

Performance Management – Key to organisation success

**A dissertation submitted in partial fulfillment for an MA in Human Resource
Management**

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June 2004

I hereby certify that this material, which I now submit for assessment of the programme of study leading to the award of Masters in Human Resource Management is entirely my own work and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

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Abstract

This dissertation outlines the process of seeking views and opinions on how the existing performance management process operates within a medium-sized software development company. The company is reaching a stage in its development (moving from 'Entrepreneurial' to 'Growth' phase) that requires greater control and coordination of its goals and objectives. As the goals and objective of the company have become more complex, the emphasis on the performance management process needs to shift from a 'reactive' attitude to managing performance, to a more active approach where development, career progression, motivation and morale issues have to be managed. Performance management needs to change from being a one off yearly appraisal to being a 'strategic and integrated process that delivers sustained success to the organisation' (Armstrong, M. 2002 p. 1). A number of questions were put to staff to elicit their views on the current system in order to analyse the shortfalls in our system against common practice. The research finding outline a number of issues in the current system which require attention in order to ensure that the company continues to operate as an employer of choice, and retains employees who have the ability to make a significant difference to the success of the business. Top management support will be required in order to implement the initiative which will predominantly focus on training and development activities, both in relation to the performance management process, and also in relation to employee development within the company.

1 Introduction and the Organisational context

1.1 Performance Management

Effectively managing human resource performance is at the core of why some organizations are successful and other organizations fail. The majority of organisations are a long way from operating a sophisticated performance management system. The purpose of the performance management system is to set out how an organisation and more specifically managers and those they manage should act in order to determine how they can best work together to achieve the strategic objectives of a company.

All companies have some form of performance management system. Companies are required to evaluate the staff that they have hired to assess whether they are contributing in an adequate fashion. Evaluating performance is an extremely onerous responsibility for managers. 'Performance appraisal is a serious activity whose conduct is fraught with consequences for both the individual and the organization. From the organization's perspective, a faulty assessment can result in false positive (rewarding bad performance) as well as false negative (failing to reward good performance) errors. From the individual's perspective, results of performance appraisals have implications for the future relationship with the employing organisations.' (Ghorpade, J. & Chen, M. 1995).

The approach that companies use depends on the context of their organisation - structure, staffing requirements, culture, stage of development, technology, leadership styles, etc. Performance management systems must be developed and tailored for each individual organisation, as organizational diversity ensures that the definition of performance and the measures used to evaluate performance are different from company to company. Performance management is normally targeted at individual performance, but it can also be applied to teams.

'Because enduring, superior performance now requires flexibility, innovation, and speed to market, competitive advantage today stems primarily from internal resources and

capabilities of individual organizations – including the firm’s ability to develop and retain a capable and committed workforce’ (Becker, B., Huselid, M, & Ulrich, D, p. 7)

Traditional accounting systems do not capture the link between human capital and financial results. There is an onus on HR professionals to develop the performance management measurement systems to demonstrate the contribution of Human Capital to the firm’s performance. The importance of having a structured process for performance management is to ensure that performance can be defined, directed, monitored, motivated, and refined and that the links in the process can be audited. ‘Improvements in a firm’s performance management system can result in overall improvements in levels of employee performance, with the accompanying financial returns to the firm’ (Dreher, G & Dougherty, T 2001, p. 142).

1.2 Overview of Organisational context

Cúram Software is a software development company specializing in the Human Services and Social Insurance markets. Founded in Ireland in 1990, the company has offices in Ireland, USA, UK, and India.

Cúram Software experienced a significant increase in headcount from 2002 to 2004 from 99 resources in January 2002 to 154 resources at the end of December 2002 and 204 resources in December 2003. The following table presents the resources by the four main divisions within the company from January 2002 to January 2004 highlighting the growth over the previous 2 years.

Division	2002	2004	% increase
Admin	9	17	189%
Sales & Marketing	5	18	360%
Product Development	50	94	188%
Professional Services	35	75	214%
Total	99	204	206%

Figure 1: Headcount Analysis by Division (Jan 2002 - Jan 2004)

This period resulted in new office expansion with a new sales office opening in Washington, and a project office in the UK. The overall proportion of people at head office has dropped from 78% to 62%, with the majority of new hires taken on outside the head office. In addition, the company has significantly increased its contractor workforce. The table below summarises the increase in staff by location over the period.

Country	2002	2004
Ireland	77 (78%)	126 (62%)
US	10 (10%)	29 (14%)
India	10 (10%)	12 (6%)
UK	0 (0%)	7 (3%)
Contractors	2 (2%)	30 (15%)
Total	99 (100%)	204 (100%)

Figure 2: Headcount Analysis by Location (Jan 2002 - Jan 2004)

This increase in staff has put quite a strain on management resources which resulted in a new management structure being formed for the company in 2003, a mixture of internal and external recruits. Further growth is anticipated this year with employment figures of 250 - 300 targeted for the end of the year. In Curam, the transition from 'Entrepreneurial' to 'growth' phase is occurring at great pace, driven by:

- Growth from sales, capital injection and consultancy income.
- Global expansion with a strong presence in North America, and new markets opening up in Asia-Pacific.
- Recruitment activity in multiple locations as a result of winning projects.

A key element of the company's strategy is to build strong relationships with the leading Systems Integrators (SI) to obtain access to the global markets. The company business model is as follows:

- Curam Software to focus on development and further enhancement of Curam.

- Sell and implement Cúram to the end customer through SI.
- Cúram Software to provide consultancy, training and support to ensure project success.

1.2.1 Research Problem

The company is reaching a stage in its development that requires greater control and coordination of its goals and objectives which have become more complex and interdependent. In particular, the company has had quite a low key approach to performance management. In the past, staff have voiced concerns in relation to how performance is measured, linked to the reward system, communication of company objectives and career progression within the company. I hold the view that a pro-active approach to performance management focuses the minds of individuals and their managers, and will lead to a more efficient system for the company.

1.2.1.1 Link between performance measurement and reward

It is not considered unusual for individuals to be requested to work over the week-ends when coming up to a product launches or product releases. In the past, Individuals accepted this as part of this job role with no payment forthcoming. Individuals are more frequently requesting payment in terms of salary or time off in lieu from their manager when asked to perform additional duties. The proportion of contractors working in the company has risen to 15%. All contractors get paid time and a half in relation to additional hours worked. The company considers the bonus paid to staff as reward for this type of additional work. It is becoming apparent that staff do not have the same view as the company.

1.2.1.2 Communication of Company Strategy

As the organisation grows, informal staff meetings have identified an issue with communication of company strategy. Individuals, especially new recruits, and employees working for long periods on customer sites feel isolated and not connected with the company. The informal communication network of the past is no longer an

effective medium of communicating the company strategy. How could a performance management system act as a lever to improve strategy communication to employees?

1.2.1.3 Role Titles

With little formal structure to begin with, titles and job descriptions have not been much of an issue. Everyone knew everyone else, and hierarchy and status was much less important than forging successful business relationships and ensuring project success. As the volume of recruits has increased, and new recruits have been able to 'negotiate' job titles, existing employees have started to raise questions about their own position and status. This issue is compounded by a lack of career management and development. Individuals no longer are aware who their peers are within the company. Clarification of individual's roles, titles and responsibility is the first requirement of a performance management system.

1.2.1.4 Performance Management

As the organisation grows, the emphasis needs to shift from a 're-active' attitude to managing performance, to a more active approach where development, career progression, motivation and morale issues have to be managed. There is a requirement from the employer perspective that a measure of consistency and predictability is achieved throughout the organisation. From the employee perspective, there is a desire for clarity and openness in the way performance management decisions are made.

1.2.1.5 Employee Development

As the preferred structure for performance management becomes clear, it will be necessary to consider how individual career progression takes place. This is partly a question of talent management to ensure effective succession planning, and from an individual standpoint, is also a question of ensuring that employees have a clear view as to how they will be able to build their careers within Cúram Software.

1.3 Research Objectives:

As the company develops, it wishes to establish a culture that values and rewards employee contribution to ensure that it retains employees who have the ability to make a significant difference to the success of the business. In order to do this, it needs to implement a performance management system to identify and develop staff. In addition, it wants to ensure that employees are treated fairly and equitably in relation to internal and external compensation in all jurisdictions. The objective of this dissertation is to highlight current inadequacies in the performance management system with a view to improving the system and the efficiency of the organisation.

My Research Objectives are as follows:

- Review whether the current performance management process is adequate for our business needs?
- Examine the integration between the current performance management system with other HR system, specifically rewards and employee development?
- Devise an effective performance management system by recommending how the current system could be improved?

2 Literature Review

2.1 Formulation of strategy

'Identifying clear strategic objectives for itself is a precondition for an organization to be able to translate them into performance goals.' (Mabey, Salaman & Storey, 1999, p. 132). Strategy is a systematic approach to developing and defining a sense of direction for an organization by using its distinctive capabilities to the best advantage. Although strategy is considered a systematic planning process, many organisations follow strategies that emerge in response to time and events. Performance management systems must choose goals, objectives and behaviours to measure and reward. Too often, companies choose goals which are easily measured and do not reflect the subtlety of an individual job. This can result in systems where all objectives are achieved; however, performance is not seen to have improved. In a relatively turbulent environment, performance objectives which have been agreed may become quickly out of date. Companies need to build checks into their systems to ensure that objectives remain current and relevant.

'The whole theory of resource-based strategy, with its focus on distinctive capabilities, underpins the concept of strategic HRM by emphasising that the unique and non-imitable resources that create competitive advantage are the human resources of the organization' (Armstrong & Baron 2002 p. 32). Thus, the role of HR

- Is to understand the firm's strategy and the implications of that strategy for HR,
- Implement and manage the strategy through the performance management system, and
- Provide innovative measurement techniques that will let them demonstrate the influence of human resources on measures that matter to CEO, namely profitability and shareholder value.

Certain assumptions are made in relation to strategy and performance management systems. The first is that strategy can be expressed in terms of objectives which can be used in a performance management system, and that the goals / objectives of performance

management can be measured and an assessment made on whether they have achieved corporate strategy.

2.2 Performance Management defined.

2.2.1 Performance

There is plenty of variability in how performance management is handled in different organisation. The definition of performance and the measures used to evaluate performance are different from company to company. It is important to understand the word performance, as if performance can not be defined, it will be difficult to measure or manage it. Performance could be described as simply a record of results (outcomes) achieved by individuals or teams. However, performance is seen as more than just achieving the results, it is also concerned with how the work is done. This is defined by Brumbrach (1998) (as cited in Armstrong, 2002, p. 3) as 'Performance means both behaviours and results. Behaviours emanate from the performance and transform performance from abstraction to action. Not just the instruments for results, behaviours are also outcomes in their own right - the product of mental and physical effort applied to tasks - and can be judged apart from results.

2.2.2 Performance management process

'Performance management is a process for measuring outputs in the shape of delivered performance compared with expectations expressed as objectives. In this respect, it focuses on targets, standards and performance measures or indicators. But it is also concerned with inputs – the knowledge, skills and capabilities (competences) required to produce the expected results. It is by defining these input requirements and assessing the extent to which the expected levels of performance have been achieved by using skills and capabilities effectively that developmental needs are identified' (Armstrong, 2002 p. 13).

2.2.3 Definition of Performance Management

Performance management is defined by Armstrong (2002) as 'a strategic and integrated process that delivers sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of individual contributors and teams'. (Armstrong, 2002, p. 1) Performance management is strategic when it is aligned to the business strategy of the company. To be effective, it cannot exist in a vacuum and needs to be integrated with other organisation systems to function effectively. Armstrong (2003, p. 468) defines this integration in four senses:

- o 'Vertical integration - linking or aligning business, team and individual objectives with core competences;
- o Functional integration - linking functional strategies in different part of the business
- o HR Integration - linking different aspects of human resource management, especially organizational development, human resource development, and reward so as to achieve a coherent approach to management and development of people; and
- o The integration of individual needs with those of the organization, as far as this is possible.'

2.2.4 Characteristics of an effective Performance Management System

Performance management is based on the premise that individuals and their managers are jointly accountable for results and therefore jointly involved in agreeing what needs to be done and how it needs to be done. It is also about managing within the context of an organisation – structure, culture, staffing, stage of development, technology, leadership styles, etc. The objectives of reviewing performance are to

- Improve motivation through positive feedback, recognition.
- Clarify role expectations and set objectives for Individuals
- Improve performance in order to improve organisational effectiveness.
- Provide a basis for developing people.
- Satisfy the needs and expectations of all of an organization's stakeholders.
- Provide a climate of communication and involvement to service as a two-way channel of communication.
- Provide the basis for rating performance.

2.3 The role of Motivation

The essential design features of performance management are drawn from motivation theories. It is an accepted fact that people are different, therefore, it follows that they will have unique individual goals and will be motivated in different ways to achieve these goals. Questions such as what makes some people work hard and how can I influence the performance of those who work for me are raised by most supervisor at one point or another. Some of the key issues affecting performance management systems are drawn from the Goal Setting, Expectancy, Equity, and the Operant Conditioning theory.

2.3.1 Goal Setting Theory

Edwin Locke's Goal Setting Theory examines the idea that setting goals can be a cause of high performance. 'The basic premise of goal setting theory is that a person's conscious intentions (goals) are the primary determinants of task related motivation since goals direct our thoughts and actions' (Bowditch & Buono, 2001 p. 76). Having goals impels individuals to review the consequences of their behaviour. If they conclude that their goals will not be achieved by their current behaviour, they will either modify their behaviour, or choose more attainable goals. 'Not every goal will necessarily lead to enhanced performance since a particular goal may conflict with other goals a person may have, or be perceived as inappropriate for that particular situation' (Bowditch & Buono, 2001 p. 76). Bowditch & Buono (2001) state that specific goals appear to result in higher effort than generalized goals, and those goals that are participatively set tend to be higher than those assigned by a person. The participation process may result in greater acceptance of difficult goals and greater commitment by the employee.

A good performance management system needs to be underpinned with good objective setting, and organisation structure. Individuals need to be clear on what the key results areas are for each position and what is expected of them. Steps need to be taken to ensure that the strategic goals are cascaded down to individual or team goals. Goal setting must also facilitate a bottom-up process, whereby individuals are given the opportunity to agree the goals through open dialogues, and to formulate their own goals within the overall performance management framework.

