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Abstract

Many organisations for a number of years have been placing emphasis on performance management (PM) as they have noticed the profound impact of PM on organisations' human resource capacity and its overall productivity and sustainability. Traditionally, PM was seen as a human resource function but has now become the lifeblood of organisations and subsequently, is a joint effort of all heads of departments/units as well as employees alike. PM is predominantly about managing people and business processes and if not effectively managed can impact negatively on employees' overall performance by lowering staff satisfaction level, decreasing staff morale and as a consequence impede productivity. Models such as the Balanced Scorecard, the European Foundation of Quality Management (EFQM) or the Ability Motivation and Opportunity (AMO) are crucial in determining how smoothly the PM process flows. How employees are managed throughout the performance management cycle is of utmost importance in determining the viability of any organisation. This paper is intended to discuss the extent to which the PM process can increase productivity, staff morale and job satisfaction within the organisation.

Keywords: *Performance Management, Performance Appraisal, Productivity, Job Satisfaction, Performance Models, Performance Measurement*

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1.1 Introduction

Traditionally, PM was seen as a relatively new concept in management and not much emphasis was placed on it. However, in the past decade or so, greater prominence has been placed on PM due to its involvements and functions. PM seeks to recognize the organisation's goals, the strategies that are necessary to achieve them, how to utilize these strategies and who will be the drivers to effect these changes. In fact, human resources literature on PM have contemplated the underlying issue of how best to measure performance in terms of the types of performance to measure and more importantly, who should rate performance and in addition, what methods should be used to improve performance (Fisher, Schoenfeldt & Shaw, 1996).

The underlying assumption derived is that increased performance will lead to job satisfaction and ultimately increased productivity. Although PM is not viewed by many as being popular, notwithstanding, it does play a critical role in the success of an organisation. As, PM focuses on how an organisation can achieve its objectives in an efficient manner. In order for this to be achieved effectively, performance must therefore be effectively managed as it impacts the organisation's bottom line in terms of how workers/employees perform as a whole, how they work together as teams in achieving organisational goals and the way in which they are coached in achieving their optimal, thus resulting in increased productivity (Effron & Ort, 2013). As a result, organisations must run with the initiative of managing their workers' performance, as this initiative will assist the organisations in retaining the best workers whose efforts will be driven towards efficiency and eventually increase in overall profit margin.

Obviously, PM is not only about managing people but more so, it's about managing the business processes (Armstrong & Baron, 2008). To this end, the ways in which the business processes are managed, will determine to a greater extent the organisation's outcomes. Therefore, it is imperative that managers become cognizant of their roles and seek to become more proactive in providing ongoing coaching, frequently communicating with members of their teams, assisting with setting smart goals and encouraging and inspiring them to reach their full potential. Accordingly, developing excellent team spirit is what organisations should strive towards as employees will feel a part of the team, feel accountable to the team, and as a result, will be held accountable for non-performance. When employees are in sync with the mandate of the team, they will strive to improve their overall performance. Notably, how performance is managed at the individual/organisational level is critical to the success of any organisation (Armstrong & Baron, 2008).

1.2 Historical Background of Performance Management

The Chartered Institute of Personnel and Development (2009) Discussion Paper on Performance Management (PM) highlighted that PM has evolved overtime. The article outlined that Pm in the 1990's was seen as a heavily bureaucratized procedure that focused on objective setting or merit rating that was linked to pay and development.

PM was also deemed as a management tool designed by HR department and delivered by line managers. However, this concept has somewhat changed overtime as line managers are now playing a more integral role in the management of performance and objectives (Armstrong and Baron, 1998). Once upon a time, PM was a decision of the HR department but currently, it is a collaborative effort of all other departments and units working interdependently on the overall goals of the organisation, hence all stakeholders are crucial in the process. PM is about managing business as it is about directing people and controlling the flow of training or reward (Armstrong

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and Baron, 1998). Thus, PM has progressed overtime from an HR activity in the HR department to a business process that is central to aligning activity with strategic goals.

