

**EVALUATING XYZ'S PERFORMANCE MANAGEMENT
SYSTEM IMPLEMENTATION**

BY

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ABSTRACT

There has been considerable academic and business interest in the subject of performance measurement in recent years as evidenced by the many academic papers and articles on the subject in recent times. (Bourne M, Mills J, Wilcox M, Neely A and Platts K, 2000; 2003; Kaplan and Norton, 1992). According to Bourne *et al.*, (2003a, Abstract) there is evidence that many an organisation's attempts to implement performance management systems (PMS) have not been successful. These authors found that one reason for the low success rate is a lack of guidance on implementation.

This study was based on the implementation of a PMS by XYZ Corporation (Pty) Limited, which was centred on the balanced scorecard (BSC), giving specific focus to the change management processes applied. The study looked at whether technical knowledge of the BSC and PMS together with a change management process that fosters the participation of management and employees in goal setting can aid the successful implementation of a PMS.

The researcher employed a combination of a qualitative case study and survey research and collected data through interviews, survey questionnaires and secondary data analysis. A sample of 65 out of 146 participants was identified for the survey and two (2) semi-structured interviews were conducted. The data gathered was reviewed against literature on the subject. Excel was used to analyse responses from questionnaires and group common outcomes.

Initial attempts to introduce the PMS in XYZ yielded little progress. The researcher found that this initial attempt was technically flawed as there was no purpose, vision and strategy commonly shared and understood within XYZ. Progress was however evident after the company had concluded its strategic plan. Management participated in strategy formulation, goal setting and employees were involved in the design of individual performance agreements. Implementers however reported facing resistance

and low attendances at scheduled PMS training sessions. This resistance was partially overcome by linking reward and punishment to the PMS.

Despite efforts by the company to foster participation, respondents still perceived the PMS as being imposed by management. The study found that there was a lack of commitment on the part of employees whilst senior management was committed to the successful implementation of the PMS. There were also perceptions that performance evaluations were not being done fairly and equitably. The company's PMS was identified as a source of stress.

The researcher generated conclusions summarised above on the study based on the outcome of the information gathered and by reference to literature on PMS and managing change, made recommendations and suggestions that may assist in further development of study on this field as well as XYZ and other corporations in implementing and embedding the PMS. These propositions outline the various considerations that organisations can incorporate in performance management designs, implementation and processes in order to successfully roll out such a system with minimum business disruptions and maximum benefits.

Key words – Performance Management, Performance Measurement, Balanced Scorecard, Change, Strategic Change

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ABBREVIATIONS

BSC	Balanced Scorecard
BU	Business Unit
Business Plan/ Corporate Strategy	XYZ Corporate Strategy and Business Plan 2009-2013
KPAs	Key Performance Areas
KPIs	Key Performance Indicators
MBO	Management by Objectives
MD	Managing Director
PMS	Performance Management System
Working Committee	XYZ PMS Implementation Working Committee
Steering Committee	XYZ PMS Implementation Steering Committee
XYZ	XYZ Corporation (Pty) Limited

CHAPTER 1 - INTRODUCTION

1.1 OVERVIEW

In present day corporations, performance management is widely discussed. Even in the sporting arena, football in particular, a run of bad results that often leads to the dismissal of the manager has come under scrutiny. The BBC News reported that "League Managers Association chief executive Richard Bevan...urged clubs to stop "scapegoating" their managers"...suggesting "...it might be time for managers to undergo formal appraisals". He is quoted as saying "In these, the strengths and weaknesses of how the football-side of the club is performing might be assessed against realistic expectations and previously, mutually agreed goals. In any other sector, there is a recognition that the highest performing organisations are those who build winning organisational culture - shared beliefs, goals and ways of behaving - coupled with a long-term vision". (<http://news.bbc.co.uk/sport2/hi/football/9346616.stm>).

Despite attracting a lot of attention, resulting in the introduction of a number of measurement frameworks including Kaplan and Norton's BSC introduced in 1992, significant challenges continue to be encountered by organisations that try to implement a PMS for the first time or those attempting to change from one system to another. (Kaplan and Norton, 1996). As observed by Bratton and Gold (2007:288) "...the reality is that appraisal(s) may be less effective in achieving (their) purposes." PMS therefore appears to be rarely well understood, let alone properly implemented with many institutions facing challenges during its implementation especially when measures have to be cascaded down to employees. Numerous organisations have implemented some version of the BSC. However, according to Bourne *et al.*, (2003:2) "...researchers have claimed that 70% of attempts to implement performance measurement systems fail. Bourne *et al.*, (2003a) found that "...one reason for the lack of success is that the published processes...create the desire for change and provide the first steps for change, but give little guidance on implementation." (Abstract)

1.2 PERFORMANCE MANAGEMENT IN XYZ CORPORATION (PTY) LIMITED

Until 2009, XYZ did not have formal system of measuring employee performance and identifying development needs. It had a collective reward system based on corporate financial performance without giving regard to individuals or team contributions, and other non-financial internal/ external factors, to the overall performance. All employees received a 14th cheque in addition to a guaranteed 13th cheque bonus payment based on the monthly basic salary. The 14th cheque had become customary, with long-serving employees having to go several years back to recall the last time that they failed to receive this reward. This system of recognition and reward is similar to the traditional performance measures of the 1970s/80s, based on financial performance only. Skinner (1974), as cited by Bourne M, Mills J, Wilcox M, A Neely and K Platts (2000:755) and Kaplan and Norton (1996), criticised this way of performance measurement as “lacking strategic focus”. According to Kaplan and Norton (1996a:2), traditional management systems “...fail to link the company’s long-term strategy with its short-term actions”.

In 2008, the Board and Management of XYZ finalised a 5 year strategic plan. The strategic plan states that “[A] BSC approach to performance management and a comprehensive five-year risk management plan will enable XYZ’s effectiveness and efficiency while adhering to sound corporate governance.” (Business Plan 2009-2013:6). It is further noted that “...the company was desirous to review ...and complete its ...plans leading to the deployment of a PMS that will support the successful implementation of its strategy. The BSC was utilised as the appropriate tool to develop the business plans and (should be) used to link these to the PMS”. (*ibid*:14).

The implementation of a new PMS was identified as being fundamental to the successful implementation of the company’s strategy. Since there was no formal process of measuring and managing performance, this represented a significant strategic change. Strategic change is defined as “...change that enables an organisation to address priorities through dynamic and appropriate response to a changing

environment, (and) is essential for sound organisational growth and development”. (Field and Wakerman, 2002:127).

1.3 STATEMENT OF THE RESEARCH PROBLEM

Armstrong and Murlis (1994:205) observed that often PMS(s) are crudely developed and hastily implemented with the result that they fail to deliver the results people expect from them. Despite the Business Plan making reference to the company’s desire to deploy a PMS to support the implementation of the strategy, the researcher found that attempts to introduce a PMS in XYZ commenced as early as 2006, before the development and finalisation of this Business Plan 2009-2013. However the company managed to go through its first full PMS cycle of performance contracting, appraisals and compensation in December 2010. Some progress has thus been made, but the process was not without challenges. Approximately 50% (researcher’s own estimate) of the employees, led by the workers union and those in managerial grades, expressed their dissatisfaction with the process and there was resistance to the application of the performance ratings in determining performance rewards that nearly derailed the process and negated the achievements that had been made up to that stage. They also challenged the process applied in the implementation of the new system and the validity of communication arguing that there had been contradictory statements from management on the PMS. Whilst the company is committed to the full implementation of the PMS, these concerns and grievances of employees, if not properly managed, may derail the whole process and negate the gains made to date.

According to Kotter (2007:2), “[A] few...corporate change efforts have been very successful. A few have been utter failures”. This failure is not due to a lack of planning or technical incompetence in the field of proposed changes. Burnes, (2009:322) notes that planning and implementing change is “...not a technical or quantitative exercise...” but that “...successful change is dependent on what Douglas McGregor (1960) referred to, in the title of his (seminal) book, as *The Human Side of Enterprises*”. Whilst it was important to be conversant with the technical matters relating to the PMS that XYZ was

implementing, it was equally important that an appropriate change process be executed to ensure success. Burnes, (2009:455), noted that "...increasingly, the objective of change is to modify the attitudes and behaviour of individuals and groups..." Change theorists, such as Johnson and Scholes (1997) and Kotter (2007) concur that in order for change to be successfully implemented, it is essential to gain people's buy-in to, and ownership of, the change process. There is therefore a "...need to focus as much on people aspects as the technical considerations..." (Burnes, 2009:448).

The human impact on the success of a PMS is emphasised by Sherman, Bohlander, and Snell (1996:302) who noted that "[T]he success or failure of a performance appraisal programme depends on the...attitude and skills of those responsible for its administration". This is supported by Maiya, Krishnamurthy and Sukhesh (2011:177), who argue that "...the success of a PMS depends very much on the human factor..."

Bourne *et al.*, (2000:755), noted that "...most of the...academic literature and practitioner activity has focused on the early stages of the development of the performance measurement system, the conceptual frameworks and processes for designing the performance measures. There are few longitudinal studies of the implementation and continuous updating of performance measurement systems..." In a study by Kleingeld, Van Tuijl and Algera (2004:845) "... implementing a participatively designed performance management system..." led to "...a significantly larger performance increase, compared to the performance increase that followed the tell-and-sell introduction of an identical system."

Based on the above, the researcher formulated the research proposal of this study as:

"The successful implementation of a new PMS requires sufficient technical knowledge of the measurement system adopted and a change management process that fosters the participation of management and employees in goal setting and that is sensitive to and acknowledges their genuine concerns".

1.4 AIMS AND OBJECTIVES OF THE RESEARCH

Performance management can be used as a powerful tool to achieve goal congruency and enhance employee motivation. Nel PS, Werner A, Haasbroek GD, Poisat P, Sono T and Schultz HB (2008:337;346) note that employees who find self-identity within the organisational context are motivated even in the face of adversity and channel their efforts towards the achievement of organisational goals.

Given the resistance to the implementation of the PMS in XYZ, there is possibility that the company's PMS implementation process may negate its motivational capabilities. The absence of employee motivation may have significant negative implications to the company achieving its strategy.

The objectives of this research are:

- To develop an understanding of the BSC and PMS through a literature study;
- To establish whether employees and managers have a working understanding of the PMS;
- To determine whether employees and managers share a common understanding and objectives regarding the implementation of the PMS within the company;
- To evaluate the change processes and communication methods employed during implementation; and
- To determine alternative ways, if any, of how the PMS can be implemented and how any challenges faced can be overcome for the benefit of the company.

This research will reinforce the knowledge on the holistic approach to performance management from corporate strategy to individual performance management and development and also help in the academic understanding and development in the field of change management with specific reference to PMS implementation. It will be useful to XYZ, other state owned enterprises, governmental and private sector organisations in Namibia in the implementation of PMS. It will give an overview of management and employees' understanding of the whole concept of PMS, their level of participation in its implementation, from strategy development, goal setting to performance reviews, and

their perception regarding its impact on the achievement of corporate objectives. The company will be able to establish whether employees, whose productivity and development are expected to be enhanced, feel that the PMS is being implemented in a manner that is inclusive and likely to improve organisational processes and employee morale thereby encouraging the achievement of better results.

1.5 PROPOSED CHAPTER LAYOUT

This dissertation is divided into six chapters outlining the research process flow and forming a clear framework to address the research question.

This Chapter 1 introduces the topic and outlines the primary research question, the problem statement, the aim and research objectives of the dissertation, and the value of the study to XYZ and other similar organisations.

Chapter 2 provides a critical literature review of the topic. The literature review focuses on change management processes with specific reference to (i) PMS and (ii) the BSC. The structure aims to provide greater clarity and focus in the research boundaries, covering the technical aspects of performance management and the BSC and thereafter leading to implementation of strategic change models with a specific focus on the implementation of a PMS. It focuses the researcher on specific key variables faced by XYZ to be explored and examined.

Chapter 3 provides the research methodology employed in the investigation. The section also reveals the research philosophy, strategy, objectives and sources which were employed for the exploration of the topic.

Chapter 4 outlines the research findings, achieved through primary and secondary research.

Chapter 5 provides a discussion on how or whether the research findings address the research question.

Chapter 6, the final chapter of the dissertation, offers a conclusion to the research. This chapter is followed by a list of references.

1.6 CONCLUSION

Building scorecards and implementing a PMS is "...not as simple as it seems". (Kaplan and Norton, 1996:284). "Organisations frequently identify one or more...elements as...challenging when implementing performance management systems. These...require the greatest attention and...if not addressed...can cause the PMS to fail." (<http://www.workinfo.com/free/Downloads/135.htm>). These challenges include (i) measuring/evaluating dimensions; (ii) keeping leaders focused; (iii) linking job descriptions to performance management; (iv) implementing performance management for staff; (v) linking compensation to performance management and (vii) keeping the system alive. (www.workinfo.com).

The above factors are relevant to XYZ and combine the specific technical understanding of the PMS, such as the measurement and evaluating dimensions as well as incorporate soft issues relating to implementation, change management and employee involvement and participation.

CHAPTER 2 - LITERATURE REVIEW

2.1 INTRODUCTION

Some literature on the subject of performance management focuses on and, is limited to either performance measurement or performance appraisal with no reference to performance management. While these are valid aspects, effective management of individual or team performance requires a combination of processes that ensure that what people do in the organisation will lead to the results the organisation needs (Mohrman, Cohen, and Mohrman, 1995). Performance measurement and performance appraisals are relevant and critical components of the complete process and a much broader concept of performance management. (Armstrong and Murlis, 1994). This is supported by Nel *et al.*, (2008:506) who argue that “...the performance evaluation process can no longer stand on its own and must become an integral part of a holistic PMS that adds value to the organisation.” In this project therefore, literature relating to performance measurement and performance appraisal and evaluation also forms a significant component of the literature review.

2.2 PERFORMANCE MANAGEMENT

2.2.1 OVERVIEW

Performance management is premised on the expectation that a continuous and integrated approach is needed to manage and reward performance. (Armstrong and Murlis, 1994). Various definitions of performance management are provided by different authors.

Armstrong and Murlis (1994:205) defined performance management as a:

“...a process or set of processes for establishing shared understanding about what is to be achieved, and of managing and developing people in a way which increases the probability that it will be achieved in the short and longer term.”

Nel *et al.*, (2008:493) defines performance management as:

“...a holistic approach and process towards the effective management of individuals and groups to ensure that their shared goals, as well as the organisational strategic objectives are achieved.”

Gold defines performance management as:

“...the set of interconnected practices which ensure that a person’s overall capabilities and potential are appraised, so that relevant goals can be set for work and development and, through assessment, data on work behaviour and performance can be collected and reviewed.” (Bratton and Gold, 2007:274).

Walters (1995:x), as with Nel *et al.*, (2008), views performance management as being concerned with “directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organisation” (Bratton and Gold, 2007:278). “...It is a process of performance planning (goal setting), performance monitoring and coaching, measuring (evaluating) individual performance linked to organisational goals, giving...feedback, rewarding...based on ...achievements against set performance and required competences, and working out a plan for...development”. (Maiya *et al.*, 2011:178). In this regard, performance management is a series of processes rather than a management system. (Armstrong and Murlis,1994). “The key ideas (of performance management) are that the principal dimensions of a person’s work can be defined precisely in performance terms, allowing measurement over agreed periods of time that also takes account of particular constraints within the situation of performance” (Furnham, 2004 as cited by Bratton and Gold, 2007:275).

Gold’s definition appears to present a narrow view of PMS. For the PMS to be effective, it has to be aligned to organisational strategy, vision and objectives and support employees, through training, development, provision of resources and an appropriate work environment to work effectively. Strategy can be defined as “...the creation of a unique and valuable position, involving a different set of activities. It is defining a company’s position, making trade offs, and forging fit among activities” (Porter,

1996:68,77). According to Johnson and Scholes, (2002:10) strategy “is the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment and to fulfill stakeholder expectation”.

For the purposes of this study, the researcher defined performance management as the process by which an organisation defines its purposes and sets its objectives and the activities it undertakes to ensure that its goals are consistently met in an effective and efficient manner by focusing on the performance of the organisation, its departments or functions, employees, and its processes in product or service delivery.

2.2.2 PERFORMANCE MANAGEMENT PROCESS

Performance management can at best be seen as a process that supports the achievement of business strategy through the integration of corporate, functional, departmental, team and individual objectives. Within this process, the organisation establishes an environment that allows for clear communication of its mission and goals to employees and in which they are also encouraged to contribute to the formulation of these objectives. (Armstrong and Murlis, 1994). In this respect, performance management integrates both a top-to-bottom and a bottom-up approach to strategy formulation and implementation. As noted by Bratton and Gold (2007:278) “...the adoption of a PMS (therefore) represents an attempt by an organisation to show a strategic integration of HRM processes, which can together be linked to the goals and direction of an organisation”. This is similar to the Performance Management Framework presented by Armstrong and Murlis, (1994) below:

Adapted: Armstrong and Murlis (1994:209)



The performance management framework above is aligned to the PMS processes by Nel *et al.*, (2008:493), summarised into four main categories covering (i) performance planning, (ii) performance coaching and mentoring (iii) performance measurement and evaluation and (iv) performance feedback and documentation. Within these categories, the organisation performs the following activities (Nel *et al.*, 2008:493):

- Clarification and communication of organisational objectives;
- The alignment of individual and group goals with organisational objectives;
- The monitoring and measurement of individual and group performance;
- The early identification and reporting of deviations;
- The development of action plans to correct the deviations;
- The coaching and mentoring of individuals and groups;
- The review of individual and group performance, and the re-evaluation of organisational processes.