‘Individuals contribute best when able to understand the link between their performance and the delivery of business targets.’ (Graphite, 2001) It is not enough for an employee to understand the mission and goals of the organisation, as this knowledge on its own is insufficient. Cultural norms and group behaviour have an impact on whether people follow mandated corporate goals, or whether they choose to ignore them. If the link between departmental goals and company goals are vague and not aligned to a central corporate strategy, this can result in individuals following an individual manager’s agenda, sometimes to the detriment of the overall corporate goals.

‘In terms of goal setting theory, manager should

1. set clear and specific goals for employees
2. make goals sufficiently difficult to be perceived as challenging but not so difficult as to be viewed as impossible
3. involve employees in goal setting when appropriate to ensure commitment
4. include subgoals and feedback (either through supervision of the task itself) and
5. link goal accomplishment with valued reward.’ (Bowditch & Buono 2001, p. 77).

2.3.2 Expectancy Theory

The expectancy theory assumes that motivation is a function of three components:

1. ‘An effort-performance expectation that increased effort will lead to good performance (expectancy)
2. A performance-outcome perception that good performance will lead to certain outcomes or rewards (instrumentality), and
3. The value or attractiveness of a given reward or outcome to an individual (valence).’ (Bowditch & Bouno 2001 p. 73)

Thus for an individual to be motivated, the outcome or reward must be valued by the person, and he or she must believe that additional effort will lead to higher performance and that the higher performance will subsequently result in greater rewards or outcomes.

2.3.3 Operant Conditioning Theory - Reinforcing desired behaviours

Once the correct behaviours are discovered, it is necessary to understand how they can be sustained or maintained over time. Skinner's operant conditioning and reinforcement theory suggests that human behaviour is modified as a result of how an individual reacts with the external environment. 'Thus, according to Skinner, an individual behaviour or motivation is a function of the consequence of that behaviour. If we are rewarded for behaving in a particular way, we begin to make the connection between the appropriate behaviour and the reward, and continue to engage in that behaviour.' (Bowditch & Buono, 2001 p. 79) This suggests for managers, that if you desire certain behaviours in the workplace, you must be able to manipulate the consequences of the behaviour, so that motivation is now defined as identifying an individual's needs and providing suitable rewards for the behaviours that you want demonstrated.

'The concept of operant conditioning is useful to examine the relationship between job satisfaction and performance. It was originally thought that high satisfaction in the workplace led to high job performance. Today, it is generally agreed that it works in reverse, that is, high performance that is sufficiently rewarded (reinforced) leads to high satisfaction, which in turn sustains high performance.' (Bowditch & Buono, 2001 p. 79)

By using explicit performance standards and linking accomplishment of those standards with constructive feedback and valued rewards, managers, in effect, can induce desired behaviours over time.

2.3.4 Equity & Fair Process

'The Equity theory of motivation is that people compare the ratio of their inputs (efforts) and outcomes (rewards) to the input-outcome ratio of other individuals who are viewed as comparable to themselves. The key is whether an individual perceives equity or inequity in the following relationships.

$$\frac{\text{Person's Outcomes}}{\text{Person's own inputs}} \quad \frac{\text{Comparable Others' Outcomes}}{\text{Comparable Other's inputs}}$$

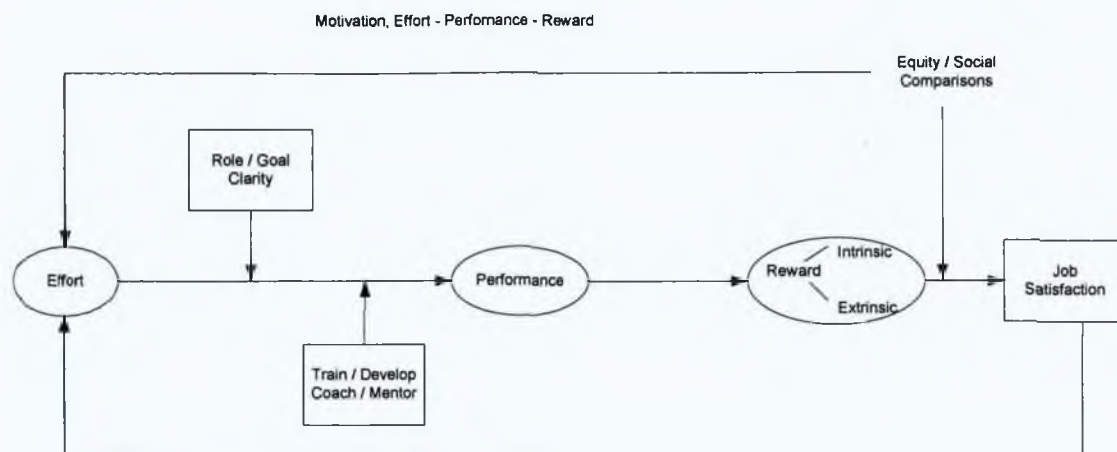
If an individual views this relationship as unequal, an attempt will be made to restore equality either by working more or less effectively or by trying to obtain greater rewards through other means (focus behaviour elsewhere, leave the organization).’ (Bowditch & Buono, 2001 p. 80)

2.3.5 Extrinsic and Intrinsic motivation

‘Extrinsic motivation refers essentially to a type of mean –ends relationship; that is, we engage in certain behaviours in order to receive (or avoid) certain incentives (or punishments) that are outside or external to a certain task. Thus we are motivated to do the task (means) to receive the desired reward (end). Intrinsic motivation is essentially task motivation in its own right, that is, a desire to work hard solely for the pleasure of task accomplishment. If an organization’s goal, values, or particular assignments are perceived as part of an individual’s self concept, as a means of growth and development, or as a way of asserting and challenging personal capabilities, task accomplishment becomes an end in itself. In this instance, extrinsic incentives become less important as motivators. This is not to suggest that extrinsic incentives are unimportant. (Bowditch & Buono, 2001 p. 84). It has been suggested that the strongest motivation occurs when people have both a psychological (intrinsic) and a financial (extrinsic) stake in an organization’s success.

2.3.6 Summary

The following diagram details the link between motivation and performance management.



Motivation, Effort - Performance - Reward, Barry (2004)

Figure 3: Link between motivation and performance management

The motivation theories recommend rewarding individuals with what they value (compensation, recognition, time off, career advancement, power, etc.). Specific goals that are participatively set tend to be higher than assigned goals, and result in greater acceptance of the goals from employees. This increases the likelihood of intrinsic motivation. The expectancy theory specifies the requirement to link performance outcomes with valued rewards. Managers must reward the behaviours that they desire, as individuals make connections between behaviours that are rewarded and continue to engage in those behaviours. Finally, an individual must perceive equity between their contribution and the reward received and that of an internal or external peer.

‘Motivation is a crossroads where personal and organizational goals meet. Get clear about what’s important to employees, and you will be able to structure rewards the employee is eager to achieve’ (Wing, K. 2000)

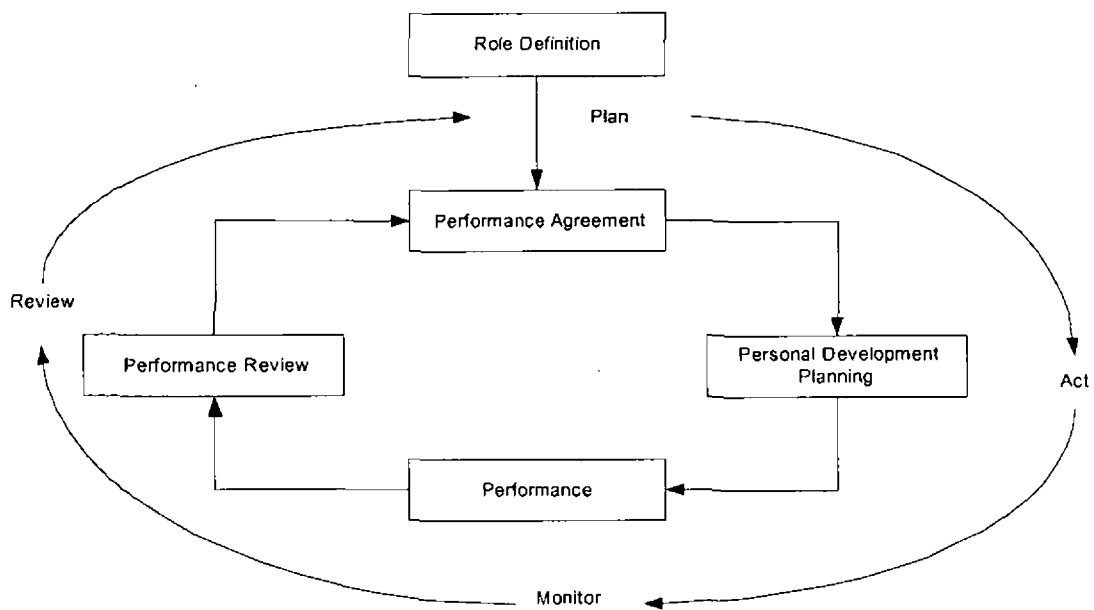
2.4 Performance Management Process

2.4.1 Key success criteria of Performance management system

When contemplating implementing a performance management system, it is important to define the key success criteria of the overall system in advance. These may include *financial performance*, development of essential employee competencies, training systems that help your employees learn faster than your competitors, or increased customer satisfaction. The objectives for introducing or changing a performance management system can have a significant impact on the success of the system. Once the HR drivers are identified, the company needs to review the existing HR measures to ensure that they capture the 'strategic HR drivers'.

2.4.2 Performance Management Cycle

There is no single universally accepted system of managing performance in the organisation setting. The key issue is that on a regular basis, an assessment of the employee's performance is recorded. As performance management systems should be unique to individual organisations, a framework approach is considered rather than a package of particular practices. Management literature refers to performance management as a continuous self-renewing cycle, which generally consists of five elements including setting the performance objectives, measuring outcomes, feedback, reward linked to outcomes, and re-appraisal of objectives and tasks, if necessary.



The performance management cycle - Armstrong (2) p 476

Figure 4: The Performance Management Cycle

Armstrong (2003, p. 476) suggests the following cycle, comprised of 5 stages:

- o Role definition (clarity of role / goal definition and key result areas and behaviours to be demonstrated for each role)
- o Performance agreement – contracting on performance targets – management and staff are jointly responsible for agreeing performance targets, and defining expectations and key milestones.
- o Personal development plans - concerned with developing future skills (value added) – sets out actions people intend to take to develop themselves in order to extend their knowledge and skills in particular specified areas.
- o Performance –Regular feedback and coaching on progress in achievement of results, development plans and behaviours specified. Reappraisal of performance agreement, if necessary.
- o Performance review – Formal evaluation stage – review of progress over the period, as a mechanism for setting a new performance agreement and development plan. This stage feed into performance related pay where this is used. Different

mechanisms for rating individuals exist. If ratings are used, the main concern is to ensure an acceptable degree of consistency, equity and fairness.

‘Tall performance is not possible if people are not held accountable for their performance. If it were possible without accountability, there would never be any need for follow-up such as rewards and penalties’ (Brumback, 2003). People can not be held accountable for results if no expectations are set.

2.4.3 Organisation Requirements

‘The firm’s overall business strategy and its technology determine the organisational design and work processes, which then translate into specific role / behavioural requirements for particular job classes’ (Dreher, G & Dougherty, T 2001 p. 141)

The manner in which roles are defined has a pivotal role to play in the performance management process. It is from this structure that we decide on the type of performance management system that will be appropriate to a particular organisation.

‘Improvements to performance and personal development programmes have to start from an understanding of what the level of current performance is in terms of both results and capabilities or incapacities. This is the basis for identifying performance improvement and development needs if there is a shortfall.’ (Armstrong, 2002, p. 52).

2.4.3.1 *Role Definition*

‘When implementing a performance management system, it is probably best to abandon any existing job descriptions. These probably go into too much detail on what is done and may well have been prepared solely for job evaluation purposes, in which case they often exaggerate levels of responsibility. It is preferable to start from scratch to produce a role definition that set out the outputs required and also indicates what capability levels the role holder is expected to achieve. And this role definition should be examined regularly to bring it up to date and to ensure at the start of the performance management cycle both parties (the individual and the manager) understand role expectation. This will facilitate the agreement of appropriate targets, standard, competence requirements, and performance measures’ (Armstrong, 2002, p. 30)

'When launching performance management within an organisation, the initial meeting may concentrate on the agreement of role definitions, objectives and standards' (Armstrong, 2002, p. 31). . It is important to document performance agreement for future discussion during the year, and to allow revision during the year in light of changing circumstances. The performance agreement should set out new skills which need to be acquired, new tasks for the individual, and foreseen change in the role. In addition, the support that the manager will provide should also be documented. Where appropriate, the success criteria, how an individual and their managers will know that the desired results have been achieved should also be noted.

2.4.3.2 Clarity of goals

Employees can only do the right thing in relation to performance if they know what the right thing is. To enable effective performance it's important to outline key priorities. This should not be an exhaustive list and five to seven priorities are seen as a desirable number. This is true for the organisation as a whole, for each department, for each team and for each individual

2.4.3.3 Defining objectives and performance standards

A distinction should be made between objectives and standards. 'Objectives describe something that has to be accomplished – a point to be aimed at' (Armstrong, 2002, p. 33). They are intended to bring about change. Integration of objectives, whereby objectives are cascaded from the business strategy through to the department plan, section plan and individual contribution have been shown to be more effective. This cascade of objectives should incorporate a top down process, along with a bottom up process whereby individuals at each level should be given an opportunity to indicate how they feel they can contribute to the attainment of objectives. The views of employees should be taken on board, and if necessary higher level objectives should be amended to reflect their views. 'An approach along these lines increases 'ownership' of the objective as well as providing a channel for upward communication on key issues affecting the achievement

of business goals' (Armstrong, 2002, p. 35). 'Many organisation use the Smart mnemonic to summarize the characteristics of good objectives.

- S Specific / Stretching: clear, unambiguous, straightforward, understandable and challenging.
- M Measurable: quantity, quality, time, money
- A Achievable: challenging but within the reach of a competent and committed person
- R Relevant: relevant to the objectives of the organization so that the goal of the individual is aligned to the corporate goals.
- T Time-framed: to be completed within an agreed timeframe. (Armstrong, 2002, p, 37)

'Performance standards can be defined as a statement of the conditions that exist when a job is being performed effectively' (Armstrong, 2002, p. 39) They are different from objectives in that they generally do not change from one review period to the next. They are normally used when it is difficult to set time-based objectives. They identify what behaviour is required in order to achieve the requisite performance standards, ie. level of service or speed of response to customers. Junior staff are more likely to have a higher level of performance standards set than senior objectives.

