An Examination of the Success of a Performance Management Development System in a Semi-State Organisation

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Declaration

I certify that this dissertation which I now submit for examination, 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.

This dissertation was prepared according to the regulations of the National College of Ireland and has not been submitted in whole or in part for an award in any other Institute or University.

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Abstract

The purpose of this dissertation is to carry out an examination of a performance management development system (PMDS) in a semi-state organisation. The name of the organisation will not be disclosed in this dissertation for confidentiality reasons and will be referred throughout as Company X.

PMDS as a managerial tool aims to improve performance and increase employee's motivation which results in improved organisational effectiveness and efficiency (Armstrong & Baron 2004). The study examines the benefits to employees and the organisation of having a PMDS in place and also explores the success of the PMDS in the workplace.

Primary and secondary information on the topic of performance management are discussed in this study. Firstly the author examined secondary information from sources such as journal articles and relevant books. Thereafter, a quantitative research was undertaken. An online questionnaire was circulated by email to the research population.

The outcome of this research indicates that while employees in Company X cite a number of benefits of having a PMDS in place, the implementation of the system has not been successful, primarily due to the lack of commitment from management.

Insights gained during the research allowed the author to propose a number of recommendations.

This research contributes significantly to identifying factors which contribute to the failure of performance management systems in companies. There is considerable potential for expanding this study and areas for further research are identified that would increase knowledge of how to overcome implementation issues with performance systems.

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List of Abbreviations

et al	And others
KPI	Key Performance Indicator
PA	Performance Appraisal
PDP	Personal Development Plan
PM	Performance Management
PMS	Performance Management System
PMDS	Performance Management Development System
SMART	Specific, Measurable, Agreement, Realistic, Time Related
SPSS	Statistical Package for Social Sciences

CHAPTER ONE

Introduction

1.1   Title

An Examination of the Success of a Performance Management Development System in a Semi-State Organisation.

1.2   Purpose

The author undertook this dissertation to analyse whether the implementation of the current performance management system (PMS) in Company X has been successful. The research carried out will allow the author to gain a better understanding of performance management (PM) and performance appraisals and explore the role the appraisal plays in motivating employees.   The most common reasons which caused a performance management development system (PMDS) to fail will also be explored.

1.3   Performance Management – An Introduction

PM aims to enable, support and reward employees in achieving good performance, and also aims to retain and develop people who are committed to the organisation. This in turn will assist the organisation in reaching its long term goals (Harrison 2005). A key part of the PMS is the performance appraisal. The performance appraisal is a tool used by managers to access and develop employees, enhance their performance and reward them accordingly (Fletcher 2001).

1.4   Context of this Study

The name of the organisation will not be disclosed for confidentiality reasons. The organisation will be referred to as Company X throughout the dissertation. For the purpose of this report, the author will examine employees in the Dublin office of Company X, a semi-state organisation.

PM has become ever more important due to a variety of economic and social pressures. Increased globalisation as well as increased competition as some of the main drivers of the implementation of PMDS in companies according to Williams (2002). Armstrong (2009) supports this view. He states that it is throughout the years of the rise in global competition and recession that emphasis is placed on performance orientation. In order to sustain competitive advantage, it is important for managers to assist employees in reaching their potential in the workplace.

PMDS commenced being rolled out in the public sector in 2000 and was introduced to Company X in 2005. The main purpose of this system is to contribute to continuous improvement in performance management using a competency based approach. This system rates knowledge, skills, behaviours and attitudes central to the successful completion of a job. Training and development is provided where necessary. The system rates employees on their performance. Targets for the previous year are reviewed and the forthcoming year's targets are set with the employee's immediate supervisor or manager. The system is not pay related.

The author will undertake to examine the effectiveness of the PMDS in the Dublin based office in this company.

1.5 Outline of Chapters

Chapter one outlines the purpose of this dissertation. It also gives an overview of the topic which is being studied.

Chapter two examines published material on PM. The literature review will examine PM and performance management and the appraisal process. The reasons why PMDSs fail will also be outlined.

Chapter three provides a situational analysis of the PMDS in operation in Company X.

Chapter four outlines the research methodology which identifies the method chosen to carry out the research and the justification for choosing the methodology.

Chapter five explores the questionnaire findings and analysis.

Chapter six gives an account of the conclusion and recommendations which have resulted from this research.

CHAPTER TWO

Literature Review

2.1   Introduction

The history of PM will firstly be discussed.   The term 'performance management' is a relatively new term first being used in the 1970's by Beer and Ruh (1976) and becoming more formally recognised in the 1980's.

PMSs can be traced centuries back. Koontz (1971) as cited by Armstrong and Baron (2002) has written of various forms of PM (appraisal) systems dating as far back as the Wei Dynasty (AD 221-65). At that time, according to Koontz (1971), the emperors employed an 'Imperial Rater' whose role was to assess the performance of the reigning family.

The work of Frederick Taylor (1856-1915), who is often referred to as the father of scientific management, played an important role in the emergence of the first formal monitoring system for PM in the early 1900's (Armstrong 2007). Basic rating systems were know to be used by officers in the US and UK army in the 1920's with the emergence of merit rating in the 1950's and 1960's. Drucker's (1964) 'Management by Objectives' (MBO) was intended to be a continuous means of managing performance as opposed to the yearly appraisal (Armstrong & Baron 2000). MBOs emphasis was on goal setting and measurement of performance. Armstrong (2009) refers to the results orientated performance appraisal system which materialised in the 1960's and 1970's and which is still in existence today. Nowadays it provides the basis for providing financial rewards such as performance related pay.

Attitudes to PM vary widely. Some academics argue that PM is a system that is defective and will never succeed (Armstrong 2009) whereas others highlight the success of well designed

and managed PMS which are beneficial to both the organisation and its employees (McMahon 1999).

2.2   What is Performance Management?

Literature provides numerous definitions of PM.

Armstrong and Baron (2004) define PM as a process which should assist in achieving organisational goals and objectives by effectively guiding and managing the performance of individuals in the organisation. Organisational objectives and individual objects should be intertwined in order to optimise success.

Marchington and Wilkinson (2005) propose that PM aims to form a relationship between individual goals and departmental and organisational objectives.

Bacal (1999, p.3) defines PM as '*an ongoing communication process*' which establishes unambiguous expectations and understanding between an employer and employee.

Each of the above definitions highlights the importance of shared goals and objectives which ultimately ensure the success of the organisation. Evenden and Anderson (1992) argue that managed correctly, PM will also have a positive effect on individuals by ensuring their role in reaching organisational goals are recognised and rewarded. When incorporated into an organisational culture these systems can be beneficial to management, employees and the organisation.

Continuous two way communication between management and individuals is paramount to the achievement of organisational goals by ensuring high performance standards are managed and met. This in turn will enhance the overall performance of the organisation. Armstrong and Murlis (1994) quoted by Armstrong and Baron (1998) state that both parties can obtain

mutual understanding of the objectives to be achieved and the training and development of employees necessary to do so if proper communication is undertaken.

2.3 The Performance Management Cycle/Process

PM is an ongoing complex process.

Armstrong (2009) proposes that four main parts shape the PM process;

- Defining Performance Plan

  The defined role will set out the job description and list the competencies of the individuals in order to perform to the best of their ability. The strategic business objectives will be identified at this stage also. Torrington, Hall and Taylor (2005) argue the importance of these strategic business objectives which flow through the organisation resulting in individual objectives which in turn impact on the overall success of the organisation.

- Obtaining Performance Agreement

  Performance Agreement defines the expectations of both parties in the process. Personal Development Plans (PDPs) may be drawn up. It is particularly important at this stage of the process to motivate staff to perform to the best of their ability. This can be done by recognising their achievements and developing their talents whilst providing ongoing learning and support facilities (Armstrong & Baron 2007).

- Managing Performance Throughout the Year

Personal development planning and managing performance should assist individuals in doing their job better by developing strengths and overcoming weaknesses. This should be a standard part of the manager's role (Armstrong 2003).

- Reviewing Performance

  Performance reviews are the formal part of the PM process. This is an assessment of the individual's performance based on objectives set and agreed at the beginning of the year and any changes to the said made during the year. This should take place on a continuous basis with a formal review being held at least once a year (Armstrong & Baron 2005).

McMahon (2009) outlined the three most common issues that surround the process of designing a PM system.

- Perfect PM does not exist

  PM is unique to every organisation. It cannot be copied from one organisation to the next. Numerous factors must be taken into account when designing the system such as internal and external influences.

- Expect Resistance

  Employers should be prepared for employees who will be likely to reject the system rather than see the benefits it will bring to the organisation. Successful systems should be designed for and with employees in mind in order to have their support and approval and meet with the minimum of resistance.

