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Course:                  Masters of Arts in HRM

Title:                        To evaluate the performance management practice in an infrastructure engineering company against best practice.

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## Abstract

The intention of this research was to investigate how effective the performance management system in an infrastructure engineering company was versus best practice. A lot of previous research has focused on the organisations view of the system, rather than the employee's perspective so the authors aim was to research performance management from the employee's perspective, rather than the organisations. In today's global environment, where competitiveness is intensifying an organisation requires an effective way to monitor and improve the performance of its people. HR Strategy, particularly performance management, has been identified as an imperative element in improving performance by focusing on a company's most important asset, its people.

The aim of this research was to explore the experiences and perceptions of the employees in the company regarding the performance management system in place. To achieve this objective a survey was developed, with questions derived from best practice approaches to performance management as outlined in the literature. This survey was utilised to gather data from the participating employees. The data was then analysed to identify key themes in relation to how effective the employees believed the performance management system to be. This research has highlighted the importance of having an effective performance management system in place as a tool to monitor and increase the performance of employees. It has also identified how ineffective systems can hinder performance, and the gaps that exists in the company researched versus best practice.

By way of a quantitative research approach, the author has documented the perceptions and experiences of the employees in the company, and used the data revealed to create findings, conclusions, recommendations and suggestions for further research on features important to create a successful performance management system, and how employees perceive such systems.

# Declaration

**Submission of Thesis and Dissertation**

**National College of Ireland**

**Research Students Declaration Form**

*(Thesis/Author Declaration Form)*

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## List of Abbreviations

PMS ………………………………………………………………………. Preformance Management System

HRM ………………………………………………………………………. Human Resources Management

## Chapter 1

## Introduction

The purpose of this research was to investigate the performance management system in an infrastructure engineering company versus best practice.

## Background

Todays globalised business environment brings with it deregulated markets and high competition. As a result, businesses must evolve continually to sustain a highly competitive advantage, and to remain successful. Part of this evolving involves improving and sustaining robust performance levels. According to Gunnigle, Heraty and Morley (2002) more so today than at any time, the success of an organisation is dependent on the abilities of their workforce.

Strategic HRM primarily came to importance in the early 1990s, defined as,

> "An undertaking of all those activities affecting the behavior of individuals in their efforts to formulate and implement the strategic needs of business" (CIPD, 2015)

The importance of Human Resource Management (HRM) in terms of an organisations strategy has become more evident in recent times and is recognised as a vital element in strategic success. Stredwick (2005) notes that HRM is critical for an organisation's strategy to be effective. Ulrich (2010) supports this concept when he outlines that HRM, adds value by assisting business leaders to achieve goals, that will ultimately make a success of the organisation. Strategic HRM is, "an approach to managing human resources that supports long-term business goals and outcomes with a strategic

framework" (CIPD, 2015a). CIPD (2015a) recognise that a good business strategy is "informed by people factors". HR's role in the performance of an organisation is becoming more significant as most organisations today accept that people are what drive value, which is why human capital is often described as, "business' most important asset" (CIPD, 2015a). Recently the role of strategic HRM has been noted as critical for an organisation's success (Boxall and Purcell, 2003). Among the HR practices that have been noted as contributing to this success is Performance Management, and this is seen as one of the most important in terms of organisational performance, and is a critical element of any HR system (Armstrong and Baron, 2002).

> *'The success, survival and competing power of organisations depend on the commitment of their members, and this may, to a large extent, depend on how satisfied the employees are in respect of the organisation's appraisal mechanism'* (Abdulkadir, Isiaka and Adedoyin, 2012, p. 126)

Performance Management has been identified as the most important HR tool and a crucial part of any organisation (Stredwick, 2005). Notwithstanding this point Armstrong and Baron, (2002) note that the system continues to be seen as ineffective by employees. Performance management is defined as a "a process which contributes to the effective management of individuals and teams in order to achieve high levels of organisational performance" (Armstrong and Baron, 2004). Performance management aids a shared understanding about what is to be achieved and an approach too leading and developing people which will ensure that it is achieved (Armstrong & Baron, 2004). Performance management has been one of the most studied areas within Human Resource Management (HRM) literature and is a vital part of HRM in most organisations.

As a source of competitive advantage organisations are becoming more and more reliant on their human assets including their competence, knowledge and capabilities (Stredwick, 2005). Assessing performance as a result is a common practice in most organisations and performance management and appraisal facilitates this assessment

and is essential for the improved performance of any organisation (Karimi, Malik and Hussain, 2011). Given that Performance management is so important to determine the organisations more valuable asset, its human capital and to an organisations success, few organisations actually evaluate how employees view performance management, and the impact their attitudes have on performance (Farndale and Kelliher, 2013).

It is imperative that PMSs are effective and perceived that way by employees as they are an important tool for motivating and developing employees (Gunnigle, Heraty, and Morley, 2002). In this research the focus will be on what makes a PMS effective and what are the best practice approaches to the system. It will also look to establish how employees in the chosen company view the current system versus these best practices approaches identified. There has been some research previously conducted in this area however most appears to evaluate the performance management effectiveness from the organisations view point rather than the employee's, which is what this research aims to do.

## Research Problem and Aims of Research

The question and aim of the thesis is to evaluate the performance management practice in an infrastructure engineering company against best practice. This study involves three objectives which the author has set to assist with answering the overall research questions, these include:

Research Objective 1

To ascertain from the literature what is a best practice approach to performance management.

Research Objective 2

To investigate what the company has in place currently in relation to a performance management system and how it is viewed by its employees.

Research Objective 3

Based on what the literature outlines as a best practice approach, determine how the current performance management system in the company compares. What are the gaps?

By establishing the views and perceptions the employees in the selected company, based on the best practice elements identified in the literature, the author can determine how effective the employees view the PMS. It can also establish what areas the company's PMS are effective in, and which they are not.

## The Organisation

The company the author will review in this research is an infrastructure engineering company which develops Public, Private Partnerships (PPP) projects and transport infrastructure worldwide. The PMS in the company has been in place for a number of years. The company throughout the thesis will be referred to as 'company X'. The author will review the current system in place, versus what the literature outline as a best practice performance management model. The reason for choosing this topic is to establish if the system currently in place in the company is effective, when compared with best practice performance management indicators.

## Chapter II

## Literature Review

## Introduction

In this chapter, the author will investigate the background of performance management. The first section of the chapter will focus on performance appraisal versus PM and defining them both. The next sections look at the evolution of performance management, from its inception and where it originated, to how it has developed to date including, being perceived as a key talent management tool for organisations. The chapter will also focus on the important elements of effective PMSs, including how to successfully implement them. In contrast it will also look at the systems ineffectiveness. The chapter will then review the benefits and drawbacks of a PMS. It will discuss critics of performance management, and it will conclude with the current thinking as to best practice. The author aims to review the PMS in company X as compared with best practice. As a result, this chapter will also review what is a best practice approach to performance management, and what are the essential aspects required to make a PMS effective.

## Performance appraisal and performance management

Brumbach (1988) defines performance as

> *"behaviour that accomplishes results. Behaviours emanate from the performer and transform performance from abstraction to action. Not just the instruments for results, behaviours are also in their own right – the product of mental and physical effort applied to the tasks and can be judged apart from results"* (Brumbach, 1988, p. 41)

## Performance appraisal defined

In the past, performance appraisal had been utilised as a formal process of monitoring employees (Cardy and Donnis, 1994). CIPD (2015) note however that in the early 1990s it developed into a more inclusive process, which reached wider than the heavily bureaucratised practice of the past. Fletcher (2001) defines performance appraisal in its new form as "activities through which organisations seek to assess employees and develop their competence, enhance performance and distribute rewards", (Fletcher, 2001, p. 473). This definition states that the process should be viewed as numerous interrelated elements including implementation, management and communication of related appraisal activities to include setting employee's performance targets, holding the appraisal, giving feedback and assessment of developmental requirements, (Ikramullah, Van Prooijen, Zahid Iqbal and Ul-Hassan, 2016).

CIPD (2016) note that whilst performance appraisal is an imperative part of performance management, done in isolation it is not performance management. It is instead one part of a number of tools that can be utilised to manage performance. (Ikramullah Et al., 2016).

## Performance management defined

Aguinis (2005) defines Performance Management as

> *"a continuous process of identifying measuring and developing the performance of individuals and teams and aligning performance with the strategic goals of the organisation. Its five elements are agreement, measurement, feedback, positive reinforcement and dialogue. "* (Aguinis, 2005, p. 154).

Similarly, CIPD (2015) define performance management as a process that ensures an employees' performance supports and achieves the business objectives. The elements of performance management include learning and development, measurement of performance and organisational development, which are all considered good people management practices. As a result of all of these interrelated elements the process is complex and is often misunderstood. CIPD (2015) note that that performance management is a strategy which should link to every activity of the organisation including human resource policies, culture and communications methods (Armstrong and Baron, 2002).

The performance management goal is to improve the organisations performance through creating a performance culture. The expression performance management today is seen as a general explanation of a process of performance planning and review conducted by manager's and individuals, which has essentially replaced the term performance appraisal. Performance appraisal is often viewed as a description of the performance assessment and rating elements of performance management (Armstrong and Taylor, 2014). The term performance appraisal tends to have negative connotations of the traditional merit rating i.e. the manager pronouncing what they think of their subordinates, which is used as a control and command tool (Armstrong and Taylor, 2014). The term 'performance review' is a term that outlines that

performance management is a "joint affair", which has its bases in conversation between the employee and manager, and agreement, (Armstrong and Taylor, 2014).

The aim of performance management is to gain improved outcomes by assisting individuals and giving them the means to perform well through a framework of planned goals which are agreed, and through competency and standards requirements. performance management also involves developing an understanding which is shared in terms of what needs to be achieved and how. The ultimate aim is to grow the capacity of individuals to meet and exceed the expectations for themselves and the organisation, and to achieve their ultimate potential (Armstrong and Taylor, 2014).

## The evolution of performance appraisal

In today's environment as organisations move toward a more global presence a more formal performance appraisal system is beneficial for performance related decision making. A system needs to be in place which assists decisions around promotions, terminations and increases in pay. Rani (2013) outlines that these decisions need a process which evaluates and monitors an employee's performance, and which allows for comparisons of individuals within the organisation.

## The early history of performance appraisals and performance management

Appraisals have been present throughout history and have advanced significantly over time. Patten (1977) outlines it is believed that the first known use of merit rating was utilised during the Wei dynasty (AD 221-265) when the emperor engaged an 'imperial rater' whose duty it was to evaluate the performance of officials. Hackette (cited in Wise and Buckley, 1998) note that as far back as 1648 the Dublin Evening Post evaluated legislators by using rating scales based on personal qualities. Wren (1994) states that in the early 1800s performance appraisal began in industry through the use of Robert Owen's use of 'silent monitors' in the cotton mills of Scotland. The silent monitors consisted of blocks of wood with different colours printed on them. At the end of the work day a piece of wood with a particular colour was placed above each employee's work station. The colours represented a grade (rating) of that employee's performance, for everyone to observe. This practice was thought to influence subsequent employee behaviour (Cardy and Dobbins, 1994).

in 1813 there was evidence of a formal performance appraisal beginning to emerge in the United States (Wise and Buckley, 1998). Army Generals would submit evaluations of each of their crew to the U.S. War Department. These evaluations included descriptions of the crew such as 'a good natured man' or 'despised by all' (Bellows and Estep, 1954). After the success of the appraisal system which was utilised in the

Armed Forces, senior management of large US corporations wanted to test this technique within their organisations so they hired many of the people who were associated with the practice used in the Army. The tools that were used for rating evolved over time from global rating towards man-to-man rating, and then to trait based rating (Wise and Buckley, 1998)

According to Spriegel (1962) performance appraisals were becoming more popular in the early 1950s, with 61 per cent of companies using performance appraisals, versus only 15 per cent immediately after World War II. The main tool utilised was the trait-rating system, which focuses on past action using a numerical scoring system which is standard, to appraise people based on previously established measurements (De Vries, Morrison, Shullman and Gerlach, 1981). Many were becoming dissatisfied with this method because it used fixed measures of performance and was not linked to employee development (Wise and Buckley, 1998). These negative limitations of performance appraisal systems in the 1950s led to the development of new systems based on management by objectives. Drucker (1954) first suggested management by objectives in 1954. McGregor (1957) then applied this recommendation to performance, recommending that employees are appraised on short-term goals rather than traits, which are set jointly by the manager and the employee.

The introduction of the Civil Rights Act of 1964 and the 1966 and 1970 Equal Employment Opportunity Commission Guidelines for Regulation of Selection procedures produced a requirement for developments in appraisal practices and systems. This legal aspect lead to increased pressures for organisations to validate and formalise, the appraisal systems. No longer was it advisable to use personality traits and job related behaviour in evaluation (Wise and Buckley, 1998).

In the 1970s, research focused on developing rating scales that were valid and reliable and training managers and supervisors who delivered the performance appraisals, this was to reduce rating errors and improve the skills of those delivering the appraisal, including observational. In the 1980s as it was difficult for supervisors and peers to

observe each person's performance due too flatter organisations, there was more of a shift in focus on the employee being evaluated by manager's peers, subordinate, customers and other relevant parties. This process was known as 360-degree feedback (Wise and Buckley, 1998).