2.2.3 USE OF A PERFORMANCE MANAGEMENT SYSTEM

Bratton and Gold (2007:282) highlights the purposes being control and administrative in nature as follows:

- The making of administrative decisions concerning pay, promotions and careers, and work responsibilities – the control purpose; and
- The improvement of performance through discussing development needs, indentifying training opportunities and planning action – the development purpose.

The researcher however regards Bratton and Gold's view as being limited. The basic aim of a PMS should be to create an organisation within which the actions of its managers and employees are coordinated and directed towards the organisation's

provision of services and products that meet customer needs through continuous improvement of that organisation's processes and its employees' and management's skills and competencies. (Armstrong and Murlis, 1994). Thus PMS represents an organisation's drive towards competitive advantage and achieving high performance, (ie quality products, improved output and efficiencies and lower costs).

Bennet and Minty (as cited by Nel *et al.* 2008:494) identify three major purposes of a performance management process. These are:

- It is a process for strategy implementation;
- It is a vehicle for culture change; and
- It provides input to other HR systems such as development and remuneration.

PMS focuses on both organisational and personal development. In this regard, it is an effective tool for developing a Learning Organisation, empowering employees and enhancing employee accountability and motivation through management by agreement, in line with McGregor's management by integration and self-control. (Armstrong and Murlis, 1994). Learning Organisations are "...organisations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together." (Senge P 1990:3, as cited on <http://www.infed.org/thinkers/senge.htm>). Through effective reviews, organisations can identify employee development needs and determine appropriate rewards for positive contributions. This use of the PMS for rewarding performance is also recognised by Kaplan and Norton (1996a) who acknowledge that the BSC can be tied to individual performance and compensation systems. These authors note the integration issue relating to the implementation of the BSC as the linkage to personal objectives and rewards. Research has also shown that for performance related pay to be acceptable, it should be based on a credible performance rating system. (Armstrong and Murlis, 1994). In this regard, compensation has a potential of motivating performance. The linkage of PMS to reward has its own demerits though-these include the contamination

of the constructive developmental intentions of the PMS where reviews become reward centred rather than open and objective appraisals. (Armstrong and Murlis, 1994).

In the broader sense, PMS is targeted towards achieving high corporate performance. The purposes proffered by Bratton and Gold (2007) above however fail to recognise the importance of PMS in strategy development and goal setting. The PMS is a powerful tool for strategy development as well. This is supported by Kaplan and Norton (1996) who also noted that Kenyon Stores used the BSC for strategy formulation. In addition and as noted by Bennet and Minty; Kaplan and Norton, (1996), the PMS is a useful tool in measuring and assessing the success of the implementation of the strategy.

In order to achieve the continuous development objectives of a PMS, the organisation should recognise the dynamism of the performance measurement system and continually review, assess and update such a system. (Kaplan and Norton, 1996:286). Accordingly, “the performance measurement system should include an effective mechanism for reviewing and revising targets and standards (Ghalayini and Noble, 1996 as cited by Bourne *et al.*, 2000:758)”. It should be used to challenge the assumptions and test the validity of the strategy (Eccles and Pyburn, 1992; Kaplan and Norton, 1996; Feurer and Chaharbaghi, 1995, as cited by Bourne *et al.*, 2000).

2.2.4 PERFORMANCE APPRAISAL

Performance can be rated in different ways. It “...can be measured on the basis of whether the type of judgment called for is relative or absolute evaluation”. (Nel *et al.* (2008:498). Relative judgment relates to comparisons of employees doing the same jobs against each other and provides the supervisor with superior subjective influence which may be seen as unfair and lacking credibility. In contrast, absolute judgments “...ask the supervisors to make judgments...based solely on performance standards” thereby creating conditions where feedback to the employee is more specific and based on dimensions of performance.

Sherman *et al.*, (1996) classify performance appraisal techniques into three main categories, viz, those measuring traits, behaviours or results. The authors observe that “trait approaches continue to be popular. These systems have inherent subjectivity and can be difficult to administer. Behavioural approaches provide more action oriented information...and therefore may be suited for development. The results oriented approach, also MBO...focuses on the measurable contributions that employees make to the organisation.” “MBO is a philosophy of management that rates performance on the basis of employee achievement of goals set by mutual agreement between employee and manager.” (Sherman *et al.* 1996:315,323). The results method appears to be best suited for XYZ due to its objectivity if properly applied.

2.3 PERFORMANCE MEASUREMENT SYSTEMS

2.3.1 OVERVIEW

Traditional performance measures developed from purely a financial outcome have been criticised for encouraging short-termism (Banks and Wheelwright, 1979, as cited by Bourne, *et al.*, 2000). In an attempt to overcome criticisms of the financially driven PMS lacking sufficient “balance”, new performance measurement frameworks have been developed that encourage a more balanced view. “...Keegan *et al.* (1989) propose a balance between internal and external measures and between financial and non-financial measures; Cross and Lynch (1988-1989) describe a pyramid of measures which integrates performance through the hierarchy of the organisation; Fitzgerald *et al.*, (1991) distinguish between the results and their determinants and Kaplan and Norton (1992) between the four perspectives of their BSC. Multi-dimensional performance measurement systems, focusing equally on non-financial information attempt to redress the imbalance of the traditional systems. They provide a balance by including measures of external success as well as internal performance, and measures which are designed to give an early indication of future business performance as well as a record of what has been achieved in the past.” (Bourne *et al.*, 2000:756).

2.3.2 THE BALANCED SCORECARD (BSC)

Kaplan and Norton introduced the BSC in 1992 after conducting a study entitled “Measuring Performance in the Organisation of the Future” which was then motivated by the “belief that existing performance measurement approaches relying on financial accounting measures were becoming obsolete”. (Preface). The BSC puts strategy and vision at the center of the system, establishing goals and expecting employees to adapt their behaviour to achieve those goals. It is arguably the best known and widely utilised performance measurement system.

Kaplan and Norton, (1996) define the BSC as a multidimensional framework for describing, implementing and managing strategy at all levels of an enterprise by linking, through a logical structure, objectives, initiatives, and measures to an organisation’s strategy. The BSC augments the traditional financial measures with performance benchmarks in three other non-financial aspects by linking the company’s performance to its relationship with customers, key internal processes and its learning and growth capabilities. (Kaplan and Norton, 1996a). In the process, it provides a balance between short-term and long-term corporate objectives through:

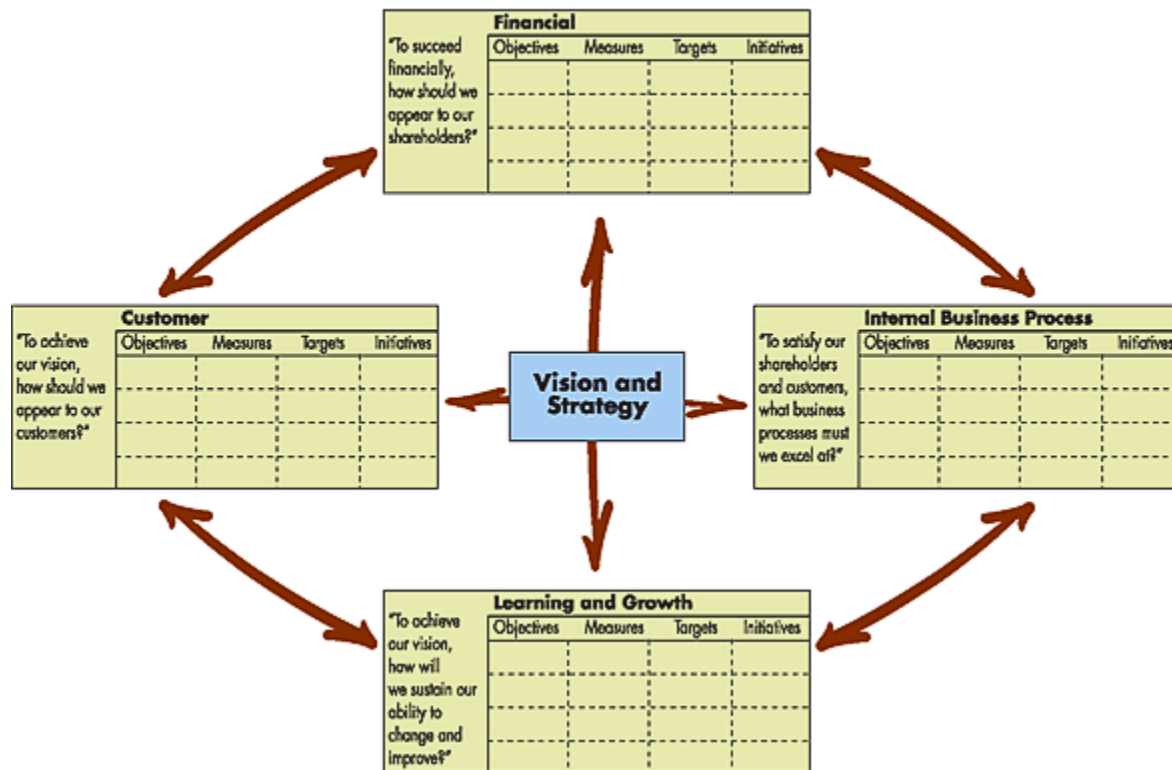
- Translating vision into specific measurable goals encompassing clarifying the vision and gaining consensus;
- Communicating and linking the corporate strategy with employee performance expectations. “As the high level scorecard cascades down to individual BUs, overarching strategic objectives and measures are translated into objectives and measures appropriate to each particular group” yielding personal scorecards when these are tied “...to individual performance and compensation systems.” (Kaplan and Norton, 1996a:1);
- Business planning through the inherent requirement of the BSC to integrate strategic planning and budgeting ensuring that financial budgets support strategic goals; and

- Providing a mechanism for strategic feedback and review thereby facilitating learning.

The four building blocks of the BSC are depicted below:

Figure 2

Translating Vision and Strategy: Four Perspectives



Source: Kaplan and Norton (1996a:4)

Financial Perspective

The financial perspective relates and answers the needs and expectations of shareholders. The financial perspective typically relates to profitability and is measured, for example, by Net Earnings After Taxation, the Return on Investment (ROI), Return on Capital Employed (ROCE), and Economic Value Added (EVA).

Customer Perspective

This perspective identifies the importance of customers as a key stakeholder in business sustainability and growth. It answers the question on how an organisation should appear to its customers. Critics of the traditional financial measurement argue that it failed to clearly identify where future growth would come from and where the company should focus its attention for breakthroughs in new areas. (Kaplan and Norton, 1996).

Internal Business Processes

Internal business perspectives are inward looking aimed at identifying value propositions to attract and retain customers as well as satisfy shareholders with excellent financial returns.

Learning and Growth

The question: “To achieve its vision, how will the organisation sustain its ability to change and improve?” is answered in this perspective. It identifies the infrastructure the organisation has to build and manage to create long-term growth and improvement through people, systems and organisational procedures. Within this category, organisations “...invest in reskilling employees, enhancing information technology and systems, and aligning organisational procedures and routines”. (Kaplan and Norton, 1996:28,29).

The BSC provides clarity on overall corporate objectives and what the organisation aims to achieve for shareholders and customers, engaging in three activities while aligning employees’ individual performances. These are communicating and educating, setting goals, and linking rewards to performance measures. When implemented in this manner and executed in its entirety, the BSC completes the performance management cycle.

Lardenoije, van Raaij and van Weele, (nd:6) observes that “many authors, including Kaplan and Norton (1996), assume the following causal relationship: improvements in organisational learning and growth precede improvements in internal business

processes, which precede improvements in the customer perspective, which in turn precede improvements in financial measures. The measures of organisational learning and growth are therefore the drivers of the measures of the internal business processes. This allows the measurements in non-financial areas to be used to predict future financial performance”.

The main criticism against the BSC is its perceived narrow view of stakeholders. (Neely, 2007- Knowledge Interchange Podcast Transcript). Lardenoije *et al.*, (nd:6) however note that despite “...some criticism on the BSC (e.g., Norreklit 2000) it has, according to Abran and Buglione (2003), the largest market penetration of all PMSs and tackles performance at several levels, from the organisational level to the small BU, and to the individual level. Butler *et al.*, (1997) state that it has been adopted by many companies and its format and content appear to meet several management needs. Silk (1998) estimated that 60% of Fortune 1000 companies in the USA have had experience with Balanced Scorecards”.

2.4 THE IMPLEMENTATION PROCESS OF A PERFORMANCE MANAGEMENT SYSTEM

2.4.1 OVERVIEW

The PMS processes provided earlier in this report cover the understanding of “what PMS entails” and offer little on “how” it is implemented. In addition and as observed by Bourne *et al.* (2000), a lot has been achieved in providing alternative performance measurement systems that are more “balanced” but little has been done to provide guidance to implementers on how to go about introducing a new PMS. Thus they argue that “...a management process (is) needed...” that a company can employ in implementing a performance measurement system. It is acknowledged that “...there are a number of different (measurement) approaches in the literature”. It is however noted that “...at the end of each of these management processes,...managers have reached the stage of deciding what to measure but nothing has been implemented”. (Bourne *et al.*, 2000:757). Most literature thus focuses on the hard issues and offers little on the soft issues.

Kaplan and Norton (1996) observed that scorecard projects can fail for a number of reasons ranging from a lack of technical knowledge and awareness of the performance measurement system on the part of the implementers, including defects in the structure, choices of measure and organisational defects in the process of developing the scorecard and inappropriate change management processes including lack of involvement of a wider group of employees and middle management, poor communication and leadership during the implementation phase.

2.4.2 IMPLEMENTATION PROCESS

The researcher identified from available literature the following activities as critical and to be undertaken in the order provided in the implementation of a PMS.

Corporate strategy development and goal setting

An effective PMS is anchored on an organisation's purpose, vision and strategy. Defining the purpose, mission and vision therefore forms the first and essential step in the implementation of a PMS. There are different schools of thought to strategy formulation. Ansoff (1965)'s strategy formulation is based on finding a balance between an organisation's perceived strengths, weaknesses, opportunities and threats (SWOT) whilst Mitzberg (1990) argues that rational planning approach to strategy formulation fails to take into account the strategy making realities. According to Mitzberg strategies can be intended, realized or emergent. Intended strategy refers to the strategy that the organisation deliberately chooses to pursue and is an outcome of a detailed analysis. When this strategy is implemented, it is realized. There may be circumstances during the implementation of the strategy that renders the intended strategy inappropriate and therefore it will not be realized, unrealized strategy. The organisation under such situations will use past learning and experience to develop an emergent strategy which meets the needs of the external environment. When emergent strategy is implemented it becomes realized. (Henry, 2008:22).

According to the researcher, the manner with which strategy is formulated bears little effect on the success or failure of its implementation in practice. In addition, whether the strategy, upon which a PMS is anchored, is designed, intended and deliberate, or whether it emerges from past learning and experience, the successful implementation of the PMS requires a highly systematic, step by step and rational approach involving many different parts of the organisation. This process inherently allows for wider participation within the organisation in strategy formulation and goal setting. A study by Kleingeld *et al.*, (2004:848) demonstrated that "...participation in the design of performance management systems can be associated with unusually large increases in performance" compared to what was achieved through a tell-and-sell persuasion strategy.

The strategic development phase also involves the identification of key objectives to be measured and designing of the measures that facilitate regular review of performance against agreed objectives. (Johnson and Scholes, 2002). It is important that measures developed encourage behaviour whose outcome supports the company's strategy. Thus in order to support strategy implementation, "...measures should be derived from strategy" (Bourne *et al.*, 2000:758). Kaplan and Norton (1996:286) noted that a scorecard cannot be created by emulating the best measures used by the best companies. It has to be customised to meet the circumstances of each organisation. It is therefore highly likely that when measures are designed during the strategic development phase, they will be aligned to strategy. Attempting to introduce a PMS that is divorced from the corporate values and objectives may fail to coordinate employee effort towards the attainment of organisational goals.

Contrary to what the researcher provided as a critical first step to PMS implementation as described above, setting the strategy, Bourne *et al.*, (2000)'s performance measurement system implementation process starts with the design of the measures. The researcher believes that the objectives can only be determined once the purpose, vision and mission of the organisation have been defined. The development of the strategy itself cannot be divorced from the designing of the measures as the two go

together. Thus, strategy development and setting of goals is identified as the significant first step of implementing a PMS according to the researcher. Attempting to do otherwise appears to be suggesting that these are and can be two separate and distinct processes with no correlation thereby creating the expectation that a strategy can be developed without determining the appropriate measures. Doing this would be setting the organisation up for failure in the event that the resulting measures fail to support strategy. As the old saying goes, “what gets measured is what gets done”, it is important to get the measures right.

Organisational design

Once the corporate strategy has been defined, it is important that the organisation reviews its structure to ensure that it supports the delivery of the strategic objectives. In certain instances, the organisation may have to under-go a restructuring exercise that aligns the resulting corporate structure to strategy.