- The PM system must receive full attention from top management.

The system will be costly both in financial and non-financial terms, and constant efforts commencing with the design and implementation to the continued management of it are instrument to its success (Armstrong 2009).

2.4   Performance Appraisal

Performance appraisals are an essential part of the PM process (Fletcher 2004). Moon (1993, p.8) defines the appraisal '*as a formal documented system for the periodic review of an individual's performance'*.

Writers on the subject of appraisals are seen to be either enthusiastic or critical of performance appraisals. Drucker (1954) is enthusiastic about appraisals. He is of the view that it is a manager's responsibility to meet organisational goals through the monitoring of employees. Kuvaas (2006) states that there is a positive relationship between satisfaction felt by employees with regards to the appraisal and their results in the form of work performance which in turn will affect the organisational commitment and turnover. McGregor (1960) is critical of the formal appraisal scheme. He is of the view that management adapt a particular style which is of the assumption that people are unreliable and unable to operate without close supervision and control. Hendry, Woodward, Bradley and Perkins (2000) are in agreement with this view stating that the appraisals aim is to control employees' activities.

Pilbeam and Corbridge (2006) suggest that the main aim of the performance appraisal is to measure an individuals or teams achievement against specified objectives which were agreed upon. McMahon (1999) agrees with this notion stating that employees need to know their place in the organisation and the role they play.

If implemented and managed correctly in a culture of acceptance, performance appraisals can have numerous benefits to the individual and the organisation and be a motivational tool. The objectives of an appraisal system as set out by McMahon and Gunnigle (1994) are as follows;

- To review and learn from past experiences and explore how past performance can be improved upon

- Key objectives to be reached are set

- To allow for an employee's strengths and weaknesses to be identified and to provide training where necessary

- To give feedback and acknowledge how the employee is doing in the role

- The holding of performance appraisal meetings allows for personnel records to be updated which will be of benefit to new managers and existing managers. On reviewing an employees' work, it will be made easier to identify those with potential for promotion or problematic employees

- Performance appraisals motivate people

- Performance appraisals also assist with decisions regarding pay.

Writers have conflicting views on whether or not employees' performance changes following appraisal reviews. Dorfman, Stephan and Loveland (1986) found that appraisal reviews did not positively impact on future job performance. Nathan, Mohrman, and Milliman (1991) and Taylor and Pierce (1999) contradict this view. Nathan, et al. (1991) found that small but significant changes were made following on from the appraisal in the areas of participation, evaluation and career opportunities. Taylor and Pierce (1999) found that planning and goal setting impacted favourably on employee performance.

Armstrong and Baron (2004) emphasise the importance of strategic fit when conducting appraisals stating that what may work in one organisation may not necessarily work in another.

Literature on the impact of employee motivation and rewards, goal setting, feedback, training and development will now be reviewed in relation to performance appraisals.

2.5   Motivation

Performance appraisals can be motivating for the employee when managed correctly. Thomson (2002) argues that an appraisal system assists a manager in learning more about their employees. Managers can help increase employees motivation through identifying their problems and needs and what they like or dislike about the job. The end result will improve individual performance and productivity. Purcell, Kinnie, Rayton and Swart (2003) further report that managers who are enthusiastic and have a positive approach to appraisals are more probable to have like-minded employees.

Many theorists have researched what motivates employees. Maslow (1943) is the most well known theorist on the subject of motivation. Maslow's theory is based on a set of five steps commencing with the most basic needs in order for survival and resulting in self actualization.

There is a strong link between self actualisation and performance in the workplace. Maslow (1943) describes self actualisation as the potential for the individual to reach their potential bearing in mind that each individual has varying specific needs. When applied to employees in an organisation the potential the manager is realising is the potential of the employees to work towards organisational success.

McGregor's (1960) Theory X and Theory Y were proposed in his book published in 1960 'The Human Side of Enterprise'. This theory is similar to Maslow's hierarchical of needs self actualisation. Theory Y management style is displayed by enlightened managers who strive to get the best from their employees enabling them to grow and develop.

Vroom's (1964) Expectancy Theory has been referred to by literature as perhaps the most important theory on motivation. Vroom's theory takes a different approach to Maslow's. Whereas Maslow's theory concentrates on the needs of the individual, Vroom's theory focuses on the outcomes. Vroom's theory states that an individual will act in a particular way based on the attractiveness of the outcomes that the individual can be obtain in return for their participation.

The link between reward and motivation can be drawn from Vroom's Expectancy Theory. There is extensive research carried out on reward and motivation. Rewards can be both extrinsic and intrinsic. Conflicting arguments arise in literature as to what is the best way to motivate employees. Armstrong (2003) states that many organisations recognise that non-financial rewards can be just as influential as money. Armstrong and Baron (2005) state that incorporating both monetary and non-monetary rewards can be instrumental in motivating and increasing employees' commitment to the organisation.

There are those who believe that performance and extrinsic rewards should be isolated from each other. The linking of pay to the PMS can weaken the objectivity of the performance appraisal. Armstrong (2007, p.397) states

> *'It is undesirable to have a direct link between the performance review and the reward review. The former must aim primarily at improving performance, and, possibly, assessing potential. If this is confused with a salary review, everyone becomes over-*

concerned about the impact of the assessment on the increment. It is better to separate the two.'

This idea is examined further in the next paragraph.

2.6   Extrinsic Rewards

Extrinsic rewards are external factors such as salary, bonus and promotion. Vroom's (1964) theory somewhat explains the relationship between these rewards and performance. These factors will motivate an employee to a certain degree.

There has been constant debate with regard to the issue of linking performance with pay. Henman (cited in O'Sullivan M. & Reidy, L. 2004) argues that there is not a strong link between pay and subsequent motivation and Williams (cited in O'Sullivan M. & Reidy, L. 2004) supports this view. Mitra, Gupta and Jenkins (1995) conducted a study which sought to identify the relationship between pay and organisational goals. One of the findings of the study found that a pay rise beyond a specific point is unlikely to have any further effect on employee performance and motivation. However, pay plays a dominant role in motivating employees with employees drawing a comparison between their value and status within the organisation to how much they are paid (McMahon 1999).

2.7   Intrinsic Rewards

Deci, Connell and Ryan (1989) and Vallerand (1997) define intrinsic motivation as the motivation to perform an activity in order to experience the satisfaction that comes from performing the activity itself.

Armstrong (2006) outlines the non monetary reward motivators as follows;

- Achievement

The need for achievement varies between person to person and also from job to job. High achievers are likely to be more proactive and have a willingness to make their own decisions and use their initiative. Others benefit from a job design which may encourage them to develop their skills and abilities.

- Recognition

Acknowledgement for a job well done is in itself a motivator.

- Responsibility

Job design can provide the scope for increased responsibility. People can be motivated if they are given the trust and responsibility necessary to carry out their job.

- Influence

People can be motivated by being in a position where they can exert influence.

- Personal Growth

The opportunity to grow and develop is a motivator for employees.

2.8   Training and Development

Performance appraisals when conducted correctly will highlight the gap in training and development needs necessary for employees. Most managers will view the performance appraisal interview as the main tool for doing so. Ongoing training and development should

be related to future career aspirations for the employee which will have a motivational influence as well as clear organisational objectives for the company (McMahon 1999).

There are numerous training and development methods which can be used to suit individual and organisational needs such as on-the-job training, internal and external training courses, classroom training, product training, technical training, mentoring and role playing (McMahon 1999).

Some of the benefits of employee training and development which can be identified during the appraisal are as follows (Armstrong & Baron 2004);

- Increased employee motivation
- Increased job satisfaction
- Develops the employee
- Better morale amongst employees
- Increase efficiencies, better productivity results from employees
- Ability to adapt to new practices and new technologies with ease

Benabou (1996) and Clarke (2004) found that a well designed training programme will in turn increase the productivity and effectiveness of the organisation.

2.9   Goal Setting

Goal setting is central to the success of the performance appraisal.   Earley, Northcraft, Lee and Lituchy (1990) state that goal setting will have a positive effect on work performance by increasing motivation to carry out the job. Buchner (2007) cites the goal theory formulated by Latham and Loche (1979) as one of the main theories on which the foundation of performance management can be based on. Research carried out by Latham and Locke

(1979) on the goal theory suggests that goals are beneficial to performance as they encourage employees to strive and achieve objectives set. They described how setting goals assists in achieving desired outcomes. The current approach adapted to help managers and staff recall the basic criteria of performance appraisal is by recalling a simple acronym - S.M.A.R.T. (Armstrong 2009).