In conclusion the history and evolution of the performance appraisal system has not changed much since the original systems outlined by Barrett (1967) he was one of the originals to provide advice on performance appraisals. Performance appraisal systems of today are expected to supply a number of purposes simultaneously. The tools currently utilised and available however, are not capable of serving the numerous different necessities of organisational stakeholders (Wise and Buckley, 1998). Today while organisation believe they require performance appraisal systems they are not satisfied with the results. This has led to numerous researchers looking to improve the performance appraisal process due to its perceived ineffectiveness (Wise and Buckley, 1998).

## Performance appraisal and management today

From reviewing the numerous research on performance management, the majority of conclusions and opinions appear to be that that while performance management appears to be a beneficial tool and should be of huge value to every organisation, they can be very ineffective and as a result have been criticised a great deal. Lawlor, Benson and McDermott (2012) talks about how much of the research discusses removing performance management systems entirely (McIntosh 2001; Heathfield 2007) however, he considers performance management procedures as vital for effective talent management. He suggests that the future of performance management is not to remove it entirely but instead to work on building it as an effective tool.

Lawlor, Benson and McDermott (2012) concludes that whilst many articles are declaring that "Performance appraisals are dead." (McIntosh, 2011; Heathfield 2007). He notes that his research reveals that 93% of companies use annual appraisals, and that only 6%, have contemplated removing them. Notwithstanding the criticisms within the research Lawlor, Benson and McDermott (2012) believes that performance management will remain and the focus should be on should focus on their improvement and not their removal.

## Effective performance management

Interest has increased regarding performance management in recent years, however research has noted varying results about its effectiveness. These inconsistencies may relate to an inadequate understanding of the elements likely to enhance the effectiveness of PMSs. In the research reviewed for this thesis a number of factors were identified and considered important to facilitate effective performance management outcomes (Birona, Farndale and Paayweb, 2011). It is not apparent that there is one single best approach to performance management however, there do appear to be certain common features that appear through all effective methods.

Farndale and Kelliher (2013) outline how line managers play an important role implementing performance management however, that the actual employee experience of these procedures (which may differ from how they were intended or enacted) and their view of the justice of the process are likely to have consequences for the levels of organisational commitment (Farndale and Kelliher, 2013). In their research they conducted an analysis of 4,422 employees across 22 business units. It revealed that when there were higher levels of trust in senior management, it led to higher levels of commitment, and showed a stronger link between employee perceptions of fair treatment by their line manager during performance appraisal, and organisation commitment (Farndale and Kelliher, 2013).

Edward Lawler was another researcher that stood out when reviewing the research, numerous researchers referenced him (Green, 2011; Armstrong, 2004), and he was referred to by one as, "one of the pre-eminent researchers in the HR field", (Green, 2011, p, 47). His survey was used as the bases for the survey developed for this research paper. The survey was from the research article, 'What Makes Performance Appraisals Effective'. The aim of the study was to gather data on the effectiveness of a range of performance management designs and practices. Survey data were collected from 102 large corporations. In addition to asking about performance

management practices and systems, it asked about their effectiveness. Lawlor, Benson and McDermott (2012) outlines the characteristics of a PMS found to have the most impact on its effectiveness are, in order of significance.

1. Ownership by line management /system management and leadership
2. Clear performance goals / employee development
3. Formally training performance raters
4. Employee perceptions and perceived fairness of system
5. Ongoing feedback on performance is provided
6. Alignment integration and cultural fit

These characteristics of performance management found to have the most impact on its effectiveness are outlined by a number of researchers (Lawler et al, 2012; Farndale and Kelliher, 2013; Gunnigle, 2006; Armstrong, 2004) and will be discussed in further detail in the next section.

## 1. System Management and Leadership

Senior management leadership and ownership of performance management is often lacking however has been identified as critical to its success. The best designed PMS will ultimately fail if there is not the right leadership and management support practices in place. When there is senior management support of the system the research (Lawler et al., 2012; Farndale 2013) shows that they are much more effective.

Lawler (2015) notes for the system to be effective it should be an imperative part of the strategic management processes of the organisation. Senior management must view performance management as important, and it should link into the strategy, and fit the culture of the organisation. Similarly, Armstrong (2014) suggests if the PMS is going to be linked into business strategy, it is important that senior management make that link and own the PMS.

Lawler (cited in Armstrong, 2006) when he notes that active support from senior management is one of the main recurring recommendations when it comes to performance management being effective. performance management needs to be viewed as a critical tool in developing and preserving a performance culture. To do this senior management must ensure everyone is aware that the achievement of high levels of performance is a vital part of the organisation's method of operation. Managers must ensure that the performance management processes are an essential part of how they approach their role as managers, as only senior management can ensure that performance management becomes a significant part of the culture of the organisation i.e. 'the way we do things around here'. Similarly, Armstrong (2006) notes the effectiveness of performance management, is dependent on the commitment of line managers to the processes, and the level of skill they utilise when conducting appraisals (Armstrong, 2006).

## 2. Clear performance goals and employee development

Lawlor (2015) outlines in his research that the goal setting process is one of the most important elements of PMSs being effective. He notes that when goals are set with individuals, their motivation to perform well increase. Lawler (20015) also notes that gaols can contribute to guiding employees to perform in ways that contribute to organisational effectiveness and can motivate them to preform effectively. Goals must be clearly related to the organisations strategy and must be influenced by employees and not just forced on them, they should be jointly set to be effective. Ultimately the employee should be given ownership of their own goals (Lawlor 2015).

Lawler (2015) noted that poor job designs can make performance appraisals and management ineffective. He notes that it is important that the job role is clearly defined early on and that the nature of the role to which the employee will be held accountable and how that role is going to be measured are also clearly defined. Failing a well-defined and designed job, the appraisal process will not succeed. If both parties agree on the definition and design of the job, then, "the appraisal process will benefit from mutual participation" (Lawler, 2015, p. 135).

It is argued that the development discussion should be separated from the appraisal discussion, and to do so is a positive practice (Lawlor et al., 2012). The reason being that it is difficult for an employee to be told about the effectiveness of their performance, be it good or bad, and at the same time to have a discussion and to think about what skills they need to develop in the future, and how they can develop them. They state that the evaluation of performance should take place first and then a separate meeting should take place about development. They believe that many organisations combine the two and strongly advise that they should not.  Conversely Fletcher (2001) notes that in fact it is important if having a discussion about areas that may require development within that conversation, training or other ways to help improve that deficiency is discussed so that the employee can see there is a way forward around any developmental challenges.

Lawler (2015) believes that pay discussions need to take place after and away from feedback about performance and discussions about training and development. The reason being that when conversations about performance are joined with discussions of pay, the appraise leaves the meeting only remembering the pay decision. They do not digest issues about development, or feel committed to developmental activities that were discussed. Similarly, Armstrong (2006) noted the danger of creating a link between a performance appraisal rating and a pay increase is that performance management could then be viewed solely as a means of creating a link and not as an approach to performance improvement and development.

## 3. Formally training performance raters

Additional factors important to the effectiveness of performance management include training managers to do appraisals, using measures of how results are attained and holding them accountable for how well they do appraisal's (Lawlor, et al., 2012). Training raters and giving them feedback improves their capability to make correct evaluations of employee performance. First, raters should be trained on the company's performance polices, appraisal process and appraisal forms. Training should then be provided to improve raters' capability to produce precise and consistent evaluations (Schrader, Becton and Portis, 2007). Raters play a crucial role in the success and failure of any appraisal system (Pooyan and Eberhardt, 1989). Raters must provide feedback and explain rating decisions, this is critical as it provides purpose and transparency to the appraisal process (Shrivastava and Purang, 2011). As much as training the raters is outlined as a positive factor on performance management effectiveness the research highlights that it is not a common practice and is commonly a missed opportunity to improve the system (Lawlor, et al., 2012).

## 4. Employee perceptions and perceived fairness of system

"The success of any HR intervention in an organisation is heavily dependent on employees' perception of that intervention", (Rahman and Shah, 2012, p.11). For performance management to be effective both parties must believe in the benefits of the system, if this is not the case the system will fail. How an employee perceives the PMS can have a major influence on its success. An organisation might develop what they believe to be a highly sophisticated PMS however if the system is not recognised by employees, its effectiveness will be severely restricted (Cawley, Keeping and Levy, 1998).

Research shows that employees perceptions of fairness influence the way they think, feel, and act on the job (Bies and Shapiro, 1987). As a result, the perception of fairness of the PMS will have a positive influence on performance management satisfaction. The procedures utilised to appraise performance, and how performance-related information is communicated is paramount in influencing employees' satisfaction with the appraisal process (Shrivastava and Purang, 2011). According to Armstrong (2006) it is important to be clear about the objectives of performance management and about the processes to be used, transparency was key, all employees should know how it works, how it affects them specifically and how the outcomes of performance management will be utilised, 'keep it simple'. He noted cumbersome forms, endless paperwork and overly bureaucratic procedures will lead to ineffective performance management and will ensure everyone involved is dissatisfied with the process (Armstrong, 2006).

Participant's reactions to performance management can be a way of measuring their views on system. These reactions include their satisfaction with the appraisal process, whether they felt they were fairly appraised, how motivated they were from the appraisal and the accuracy/ effectives of the system (Cawley , et al., 1998).

## 5. Provide ongoing feedback

Providing ongoing feedback was highlighted in the research as a suggestion to enhancing the effectiveness of performance management (Martin and Bartol, 1998). If appraisals are conducted more frequently this could have a positive impact for both the organisation and employee. Importantly the feedback should highlight both positive features of employee performance whilst also reviewing areas that may require improvement (Martin and Bartol, 1998). Organisations should integrate ongoing, continuous appraisal of employee performance into the culture, and feedback is seen as a function of quality improvement and not just an intermittent procedure that is unpleasant for employees and supervisor (Schraeder, Becton and Portis, 2007).

## 6. Alignment, integration and cultural fit

Another important factor for performance management effectiveness according to Armstrong (2006) is that the system must ensure the individual objectives are aligned with the organisational objectives. Importantly performance management should not be regarded as a stand-alone process, it should be regarded as, a way of doing business, which is linked strongly to other HR activities. It is important too that performance management processes fit the culture of the organisation, and its values and norms. Armstrong (2006) notes from his research that respondents commented, that the system should never be 'lifted down from the shelf' and should instead be part of the culture. PMSs ultimately need to be driven and fit with the business strategy and with the overall HRM systems of the organisation.

Lawler (1984) sums ups effectiveness of performance management when he notes that "Performance appraisal in an organisation is only as good as its overall human resources climate, strategy, and policies, and especially its processes of fitting it to these" (Lawler, 1984). If jobs are designed poorly, the culture is negative, and employees face a highly dominant management system, it is highly unlikely the organisation will have an effective PMS in place (Lawler, 1984).

## Appraisal Ineffectiveness

In Lawlor, Benson and McDermotts (2012) research, just six percent of the 100 large US organisations surveyed confirmed that they were taking into consideration removing performance appraisals. The vast majority however (85 percent) believed their appraisal system was only moderately effective.

Swan (1991) has noted that a major reason for ineffective performance appraisal is the result of the appraiser and appraise disliking the process. Performance management and appraisals are one of the most emotionally charged procedures in management. Management and supervisors alike dislike having to deliver an appraisal, or to receive them (Sims, Gioia and Longenecker, 1987). A major problem is that appraisers do not want to give accurate evaluations of subordinates, because they do not want to hurt their feelings or create tension, this causes the appraisals to be inaccurate. As the process is highly emotional accuracy can be difficult to achieve. When delivering appraisals managers can have alternative motives that they believe to be more important than rating accuracy, again causing inaccuracy's and ineffectiveness of the system (Sims, et al., 1987)

## Benefits and drawbacks of performance management systems

In the research there were a number of authors (Otley 1980; Armstrong 2002; Molleman and Timmerman 2003; Spinks, Wells, and Meche 1999; and Pettijohn, Parker, Pettijohn, and Kent, 2001) who recognise the advantages of PMSs, including contributing to the effectiveness of organisations. Armstrong (2000) and Molleman and Timmerman (2003) have outlined that evidence suggests companies with PMSs, and that manage the performance of their employees outperform firms without such programmes on a number of points including, financial and productivity measures. The benefits of performance systems include enabling communication, reinforcement of preferred behaviour/performance, goal setting, performance improvement and identification of training needs (Schraeder, Becton , and Portis , 2007).

However, on the contrary other authors, Rademan and Vos (2001) and Petrides, Frederickson and Furnham (2004) have expressed disapproval about their effectiveness noting valid evidence for the lack of success achieved with PMSs. One noted drawback of such systems include, damaging quality improvement. The belief is that total quality management eliminates the need for formal PMSs (Schraeder et al., 2007).

Much of the research outlined many disadvantages and problems with the PMSs (Heathfield, 2007). Very few however advocate abandoning the systems entirely, as they are vital to effective talent management (Lawlor et al., 2012).  If the system was abandoned how could a company do a good job of managing its talent without gathering information about how good individuals preform in their jobs, what their skills and knowledge are, and what responsibilities and performance goals are for the future? This data it was argued is fundamental to the effective management of any organisation (Lawlor et al., 2012). Further supporting this argument, the research noted if performance cannot be measured how can it be rewarded (Schraeder et al., 2007).

It was expected, if the advice of many critics of performance management are to be heeded, that performance management should no longer be utilised in organisations. However, it was noted by Lawlor, Benson and McDermott (2012) that in fact the departure of performance management has not occurred to date, and is unlikely to occur in the near future. Their research noted that companies require valid performance management data and as a result, should not waste time debating whether to eliminate the system, rather research suggests efforts should be focused on how to make them more effective. They conclude that PMSs are complex and involve a number of features. To some degree, the right features are a function of fit with design of an organisation and its strategy, because of this no size fits all situations (Lawler et al., 2012).