Setting functional plans and objectives

Corporate strategy is cascaded down and translated into functional or departmental plans. This process involves all the key people within that particular function so that they can understand the goals of the organisation and contribute in the design of the function’s objectives. It is noted in literature that an organisation can gain more acceptance of the PMS where employees are involved in determining their functional and personal objectives. (Kleingeld *et al.*, 2004:831)

Performance contracting – individual agreements

The objectives agreed for each function with senior managers are communicated to the rest of the team spelling out the contributions expected to enable the achievement of the function, division or departmental targets. At the beginning of the each performance management cycle, employees and managers set out agreed objectives, draw up personal development plans, what will need to be done in order for the plans to be achieved, and how performance will be measured. The organisation benefits by looking

laterally and identifying interdependences. This facilitates the definition of tasks and setting of performance targets that are consistent with higher level objectives.

Through a participatory process, employees contribute to the definition of their roles and provide their views on how they can best contribute to the achievement of departmental and team objectives during performance contracting stage. (Armstrong and Murlis, 1994). “The quality of a PMS will be assured only if workers have significant control over the variables that affect their individual performance”. (Nel *et al.*, 2008:507).

Performance measurement

During the implementation phase, systems and procedures are put in place to collect and process the data that enable the measurements to be made regularly. Organisations explore and utilise available and new information technology capabilities to manage data and report information in a more meaningful manner. The process may also involve new initiatives such as the setting up of a regular customer or employee survey. (Bourne *et al.*, 2000).

Individual performance and development review

Performance management is a regular on-going engagement between employees and management on performance, resource allocation, coaching and development. Regular formal periodic reviews are built into the process and help provide systematic engagement. These reviews, whilst looking at an employee’s past contribution, are more forward looking and focus on competence and continuous development. Continuous development is looked at from both an individual point of view and organisational processes improvements.

Kaplan and Norton (1996:238) note that “Unless ...reward and punishment are...tied...to the balanced set of objectives, measures and targets on corporate and business scorecards, the organisation will not be able to use the BSC as the central organising framework for management systems”. According to the researcher, based on his experience within XYZ, the key challenges faced with PMS implementation occur

when objectives have to be cascaded to employees and when performance review outcomes have to be used for personal developmental and remuneration purposes.

Reviewing targets and strategy

It is noted that the PMS should be used to challenge targets and the strategy for it to add more value to the organisation. Thus the organisation should use the measures and outcomes of the performance reviews to reconfirm the performance measures and make changes to strategy where appropriate.

2.4.3 MANAGING CHANGE

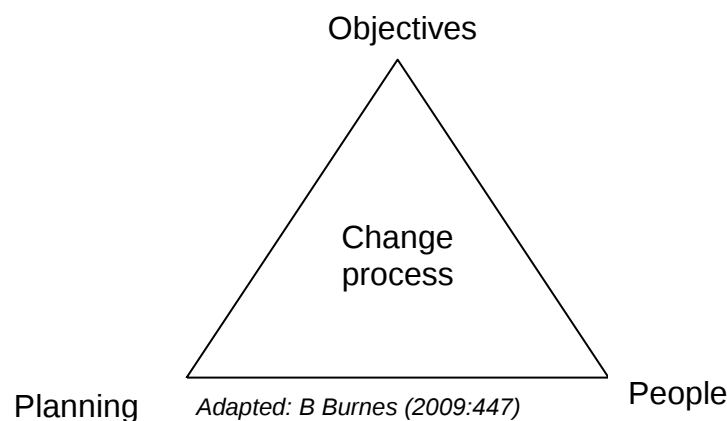
It is observed that a high proportion of change efforts end in failure. (Burnes, 2003:447). Kotter (2007:2) noted that "...fundamental change is often resisted mightily by the people it most affects: those in the trenches of the business." Bourne *et al.*, (2003:20) noted that there were problems and difficulties in the implementation of PMS. Amongst the reasons for failure are complacency, poor communication, weak leadership, political infighting and inappropriate culture. (Huczynski and Buchanan, 2001; Hoag *et al.*, 2002; Kotter, 1996 as cited by Burnes, 2009). According to Kaplan and Norton (1996:286), "Introducing a new management system centred on the BSC must overcome the organisational inertia that tends to envelop and absorb virtually any change programme".

Robbins and DeCenzo (2008:194) define change as "an alteration of an organisation's environment, structure, technology, or people". "Successful change is predicted on sound planning and clear processes that take into consideration, and advantage of, external and internal forces" (Stoner, Yetton, Craig and Johnson, as cited by Field *et al.*, (2002:127). Planning is therefore critical if an organisation is to alter its performance management system.

The change process

Successful implementation of a new PMS, as with most change processes, requires a change management process that recognises the significance of the human factor. According to Burnes (2009), a planned change process involves defining the problem, identifying potential solutions and communication of the problems and the solutions to employees. The process comprises three interlinked elements as depicted below:

Figure 3 - The change process



Objectives

According to Burnes, (2009:448) there are a limited number of reasons for which an organisation investigates change. These are:

- the company's vision or strategy highlights the need for change or improved performance;
- current operation or performance indicates that severe problems or concerns exist; and
- suggestions or opportunities arise that potentially offer significant benefits to the organisation.

Defining the objectives for a change process encompass clearly documenting the reasons for the assessment, objectives, timescales and those to be involved and

consulted. Available options and alternatives should be considered. During this process, the organisation (i) clarifies the problem or opportunity; (ii) investigates alternative solutions; and (iii) makes decisions on the appropriate course of action to follow.

Similarities can be observed between the above and Kotter's steps on establishing a sense of urgency, forming powerful guiding coalitions and creating a vision. Frank discussions of potentially unpleasant facts on new competition, decreasing market share or lack of revenue growth (poor performance) may be the trigger for considering change and a source of business unusual. (Kotter, 2007; Burnes, 2009). Burnes (2009) proposes the creation of an assessment team drawn from management and representatives from affected areas, specialists and consultants to perform the assessment and make recommendations. Kotter argues that there is a need to convince at least 75% of managers that the *status quo* is more dangerous than the unknown and once that has been achieved, the organisation must create and communicate the vision and strategies for realising that vision. He also notes the need to drive people out of their comfort zones.

Planning

Once a decision for change has been made, planning based on clear objectives and outcomes commences. Planning involves development of an activity plan, setting up of a change management team and management structures, commitment planning, progress review mechanisms and identifying training needs.

“Activity planning involves constructing a schedule for the change programme, citing the main activities and events that must occur if the transition is to be successful”. (Burnes, 2009:451).

Commitment planning “...involves identifying key people and groups whose commitment is needed and deciding how to gain their support”. (Burnes, 2009:452). The organisation should assemble a group with shared commitment and enough power to lead the change. (Kotter, 2007). This critical mass of individuals provide the energy for

change. (Burnes, 2009). Long-serving employees and key management form part of this group given their influence on others. Kotter (2007) gives the example of a 60 year old plant manager who had spent 40 years in a position with no focus on customers. This employee, having become part of the guiding coalition and the vision-creating team, managed to change a great deal. External consultants may also form part of this group. This is also noted by Kaplan and Norton's who recognise the role of an architect, supported by an external consultant forming part of the team as an expert adviser to management where appropriate. These authors argue that "...external consultants or knowledgeable internal practitioners can play a critical role in launching a successful scorecard programme". (Kaplan and Norton, 1996:287).

One of the pitfalls noted by Kotter (2007) is failure by organisations to systematically plan for short term wins. The planning process will thus involve identifying the key progress evaluation criteria (audits and post-audits) as well as training and development needs of all those involved in and affected by the change process. (Burnes, 2009).

People

Burnes (2009) recognises people as one of the three critical pillars of a change process. He argues that "[T]he success ofchange effort is always likely to hinge on...ability to involve and motivate the people concerned and those whose support is necessary". (Burnes, 2009:455). "There is often a tendency to portray the planning element of change as a technical exercise involved with timetabling and resource allocation". (Burnes, 2009:455). Attention must also be given to people aspects of change.

PMS involves changing work behaviours and attitudes. The implementation of PMS requires people to reconsider how work is performed and how performance is measured and rewarded. According to Burnes, (2009), there are three people-related activities that need to be undertaken for change to take place:

Creating a willingness to change

Change normally involves moving away from one's comfort zone, "moving from the known to the unknown, with the possibility of loss as well as gain". (Burnes 2009:456). Those in fear of losses are likely to actively resist such proposals. This is similar to what Machiavelli (1515 Chapter IV:1) notes:

"And it ought to be remembered that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things. Because the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new". (Burnes, 2009:456).

According to Lewin's Force Field Theory, in any change situation there are always forces driving change and forces resisting the change effort. Change is achieved when the level of driving forces exceed the restraining forces. Thus, to bring about the desired PMS, the organisation has to increase the driving forces and reduce the restraining forces. (Burnes, 2009). Attempts to increase the level of driving forces may be met with an equal increase in resisting forces. Efforts to increase driving forces are thus also supported by efforts to reduce or eliminate resisting forces. As a result, the organisation compliments communication on the positives of the new PMS with messages that clearly show the defects and lack of attractiveness of the current situation. This adds an impetus to the positives of the new order and helps destabilise the *status quo* thereby creating a vacuum to allow for the new system to be implemented - a process referred to by Lewin (1947) as "unfreezing". The Force Field analysis may help the organisation identify the key driving and resisting forces. Employees are made aware of the pressures and an urgent need to implement the new PMS as well as their demise if *status quo* is allowed to prevail. This is supported by Kotter (2007) who notes that establishing a sense of urgency is crucial to gaining cooperation. Kotter (2007:3) notes "...discussion of potentially unpleasant facts about new competition, shrinking margins, decreasing market share, flat earnings, a lack of revenue growth, or other relevant

indices of a declining competitive position” as examples of the ways in which people can be moved from their comfort zones in order to create willingness to change.

In creating the willingness to change, management should be aware of and acknowledge the genuine concerns of the employees. Bourne *et al.* (2000:761-762) observed resistance to measurement, occurring during the design stage as one of the main obstacles to the full implementation of the performance measures. Training of employees on the new changes, the BSC and the whole PMS is therefore important in creating a willingness to change.

Involving people

It is important to involve those whose assistance is necessary to make the implementation of the PMS a success. Nel *et al.*, (2008:506); Armstrong and Murlis, (1994: 223) argue that for the PMS to be effective it must be driven by and ownership must be vested in line managers and subordinate. In order to encourage ownership, Kleingeld *et al.*, (2004:831) noted from literature (Pritchard 1990, 1995a; Drucker 1976; Rogers and Huntler 1991) that the importance of employee participation in system design is emphasised in methods for designing PMS. Kaplan and Norton's (1996) approach for the development of the BSC was based around using interviews with members of the senior management team and facilitated workshops. Bourne *et al.*, (2000) further cites the work of Bitton (1990) (GRAI methodology for enterprise modelling), Dixon *et al.* (1990) (performance measurement questionnaire (PMQ)), Eccles and Pyburn (1992) and Neely *et al.* (1996) emphasising the use of an interactive and participatory process in designing measurement systems.

Involving people involves communication with the key objective being to create the critical mass necessary to bring about change. According to Kaplan and Norton (1996:222), the goal of the process is “...to align...employees to the strategy”. Regular rather than a once off communication is driven from the highest offices and supported by the communications department using every possible vehicle within the organisation's communication infrastructure. (Kotter, 2007; Kaplan and Norton, 1996).

According to Burnes, (2009:460) "...anything from management has to be stated at least six times in six different ways before people start giving it credence". The same is shared by Kotter (2007:6) who observed that "[E]xecutives who communicate well incorporate (such) messages into their hour-by-hour activities". This communication is aimed at teaching management and staff new behaviours by the way of the guiding coalition, and "...gaining the understanding, buy-in, and support of all organisation members...". (Kaplan and Norton, 1996:288). The communicator during the implementation of the BSC performs the task of communicating the new ways of doing things centred on the adopted organisation goals and enhanced roles for employees and systems. The communicators must act and behave in a manner that supports the message and is evident of their embrace of the new PMS. Leaders "walk the talk". (Kotter, 2007:6)

Effective communication is carried out in an involving manner that draws staff into discussions and debates about the need for and the format of the new PMS and allows them "...to convince themselves of the need..." to implement it. (Burnes, 2009:460). The researcher notes from available literature (Kotter, 2007; Burnes, 2009; Kaplan and Norton, 1992) that throughout the process, the organisation (i) gives regular feedback on performance of individual processes and areas of activity within the organisation, (ii) understands, recognises, and deals with real and legitimate fears of both management and staff and (iii) recognises, publicises, rewards and celebrates successes.

Sustaining the momentum

Implementing a PMS is a long-term project. When people have to perform their normal day to day duties whilst also driving change efforts, it may become desirable to provide additional resources to support the change efforts and sustain normal operations. Burnes, (2009:463) cites Buchanan and Boddy (1992) who noted that "...an enormous responsibility falls upon the change management team (and as such)...they must receive support...", incentives and recognition in the form of public and private acknowledgement and praise. The organisation should also deal with obstacles to change. Kotter (2007:6)'s fifth step deals with "removing obstacles to the new vision".

This may entail getting rid of or reassigning top executives or management that may undermine change. Other ways of sustaining the momentum include development of new skills and competencies through continuous training, coaching and on-the job counseling.

Sustaining the momentum also involves being careful that whilst celebrating short-term gains, the organisation does not declare victory too soon. Kotter (2007:8) argues that “while celebrating a win is fine declaring the war won can too soon be catastrophic”.

Once the new PMS is adopted and desired behaviour is attained, reinforcement becomes important. (Burnes, 2009). This is similar to what Lewin termed “refreezing” and what Kotter (2007:8) regards as “anchoring changes in the Corporation’s Culture” under his eighth and final step. According to Kotter (2007:8), institutionalising change can be achieved through showing people how new approaches, behaviours and attitudes have helped improve performance and taking sufficient time to make sure that the next generation of top management personify the new approach. Continuous communication to reinforce the message is necessary so that there is no delusion as to what brought about improvements. The organisation should reinforce desirable behaviour through continuous recognition and reward of those living the new order.

Leadership

There are a number of leadership styles that can be employed by those individuals leading the execution the PMS implementation. Leadership was defined by Roach and Behling, (1984) as “the process of influencing an organized group towards accomplishing its goals.” Dwight D. Eisenhower described it “...as the art of getting someone else to do something you want done because he wants to do it.” (Hughes, Ginnett and Curphy (2005:218,405). Thus leaders create willingness on the part of the followers. Hughes *et al.*, argue that leaders question and align organisational systems and follower behaviours around a new organisational goal.

According to Kaplan and Norton (1996), an organisation needs transitional leaders who facilitate the building of the scorecard and who help embed it as a new management

system. In the opinion of the researcher, the transitional leaders apply a transformational leadership style that provides an opportunity to reach out to employees who may be worried and skeptical and who may lead active or passive resistance to change. This style entails developing a vision, setting and communicating a clear purpose, aligning employees' personal needs with the needs of the organisation thereby satisfying basic needs in the process of achieving corporate objectives. Whilst the issue of personal reward alluded to earlier cannot be belittled, transformational leadership requires that employees be inspired through the leader's charismatic appeal and motivation abilities. Burnes (2009:499) noted that "transformational leaders use the force of their personality to motivate followers to identify with the leader's vision and to sacrifice their self interest in favour of that of the...organisation". This leadership style promotes leader-follower interaction. Employee participation in PMS design is noted by Kleingeld *et al.*, (2004:831) as essential in encouraging ownership. Thus, this leadership style is appropriate for organisations implementing a new PMS. In addition, Hughes *et al.*, (2005:121) noted that "...the most effective leaders are claimed to have both high concern for people and high concern for production..."

Throughout the process, management retains the overall responsibility and accountability for the implementation of the PMS. The use of external consultants in providing scorecard development and implementation support should not diminish senior management's ownership of the implementation programme. Getting senior management to lead the process helps to ensure that the scorecard guides important management processes. As noted by Kaplan and Norton (1996:285), "the scorecard development process should not be delegated to a middle-management task force". Kotter (1997:4) argues that "...major change is impossible unless the head of the organisation is an active supporter." This view is shared by Kaplan and Norton (1996:287), who note that "a successful scorecard programme demands a high level of commitment and time from the executive team..." However, Kotter (1997:4) notes that "this group never includes all of the company's most senior executives because some people just won't buy-in..." The change management team will include representatives

of those involved in the development of the strategy and those likely to be affected by the change. As this includes members outside the senior management roles, this team works outside the normal hierarchy. The challenges associated with working outside the hierarchy will need to be managed.

Once the scorecard is established, its implementation is achieved through change agents who play a critical role of shaping the day to day use of the new management system and serving as a surrogate for the CEO. These change agents "...help managers redefine their role as required by the new system". (Kaplan and Norton, 1996:288). Wieck and Quinn (1999:381), as cited by Burnes, (2009:390) note that "...the role of a change agent becomes one of managing language, dialogue, and identity...and...the most powerful change interventions occur at the level of everyday conversations".

2.5 LIBRARY FACILITIES

Library facilities proved to be very helpful during the study. However, the researcher could not access certain material from specific authors on areas that he and the supervisors regarded relevant and important. The researcher could not access the work of Kanter, Pettigrew and Whipp on Managing Strategic Change, Michael Hammer on Business Process Re-engineering and the Armstrong and Baron on Performance Management that could have enriched the researcher's knowledge on the subject. Despite these limitations the researcher managed to access alternative literature by other authors on the subject.