2.4.3.4 Defining capability requirements

'An effective organisation is not defined by the number of layers of management, systems in place, or headcount, but by ability to respond to business demands' (Ulrich & Smallwood 2003, p. 12). This is concerned with identifying the capabilities of an organisation. 'Capabilities represent the ability of an organization to use resources to get things done, and behave in a way that lead to accomplishment' (Ulrich & Smallwood 2003, p. 10). Individual capability can be defined as 'what people must know and be able to do, and how they should behave if they are going to perform their roles well.' (Armstrong, 2002, p. 40). When setting goals and objectives, an individual and their manager are the key decision makers and they jointly identify the future objectives for the

individual and the key results required for satisfactory performance. Competencies or capabilities, 'are determined on a corporate level and apply to all; individual raters or ratees may-at most-determine which one to emphasize. Goals change; competencies do not.' (Grote, 2000) An organization must choose its competencies wisely. When an organisation implements a competency framework, the message is that these are the attributes that it is looking for in its members. 'Competency-identification is a powerful organizational exercise: It forces top management to determine what really is important for the company's success.' (Grote, 2000)

'The information for defining role capabilities can be obtained from the answers to the following questions?

1. What are the sorts of behaviours the organisation particularly values?
2. How in relation to core behaviours, do people behave in this role when they are performing effectively?
3. How do people behave in this role when they perform it ineffectively?'

(Armstrong, 2002, p. 45)

2.4.3.5 Performance management and Feedback

The goal setting theory emphasizes the need for continuous feedback if employees are to be motivated to perform well. 'Continuous performance improvement adds value to organisations' (Dreher, G & Dougherty, T (2001) p. 143). Giving feedback is one of the problems associated with performance management. Managers find it difficult to give candid or honest feedback. Performance management can be seen as having a key role in the communication process of an organisation as it implements a process that forces dialogue between an individual and their supervisor. Feedback sessions 'serve as a vehicle for coaching employees in specific strategies for improving their performance. As a result, employees' expectancy perceptions for high performance should be enhanced. Supervisor can also clarify the connection between performing key behaviours and receiving valuable reward (instrumentality and valence perceptions). Thus performance feedback session can enhance both an employee's expectancy and

instrumentality perceptions – the key to motivating high performance’ (Dreher, G & Dougherty, T (2001) p. 143 - 144).

2.4.3.6 Performance Management and career development

‘The most progressive of organisations go a step further by instituting a performance management system that includes a systematic sequence of components connected to employee development and the goals of the organisation’ (Dreher, G. & Dougherty, T, 2001 p. 140). The performance management process should identify performance shortfalls against the specified criteria from role definition exercise. ‘This provides information required for career planning and continuous development by identifying strengths to be enhanced as well as weaknesses to be overcome. This can only be achieved if there are agreed and reliable performance measures’ (Armstrong, 2002 p. 52)

2.5 Performance Management and Measurement Techniques

One of the main problems that arise in conducting performance review is to identify the measure and the criteria for evaluating performance. ‘As the primary source of production in our economy has shifted from physical to intellectual capital, senior HR managers have come under fire to demonstrate exactly how they create value for their organizations’ (Becker, B., Huselid, M, & Ulrich, D, p. 2). It is argued that what gets measured in a performance management system is what is easy to measure, and that what gets measured gets managed. ‘The process of managing performance begins by defining expectations in terms of targets, standards and capability requirements’ (Armstrong, M. 2002, p. 52). Measurement is the basis for providing and generating feedback. This can be positive allowing individuals to build on business success or it can demonstrate where things are not going so well so that corrective action can be taken. Carter and Robinson (2000) as cited in Armstrong, M & Baron, A (2002, p. 117) ‘conclude that it is not possible to measure everything. Instead a focus on key measures linked to key objectives is recommended’. The measures that are implemented should relate to the business strategy and that which creates value in an organisation. This will encourage

accountability at an individual level. Armstrong (2002, p. 55) suggests that measures can be classified under the following headings; Finance, Output, Impact, Reaction, Time.

A performance management system that is based on both inputs and outputs will require measurement of both. 'Output as a performance dimension can be highly attractive in simple job situations where worker produce single products that are tangible, important to job success, and, most important, traceable directly to individual workers....

Unfortunately, such independent and disjointed situations are rare in the real world.' (Ghorpade, J. & Chen, M. 1995). Input measures 'identify levels of contribution by reference to observable behaviour on what people bring to their roles in the shape of knowledge, skills and capabilities' (Armstrong, 2002, p. 54).

2.5.1 Types of Organisational Measures

The different approaches to measuring organisational performance are generally recognised as:

- Balanced Scorecard
- EFQM Model (European Foundation for Quality Management)
- Economic value added (EVA)
- Traditional Financial Ratios.

2.5.1.1 *The balanced Scorecard*

The concept of the balanced scorecard was pioneered by Kaplan and Norton. They take the view that companies must move beyond financial measurement. . 'To use this tool, a firm must specify not only the financial elements of its value chain but also the customer, business process, and learning and growth elements' (Becker, B., Huselid, M, & Ulrich, D, p. 21). Their concept is that no single element can provide a clear performance target or focus attention on the critical areas of the business. Managers need a balanced presentation of both financial and operational measures. The balance scorecard encourages managers to think of those areas of the business that affects the intangible assets of the company. It requires managers to answer 4 basic questions:

- o 'How do customers see us? (Customer perspective)
- o What must we excel at? (Internal perspective)
- o Can we continue to improve and create value? (Innovation and learning)
- o How do we look to shareholders? (Financial perspective)' (Armstrong, M. (2002, p.56).

'Kaplan and Norton emphasize that the balanced scorecard approach 'puts strategy and vision, not control, at the centre' (Armstrong, 2002, p. 56). The premise underlying the balanced scorecard approach is that 'by specifying the vital process measures, assessing them, and regularly communicating the firm's performance on these criteria to employees, managers ensure that the entire organisation participates in strategy implementation.' (Becker, B., Huselid, M, & Ulrich, D, p. 21).

2.5.1.2 The European Foundation for Quality Management (EFQM)

The EFQM approach recognizes that simply measuring a problem does not improve it. The model consists of nine elements which a company should concentrate on in order to achieve business results. These are Leadership, Policy and Strategy, Resources, Processes, Customer Satisfaction, People satisfaction, Impact on society, Business Results. Leadership is key in this model with measures being implemented as each stage of the process.

2.5.1.3 Economic Value Added (EVA)

'The EVA measure represents the difference between a company's post-tax operating profit and the cost of the capital invested in the business... The theory of EVA is that it is not good enough for a company simply to make a profit, it has to justify the cost of its capital, equity included.'(Armstrong, 2002 p. 60)

2.5.1.4 Traditional Financial Ratios

Traditional financial ratios are found in the balance sheets and include return on equity, return on capital employed, profit or sales per employee.

2.5.2 Defining performance measures for individuals

'Employee performance is 'multidimensional' in that there are almost always multiple roles and behavioural requirements for a job class. It follows that an employee is likely to be stronger on some dimensions (eg, customer relations) than on others (eg., product knowledge)' (Dreher, G & Dougherty, T 2001, p. 143). In order to provide accurate measurement and to provide feedback, the performance management system must capture these multiple dimensions. Measures should be agreed at the same time as objectives are defined. 'They should focus on measurable outputs, accomplishments and behaviours that can be clearly defined and for which evidence can be made available (Armstrong, 2002, p. 54). They should be objective and verifiable.

2.5.3 Rating

Performance appraisals are traditionally carried out through some form of rating system. Arguments for rating include that it is useful to sum up judgement on individuals, and to categorize people as exceptional, core performer or underperformer (so that action if necessary can be taken). Ratings can provide a basis for predicting future potential and can be a useful in performance related pay.

There are many problems associated with ratings mainly associated with the personal / relationship factor between the manager and their staff. These may include the halo effect, errors of central tendency, impact of relationship, politics, bias, danger of placing too much emphasis on recent events. Ratings are largely subjective and it is difficult to achieve consistency between the ratings given by managers in different departments. It is difficult to sum up a person with a single rating, as this may be a gross oversimplification of the complex factors influencing performance. These issues must be addressed in order to maintain the accuracy and credibility of a performance management system.

2.5.3.1 *Forced Distribution or Quota systems*

A further problem with ratings occurs when organisations have forced distribution systems. 'Forced Distribution' means that managers have to conform to a laid-down percentage distribution between different levels, for example, 5/15/60/15/5 per cent

across five categories. Managers and staff rightly resent being forced into this sort of straightjacket – there is no valid reason why the distribution of performance levels should conform to a standard or normal distribution pattern’ (Armstrong, M. 2002 p. 105).

Quota systems involve manipulation of the ratings after the event to ensure that a quota of ratings for each level is met. These are found when managers must ensure that the costs of increases are within budget.

‘It is essential that employees view their firms’ performance measures, whether concrete, ‘results-orientated’ measures or more subjective performance ratings as credible. This credibility is crucial for maintaining employee morale, for justifying employment decisions to employees, and also for legal defense in the event of formal complaints or discrimination lawsuits’ (Dreher, G & Dougherty, T 2001, p. 142).

2.5.3.2 360 degree feedback

360 degree feedback involves an individual’s manager, peers, subordinates, bosses and internal and external customers providing feedback on an individual’s performance generally through a questionnaire. The benefit of this approach is that it provides a complete picture of an individual performance by obtaining upwards, peer and downward appraisal and is not reliant of the view of one single manager. It also increases the number of raters who contribute to the performance review process, which should even out any rater bias and clustering of rating. ‘However, there is a political connection. It appears that co-workers are not necessarily more impartial than supervisors. For example, peer ratings have been found to be more useful when they are anonymous and used for developmental purposes than when used for administrative decisions’ (Ghorpade, J. & Chen, M. 1995). This tool relies on a high degree of openness, trust and honesty.

2.6 Performance management and Reward

Performance management is not always associated with pay. The main use of reward in the performance management process is to influence motivation, and therefore, the level of performance or contribution from an Individual. Kerr (1997, p. vii) asserts that ‘one of the most fundamental equations in all psychology is: ability x motivation = performance.

From this standpoint, the principal impact of competent rewards is to increase employee motivation'. Organisation behaviour modification (OBM), an application based on the Skinnerian Theory of Operant Conditioning, is a process focused on acquiring and maintaining certain preferred behaviours while extinguishing those that are undesirable. This theory suggests that the reward should be given close to the time that the actual required behaviours or performance achievement was demonstrated. 'From an organizational point of view, successful applications of OBM programs are related to the extent to which managers are able to

1. reward people with what they value,
2. explicitly link the reward with the desired behaviour,
3. appropriately fit the magnitude of the reward with the magnitude of the behaviour,
4. reward better performers more than average performers,
5. give feedback and the reward after the performance.' (Bowditch & Buono, 2001 p. 80)

Many organisations produce ratings from the performance management process which are used to drive the reward system within organisation. It is suggested that this can inhibit the constructive discussion that performance review meetings are about, as an individual's natural motivation will be to attempt to increase their proportion of rewards on offer, and they may be reluctant to bring up issues that would not portray them in a positive light. The advantages claimed for performance related pay is that it motivates, provides a mechanism for rewarding and recognizing achievement, and delivers the message that higher performance will receive higher rewards. One of the criteria's for implementing a high performance work system according to Becker, B., Huselid, M, & Ulrich, D, p. 13 is to 'Enacts compensation and performance management policies that attract, retain, and motivate high-performance employees.

The disadvantages associated with performance related pay are that it relies on an effective performance management system being in place, which many organisation do not currently have. It is difficult to produce realistic performance measures required in

order to implement a fair and equitable system. It can produce poor quality and short term performance, as individual concentrate on achieving results to the detriment of long term goals. Finally, it is argued that money is not a guaranteed motivator.

Numerous examples exist of reward systems that are fouled up in that the types of behaviours rewarded are those that the rewarder is trying to discourage, while the behavior desired is not being rewarded at all. 'Whether dealing with monkeys, rats or human beings, it is hardly controversial to state that most organisms seek information concerning what activities are rewarded, and then seek to do (or at least pretend to do) those things, often to the virtual exclusion of activities not rewarded. The extent to which this occurs will depend on the perceived attractiveness of the rewards offered, but neither operant nor expectancy theorists would quarrel with the essence of this notion.' (Kerr, 1995).

2.6.1.1 Link between performance management review and pay for performance

If you want to pay for performance, it is difficult to separate the performance review from the salary review. 'Some organisations separate entirely performance pay ratings from the performance management review. But there will, of course be a read-across from the performance management review to the pay for performance review' (Armstrong, M. 2002, p. 170). Decisions on pay should be based on a number of factors besides performance in the current job. It should also take account of market worth of individuals, potential and, how pay relates to both internal and external peers. It is argued that performance should be distanced from the reward system. This does not allow for individual accountability, and if the reward system is not connected to individual performance, key employees may leave, and non performer may have a free ride.

The motivation theories above state that high-performing workers should get higher rewards. In practice, there is usually only a narrow difference separating the pay award of high performers from low performers. In a high performance system, the reward

systems should be structured so that rewards (Money, stock options, etc.) are showered on the top performers.

2.7 Performance Review Meeting

'For many employees, the performance appraisal is the only time during the year they receive information from their boss that's critical of their performance' (Wing, 2000).

'The performance review discussion enables a perspective to be obtained on past performance as a basis for making plans for the future.... Obtaining a historical perspective through analysis is a necessary part of performance review, but reaching agreement about what should be done is what really matters.' (Armstrong, 2002, p. 20). The performance review meeting should be a dialog with a purpose. 'The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them develop their capabilities and improve their performance' (Armstrong, M. 2002 p. 68). The meeting should end with firm and agreed conclusions about the individual's development, and should identify areas of improvement, if required, and how this improvement will be achieved.

'In traditional performance appraisal schemes, the annual appraisal was the key event – in fact, in most cases, the only event – in the system' (Armstrong, M. 2002 p. 689). It is now recognized that as part of good management practice, that reviews should be held more frequently, as and when required. Due to the turbulent nature of organisations today, 'there is much to be said for half-yearly reviews that sums up the conclusions reached at earlier reviews and provides a firm foundation for a new performance agreement' (Armstrong, M. 2002, p. 68).