## Critics of performance appraisals and management

In the research the question, 'should organisations stop doing performance appraisals?' was often asked (Heathfield 2007; McIntosh 2001; Gray 2002). The argument in favor of removing them according to Lawler (2014) is that they can often do more harm than good. At the least damaging he notes that they are said to waste time, and at most damaging they have been found to isolate employees and create conflicts between employees and their supervisors.

Lawlor (2014) confirms that from his research it is evident that many organisations conduct performance appraisals poorly, and as a result they create a number of issues. He notes however, that their existence is imperative because they are required to motivate, direct, and improve the performance of individuals and organisations. The researchers that are in favor of removing performance appraisals generally agree that they are required for these purposes however note that managers can and do this without the need for PMSs and appraisals, and as a result they are a, "redundant, bureaucratic troublesome activity" (Mcintosh , 2011). Lawler (2014) agrees with the critic's point that 'good managers' can and do what an effective PMS is supposed to do. When managers can do this it backs the argument that performance management can be removed or simplified. However, he points out that many managers do not manage well, or in ways that would make performance management redundant (Lawlor, 2014).

## Current thinking as to best practice

Recent performance research by Dooren, (2011) has documented the inadequacies of performance management and makes recommendations to improve it. Some of the recommendations include better implementation of performance management. performance management be seen as being complex and ambiguous, meaning it risks being decoupled from practice and hence irrelevant for decision-making (Dooren, 2011). The research suggests that new ways are necessary to make organisations less doubtful and critical of performance management. These may include more agile measurement systems that adapt to a changing environment, managing performance close to the action, and a better understanding of the political nature of performance management (Dooren, 2011).

According to Samarakone (2010) the current performance-appraisal process requires managers to recall an employee's performance history anywhere from three months to a year ago and informal surveys show that most performance assessments done today are dependent for the most part on a manager's memory. Unreasonable dependency on memory weakens the integrity of the data and as a result affects the integrity of the whole talent-management process. The solution is continuously to document an employee's actual performance results and any other job-related actions or behaviours, by doing this the manager could make historically accurate data-driven decisions. Samarakone (2010) outlines that this could be achieved by a 'Real Time Management System' this could include a smartphone, which is connected to a talent-management application. He explains that this would assist managers to,

> *"collect actual performance results, information on job-related actions or behaviours, and employee feedback in real time, allowing for improved management and business decision making"* (Samarakone, 2010, p. 265).

## Conclusion

A number of researchers which have stood out for the author (Lawler et al., 2012; Farndale 2013; Sumelius et al., 2014; and Armstrong 2006) who all believe that performance appraisals have their downfalls however, that the advantages far outweigh the negative aspects associated with them, and that they are here to stay. The main focus of the research (Gunnigle 2002; McIntosh 2001; and Buckingham and Goodhall 2015) is on ways to improve the systems to make them effective in today's organisations. Those researchers who are critical have not offered any alternatives to the PMS, and thus have not revealed any suitable replacements.

The author's aim is to establish the employee's perceptions of the performance management system in company X. The literature review has been helpful to demonstrate how PMSs can be effective if utilised and implemented correctly. The research has also revealed what is deemed a best practice approach to performance appraisals which Lawlor, Benson and McDermott (2012) and Farndale and Kelliher's (2013) research in particular has been beneficial in outlining. From reviewing the research most studies (Schraeder et al., 2007; Guest and Conway 2011) focus on the PMSs from a higher level i.e. the organisations viewpoint, the author's aim is to research PMSs from a lower level i.e. the employee's viewpoint.

## Chapter III

## Research Methodology

## Overall Research Question

*To evaluate the performance management practice in an infrastructure engineering company against best practice.*

This question was further defined by research objectives, specifically:

Research Objective 1

> To ascertain from the literature what is a best practice approach to performance management.

Regarding objective one, from reviewing the research in the literature review section (Lawler, Benson and McDermott 2012; Farndale and Kelliher 2013; Schrader, Becton and Portise 2007; Shrivastava and Purang 2011) there were a number of possible performance management best practice approaches to adopt. The researchers noted in this study, provided strong arguments for their approaches and were supported and referenced by a number of researchers (Greene 2011; Armstrong 2006). The research was sourced from reputable sources some including, the International Journal of HRM, CIPD, National College of Ireland and HR Magazine. The actual best practice approach to be utilised in this research has been discussed in detail in the literature review section.

Research Objective 2

> To investigate what the company has in place currently in relation to a performance management system and how it is viewed by its employees.

Research Objective 3

> Based on what the literature outlines as a best practice approach, determine how the current performance management system in the company compares. What are the gaps?

Both Lawlor, Benson and McDermott (2012) and Farndale and Kelliher (2013) utilised a survey in their research, as this was deemed the most suitable research method by both. These surveys, which the author merged for this study, were then used to capture the data and findings required to achieve objective two, which was to investigate what company X has in place in relation to a PMS, and how it is viewed by the employees. Once this objective was achieved the author reviewed these main findings in line with the best practice elements of performance management as identified in the literature review. The gaps between company X and the literature were then highlighted to achieve objective three.

## Introduction

This chapter describes the methodology and research strategy the author employed to undertake the research for this thesis, and the main aspects of the research design. The chapter commences with an outline of the research framework including the 'research onion' and how this approach was utilised for this study. The chapter then goes onto review the research philosophy and epistemological considerations, and the research approach including and comparing qualitative, versus quantitative approaches. Sampling and the target population is then discussed before the chapter reviews the research strategy and research instruments, linking them with the research objectives. The chapter will also justify the research techniques utilised including, a review of alternative methods. Survey development and design is then discussed, and the chapter will review the methods of sampling, data collection and analysis of the data. Finally, the ethical considerations of the research and the limitations of the approach adopted will be discussed.

## Research Framework

When designing the research framework for this study the author utilised the 'research onion' (see Figure 1). The research onion assisted the author to create the structure for the research methodology section (Saunders, Lewis and Thornhill, 2007).

**Figure 1**
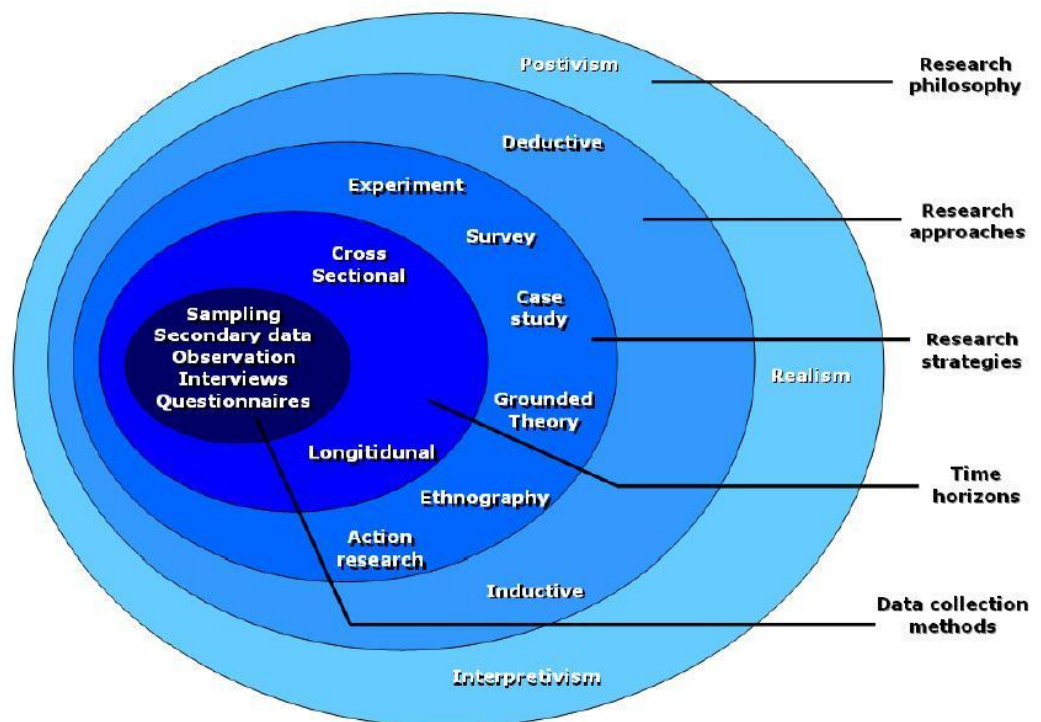


*The Research Onion by Saunders, Lewis & Thornhill (2007, p.102)*

The research onion was utilised in this research by reviewing the outer layer in the first instance, which relates to the philosophies of whether there is an objective reality or not. Accepting that there is an objective reality this study will follow a positivist perspective (Saunders et al., 2007). The next layer of the research relates to a deductive or inductive approach. A deductive approach is based on a positivist perspective, that since there is an objective reality that can be measured we can predict the outcomes of an intervention (Saunders et al., 2007). The third layer of the research onion looks at the strategies. Given our deductive approach, the strategy in this research, to

understand and learn more, will take an experimental approach, through the use of a survey. The forth layer of the research onion is the research approach, in this research it will follow a mono method through one research approach, that being quantitative research as opposed too qualitative. The fifth layer notes the time horizons of the study which will be conducted in one point in time, so is cross-sectional in nature (Saunders et al., 2007). The inner layer of the onion is determined by the choices made on the outer layers, and determined by the choices made to analyse the data, the strategy approach and period of time adopted. The positivist approach is experimental in design and uses stats to analyse and demonstrate the sign of the intervention. The limitations of a quantitative approach however, are that the 'how' and 'why' questions cannot be answered (Saunders et al., 2007). These research stages will be discussed in more detail in the next sections of the chapter.

## Research Philosophy

### Epistemological Considerations

Epistemological is an area of philosophy that looks at the nature of knowledge, and what is deemed satisfactory knowledge in an area of study (Saunders et al., 2007). The research outlines four approaches including, positivism, realism, interpretivist and constructionism. Positivism assumes the world is objective and seeks out facts regarding relationships among variables (Swanson and Holton, 2009). Interpretivist research on the contrary is concerned with meaning; it looks to understand a participants meaning of a situation. The research for this study will follow a positivism approach, as this has been the approach of many previous researchers in this field including and utilised in research by Shrivastava and Purang (2011).

## Research Approach

Hayes (2000) notes that deductive and inductive are two types of research approaches. When the researcher collects data first and then develops theory from this data analysis, this is defined as an inductive approach. Horn (2009) outlines that deductive research looks at the nature of an element and forms a view concerning it, and then conducts tests to conclude if this view is accurate. The results are founded on the relationship between one variable and another. In summary a deductive approach begins with a theory which is then investigated and tested. According to Hayes (2000) there are a number of steps involved in a deductive approach (see Figure 2)

## Figure 2
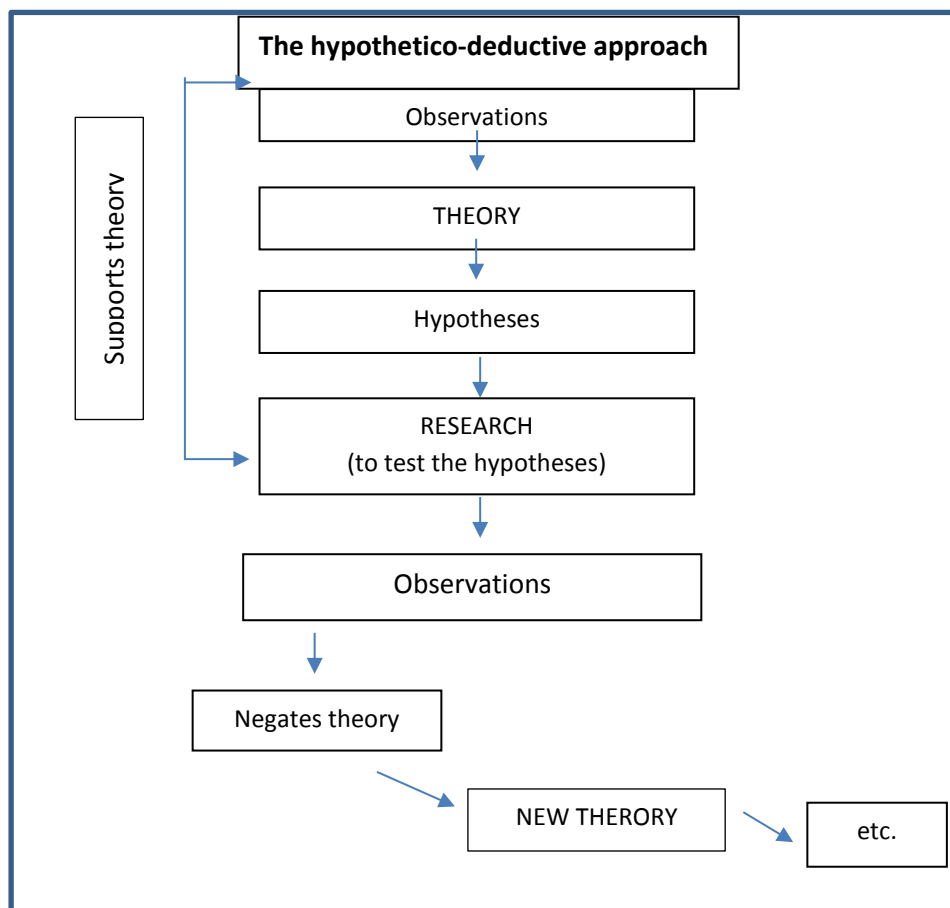


*Figure 2 The hypothetico-deductive approach, (Hayes, 2000, p.789)*

As there have been numerous studies already conducted in the area of performance management (Lawler et al., 2012; Farndale 2013) this research will take a deductive approach. Lawlor, Benson and McDermott (2012) and Farndale (2013) have used this approach in their research studies 'What makes performance appraisals effective' and 'Implementing performance appraisal: exploring the employee experience', as discussed in the literature review section. They both reviewed the PMSs in a number of organisations to establish and test its effectiveness by surveying its managers and subordinates.