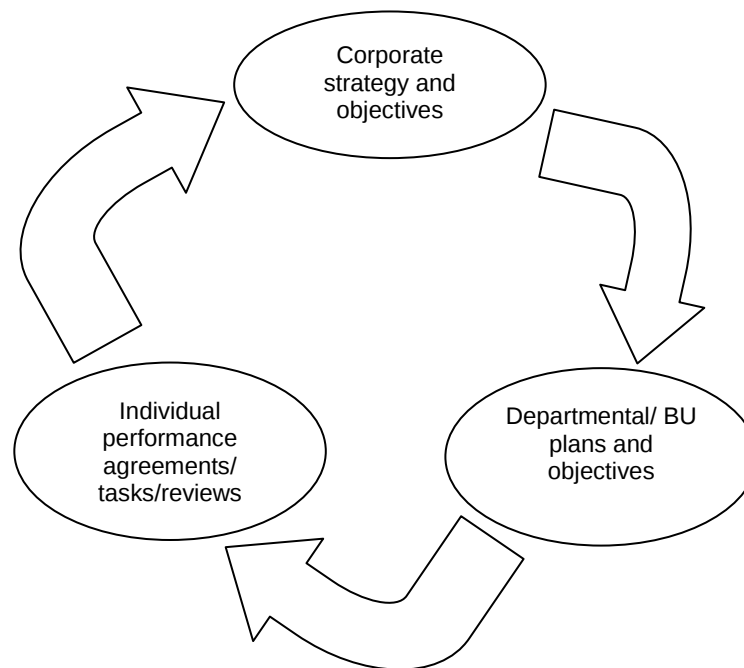
2.6 CONCLUSION

Having considered the literature on the subject of performance management, the researcher found the conceptual framework provided by Armstrong and Murlis (1994) (Figure 1) to be the most appropriate in depicting the relevant processes. Performance management involves a continuous cycle of visioning, planning, acting, monitoring, reviewing, adjusting and then re-planning. This cycle links clearly from the corporate

vision and strategy formulation into the performance appraisal and recognition process. Once a corporate scorecard has been developed, it is reduced into a BU scorecard that is then cascaded downwards to various sections and ultimately individuals who should be responsible for executing specific tasks aimed at delivering on the corporate objectives. People do their best to achieve corporate objectives when know what the objectives are, what is expected of them, and have some say in both. As observed from literature, (Armstrong and Murlis, 1994, Nel, *et al.*, 2008, Kaplan and Norton, 1996), organisational performance is dependent upon the capabilities of individuals and teams, the level of support provided in executing tasks, and the processes, systems and resources made available by the organisation.

Aligned to the above, the researchers' simplified performance management model is divided into three main categories, as depicted below:

Figure 4 - Researcher's Simplified Performance Management Model



- Corporate – involving defining corporate purpose, strategy and objectives. The corporate strategy is continuously challenged and adjusted taking into account the outcomes of the organisation's periodic performance reviews. Within this phase, the organisation defines its performance measurement tool, identifies the appropriate performance measures thereby answering the *what, how and when* questions with respect to identifying and measuring corporate outcomes. Within this stage, the organisation may regard it appropriate to realign its organisation structure so that it can be best positioned to meet its objectives. The structure is continuously reviewed to ensure that it remains appropriate for the execution of the organisation's purpose.
- Departmental or BU – involving defining departmental purpose, strategy and objectives. It cascades downwards to specific departments the performance measures answering the *what, how and when* questions with respect to identifying and measuring outcomes specific to each strategic BU or department.
- Individual – involving the translation of departmental objectives into individual performance expectations, continuous skills development and on-going feedback, measurement and performance rewards. If appropriately executed, this develops employees' understanding of what needs to be achieved, helps them improve organisational performance and form a basis for rewarding contributions.

Successful implementation of the BSC is dependent on the design of the measures, the methods applied in its implementation and the change approach used by the organisation during this process. As noted by Kaplan and Norton (1996:286), "Introducing a new management system centred on the BSC must overcome the organisational inertia that tends to envelop and absorb virtually any change programme". Literature on change management by Kotter and Burnes expands on the change process and within it recognise that there should be clear objectives for change, with the planning stage focusing on the human element and be sensitive to people's

genuine concerns, and also offer opportunities for growth, training and skills development.

As noted by Kotter (2007:5) “[I]n failed transformations, you...find plenty of plans, directives, programmes but no vision” leading to “...alienation or confusion...”

Various authors acknowledge resistance in any change initiative as a normal human behavior that must be overcome for the PMS initiative to succeed.

Kotter’s work on implementation of change forms a fundamental aspect of literature on this subject. He notes that “Leaders who successfully transform businesses do eight things right (and they do them in the right order)”. The researcher, after considering Burnes’ contribution to knowledge on managing change, noted that the sequence for PMS implementation is not always aligned to the eight steps. There is a tendency for activities to overlap, and implementers have to revisit certain processes over and over again until any challenges are overcome.

CHAPTER 3 - RESEARCH METHODOLOGY

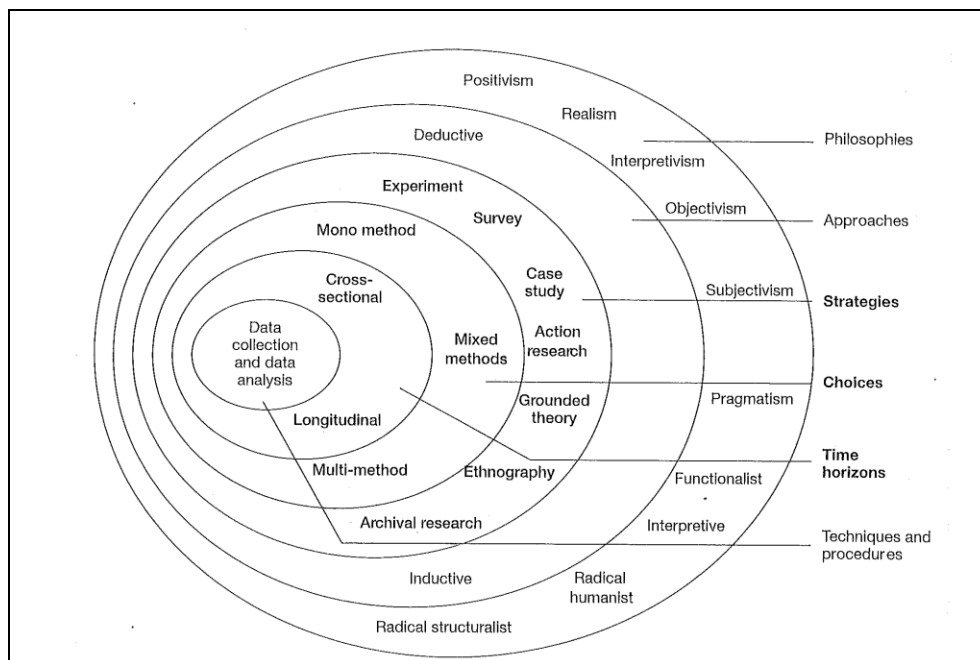
3.1 INTRODUCTION AND OVERVIEW

Research methodology deals with the methods by which the researcher designed and conducted the study to obtain the data on the project and meet the aforementioned study objectives stated in Chapter 1.

In order to undertake a successful study within the constraints and limitations of time and resources, it was important for the researcher to develop a plan and schedule of activities to be performed and to consistently assess progress against such plans. The researcher found the maintenance and use of a personal diary very helpful. Scheduled supervisor feedback sessions were also undertaken.

The research “onion” (Figure 5) developed by Saunders provided the basis of the research methodology. Saunders identified five distinct layers, peeled from the outside in, that provide useful guidelines in research. These cover research philosophy, research approach, research strategies, time horizons and data collection methods.

Figure 5 - Saunders Research Onion



(Saunders et al., 2007:132)

Predominantly aligned to the Research Onion, this Chapter is divided into sections covering:

- i. rationale for qualitative research;
- ii. research philosophy;
- iii. research approaches;
- iv. research strategies;
- v. time horizons;
- vi. data collection methods;
- vii. research limitations; and
- viii. conclusion

3.2 RATIONALE FOR QUALITATIVE RESEARCH

Qualitative research is a method of inquiry that aim to gather an in-depth understanding of human behaviour and the reasons that govern such behaviour by investigating the qualitative *why and how* of decision making, not just *what, where, when*. This can be contrasted to quantitative research which is used to test hypothesis. Whilst the researcher found such distinction to be of importance, some writers find the contrast “...as no longer useful or simply false”. (Layder, 1993 as cited by Bryman and Bell, 2007:28). The importance ascribed to the difference by the researcher was centred on the fact that the two approaches differ with respect to their epistemological foundations among others. (Bryman and Bell, 2007).

It was the researcher’s conviction that quantitative methods were at variance to the stated objectives and intentions of the study and would have failed to generate sufficient evidence upon which to base a conclusion. The researcher found that the qualitative methods provided significant opportunity to interact with the subjects which is lacking in purely quantitative methods. To generate sufficient knowledge on the project, the

researcher had to be part of the environment within which the employees and management were operating in order to understand their interpretation of the PMS implementation and their feelings towards the system itself as well as the manner within which it was implemented. Throughout the process, the researcher was conscious of the potential of data contamination that existed.

3.3 RESEARCH PHILOSOPHY

A research philosophy represents a researcher's perception of the way knowledge is constructed (Saunders *et al.*, 2007). There are three recognised research philosophies dealing with a distinctive view on how knowledge is developed. These are - positivism, interpretivism and realism.

The findings of this research were generated from real-world settings, involving interaction with employees and management of XYZ. As a result the appropriate research philosophy applied in this project was that of interpretivism. "Interpretivism is a term given to a contrasting epistemology to positivism" (Bryman and Bell, 2007:17). This view believes that the world and reality are not objective but are socially constructed and given meaning by people. The paradigm attempts to find out how people think and feel about a certain subject. (Wheeler and Carter, nd). According to Bryman and Bell (2007:17), interpretivism recognises that "...the subject matter of social sciences – people and their institutions – is fundamentally different from that of natural sciences." This philosophy emphasizes on understanding why people have different experiences.

In contrast, positivism relates to the view point that "...the world and reality exist externally to the researcher and its properties should be measured through objective measures, rather than inferred subjectively through sensation, reflection or intuition." (Wheeler and Carter, nd:11). It is the application of scientific reasoning in knowledge construction where the researcher and reality are separate. Positivism is aligned to the quantitative research methodology and was regarded as inappropriate for the study by the researcher.

The third philosophy, realism, attempts to combine the positivism and interpretivism philosophies. It is the "...belief that the natural and the social sciences can and should apply the same kinds of approach to the collection of data and to explanation, and a commitment to the view that there is an external reality to which scientists direct their attention." (Bryman and Bell, 2007:18). Realism also acknowledges that a reality can exist eg. phenomena external of individuals, that can influence their perceptions either consciously or unconsciously. (Wheeler and Carter, nd:13).

This project, being a qualitative study influenced by significant human interaction and the researcher's observations, was found to be suited for the interpretivism philosophy.

3.4 RESEARCH APPROACH

This project has been constructed to try and determine the processes adopted by the company in its implementation of the PMS and whether there were activities that XYZ could adopt or had adopted to derive the maximum possible benefits from the PMS. By reference to literature on the relevant subjects of performance measurement, the BSC and implementation of change, the researcher sought to identify alternatives for recommendation. Such an approach, which sought to develop generalisations on the appropriate implementation of PMS from a specific research, is an inductive research approach. This approach allowed the researcher to modify the research emphasis based on the accumulated findings throughout the research process.

By definition, an inductive approach is "[A]n approach to the relationship between theory and research in which the former is generated out of the later". (Bryman and Bell, 2007:728). This approach follows research data to construct theory and is aligned to the interpretivism philosophy. The inductive process can be applied in a qualitative research. Applying the Kolb Learning Cycle, "it involves reflecting on recent and past experiences and as a consequence theory is the outcome of the inductive process. This relates to Kolb's Learning Cycle learning by reflecting upon particular past experiences and through the formulation of abstract concepts, theories and

generalisations that explain the past and predict future experience.” (Wheeler and Carter, nd:12).

In contrast to the approach adopted by the researcher in this study is the deductive process. The ‘deductive’ process involves the development of a conceptual and theoretical stance before testing it through empirical observation. It covers the conceptualisation and then moves on to testing the theory through application in new situations. A deductive process is normally associated with the positivism research philosophy and a quantitative research approach and specifically involves statistical hypothesis testing having obtained data through a random probability sample. This approach was considered inappropriate for this study.

3.5 RESEARCH STRATEGY

Research strategy refers to the tools employed by the researcher in addressing the research question. According to Saunders *et al.*, (2007), the appropriate strategy should enable the researcher to answer the research question and meet the research objectives. There are seven research strategies which are not strictly mutually exclusive that can be applied to a research project. These are: experiment; survey; grounded theory; ethnography; action research, archival research and case study. These are discussed below.

An experiment is used to study the links between variables. It is useful in exploratory and explanatory research and answers the ‘how’ and ‘why’ questions. An experiment can be useful when testing a predefined theoretical hypothesis and in most cases involves two groups, an experimental group, where the intervention and variations are applied and a control group, where no interventions are made with the outcomes of the two giving rise the knowledge on the study. (Saunders *et al.*, 2007). The researcher found the experiment strategy as being inappropriate for the purposes of studying XYZ’s PMS implementation. The study does not involve creation of an experimental group and a control group.

Grounded theory is used to build theory through inductive and deductive approaches. It is the appropriate research strategy for explaining and predicting behaviour. (Saunders *et al.*, 2007). When applying this strategy, data collection is commenced without a theory and the outcomes are used to develop predictions. These predictions are then tested through further observations to develop a theory.

Ethnography is used to “...describe and explain the social world the research subjects inhabit in the way in which they would describe and explain it.” (Saunders *et al.*, 2007:142). Ethnography techniques are naturalistic and are carried out over a period of time. It is a useful research strategy that is applicable to this study on XYZ’s PMS implementation. It provides the researcher with an opportunity to interpret behaviour from the perspective and context of those involved. The researcher becomes a member of the group and setting that forms the subject of the research. Time limitations for this study rendered the application of this approach impossible.

Archival research “...makes use of administrative records and documents as the principal source of data”. (Saunders *et al.*, 2007:143). It is a form of secondary data collection and analysis. By looking at documentation trail of past events, a researcher is able to obtain an understanding of the changes occurring over time. The main challenge associated with this strategy is the potential data or access limitations that the researcher may face during the study. This strategy was considered appropriate to be applied in conjunction with other strategies as the researcher attempted to gain prior knowledge and understanding of how the PMS implementation communication strategy was managed and rolled out.

A survey tends to be applied for exploratory and descriptive research and answers the who, what, where, how much, and how many questions. A survey can be applied to a large population through the use of sampling and questionnaires and therefore can be an economical way of procuring knowledge. When appropriate sampling techniques are used, the outcome of a survey study can be representative of the total population. Other methods of data collection associated with a survey strategy include structured observations and structured interviews. Criticisms of a survey include that only a limited

amount of data can be collected as a researcher has to limit the number of questions on a questionnaire as well as its significant dependency on others for information. Despite the challenges associated with this strategy, it is an effective way of collecting data. (Saunders *et al.*, 2007). This was of particular interest to the researcher in determining the appropriate research strategy for gaining an understanding of XYZ's PMS implementation.

The other strategy that can be applied in executing a research is a case study. Robson (2002:178) defines a case study as a “strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence” (Saunders *et al.*, 2007:139). Unlike in an experiment which is performed in a highly controlled context, the boundaries between the phenomenon being studied and the context are not clearly evident. A case study can be used to explore existing theories as well as to challenge existing theories and provide new direction for further exploration.

The last strategy that can be employed is action research, a term first used by Lewin (1946). Action research involves diagnosing of a problem or situation, planning of action to be taken by considering the various alternatives, performing or taking action and evaluating the outcome. It differs from other research strategies in that it has a primary focus on action. (Saunders *et al.*, 2007).

In deciding upon the appropriate research strategy, the researcher was cognizant of the fact that research strategies above were not mutually exclusive and could be applied in combination. (Saunders *et al.*, 2007). The researcher's focus on XYZ as an organisation appeared to be aligned to a holistic case study strategy. However the researcher also took note of the opportunities presented by the survey strategy, ethnography and archival research. The researcher noted with particular interest to XYZ's PMS implementation study that triangulation, ie, various data collecting techniques, could be and were required to be applied to the different groups from which data was to be collected. The primary and secondary data collection techniques that were applied in

this research are discussed later in the report and included interviews, documentary analysis and questionnaires.

The researcher concluded that a combination of a case study and a survey strategy were best suited for the study. “Generally, case studies focus on understanding the dynamics present within a single setting” characteristically from multiple primary and secondary sources, though not necessarily set in the current time period, which was the case with this research project. (Wheeler and Carter, nd:16). The survey strategy allowed the researcher to utilize sampling techniques and collect data through questionnaires.