Mohrman and Mohrman (1995) allude that 'PM is managing the business' This new role has resulted in line managers being required to understand the importance of managing their teams and department better, in a way that is aligned to the company's strategic objectives (CIPD discussion paper, 2009). PM therefore guides the process by showing individuals how the company's strategic objectives cascade down to the units/departments objectives and the individual's objectives. (Falconer, 2001:197) notes that performance management is about ensuring that "employees' goals, employees behaviours used to achieve these goals and feedback information about employees' performance are linked to corporate strategy". Hence, PM contributes to the achievement of culture change integrated with other HR activities including human capital management, talent management, learning and development and reward management (Armstrong & Baron, 1998). PM is not solely about managing performance but it also involves inculcating a particular culture in the organisation in which managers and workers alike share the need to be accountable for results, monitoring performance and determining outcomes which can be established using the PM approach.

The performance management approach explicated by Armstrong and Baron (1998) express a rather Narrow Performance Management Approach (NPM) which in effect, is built on two main assumptions: firstly, "when people (individuals and teams) know and understand what is expected of them and have taken part in forming these expectations, they will use their best efforts and secondly, the capacity to meet expectations depends on the levels of capacity that can be achieved by individuals and teams, the level of support they are given by management and the processes, systems and resources made available to them by the organisation" (pg. 51).

1.3 Performance Management Defined

Victor Vroom Expectancy Theory which focused on outcome, hypothesized that in order for a person to be motivated, effort, performance and motivation must be linked. Vroom (1964) believes that employees' performance is based on individual factors such as: personality, skills, knowledge, experience and abilities. With these concepts in mind, it is important for the term PM to be widely understood and clearly defined.

The term PM has many definitions; many authors writing on PM have defined the concept based on their theoretical framework and subsequently, have coined various definitions of the term. Accordingly, Armstrong and Baron (1998) define PM as a 'process that contributes to the effective management of individuals and teams to achieve high levels of organisation performance. As such, it establishes shared understanding about what is to be achieved and an approach to leading and developing people which will ensure that it is achieved.' Other writers such as Briscoe and Claus (2008) alluded that 'PM is the system through which organisations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards'.

On the other hand, Armstrong (2000) sees PM as 'a strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors'.

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PM can be described as a strategy which relates to every activity of the organisation encompassing its human resource, policies, culture, style and communications systems (Martinez, 2001). The nature of the strategy depends on the organisational context and can vary from organisation to organisation. The culture of the organisation will therefore impact its overall organisational performance. As Armstrong and Baron (2000) state, PM ‘exists to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and of their own skills and contributions.

Luecke (2006) identifies three reasons for PM. Firstly, he speaks of shareholders observing better outcomes as a result of the human assets of the organisation working in unison toward key goals, secondly, managers are more successful, because their subordinates are doing the right things correctly and thirdly, employees experience greater job security, career advancement, and fatter paychecks (incentives) for outstanding performance. It is therefore important that the PM models used in the PM process be reviewed and the most effective one be employed.

1.4 Performance Management Models

There are many PM models that are in use. These include: The Balanced Scorecard (BSC) Approach, the European Foundation of Quality Management (EFQM) and the AMO (Ability, Motivation and Opportunity) Model.

The Balanced Scorecard was developed by Drs. Kaplan and Norton of Harvard Business School in 1992. They developed the balanced scorecard as a system of corporate appraisal which looks at the financial and non-financial elements of the organisation from different perspectives. It was also developed as an approach to provide relevant information to management to assess performance and to assist in policy formation and decision making. Of importance, it would serve as a set of measures that provide management with a first, but yet comprehensive view of the business performance in a minimum report. The Balanced Scorecard is seen as a tool for implementing strategies (Kaplan & Norton, 1996) and a framework for determining the alignment of organisation’s human, information and organisation capital with its strategies (Kaplan & Norton, 2004).

The BSC focuses on four perspectives: 1. **The Financial** which answers how we look to stakeholders: return on capital, return on sales, sales growth, value added per employee. 2. **Internal Business Process** which speaks to what we must excel at. 3. **Innovation and Learning** which concentrates on the possible ways in which we can continue to improve and create value. 4. **Customer** – How do our customers see us? Customers’ perspective of a particular company will determine the future of that company (Craig & Moores, 2005). The balanced score card focuses on the financial, internal business processes, innovation and learning, and customer perspectives whereby many companies adopted this model and subsequently, incorporate it with their present performance management appraisal process.