- Specific

Management and employees should know what is expected of them and objective should be clearly defined.

- Measurable

Once objectives are set it should be reported how they will be measured. Armstrong (1996) states that measurement is a key part of the appraisal process as if something is not measured, it cannot be improved upon.

- Achievable

The objectives set must be achievable for the employee. Unachievable objectives may result in employees feeling de-motivated.

- Realistic

Targets set must be realistic in that they can be achieved.

- Timely

A time scale should be put into process to measure them.

It has been found that the setting of goals will impact positively on an employee's attitude to performance appraisals and motivate the employees to improve their performance (Burke, Weitzel & Weir, 1978).

2.10   Feedback

Feedback is centre to the success of the appraisal system. Employees benefit from feedback but it is fair to say that intrinsically motivated employees will benefit more from the feedback they receive from performance appraisals (Deci & Ryan 1985).   Constructive feedback during the appraisal interview will assist the employee in performing better. It may also motivate the employee to strive harder to achieve set objectives and embrace new objectives along the way (Brown, Ganesan & Challagalla 2001). According to Vigoda (2002) positive appraisal feedback will affect employees' behaviour in a positive manner. It is very important that there is clear communication and engagement between the two parties.   Otherwise feedback which points out a person's shortcomings in their performance may have a de-motivational result and impact on future performance (Sheridan 2007).

Bucher (2007) states that constructive feedback, when used as a managerial tool, often results in corrective action. Positive and negative, receiving and giving feedback is a very important stage of the performance appraisal.

2.11   What causes Performance Management Systems to Fail?

To allow for a PMS to be successful, McMahon (2009) points out that it needs involvement from all stakeholders – managers, employees, trade unions, shareholders and customers. A well designed system will fail if it is not put into practice correctly. Senior management play a key role in the support and implementation of the PMS designed for their organisation and are the key to its success (Currie & Procter 2001, Whittaker & Marchington 2003, Harrison

2005). Once implemented, continuous effort must be made to manage and review the PMS if success is to be gained from its existence (DeNisi, et al. (2008) quoted by McMahon 2009).

There are many reasons why PMSs fail and why employees do not perform to a certain standard. It is important for management to determine why this is the case and steps taken to rectify the problem to aid the future success of the system and the organisation.

Armstrong (2009) divides the criticism in literature from academics and practitioners into two categories which both result in its inability to do what it was set out to do.

- It is a good idea but does not work
- It is a bad idea and does not work

The first category which states that it is a good idea despite being successful refer to the following issues based on Armstrong (2009).

- PM is seen as a chore which has little to do with reality (Barlow 1989).
- It may be implemented poorly by managers (Grint 1993).
- There may be a mis-conception amongst employees that appraisals focus on the negatives or may value it irrelevant (Pulakos, Mueller-Handson & O'Leary 2008).
- Dissatisfaction with the rating system may inhibit success (Carlton & Sloman 1992).

The second category which states it is a bad idea and does not work.

- It is a complex system which involves one person summarising the performance of another (Coens & Jenkins 2002).
- There systems are poorly designed and administered (Lee 2005)
- Appraisals may be inconsistent and ignore systematic factors (Bowles & Coates 1993).

McMahon (2009) attempts to summarise the most reasons resulting in the failure of performance systems.

- Managerial Hostility

  Manager's attitudes will have a profound effect on the success of a PMS. Some managers may lack understanding of the system and how it works and others may argue that they lack time to implement it in their department.

- Staff Hostility

  Staff support is vital for ensuring success of the system. Staff support is needed right from induction stage. Staff should view the system in a positive light as something which will greatly benefit them.

- Conflicting Objectives

  If the PM appraisal system and an objective such as pay are dealt with simultaneously, there is a chance that the employee will overlook issues which will benefit the company in the long term for his short term gain. This may end up costing the organisation in the long run.

- Inadequate Interviewing Skills

  A poorly prepared manager and a manager without the proper training are likely to see the PMS fail. Good two way communication is necessary which will install confidence in the system.

- Insufficient Interview Follow-Up

  Failure of managers to act upon any promises made during the interview such as sending the employee on a training course, can have a negative effect on the reputation of the PMS.

- Failure to Evaluate or Review the System

  What constituted a good PMS a few years ago does not necessarily mean that that is still the case today. Systems need to be constantly reviewed and updated if required.

- Complex Paperwork

  Managers may resent complex paper filling forms which add to their own work. The objective of the PMS is to motivate staff and a complex paper exercise from the outset will not have this effect.

- Human Judgements

  Human judgement and subjectivity are problems which are inherent in a performance appraisal process as it is a fact of life that no two humans are the same and may not necessarily view things in the same manner. One manager may be biased against a certain appraise and another may be too lenient. Different standards expected by various appraisers are certainly a weakness in the appraisal system.

The author researched a study which was undertaken by Counet and de Waal (2009). This study explored the problems which cause management performance systems to fail and the findings concurred with McMahon (2009) findings listed above.

2.12   How to Improve Performance Management

There are many ways in which PM can be improved. Bacal (2004) attempts to summarise the main ways PM can be improved as follows.

- Modernise the organisations thinking – an active role must be played by employees in defining and redefining the role they play in the organisation.

- Identify the benefits of a successful PM system – PM has the ability to improve productivity and motivate employees.

- Management should work with employees – team work will have the effect of reducing confrontation between management and employees.

- Clear goals should be planned – clear and important objectives should be agreed upon between all involved.

- Align employee goals with the organisations goals. Do this on a periodic basis but at least once a year in order to ensure alignment of goals.

- Set performance incentives which will motivate staff and be part of the planning process.

- Managers should be approachable and open two way face to face communication which can aim at identifying and solving problems. Technology is indispensible but will not make up for invaluable one on one meeting.

- Clarify each rating item and ensure the employee has a clear understanding of the objective to be achieved.

- Avoid the ranking of employees which can encourage employees to maliciously intervene with another's work.

- Prepare for the appraisal and arrange for the meeting to be free from interruptions.

- Start the review meeting on a positive note which will encourage open communication and responsiveness.

- Identify the causes of why performance succeeds and fails.

- Acknowledge and recognise a job well done.

- Focus on an employee's positive attitude.

- Be specific – goals should be S.M.A.R.T.

- Do not avoid conflict and document correspondence associated with conflict.

- Continuously aim to develop employees whilst improving the PM system.

2.13   Conclusion

A PMS, when used correctly, is a very valuable framework for companies. It can assist in the communication of key messages to employees. It has multiple functions. The system can be used to communicate organisational goals, identify training and development requirements, improve employee performance, used as a means to plan future objectives and as a method of measurement of results and outcomes (Armstrong & Baron 1998). PM has a numerous functions and hence the reason why there are so many varying definitions of PM in literature.

The performance appraisal is a key part of the PMS. McMahon and Gunnigle (1994) state that appraisals play an important role in improving employee performance. Appraisals can also be used as a tool to motivate and reward employees, set goals, provide feedback, and identify training and development needs.

However, there are many criticisms of appraisals in literature. Some academics are of the view that the appraisals aim is to control employees' activities (Woodward, Bradley & Perkins 2000).

Although PMSs have become increasing popular there are many reasons which cause them to fail. Managers are instrumental to ensuring the success of the system. It is evident that some managers do not place much emphasis on the PMDS and may see it as being a 'paper exercise'. Lack of training and understanding of the process by management may cause the system to fail. The system also needs 'buy-in' from employees and management must ensure that this is done.

There are a number of ways in which the PMDS can be improved as identified by Bacal (2004). In order to maintain competitive advantage in very uncertain times, it is important that the implementation of the PMDS is successful.

CHAPTER THREE

Situational Analysis

3.1   Introduction

In May 2000 the Social Partnership Agreement, The Programme for Prosperity and Fairness (Department of The Taoiseach 2000) committed to introducing a scheme towards improving performance in government offices and departments. Each public sector entity had to develop a PMS under the guidelines of the Programme for Prosperity and Fairness unique to their own departmental needs.

The PMDS is central to the monitoring and achievement of the goals set out. This scheme also set about to change the style of management in existence. A more participatory style of management was to be introduced involving employees in objective setting discussions and delivering feedback on their performance to them. This system would provide a performance rating to each of its 30,000 employees. Key performance indicators are used within this system and civil servants are rated on their performance, according to targets agreed on an annual basis with their immediate supervisor or manager.

3.2   Performance Management in Company X

As a semi state body the PMDS was introduced into Company X in 2005.

A competency approach is central to this system. Competencies ensure that the behavioural aspects of the employees are considered and not just the outcome when performing tasks. Competence describes the knowledge, skills, behaviours and attributes required to successfully accomplish a job (Armstrong 2009).