3.6 TIME HORIZONS

The research plan took into account the time and resource limitations that the researcher faced. The submission date of the final dissertation was set for 1 April 2011 and was only communicated in January of 2011. In the opinion of the researcher, conducting a longitudinal study within this time frame was therefore not feasible. A longitudinal study is carried out over time. The aim of the longitudinal study is to research the dynamics of the problem by investigating the same situation or people, several times or continuously, over the study period, often many years. (Wheeler and Carter, nd).

The researcher therefore applied a cross sectional approach designed to obtain information on employees and management’s understanding and perception of the company’s PMS and the change processes applied during its implementation at a particular time – as opposed to observing changes over time. The survey and case study strategies adopted for this study were suited for the cross-sectional study. It allowed for interviews to be carried out over a limited time. Despite the time limitations, the researcher also managed to introduce a longitudinal element and obtained knowledge on how the PMS was implemented through secondary data collection methods by reviewing the files and minutes of the implementation team and analysing

the data contained there-in. Saunders *et al.*, (2007:148) notes that it is possible to introduce longitudinal elements to a research even with time constraints.

3.7 DATA COLLECTION METHODS

3.7.1 TRIANGULATION

The researcher noted that triangulation, ie, various data collecting techniques, was required to be applied. Triangulation enhanced the validity of the information gathered as the different methods complemented each other and helped minimize the inherent weaknesses within each method. Primary data was “...obtained ‘first-hand’ from its original source as part of the ‘applied’ aspect of...” the research. (Wheeler and Carter, nd:20). The primary data collection methods applied included:

- Two (2) semi-structured interviews with (i) a representative of the Workers’ Union and (ii) a member of the management team who was responsible for and a key driver of implementing the PMS; and
- questionnaires sent out to a sample of 65 employees and managers selected from a population of 146 employees and managers based at XYZ’s Windhoek offices. The company employs +900 employees in various locations across the country. The researcher considered the population of the Windhoek based employees large enough to enable sampling.

3.7.2 SEMI-STRUCTURED INTERVIEWS

The interviews were carried out in a conversational style between the 1st and 5th of March 2011 and lasted between 45 to 65 minutes. The semi-structured interview carried out with a member of the key PMS implementation committee explored the key objectives and expected outcomes of the PMS within the company as well as the change management processes applied in its implementation. The semi-structured interview with the other interviewee, representative of the Workers Union, followed a similar pattern and was aimed at obtaining information on whether employees and

management affected by the implementation of the PMS shared common objectives and expected outcomes as those of the key promoters of the PMS.

The interviews were undertaken in an open and friendly environment and were dominated by open-ended questions. The semi-structured process allowed the researcher to probe answers and build on responses. This approach was appropriate and aligned to the reasons stated by Saunders *et al.*, (2007:315), that “...where it is necessary for you to understand the reasons for the decisions that your research participants have taken, or to understand the reasons for their attitudes and opinions, it will be necessary for you to conduct qualitative interview”. Thus the researcher managed to capture participants’ perspective of the PMS. The focus areas of the interviews were to:

- obtain, in the participants’ own words, their understanding of the PMS;
- obtain participants’ understanding of the objectives of the PMS;
- understand the participants’ feelings towards and acceptance of the new PMS;
- understand the participants’ feelings towards the company’s PMS implementation process including challenges, if any, faced by the company in its implementation process;
- identify areas requiring immediate attention; and
- future outlook of the company post the implementation of the PMS.

The interviews were guided by the interview questionnaire provided in **Appendix 1**.

The researcher was conscious and mindful of non-verbal communication during the interviews. The researcher observed that the interviewees had almost the same levels of appreciation of the subject though they had different perceptions. Cooperation of the two interviewees was encouraging.

Both interviews were tape-recorded. The researcher took down field notes during the interviews. The tape recordings were later transcribed and provided a source for further reflection on a particular interview. The researcher received professional assistance with transcription.

In line with the ethical considerations of the study, all participants were assured of non-disclosure of their identities as all information was provided in confidence. In addition, participants were also asked to express their consent to the recording of the interviews.

3.7.3 SURVEY QUESTIONNAIRE

Saunders *et al.*, (2007:327) points out that "...there is likely to be a concern surrounding the generalisability of information from qualitative research, based on the use of small and unrepresentative number of cases". Survey questionnaires were generated and used to complement the information obtained through the semi-structured interviews. One of the advantages of the questionnaire was that it required minimum interaction with the subjects and was relatively easy to administer. The objectives of the study and the literature review informed the questionnaire.

The researcher developed 35 closed questions that were deemed appropriate for the study. The closed questions (also known as forced-choice questions) had a number of alternative answers providing the advantage of being quicker to answer as well as making statistical data analysis easier. Whilst the questions appeared too many and a potential deterrent to participants, the researcher invited one participant to complete a pilot questionnaire and provide feedback on its length and complexity of the questions. The respondent managed to complete the questionnaire within 15 minutes and reported that she found the questionnaire straight forward and easy to complete. After taking into consideration the research objectives and knowledge generated from the literature review, all questions were regarded relevant by the researcher. The researcher thus did not find it compelling to reduce the number of questions. The Questionnaire and the Responses are included under **Appendix 2**.

The first section of the questionnaire contained a general section that sought to obtain information on the respondent such as gender, age, year of service, grade and department. This provided an opportunity to further analyse the data. Other sections of the questionnaire covered participants' understanding of PMS and its objectives, the BSC and perceptions on the implementation and change management processes

applied. The respondents were also asked to indicate whether they were of the opinion that the XYZ's PMS was (or would) achieving its objectives. It was of interest to the researcher to find out whether participants believed that the XYZ's PMS could be used to motivate employees to improve company performance and whether there was sufficient consultation in its implementation.

Open-ended questions were avoided as they can be difficult to analyse, interpret and compare.

The questionnaires were distributed through e-mail, and in rare cases hand delivery. Non-statistical sampling techniques were applied. The researcher also used work acquaintances to generate a sample size with a critical mass to provide sufficient information. This snowballing technique allowed the researcher to distribute the questionnaires to a wider group covering managerial and non managerial employees, male and female participants to try and achieve a fair representation of the population. The researcher also sought the assistance of the workers representatives in distributing and soliciting responses from their membership. The number of questionnaires distributed through snowballing could not be established with reasonable accuracy. Senior management, although forming part of the core sponsors of the PMS, were equally impacted and affected by its implementation in their capacity as employees. It was therefore of interest to the researcher to obtain responses from this group. According to the researcher, Grades 1-6 were regarded as the managerial group.

3.7.4 SECONDARY DATA

Secondary data was obtained through the review of the minutes of the PMS Implementation Steering Committee (Steering Committee) meetings, written communication to and from employees on the PMS, PMS policy documentation, the review of the company's corporate scorecard, consultants' reports and briefs, strategy documents and business plans and the annual financial statements. The researcher had to negotiate access to this data and also sought written authority in line with ethical requirements before accessing and making use of the information. External sources of

secondary data included journal articles on PMS and change management, the internet and reference books.

3.7.5 DATA ANALYSIS

Large amounts of data were gathered and this presented challenges in data analysis as the researcher tried to identify significant patterns and trends and reduce the volumes of information into coherent framework. The researcher managed to overcome these challenges by simultaneously analysing data during data collection. The data collected through questionnaires was quantified and analysed in Excel to generate information on frequency of certain responses. This provided the researcher with the capacity to illustrate the outcomes through charts and graphs. Thus the use of Excel supplemented data analysis methods discussed above and enabled the researcher to undertake quantitative data analysis.

3.8 RESEARCH LIMITATIONS

The researcher remained aware that this study, as in any other research project, contained certain limitations. In addition, the researcher remained conscious of the threats to reliability and validity, dealing with the credibility of the research findings, throughout the study. According to Raimond (1993:55 as cited by Saunders *et al.*, 2007), credibility is about whether the evidence and conclusions can stand up to scrutiny.

The researcher was aware that for the research findings and the conclusions to be reliable, the measures needed to: (i) yield the same results on different occasions, (ii) generate similar objectives to different observers, and (iii) provide transparency in the manner in which conclusions were reached from raw data. (Saunders *et al.*, 2007).

The researcher recognised certain limitations associated with the criticism against qualitative research methodology and the inherent limitations of the research design affecting reliability. Qualitative studies rely on the researcher's interpretation and

analysis of outcomes. In this respect, the researcher may have been biased in interpreting behaviours and perceptions. As the researcher held an executive position within XYZ, he remained conscious of the fact that some interviewees' responses may have been motivated by other expectations outside the scope of this study. In addition, the researcher, being an employee of XYZ and impacted in almost the same way as the rest of the employees by the PMS implementation, also recognised the possibility of bias on his part in that he may have attempted to impose his own feelings and perceptions upon the participants.

Mondays were avoided for interviews as employees are generally pre-occupied by other occurrences on these days in order to minimize participant error and improve reliability. One interviewee had difficulties adjusting to being interviewed by an executive management member on a subject that seemingly appeared straight forward and easy to understand and on matters where, being a promoter of the PMS initiative, she felt obliged to support and promote. The researcher felt that some responses were given because the interviewees regarded them as "politically correct" and unlikely to destroy the relationship. The researcher found further probing to be a very useful technique under these circumstances.

The research was confined to the Windhoek offices only. The researcher recognised that Windhoek based employees may have different values and perceptions to those shared by employees within the regions. In addition, whilst the researcher made an effort to distribute questionnaires to a representative sample of participants, the method of sampling used has its own inherent limitations associated with non-statistical sampling techniques. The sample size could also have been a limiting factor.

The researcher had targeted to undertake five (5) interviews. However, the researcher failed to secure appropriate interviews with some of the target interviewees due to their busy schedules and time constraints. Despite the limited interviews, the researcher believes that the interviews that were conducted, together with other data obtained, provided an appropriate basis upon which to base the outcomes and conclusions of this study. The researcher reached this conclusion on the basis that the interviewees

represented two (2) different but critical groups within the company, ie Workers Union and Management Representations.

The researcher gave attention to these limitations and throughout the study, introduced ways of minimising their impact on the study. To avoid bias during data analysis, the researcher made sure that the identity of respondents was not marked anyway on the questionnaires. During interviews, the researcher continued to reflect on his actions and the manner with which these could influence responses from the participants. The researcher also held interviews within an environment that he considered best suited for the interviewees in order to ensure that they remained relaxed, open and cooperative.

Despite the limitations associated with sampling, the information generated from the respondents, the interviews and the data collected from secondary sources collectively provided a basis to answer the research questions and meet the research objectives.

3.9 CONCLUSION

This study was aimed at identifying how the new PMS is being implemented and test this against identified theories for implementation of the PMS and strategic change. It also sought to establish whether those affected by the change shared similar objectives with the change drivers with respect to the ability of the new system in improving employee motivation and performance which would in turn improve corporate performance. A detailed review of the literature was performed to gather knowledge on the subject and based on that literature, the researcher developed a PMS implementation conceptual model upon which the study was based. This chapter provided a detailed description of the research methodology and design adopted to meet the objectives of the study.

The researcher employed a combination of a qualitative case study and survey research. Data was collected through interviews, survey questionnaires and secondary data analysis. The data gathered was reviewed against literature on the subject. Excel was used to analyse responses from questionnaires and group common outcomes. The

researcher generated conclusions on the study based on the outcome of the information gathered and by reference to literature on PMS and managing change, made recommendations and suggestions that may assist in further development of study in this field as well as XYZ and other organisations implementing and embedding a PMS.

CHAPTER 4 - RESEARCH FINDINGS

4.1 INTRODUCTION

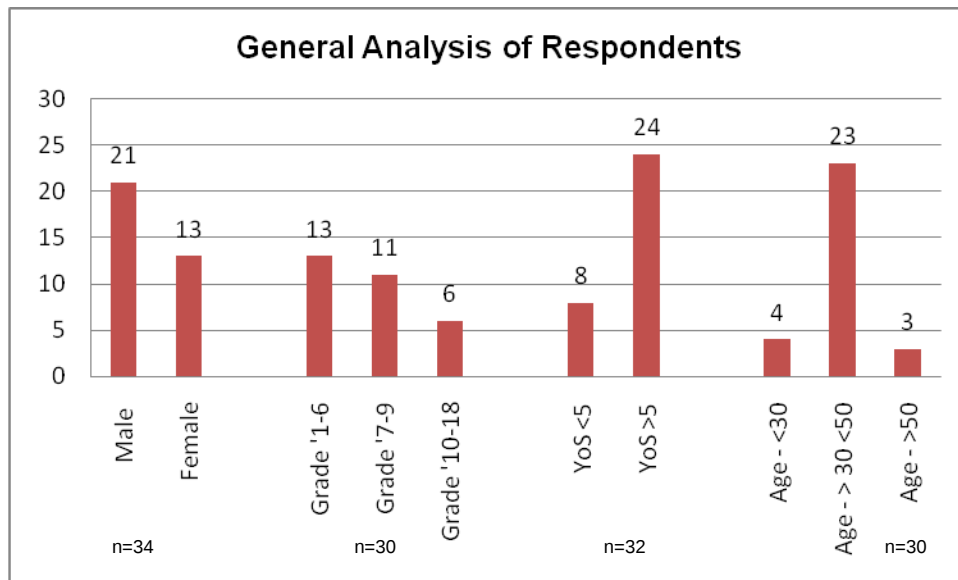
This Chapter presents the researcher's analysis of outcomes from data collected through semi-structured interviews, questionnaires and review of the minutes of meetings of XYZ's Steering Committee, review of the MD's communications released during the implementation phase and other forms of secondary data relating to the company's Corporate Strategy and PMS implementation. The findings have been analysed with the aim of providing responses to the research's objectives.

In developing the questionnaire and analysing the responses there from, the researcher was guided by the theoretical knowledge gained on the subject presented in Chapter 2 and made use of the PMS model provided under the conclusion section of the same Chapter 2. These categories focus on the Corporate Strategy and Objectives, BU Strategy and Objectives and Individual Goals and Performance contracts. In addition, the researcher also paid attention to the perceptions of respondents on the change management process relating to the implementation of the PMS within XYZ.

A total of 34 responses (52% response rate) were received and analysed. The researcher made use of MS Excel capabilities in analysing data and developed charts and graphs to assist in the interpretation of these results. The graphical presentations of the outcomes of the responses are presented in **Appendix 2**.

Presented below is the basic information on the respondents with respect to grading level, age and gender.

Figure 6



* YoS = Years of Service

The researcher noted that there was reluctance by some respondents to divulge personal information relating to grade, years of service and age. Based on the information disclosed, twenty seven (27) respondents were aged below 50 years. They would therefore be impacted by the PMS going forward.

4.2 CORPORATE STRATEGY AND OBJECTIVES

Attempts to implement the PMS by XYZ started before the finalization and adoption of the current Business Plan 2009-2013. In the minutes of a meeting of the Steering Committee dated 14 May 2007, it was noted that the Performance Management Procedure and Operating Guidelines had been approved by the XYZ Board during its December 2006 meeting. The researcher also noted from documentation that implementation committees were functional in 2007, holding several meetings during this period. The researcher could not identify any Corporate Strategic plan as having been in place and being implemented during this period.

In 2008, the company's new 5 year strategic plan was finalised. The strategic plan states that "a BSC approach to performance management...will enable XYZ's

effectiveness and efficiency while adhering to sound corporate governance.” XYZ further noted that the company was desirous to deploy a PMS to support the successful implementation of its strategy. The BSC was identified as the appropriate tool to link the business plans to the PMS. (Corporate Strategy 2009-2013:14).

The focus of the questions contained in the questionnaire covering this category was to obtain management and employees’ level of understanding of the company’s strategy, their participation in strategy formulation, perception on clarity and relevance of measurements contained in the Corporate Scorecard and the effectiveness of the manner with which the strategy was being communicated within the organisation.

During the interviews held with the management representative (herein after referred to as MR to uphold confidentiality commitments) and a representative of the Workers’ Union (herein after referred to as WR), it was found that the basic understanding of the PMS was common among the interviewees. The researcher however observed that the understanding was significantly limited to getting the employees to perform and offered little on matters involving improving company processes and growth and development. This limited understanding could have attributed to the perception that there was no correlation between the PMS and corporate achievements.¹ 68% of the respondents disagreed or strongly disagreed that the introduction of the PMS had helped the company to achieve its objectives. This appeared to contradict a finding that 74% of the respondents had an understanding of how the PMS was linked to and helped the company achieve its objectives.

Vision and strategy are at the centre of any measurement system. 88% of the respondents reported that they had a clear understanding of the corporate purpose, vision, mission, strategy and its objectives. This outcome may reflect the fact that over 90% of the company’s employees had received a copy of the company’s Corporate Strategy 2009-2013. In addition, the researcher observed that corporate values and key strategic themes were strategically and clearly displayed within the common areas of

¹ Outcomes refer to responses from **all** respondents unless specified otherwise where such reference applies to responses from the management group (grades 1-6)

the company's head offices in Windhoek. Thus the company had put a lot of effort and resources in disseminating information on the Corporate Strategy to all of its employees.

A review of XYZ's scorecard (**Appendix 3**) showed a balance between financial and non-financial business dimensions. It contained measures of the four dimensions of financial perspective, customer focus, internal processes and learning and growth as developed by Kaplan and Norton. This was corroborated by the results of the responses from 76% of the respondents who agreed or strongly agreed that the corporate scorecard contained a balance of financial and non-financial measures.