## Research Strategy

In the literature quantitative and qualitative methods are discussed at length in research and design methodology. Qualitative research outlines human experiences and opinions into words that are descriptive, in contrast quantitative research outlines them in numerical form (Duffy and Chemail, 2008).

As noted previously this study will take a positivistic view which Duffy and Chemail (2008) outline as a result, quantitative methods are best suited. Farndale and Kelliher (2013) also adopted a positive approach through a quantitative method, by use of survey in their research. They chose this approach as they discovered through piloting of the questionnaire that it heralded "strong reliability" in terms of its results. Lawlor, Benson and McDermott (2012) also adopted a positive approach through a quantitative method, by use of a survey in their 2012 study. The benefits of adopting this approach they noted was the efficiency it allowed when gathering data from a large sample of participants, in a short time span. They also noted that they utilised this research method as it eased the analyse of the data from the large sample group required, to get accurate and reliable results. McGovern (2009) notes that positivists describe one of the advantages of quantitative research as a research method, is its objectivity. This is due to the standpoint which is upheld between the observer and the observed.

There are a number of reasons why quantitative research methods were selected for this study. From observing the research regarding performance management it is clear that the majority of researchers have utilised quantitative methods. The quantitative research approach will follow many previous researchers in this area (Farndale and Keleher, 2013; Shrivastava and Purang 2011; Lawler et al, 2012; Sumelius et al., 2014) who also employed the quantitative process. One of the reasons provided as to why they chose this method is, quantitative research measures attitudes and opinions, which suites the aims of research in performance management, which is to gain the opinions of those involved in the PMSs, in the particular organisations of

interest. As it measures attitudes and opinions, it also suits the aims of the authors study, in line with objective two. Its objectivity is another reason previous researchers in performance management have chosen a quantitative research method. Burns and Grove (1993) noted quantitative methods review participant's opinions and does not look to influence participant's responses. He further noted this method guarantees the researcher cannot influence the study with their values or perceptions and remains objective. In the authors research the aim is to achieve valid responses, so this method will ensure the risk of bias is minimised.

## Population and Research Sample

The population which was targeted for this research was the entire work force within company X. The company has ninety-two employees in total, according to research regarding acceptable survey response rates to get an accurate result in terms of people's viewpoints a minimum of forty-five employee responses were require (Kelsall, Poole and Kuhn, 2014). When the deadline for the survey was reached seventy-two responses had been received, resulting in a seventy-seven percent response rate, which the author deemed successful.

## Research Instrument

The author chose to use a survey as the design of the research to be conducted. This decision was made as a result of reviewing other key researcher's methodologies identified in the research, who also investigated this area and used this method (Farndale and Kellihe 2013; Shrivastava and Purang 2011; Lawler et al., 2012; Sumelius et al., 2014). Quantitative research creates statistics through the use of survey research, using methods such as questionnaires (Dawson, 2010). A survey is defined as a "structured data collection technique where each participant is asked the same questions" (Dawson, 2010). As the survey is an efficient way to distribute and gather data it was deemed a suitable approach. As the tool was utilised at no cost, via an online survey analyse tool there were no cost implications. The online application also made the analyses very clear and concise and easy to use and interpret.

The author's aim and objectives are to describe, monitor and investigate the PMS in place in company X, versus best practice. The literature review completed objective one. The authors second objective was to investigate what company X has in place currently in relation to a PMS and how it is viewed by its employees. The main articles examined (Lalwer 2012; Farndale and Kelliher 2013) maintain that surveys produce the most comprehensive results. In addition, Armstrong (2006) in his research notes the most effective way to get responses within a tight timeframe from a large sample, or target group is through utilisation of a survey. He further notes that surveys ease analyses of large groups of participants. As a result, the PMS in company X was reviewed through quantitative research; a survey was used to achieve this. The responses were analysed and the survey provided results that allowed them to be evaluated in a way that was independent and detached (Dawson, 2010).

The author's aim was to obtain the views of the employees in company X on a variety of aspects regarding their performance appraisal system. Surveys can yield the most honest responses, as the person and their responses are anonymous (Murphy and Tyler, 2008). It is vital that valid opinions and attitudes were captured, and surveys are known

for not influencing or manipulating answers provided (Murphy and Tyler, 2008). The quantitative approach via a survey is the best fit for this type of research, as it will provide a current unambiguous insight into the PMS in company X (Murphy and Tyler, 2008). The methodology throughout the research reviewed for this thesis (Farndale and Kellihe 2013; Shrivastava and Purang 2011; Lawler, Benson, and McDermott, 2012; Sumelius et al., 2014) have been based predominately on surveys, hence this a strong influencing factor as to way this tool has been utilised for this study. The survey methodology appears to be more common place as this format can lead to "factual, attitudinal and behavioural" data being gathered by the author (Dawson, 2010).

In contrast other research suggest that one of the drawbacks of surveys can be the reluctance of the participant to provide anticipated data (Baker and Hart, 2001). Participants may give the answers they believe the researcher wants to hear and as a result alter the accuracy of the data. Other disadvantages of using the survey include shortcomings such as the limitations on probing or exploring of the answers that are provided (Bryman and Bell, 2007). There can be a low response rate as people are not motivated to complete them (Baker and Hart, 2001).

## Survey Development and Design

The author's survey was developed using two different researcher's questionnaires (Lawler et al., 2012; Farndale and Kelliher 2013). As discussed previously these researchers were found to be the main contributors in the authors view to the performance management research in the literature review section. They were also noted cited by a number of other researchers, who supported their approaches (Green 2011; Armstrong 2006). The surveys they utilised in their research had similar aims to that of the author. Lawlor, Benson and McDermott (2012) sought to determine the effectiveness of the PMS, and Farndale and Kelliher (2013) sought to determine the employee's views on the procedural and interactional justice of the system. Another benefit to using a combination of these two surveys for this research was that they have been validated and tested already.

The first study utilised in this authors research was, Lawlor, Benson and McDermott (2012) and was from their research article, 'What makes performance appraisals effective'. In their research methodology they note their research was compiled through a survey (their reasons for choosing a survey have been discussed previously) with over 100 organisations throughout the US. The aim of the study was to gather data on the effectiveness of a range of performance management designs and practices. In addition to asking about performance management practices and systems, it asked about their effectiveness, which was also the aim of the authors research, outlined in objective two. From this survey the author has used the most relevant section, which is, Q17 (a-n) (see Appendix A). Lawlor, Benson and McDermott (2012) utilised this section to determine the effectiveness of a number of performance management elements and to determine the PMSs effectiveness in the organisations surveyed. As discussed previously in the literature review chapter the points outlined in Lawlor, Benson and McDermott (2012) survey have been referenced and supported by other authors as a best practice approach to performance management (Green 201; Armstrong 2006).

The second section of the survey was derived from the authors, Farndale and Kelliher (2013) and their article, 'Implementing performance appraisal: exploring the employee experience'. In their article they outline that line managers play an important role in implementing performance appraisals, however that the actual employee experience of these procedures and their view of the justice of the process, is likely to have consequences for the levels of organisational commitment. One of the author's aims under objective two is to determine how the employees view the PMS in company X, as the authors aim was similar to that of Farndale and Kelliher (2013) research and their survey, it was deemed appropriate to be utilised in the authors research.

In Farndale and Kelliher's (2013) research methodology they outlined that they conducted an analysis of 4,422, across 22 business units. Their research highlighted that when there were higher levels of trust in senior management it led to higher levels of commitment, and demonstrated a stronger link between employee perceptions of fair treatment by their line manager during performance appraisal, and organisation commitment. The section of Farndale and Kelliher's (2013) survey utilised for the author's survey (see Appendix B), (questions five to eight) relate to organisation commitment, performance appraisal procedural and interactional justice and senior management trust. As the authors objective is, to determine the effectiveness of the PMS in company X from the employee's perspective, these questions were deemed important for inclusion for this reason. These elements of a best     practice approach have been referenced and supported by other researchers (Bamberg, Biron and Meshoulam 2014; Ikson, Dries and Arnold 2014; Arris, Cascio and Paauwe 2014) and determined to be an important aspect of an effective PMS, and of a best practice approach.

In the authors survey participants were asked to rate each of the statements within the survey. As utilised in previous research (Farndale and Kelliher 2013; Lawler et al., 2012; Pulakos 2004) all items were measured on a seven- point 'Likert Scale' ranging from "strongly disagree", to "strongly agree". The overall mean of each scale was

utilised to produce a score factor per respondent. The Likert scales are a rating scale method which is used to gather the opinions and attitudes of people (Trochim, et al., 2016). The person completing the survey is given a number of statements and requested to choose the most accurate position on a five or seven-point scale between strongly disagree, being '1' to strongly agree being '7' (Gillham, 2007).

## Data Collection

The organisation where the data was collected is the company the author is employed in. This was chosen primarily for ease of access. and is of particular interest as HR is the authors field. The author requested permission from the CEO and HR Manager in company X before sending out the survey. Providing both with a copy of the survey questions and a draft of the email which the author would send as a cover letter with the survey when rolling it out. Once both the HR Manager and the CEO's approval was received a pilot of the survey was conducted with three employees within the HR Department. This was a worthwhile exercise as it transpired that some of the weighting scales had to be rearranged.

To distribute the survey and gather the data from the research sample, the author decided to do so through email, this method assists with shorting the period of data collection considerably (Davies and Hughes, 2014). Within the email which was rolled out there was a link to the survey using the statistical analyses tool 'Survey Monkey'. This eased roll out, and also facilitated and provided for ease of receiving responses back and analyses. Thirty-nine percent of employees in company X do not have access to email so hard copies of the survey were distributed to these employees with a cover letter outlining the purpose of the research and requesting that they return the surveys by the deadline date. A locked box normally utilised for 'employee suggestions' was placed in the canteen so the surveys could be returned anonymously. Those returned this way were manually inputted onto the analysis tool after the deadline date. The rest of the surveys were returned via the analysis tool link, so all responses were confidential and anonymously. In total surveys were distributed to ninety-two employees, seventy-two were returned, leaving the response rate at seventy-seven percent.

## Analysis of Data

Berg (2007) suggest that data analyses involves arranging information into sections that are manageable, and entails the author focusing on emerging themes and ideas. For this study the author analysed the data and created themes from the statistical data obtained. From the surveys these themes were related back to the literature which was made easier due to the survey questions being derived from best practice, and the literature review in the first instance.

Quantitative research converts human opinions and experiences into numbers. The statistical analysis tool utilised for this study (Survey Monkey) analysed the data for the author in numerical, graphs and statistics formats. To outline the results and findings of the research, descriptive analyses were utilised to communicate and summarise the data findings (Duffy and Chenail, 2008). The graphs provided through the statistical analysis tool provide for recognition of patterns in the data. The numerical data provided through this tool provided for precise measurements of the results. The overall aim of the analysis was to outline and discuss the opinions and perceptions of the PMS in company X from the perspective of the employees surveyed. The analysis ultimately sought to address the objectives outlined by the author in chapter three.

## Ethical considerations

In relation to ethical considerations it is the author's responsibility to access and minimise the possibility of harm to the research participants. It is critical that the author's participants are aware why the research is being conducted and what will be done with the information provided by them (Bryman and Bell, 1993).

There were no major ethical considerations identified notwithstanding this, the author provided in advance of the survey being rolled out to the participants an explanation of the research. In this email it was noted that the surveys would be anonymous and identified that the content would be used for research purposes only. The surveys allowed the respondents to skip any questions they so wished. In addition, all the ethical administration outlined by the National College of Ireland was completed. The survey responses were anonymous and the results could only be accessed via the 'Survey Monkey' website, which was protected with a user name and password and to which only the author had access.

## Limitations

It was considered that sufficient data was collected to analyse the PMS in company X and the objectives outlined in chapter three. It was also considered that the sample of participants provided a valuable insight into the views and opinions of the PMS in company X. The author wanted to also conduct supplementary interviews to complement and enhance the surveys however as the author had limited time, this was not possible for this research study.

## Chapter IV

## Analysis and Findings

### Introduction

This chapter will present and review the data derived from a quantitative research perspective, by way of survey. It will then go on to discuss the research findings. The data will be presented in graph and chart form. The chapter will outline information regarding the employees involved in the survey including, gender and length of service. It will then evaluate the responses received through the survey. It will examine the employee's views on the effectiveness of the PMS in company X. Finally, the chapter will outline the findings from the survey data, under each of the research objectives.