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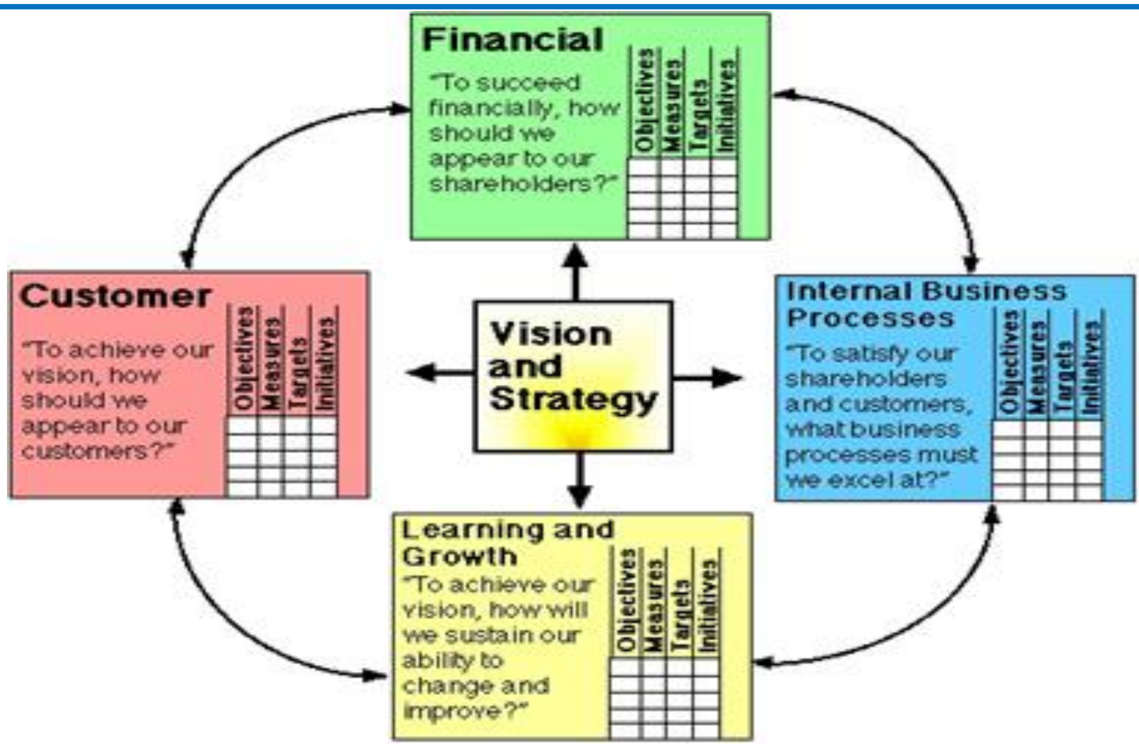

Figure 1. Balanced Score Card Model adapted from Robert S. Kaplan and David P. Norton, "Using the Balanced Scorecard as a Strategic Management System," Harvard Business Review (January-February 1996): 76.

The other model which is the European Foundation of Quality Management (EFQM) focuses on leadership, process and business results. Watson (2000) stated that "the EFQM Model provided a truly service focused quality system which had an inbuilt mechanism for the attainment of continued organisational improvement" (P.18). The EFQM model is based on nine criteria (five 'Enabler' and four 'Result Criteria'). The 'Enabler criteria' speak to what the organisation does in terms of its leadership, policy and strategy, people, partnerships and resources, processes; while the 'results criteria' speaks to what the organisation has achieved that is, customer, people, society, key performance. In this model, points scoring among the 9 categories is intended to reveal the relationship between the categories and give a company 'profile' (Hendricks & Singhal, 1996).

The EFQM model uses 'self-assessment as a tool for continuous improvement and can be used to benchmark against other organisations using the framework' (Kim, Kumar & Murphy, 2010). It is a model that assists in determining the organisation's direction towards excellence, by providing a common language to enable the exchange of ideas and information, both within and outside the organization. It is also according to Kim, Kumar & Murphy, (2010) used to integrate existing & planned activities, improving organizational efficiency and effectiveness by providing a basic structure for the organization's management system (see figure 2 below). The EFQM model is therefore a practical tool which assists organisations in measuring their current status, understanding the gaps and come up with the appropriate solutions ((Kim, Kumar & Murphy, 2010).