The PM process in Company X involves:

- Agreeing a personal performance plan between management and the employee

- Appraising and improving performance

- Ensuring a training and development strategy is in place to ensure continuous learning and development

- Recognition of good work done is rewarded. The new system is not related to pay for individuals; therefore rewards are not pay related.

3.3   Conclusion

PM in the public sector is closed tied with the Social Partnership Agreements. The current agreement, Towards 2016 (Department of The Taoiseach 2006), focuses on improving productivity across the public sector. PM has become ever more important due to a variety of economic and social pressures such as increased globalisation and increased competition according to Williams (2002). In order to sustain competitive advantage, it is important for managers to assist employees in reaching their potential in the workplace. The PMS is a tool which can assist in ensuring that optimal performance from employees is achieved.

CHAPTER FOUR

Research Methodology

4.1   Introduction

This chapter describes the methodology used when researching for this dissertation. The research question and the research objectives are re-stated. The primary and secondary research methods that have been adapted are described. The data collection method used during primary research is outlined. Finally, limitations of the research are recognised.

4.2   Research Title

An Examination of the Success of a Performance Management Development System in a Semi-State Organisation.

4.3   Objectives of the Study

The primary research objectives are:

- To explore whether the implementation of a PMDS in Company X has been successful
- To determine what elements lead to the failure of the PMDS.

The secondary research objectives are as follows:

- To gain an understanding of PM and performance appraisals
- To explore the role performance appraisals play in motivating employees
- To examine reasons why PMSs may fail.

4.4 Research Philosophies

There are three main philosophies outlined in the research literature – Positivism, Interpretivism and Realism (Saunders, Lewis & Thornhill 2003).

4.4.1 Positivism

Positivists place emphasis on quantifiable observations which are measurable and observable and can lend themselves to statistical analysis (Gill & Johnson 2002). Logical reasoning replaces experience and intuition when investigating phenomena (Collins & Hussey 2003). This philosophy lends itself the quantitative approach which is more objective in nature (Collins & Hussey 2003).

4.4.2 Interpretivism

Interpretivism focuses on gaining an understanding of how a phenomenon is influenced by the environment. The interprevist researcher places more emphasis on words, observations and meanings as opposed to facts and numbers (Anderson 2004).

4.4.3 Realism

Realist researchers share the ideals of positivism and interpretivism. A realist can observe the phenomena without being affected by it in the way a positivist would. A realist, like an interpretivism researcher, is aware of the importance of understanding why the phenomenon occurs (Anderson 2004).

This dissertation uses a quantitative approach in line with the positivist philosophy.

4.5   Research Process

Malhotra and Birks (2003) six stage research process was followed for this dissertation.

Stage 1:   Problem Definition

Stage 2:   Research Approach Development

Stage 3:   Research Design

Stage 4:   Data Collection

Stage 5:   Data Analysis

Stage 6:   Presentation of the findings

4.6   Secondary Research

Brannick and Roche (1997, p.24) define secondary research as research '*that was developed for some other purpose other than helping solve the research question in hand*'. A thorough research was carried out on the secondary data published in order to aid in the design of the questionnaire. The secondary research sources utilised in relation to the topic included journals and books. These provided the means for the researcher to gain further knowledge on the topic. The bibliography section of this dissertation lists all sources from which the secondary data was collected.

4.7   Justification of Secondary Research Methods

Cooper and Emory (1995, p.119) claim that '*it is inefficient to discover anew through primary research data collection or original research what has already been done*'. On reviewing the literature, the researcher will be able to identify what area to further explore. Secondary

literature will act as a basis from which primary questions can be prepared from (McCracken 1988).

4.8   Primary Research: Quantitative –v- Qualitative

Primary research can be defined as research which is collected for the first time (Chisnell 1992).   There are various methods which can be used when gathering primary data such as interviews, case studies, focus groups and surveys.

Baxter, Hughes and Tight (2001) suggest that quantitative research methods were developed by researchers in natural sciences carrying out experiments and then measuring the results. This type of research is used to measure how individuals feel, think or act in a specific way. Structured interviews consisting of mainly closed questions are mainly used with the sample size generally being a large size, usually over fifty. The information which is collected is turned into numerical data which can easily be compared to other similar data (Malhorta 1999).

Qualitative research methods is a more explorative design gaining insight into such things as people's attitudes, behaviours, motivations and concerns and is usually based on a small sample size (Malhotra & Birks 2003). Focus groups and in-depth interview are two of the approaches used when carrying out qualitative research. This method can be time consuming (Malhotra & Birks 2003).

On reviewing various research methodologies, it was concluded that the best approach to take to analyse the results for this study would be using a quantitative method of research. This research method allowed the data to be collected from a large group of people which could then be easily measured. This method also allowed for problems to be easily identified. A qualitative research method could also have been used but it would not have been possible to

statistically analyse the data and due to time constraints, it would not have been possible in the given time to conduct the research with the same sample size as was used for the quantitative method.

4.9   Research Method – Quantitative Research

For the purpose of this dissertation, a quantitative model was used to undertake the primary research in the form of a questionnaire.   There are a total of 191 employees in the Dublin based office of Company X. The questionnaire was emailed to 88 employees of varying grades on 20th July 2011. The respondents were given a week to reply by email. A reminder email was sent on 26th July 2011. 56 questionnaires were returned providing a response rate of 64%.

Malhotra (1996) argues that a well designed questionnaire has three specific objectives;

- Information must be translated into specific questions to be answered by the respondent
- It must motivate the respondent to co-operate and provide accurate responses
- Response error should not be high.

The information gathered was translated to statistical tests which were then used for analysis. This allowed answers to questions to be easily identified (Malhorta 1999). A copy of the questionnaire circulated can be found in Appendix A.

Saunders, et al. (2007) guidelines were followed when formulating the questionnaire. According to these guidelines provided by Saunders, et al. (2007) the length of the questionnaire is deemed to be acceptable for self-administered questions. It is neither too short nor too long. In total 87 questionnaires were distributed. The response rate was 64%.

4.10   Disadvantages of Questionnaires

Saunders, et al. (2007), state the disadvantages associated with using questionnaires as a form of data collection as being;

- Misinterpretation of data collected

- Specific details difficult or not possible to communicate

- Impersonal means of obtaining the information.

4.11   Designing the Questionnaire

'*The questionnaire must motivate the respondent to co-operate, become involved and provide complete and accurate answers*' (Malhotra 1996, p.317). The questionnaire comprised of 10 questions. The questionnaire consisted of closed questions which had set responses save the last question which allowed the respondents to expand. Closed questions were used to facilitate the respondent to remain focused in their response. Responses were then easily analysed and compared. Secondary research source informed the questionnaire and allowed insight into the research question to be gained. The questionnaire was designed as follows:

- The information gathered in the first two questions determined the gender and length of service with Company X. The information gathered here has no relevance to the secondary data but will give insight into the population sample which was researched.

- Questions three to seven set out questions in relation to the system used in Company X.

- Question eight attempts to clarify the effectiveness of the PMD in Company X.

- The final two questions determined if the system is perceived as a success or failure by employees.

Unambiguous words were used in the questionnaire so that the respondents would interpret the questions in the exact same meaning and answers would not be biased (Malhotra 1996).

A link to the online survey was distributed by email with a covering letter explaining the purpose of the survey.

4.12   Data Collection Analysis

Survey monkey, a web designed database, was used to distribute and collect the responses to the questionnaires. All the findings from the questionnaire are presented in chapter five of this dissertation.

4.13   Method of Analysis

'*Data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques*' (Cooper & Emory, 1995, p.67).

The data collected was input into the computer programme, Statistical Package for Social Sciences (SPSS). This programme permits data entry, consistency checks, assignment of missing values, statistical adjustments to the data and basic data analysis.

Frequencies

Frequency distributions were run to obtain a count of the number of responses associated with different values of one variable and to express these counts in percentage terms. Frequencies were run for each variable (question).

Cross Tabulations

Cross tabulations were run in the search for associations or relationships between two variables (bivariate cross-tabulation). Although the nature of an association can be observed from tables, statistics are available for examining the significance and strength of the association.

SPSS computed frequency distributions by the FREQUENCIES programme and cross tabulations by the CROSSTAB programme. The main findings of these computations are presented in Chapter 5.

The findings of the data are presented using tables. Percentages may not add to 100% due to rounding.

4.14   Research Sample and Limitation

Company X is a large semi-state body.   The sample population used for this study are employees in a Dublin based office.   There are 191 employed there.   The questionnaire was sent to 88 employees.   The findings cannot be generalised to the whole of Company X.