The study revealed that management was participated in goal setting. 62% of management respondents (grades 1-6) indicated that the performance measures on the Corporate Scorecard were developed with input from employees and managers. 61% of all respondents also concurred that middle management was encouraged to participate in setting key objectives.

Most of the key performance indicators within the corporate scorecard were clearly measurable and easy to understand. It was however noted in the minutes of the Steering Committee meeting of 9 November 2010 (p3) that "...a concern was expressed regarding the Safety, Health and Environment, (SHE) KPAs/KPIs..." which were "...not fair due to the fact that Supervisors had different numbers of people under them and some were not exposed to dangerous or health-risk environment compared to others". It was further "reported that employees found it difficult to rate the SHE KPIs...as there was no data or reports provided from SHE Section". The meeting recommended that "...data must be provided from one source...to ensure that both employees and supervisors have accurate information".

In the same meeting it was also suggested that motor vehicle accidents be assessed on the basis of kilometers driven by each employee and the Executive Management Committee had authorised BUs to decide upon own appropriate SHE KPIs. There was therefore evidence that management and employees were questioning the

appropriateness of the measures on the scorecard and seeking ways of improving the measurements.

64% of the respondents concurred that the company's corporate structure was appropriate to support the successful implementation of the objectives.

4.3 BUSINESS UNITS STRATEGY AND OBJECTIVES

Aligned to the researcher's PMS model, defining departmental or BU purpose, strategy and objectives is equally important. The question within this section focused on gaining an understanding of employees' perceptions regarding departmental objectives and goals.

- 67% of the respondents either agreed or strongly agreed that the BU and sectional objectives were linked to corporate strategy and objectives.
- The level of consultation in developing BU and Sectional goals was mixed with 51% of all respondents confirming that they had participated in BU/sectional goal setting whilst the balance had not participated. However, a higher level of participation was noted within the management group with 92% of that group's respondents confirming that they been consulted, participated and contributed to the development of their BU/sectional goals.

4.4 INDIVIDUAL PERFORMANCE MANAGEMENT PROCESSES

The questions within this category were aimed at obtaining employee perception on the individual performance contracts, how they were developed and performance appraisals

The respondents were predominantly positive on the manner with which the PMS had been rolled out to individual employees and in the manner with which the contracts were structured. Key outcomes within this category are summarized below:

- 85% of the respondents indicated having a clear understanding of what was expected of them to meet the company's objectives. The researcher inspected

one of the performance agreements and found it to be simple. This was confirmed by 70% of the respondents who agreed or strongly agreed with the statement that their performance contracts were simple, easy to understand and implement. The same contract inspected by the researcher lacked measurements on how employees live and uphold corporate values. In contrast, 65% of the respondents indicated that their performance contracts measured the extent to which they lived and upheld corporate values. This may be indicative of a lack of understanding on the part of respondents or significant differences on the structure of the performance agreements across the organisation.

- 79% of the respondents had performance contracts in place and understood how their performance in terms of those contracts helped the company meet its objectives. The performance agreements contained both financial and non-financial measures and followed the BSC structure.
- 73% of the respondents indicated that formal appraisals were consistently done on a periodic basis.
- 59% of the respondents indicated that they had received adequate training on PMS. However, this outcome contradicted the outcome of the interviews where the interviewees held opinions that training had not been as effective due to poor attendances in the past, communication methods used and language barriers. WR held a view that training on PMS that had been undertaken was not adequate to reach and be understood by all employees. Whilst acknowledging that there were attempts to translate and offer training in local languages, in his view, the effectiveness of these initiatives were minimal and failed to reach the “shop-floor” employees. MR noted that attendances at training sessions arranged to educate, communicate and disseminate important information on the PMS were discouraging. According to MR, the situation was “disappointing” that even the executive committee members cancelled at the last minute a training session that had been specifically arranged and targeted at them. Such was the lack of

support and ownership that the company faced during the introduction of the PMS.

- The researcher noted contradictory outcomes on whether employees' performance and developmental needs were being assessed on a continuous basis or were being deferred to the periodic formal bi-annual performance reviews. 84% responded that management deferred individual performance and development assessment to the formal bi-annual performance review sessions whilst 53% indicated that their performance and development needs were continuously assessed as part of the normal work and management processes. The contradictions may have been due to a lack of understanding of the questions.
- It was found that 94% of the respondents had participated in the development of their performance contracts. However, 66% of respondents indicated a lack of control over the activities expected of them in terms of their performance contracts.
- 67% of all respondents indicated that employees were not evaluated fairly and equitably in contrast to 58% of respondents within the managerial group who indicated that employees were evaluated fairly and equitably. During the interviews, it was pointed out that a "significant" number of employees were not happy with their performance ratings of June 2010. Some scores were reported by the interviewees as unjustified. MR indicated that there was no common understanding of what evidence was needed to be availed to support the ratings. MR presented a personal view, which according to her is shared among employees, that supervisors were not entitled to higher ratings than their subordinates and referred to such instances as inconsistencies. Such a view suggested a perception within XYZ that performance ratings were and should be comparable within functions/sections/BUs and among peers. Thus some variations in ratings between peers and their supervisors was a source of discontentment during the performance bonus determination December 2010.

Such dissatisfaction with the performance appraisal process and ratings remained rooted in employees at the time of this study as noted by the researcher during the interviews. WR suggested that it may be appropriate for XYZ to consider team reviews, recognition and rewards as a remedy or alternative. Upon further probing, this suggestion was set aside in favour of the current individual ratings and reward system. The discontentment was ascribed to a lack of adequate understanding of the PMS by employees, their supervisors and to some extent the implementers. He also mentioned a perceived lack of commitment on the part of management and thus called for a hands-on approach by executives, middle management and supervisors in further training and information dissemination.

4.5 GENERAL RESPONSES ON PMS IMPLEMENTATION

Outcomes within this category were generally negative.

- According to 65% of all respondents, PMS was imposed on employees by management. It was found that 53% of management respondents also share the perception that PMS was imposed. The researcher interpreted this outcome as indicating a lack of adequate communication, selling and buy-in of the objectives of introducing the PMS. There were no shared objectives between employees and senior management. This was corroborated by 62% of the respondents who perceived employees as not being committed to the success of the PMS in contrast to 65% of the respondents who felt that senior management was committed to the successful implementation of the PMS.
- 59% of all respondents felt that management did not listen to employee concerns on PMS. The same view was shared by management respondents with 77% disagreeing to the statement that management listened, paid attention and responded satisfactorily in a manner that showed genuine concern during the PMS implementation.

- The company's PMS was identified as a source of stress during appraisals by 41% of all respondents and had failed to significantly enhance employee motivation. 47% of the respondents did not feel motivated by the PMS. The PMS was however not a source of stress to 77% of management respondents and 58% felt motivated by the PMS.
- 65% of all respondents felt that their performance was not adequately recognised and rewarded.
- 56% of the respondents felt that the company was not in a better position with a PMS in place than before when individual performance was not monitored and measured in a systematic manner. This outcome, when read in conjunction with 64% responses that PMS is viewed solely as a tool for rewarding performance rather than as a useful tool for improving work processes and managing employees' training and development needs, point to a lack of maximisation of the benefits of the PMS by XYZ.

The initial process to implement the PMS commenced in 2006. This process yielded little success. The negative effects of this unsuccessful and failed initiative were evident during the current implementation attempt. According to MR, employees initially resisted the PMS. The process of getting the agreements in place started in 2008 and the company only managed to get approximately 60% of the agreements signed in 2009. According to MR, employees, including some holding executive positions, expected that the efforts to introduce the PMS would fail, just as was the case before and that the change initiative would "die" and just go away. There was evidence of a lack of ownership with 65% of the respondents indicating that employees and management lacked ownership of the PMS and thus did not view it as one of their most critical responsibilities. MR also noted the resistance by senior management including the MD to utilise the information system technology in performing reviews

Initially unknown to the researcher, it was pointed out during the interviews that the main reason for the first attempt to introduce the PMS in 2006 was to do away with what

the company referred to as the “*October Adjustment*”, a form of reward and salary adjustment that was awarded to employees who consistently delivered outstanding performance. Without a process of measuring and monitoring performance, this system lacked transparency and credibility. It was therefore regarded by many employees as a tool used by senior managers to entrench favouritism. What surprised MR was the resistance to PMS by the same employees who stood to profit from the success of the PMS in providing transparency. She observed that the resistance was primarily because the reward, as proposed in the PMS was short-term in nature whilst the *October Adjustment* was applied to one’s monthly basic salary and became a long-term guaranteed benefit.

The introduction of the reward component was not supported by almost 50% of both employees and senior management, including the management representative interviewed during this study. Payment of performance bonuses proceeded in December 2010 upon the insistence of the MD that no 14th cheque would be paid to all employees as was done in the past. This reinforced the company’s commitment to the initiative and acted as a wake up call to those who stood by the sidelines and expected the implementation efforts to fail.

4.6 COMMUNICATION

There were several communiqués that the MD issued on this initiative. Despite the high levels of awareness of respondents on the company’s purpose and its vision and numerous communiqués issued by the MD on the PMS, 58% of the respondents disagreed that management communicated regularly in a concise manner throughout the organisation. It is the researcher’s interpretation that whilst the respondents understood the vision, mission and strategy, the regular communication to the wider organisation by management lacked consistency and clarity. Thus communication by those occupying managerial positions was incoherent. This reflected a perception among respondents that management communications in daily interactions with

employees was not aligned with the understanding developed by the employees from the Corporate Strategy 2009-2013 document.

The researcher noted that most of the information was communicated in English. WR alluded to attempts by management to translate the same to local languages. English may have been a barrier to communicating with the lower level employees with low literacy levels. This was corroborated by the WR regarding effectiveness of training.

Through the review of documentation on the PMS rewards, the researcher noted that management received queries on the appraisals and bonuses for the year 2010. These queries were investigated by the PMS Working Committee which made recommendations to the Steering Committee, in some instances acknowledging anomalies and proposing ways to which these could be rectified and avoided in future. Such information provided evidence that management, to some extent attempted to take into account employees' concerns and grievances with respect to the PMS. It also provided evidence that the communication channels were in place to allow for feedback from lower levels. Despite these efforts by management, 74% of the respondents felt that management did not listen and respond satisfactorily to employee concerns in a manner that showed genuine concern. 44% of the respondents felt that there was no attempt by management to respond to employee concerns during implementation of the PMS.

Questions were raised regarding the composition and the mandates of the PMS Working Committee and the Steering Committee. Whilst MR raised concerns regarding absenteeism of the workers representatives from meetings held by these committees, the WR was particularly critical of the composition and roles of each of the Committees and the overlaps that appeared to exist.

4.7 CONCLUSION

XYZ's vision, purpose and objectives were widely understood within the company. These were translated into a BSC that met the basic structure as developed by Kaplan and Norton. The BSC was used to translate company objectives to BU objectives and

thereafter the same had been used to develop employee performance contracts. Employees were engaged and participated in setting own performance agreements.

The company faced resistance whilst attempting to introduce the PMS. The outcomes indicated that there were different levels of engagement in setting corporate, BU and sectional goals and during the implementation of the PMS. Whilst significant progress was made in the implementation of the PMS, there was evidence of areas still requiring further attention if XYZ was to achieve the most out of the PMS. These activities, discussed in detail later in this report, include additional training, developing a common understanding on the benefits of the PMS to the organisation as a whole and improving performance measures and the performance evaluation process to minimise disputes.

CHAPTER 5 - DISCUSSION

5.1 OVERVIEW

This chapter discusses the outcomes of the data collected and analysed in Chapter 4 related to the objectives of the study and the literature review.

5.2 STRATEGY AS THE FOUNDATION FOR PMS IMPLEMENTATION

Performance management integrates both a top-to-bottom and a bottom-up approach to strategy formulation and implementation. The adoption of a PMS represents an attempt by an organisation to show a strategic integration of HRM processes, which can together be linked to the goals and direction of an organisation. (Armstrong and Murlis, 1994).

As noted by Kotter (2007) many-a-times change efforts fail if the organisation fails to clearly identify and communicate a vision, a clear compelling statement of where all the change effort will lead and deliver. He notes that in these situations, failure is not due to a lack of planning. Vision and strategy are at the center of any measurement system, establishing goals and expecting employees to adapt their behaviour to achieve those goals. It is also noted from relevant literature that performance measures should be developed from strategy. (Bourne M, Neely A, Mills J and Platts K (2003:3). Attempts by XYZ to introduce the PMS before 2009 were technically flawed as at that time there was no clear vision and strategy which the company worked towards. These attempts did not yield positive results and led to fatigue.

After the unsuccessful earlier attempts, XYZ concluded and adopted a Corporate Strategy 2009-2013 that formed the foundation upon which the current PMS initiatives were anchored. The implementation of this new PMS was thus appropriately identified as being fundamental to the successful implementation of the company's strategy. It was noted that the Corporate Strategy document was widely circulated and the strategy understood.

5.3 COMMON UNDERSTANDING OF PMS AND ITS OBJECTIVES

The researcher defined performance management as the process by which an organisation defines its purposes and sets its objectives and the activities it undertakes to ensure that its goals are consistently met in an effective and efficient manner by focusing on the performance of the organisation, its departments or functions, employees, and its processes in product or service delivery. PMS supports the achievement of business strategy through the integration of corporate, functional, departmental, team and individual objectives. During this process, the organisation establishes an environment that allows for clear communication of its mission and goals to employees and in which they are also encouraged to contribute to the formulation of these objectives. (Armstrong and Murlis, 1994).

XYZ's definition of Performance Management covers some of the key traits of the researcher's understanding: The company's definition of PMS is:

“Performance Management is a process of improving performance that encompasses everything managers and supervisors do to plan, monitor, evaluate and improve the performance of those they supervise. Performance Management is based on the principles of measurement, review, action and monitoring. Performance management can apply to individuals, teams, groups or organisations”. (XYZ PMS Policy, nd:1)

The interviewees' understanding of PMS, as was the definition of PMS within XYZ above, was limited to getting the employees to perform and offered little on matters involving strategy, improving company processes, satisfying customer needs and growth and development. This limited view may account for the outcome that the introduction of the PMS in XYZ was not seen as having helped the company to achieve its objectives. There was no demonstrated correlation of the PMS and corporate performance.

As recognised in the literature review, the PMS is a useful tool in assessing and measuring the success of strategy implementation. The PMS can be used to challenge the strategy and targets. It is also an effective tool for developing a Learning Organisation, empowering employees and enhancing employee accountability and motivation. (Armstrong and Murlis, 1994).

5.4 BU STRATEGIES AND OBJECTIVES

During the implementation of a PMS, corporate strategy is cascaded downwards to specific departments. The organisation may regard it appropriate to realign its organisation structure so that it can be best positioned to meet its objectives. The structure is continuously reviewed to ensure that it remains appropriate for the execution of the organisation's purpose. It was found that XYZ's structure was appropriate and supported the strategy and BU goals were aligned to the corporate goals.

5.5 PARTICIPATION IN GOAL SETTING

Employee participation is regarded as one of the ways of gaining support in a change initiative. Kleingeld *et al.*, (2004:831). It is noted from literature that a rational approach to strategy formulation inherently allows for wider participation within the organisation in strategy formulation. Through this process, employees contribute to the definition of their roles and provide their views on how best they can contribute to departmental and team objectives. (Armstrong and Murlis, 1994). The processes applied by XYZ facilitated participation in goal setting by key managerial employees.

There was also a high level of employee participation in the development of individual performance agreements. However this participation yielded agreements with KPAs that 66% of respondents indicated had no control over. This outcome suggested that KPAs and performance measures included in individual contracts were imposed on employees making their participation in the formulation of the contracts "ceremonial." (researcher's emphasis). According to Nel *et al.*, (2008:507), the "...quality of a PMS (is)

assured only if workers have significant control over the variables that affect their individual performance”.

5.6 RESISTANCE TO CHANGE

Every change effort brings with it anxiety and uncertainties. These are recognised and attended to throughout the implementation of a planned change initiative. Employees in XYZ felt that the PMS was imposed by management. Whilst management had compelling reasons of eliminating the “*October Adjustment*” and the 14th cheque as well as use the PMS as a tool to support strategy implementation, the latter was not adequately sold to and bought by the employees. In XYZ, PMS was viewed as a tool solely for determining performance incentives, having replaced the *October Adjustment* and the 14th cheque. Such a narrow remit minimises the value that can be extracted from the PMS. As it was seen purely as a tool for reward determination, those who had profited or stood to profit from the previously non-transparent system were bound to be strong resistors, others lukewarm supporters.

In addition, failed change initiatives of the past created a history of failure and brought about fatigue. According to the MR, a majority of employees hoped the initiative would die as in the first instance.

5.7 CHANGE LEADERSHIP

Kotter (2007) argues that the CEO is key to change efforts affecting the entire organisation. He also noted that major change is impossible unless the head of the organisation is an active supporter. Kaplan and Norton (1996) noted that a BSC demands a high level of commitment from senior executives. The MD of XYZ remained consistent in his communication on PMS and became a key champion and important sponsor in taking the PMS to the next level. His insistence on eliminating the 14th cheque and on paying out performance related bonuses played an important role in reducing the level of resistance and gaining support. Such consistency and support from the top has been emphasized in literature and was seen working in practice in this

instance. Employees who had not signed performance agreements and who had not received performance assessments were excluded from the reward. As noted by Kaplan and Norton (1996:238) “Unless ...reward and punishment are...tied...to the balanced set of objectives...the organisation will not be able to use the BSC as the central organising framework for management systems”.