The survey (see Appendix B) comprised of six sections:

Section I:      Gender and length of service

Section II:     Determining the effectiveness of the performance management system

Section III:    Organisational commitment

Section IV     Performance appraisal procedural and interactional justice

Section V      Senior management trust

Section VI     The benefits of having a performance management system in place in company X

Section I noted the gender of the participants, and the length of service of each. Section II included a number of questions derived from the research, which are deemed indicators of best practice and which have been discussed in the literature review. This series of questions was to determine in line with objective two of the research study,

what company X has in place in relation to a PMS, and how effective the employees believe the PMS is, based on these best practice indicators (Lawler et al., 2012). The aim of section III of the survey was to gauge employee commitment to the organisation, as Farndale and Kelliher (2013) have identified a link between effective PMSs, and organisational commitment. Section IVs aim was to obtain an indication of employee's views on the procedural and interactional justice regarding the PMS in Company X. Farndale and Kelliher (2013) outlined in their research that the PMS is more likely to be successful if employees view the system as transparent and fair. Section V examines senior management trust, to determine if there is a high or low trust level amongst employees towards senior management in company X. Lawlor, Benson and McDermott (2012) has outlined, if managers drive performance management and if employees trust management, it is more likely that the PMS will be effective. Finally, section VI looks to conclude, do the employees believe it is beneficial to have a PMS in place in company X? The main themes of the survey data will be presented in this chapter and the finding's will be outlined under each of the research objectives set out in chapter III.

## Findings

### Question One - The Company

Question one asked the participants the name of the company they worked for, this was to ensure that all participants were employees of the research company.

### Question Two - Employee gender

Company X is an engineering infrastructure company and as such it is mostly male dominated, by the nature of the industry (Sanghani, 2015). As a result, most of the staff employed are male as is reflective in the response rate of male versus females in company X. Male responses made up 70% of participants, versus female at 30% (see Figure 3).

### Figure 3
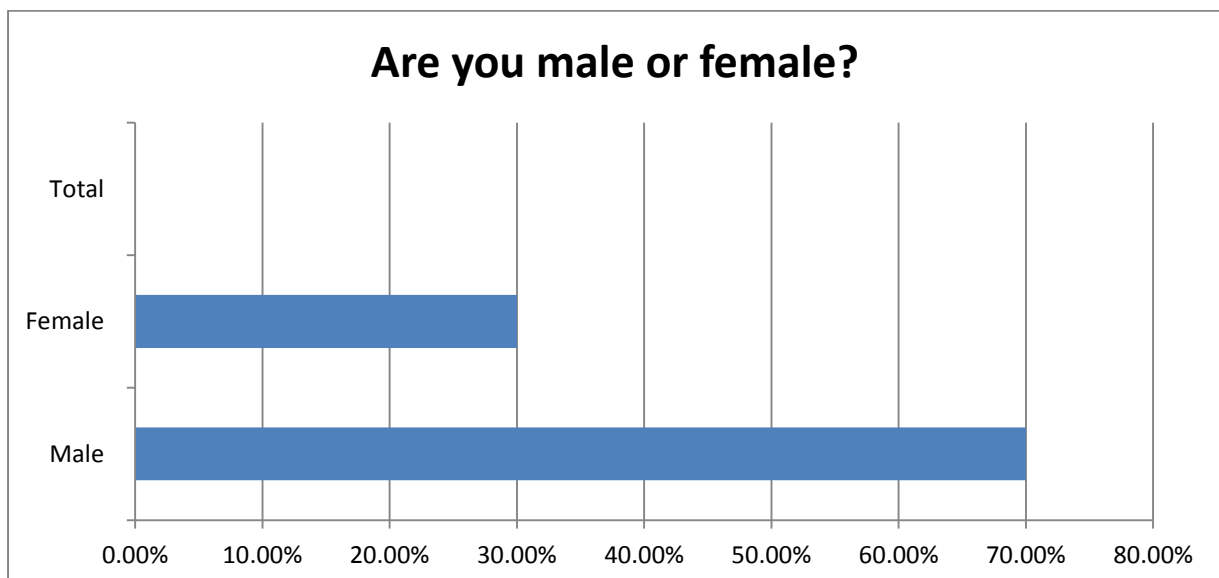


**Are you male or female?**

Company X has been in existence since 2006, as a result the maximum length of service of an employee is ten years. Most of the staff in the company have been employed since it commenced in 2006. 75% (see Figure 4) of the respondents have been with the company over three years, which indicates that they are likely to have been involved in many performance reviews over the years and have a lot of experience of the system.

According to Gunnigle, Hearty and Morley (2002), how long an employee is with an organisation, can have a major impact on how they view the PMS in a company. Generally, employees who have less service can have a different view on the system, than someone with three plus service. Someone who has been through a number of appraisals may find it difficult to continually set new objectives. If their experiences of the system have been negative it is difficult to change this view, and they may not see any value in the system any longer as a result (Gunnigle et al., 2002).

**Figure 4**



How many years are you with the company?
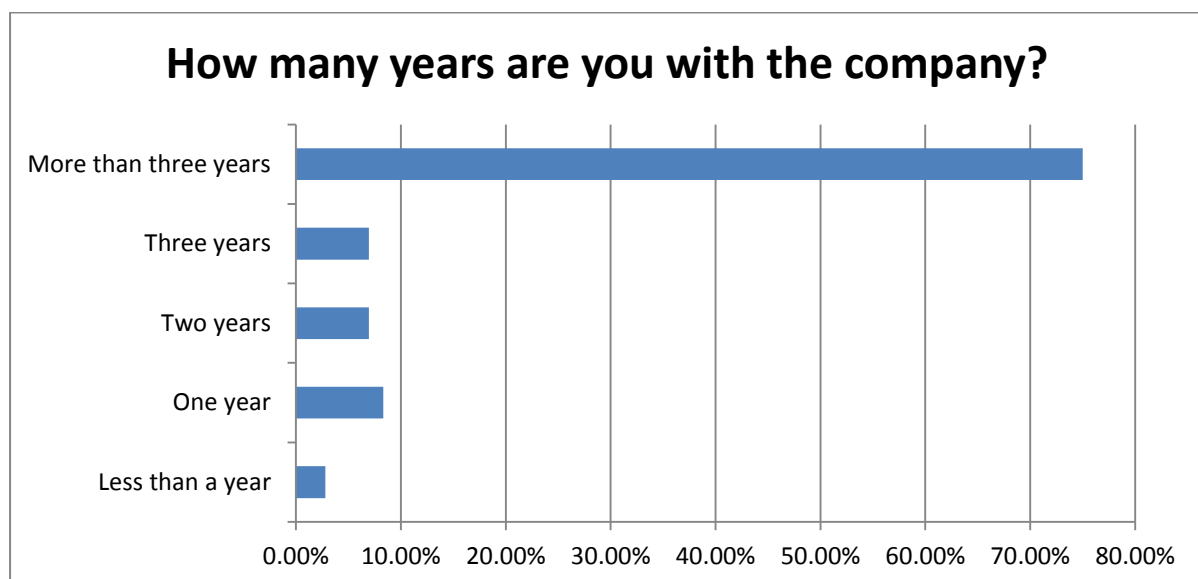
## Question Four - Performance management effectiveness

In question 4 (see Figure 5) of the survey a number of questions were asked, these questions according to the research were deemed best practice features of a PMS, and where asked to determine employee's views on the effectiveness of the PMS in company X.

### Identifying poor performance

The highest scored element of this section in terms of what employees view within the system as effective was, 'identifying poor performance' at 3.74 weighted average, which is quite a negative view of what the system should be utilised for. As outlined by Lawlor, Benson and McDermott (2012) a PMS should be viewed as a tool that identifies talent and develops it people.

### Making good use of people's time

The next highest rated element of what the employees viewed the system to be effective at was, 'making good use of people's time'. The author believes this to be a positive result, as employees obviously believe that the PMS is beneficial to some extent, if it is utilising peoples time. This links in with the participant's overall view that a PMS is beneficial to have in place in the company, as outlined in question nine, and which will be discussed later in the chapter.

### Managing out poor performers

The lowest rated element of what employees viewed as being effective in regards to their PMS was, 'managing out poor performers'. An interesting point was noted by the author that the highest score, outlined in the survey under question four was that 'the company identifies poor performers' however, the lowest ranking was that, it does not do anything to 'manage them

out'. This would indicate employees feel that there are a number of poor performers within company X, and that the system is effective at identifying them, but not effective at managing them out. If the system was used effectively would it be possible to utilise it in this way, and to identify and manage out poor performers. CIPID (2015b) would suggest yes, that poor performers would be made aware of areas they require improvement within and given support tools and training to assist them in achieving the improvements required to enhance their performance. CIPD (2015b) suggest that an effective system should identify top performers as well as underperformers.

The results will show later that overall the view of the PMS in company X is 'moderately effective', one of the factors responsible for that result could be that the employees believe the system is not effective at managing out poor performers. If the employees perceive there to be a number of under performers around them, not pulling their weight, and if the PMS is not effective in managing these poor performers out, then they could view the system as flawed (Lawler et al., 2012).

## Developing a performance culture

The next lowest rated area of the system was 'developing a performance culture' at a weighted average rating of 3.36. This was a disappointing outcome regarding the link to a best practice PMS, as having a performance culture is regarded by Lawlor, Benson and McDermott (2012) as an important element to enhance PMSs effectiveness. Reid and Hubbel (2005) note that most employees want a chance to prove their competence, and to contribute and if they are provided the opportunity to demonstrate what they are best at, then employees will deliver.

## Effectiveness of the performance management system overall

The participants rated everything within this section (Q4), which was focused on the employee's views on the effectiveness of the PMS in company X, between 3.33 and 3.82 weighted average rating (see figure 5).

## Figure 5

In view of what is needed in your company, how effective is your performance management system in each of the areas below? Please rate your system

| Area | Rating |
|------|--------|
| Focusing attention on environmental and social… | 3.6 |
| Making good use of people's time | 3.67 |
| Meeting the needs of individuals who are… | 3.49 |
| Supporting company values | 3.55 |
| Providing useful feedback to individuals | 3.67 |
| Supporting change efforts | 3.37 |
| Developing a performance culture | 3.36 |
| Managing out poor performance | 3.33 |
| Identifying poor performance | 3.74 |
| Identifying top talent | 3.63 |
| Developing the skills and knowledge of individuals | 3.63 |
| Motivating performance | 3.62 |
| Overall | 3.82 |

When asked how the PMS was rated overall in company X the participants ranked it a weighted average rating of 3.82. This shows that the staff view the system in the range of "moderately effective" overall. This is in line with previous research by Lawlor, Benson and McDermott (2012) and Biron, Farndale and Paauwe (2011), whose findings also point too moderately effective PMSs being in place, in their surveyed organisations.

## Question Five - Organisational commitment

Farndale and Kelliher (2013) note that best practice links good performance management with a high organisational commitment, as a result the author wanted to establish if the employees in company X are committed to the organisation, or not. A number of questions were asked within the survey which assisted in determining this (see Figure 6).

### Figure 6

**Organisational Commitment**

| Question | Rating |
| --- | --- |
| I really care about the fate of this organisation | ~4.7 |
| I am willing to put a great deal of effort beyond that normally expected in order to help this organisation be successful | 5 |
| I am proud to tell others that I am part of this organisation | ~4.1 |
| Externally I would say this is a great organisation to work for | ~4.04 |

In this section the highest scoring question on the seven point Linkert scale was, 'I am willing to put a great deal of effort, beyond that normally expected in order to help this organisation be successful', at a weighted average rating of 5. This was a relatively positive result, showing that the majority of employees surveyed are committed enough to put extra efforts in, to make the organisation successful.

The lowest scoring question was, 'externally I would say that this is a great organisation to work for' at a weighted average rating of 4.04. This would require further probing to determine why they were not willing to say company X was a great company to work for. This highlights the limitations of a survey which include not being able to probe answers. Overall

organisational commitment ranks 4.51 average mean, for all four commitment questions, which is an 'average' commitment level.

The success of an organisation depends a great deal on how committed the employees are. Abdulkadir, Isiaka and Adedoyin (2012) note that this can have a lot to do with how satisfied employees are with the company's PMS. Employees need to have both an understanding and a commitment to the appraisal procedure, however this is difficult if they do not feel the system is of value and that they are benefiting from it (Abdulkadir et al. 2012). They also note they need to view it as a confidential and transparent process.

## Questions Six and Seven - Performance appraisal procedural and interactional justice

The next section addressed performance appraisal procedural and interactional justice, which were outlined by Farndale and Kellher (2013) as another best practice element of performance management. They note that line managers play an important role implementing performance appraisals however, that the actual employee experience of these procedures is likely to have consequences for the levels of commitment and the effectiveness of the PMS. There were two questions asked under the procedural justice section of the survey (See Figure 7).

The data shows (see Figure 7) that for question one they noted a weighted average rating of 3.79, and question two was noted at a weighted average rating of 4.01. This again is a 'moderately agree' outcome, which appears to be a growing trend in the analysis data, in that the participants 'moderately agree' that company X's performance appraisal and management system is a just procedural process.