4.15   Confidentiality and Access

The author sought permission from Company X to circulate the questionnaire to its employees in order to source the primary data.

Names of respondents and the workplace will not be disclosed in this dissertation for confidentiality reasons.

4.16   Conclusion to Research Methodology

This chapter outlines the research methodology used for this dissertation and the reason why the quantitative method was chosen. The following chapter analyses and interprets the findings of the primary research undertaken.

CHAPTER FIVE

Research Findings and Discussions

5.1   Introduction

The overall objective of PM is to benefit the work performance of both employees and the organisation. It aims to do this by ensuring individuals reach their full potential through self development and also by having a support system readily available to them which offers guidance and encouragement (Armstrong 2009).

In this chapter the author will examine the effectiveness of the PMDS in Company X. The author will analyse if the PMDS is viewed by employees in a positive or negative manner and based on these findings, explore the reasons why this may be the case.

In this chapter the findings from the primary research undertaken will be presented. The primary research objectives are as follows:

- To explore whether the implementation of a performance management development system in Company X been successful.

- To determine what elements lead to the failure of a performance development system.

The findings in this chapter are based on an individual analysis of the responses to the questionnaire. An online questionnaire was emailed to 88 employees in the Dublin based office of Company X.   The number of respondents who completed the survey totalled 56. The response rate was 64%.

The findings of the questionnaire are outlined in Appendix B.

5.2   Profile

The first two questions outline the profile of the respondents.   The findings here will assist in the analysis of additional questions presented in the survey.

Figure 5.1 illustrates the percentage of males to females under review within the office. There are a higher percentage of female employees than male employees in Company X.   The high percentage of female respondents is representative of the office under review with a greater proportion of staff employed being female.

Figure 5.1: Percentage of Males to Females
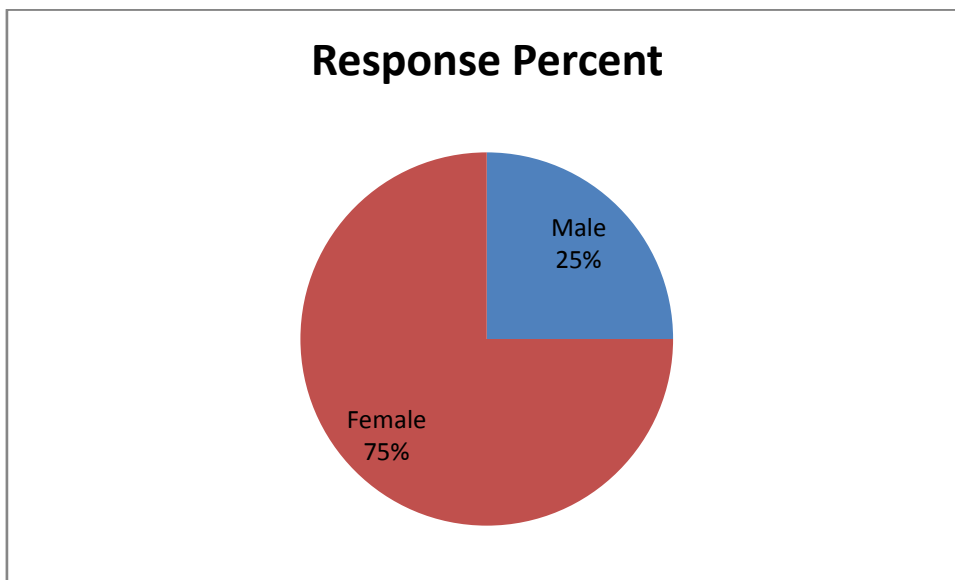
The questionnaire was circulated to employees with varying length of service and of varying grades within the organisation. It was found that 62% of employees are with the company nine years or less. Figure 5.2 outlines how many years the respondents have been employed in Company X.

Figure 5.2: Length of Time in Company
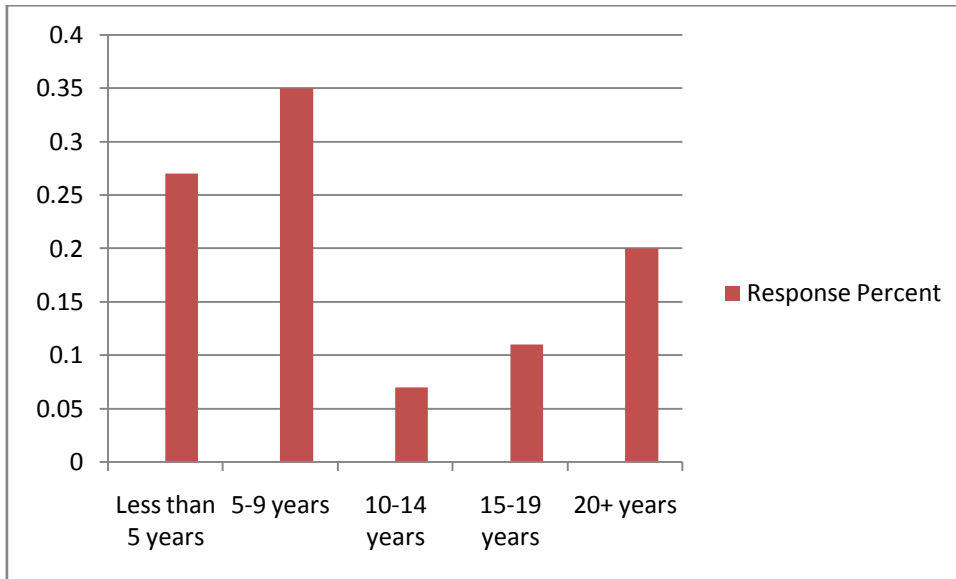
5.3   When was the last performance review held?

Table 5.1 outlines when the respondents' last review was held. Although still being carried out in the company, it can be noted that there is an inconsistency on how often the PDM is reviewed and carried out.

Table 5.1:   Length of time since review

Timeframe	Response Percent
Within the last year	16%
1-2 years	33%
2+ years	45%
Never	6%

The statistics outlined above indicate that there is less emphasis being placed on the PDM being carried out with almost four out of every five respondents indicating they did not have a

review in the past year. A further six per cent of respondents have never had a review. Half of the respondents who have never had a review had been with the company for over five years. Armstrong (1995) indicates that the PM cycle should be a continuous development which should take place regularly. A formal review should be held at least once a year. It is the author's opinion that this is not happening in Company X.

Figure 5.3 examines whether or not the respondents would like a review to be held in the immediate future.

Figure 5.3: Desire for review to be held in the future
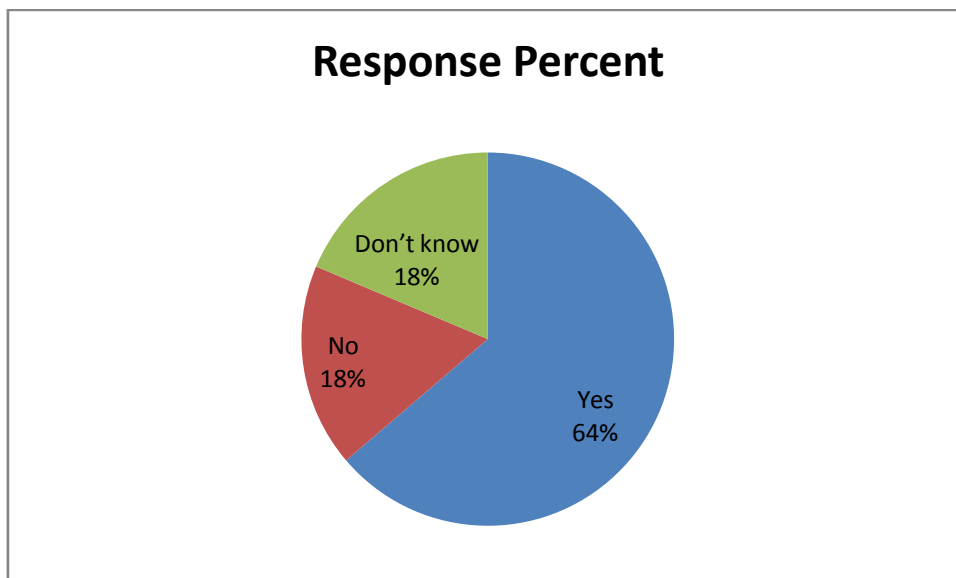
Almost two thirds of employees would like a performance review to be held now. Of respondents who have never had a performance review with their manager, all of them would like a performance review to be held in the immediate future. Three out of four respondents who have had a review in the last 1-2 years would like a review to be held now.