2.8 Dealing with intangibles – the new game

'Firms in the same industry and with similar earnings may have vastly different market value' (Ulrich & Smallwood 2003, p. 2). This is due to the value placed by investors on

intangible assets. 'Welch was not just masterful at growing revenue, reducing costs, and producing earnings, he found a way to communicate to the investment community the increased market value of those earnings' (Ulrich & Smallwood 2003, p. 4). 'Although shareholder value is not the only outcome of interest to leaders, it ultimately drives and underlies most leadership choices and decisions. Without sustaining financial performance as measured in market value, firms don't have resources to provide for employees and customers.' (Ulrich & Smallwood 2003, p. 4). This in turn is the reason why leaders, employees and investors must understand how the day to day decisions that are taken affect shareholder value. Leadership has a key role to play in making the intangibles tangible. Ulrich & Smallwood 2003 suggests that companies who leaders can 'meet financial goals, have a strategy for growth, create core competencies aligned with strategy, and ensure organization capabilities' have a better chance of long-term survival. He defines intangibles as 'the value of a company not accounted for by current earnings' (Ulrich & Smallwood 2003, p. 5). Lev (2001) (as cited in (Ulrich & Smallwood 2003, p. 7) has 'shown the importance of intangibles as indicated through the market-to-book value (the ratio of capital market value of companies compared to their net asset value) of the S & P 500 from 1977 to 2001, which has risen from 1 to over 6 in the past 25 years – suggesting that for every \$6 of market value, only \$1 occurs on the data sheet...he has defined intangibles from a financial perspective as a claim to future benefits that does not have a physical or financial (stock or bond) embodiment. He further defines sources of intangible as discovery (patents, trademarks, R & D, etc.), organization (technology, brand, customer cost) and human resources (focus on training, culture, leadership)'

Many financial analysts are now including intangible in their valuation models. 'A recent survey of financial analysts and portfolio managers undertaken by Low, T & Siesfield, T (1998) as cited in Becker, B., Huselid, M, & Ulrich, D (2003, p. 9) 'reveals that, for the average analysts, 35 per cent of his or her investment decision is determined by nonfinancial information', The survey lists 'execution of corporate strategy, innovation, ability to attract and retain talented people, management expertise, and alignment of compensation with shareholder's interests' in the top 10 variables considered by analysts. The most important intangible cited is the ability to implement strategy. Organisation

strategy is implemented through the performance management system. Two complimentary elements need to be addressed. The first is to identify the business results that need to be achieved and secondly, to define the employee competencies required (skills, knowledge and behaviours) to demonstrate how the results will be achieved. Business results define short-term success requirements while competencies help develop long-term sustainability.

3 Current system of Performance Management in Cúram Software

The performance management cycle as defined by Armstrong above does not exist within Cúram Software. The current performance management system could only be classified as an annual one-off performance appraisal at the end of the year, which takes place on the anniversary of joining the company. The main difference is the lack of focus on employee development within the company.

3.1 Process

There is no structured cascade of strategic goals from the executive team to line managers in Cúram Software. An inaugural strategy meeting of middle and senior management took place in February of this year. It is intended that this will be an annual event. A number of key company strategic objectives for the year were set out.

This is a first step in defining the company goals. Further work is required to outline the behaviours associated with these goals and to cascade the objectives to group and individual levels. The company is in the process of implementing a competency framework. It is intended that this will help in defining which dimension of performance it will choose to include in its performance management system.

A good performance management system needs to be underpinned with good objective setting and organisation structure. Individuals need to be clear on what the key results areas are for each position and what is expected of them. Traditionally, Cúram Software has had an extremely fluid organisation structure. There was little formality in the structure of the company; with little relevance placed on job descriptions and job titles. An atmosphere of 'all hands on deck' was prevalent. Managers within the same functional department categorized their staff according to their own agenda. Individuals do not have any written job descriptions or information on the key results areas for positions. In order to implement an effective performance management system, a role definition exercise, which is currently underway as part of the competency framework exercise. This exercise will produce a role description for each job, along with a

competency skills matrix defining the behaviours required for each position. It is envisaged that this will define the natural structure of the organisation, the relationships between job families, and grades across the different functional areas.

This will facilitate the agreement of appropriate targets, competence requirements. It will allow people to benchmark themselves against different job categories to identify career development opportunities.

There is poor discipline in relation to conducting the appraisals, with approximately 30 – 40 (15 – 20%) reviews outstanding at any one point in time. Some of these reviews are more than 1 year overdue. An exercise is currently underway to clear up the outstanding reviews and to encourage more timely completion of the appraisal process. Individual employees have been generous in their outlook relating to outstanding reviews with little complaints; however, efforts must be made to deter the current delinquency of the system as this does not focus people sufficiently on performance. This is not a satisfactory process, and efforts must be made to address this shortcoming.

3.2 Performance Review Meeting & Documentation

The Performance appraisal form / system was implemented approximately 7 years ago when the company had circa 40 employees. The form was a standard form in use in companies at that time. There was limited tailoring for Cúram Software. This form has not been measured or monitored in the intervening period.

The form consists of 5 sections. Section A is a self assessment where individuals rate themselves against certain competences. Section B refers to projects in the review period. Section C relates to training in the review period. Section D is another self assessment section giving the opportunity to discuss your strengths / weakness / career choices. The final section (half an a4 page) is for goal setting / objectives for the following year. Although in theory this encompasses many items which should be discussed during a review meeting, the competences are not relevant to the company, no formal training and development programs exist within the company therefore the

training section has little relevance. The form is focused on the past year, and thus most discussions are around past performance rather than future potential. There is little space for objectives and future goals. No other performance meetings are required during the year, which results in little or no feedback been given to employees over the course of the year. As the review and salary increase are interdependent, it is unlikely that individuals will bring up incidences which may show them in a poor light.

3.3 Reward

The pressure on salaries in the IT industry over the five years from 1997 to 2002 where demand for resources outstripped supply had a spiraling effect on salaries. Minimum expectation for salary increases was 10% year on year. This was the salary increase meted out to the standard performer. In fact, salary increases of 15 – 25% over this period were not uncommon. Salary increases were awarded based on external market data, internal peer comparison and performance. Over the last 2 and half years, salaries in the software industry have bottomed out. Many companies have implemented pay and bonus freezes. The company undertakes an annual salary benchmarking exercise in order to ensure that its compensation is commensurate with its peers.

3.4 Measurement

In carrying out appraisals, the measurement and resulting salary award is based on the subjective decision of the manager. No guidelines have been provided on how to rate or measure individuals which would relate specifically to Cúram Software. This has resulted in a system whereby only Individuals with stellar performance stand out from the pack. Individual divisions have started to implement their own rating system; however this is not consistent across the different functional areas. This needs to be addressed as otherwise internal equity issues will emerge. These merit rating systems were implemented without prior consultation or discussion with employees. The increase for exceptional performance is now between 7 – 8.5%. Expectation is still set for 10%.

An informal ranking system exists within the organisation. Individual's rate their contribution based on who they perceive is their peer from amongst the different

functional department within the company, which may be simply on length of service. They are aware of the salary increase and bonuses paid through informal (grapevine) channel and try to leverage their own performance / salary increase based on this information. The criteria for measuring performance has little to do with adding value or achieving business targets for the group.

3.5 Training on the Review Process

No formal training has been given to Managers / Team Leaders within the company. There is a good history of people been promoted from within the company, however, to date, there has been no structured management development. As the company is technical in nature, most individuals were promoted because of their technical ability, and do not always have the people management skills necessary. Managers have been reluctant to deal with poor performance issues. Individuals with poor performance have been allowed to sit within the pack. This can be attributed to the lack of training on the process.

3.6 Career Planning

No formal career planning exists within the company. Individuals are selected for promotion based on past technical ability shown. The company was small and growing rapidly. With the rapid growth, good opportunities for promotion existed, so that most individuals have received an opportunity for management or technical promotion. These were both seen to be at an equivalent level. As the company is continues to grow, the pace of growth has slowed down.

4 Research Methodology

Remenyi et al (1998 p. 28) define research methodology 'as the procedural framework within which the research is conducted.' It describes the research approach taken in relation to a specific problem. This chapter will discuss research philosophy and methods in general, and will outline the research approach used for this particular study, and the rationale behind its use. Popper (1959) says that 'there are many different ways of studying the same phenomenon and the selection of a particular method depends on the situation being studied and what is being investigated.' It is sensible to make your choice of research methodology based on the research problem.

4.1 Research Philosophy

4.1.1 Types of Research Philosophy

Three types of research philosophy dominate current literature on management research: positivism, interpretivism and realism. 'They are different, if not mutually exclusive, views about the way in which knowledge is developed and judged as being acceptable' (Saunders M., Lewis P., & Thornhill, A. 2003, p. 83). Positivism and Interpretivism can be regarded as a continuum between two extremes. Saunders M., Lewis P., & Thornhill, A. (2003, p. 83) research process 'onion' details the stages and considerations of the research process.

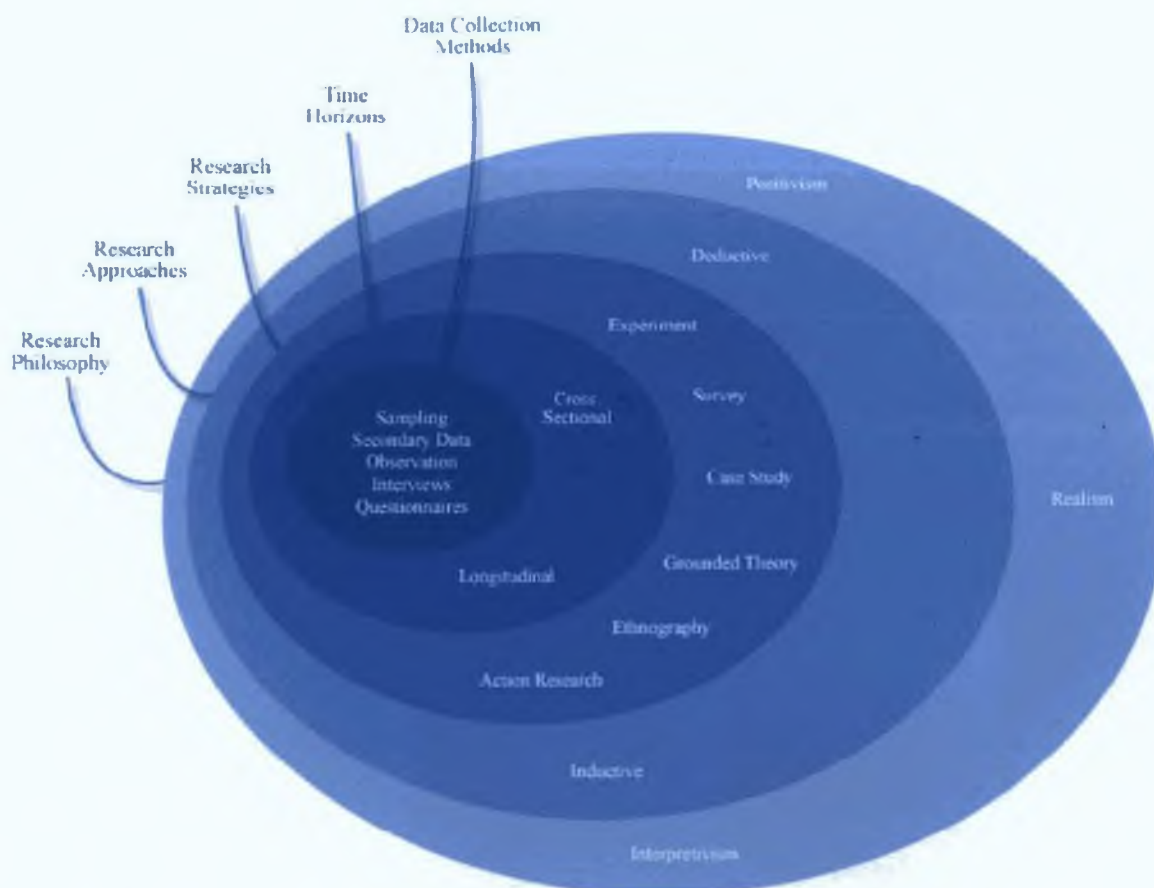


Figure 5 - Research Process Onion -Saunders M., Lewis P., & Thornhill, A. 2003, p. 83.

4.1.1.1 Positivism

A Positivist research philosophy deals with an objective analysis of data that has been collected through direct observation in an apparently value-free manner. The emphasis is on a methodology which will facilitate repetition and on quantifiable data which lend itself to statistical analysis. It is adopted from the philosophies of natural sciences.

‘Factors that cannot be directly observed, such as meanings, motivations and purposes, are not important. This emphasis within positivism on observable ‘facts’ is largely due to the belief that human behaviour could be explained in the same way as the behaviour of matter is explained in the natural sciences. Natural scientists do not inquire into the meanings of a given experiment; their purpose is to observe, measure and explain the outcome’ (McLeish, 1995).

4.1.1.2 Interpretivism

Researchers critical of the positivist tradition argue 'that rich insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalisations' (Saunders M., Lewis P., & Thornhill, A. 2003, p. 83). They assert that the 'study of human beings has some important differences compared with the study of the natural world. Unlike natural objects human beings are self-aware and confer a sense and purpose to what they do' (McLeish, 1995). Business and management research is both complex and unique, and is a function of a particular set of circumstances and individuals. This raises questions about the generalisability of research. 'The interpretivist would argue that generalisability is not of crucial importance' (Saunders M., Lewis P., & Thornhill, A. 2003, p. 84). The interpretivists position is that it is necessary to understand 'the subjective reality of those that they study in order to be able to make sense of their motives, actions and interactions in a way that is meaningful for the research participants' (Saunders M., Lewis P., & Thornhill, A. 2003, p. 84).

4.1.1.3 Realism

Environment forces (social, work, culture, group) can affect and influence the behaviour of individuals without the individual being aware of the existence of the force. These forces can affect the way that individuals perceive the world. 'Realism, as applied to the study of human subjects, recognises the importance of understanding people's socially constructed interpretations and meaning, or subjective reality, within the context of seeking to understand broader social forces, structures or processes that influence, and perhaps constrain, the nature of people's views and behaviours' (Saunders M., Lewis P., & Thornhill, A. 2003, p. 85).