**Figure 7**



Performance Appraisal Procedural Justice
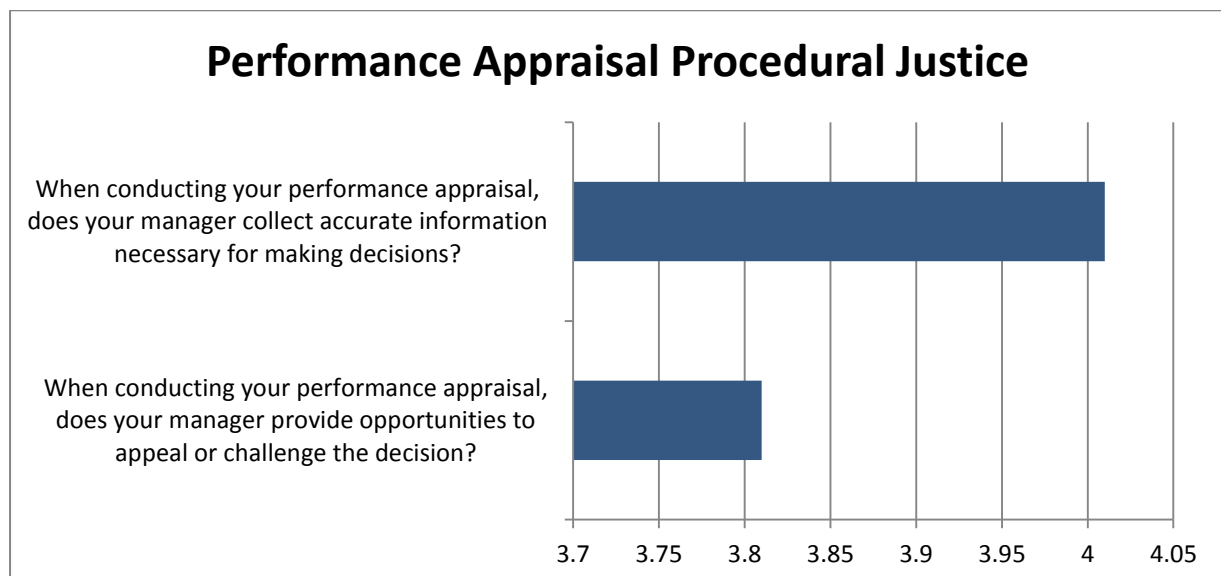
Three questions were asked in the performance appraisal interactional justice section of the survey (See Figure 8). The highest scoring question according to the data was in relation to 'showing respect and consideration' at a weighted average rating of 4.58, just above 'moderately agree'. The lowest ranking was, 'the manager showing concern for the rights of the employee' at a weighted average rating of 4.25, 'The manager considering the employees view point 'was just above moderately agree at a weighted average rating of 4.25. This highlighted that the participants view the interactional justice between themselves, and their appraiser as falling once again into the 'moderately agree' category, in that they are neither overly satisfied, nor dissatisfied with the interactional justice.

**Figure 8**



**Performance Appraisal Interactional Justice**
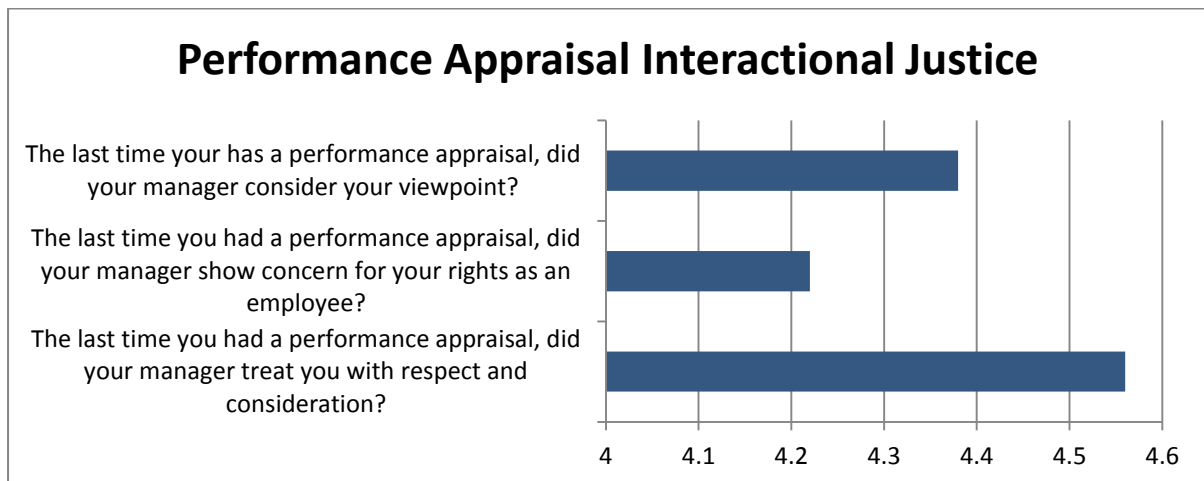
## Question Eight - Senior management trust

Senior management trust was deemed important for a PMS to be effective by a number of authors namely, Lawlor, Benson and McDermott (2012), Farndale and Kellher (2012), Armstrong (2006), Greene (2011) and CIPD (2015b) as a result this was deemed important to include in the survey, to determine if senior management trust was high or low in company X. The result of the data (see Figure 9) was that the participants viewed senior management trust at slightly above the 'moderately agree' mark at a weighted average rating of 4.32. This would highlight again employees are not dissatisfied with the level of trust but that work needs to be done to improve the trust levels in the future.

## Figure 9
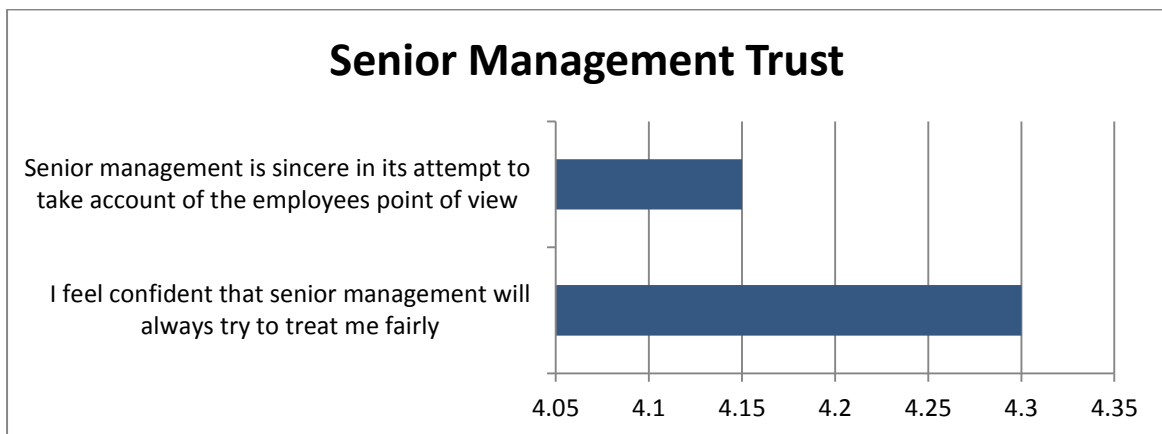
**Question Nine - Is it beneficial to have a performance management system in place in the company?**

Section 9 of the survey asked if the participants believed that it was beneficial to have a PMS in place in company X, the overwhelming response was 92.4% (see Figure 10) believed that it was beneficial to have a PMS in place. This ties in with previous research reviewed for this thesis namely Lawler (2014) and Schraeder, Becton and Portis (2007). Both studies had similar findings, whereby despite the perceived ineffectiveness of the system the participants still believed it was beneficial to have a PMS in place.

The outcome of the data for this survey corroborate much of the research noted in the literature review, notably Lawlor, Benson and McDermott (2012), Armstrong (2006), Farndale and Kellher (2013) to name but a few, who note that the research showed many organisations appreciate there are benefits to having a PMS in place in their organisations however, that the current systems are not effective, or only moderately effective.

**Figure 10**
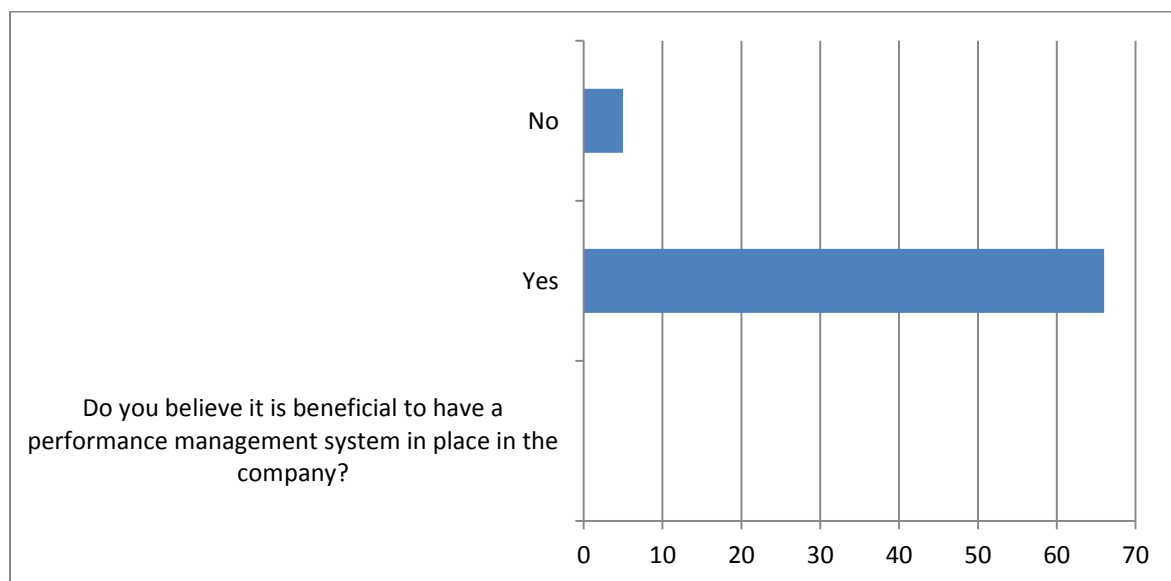
## Question Ten - Recommendations to improve the performance management system in the company

The last question within the survey was an open ended question which asked the respondents, if they had any recommendations in relation to the PMS in company X. Some of the recommendations by participants in relation to what they believed would improve the PMS as now discussed.

### Recommendation One - Linked to bonus

Contrary to much of the research a number of employees noted that they believed the PMS should be related to, "bonuses", "rewards" and "incentives'. Lawlor (2015) believes pay discussion should take place away from the feedback about performance, because when they are discussed together, the appraise leaves the meeting only remembering the pay decision. They do not digest or feel committed to the developmental decision. Some of the research however did support the notion that the PMS should be linked to pay and bonuses. Greene (2011) notes when goals are set with individuals, mainly when rewards are tied to them, their motivation to perform will increase.

*Respondent A*

> *"linked to bonus / pay"*

*Respondent B*

> *"Company should establish values, maybe a rewards program, more incentives to take on extra work and excel in your area"*

*Respondent C*

> *"There needs to be a reward for achieving targets and goal."*

*Respondent D*

> *"Incentives should be awarded to employees (This does not have to be cash)"*

## Recommendation Two - System interactional justice and line management trust

In the research outlined by Lawlor, Benson and McDermott (2012) and Armstrong (2006) line management trust, and management leading the PMS is paramount, and one of the most important influences of a best practice and effective system. Farndale and Kelliher (2013) have noted in their research that participants perceived fairness's of the system from interactions with managers, to the procedure itself, is also an essential part of the system being effective. However, from reviewing some of the comments work needs to be done by company X on improving the perception of managers with regards to their "attitude", "trust", "showing fairness" and "working alongside individuals".

*Respondent E*

> *"Change the attitude of management"*

*Respondent F*

> *"Management should work side by side with individuals to assess them. A proper appraisal cannot be done if only seeing work done rarely. Day to day business is different to appraising periodic work"*

*Respondent G*

> *"Trust & honesty need rebuilding along with a sincere focus on employee welfare, training and progression is needed before performance management can be taken seriously"*

*Respondent H*

> *"full buy in, company sharing the same stance to show fairness and commitment to the process"*

## Recommendation Three - Procedural justice

Most comments from this final open question in the survey related to the appraisal form itself, in terms of "marking criteria" and "changing the format" of the forms. Farndale and Kelliher (2013) have noted that the employee experience of the performance appraisal procedures, and their view of the justice of the system is likely to affect whether the system is successful, or not, and to their commitment to the organisation and the system.

A number of comments suggest changing the form to make it more relevant to their particular roles. One suggests "getting employees involved" in the design of the appraisal form, which the author believes, and Armstrong (2006) has noted is a worthwhile suggestion because, if staff are involved in its design they are more likely to be committed to it. Lawler's (1984) research found that appraisals were more effective, when the employee shared self- appraisal of his or her performance, with the manager before a final appraisal decision was reached. If both parties agree on the definition and design of the job, then, "the appraisal process will benefit from mutual participation" (Lawlor, 2015).

Comments also included problems with how the participants believe they are marked. One participant noted some years, they are marked lower than others, in what they perceive as doing

the same job, to the same standard. Shrivastava and Purang (2011) have shown that managers must provide feedback and explain rating decisions, this is critical as it provides purpose and transparency to the appraisal process. According to their research this is when training is important. Training should be delivered to the managers conducting the appraisals including how to mark employees (Shrivastava and Purang, 2011). The marking scheme should be transparent so they view it as a fair reflection on their performance. Armstrong (2006) noted that the relationship between the existence of training and the effectiveness of performance appraisals was very high**.**

*Respondent I*

> *"Different levels in the organisation require different types of appraisals, at present same appraisal for all staff"*

*Respondent J*

> *"appraisal forms should be relevant"*

*Respondent K*

> *"The marking criteria is too broad and should be catered for individual depts, or levels within the company"*

*Respondent L*

> *"Reviews should be more specific to the individual roles. Scoring should be reviewed to reflect individual rolls. More credit should be given to employees that carry their daily tasks"*

*Respondent M*

> *"Change the attitude of management - involve the employee in the development of the appraisal - change the format - we are not a production company so the various sections do not apply to the majority of the staff"*

*Respondent N*

> *"It would be helpful if the marking system made some sense in relation to that year's performance. Marks going down for no reason. Low marks by default policy issued from the top? That makes no sense. Either your work is good or it's not. Either it's improving or it's not. If it clearly improves in one area and yet drops regardless, that doesn't make any sense, regardless of how nicely the news is delivered"*

*Respondent O*

> *"An (Company Name) designed form indicative to each department, offer of outside training courses allowing employees to achieve the highest goals possible"*

## Recommendation Four - Performance culture

The next comments by participants related to a training culture, and identifying the needs of talented staff. Lawlor, Benson and McDermott (2012) notes the importance of performance goals being driven by business strategy. One comment noted that they do not believe, that the company are executing the company mission statement and strategy. The research notes that goals can contribute to organisational effectiveness, and can motivate employees to preform effectively and that effective performance goals are those derived from business strategy (Lawler, et al., 2012).