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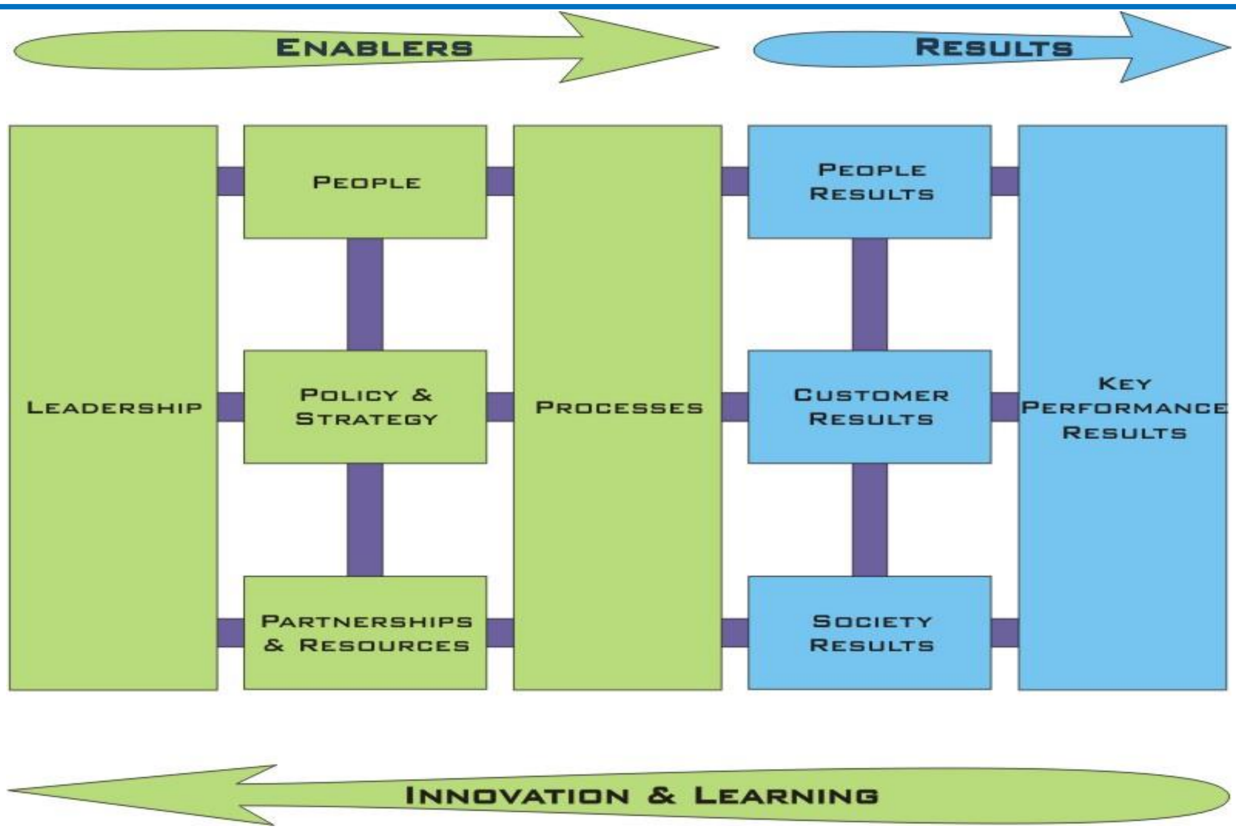

Figure 2: EFQM Model

While the EFQM allows organisations to make an assessment of themselves, the CIPD model also referred to as the Ability, Motivation and Opportunity (AMO) model attempts to predict the behavior of people in the workplace context.

The AMO model focuses on two categories – the discretionary behaviour and the performance outcome (productivity).

Discretionary behavior speaks to those choices that often make up a job that is the way the job is done, the speed, care, innovation and style of job delivery (Boxall and Purcell, 2003). Employees who are motivated and committed to their employers that is, having a good working relationship with their employers (line managers) and finding their jobs interesting/fulfilling tend to be more productive on the job (outcome) and will perform beyond their job requirements. Reference is made to the black box work research carried out by a team lead by Professor John Purcell at Bath University which was published in 2003 that looks on the people management aspect of line manager's role. The research concluded that the relationship between individual (staff) and the line managers impact the individual's effort to perform. Line managers therefore play a crucial role in conveying HR policies including performance management which shapes organisational performance.

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According to Boxall and Purcell (2003), AMO is the 'heart of strategic human resource management in the sense that all firms wishing to maximise the human contribution have to have workable policies designed to contribute to the achievement of business strategies (see figure 3). This is where the performance measures that are used become important.