4.1.2 Choice of Research Philosophy

The choice of research philosophy depends on the type of research question (s) that you are looking to answer. 'The practical reality is that research rarely falls into only one philosophical domain as suggested in the 'onion' (Saunders M., Lewis P., & Thornhill, A. 2003, p. 85), and may often be a mixture between positivist and interpretivist.

Performance management is qualitative by its very nature. My research objective is to survey employee attitudes (opinion, feelings, views, perceptions) in relation to the current performance management system. I have chosen to adopt a research philosophy based on interpretivism.

4.2 Research Approach

4.2.1 Deductive vs. inductive approach

There are two general approaches to research, deductive and inductive. The deductive approach involves taking an existing theory and testing it (often with the intention of testing whether it is true). It is the dominant research approach in the natural sciences. In order to obtain the value-free judgement required, the researcher should be independent of what is being observed.

For research based on an inductive approach, it is normal to collect the data and then develop a theory as a result of your data analysis. The researcher is part of the research process. The inductive process is a method of discovery. Having identified an issue or behaviour to analyse, researchers collect information through surveys, interviews or experiments on the subject to be studied from a sample of the total population.

‘Researchers then use these data to make certain inferences about the larger population or universe based on observations in the sample. This is done through statistical analysis and probabilities that certain phenomena which occur in the sample are representative of the larger population’ (Bodwitch & Buono, 2001 p. 347). This procedure relies on generalization. A basic assumption with inductive research is that if the research were repeated with other samples from the same population, the findings would be consistent.

As a general rule of thumb, positivist ‘quantitative’ research draws on deductive research, while interpretative ‘qualitative’ research relies on inductive reasoning. The current study is based on an inductive approach. Data was collected in relation to the current performance management system from a representative sample of the organisation. Inferences in relation to the whole organisation was made based on this sample.

4.3 Research Strategies

4.3.1 Types of research Strategies

In order to determine the type of research strategy I would undertake, I examined the following research strategies:

- Experiment
- Survey
- Case study
- Grounded Theory
- Ethnography
- Action Research

4.3.1.1 Experiment

Experiment involves defining a theoretical hypothesis and collecting data in a controlled manner. The effect of new variables introduced into the sample population is studied.

4.3.1.2 Survey

Survey includes questionnaires, structured interviews and structured observation. The same information is collected from the sample population. Much time is spent on research design and analyzing the results.

4.3.1.3 Case Study

Case study is concerned with investigating a particular phenomenon within its real life context. It may use multiple sources of data including questionnaires, interviews, observation, or documentary analysis. It adds the 'why?' question to the 'what?' and 'how?' questions, normally associated with Surveys.

4.3.1.4 Grounded Theory

'Grounded theory procedures are designed to build an explanation or to generate a theory around the core or central theme that emerges from your data' (Saunders M., Lewis P., & Thornhill, A. 2003, p. 398). It uses a combination of induction and deduction. Data

collection starts without a hypothesis. The hypothesis is drawn from the data, which is then tested further for validity.

4.3.1.5 Ethnography

Participant observation is the research method that dominates ethnography. The researcher attempts to participate fully in the lives of the sample population in order to observe and feel their experiences, and discover how they interpret meaning.

4.3.1.6 Action Learning

The purpose of action learning is to promote change within an organisation. It generally involves participation between practitioners and researchers. The research usually has implications beyond the immediate project, ie. development of theory, or transfer of knowledge. It commences with an idea for a change intervention. Research is undertaken to gather and analyse the effect that the change intervention will have on the organisation. An implementation plan is drawn up which is monitored and evaluated.

4.3.2 Research Strategy chosen

My research strategy will be a mixture of survey and grounded theory.

4.4 Time Horizons

When planning your research you should consider whether you want your research to be a 'snapshot'; study of a particular phenomena at a particular time (cross-sectional) or a 'diary' representation of events over a particular period (longitudinal). My study will be based on a snapshot approach.

4.5 Types of Data collection methods

Several types of data collection methods are available with the collection method undertaken dependent on the research objectives and the chosen research approach. There is a choice between observation, interviews and questionnaires on either primary or secondary data sources.

4.5.1 Observation

Observation is involved with 'the systematic observation, recording, description, analysis and interpretation of people's behaviour' (Saunders M., Lewis P., & Thornhill, A. 2003, p. 221). There are two types of observation – participant observation and structured observation. Participant observation is qualitative and is concerned with discovering the meaning that people attach to their actions by the researcher immersing themselves in the daily lives of the sample. Structured observation is quantitative and has a high level of predetermined structure. It is concerned with quantifying behaviour. Its function is to tell you how often certain behaviours happen.

4.5.2 Interviews

There are a number of different types of interviews that a researcher can choose. The style of interview should be consistent with the research strategy that you have chosen. A common typology relates interviews to the level of formality and structure, whereby interviews are 'categorized as one of:

- Structured interviews
- Semi-structured interviews
- Unstructured interviews' Saunders M., Lewis P., & Thornhill, A. (2003, p. 246)

4.5.2.1 Structured interviews

Structured interviewers make use of predetermined questionnaire where the interviewer reads and records the responses on a standardised schedule. Although there is an element of social interaction, this is generally only to clarify questions on the process that the interviewee may have. The questions should be read out in the same tone of voice so that you don't indicate any bias. Structured interviews are useful in identifying general patterns.

4.5.2.2 Semi-Structured interviews

The researchers will have a list of themes and questions to cover. Depending on the responses given, additional questions may be required or questions may be omitted. The order of questions may vary. The nature of the questions and the ensuing discussion

means that data will be recorded by note taking or perhaps by tape-recording the conversation. These are useful in order to conduct discussions not only to reveal the 'what' and the 'how' but also to reveal the 'why'.

4.5.2.3 Unstructured Interviews

Unstructured interviews are informal in nature. These interviews are also referred to as in-depth interviews. There is no predetermined list of questions. The interviewer has a general area in which they are interested, and has a clear idea on the about what they would like to explore. The interviewee is given the opportunity to talk freely about events, behaviours and beliefs in relation to the topic area.

4.5.2.4 Group Interviews

Focus groups are when you conduct either a semi-structured or unstructured interview on a group basis, where you meet with a small number of participants to explore an aspect of your research through group discussion which you facilitate.

4.5.3 Questionnaires

Questionnaires are the most common method of collecting survey data. They are also used in case studies and in experiment research. The term Questionnaire is a general term used to cover all techniques of data collection in which each individual is asked to respond to the same set of questions in a predetermined order. Because each person is asked to respond to the same set of questions, it provides an efficient way of collecting responses from a large sample prior to analysis. As you are offered only one chance to collect the data, you must ensure that the questionnaire will answer your research questions.

4.6 Data collection

My literature and company review focused my research onto certain common themes within the performance management arena. My literature review had focused on six main areas within performance management. Based on the literature review, I wanted to explore what the general consensus of employees was in relation to these six main

headings – Career development, Structure, Reward and Recognition, Process, Measurement, Motivation. I was looking for patterns on which further research would be required. A decision had to be made whether to use a questionnaire or structured or semi-structured interviews. As the number of employees in the organisational sample to be surveyed exceeded 30, it was decided that it would be more efficient to use a questionnaire rather than interviews.

4.7 Choosing respondents for the questionnaire.

4.7.1 Exclusions from sample

This study is looking at the performance management system within the company. In order for individuals to comment on the process, it is recognised that an employee should have undertaken a minimum of 1 review period (1 year) with the company. Therefore, all employees with less than 1 year's experience have been disregarded for the questionnaire part of the research.

4.7.2 Choosing the sample

As the survey is exploratory research into what constitutes a best practice performance management system, it would be impracticable to survey the entire company. The aim of the questionnaire is identify general themes for further review. The company is in the process of implementing a grading system. I decided to choose my sample based on this grading system. This is based on stratified random sampling (Saunders M., Lewis P., & Thornhill, A. 2003, p. 165). Dividing the population into a series of relevant strata means that the sample is more likely to be representative of the company as a whole, as you can ensure that each of the strata is represented proportionally within the sample. A random sample from each grade was then chosen. I did this by assigning each individual within the grade with a unique number, and asked a colleague to pick numbers from a selection until the sample size for each grade was picked. This exercise ensured that my sample was selected without bias. No individuals were chosen from the top 2 grades within the organisation.

Grade	Number of potential Employees in sample	Number chosen
2	10	3
3	25	8
4	45	15
5	12	3
6	12	3
7	5	0
8	6	0
Total		30

I received a response rate of 23 questionnaires returned out of 30. This is a 76% return rate.

4.8 Designing the Questionnaire

The validity and reliability of the data collected in the questionnaire depends on the design. Valid questions will ensure that accurate data is collected and reliability refers to data which is collected in a consistent manner. Questions must be understood by the respondent, and the answers provided must be understood by the researcher. The design of each question should be determined by the data that you need to collect.

4.8.1 Likert Scale

I have chosen a Likert-style rating scale questionnaire, which are often used to collect opinion data. The Likert scale asks respondents to agree or disagree with a statement or series of statements. I have chosen a 5 point rating scale; however, Likert scales can have between four and seven options.

4.8.2 Wording of questions

Whilst conducting the literature review, I noted ideas that I thought were relevant and questions which I was interested in. On completion of the draft literature review, I had a list of 60 questions on the subject of performance management, with a couple on each of the areas that I was interested in. On studying the list of questions, there were a number of duplicates and questions which were very *similar in nature*. I reviewed the questions that I had, ignored the duplicates, and those asking similar questions, and then studied each question to ensure that it would provide the data that I was looking for.

The resulting questionnaire has 30 questions, broken down as follows. This questionnaire consists of a set of structured, thought-out closed questions designed to elicit *reliable and useable data* from the chosen sample of respondents.

4.8.3 Pilot Testing

Prior to sending out the questionnaire, I conducted a pilot test of the questionnaire. Initially, this was done on family and friends. A number of issues were brought to light which required rewording of a number of questions. I then conducted reviewed the questionnaire with some colleagues from work. This resulted in further refining and clarification of questions.

4.9 Analysing data

In order to analyse the data, I input all the data into Microsoft Excel and through the use of pivot tables, I was able to ascertain the number of responses for each question. The results of the questionnaire are presented in the following chapter.

4.10 Reliability and Validity

In order to rule out any participant error, questionnaires were all distributed on the same day. In relation to the questionnaire, anonymity was guaranteed to ensure that respondents would reply without fear of follow up.

5 Research Findings

5.1 Research aim and objectives

My research aim was to investigate the current system of performance management within the company in comparison to current literature on the subject. My intention was to establish the gaps which would need to be addressed in order to implement a new performance management system. I had a particular interest in relation to the integration of performance management with existing HR systems, specifically, Reward, and Career Development. The research also brought issues to my attention in relation to motivation, and the performance management process which I believed we were not addressing in an effective manner. I therefore chose a couple of questions on this area in order to establish what the general feeling was on this subject.

The main data analysis technique used was a questionnaire based on topics covered in the literature review. This was completed by a sample population of staff. This research is based on an inductive approach to research. It is therefore possible to make inferences about the larger population based on observations in the sample. The questionnaire consisted of 32 questions under the following main headings: structure, process, measurement, performance review meeting, motivation, reward & recognition, and career development. The full questionnaire and results are attached in Appendix A

The main data analysis techniques that I used were a questionnaire that was based on topics found within the literature review.

5.2 Analysis of Responses

5.2.1 Career Development

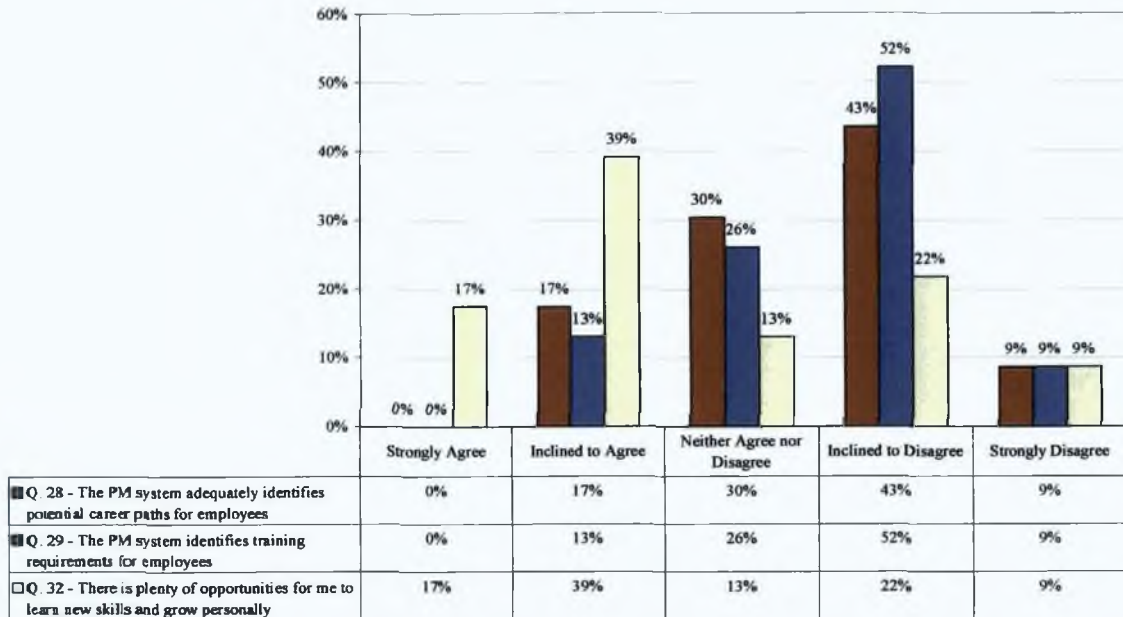


Figure 6: Career Development

The general consensus is that there are plenty of opportunities to learn new skills and to grow personally within the company (q.32). 56% of respondents believed that this was the case with 31% disagreeing with this statement. When asked whether the company adequately identified career paths for employees (q. 28), 50% of the respondents disagreed with this statement with 17% agreeing that the company did adequately identified career paths. A further 30% of staff neither agreed nor disagreed with this statement.