*Respondent P*

>*"Establish a training culture by encouraging this within each role and not training to meet legal requirements, the impression at the moment is that the senior management are not being developed and thus the rest of the team follow this pattern."*

*Respondent Q*

>*"Get management out from behind their desks and start identifying needs and issues and talented staff."*

*Respondent R*

>*"Believe in and execute the company mission statement and strategy"*

Some of the other comments relating to the final survey question about what could improve the PMS in company X include:

*Respondent S*

>*"Maybe planned better and not so rushed, sometimes it seems like it needs to be done and now! This gives the impression that people are just going through the motions because it has to be done by a certain date, ticking the box!!"*

*Respondent T*

>*"Currently reviews seem just like a paperwork exercise from the company."*

This comment outlines the view that the system is a 'tick the box' exercise only. Which again comes back to how the system is viewed negatively at being only 'moderately effective', and that it does not currently add value to improving performance in company X.

A final comment by a respondent suggests having interim reviews and not just meeting once a year, which is a valid point and supported in the research when Martin and Dartol (1998) note that providing ongoing feedback was highlighted in their research as a suggestion to enhancing the effectiveness of performance management. Their research showed that if appraisals are conducted more frequently this could have a positive impact for the employee and the organisation.

*Respondent U*

> *"Follow through"*

*Respondent V*

> *"Have interim reviews and not just meet every year"*

Employees rated the overall PMS as a '4' out of a '7' on the Likert Scale which equates to, 'moderately effective'. Lawler (2015) has highlighted that many organisations did not rate their systems very high however, the majority would have outlined their beliefs that a PMS should be in place in a company and if done 'right' could be beneficial, this is also reflected in this study.

Emerging themes were identified from the surveys. The main themes identified were that the system in place currently was viewed as a 'tick the box' exercise, and that the system was not seen as a value add to the company or employees. It was interesting however in light of the negative view of the current system that were established through the survey data, that the overwhelming response was that employees believed the PMS should remain in place, as it

could be of benefit to the company. It was noted however in the survey comments that the PMS would need to be overhauled to be seen as more than a "tick the box" exercise. Armstrong (2006) has outlined that if management are placing importance on the system employees will take the view, that it is an important process that could add value to the company. The themes of the surveys were derived from the data retrieved from the survey. The questions were taken from the research of what a best practice approach should be. The survey as described in chapter III was a mix of two previous surveys utilised by authors (Lawler , et al., 2012) and (Farndale & Kelliher, 2013).

## Findings – Research Objectives

### Research Objective 1

The literature review highlighted a number of researchers who contributed to the performance management debate (Lawler, 2012, 2015, 2016; Farndale and Kellher, 2013; Armstrong, 2006). The findings in relation to objective one are discussed in detail in the literature review. From the research, the best practice approaches where taken from two main researchers Lawlor, Benson and McDermott (2012) and Farndale and Kelliher (2013) with influences from Armstrong (2006). Lawlor, Benson and McDermott (2012) supported by Greene (2011) and Armstrong (2006) noted the following as important best practice characteristics of a PMS, found to have important influences on its effectiveness.

1. Motivating performance
2. Developing the skills and knowledge of individuals
3. Competencies are considered in the appraisal process
4. Performance goals are driven by business strategy

These characteristics formed the bases of section four of the authors survey and will be discussed in the next section of the chapter, under objective's two and three's findings.

Farndale and Kelliher (2013) noted that line managers play an important role in implementing performance appraisals however, that the employee experience and their view of the justice of the process has consequences for the levels of commitment, and PMS success. The points noted from their research as a best practice approach were included in the survey in questions 5,6,7 and 8 (see Appendix B) under the following sections.

1. Organisational commitment

2.  Performance appraisal procedural justice

3.  Performance appraisal interactional justice

4.  Senior management trust


These points will also be discussed further in the next section of this chapter, under objective's two and three's findings.

## Research Objective 2

What company X has in place currently in relation to a PMS and how it is viewed by its employees was discussed in detail in the analyses section of the chapter. What the company rated highest overall according to the survey data was, identifying poor performers (3.72), providing useful feedback to individuals (3.67), and making good use of people's time (3.67). These were higher scoring elements relative to the other scores in the survey however only ranked at 'moderately effective'.

Overall the PMS was rated by employees at 3.82, which again is only 'moderately effective'. This would not be viewed as a positive result in terms of how the employees rate the system in company X against the best practice indicators, and shows signs that the current system may be ineffective. Some of the comments from employees noted reasons why this may be the case including, viewing the process negatively. Some of the comments noted that the appraisal forms were not suitable for individual roles, and the marking scheme as flawed. Other reasons noted included, changing the attitude of management and improving trust and establishing a performance culture. These are all important elements according to the research as discussed previously to ensuring a PMS is effective (Farndale and Kelliher, 2013).

A positive result was that overall the majority of participants believed it was beneficial to have a PMS in place, which highlights that they do understand the benefits of such a system. Most of the results ranked at only moderately effective, which indicates that there is work on overhauling the system to make it more in line with the best practice elements outlined in the research. However, there is a bases to work on, as outlined by the findings, which now needs to be reviewed in line with the gaps identified by the research and which will be discussed in the next section of the chapter.

## Research Objective 3

In line with the findings noted under objective one, which ascertained from the literature what is a best practice approach to performance management and having established how the employees view the PMS in company X (achieved under objective two) each of the main points will now be discussed to determine how the current PMS in company X compares, and the gaps identified.

## Motivating performance

Goals can contribute to guiding employees to perform in ways that contribute to organisational effectiveness, and can motivate them to preform effectively (Armstrong, 2006). Effective performance goals are those that are derived from the business strategy (Lawlor et al., 2012). The findings from the survey stated that motivating performance was rated at a weighted average of 3.62 This was a low to average rating, meaning that the employees do not believe that the system is currently highly effective at motivating performance (McLeod, 2008). A gap identified by the research included, focusing the system on goal setting. As outlined by Lawlor, Benson and McDermott (2012) this increases and motivates employees to perform. Goals must be clearly related to the organisations strategy and must be influenced by employees and not just forced on them, they should also be jointly set to be effective (Lawlor et al., 2012).

## Developing the skills and knowledge of the individual, and competencies are considered in the appraisal process

The ability of individuals to perform well enough to meet their goals and objectives is an important factor of their performance. As a result, an important matter for performance management is how successfully it identifies the skills required of individuals and insures that they are acceptable (Sumelius et al., 2014). The findings from the survey in terms of developing the skills and knowledge of individuals was rated at a weighted average rating of 3.63. This is

another average rating for a performance management best practice characteristic. A gap in this identified area, noted by Lawler (2015) includes poor job designs, which can make performance management ineffective. Lawlor (2015) notes that it is important that the job role and competencies to which the employee will be held accountable are clearly defined. Lawler (2015) notes that failing a well-defined and designed job, the appraisal process will not succeed.

### Performance goals are driven by business strategy

Lawler (2015) notes for the system to be effective it should be an imperative part of the strategic management processes of the organisation. Senior management must view performance management as important, and it should link into the strategy, and fit the culture of the organisation. The survey noted, that some participants did not believe that the company are executing the company's mission statement and strategy. A gap identified by Armstrong (2014) suggests if the PMS is going to be linked into business strategy, it is important that senior management make that link. He notes, it is vital that line managers own the PMS.

### Organisational commitment

Employees view of the justice of the process is likely to have consequences for the levels of organisational commitment (Farndale and Kelliher, 2013). The findings from the survey and the score in total for the organisational commitment section of the survey was a weighted average rating of 4.51. This was an 'average' result and it outlines that there is a bases of organisational commitment to work on within the company, A gap identified by the research suggests, that to have higher levels of commitment and show a strong link between the employee's perception of being treated fairly and commitment to the company there must be a high level of trust in senior management (Farndale and Kelliher, 2013).

## Performance appraisal procedural and interactional justice

"The success of any HR intervention in an organisation is heavily dependent on employees' perception of that intervention" (Rahman & Shah, 2012, p.11). How an employee perceives the PMS can have a major influence on its success (Cawley et al., 1998). The findings from the survey in terms of the procedural justice was a weighted average rating of 3.9. For interactional justice the rating was a weighted average rating of 4.38. This is another 'average' score for a best practice characteristic. A number of staff commented in the survey on the marking system being flawed, and the appraisal forms not being appropriate for particular roles. They also noted issues with manager's attitudes, honesty and trust.

A gap identified by the research highlights that employee's perceptions of fairness influence the way they think, feel, and act on the job (Bies and Shapiro, 1987). The procedures utilised to appraise performance, and how performance-related information is communicated is paramount in influencing employees' satisfaction with the appraisal process (Shrivastava and Purang, 2011). Armstrong (2006) noted from his research that it was imperative to be clear about the objectives of performance management and about the processes to be used, transparency was key, all employees should know how it works, how it affects them specifically and how the outcomes of performance management will be utilised, 'keep it simple'.

## Senior management trust

Senior management leadership and ownership of performance management is often lacking however; it has been identified as critical to its success. When there is senior management support of the system the research shows that they are much more effective (Lawler et al., 2012). The findings from the survey noted a weighted average rating of 4.22 for senior management trust in the company. This highlights that there is an average level of trust in company X. A gap identified by the research notes, when there are higher levels of trust in senior management, it leads to higher levels of commitment, and organisation commitment

(Farndale and Kelliher, 2013). When management put their measures beside the behaviours that they support, the appraisal process is a lot more likely to be successful, then when they do not (Lawler et al., 2012).

## Limitations

A limitation of the research was the narrow population included, if time had permitted a larger scale of participants could have been encompassed to include other companies within the same industry, and to comprise more than one organisation This would have led to greater validity in terms of the findings.

Some of the limitations noted throughout this research included the inability to probe responses derived from the survey, as a result of the quantitative approach which was utilised in this instance. A mixed approach to include qualitative methods in the form of semi structured interview may have been beneficial to be able to probe the answers received through the survey. It was frustrating for the author not be able to gather additional information to explain certain results. One such area was PMSs relating to pay, the research for the most part noted it should not be linked however, in the survey there were many comments suggesting and recommending that it should, the author wanted to probe these responses and ask why however quantitative research did not allow for this.

**Chapter V**

**Discussion**

**Introduction**

In the previous chapter the author analysed the findings from the primary research carried out. The purpose of this chapter is to discuss the research findings in light of the prior research, with particular reference to whether the findings are similar, or different and also whether the research has resulted in additional new insights, or new explanations for items not previously researched. It concludes with a discussion about the study's limitations and areas for future research.

**The research findings versus previous research**

The findings from the research for this study show that the employees in company X view the PMS as 'moderately effective'. However, when asked if they believed it was beneficial to have a PMS in place the majority of employees, 92.4% noted that they believed that it was. This demonstrates that they understand the benefits of such a system however, believe their current system is only partially achieving these benefits. The author's conclusion is in line with much of the research reviewed for this study namely, Lawlor, Benson and McDermott (2012). In their 2012 research under 'overall performance management effectiveness' their response rate was a weighted average rating of 4.77 for 'yes, effective' and 4.37 for 'no, not effective'. The authors research found much the same result for performance management effectiveness, scoring at a weighted average rating of 3.82, which is deemed 'moderately effective'. The author's research findings are in line with Lawlor, Benson and McDermott (2012) who noted in their research that, the vast majority of companies, about 85%, report that their systems are at least 'moderately effective'. As there are low satisfaction levels noted with their appraisal systems, many at almost 50% report that they are considering making key changes to it (Lawler et al., 2012).

Lawlor, Benson and McDermott (2012) noted that companies will continue to do performance appraisals despite their inadequacies and notwithstanding the many criticisms that appear in the research. Lawlor, Benson and McDermott (2012) noted that many companies tend to state, they will not remove their systems and as a result it is likely that they will carry on looking for methods to improve their PMSs. Lawlor, Benson and McDermott (2012) suggest that companies have no option, as they need valid performance management data to manage the performance of their employees. They state that instead of wasting our time debating whether to remove PMSs, companies should instead be concentrating their efforts on how to make them more effective. Lawlor, Benson and McDermott (2012) concluded that every company they surveyed reported that they have a PMS, and only 6% said that they are considering eliminating performance appraisals. They note, "In short, the death of performance appraisals has not occurred and is unlikely to occur" (Lawler et al., 2012).

The research for this study noted that company X are only moderately satisfied with their PMS further links with previous research by Biron, Farndale  and Paauwe (2011) who outlined that performance management processes are used in 80% of companies in the USA, however that 90% of these companies are dissatisfied with the process (Biron, et al., 2011).