After the payment of the performance bonuses in December 2010 interviewees reported observing a significant positive change in attitude towards the PMS. According to MR, there was a 360⁰ change in employee. Ownership of the process improved and the BUs were reported as taking the initiative to arrange training sessions within their own areas. In the opinion of the interviewees, despite the challenges faced in the early stages, the PMS in XYZ will succeed.

Whilst the researcher identified and recommended transformational leadership style for PMS implementation, it was evident within XYZ that reward and punishment played a major role in managing resistance. The insistence of the MD could be likened to an authoritarian style of leadership, the rewards to the transactional style, and these appeared to achieve the desired results. As much as the earlier processes appeared democratic, the situation then called for different styles which were used effectively.

5.8 TRAINING

Training was identified as an important activity in selling PMS initiatives and creating capacity and willingness to change. Such training encompasses the technical aspects relating to the BSC, setting performance measures and performance assessments/appraisals. Training needs are identified at planning and continuously reassessed to ensure they meet the stated objectives.

Whilst the company offered training during the implementation of the PMS, these initiatives managed to reach only some employees. There was evidence from interviews that attendances were low and in some instances, the training methods failed to have a positive impact on intended beneficiaries. Language was identified as a potential barrier especially in reaching “shop-floor” employees. The low attendance at training sessions

was ascribed to a lack of ownership of the processes by both senior management and employees.

5.9 COMMUNICATION

The communication methods used were predominantly top-to-bottom with little opportunity for bottom-up communication. Literature on change management recommends that communication be carried out in an interactive manner that draws staff into discussions and debates about the need for and the format of the new PMS and allows them to convince themselves of the need to implement it. (Burnes, 2009).

The outcomes of the study indicated the perception that management did not listen to employee concerns and did not respond in a manner that showed genuine concern. This was despite documentary evidence noted by the researcher where the Steering Committee had investigated grievances and proposed ways to rectify genuine complaints.

The company established two committees on which workers' and management representatives participated. The effectiveness of these committees in managing the company's communication needs of this change initiative was limited. It was also noted from the responses that management communication on the company's vision, mission and objectives was not concise and consistent throughout the organisation. This was despite respondents indicating that they were aware of and understood the organisation's purpose, vision and strategy.

It is noted from literature on change that the most powerful change interventions occur at the level of daily interactions. The researcher did not provide guidance on how to classify managerial employees and left it to the respondents to use their own discretion in defining the meaning of management or senior management. This was important as different levels of employees use different classifications aligned to their circumstances. For example, an employee occupying a lower grade may regard a supervisor as management whilst that supervisor may regard their own supervisor as management. Inherent in an organisation structure is the fact that representations made by people

occupying different positions (from supervisor to executive) are likely to be interpreted as representations of management and therefore forming official company positions. It was therefore important for the vision, corporate objectives and knowledge on the PMS to be consistently cascaded to as low a level as possible within the organisation as representations made at those levels formed a critical part of company communication and inconsistencies were bound to reflect negatively on company initiatives.

5.10 XYZ BSC AND INDIVIDUAL PERFORMANCE CONTRACTS

XYZ's scorecard showed a balance between financial and non-financial business dimensions. As recommended by the proponents of the BSC, the high level scorecard was cascaded down and translated into objectives and measures appropriate to each BU yielding personal scorecards when these were tied to individual performance contracts. According to Kaplan and Norton (1996), it is important to have the right design of the measurement framework as structural deficiencies can cause failure to the implementation of the BSC. As noted from minutes of Steering Committee, the company identified some measures that required revision and continued to seek areas of improving the structural design of the BSC and individual scorecards.

The quality of a PMS is assured if employees have significant control over the variables that affect their individual performance. (Nel *et al.*, 2008:507). The fact that respondents indicated a lack of control over the activities expected of them suggested technical flaws in their contracts. This does not support successful implementation of the PMS.

5.11 PERFORMANCE APPRAISALS AND RATINGS

Once a BSC has been implemented, the next task involves collecting, analysing measurement data and performance appraisals. This study identified from literature three main performance appraisal techniques, *viz*, those measuring traits, behaviours or results.

Measuring and evaluating performance can be uncomfortable, especially discussing and giving feedback on behaviours, or those outcomes that are more subjective and

less quantifiable. The accuracy of the evaluation is dependent on the quality of the data gathered.

Although formal appraisals were being undertaken periodically, respondents felt that they were not evaluated fairly and equitably. There was no common understanding of what evidence was or is needed to be availed to support the ratings. In addition, there appeared to be an expectation that performance ratings were and should be comparable within functions/sections/BUs and among peers. The performance ratings were a source of discontentment and stress to the wider group of employees, though the outcome was different for management respondents. Knowledge and understanding of how to perform performance ratings appeared limited.

5.12 CONCLUSION

The outcomes of the study showed that XYZ's core PMS implementation team adopted a technically sound BSC and cascaded the same throughout the organisation. Whilst certain deficiencies were identified, continuous improvement is a common feature of any PMS.

XYZ's planned change initiative failed to adequately deal with the sensitive aspects relating to the human factor of the organisation. XYZ did not sufficiently attend to the anxiety and other natural reactions of employees. Most outcomes in these areas were negative. Perceptions of employees were generally that the PMS was being forced unto them, and most respondents indicated that employees were not committed to its success. Notwithstanding the above, the autocratic leadership style adopted by the MD appeared to achieve the desired results.

CHAPTER 6 - RECOMMENDATIONS AND CONCLUSIONS

6.1 REVISITING THE RESEARCH OBJECTIVES

The researcher obtained an understanding of PMS through extensive review of literature. Performance management involves a continuous cycle of visioning, planning, acting, monitoring, reviewing, adjusting and then re-planning. This cycle links clearly from the corporate vision and strategy formulation through to the performance appraisal and recognition processes. Once a corporate scorecard has been developed, it is reduced into a BU scorecard that is cascaded downwards to various sections and ultimately individuals who are responsible for executing specific tasks aimed at delivering on the corporate objectives. It was noted that people do their best to achieve corporate objectives when they know what the objectives are, what is expected of them, and have some say in both. As observed from literature, (Armstrong and Murlis, 1994, Nel, *et al.*, 2008, Kaplan and Norton, 1996), organisational performance is dependent upon the capabilities of individuals and teams, the level of support provided in executing tasks, and the processes, systems and resources made available by the organisation.

The research revealed that both employees and management had a basic understanding of PMS. This understanding was significantly limited to getting the employees to perform better and offered little on matters involving improving company processes, growth and development. The PMS process can be a useful management process if applied to the entire organisational processes. It should not be confined to only focus on employees, and in the case of XYZ, to being seen as a tool solely for the determination of performance based incentives. This limited view of the PMS may have accounted for the high incidence of respondents who indicated that the PMS had not helped the company to meet its objectives.

The research confirmed that defining strategy is at the centre of the PMS. Once strategy is defined, it should be linked to department, team and individual goals and aligned to an appropriate incentive system. XYZ's attempts to introduce a PMS without a clear strategy and purpose did not yield much success. After the Corporate Strategy 2009-

2013 had been adopted progress on implementation was evident from the outcome of the research.

It has been recognised, through the literature review, that measurement systems can fail for a number of reasons including a lack of technical knowledge and awareness of the performance measurement system on the part of the implementers resulting in defects in the structure and inappropriate choice of measures. XYZ's scorecard was found to be technically sound and balanced. It contained measures of the four dimensions of financial perspective, customer focus, internal processes and learning and growth as developed by Kaplan and Norton. Whilst it was desirable to have the appropriate measures determined and adopted at the outset, XYZ recognised that the BSC was a living tool that needed to be frequently interrogated and improved. Most of the key performance indicators within the financial perspectives were clearly measurable and easy to understand, whilst the measurements of some non-financial indicators were less clear. It was observed that the company was seeking to continuously improve the measurements and had identified some that required revisiting.

6.2 CONCLUSION AND CONTRIBUTION TO KNOWLEDGE

Despite the BSC and performance contracts being technically sound, XYZ still faced resistance. There were no shared objectives for implementing the PMS between employees and senior management. Employees were not as committed to the successful implementation of the PMS as senior management. The company's PMS was identified as a source of stress and had failed to enhance employee motivation. The outcome was different for management respondents. It was noted that the level of management participation in strategy formulation and goal setting was higher.

There were perceptions that individual performance was not adequately recognised and rewarded. The respondents felt that the company was not in a better position with a PMS in place than before when individual performance was not monitored and

measured in a systematic manner. Attending to these outcomes may increase XYZ's potential to generate maximum benefits out of the PMS.

Change management processes including the involvement of a wider group of employees and middle management, effective communication and leadership adopted by an organisation in developing measurement systems play a significant role in determining the success of the exercise. XYZ attempted to use a process that promoted employee engagement, participation and contribution. It was however noted that employees still perceived the PMS as being imposed from the top and recognised little, if any, attempts by management to engage in dialogue with them. Despite the perceived top-to-bottom approach to PMS implementation in XYZ, the progress achieved was evident and provided valuable insights to the subject of change management with specific reference to PMS implementation. Whilst change theorists, such as Johnson and Scholes (1997) and Kotter (2007) argue that people's buy-in and ownership of the change process are important for successful change initiatives, XYZ showed that when there is strong leadership, rewards and tangible consequences on employees who do not buy-in to the change programme, successful implementation may still be possible.

It was evident from this study and the literature review that the implementation of a PMS was not always aligned to Kotter's eight steps. There is a thin line from one stage to the next within the eight steps. For example, creating a vision and establishing a sense of urgency in PMS implementation could be combined. In the absence of powerful guiding coalitions, an authoritarian (combined with transactional) style of leadership may be used to direct the implementation process. Where communication and training has been less effective, there are opportunities to revisit these activities. PMS implementation involves revisiting most of the processes until the objectives are achieved and the desired change is embedded. Thus there is a tendency in reality for the processes to overlap. Attempting to achieve a perfect fit of the eight steps in the implementation of a PMS may distract management from the main objectives and hinder success.

The outcome of this study confirmed the research proposal that;-

“The successful implementation of a new PMS requires sufficient technical knowledge of the measurement system adopted and a change management process that fosters the participation of management and employees in goal setting and that is sensitive to and acknowledges their genuine concerns”

A participative approach however did not guarantee success. Reward and punishment proved to be important variables in PMS implementation. Leaders of change thus need to adapt their styles to suit each situation. (Situational Leadership - Hersey & Blanchard).

Future research and development in the area of PMS implementation may focus on the impact of the use of authoritarian leadership and linking reward and punishment in introducing a PMS or change in organisations where buy-in and formation of guiding coalitions fail to produce desired results.

6.3 RECOMMENDATIONS

The following recommendations were developed from the outcomes of the study.

Understanding and Use of PMS

The definition, understanding and use of PMS within XYZ are limited. It is recommended that this definition and application be broadened.

Training

Interviewees pointed to low attendances during training sessions as a potential barrier to the effectiveness of the sessions undertaken during the implementation. Language was also identified as a barrier for some employees. The researcher recommends extensive training sessions on PMS targeted at the following groups:

- PMS Working and Steering Committees;
- Low level employees;
- Supervisors and management;

- Workers' Union representatives; and
- Executive management.

It is important that training for each group be tailored to suit the needs of that particular group. Focus areas include, among others, performance contracting, measurement, self tracking, appraisals and XYZ's information technology capabilities on PMS. It is recommended that training be offered in local languages where appropriate. To show commitment and support, senior management should open and close the training sessions. XYZ should also consider providing one-on-one coaching sessions to the MD and other senior management so that they can become successful practitioners in the use of the PMS and present a consistent message on PMS across the organisation.

Continuous review of performance measures

XYZ is encouraged to revisit the BSC and confirm the appropriateness of measurements contained therein. The measures and outcomes of the performance to date should be used for this review and changes should be made to either the measurements themselves or strategy where appropriate.

Individual performance contracts should also be reviewed to ensure that they contain KPAs that employees have significant control over.

Communication

The researcher recommended that management continue selling the PMS to employees until the process is embedded. Regular communication highlighting how the PMS is helping XYZ meet its strategic objectives should be undertaken. Communication from the MD should thus now change to consistently focus on and attribute organisational successes to the PMS to overcome negative perceptions regarding the positive impact of the PMS in achieving organisational objectives. Management should reiterate the importance of performance management throughout the organisation or their BUs. Messages on the organisation's vision and strategy should be consistent.

When operating effectively, change implementation committees can be a useful avenue for disseminating information and obtaining employee feedback. The composition and effectiveness of the Steering Committee was questioned by the interviewees. It is recommended that the mandate, responsibilities and composition of the committee be reviewed.

Performance appraisals

The grievances regarding appraisals appear to suggest a lack of clarity and understanding regarding the specific appraisal technique adopted for use within XYZ. Expectations of comparability and fairness appear to suggest the use of Relative Judgment techniques. The results method (MBO) however appears to be best suited for XYZ due to its objectivity if properly applied. The most appropriate evaluation technique for XYZ should be determined and thereafter communicated to all affected persons through training sessions. The following is further proposed with respect to appraisals:

- Other performance appraisal methods such as the 3600 evaluations should be considered for use in conjunction with the current system.
- Audits should be performed by the Working Committee to ensure objectivity and internal equity. These can also be performed on a BU level.
- XYZ should enhance utilisation of the company's information technology capabilities through the integration and use of SAP to monitor and provide data/evidence for review purposes.

Other

- Management is encouraged to consider using the outcomes of the PMS for employee development and promotional purposes, in addition to the current uses. This may enhance acceptance of the system as a transparent replacement of the old "*October Adjustment*."

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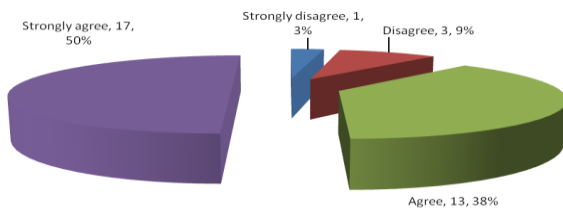
APPENDIX 1 - SEMI-STRUCTURED INTERVIEW QUESTIONS

- 1 What is your understanding of Performance Management?
- 2 What would you describe as the key objectives of a PMS?
- 3 How would you describe your company's PMS?
- 4 Are there any specific areas that you felt/ (feel) strongly about with respect to the company's PMS implementation activities? What did you like most and what did you not like most?
- 5 What do you consider to be the top three (3) things that the company did correctly or incorrectly during the implementation of the PMS?
- 6 How would you describe the way in which the PMS was communicated during the implementation phase? To what extent did management acknowledge employees' genuine concerns.
- 7 Would you describe the communication methods employed as predominantly top to bottom or bottom-up or inclusive? Explain?
- 8 If you were in charge/ control of the organisation, what would you have done (or would you do) differently during the implementation process?
- 9 In your opinion, what areas require immediate attention to resolve the challenges faced with the company's PMS
- 10 How do you see the company's PMS in future? Do you see it being a success or it will fail?