The majority of staff (61%) did not agree that the current performance management system identified training requirements for employees (q. 29). If we included the staff who chose neither to agree nor disagree on this point, the % would rise to 87%.

5.2.2 Career Development Path – Individual

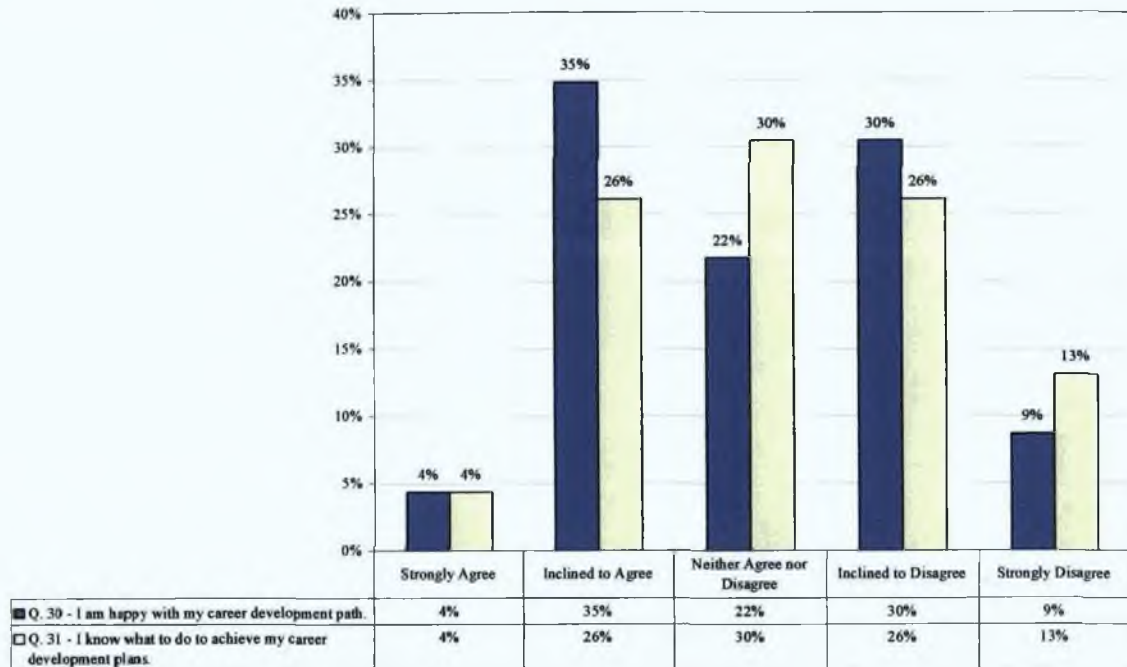


Figure 7: Career Development Path

On a more personal note, 2 questions were posed in relation to individual career paths. When faced with the question of whether individual were happy with their career path (q. 30), the results showed that approximately half the respondents who answered this question (40%) agreed and disagreed with this statement. A further 20% neither agreed nor disagreed. Q. 31 was intended to elicit whether the respondents knew what to do to achieve their career development plans. This produced a result which showed that 39% did not know how to achieve their career path, against 30% who did. A further 30% neither agreed nor disagreed with this statement. This is the same number of staff who neither agreed nor disagreed with the statement that the performance management system adequately identifies career paths for employees. In this situation, it might be fair to conclude that these individuals did not feel that there were on any particular career path. I think that it is fair to make this assumption as there is no structured career development within the company.

5.2.3 Motivation

It would appear that individuals are strongly motivated by their job role (q. 19), have a moderate - high degree of job satisfaction (q. 20) and believe that their contribution is valued by the organization (q. 26). The following diagram shows the relationship between these three elements. 69% of respondents agreed that they were motivated by their job. 48% indicated that they had a high degree of job satisfaction. 39% of people did not agree or disagree to question 20 'I have a high degree of job satisfaction'. It is difficult to assess what this indicates. It is possible to draw the conclusion that they have a moderate degree of job satisfaction, as alternatively, the number who indicated that they did not have a high degree of job satisfaction would have been higher. 57% of people indicated that they believe that their contribution is valued by the organisation.

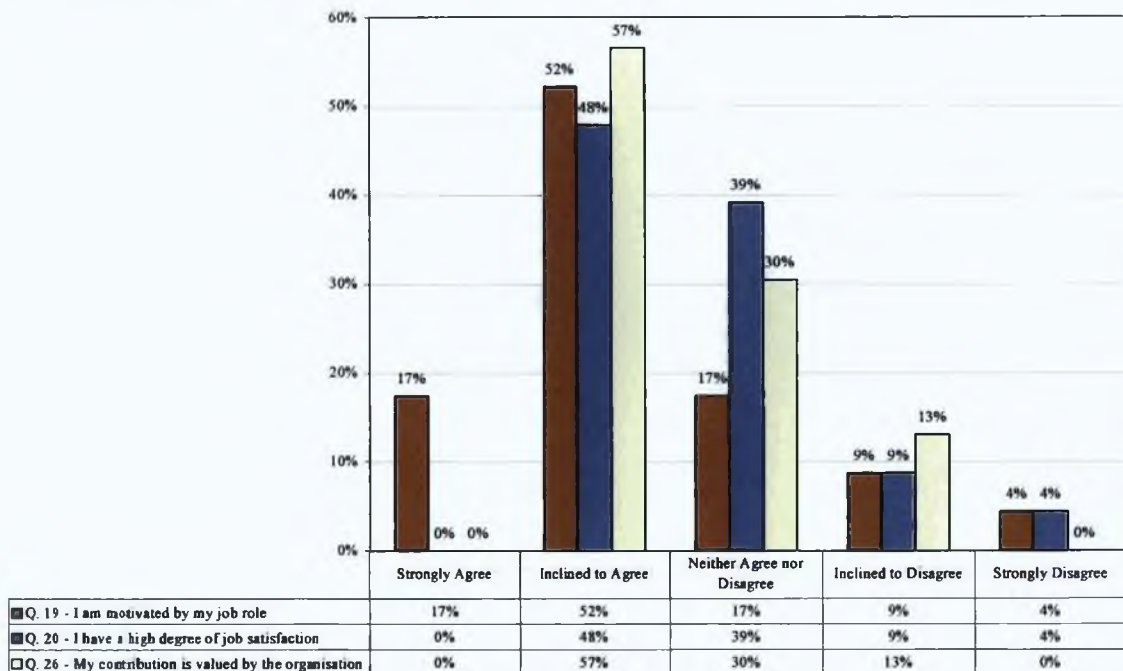


Figure 8: Motivation

These findings would indicate a high degree of intrinsic motivation, which is a desire to work hard for the pleasure of task accomplishment.

5.2.4 Reward and Recognition

In relation to whether individuals believe that they are adequately rewarded for their contribution (q. 23), 44% of individuals disagree with this statement against 34% who agree. This is important in relation to maintaining high levels of job satisfaction and motivation. The theory of operant conditioning is used to explain the fact that high performance that is sufficiently rewarded (reinforced) leads to high satisfaction, which in turn sustains high performance. In relation to whether individuals believe that when they do a good job, their performance is recognised (q. 24), the majority of staff, 58%, agreed with this statement against 17% who disagreed. However, when questioned on whether they believed that when they do a good job, is their performance rewarded (q. 25), 43% of staff disagreed with this statement against 35% who agreed.

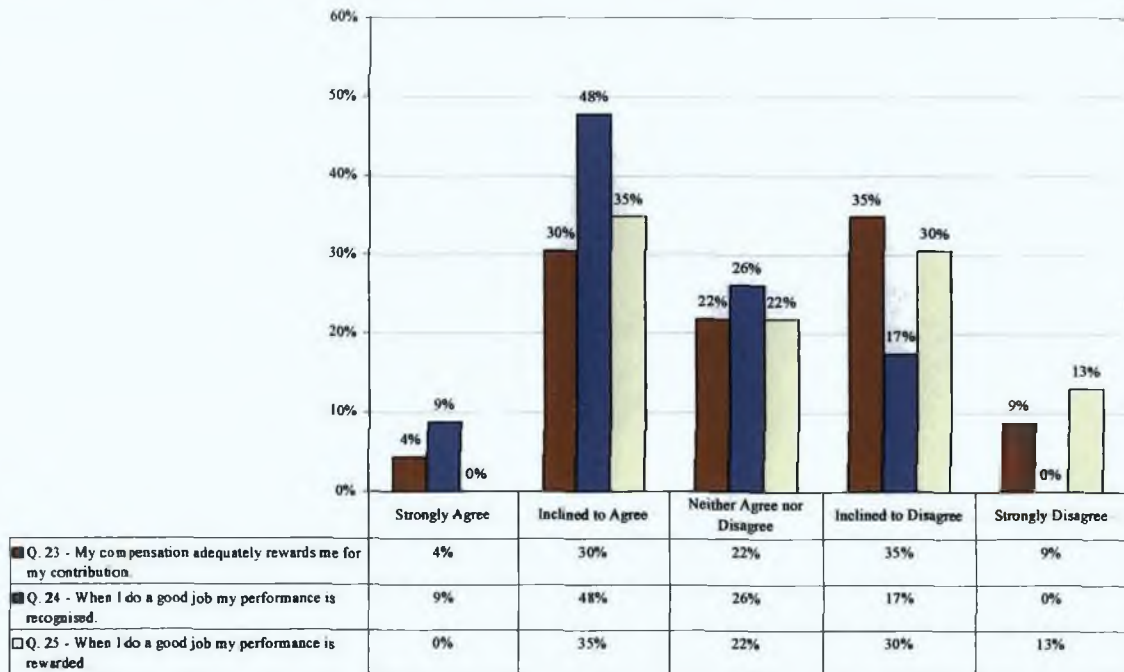


Figure 9: Reward and Recognition

Taking out the respondents who neither agreed not disagreed with the statement would indicate that approximately 50% of individuals currently employed in the company don't believe that they are adequately rewarded for their contribution and don't agree with the statement that when they do a good job their performance is rewarded. These findings surprised me as the company has carried out salary benchmarking on an annual basis in

relation to other IT companies. The most recent benchmarking exercise conducted in March 2004 indicates that our average salary for each role is commensurate with other IT companies within the industry. In addition, over the last two years when other IT companies implemented pay and bonus freezes, the company continued to pay out salary increases, admittedly on a lower level, and also continued to pay out bonus payments. Over this period, it is worth noting that the company achieved record growth and sales targets. It is possible that individuals feel that the company success did not translate to an individual level.

5.2.5 Performance Review Meeting

5.2.5.1 *Timely Completion*

A not unexpected finding in relation to performance review meetings was that 87% of individuals agreed that it was important that review meetings were held in a timely manner (q. 14). This finding will be useful to convince managers that the delinquency in relation to completing reviews can no longer be tolerated.