Figure 3. The People and Performance Model (AMO)

1.5 Performance Measurement

Performance measures have been used throughout history to assess the success of organisations. Neely, Mills, Gregory and Platts (2002) define performance measurement as 'the process of quantifying the efficiency and effectiveness of past actions while performance measurement systems enable informed decisions to be made and actions to be taken because it quantifies the efficiency and effectiveness of past actions through the acquisition, collation, sorting, analysis and interpretation of appropriate data'. Kennerley and Neely (2003), in their Journal Article 'Measuring Performance in a Changing Business Environment', speak of a well-rehearsed adage "What gets measured gets done" and You get what you measure" suggest that implementing an appropriate performance measurement system will ensure that actions are aligned to strategies and objectives' (Lynch and Cross, 1991).

Neely, Mills, Gregory and Platts (1995) state that 'Performance Measurement is a topic often discussed but rarely defined", they further propose the following definitions for Performance Measurement:

"The process of quantifying the efficiency and effectiveness of action."

"A metric used to quantify the efficiency and/or effectiveness of action."

"The set of metrics used to quantify both the efficiency and effectiveness of actions."

It must be noted however that there are barriers that will have an impact on the implementation of performance measurement.

Neely et al. (2003) presented excerpts from Kaplan and Norton (1992) identified four barriers to the implementation of performance measurement systems which they claimed were 'identified through individual cases but quantifiable supporting evidence was provided from a survey of managers attending the Business Intelligence conference in London'. These barriers explained by Kaplan are:

"*1. Vision and strategy not actionable* - This occurs when the senior management team have failed to achieve consensus as to how the vision should be achieved. This leads to different groups pursuing different agendas and effort is neither coherent nor linked to strategy in an integrated way,

2. Strategy is not linked to department, team and individual goals -When this happens, then those concerned continue to follow the old traditional performance criteria and thwart the introduction of the new strategy. This can be exacerbated by an unaligned incentive system;

3. Strategy is not linked to resource allocation - This often occurs when the long term strategic planning process and annual budgeting process are separated and may result in funding and capital allocations becoming unrelated to strategic priorities;

4. Feedback is tactical and not strategic - This occurs when feedback concentrates solely on short-term results (such as the financial measures) and little time is reserved for the review of indicators of strategy implementation and success".

Kennerley and Neely (2003), presented a case study of companies' experiences using performance measures. The case study highlighted the factors enabling and hindering the evolution of performance measurement system. The studies showed that the barriers can be overcome as the measurement system is underpinned by enabling factors (people, process, systems and culture) which if properly managed will enable organisations to cope with the changing environment and modify their performance system accordingly (Kennerley & Neely, 2003). Knowing how the different areas of your business are performing is valuable information in its own right, but a good measurement system will provide indications for any triggers relating to changes in performance.

Performance appraisals are measured from different angles. From an administrative angle, performance is measured through appraisals used by organisations to make administrative decisions, including, promotion, incentives, salaries, recognition of achievements/performance (whether or not performance exceeds expectation, is at standard or is below standard). The developmental process includes feedback and coaching (Falconer 2001:197). As London, Mone and Scott (2004) state the 'basic methods of performance management encompass dimensions of performance, goals for performance and career development, training and development programmes, supervisor performance appraisal, multisource appraisal ratings, feedback, coaching and rewards' (London et. al 2004:319). Therefore, in having a greater understanding of the concept PM, it is prudent that some recognition be given to performance appraisal as both work hand in hand in achieving the strategic objective of the organisation in regard to its overall performance and work productivity.

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1.6 Performance Appraisal Defined

Cascio (1986) defines appraisal as '…the systematic description of job-relevant strengths and weaknesses within and between employees'. For any appraisal system to be effective, it requires that objectives are set at the different levels of the organisation (unit/department) and that they are clearly communicated to all the relevant parties involved in order to maintain a holistic approach that is necessary in PM. Ongoing feedback of employees' performance strengths and of most importance weaknesses must also be communicated to rule out surprises during the evaluation process. Performance appraisal is therefore an essential component of the PM process. As Bratton and Gold (2003) in support state that 'appraisal acts as an information processing system providing vital data for rational objective and efficient decision-making regarding performance, identifying training needs, managing careers, and setting levels of reward (p.214). The methods used in the appraisal process are of outmost importance to the process.

Falconer (2001) identifies several methods of performance appraisal. These include: the Graphic Rating Scale, Management by Objective (MBO), the Critical Incident Method, the Behaviourally Anchored Related Skills, the Alteration Method, the Paired Comparison Method and the Force Distribution Method. For the purpose of this article, the Graphic Rating Scale and Management by Objective are the two areas of focus.