Of the 64% of respondents who replied they would like a PDM now, 73% were in net agreement that they feel more motivated after having a PDM and 80% responded that goals

set during the PDM were achieved. Of those who did not want a PDM to be held now, only 29% felt motivated after a review meeting.

5.4 Goal Setting

Buchner (2007) cites the goal theory, formulated by Latham and Locke (1979), as one of the main theories underpinning PM. This theory reinforces the importance of the setting and agreeing of objectives against which performance can be supervised. The percentage of respondents who had goals set at their last PDM is outlined in the chart below.

Figure 5.4: Were goals set at last PDM?
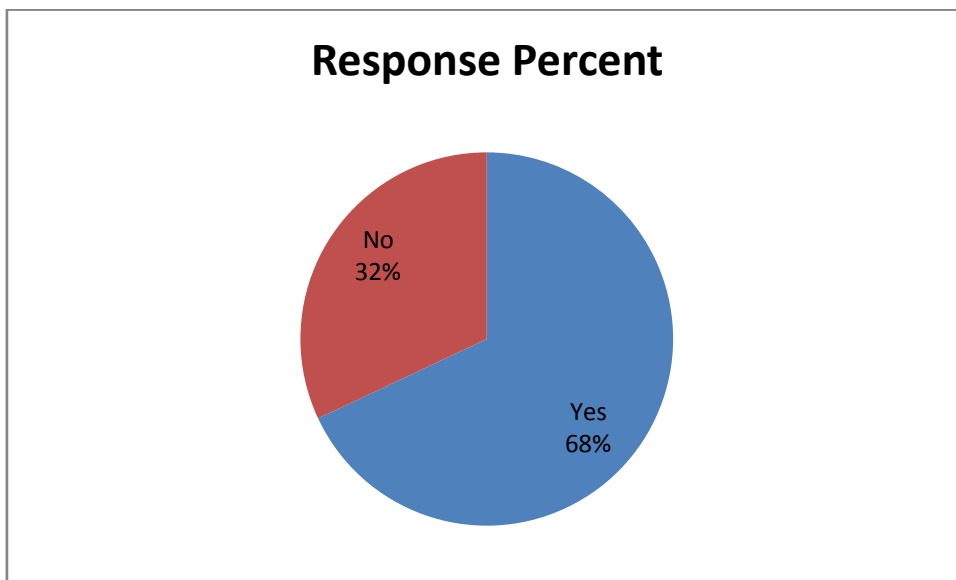
The analysis shows that over two thirds of respondents felt that goals set were fair and achievable. Burke, et al. (1978) state that the setting of goals will have a positive effect on employees' attitude and performance. The current research findings support this view with 90% of respondents indicating that setting goals helped them focus more clearly on the job.

McMahon (2009) states that goals set should be monitored so that necessary action should be taken if needed. Table 5.2 outlines respondents' views on whether the objectives set during their performance review were S.M.A.R.T.

Table 5.2: Objectives set S.M.A.R.T.

	Response Percent Yes	Response Percent No
Specific	68%	32%
Agreed between management and myself	89%	11%
Realistic	81%	19%
Achievable in a given time frame	78%	22%

Of the 68% of respondents who had goals set almost nine out of every ten agreed that goal setting helped them to focus more clearly on the job.   Earley, et al. (1990) stated that goal setting has a positive effect on work performance by enhancing motivation. It was recorded that 60% of respondents said that they felt more motivated when they had goals set.

5.5   Satisfaction with the PMDS

Almost half of respondents cite being dissatisfied with the PMDS in place in Company X, with only one in ten respondents indicating any level of satisfaction. The large proportion of dissatisfied respondents is cause for concern. There are also a large proportion of employees

who are neither satisfied nor dissatisfied with the PMDS in operation. Table 5.3 examines respondents' level of satisfaction with the PMDS in more detail by taking into account the number of years they have worked with the company.

Table 5.3:   Satisfaction Rate with the PMDS

Satisfaction Rate	Response Percent	Length of Service				
		<5 yrs	5-9 yrs	10-14 yrs	15-19 yrs	20+yrs
Very satisfied	0.0%	0%	0%	0%	0%	0%
Satisfied	10%	0%	11%	0%	20%	14%
Neither satisfied/dissatisfied	42%	43%	44%	0%	20%	57%
Dissatisfied	22%	14%	22%	100%	40%	0%
Very dissatisfied	24%	36%	22%	0%	20%	29%
Don't know	2%	7%	0%	0%	0%	0%

Those who are with the organisation 10-19 years show the highest level of dissatisfaction with the PMDS in place.   Employees who have been with the organisation over 20 years tend to reserve judgement on whether they are satisfied or not with the system.

Table 5.4 indicates that female employees are significantly more dissatisfied with the PMDS (50%) compared to their male counterparts (20%).

Table 5.4: Satisfaction with the PMDS according to gender

		Gender	
Satisfaction with PMDS	**Response Percent**	**Male**	**Female**
Net Satisfied	10%	10%	11%
Neither	42%	60%	39%
Net Dissatisfied	46%	20%	50%
Don't Know	2%	10%	0%

It is interesting to note that 82% of male respondents had a performance review held within the last two years, however only 40% of female respondents had a review in the same time period. The findings indicate that there is a strong correlation between PMDS satisfaction and the length of time that has passed since a respondent's last review. It is therefore not surprising that given the additional time lapse experienced by female employees between reviews that they are more dissatisfied with the system than their male colleagues.

Table 5.5 Satisfaction rate relative to time since last review

	Length of time since last review			
Satisfaction with PMDS	Within 1 year	1-2 years	2+ years	Never
	29%	7%	5%	0%

5.6   Drivers of Performance

This section examines employee motivation, feedback, goal setting, communication and training and development in relation to the PMDS in operation in Company X. Respondents were asked to indicate how strongly they agreed or disagreed with the statements as set out in table 5.6.

Table 5.6: Views on PMDS in Company X

Statements	Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly	Don't know
Having a performance system in place improves communication between yourself and management	35%	41%	18%	6%	0%	0%
A performance system clarifies expectations regarding work responsibilities	39%	49%	10%	2%	0%	0%
A performance system builds trust between yourself and management	14%	41%	31%	14%	0%	0%
Setting goals and objectives helps me focus more clearly on my job	33%	57%	10%	0%	0%	0%
Identifying training and development needs helps me perform my job better	24%	55%	16%	4%	0%	0%
My performance development meeting helps identify my strengths	12%	41%	33%	10%	2%	2%
I feel motivated after my performance development meeting	14%	43%	24%	14%	4%	0%
My PDM helps identify areas I needed to improve on	6%	59%	14%	16%	2%	2%

Table 5.6: continued

Statements	Agree strongly	Agree	Neither agree nor disagree	Disagree	Disagree strongly	Don't know
I receive valuable feedback on my performance at my PDM	6%	37%	35%	18%	4%	0%
I would be more motivated if my appraisal was related to a pay performance review	37%	41%	14%	6%	2%	0%
I was able to achieve the goals that were set during my PDM	12%	63%	16%	4%	4%	0%

The responses to the above statements are grouped as follows:

5.6.1   Motivation

Performance appraisals can be motivating for the employee when managed correctly. Thomson (2002) states an appraisal system assists a manager to learn more about their employees.

Over half of respondents (57%) felt motivated after the PDM.

According to McMahon (1999) pay is an incentive when motivating employees. It was recorded that 78% of employees in this survey would be more motivated if their appraisal was related to a pay performance review. One of the respondents stated

> *"when a PMDS is not linked to pay there is no incentive upon anyone to actually carry it out correctly. It is seen as a ticking box exercise. Staff is aware of their job roles and responsibilities already."*

The PDM is not pay related in Company X. Another respondent gave a view on this matter stating "*it is not pay related so it is not seen as important in this organisation.*"

There are differing opinions in literature on whether or not pay should be related to the PDM. Although pay is a dominating motivating factor, Mitra, et al. (1995) conducted a study which concluded that a pay rise beyond a certain point will not have any further effect on employee performance and motivation.

Regarding work performance, half of the respondents stated that the PMDS had a positive effect on work performance. Kuvaas (2006) stated that there is a positive relationship between satisfaction felt by employees with regards to the appraisal and their results in the form of work performance which in turn will affect the organisational commitment and turnover. The author's findings concur with this view with all of those who are satisfied with the appraisal system noting that the PMDS had a positive effect on their work compared to 45% of those who are not satisfied with the system.

5.6.2   Feedback

The employees in Company X were asked if they received valuable feedback on their performance at their PDM. According to 43% of the respondents valuable feedback was received. It is noted that 22% did not receive valuable feedback. Of the respondents who indicated why the PDMS is not a success, 32% indicated one of the reasons being poor feedback from management whilst 25% responded the failure to provide feedback was another cause.