Q. 14 - It is important that performance review meetings are completed in a timely manner.

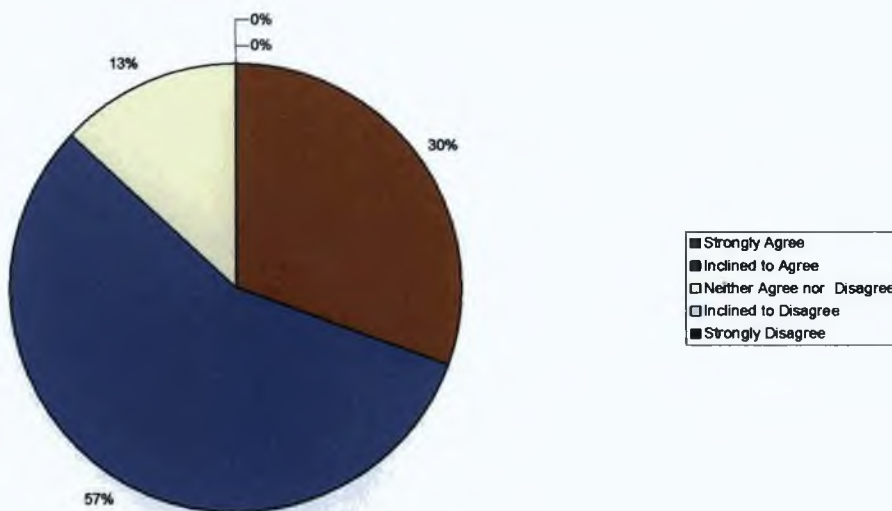


Figure 10: Timely Completion

5.2.5.2 Forward Looking Practices

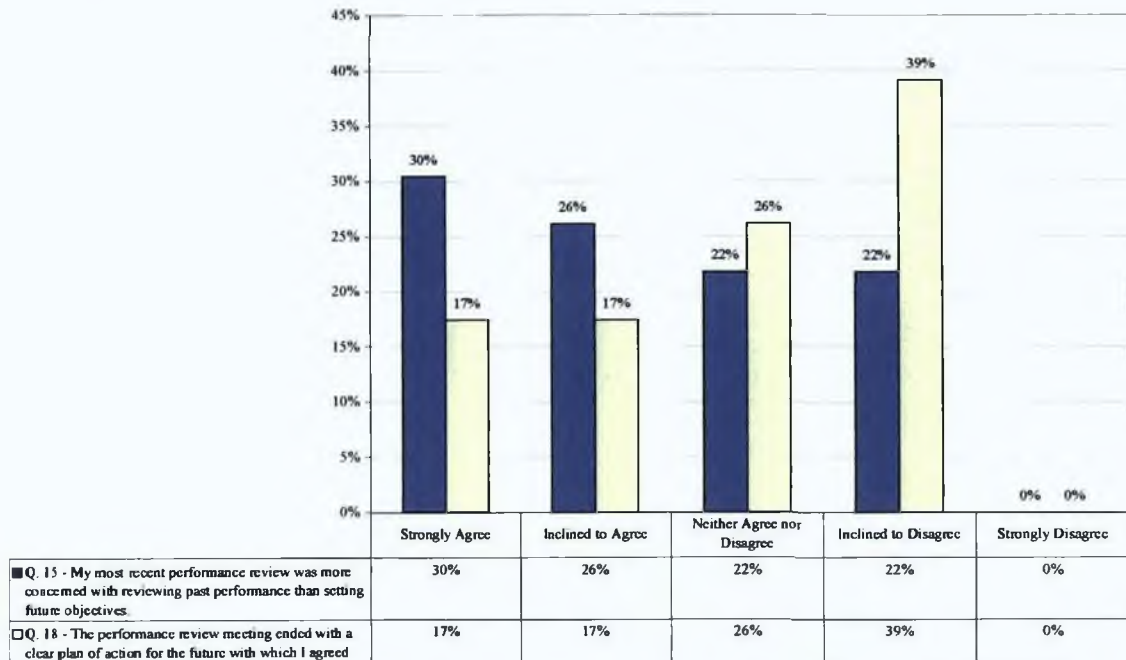


Figure 11: Looking Forward

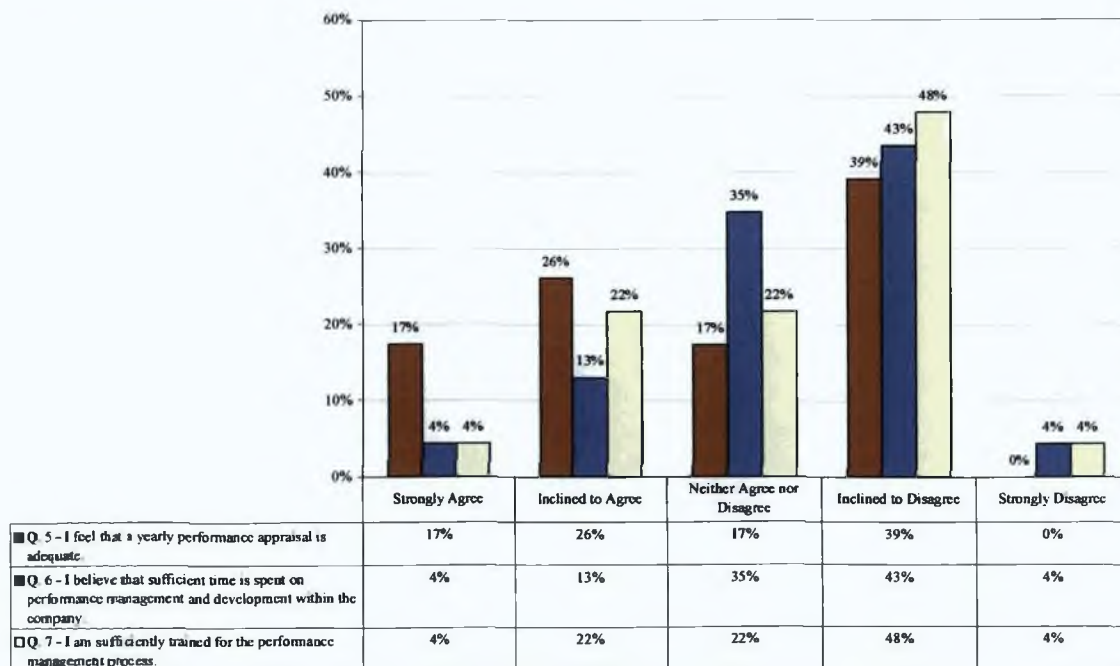
56% of individuals agreed with the statement that my most recent performance management meeting was more concerned with reviewing past performance than setting future objectives (q. 15). In fact, 30% of people strongly agreed with this statement. Q. 18 asked respondents whether or not the performance meeting ended with a clear plan of action for the future with which they agreed. 39% of respondents disagreed with this statement. 34% agreed with the statement.

'The true role of performance management is to look forward to what needs to be done by people to achieve the overall purpose of the job, to meet new challenges, to make even better use of their knowledge, skills and abilities, and to help them develop their capabilities and improve their performance' (Armstrong, M. 2002, p. 68). The existing performance management system is focused on historic performance and is not concerned with future development. It is possible that some individuals are completing the performance management reviews in a satisfactory manner; however, other

individuals are not agreeing a plan of action with their staff at the end of the review meeting. The basis of the performance management meeting is to agree a clear set of objectives for the following period.

5.2.5.3 Performance Management Processes

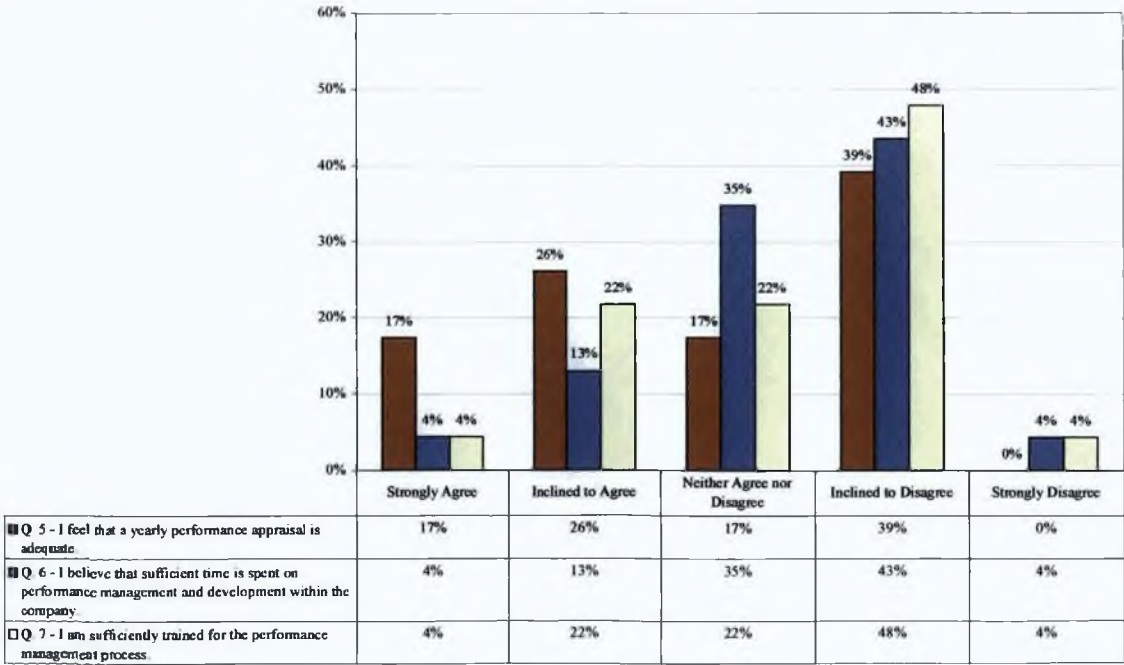
A number of issues related to the process of performance management were asked of respondents. Q. 5 enquired as to whether individuals felt that a yearly performance appraisal was adequate. The response in agreement with the statement was 43% of the respondents with 39% against. However, when questioned on whether they believed that sufficient time was spent on performance management and development (q. 6) within the company, 47% of respondents disagreed with this statement, and only 17% agreed. I think that it is fair to deduce from these two statements that individuals would welcome more frequent reviews and that more attention be given to performance management within the company. 52% of individuals disagreed with the statement that I am sufficiently trained for the performance management process (q. 7). This question was intended to address both manager training for performance management and employee training on how to conduct a good performance review. In contrast, 26% believe that they have sufficient training.



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5.2.6 Company Strategy

A surprising finding was that 91% of individual agreed with the statement (q. 1) I know the goals that the company is trying to achieve this year, with 54% agreeing with (q.2) I believe that company goals are effectively communicated down to an individual level. Further investigation is required in this area. It is possible that there is confusion around communicating of goals which are discussed at quarterly communications meetings and the idea of cascading of goals from the executive team to Individuals which this question was meant to cover.

5.2.7 Role / Goal Clarity

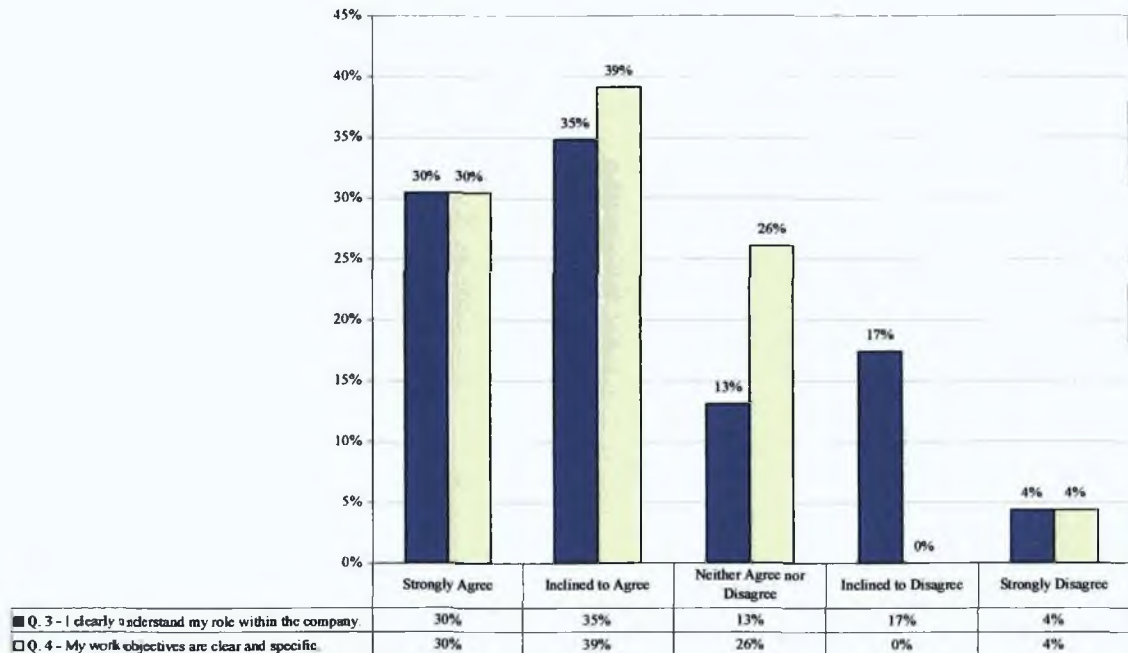


Figure 12: Role Clarity

Respondents also indicated that they clearly understood their role within the company (q. 3) with 65% agreeing to the statement and 69% agreeing that their work objectives are clear and specific (q. 4). This would explain the high degree of job role motivation, however, the fact that performance review meetings are concluded with a clear plan of action might have suggested a different response to this question. One of the current

issues within the company is the problem with role titles. As individuals appear to understand their job role, this may indicate that the real concern is in relation to clarifying their positions in relation to their peers.

5.2.8 Measurement

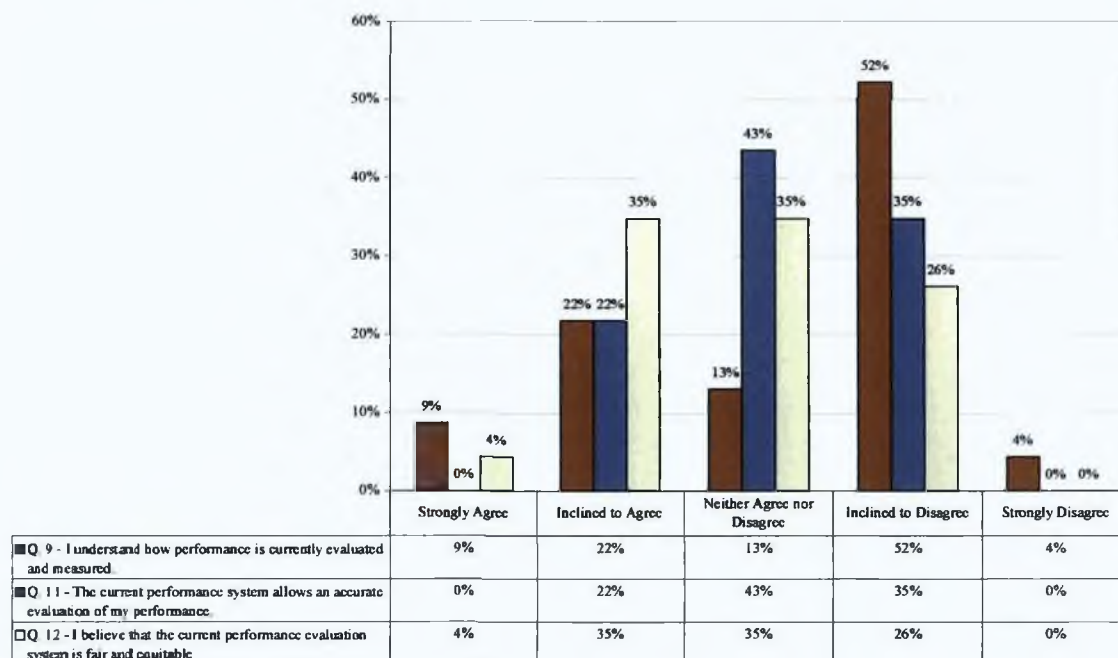


Figure 13: Measurement

When questioned on whether Individuals understood how performance is currently evaluated and measured (q. 9), the response was that 56% of respondents disagreed with this statement with 31% of respondents who agreed. Q. 11 on whether the current performance system allows an accurate evaluation of performance recorded the highest number of neither agree nor disagree with 43% of respondents unable to choose on this question. The majority of individuals who did choose (35%) recorded a disagreement with the statement. This result is slightly at odds with q. 12 ‘ I believe that the current performance evaluation system is fair and equitable. 39% of individuals agreed with this statement with 26% disagreeing. Again, the proportion of neither agreeing or agreeing was quite high with 35% of the respondents not making a choice on this matter.

6 Conclusion and Recommendation

6.1 Review of research aims and objectives

The company is reaching a stage in its development (moving from 'Entrepreneurial' to 'Growth' phase) that requires greater control and coordination of its goals and objectives. As the goals and objective of the company have become more complex, the emphasis on the performance management process needs to shift from a 're-active' attitude to managing performance, to a more active approach where development, career progression, motivation and morale issues have to be managed. My research objective was to examine the current performance management system which is currently in operation against common practice and to highlight shortfalls in the performance management system with a view to improving the system and thus the efficiency of the organisation. The company is going through a period of dynamic growth in resources. I was concerned that our performance management system was rooted in the past and backward focused. I hold the view that a proactive approach to performance management focuses the minds of individuals and their managers, provides them with a framework for analysing and reviewing performance which ensures that a measure of consistency and predictability is achieved through the organisation. I was concerned that employee development had been largely overlooked within the company. As the company grows, the level of sophistication in its management practices needs to grow exponentially. Informal methods of operating and communicating can no longer sustain and grow the organisation. I had a particular interest in reviewing the relationship between performance management with existing HR systems, specifically, Reward, and Career Development. I believed that this would indicate our current level of sophistication with performance management. The research finding outline a number of issues in the current system which require attention in order to ensure that the company continues to operate as an employer of choice, and retains employees who have the ability to make a significant difference to the success of the business. These are outlined below.