Freyd (2012) makes reference to the American Pioneer, Scott (1920) who was the first to introduce the graphic rating scale which is actually one of the earlier approaches to appraisal. The rating scale requires the appraiser to indicate on a scale, the degree to which an employee demonstrates a particular trait, behaviour, or performance result. The rating forms are generally composed of a number of scales, each relating to a certain job or performance-related dimension, such as job knowledge, responsibility, or quality of work. This method is however criticized by McGregor (1957) as being subjective and is susceptible to rating errors of which may result in inaccurate appraisals.

Another method of performance appraisal is related to Management by Objective (MBO) which was popularised by Peter Drucker. According to Falconer (2001) this method involves the coming together of managers and employees in setting desirable goals and objectives. Moorhead and Griffin (1989) define MBO in the context of 'goal setting theory' as, '… a collaborative goal setting process through which organisational goals systematically cascade down through the organisation. It is implemented through series of discrete steps'. Similarly, Odiorne (1965) describes MBO as 'a process whereby the superior and subordinate jointly identify its common goals, define each individual's major areas of responsibility in terms of the results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members'.

According to Akrani (2010), MBO will assist in identifying problem areas in progress towards the achievement of objectives, improves management control of information and performance standards, identifies where changes are needed and seeks continual improvement in results. MBO also aids the gathering of information concerning succession planning and also assists the performance appraisal through the provision of more accurate information regarding performance against agreed objectives'. It therefore serves as a useful tool in aiding management and subordinates in setting clearly defined goals in the short term.

Managing Performance looks on the techniques of PM that are used at the individual level with primary focus on the use of appraisals, competences and rewards. Like MBO, the setting of performance targets for individuals is essential. 'A highly and essential framework for this is the SMART objective' (Akrani, 2010). SMART is an acronym used to show the key factors that facilitate effective goal and/or objective setting. Objectives must be (S) specific – clear, concise and unambiguous, (M) measurable – assessable against pre-set standards, (A) attainable/achievable/agreed, (R) realistic – can be done given specific conditions such as ability, time, cost and (T) time-bound – a timeframe should be given within which results are to be achieved.

MBO provides opportunities and motivation to staff to develop and make positive contribution in achieving the goals of an organisation. It identifies desired/expected results, makes goals verifiable and measurable which encourage high level of performance and increase staff morale (Akrani, 2010). Objectives are set in a collaborative effort by both managers and subordinates and continuous monitoring of performance takes place. This allows for corrective actions of deviations to take place and thus allowing for a smooth and effective appraisal system (Akrani, 2010). This however cannot be achieved without proper training and guidance by the Human Resource Department/Performance Management Unit.

As London et al (2004) put it, 'training should be provided for all aspects of the performance management process (London et al 2004:331). If training is not provided to both rater and employee the implementation and administration of a performance management system would not be effective. The way in which performance is managed in practice is therefore noteworthy and sets the platform for further research.

Performance Management in Practice

Arvey and Murphy (1998) in their journal article 'Performance Evaluation in Work Settings' provide a brief coverage of some historical treatments and models of performance appraisal. Between 1950 and 1980, most research was concerned with improving the instruments used in making performance ratings. According to Arvey and Murphy (1998) studies on the advantages and disadvantages of the different types of rating scales, rating versus ranking and ways of eliciting ratings that would provide the most objective measures of performance had shifted in the early 1980s where researchers focus shifted from instrumentation issues towards developing a better understanding of the way raters form impressions and judgments of their subordinates' performance (Arvey and Murphy, 1998). Landy and Farr (1980, 1983) directed the attention of researchers toward links between research on information processing and cognition and practical questions often faced by performance appraisal.

The aforementioned can be a bit controversial as research evidence has verified that involving employees' participation in goal setting is no more effective than assigning goals through managers/supervisors (London, Mone & Scott, 2004). They continue to argue that prior research has shown that when goal difficulty is held constant, there is little performance difference between employees who participate in setting goals and those who are assigned goals by others.

Research conducted seems to imply that when a goal is 'assigned' without explanation, it causes lower performance. London et al. (2004) shares the view that '…. the benefit of participation in goal setting is cognitive, not motivational. Participation engenders information exchange, for instance, about strategies to achieve the goal, and such discussions increase self-confidence in the ability to do so. However, participation in goal setting results in setting more difficult goals than those who are assigned goals... and more difficult goals, not necessarily having participated in setting the goals, leads to higher performance.' A Chartered Institute of Personnel and Development (CIPD) survey conducted in 2004 on PM with a view of gathering information on what tools and activities practitioners are using under the banner of PM and the thinking of the design of PM processes concluded that the practice of PM still largely revolves around objective-setting and appraisal.

