards programmes are closely integrated to enhance the performance of individuals and teams.

The following are some of the responses on reward systems within the organisation: "...the link back to the performance management system is the only way to do it..." (R2); "...bonuses can now be accurately allocated to parties..." (R4); "...it is an equitable basis with which to measure and reward people..." (R6); "...it has resulted in a much better and focused performance, as your pay increase and bonus is directly linked..." (R8); "...it helps to align people in the correct behaviour, because you are rewarding them for specific behaviour..." (R13).

This is consistent with the literature of Helm et al. (2007), which states that pay-for-performance platforms are common to many organisations, but that few clarify the goals of the performance management system and link the two. For a reward system to be an effective incentive for performance, it must be communicated clearly how the assessment will be done, and more importantly, how the results will be converted to the appropriate financial reward (Yiannis, 2009a).

The next chapter sets out the conclusions of the research and the findings, and provides recommendations for future research.

7. Recommendations and conclusion

7.1 Introduction

This chapter summarises the research objectives, the major findings of the research, as well as the contributions that have been made to the existing body of knowledge. The researcher also makes recommendations based on the findings of the research, and offers suggestions for future research. These are then followed by a conclusion.

7.2 Motivations, aims, and contributions

7.2.1 Motivations of the study

The management of human capital is critical to the performance of an organisation, as highlighted by Ahmad and Schroder (2003) in their statement that human resources are the most important asset of an organisation. Yiannis (2009b) states that the primary objective of a performance management system is to improve performance of individuals and teams by developing skills and the capacity to carry out work effectively, which has the overall effect of improving the performance of the organisation. The present researcher set out to prove that companies that have implemented effective performance management systems have experiences perceived improvements of various aspects of the business, as set out in Chapter 3.

The literature review revealed that organisations that have implemented effective performance management systems have a greater ability to improve the overall performance of the organisation (Delaney & Huselid, 1996). A good performance management system includes the measurement of behaviours and results of individuals and teams; when employees have a measure of control over the results of their performance measures, it is appropriate and reasonable to measure their performance (Aguinis et al., 2012).

The present research study was motivated by the researcher's desire to determine, in more detail, the outcomes of an effective performance management system. A qualitative study, utilising interviews with executives was undertaken to determine the outcomes of implementing a performance management system. Executives of an organisation understand the results of the business in detail. By examining the perceptions of executives in these organisations, the researcher was able to then determine the effectiveness of a performance management process in organisations.

In the present study, it was necessary to design an interview process with a predetermined questionnaire based on the literature review. This questionnaire was utilised to determine whether the executives' perceptions were in line with those in the literature. The interviews were semi-structured to ensure that the participants could air their views and perceptions without being directed by the researcher. The method of analysis utilised was a content analysis, which then themed the responses from the participants, which were reported earlier.

7.2.2 Contributions to existing bodies of knowledge

This study has confirmed the literature where it states that the following areas are positively impacted through the use of an effective performance management system:

- Productivity;
- Financial performance;
- Employee engagement;
- Continuous improvement and development of employees;
- Culture of the organisation; and
- Reward systems.

The research confirmed that executives of organisations feel that an effective performance management system positively impacts on the abovementioned areas, which makes a positive contribution to the overall performance of an organisation.

7.3 Major findings

The research was able to establish the overall understanding of performance management amongst executives of South African companies. Various themes were extracted from the interviews, which were consistent with the literature. These themes were:

- Strategy – with a strong emphasis on a Balanced Scorecard approach;
- Consistent and fair;

- Employee performance;
- Goals and objectives;
- Performance contracts; and
- User-friendly.

The present research was also able to confirm that effective implementation of a performance management system entails a continuous process, in that it should not be a performance appraisal that takes place on an annual basis. Performance appraisals focus entirely on past performance, resulting in there being no clear benefits for the supervisor, employees, or the organisation (Aguinis et al., 2011). The findings support previous research that performance management needs to be a continuous process in order to be effective in the long run.

The present research confirmed that, for performance management to be effective in an organisation, executives must place a high priority on the implementation of such a system. It was an interesting observation that every one of the executives placed a high priority on the system, which ensured that the system then cascaded from the top to all levels of the organisation.

Previous research confirmed the impact of the performance management systems on the following:

- Productivity;
- Financial performance;

- Employee engagement;
- Continuous improvement and development of employees;
- Culture of the organisation; and
- Reward systems.

The present research confirmed that the abovementioned outcomes of performance management are a consistent perception amongst executives of South African companies.

One of the compelling findings of the research was the fact that the majority of executives within the sample set believed that a performance management system needs to be owned and driven by the chief executive officer of the organisation. In many organisations, performance management is the responsibility of the human resources department. The present study determined that, in order to be effective, a performance management system has to be driven from the top.

The present research highlights the perceptions of South Africa executives on the implementation of performance management, as well as some of the critical success factors that are required for the successful implementation of such a system. It has been found that performance management is perceived to be linked to the performance of the organisation. With this being highlighted by the executives, who are employed in large, recognised organisations, it is recommended that organisations wanting to improve the performance of individuals and teams need to effectively implement such a system, and ensure that it is driven by leadership of the organisation.

7.4 Recommendations for future research

The feelings and perceptions of South African executives on the implementation of a performance management were consistent with the literature, but there is no conclusive evidence that this would be applicable to all organisations in South Africa. The sample set was limited to service-orientated organisations in Johannesburg, and there may be a need to conduct research in other areas of South Africa.

There is also a need for further research within a manufacturing environment, which is reliant on human capital as well as mechanised equipment. In a highly mechanised environment, it cannot be accurately established whether performance management systems for human resources would have a similar impact on all the outcomes examined in this research study.

Further research could also be done on the perceptions of employees in South African companies regarding the implementation of performance management systems. The researcher wanted to determine what the perceptions of executives of South African companies are, in order to determine the perceived impact on the overall performance of the organisation. Future research could also determine the perceptions of employees and different levels of management, to determine whether their perceptions are consistent with those of South African executives.

7.5 Conclusion

This study was conducted on South African companies after a recent (2008-2010) economic downturn. Companies seek a competitive advantage, utilising existing resources, which can be attained by enhancing the performance of individuals and teams.

Smith and Goddard (2002) state that the most common measure of the success of performance management is probably still the financial performance of an organisation, as that is what is perceived to represent shareholder value. The principle interest of organisations is still to optimise financial performance, and the implementation of a performance management system enhances not only financial performance, but also other areas that are critical to a business.

This study was aimed at exploring South African executives' perceptions of performance management and the impact thereof on the performance of the organisation. The findings revealed a reasonably positive correlation between the implementation of a performance management system and the performance of the organisation. The researcher found this encouraging, as there is sufficient evidence to suggest that South African companies should aim to enhance their human capital practices in order to enhance their overall performance.

8. References

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9. Appendix 1: Interview Questionnaire

1. What is your understanding of performance management? Your thoughts and experiences around the value of an effective performance management system?
2. Please can you describe your performance management system briefly? There are many systems of performance appraisals, management by objectives, etc. I would just like to understand your system briefly.
 - Is it organisation wide, and is it a continuous process?
3. When did you implement a formal performance management system?
4. To what extent, do you as an executive, place on the prioritisation of the implementation of the performance management system?
5. What has been the impact on
 - 5.1. productivity
 - 5.2. financial performance
 - 5.3. employee engagement
 - 5.4. learning within the organisation and the development of employees (including the development of personal training programmes)
 - 5.5. general communication within the organisation
 - 5.6. culture
 - 5.7. Reward systemspost the implementation of the system? Has it resulted in behavioural changes?
6. Who do you believe should own the system?