6.2 Research Approach

The performance management process is qualitative by its very nature – it is concerned with making judgments in relation to employee behaviours. I chose a research philosophy based on interpretivism. The interpretivists position is that is necessary to understand ‘the subjective reality of those that they study in order to be able to make sense of their motives, actions and interactions in a way that is meaningful for the research participants’ (Saunders M., Lewis P., & Thornhill, A. 2003, p. 84).. The research approach was based on inductive reasoning.

For research based on an inductive approach, it is normal to collect the data and then develop a theory as a result of your data analysis. Having identified an issue or behaviour to analyse, researchers collect information through surveys, interviews or experiments on the subject to be studied from a sample of the total population. ‘Researchers then use these data to make certain inferences about the larger population or universe based on observations in the sample. This procedure relies on generalization. A basic assumption with inductive research is that if the research were repeated with other samples from the same population, the findings would be consistent.

The research commenced with a thorough investigation of the literature available on performance management. The literature review informed the choice of question which were posed to staff in order to obtain their views on the current performance management system.

6.3 Conclusion and recommendations

I set out to:

- Establish whether the current performance management process is adequate for our business needs?
- Examine the integration between the current performance management system with other HR system, specifically rewards and employee development?
- Devise an effective performance management system by recommending how the current system could be improved?

6.3.1 Appropriate to business needs

The current performance management system is rooted in the past. The company relies heavily on a number of key staff and its strong work ethic culture. This culture is typically found in small organisation where every individual makes a difference. The organisation is becoming more sophisticated due to the increase in staff, global expansion and through interaction with system integrators. It is becoming a player on the global Social Security market, albeit through its system integrators. When considering what creates competitive advantage for the company (the non-imitable resources of the company), it is obvious that the human resources of the organisation, which accounts for 60% of overheads are the resource which creates competitive advantage for the company. This does not take away from the competitive advantage associated with discovery intangibles (R & D, trademarks, and patents). The company was first to market with its software product, Cúram. The product is a direct result and consequence of the human resources with the firm.

The findings from the research questions posed indicate that although motivation is high, and job satisfaction appears to be moderate – high, the majority of individuals did not understand how performance was currently measured, and whether the current system allowed an accurate evaluation of performance. 47% of respondents did not believe that adequate time was spent on the performance management process. The current process was shown to be more concerned with reviewing past performance, and staff also indicated that the current performance meeting did not end with a clear plan of action for the future.

Successful implementation of a performance management system is about harnessing individuals in order to achieve the company goals. Companies that can effectively encourage their staff to challenge, interpret and clarify goals ensuring that behaviors and performance targets are aligned to company strategy execute more effectively.

6.3.2 Integration between the current performance management and HR System

Performance management is strategic when it is aligned to the business strategy of the company, and where the system is integrated with other organisation system to function effectively. This integration concerns linking or aligning the business with core competences, linking functional strategies and linking different aspects of HRM, especially, organizational development, human resource development and reward so as to achieve a coherent approach to management and development of people.

My research indicates that although the company is seen as a place to learn new skills and to grow personally, the company is not identifying training needs and career development for its staff. The findings in relation to reward indicated that a significant portion of individuals do not believe that they are adequately rewarded for their contribution and do not believe that when they do a good job, their contribution is rewarded.

Reward is a key issue when it comes to retention of staff. If individuals perceive inequity in the relationship between their contribution and a comparable others (either internally or externally), an attempt will be made to restore equality by working more or less effectively or by trying to obtain greater rewards through other means (focus behaviour elsewhere, leave the organisation). In addition to reward, if the company is not providing adequate career development and training opportunities to employees, it is unlikely that the company will continue to operate as an employer of choice, and retains employees who have the ability to make a significant difference to the success of the business.

6.3.3 How the current system could be improved

In order to implement an effective performance management system, it is essential that staff understand the key result areas for the role. It is necessary to carry out a role definition exercise. This is currently underway as part of the competency framework exercise. This exercise will produce a role description for each job, along with a competency skills matrix defining the behaviours required for each position. It is envisaged that this will define the natural structure of the organisation, the relationships between job families, and grades across the different functional areas. This will facilitate

the agreement of appropriate targets, competence requirements. It will allow people to benchmark themselves against different job categories to identify career development opportunities.

The company needs to overhaul its performance management system in bring it up to date. As the company grows, it is be important that a strong focus is given to performance management. This is key to ensuring that the company goals are effectively achieved and that the company grows by establishing a culture that values and rewards employee contribution. Individuals make the difference with the company, and their motivation and reward must be monitored and reviewed to ensure that the company retains its current talent and also attract new talent. I would suggest that a cross functional team is set up in order to implement a new system based on a mixed approach between competency analysis and performance targets. Once the programme is outlined, it will need to be backed up with a training and development plan to ensure the success of the plan and to reinforce the new behaviours required.

The company needs to review its reward management system. It needs to identify the behaviour that it values, and then implement an open and transparent reward system. Recent salary benchmarking shows that the company is in the zone in relation to salaries and benefits. It might be that greater openness and transparency around the reward strategy is all that is required. However, it is likely that the company will have to review its current policy of not paying for overtime, and not providing TOIL. There is a general feeling that individuals are not rewarded for good performance. This is a key motivational issue, and needs to be addressed urgently.

Career and development needs to become a priority within the company. This topic has been on the company agenda for the past 2 years. Performance appraisal needs to become more than a one off annual meeting. It needs to address the developmental requirement of employees so that they can perform to their highest level.

6.4 Concluding comments

Performance management is the most effective communication channel for organisation strategy within an organisation. There is an onus on HR professionals to develop the performance management measurement systems to demonstrate the contribution of Human Capital to the firm's performance. The importance of having a structured process for performance management is to ensure that performance can be defined, directed, monitored, motivated, and refined and that the links in the process can be audited. This will ensure that performance management is an effective contribution to organisation effectiveness.

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Appendix

Appendix A – Questionnaire

Appendix B – presentation of results

Appendix C – current performance management documentation

QUESTIONNAIRE – Performance Management & Development within Cúram Software Ltd.

Please circle the choice that most accurately reflects your views:		Strongly agree	Inclined to agree	Neither agree or disagree	Inclined to disagree	Strongly Disagree
Structure						
1	I know the goals that the company is trying to achieve this year.	1	2	3	4	5
2	I believe that company goals are effectively communicated down to an individual level.	1	2	3	4	5
3	I clearly understand my role within the company.	1	2	3	4	5
4	My work objectives are clear and specific.	1	2	3	4	5
Process						
5	I feel that a yearly performance appraisal is adequate.	1	2	3	4	5
6	I believe that sufficient time is spent on performance management and development within the company.	1	2	3	4	5

QUESTIONNAIRE – Performance Management & Development within Cúram Software Ltd.

Please circle the choice that most accurately reflects your views:		Strongly agree	Inclined to agree	Neither agree or disagree	Inclined to disagree	Strongly Disagree
7	I am sufficiently trained for the performance management process.	1	2	3	4	5
8	I have little input in the formulation of my work objectives.	1	2	3	4	5
Measurement						
9	I understand how performance is currently evaluated and measured.	1	2	3	4	5
10	I know the performance standards and behaviours for my role.	1	2	3	4	5
11	The current performance system allows an accurate evaluation of my performance.	1	2	3	4	5
12	I believe that the current performance evaluation system is fair and equitable.	1	2	3	4	5
Performance Review Meeting						

**QUESTIONNAIRE – Performance Management &
Development within Cúram Software Ltd.**

Please circle the choice that most accurately reflects your views:	Strongly agree	Inclined to agree	Neither agree or disagree	Inclined to disagree	Strongly Disagree	
13	My manager allows sufficient time in the preparation and delivery of my review.	1	2	3	4	5
14	It is important that performance review meetings are completed in a timely manner.	1	2	3	4	5
15	My most recent performance review was more concerned with reviewing past performance than setting future objectives.	1	2	3	4	5
16	I was given plenty of opportunity to discuss my performance throughout the year at my performance review meeting.	1	2	3	4	5
17	The comments made by my manager at the meeting were accurate.	1	2	3	4	5

QUESTIONNAIRE – Performance Management & Development within Cúram Software Ltd.

Please circle the choice that most accurately reflects your views:		Strongly agree	Inclined to agree	Neither agree or disagree	Inclined to disagree	Strongly Disagree
18	The performance review meeting ended with a clear plan of action for the future with which I agreed	1	2	3	4	5
Motivation						
19	I am motivated by my job role	1	2	3	4	5
20	I have a high degree of job satisfaction	1	2	3	4	5
21	I am rewarded with what I value (compensation, recognition, flexibility, benefits, career advancement)	1	2	3	4	5
22	I consider the leadership provided by my manager to be a motivating factor.	1	2	3	4	5
Reward and Recognition						
23	My compensation adequately rewards me for my contribution.	1	2	3	4	5
24	When I do a good job my performance is	1	2	3	4	5

QUESTIONNAIRE – Performance Management & Development within Cúram Software Ltd.

Please circle the choice that most accurately reflects your views:		Strongly agree	Inclined to agree	Neither agree or disagree	Inclined to disagree	Strongly Disagree
	recognised.					
25	When I do a good job my performance is rewarded					
26	My contribution is valued by the company	1	2	3	4	5
27	I understand the link between the performance management and the reward system within the company.	1	2	3	4	5
Career Development						
28	The performance management system adequately identifies potential career paths for employees	1	2	3	4	5
29	The performance management system identifies training requirements for employees.	1	2	3	4	5
30	I am happy with my	1	2	3	4	5

**QUESTIONNAIRE – Performance Management &
Development within Cúram Software Ltd.**

Please circle the choice that most accurately reflects your views:		Strongly agree	Inclined to agree	Neither agree or disagree	Inclined to disagree	Strongly Disagree
	career development path.					
31	I know what to do to achieve my career development plans.	1	2	3	4	5
32	There is plenty of opportunity for me to learn new skills and grow personally.	1	2	3	4	5

Data	31	32	Grand Total
Sum of 1	1	4	90
Sum of 2	6	9	258
Sum of 3	7	3	172
Sum of 4	6	5	189
Sum of 5	3	2	27

	23	23	
Strongly Agree	4%	17%	12%
Inclined to Agree	26%	39%	35%
Neither Agree nor Disagree	30%	13%	23%
Inclined to Disagree	26%	22%	26%
Strongly Disagree	13%	9%	4%
	100%	100%	100%



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PERSONAL

PERFORMANCE MANAGEMENT

Name:	
Job Title/Position:	
Manager/Supervisor:	
Review Type (Probation, Annual, Special etc.):	Annual
Period covered:	From: To:
Date of last appraisal:	
Date, time and place of meeting:	
Form to be returned to Manager by:	

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Section A - Performance Factors & Objectives

Performance Area	Evaluation Factors	Result				
		1	2	3	4	5
Customer Focus (A customer can be either internal or external)	Exhibits a customer care attitude	1	2	3	4	5
	Demonstrates commitment to ensuring customer satisfaction	1	2	3	4	5
	Assumes responsibility for resolving customer problems and complaints	1	2	3	4	5
	Sets realistic customer expectations	1	2	3	4	5
	Follows through to ensure commitments to customers are met	1	2	3	4	5
	Solicits input and is open to ideas from customers	1	2	3	4	5
	Develops customer confidence	1	2	3	4	5
Communication	Clearly communicates ideas verbally and in writing	1	2	3	4	5
	Keeps supervisor, customers, and co-workers informed	1	2	3	4	5
	Promotes and uses candid and open communication	1	2	3	4	5
	Provides correct and consistent information	1	2	3	4	5
	Uses appropriate and efficient channels of communication	1	2	3	4	5
Technical Knowledge	Understands the duties and responsibilities of the job	1	2	3	4	5
	Has the knowledge, skills, and abilities to perform the work	1	2	3	4	5
	Understands the mission and values of the organization	1	2	3	4	5
	Stays current with new developments, changing priorities or requirements	1	2	3	4	5
	Keeps abreast of critical issues and details	1	2	3	4	5
Quality	Completes work assignments in a timely manner and meets established dates	1	2	3	4	5
	Demonstrates attention to detail and accuracy	1	2	3	4	5
	Shows a commitment to quality and excellence	1	2	3	4	5
	Seeks for and makes continuous improvement	1	2	3	4	5
	Identifies the cause of quality deficiencies	1	2	3	4	5
	Takes action to resolve problems when quality falls below acceptable levels	1	2	3	4	5
Teamwork	Works effectively in groups and helps others to get the job done	1	2	3	4	5
	Participates in resolving team conflicts	1	2	3	4	5
	Establishes and maintains co-operative working relationships	1	2	3	4	5
	Remains flexible and open to new or different ideas	1	2	3	4	5
	Focuses team efforts on most effective mission oriented strategies	1	2	3	4	5
	Willingness to take on responsibilities	1	2	3	4	5
Administration	Keeps the workplace safe, clean, and free of clutter and hazards	1	2	3	4	5
	Adheres to organization safety instructions	1	2	3	4	5
	On-Time Timesheet Submission	1	2	3	4	5
	Time-Keeping (Core Hours)	1	2	3	4	5

1=**Unsatisfactory** - Individual has performed below expected level.

2=**Needs Improvement** - Improvement is necessary in some areas.

3=**Good** - Overall Individual performed well.

4=**Very Good** - Individual performed very well and in some areas performed exceptionally well.

5=**Exceptional** - Performance was outstanding in ALL areas. This grade should only be used in exceptional cases - the individual must have consistently worked over and beyond expectations.

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Section B - Projects in Review Period

Project	Employee Evaluation of performance	Supervisor Evaluation

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Section C - Training in Review Period

Training Course	Employee Evaluation	Supervisor Evaluation

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Section D – Employee’s Comments

How do you feel about your overall performance?

Areas in which you perform well:

Areas of work you find difficult:

Any career preferences:

Areas of training and development:

Other items you wish to raise:

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Section E – Results and Actions

Overall Performance Summary/Manager's Comments

Agreed Actions

Employee's Signature and date
<i>Please note: Employee's signature indicates receipt of information and does not signify agreement or disagreement with the manager's comments</i>
Manager's Signature and date