Summary

PM is a process that contributes to the effective management of individuals and teams and if not properly managed can lead to workers' dissatisfaction and the possibly of high staff turnover. The various literatures reviewed addressed performance management and performance appraisal in their entirety and showed that for the PM system to be effective there are certain measures that must be put in place to assess the success of the organisation. The models used to include the BSC, EFQM and the AMO looked on different perspectives which could be employed in implementing business strategies. The model (s) used in a particular organisation is therefore dependent on the vision and mission of the organisation and the overarching aim and intended use of the PM process itself.

1.7 Recommendations to Determine Greater Efficiency in PM

- Organisations should implement leadership intervention programs to target specific leaders who need training in improving their leadership competencies.
- Continuous improved interpersonal relationships among management and staff with respect to how they communicate with their subordinates and fellow teammates should be considered.
- Management providing ongoing coaching to staff members so that they can feel empowered and become better workers in their present jobs and or future engagements. Coaching will not only benefit the individuals being coached but will also improve performance on the job and as a result increased productivity.
- Training should also be provided in target setting to allow all levels of staff to clearly understand the significance of setting more realistic targets to prevent the cumbersomeness of the process as targets may be set that are not quite relevant to everyday tasks.
- Supervisors should be trained in supervisory management in order to increase their level of objectivity in assessment.
- To eliminate the level of subjectivity with the PM process it is important that the job descriptions be used to guide the competencies being scored on in the key behavioral section of the appraisal.
- Follow up audits including quality checks should be conducted after the completion of the PM appraisal process.
- Productivity audits should be conducted to find out how the PM process impacts the productivity level of the organisation.
- Succession planning should be implemented to identify and develop potential employees to fill key leadership positions.
- Training is required in coaching and performance measurement/assessment/scoring
- There should be an increase in performance reporting and analysis provided to managers and supervisors to add greater value to the performance monitoring process.

1.8 Conclusion

If the PM process does not serve its intended purpose in terms of planning, assessing, recognizing and assisting in career development through ongoing coaching to bring about a change in the way the performance process is being handled, it may lead to staff demoralization and as a result, affect how employees perform on the job. If management does not buy into the PM process and take ownership through effective communication with staff, by providing ongoing feedback, then staff members may become de-motivated and the attrition rate may increase impacting negatively on the organisation. Therefore, particular focus should be given to a company's human resources. If recognition and reward are not given in an equitable manner, then mistrust can be developed in the system.

It should be noted that PM is not just about managing people or conducting appraisals but is also about managing the processes involved in the world of work. It ccontributes to the effective management of individuals and teams in achieving high levels of organisation performance. PM is seen as the system through which organisations set work goals, determine performance standards, assign and evaluate work, and provide performance feedback which assist in determining the training and development needs of employees for the distribution of rewards.

The review of different performance management models such as the Balanced Scorecard (BSC), the European Foundation of Quality Management (EFQM) and Ability, Motivation and Opportunity (AMO) are useful tools which can assist organisations in making constructive decisions in terms of the best models to implement that will coincide with their mandate (mission and vision) which will allow them to meet their strategic objectives. Level of inefficiencies can arise if the appropriate performance measures at all levels of the organisation is not established and implemented through adequate training provided by the HR Department. Training will allow employees to buy in on the concept of performance management and have a clearer understanding of the importance of having appropriate performance measures in place to meet their units' objectives and address the company's strategic objectives.

Thus, the operational objectives set by the different units must be clearly communicated and understood by all parties involved and must be aligned with the objectives set at the strategic level. For the corporate objectives to be effective at the strategic level they must be cascaded down to the department and individual levels. If the objectives set are ambiguous, they will be immeasurable and as a result will impact the organisation's overall performance thus affect its productivity level. The enabling factors including: people, process, systems and culture when properly managed, will assist organisations in coping with the changing environment and will assist in modifying their system accordingly.

PM is about inculcating a particular culture in the organisation in which both managers and workers share the need to be accountable for results and work together in unison to achieve the desired outcome of the organisation. Having an effective PM system will therefore impact the overall performance of the organisation.

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