## Does the research link back to the original research base?

### Senior Management Support

When there is senior management support of the PMS Farndale and Kelliher (2013) note that they are much more effective. Lawler (2015) notes that active support from senior management is one of the main recurring recommendations when it comes to performance appraisals and management being effective. This research corresponded with the outcome of the authors research where a number of participants noted that there is currently no trust in the management, and to have more trust would make the system more effective. This could be one factor why the system is viewed as only 'moderately effective'. The outcome from this study regarding senior management trust and involvement in the system was also linked to Farndale and Kelliher's (2013) research when they noted, to have higher levels of commitment and show a strong link between the employee's perception of being treated fairly and commitment to the company, there must be a high level of trust in senior management.

### Linked to Company Strategy

The participants of this study noted that currently the PMS is not linked to the company strategy, and if it was it would be more effective. This has a connection with Lawler's (2015) research, when he notes in order for the system to be effective it should be an imperative part of the strategic management processes of the organisation. He noted that senior management must view performance management as important, and it should link into the strategy, and fit the culture of the organisation for it to be effective.

## Interactional Justice

Interactional justice was outlined by the participants in this study's findings as important to an effective PMS, when they suggested that managers should work "side by side by with individuals to assess them". This was supported by and linked to the research of Pooyan and Eberhaardt (1989) when they note raters play a crucial role in the success and failure of any appraisal system. Jawahar (2006) found in his study that if raters are knowledgeable about their subordinate's roles and responsibilities, and their job performance and offer guidance to their subordinates, subordinate's satisfaction with their supervisor's increase.

## Procedural Justice

A number of participants in the survey stated that procedural justice was important to effective performance management, when they raised issues with the appraisal forms specifically that there should be different appraisal forms depending on the role, and appraisal forms "should be relevant" and that marking system are "too broad". These comments would indicate that the employee's experience and views of the performance management procedures are currently negative, which may be another factor as to why the system overall is seen as, moderately effective. This was also found in Farndale and Kelliher's (2013) research when they detailed that the actual employee experience of these procedures and their view of the justice of the process is likely to have consequences for the levels of organisational commitment and performance management effectiveness.

## Link between pay and performance management

Most research found that there should be no link between pay and PMS (Armstrong, 2006; Lawler, 2015). Lawler (2015) believes that pay discussions need to take place after and away from feedback about performance and discussions about training and development. In contrast

however, the authors research found that a number of participants noted that the PMS should be "linked to bonus / pay" and "there needs to be a reward for achieving targets and goal".

Overall, the main body of findings for this study, corresponded with the conclusions from previous studies in this area (Lawler 2013: Farndale and Kelliher 2013; Armstrong 2006). Those conclusions, as outlined previously being, that the overall view in company X is, that it is beneficial to have a PMS in place however, that the current system is only moderately effective.

In light of the research findings for this study, and from reviewing the numerous research in the area, it has been noted by many authors including, Armstrong (2006), Gunnigle (2002), Lawler (2015) and CIPD (2016) that there are many benefits to PMS and that they are essential to monitor and evaluate the performance of employees. The research has also shown companies with PMSs in place tend to outperform those that do not (Lawler, 2012). The authors research found that the PMS in place currently, is only moderately effective by employees however, that 92.5% of employees feel it is beneficial to have a PMS in place. As per the research (Lawler et al., 2012; Armstrong 2006), the PMS needs to be reviewed and overhauled in line with the best practice elements outlined and discussed in the research for this study, to make it more effective than it currently is.

**Areas for further research**

In the research for this study the author used quantitative research methods in isolation. It was deemed the most suited to the aims and objective of the research and aligned to methodologies adopted in previous research of this area. If the author had more time to utilise a mixed approach combining both quantitative and qualitative research would have been applied. This would have led to a more comprehensive approach and would have allowed the author to probe and expand on answers provided by the participants. By having a combined approach, which utilised a qualitative method, interviews could have been conducted with managers and subordinates separately to establish the differing views of both, to allow for both perspectives to be analysed and contrasted.

Areas of interest for further examination include, should the PMS relate to pay, or not. The research (Lawler et al, 2012; Armstrong, 2006) appeared to indicate that they should be separate however, in contrast the findings from the participants in this study appeared to believe the two should be linked. Again, the author could not probe the participants as to why they believed there should be a link as it was a quantitative survey utilised, which did not allow for this enquiry. Practical implications of the authors study will be discussed in the next chapter.

## Chapter VI

## Conclusions and Recommendations and Personal Learning Reflection

The aim of the thesis was to evaluate the performance management system in company X, against best practice. To complete this overall aim, the author complied a comprehensive review of the literature in the area of performance management and related areas and then conducted a survey with employees within the organisation. The survey analysed the current system in place in the organisation versus best practice as outlined in the literature.

The vast amount of the literature on performance management outlined the benefits of having PMSs in place and reviewed their many advantages. More recently the focus and discussions have been around the ineffectiveness of the system however which can have a detrimental effect on the system and the organisation as a whole.

The findings of the research have shown that the PMS in company X does contain many of the important elements that make a PMSs effective, however these elements are for the most part only rated moderately effective. Employees believe however that the system is overall beneficial to have in place.

## Recommendations and Personal Learning Reflection

The findings from the study have highlighted a number of potential weaknesses that are preventing the effectiveness of the system. A number of challenges have been identified for review by company X, if the process is to be beneficial to the employees and the company as a whole. Based on the findings the author has made two practical recommendations for the organisation to make their appraisal system more effective.

## Greater employee involvement

A number of comments from the survey suggested changing the appraisal form to make it more relevant to their particular roles. One employee suggested "getting employees involved in the design of the appraisal form". For the appraisal to be more beneficial to the employee and company X there needs to be a higher level of employee involvement in the system than there is currently. Rankin & Kleiner (1988) identified that one of the key features of effective performance management was to have the manager and employee identify ways to improve the employee's performance together, and to create a development plan to assist the employee in achieving their goals. When employees are involved they are given more of a voice this as a result creates greater interest from them (Rankin & Kleiner, 1988).

The people resource implications of this recommendation would include organising a workshop with employee representatives which could be from a works committee. These would be representative for all employees in company X. The financial implications of such a work group would be the time that they spend discussing the topic and reviewing the forms. These discussions could take place as part of the normal works committee meetings generally held every few months for an hour or two, or additional meetings to ensure sufficient time is allowed for input. The cost is the hourly rate of each employee who is attending the meeting and the cost (if applicable) of their cover on shift.

### Development of employees in the appraisal

With moderately effective results from the research regarding development of the employees being appraised and how it enhanced performance, company X should ensure the system devotes more time assisting with the development of employees, from identifying training needs, giving more accurate, constructive feedback and providing coaching. The system needs to be reviewed by the managers and the HR department with the employee's involvement as discussed previously, perhaps through workgroups focussed on redeveloping the appraisal forms to include a focus on training requirements and feedback. These could be held over a number of months to ensure involvement from all relevant sources. Training should be provided to appraisers and appraises, to get the most from the system. Again the cost implications of this include the hourly rate of releasing employees to attend the workgroups and training. It also involves the rate associated with the HR team and managers who devote their time to reviewing the system.

## Recommendations for further research and Personal Learning Reflection

Through this research a number of best practice approaches have been identified that the author would not have understood to be as important in effective performance management implementation. One of those highlighted being, procedural and interactional justice perception. A lot of companies focus on developing what they believe to be effective, best practice systems however, they do not consider what the employee's views on these systems will be, from implementation, to the system being in place. What the author has learned if employees do not believe the procedures to be transparent and fair, and if they do not understand the marking system, or believe the forms to be in an accurate reflection of their roles, then their perceived effectiveness of the system will be low (Farndale and Kelliher, 2013).

Another highlighted point of importance was the interactional justice, that being the interactions between the appraiser and appraise. Again through the research and survey it was established that if employees do not believe the appraiser is knowledgeable about their role and performance, the effectiveness of the system will be low (Gunnigle, 2002). Another very important element of an effective PMS established was senior management and leadership. This point the author believed to be important before commencing the research however, not to the extent that the research and survey findings presented it. It appears without this the system is doomed to fail.

The authors research has corroborated much of the research out there already, in that a number of PMSs are not effective, and employees view them negatively, or only moderately effective. This study assisted in identifying what elements of best practice could improve a failing system. The authors research also supported much of the research, concluding that most organisations have a PMS in place and believe that they are beneficial and should not be removed. The PMS in company X according to the research requires improving to be effective. A number of journal articles the author researched noted removing the PMSs however, none could show evidence of a suitable alternative to the system.

## Conclusions and Personal Learning Reflection

Even though much of the research noted that PMSs are not effective in a lot of organisations, many believe that they are beneficial to have in place and very few planned to remove them. The author expected company X to be in line with much of the research however, the results highlighted it was deemed moderately effective rather than ineffective. The research noted the PMSs are to remain in place in organisations, even given their ineffectiveness however given the lack of a suitable alterative most organisations believe that they can be improved to make them more effective What the author did not expect however, was that in company X, they in fact followed along the lines of previous research in their belief that the PMS is beneficial to have in the company, the author was further surprised at how this result was so high at 92.5%.

Another interesting finding for the author was that the research noted pay and PMSs should not to be related however the survey highlighted that a number of employees believed that they in fact should be linked. This is an area the author believes would warrant further research (Rankin and Kleiner, 1988).

Within company X the CEO and the HR Manager have expressed an interest in the findings of this research. This is to understand how the employees view the system currently, and which elements of the best practice PMS identified through the research do they value, and believe to be more effective than others, also which areas require work to improve their effectiveness. The survey overwhelmingly noted that the employees believe the system can be effective and beneficial to have in place, this is a positive result to build on and to encourage the company to improve the system in line with the findings received in this study from the best practice bases.

**Appendix A**


**Preformance Managamet Survey, Section 17 a-n, (Lawler, Benson and McDermott, 2012)**

17. In view of what is needed by your company how effective is your performance management system in each of the areas below?  Please rate your system.

|  |  | Not Effective At All |  |  | Moderately Effective |  |  | Very Effectiv |
|---|---|---|---|---|---|---|---|---|
| a. | Overall ..................................................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b. | Motivating performance ........................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c. | Developing the skills and knowledge of individuals ................................................ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d. | Identifying top talent ............................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e. | Identifying poor performers ..................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f. | Managing out poor performers ................. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g. | Developing a performance culture ............ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h. | Supporting change efforts ........................ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| i. | Providing useful feedback to individuals ... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| j. | Supporting business strategy .................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| k. | Supporting company values ...................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| l. | Meeting the needs of individuals who are appraised ............................................ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| m. | Making good use of people's time ............ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| n. | Focusing attention on environmental and social performance ............................. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

# Appendix B

## Performance Management Survey

**Performance Management Survey**

**1.Company name**: _____ (will be kept confidential, used only for data analysis)

**2. Are you Male or Female?**

▢ Male

▢ Female

**3. How many years are you with the company?**

▢ Less than one year

▢ One year

▢ Two years

▢ Three years

▢ More than three years

**4.** In view of what is needed in your company, how effective is your performance management system in each of the areas below?

Please rate your system.

|  | Not Effective At All | | | Moderately Effective | | | Very Effective |
|---|---|---|---|---|---|---|---|
| a. Overall ............................................................ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b. Motivating performance ............................................ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c. Developing the skills and knowledge of individuals .... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d. Identifying top talent .................................................. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e. Identifying poor performers ........................................ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f. Managing out poor performers .................................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g. Developing a performance culture ............................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h. Supporting change efforts ........................................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| i. Providing useful feedback to individuals .................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| j. Supporting business strategy ....................................... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| k. Supporting company values ........................................ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| l. Meeting the needs of individuals who are appraised ... | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| m. Making good use of people's time .............................. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| n. Focusing attention on environmental and social performance .. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

|  | Strongly Disagree | | | Moderately Agree | | | Strongly Agree |
|---|---|---|---|---|---|---|---|

**5.Organisational Commitment**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| a) Externally, I say this is a great organisation work for. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b) I am proud to tell others that I am part of this organization. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c)I am willing to put a great deal of effort beyond that normally | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| expected in order to help this organisation be successful. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d) I really care about the fate of this organisation. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

**6.Performance Appraisal Procedural Justice**

a) When conducting your performance appraisal, does your manager    1    2    3    4    5    6    7

   provide opportunities to appeal or challenge the decision?

b) When conducting your performance appraisal, does your manager

   collect accurate information necessary for making decisions?    1    2    3    4    5    6    7

**7.Performance Appraisal Interactional Justice**

a) The last time you had a performance appraisal, did your manager

   treat you with kindness and consideration?    1    2    3    4    5    6    7

b) The last time you had a performance appraisal, did your manager

   show concern for your rights as an employee?    1    2    3    4    5    6    7

c) The last time you had a performance appraisal, did your manager

   consider your viewpoint?    1    2    3    4    5    6    7

**8.Senior Management trust**

a) I feel confident that senior management will always try to treat me fairly.     1     2     3     4     5     6     7

b) Senior management is sincere in its attempts to take account of the

   employees' point of view.     1     2     3     4     5     6     7

c) Senior management can be trusted to make sensible decisions for this

   organization's future.     1     2     3     4     5     6     7

d) Our senior management would be prepared to gain advantage by

   deceiving the workers.          .     1     2     3     4     5     6     7


**20.Do you believe it is beneficial to have a performance management system in place in the company?**

☐    Yes

☐    No


Please outline why you believe this to be the case.


_____


What recommendations (if any) would you make to improve the performance management system in the company?


_____

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