Vigoda (2002) found that positive appraisal feedback results in employees behaving in a positive manner.

5.6.3 Goal Setting

Nine out of ten respondents felt that the setting of goals and objectives helped them focus more clearly on the role and not one respondent disagreed with this statement. 74% of respondents felt that they were able to achieve the goals set during the PDM, whereas only ten per cent were unable to do so. Where goals were set, 88% of respondents felt it had a positive effect on their work performance. For those who did not have specific goals set, 93% said that they had a positive effect on performance. This is in line with Earley, et al. (1990) findings which noted that goal setting has a positive effect on employees' performance.

5.6.4 Communication

A question was designed to observe if having a PMDS in place improves communication between the employee and the manager. Over three quarters of employees were in net agreement that a PMDS in place did improve communication whereas only six per cent did not believe this to be the case. A further 55% of employees were of the opinion that a PMDS builds trust between the employee and the manager whereas 14% disagreed with this. By having a PMDS in place, 88% of respondents noted that it clarifies expectations regarding work responsibilities and only two per cent were in disagreement with this statement.

Clear communication and engagement between both parties at the PDM is of the utmost importance. Feedback should be constructive but delivered in a positive manner as communicating a person's shortcomings at review time may have a de-motivational result on their future performance (Sheridan 2007).

5.6.5   Training and Development

A PDM carried out correctly will help identify training and development needs and 79% of the respondents felt that this was achieved in their PDM. Only four per cent disagreed and felt that a PDM did not assist with identifying training and development needs.

McMahon (1999) states that ongoing training and development will motivate the employee to strive to reach organisational objectives.

5.7   Has the implementation of a PMDS been successful?

Ten per cent of the respondents consider the implementation of the PMDS in Company X a success.

The 90% of respondents who thought that the PMDS in Company X was not a success were asked to select reasons why they thought this to be the case.

Table 5.7 outlines a set of contributory reasons as to why the respondents felt the PMDS has failed in Company X. In total, 44 respondents selected reasons which in their opinion caused the PMDS to fail from a list provided in the questionnaire.

Table 5.7: Reasons as to why the PMDS failed	Net Response
Performance management system not carried out regularly	80%
Uncommitted management to system	75%
Lack of obligation from HR for managers to carry out performance meetings with their staff	61%
Inconsistency on goal setting and goal follow up	43%
Poor feedback from management	32%

Table 5.7:   continued

Poor training and development given to management carrying out the performance appraisal	27%
Failure to provide feedback	25%
Poorly designed system	25%
Lack of funding for training needs identified	23%
Lack of communication between the appraiser and the appraise	23%
Objectives not specific and realistic	18%

This question also allowed respondents to specify other reasons they felt contributed to the PMDS in Company X not being successful. Almost a quarter of those who felt the system was not successful elaborated further here.

 The additional reasons specified are as follows:

- Not linked to pay
- No intrinsic rewards
- Viewed as a 'ticking the box' exercise
- Training needs for employees not meet
- Due to lack of funding PMDS no longer used
- Lack of management understanding of key performance indicators (KPI's)
- Management focuses on the weaknesses instead of strengths during the appraisal
- Lack of organisational clarity resulting in unclear objectives.

5.7.1 Management

The success of the PMDS predominately lies with the manger. On conducting secondary research, it was found that most PMDSs fail not because of the design of the system but due to the way it is implemented by management (Armstrong 2009). The study carried out supports this view where three quarters of respondents stated that uncommitted management to the system was one of the main reasons for the failure of the system. These statements

support McMahon (2009) who pointed out that a well designed system will fail if it is not put into practice correctly.

On studying the failures, it becomes apparent that management must buy-into the system in order to make it successful. It appears that management may be overlooking the benefits of the PMDS to both the employees and the organisation. Some view it as a 'ticking box' exercise. A PM culture needs to be in existence and from the findings above, it appears that this is not the case in Company X.

The inconsistency on how often management carries out the PDM is a contributing factor to the failure of the system. The lack of enforcement from the top-down regarding the carrying out of the PDM has resulted in meetings not being carried out regularly (80%).

Managements' lack of preparation and understanding of the PDM is also a factor resulting in its failure. A lack of communication between the manager and the employee may result in no feedback (25%) or insufficient feedback (32%) given during and after the meeting. Also, lack of communication during the PDM may result in objectives not being clearly stated or realistic (18%).

A lack of formal training for management in the PDM process may be the reason why one of the respondents stated misunderstanding of KPIs was a contributing factor to the system failing. Formal training would ensure that managers were aware not to focus on employees negatives during the review. Also the importance of setting S.M.A.R.T. objectives must be relayed to management. It was found that 18% found the objectives set were not specific and realistic.

5.7.2   The Organisation

The organisation should ensure that sufficient training and development is available to employees where requested by management. It was found that 27% thought that management received insufficient training resulting in them not carrying out the PDM properly.

As the review in Company X is not pay related, the organisation should ensure intrinsic rewards motivate the employees in their job. Armstrong (2006) defines the non monetary motivators as achievement, recognition, responsibility, influence and personal growth. These intrinsic motivators will allow the employee gain satisfaction from performing the activity itself.

The design of the system itself needs to be continuously reviewed and updated. Poor design was stated by 25% as one of the reasons contributing to the systems failure. DeNisi, et al. (2008) quoted by McMahon (2009) stated that once implemented, every effort must be made to manage and review the system if it is to be successful.

5.8   Conclusion

The main objective of the dissertation was to explore whether the implementation of a PMDS in Company X has been successful. The findings from the questionnaire indicate that the implementation of the PMDS was not successful although it appears to be a well designed system. A review of the elements which led to the failure of the PMDS was addressed. Conclusions of the study will be discussed in the following chapter.

CHAPTER SIX

Conclusions of the Study

6.1 Introduction

This dissertation set about to investigate the PMDS in a semi-state organisation. It examined the implementation of a PMDS in Company X and explored if this system was successful. It also set about to examine why PMDSs fail.

It was found that employees are aware of the benefits of having a PMDS in place. The respondents felt that having a successful PMDS in operation would have its benefits. The respondents' stated that a successful PMDS would:

- Help them focus more clearly on the job by setting goals – 90%

- Help to clarify work expectations – 88%

- Improve communication between management and staff – 76%

- Help them to feel more motivated after the PDM – 57%

- Have a positive effect on work performance – 49%.

On studying the findings, it became clear that the biggest issue was the misuse of the system. It is important that once the PMDSs are designed, organisations have a duty to ensure that they are implemented properly by management and have the support of employees. The successful implementation of the PMDS ensures competitive advantage.

6.2 Lack of Organisational Support

There appears to be a lack of organisational support for the PMDS. Despite employees finding the performance review beneficial to them, the system has been allowed to lapse with reviews

not being carried out frequently enough. There are clearly underlying concerns which should be addressed by management.

Nearly two thirds thought that lack of enforcement for managers to carry out the PDM was a main reason. From the findings, it is evident that the PMDS is not consistent across all departments with six per cent of staff never having had a review and 44% of employees not having had a review for over two years. It is evident here that all management are not committed to holding a PDM annually.

A quarter of employees were of the opinion that one of the reasons the system was not a success was due to lack of funding to support training needs.

6.3   Commitment

It is evident that respondents felt that there was a lack of commitment from stakeholders with the main stakeholder referred to in this study being management. To ensure that the system is a success it must have support from management.

Lack of communication between the appraiser and the appraise (25%) as well as poor feedback (32%) play a key role in the system not operating to its full potential.

It was suggested by a respondent that the PDM is merely a 'tick box' exercise which suggests that not all management take it seriously.

6.4   Motivation

The statistics showed over two thirds of employees (78%) felt more motivated after their review and 65% would have liked an appraisal in the immediate future. It is important for

management to focus on how individuals and the company benefit from the PMDS and this information be communicated to all.

6.5 Training and Development

When the PDMS is not conducted correctly this will cause both the management and staff to form a negative opinion towards it. It was found that employees felt that management did not have sufficient knowledge about KPIs and how objectives should be set to make the objectives S.M.A.R.T.

6.6 Goal Setting

The findings indicated that the employees found that the performance review process was beneficial to them by increasing their motivation and through the setting of goals which helps them focus more clearly on the job (90%). It was found that 67% of employees had goals set at their last PDM.

6.7 Feedback

Performance management is a continuous process but it is important to hold a review with the employees at least once a year to set and review objectives, discuss their position within the company and also any concerns they may have. It also provides an opportunity for constructive feedback (Vigoda 2002). According to 43% of respondents, valuable feedback was received. It is important that feedback is communicated to all the employees. Positive feedback will increase employee motivation.