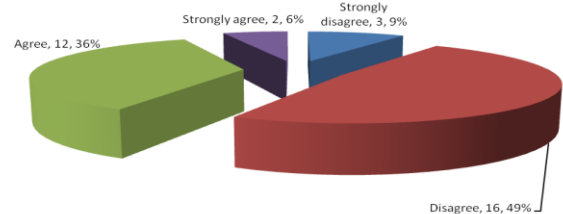
APPENDIX 2 - QUESTIONNAIRE AND RESPONSES

Corporate Strategy and Objectives

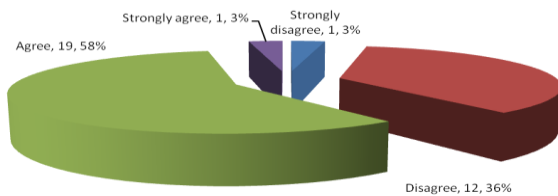
I have a clear understanding of the company's purpose, Vision, Mission, Strategy and its objectives



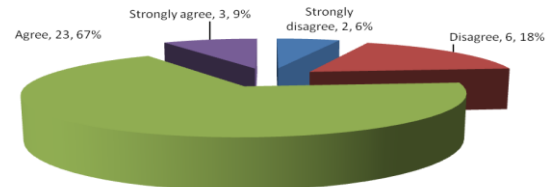
Management regularly communicates in a concise manner the company's vision and objectives throughout the organisation



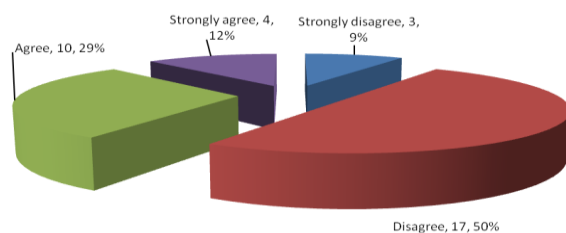
Middle management participates and is encouraged to contribute in setting key objectives



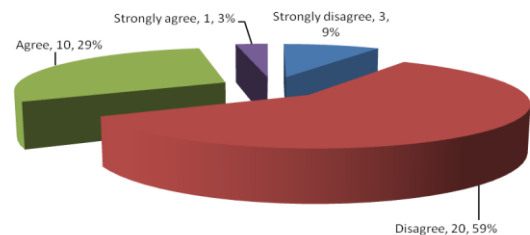
The Corporate Scorecard contains a balance of objective, clearly measurable, financial and non-financial dimensions



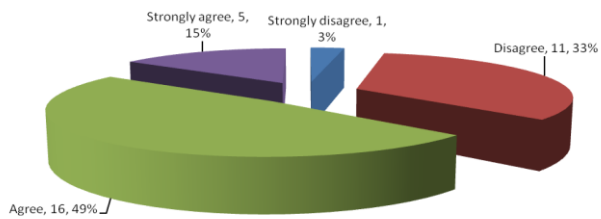
In my opinion, the performance measures on the Corporate Scorecard were developed with input from employees and managers



The introduction of the PMS has helped the company to meet its corporate objectives

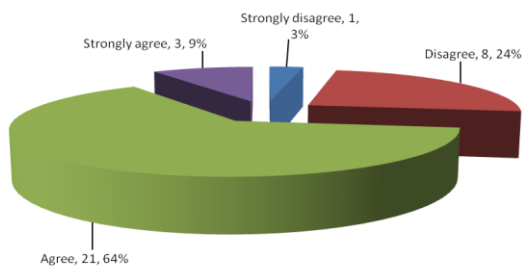


The Organisation Structure supports strategy implementation



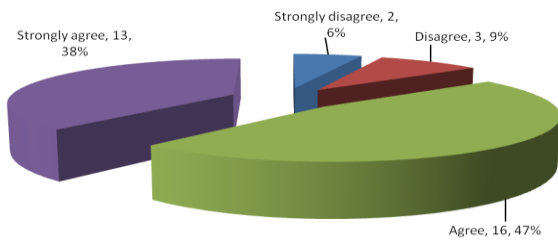
Business Unit Strategy and Objectives

Business Units' and Sectional objectives are linked to Corporate Strategy and Objectives

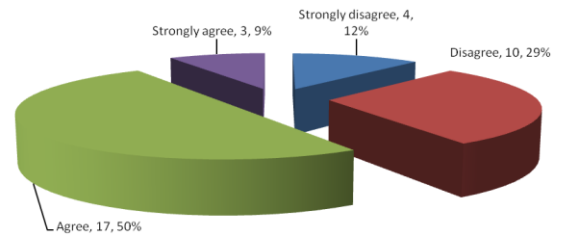


Individual Performance Management System

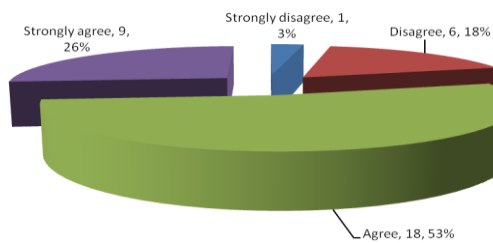
I have a clear understanding of what is expected of me to achieve the company's objectives



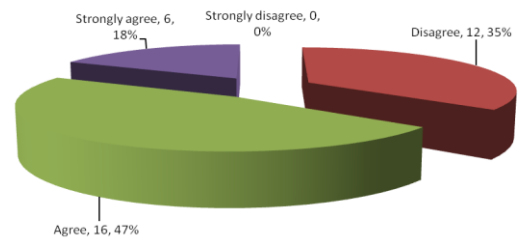
I have received adequate training on the PMS



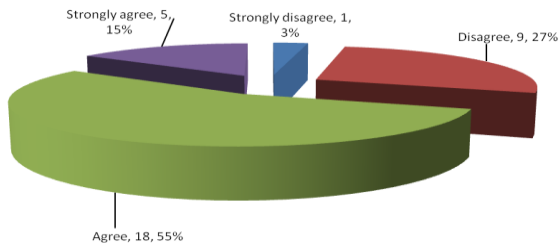
I have a performance contract agreed with my supervisor and understand how my performance in terms of that contract contributes to the achievement of Corporate Goals



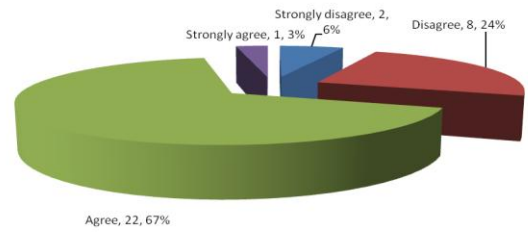
My performance contract measures the extent to which I live and uphold corporate values



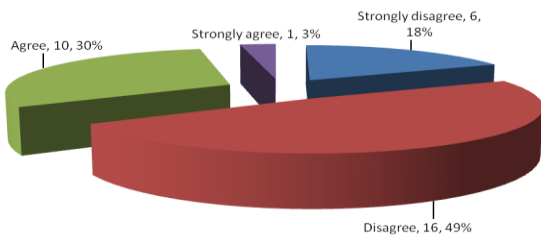
My performance contract is simple and easy to understand and implement



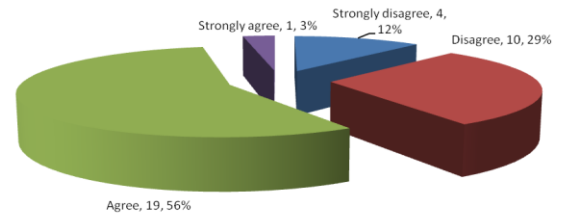
My performance contract has a sufficient balance between financial and non-financial measures



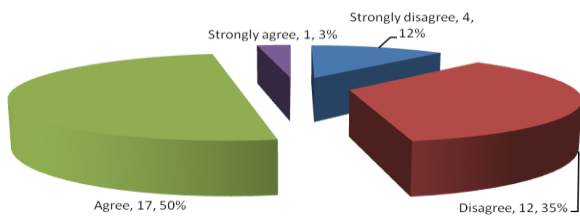
Employees are evaluated fairly and equitably



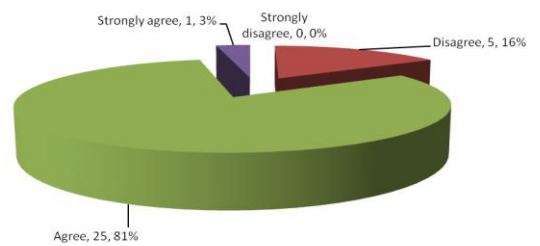
The performance appraisals are done objectively



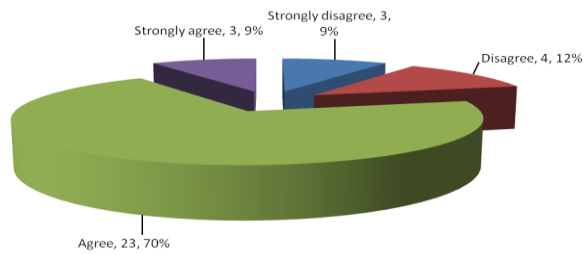
My performance and development needs are continuously assessed as part of the normal work and management processes



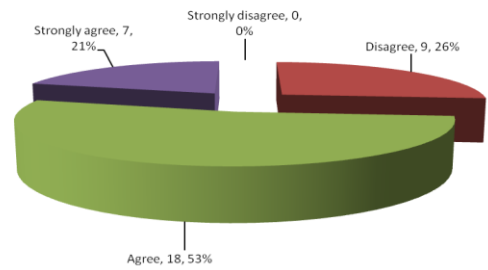
Management defers my individual performance and development assessment to the formal bi-annual performance review sessions



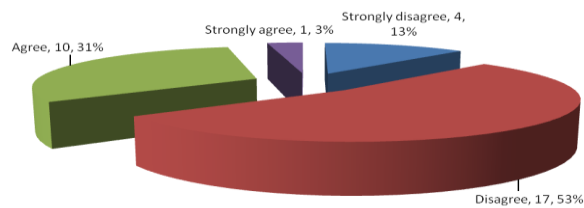
Formal appraisals are consistently done on a periodic basis



I have an understanding of how the PMS is linked to and helps the company to achieve its objectives

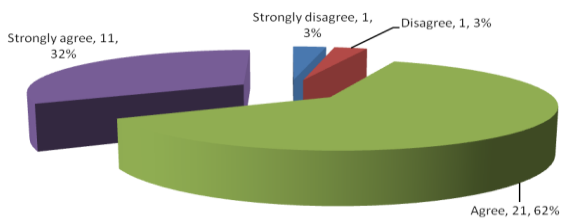


I have sufficient control over the activities that I am expected to perform in terms of my performance contract

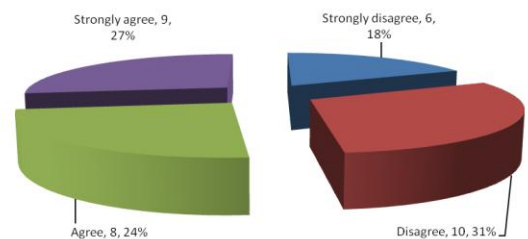


Change Management and Communication

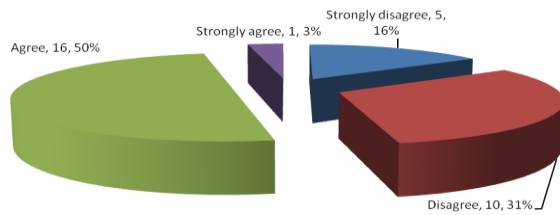
I participated in the development of my performance contract



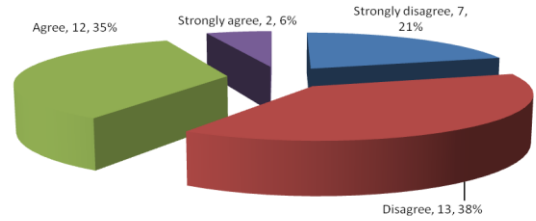
I was consulted, participated and contributed to the development of my Business Unit/ Sectional goals



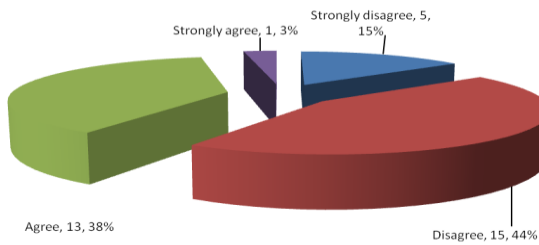
I am motivated by the PMS



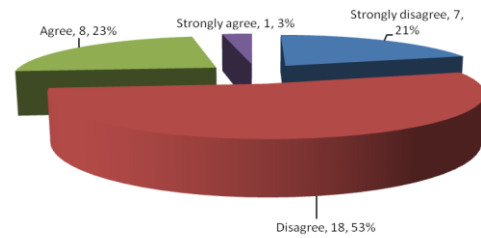
I feel under a great deal of stress during appraisal periods



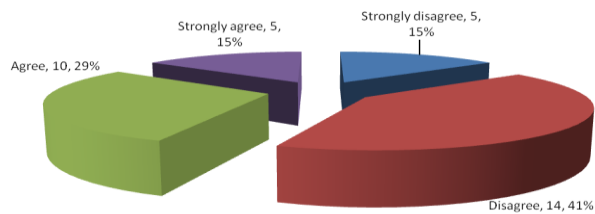
Management listens to employee concerns on PMS



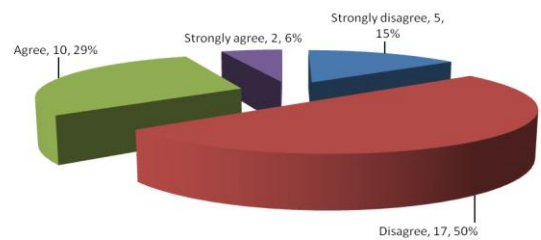
During the implementation of the PMS, I felt management listened, paid attention and responded satisfactorily in a manner that showed genuine concern to my concerns.



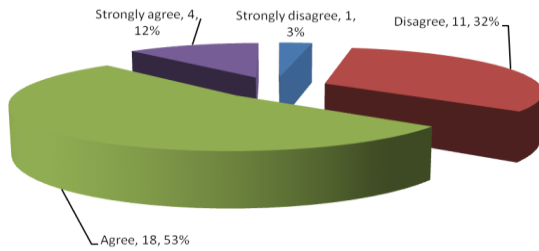
The company is better now with a PMS in place than before when individual performance was not monitored and measured in a systematic manner



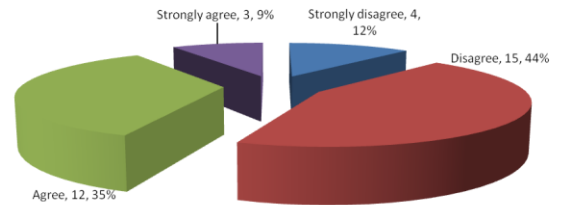
Since the introduction of the PMS, my performance is now adequately recognised and rewarded.



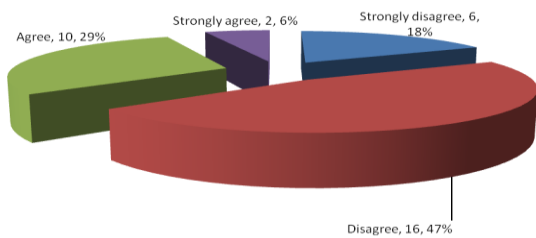
Performance management was imposed on employees by management



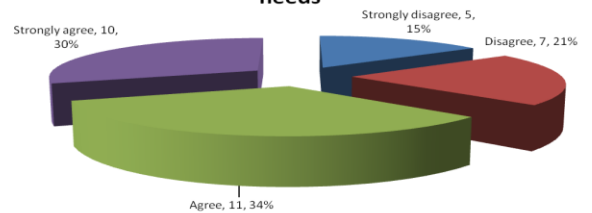
There was no attempt by management to respond to the employees' concerns during its implementation



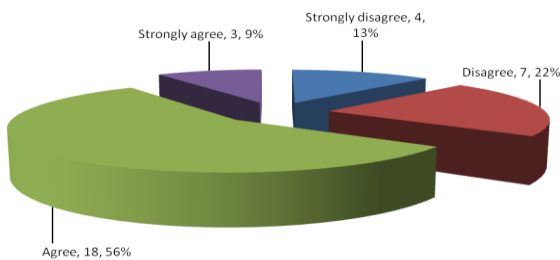
Employees and management have ownership of the performance management system and view it as one of their most critical responsibilities



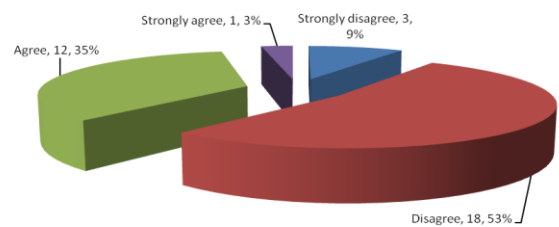
Performance management system is viewed solely as a tool to determine employees' bonuses rather than as a tool of managing how work is done and employees' training and development needs



Senior management is committed to the successful implementation of the PMS



Employees are committed to the successful implementation of the PMS



APPENDIX 3 - XYZ CORPORATE PERFORMANCE SCORECARD

12 Month Measurement for the Period Ending: 30 June ***				
#	BSC Perspective	KPA	KPI	Target
1	Financial	Improve shareholder value	ROE	ROE growth of 2%
		Improve financial control	Reduction in critical Audit comments	80% reduction
		Achieve least cost mix	Cents/KWh	40c
		Ensure cost reflectivity	Increase in tariffs over inflation	5%
		Budget control	Budget variance (OPEX only)	5% above/below
		Manage working capital	Debtor days	40
		Manage working capital	Creditor days	35
		Ensure optimal gearing	Debt/Equity ratio	30:70
		Ensure optimal gearing	Debt service cover ratio	2 times
2	Customer	Optimise trading options	Ave actual cost of supply vs DAM ave	8% under
		Improve stakeholder satisfaction	Satisfaction survey %	60%
		Improve corporate image	Brand equity survey %	60%
		Improve service delivery	Reduction of complaints	75% reduction
3	Internal processes	Make informed and sound decisions (Expand Gx & Tx Capacity)	Approved projects implemented	75%
		Manage and recognise employee performance	% adherence to PMS schedules (Perform Agreements)	100%
		Improve communication	Staff satisfaction survey results	80%
		Improve management processes	Processes reviewed per year	50%
		Improve management processes	% adherence to policy	80%
		Optimise technology/O&M and Systems	System availability	90%
		Improve SHE in line with policy	Number of lost time injuries / LTI	0
		Improve SHE in line with policy	Reduced number of vehicle accidents	50% reduction
		Improve SHE in line with policy	% adherence to SHE policy	Safety Committees in place & active
		Expand GX and TX capacity	% adherence to Gx & Tx master plans	100%
		Maintain & improve stakeholder support	% adherence to stakeholder guidelines	100%
		Implement targeted Corp Soc Investment	%adherence to CSI policy/programme	100%
		Develop leadership capacity & capability	Bench strengths (critical skills cover)	1:1
		Develop employee capacity	% adherence to PDPs	80%
4	Learning & Growth	Develop employee capacity	% adherence to NP AA plan	60%
		Improve employee morale	Controllable staff turnover rate	5% or less