Whilst considering the above conclusions, recommendations on how to improve the PMDS will be discussed in the following chapter.

CHAPTER SEVEN

Recommendations

7.1   Introduction

Overall, it appears that the PMDS in Company X is a well designed system but is not performing to optimum levels.   The reason for this is mainly due to internal issues which can be rectified once identified. The main issues causing the PMDS to fail were reported in the previous chapter.

Based on the findings of this study, the recommendations will focus on how the overall effectiveness of the PMDS can be improved. The following recommendations are provided.

7.2   Commitment

A higher level of commitment from management is required in order to make the PMDS successful. McMahon (2009) and Armstrong (2009) confirm that successful PM is based on a well designed system in conjunction with commitment from both management and staff. It appears one of the reasons the PMDS failed was because of lack of management commitment. It is necessary to enforce the PDM across all sectors. In order to be successful it should be universal within the company and commitment from management is needed to ensure its success.

7.3   Evaluation Process

There should be an effective evaluation process in place. The data collected by management at the PDM should be analysed and acted upon. It would be beneficial to gather staff opinions

and ask for their opinions on how the system could be improved. It is important to ensure that all employees receive an annual meeting which will help re-enforce the benefits of the PDM.

7.4   Communication

The benefits of the PMDS for the company and the employee should be communicated to management firstly. The benefits of the PMDS should be made clear to management and they should then be communicated to the employees. McMahon (2009) argues that successful PM systems require ongoing discussion in order to be successful. Regular discussions about performance and objectives set should take place between the manager and the employee as priorities and goals may change during the year and by having regular discussions this would assist in recognising this**.**

7.5   Rewards

Company X should consider linking pay to performance as it was found that 78% of employees would feel more motivated if the review was linked to pay. This is one of the reasons the respondents mentioned for the PMDS not being successful.

7.6   Training

All managers should be knowledgeable on how the system works and how to operate the system. Training should be provided to ensure this. Training should be on-going so as to ensure managers regain knowledge and the skills necessary to operate the system. It is important that wherever training needs are identified during the PDM they should be carried through.

7.7 Goal Setting

Goals set during the PDM should be followed up properly if the system is to be a success. Goal setting should be personal to the employee and encouragement should be given to achieve these goals. It would help motivate the employee if a timeframe is set to review the set goals.

7.8 Feedback

It is necessary to have effective systems of feedback in order for the PMDS to be implemented correctly. Management should receive training on how to conduct and provide feedback. All employees should be evaluated fairly and feedback provided in a positive manner which will have a motivating effect on the employee.

Valuable feedback will assist in identifying strengths and weaknesses of the employee. It will also help promote the performance review process as more than simply a 'ticking the box exercise' as it was described by one respondent.

7.9 Conclusion

This dissertation has achieved its research objectives.

The PMDS in Company X was analysed and reasons as to why the system was deemed a failure discussed.

Further qualitative research should be carried out in other semi-state organisations to determine whether the system has been successfully implemented or not. It would also be of interest to conduct research on the success of performance management systems where the reviews are related to pay.

A study of how management in Company X view the PMDS should also be undertaken. Their views on the importance of the PMS will have a direct impact on how successful it is.

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Appendix A

**Performance Management
Questionnaire**

Introduction

I am currently undertaking a dissertation which examines the
effectiveness of Performance Development Systems in the workplace.

I would appreciate if you could spare 5 minutes to complete the following
survey.

All information gathered will be treated confidentially and results will be
produced in aggregate form only.

If you have any queries on this research please contact Libby Barrett at
libbymbarrett@gmail.com.

Thank you for your participation!

1. How long have you been working with your organisation?
Less than 5 years
5-9 years
10-14 years
15-19 years
20+ years

2. Are you male or female?
Male
Female

3. Overall, how satisfied are you with the Performance Management Development System in your organisation?
Very satisfied
Satisfied
Neither
Dissatisfied
Very dissatisfied
Don't know

4. When was your last performance development meeting held?
Within the last year
1-2 years
2+ years
Never

5. Would you like a performance development meeting to be held now?
Yes
No

6. Were goals set during your last Performance Development Meeting?
Yes
No

Q.7 If goals set, were they

	Yes	No
Specific		
Agreed between management and myself		
Realistic		
Achievable in given time frame		

Q.8 Please indicate how strongly you agree/disagree with the following statements

	Agree Strongly	Agree	Neither	Disagree	Disagree Strongly	Don't know
Having a performance system in place improves communication between yourself and management						
A performance system clarifies expectations regarding work responsibilities						
A performance system builds trust between yourself and management						
Setting goals and objectives helps me focus more clearly on my job						
Identifying training and development needs helps me perform my job better						
My performance development meeting helps identify my strengths						
I feel motivated after my performance development meeting						
My PDM helps identify areas I needed to improve on						
I receive valuable feedback on my performance at my PDM						
A PDM has a positive effect on my work performance						
I would be more motivated if my appraisal was related to a pay performance review						
I was able to achieve the goals that were set during my PDM						

9. Do you feel the Performance Development System in your organisation is successful?

Yes
No

10. Below are lists of reasons why some Performance Development systems may fail.

If you feel the PMDS system in your organisation has not been successful, please indicate why.	Agree Strongly	Agree	Neither	Disagree	Disagree Strongly	Don't know
Poorly designed system						
Uncommitted management to the system						
Poor training and development given to management carrying out the performance appraisal						
Lack of funding for training needs identified						
Inconsistency on goal setting and goal follow up						
Objectives not specific and realistic						
Poor feedback from management						
Lack of communication between the appraiser and the appraise						
Performance management system not carried out regularly						
Failure to provide feedback						
Lack of enforcement for management to carry out performance meetings with their staff						
Other (please specify)						

Appendix B

Performance Management Development System
Topline Results

Method: Online Survey
Sample: 88
Responses: 56
Response rate: 64%

Q.1 How long have you been working with your organisation?

<5	27%
5-9 yrs	35%
10-14 yrs	7%
15-19 yrs	11%
20+ yrs	20%

Q.2 Are you male or female?

Male	25%
Female	75%

Q.3 Satisfaction with PMDS

Very Satisfied	0%
Satisfied	10%
Neither	42%
Dissatisfied	22%
V Dissatisfied	24%
Don't know	2%

Q.4 When last PMDS held

Within the last yr	16%
1-2 yrs	33%
2+ yrs	45%
Never	6%

Q.5 Would you like PMDS now?

Yes	65%
No	18%
Don't Know	18%

Q.6 Were goals set?

Yes	68%
No	32%

Q.7 If goals set, were they

	Yes	No
Specific	68%	32%
Agreed between management and myself	89%	11%
Realistic	81%	19%
Achievable in given time frame	78%	22%

Q.8 Please indicate how strongly you agree/disagree with the following statements

	Agree Strongly	Agree	Neither	Disagree	Disagree Strongly	Don't know
Having a performance system in place improves communication between yourself and management	35%	41%	18%	6%	0%	0%
A performance system clarifies expectations regarding work responsibilities	39%	49%	10%	2%	0%	0%
A performance system builds trust between yourself and management	14%	41%	31%	14%	0%	0%
Setting goals and objectives helps me focus more clearly on my job	33%	57%	10%	0%	0%	0%
Identifying training and development needs helps me perform my job better	24%	55%	16%	4%	0%	0%
My performance development meeting helps identify my strengths	12%	41%	33%	10%	2%	2%
I feel motivated after my performance development meeting	14%	43%	24%	14%	4%	0%

My PDM helps identify areas I needed to improve on	6%	59%	14%	16%	2%	2%
I receive valuable feedback on my performance at my PDM	6%	37%	35%	18%	4%	0%
A PDM has a positive effect on my work performance	12%	37%	31%	16%	2%	2%
I would be more motivated if my appraisal was related to a pay performance review	37%	41%	14%	6%	2%	0%
I was able to achieve the goals that were set during my PDM	12%	63%	16%	4%	4%	0%

Q.9 PMDS successful

Yes   10%
No   90%

Q.10 Reasons why PMDS fail

Poorly designed system   25%

Uncommitted management to the system   75%

Poor training and development given to management carrying out the performance appraisal   27%

Lack of funding for training needs identified   23%

Inconsistency on goal setting and goal follow up   43%

Objectives not specific and realistic   18%

Poor feedback from management   32%

Lack of communication between the appraiser and the appraise   23%

Performance management system not carried out regularly	80%
Failure to provide feedback	25%
Lack of enforcement for management to carry out performance meetings with their staff	61%
Other (please specify)	23%