FACTORS THAT INFLUENCE PERFORMANCE MANAGEMENT AT A LARGE REFINERY IN THE NORTH WEST PROVINCE

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Abstract

Performance management applied correctly can significantly contribute to the satisfaction and motivation of employees, which can result in considerable positive outcomes for both the employer and the employee. The process employed at the company under investigation does not seem to contribute to the improvement of overall company performance. Certain factors associated with the process and the perceptions of those subjected to it, might explain it.

The objective of this study was to identify factors generally regarded as important for effective performance management, through a comprehensive literature study and to measure the gap between what the employees of this company expect and what they experience in terms of each of these factors. Forty-nine factors have been identified from the literature. In general the authors agree about the influence of the identified factors on performance management. For ease of reference, these factors were grouped and classified in four categories namely those that relate to system, the rater, the ratee and to the performance goals.

A questionnaire, compiled by the author in collaboration with Statistical Consultation Services of the NWU, Potchefstroom Campus, was used as measuring instrument for the empirical study. A survey was conducted to measure the gap between what the employees of the company expect and what they experience in terms of each of these factors. Forty-six of the fifty-eight members of the target population (employees at management level) took part in the survey. All questionnaires were completed in the presence of the author.

The data in this study was an availability sample and interpretation of the results was thus by using effect sizes (d-values). Forty-one of the forty-nine items measured were found to have effect sizes, which are large enough to be significant in practice. Lack of trust in the system and unequal treatment of all participants to the process have the largest d-values.

In view of the large number of factors with significant differences between what the managers expect and what they experience, it is recommended that the company starts off by selecting those factors which relate to trust, holistically deal with those first, and then

measure the success rate before moving on to the next group of factors with large d-values. Repeating the survey on other business units in the group, which generally, repeatedly perform better in terms of operational targets is recommended for further related study.

Key words: Performance management, motivation, performance factors, effect sizes.

Opsomming

Prestasiebestuur wat korrek aangewend word, kan 'n beduidende bydrae lewer tot die bevrediging en motivering van werknemers, wat kan lei tot aansienlike positiewe resultate vir beide die onderneming en die werknemer. Die proses wat deur die onderneming wat ondersoek word, aangewend word, blyk nie by te dra tot die algehele verbetering in prestasie van die onderneming nie. Sekere faktore wat verband hou met die proses, en die persepsie van diegene wat daaraan onderworpe is, mag dit verduidelik.

Die doelwit van hierdie studie was om faktore wat algemeen as belangrik geag word vir effektiewe prestasiebestuur, deur middel van 'n deeglike literatuurstudie te identifiseer en dan die gaping te meet tussen wat die werknemers van hierdie onderneming verwag en wat hy / sy ervaar ten opsigte van elk van hierdie faktore. Nege-en-veertig faktore is vanuit die literatuur geïdentifiseer. Die outeurs stem in die algemeen saam oor die invloed van hierdie faktore op prestasiebestuur. Ter wille van gemak met verwysing, is hierdie faktore gegroepeer en behandel in vier kategorieë, naamlik faktore wat te doen het met die sisteem, die beoordelaar, die geëvalueerde en met die prestasiedoelwitte.

'n Vraelys wat deur die navorser in samewerking met die Statistiese Konsultasiediens van die NWU, Potchefstoom Kampus saamgestel is, is gebruik as meetinstrument vir die empiriese studie. 'n Ondersoek is geloods om die gaping tussen wat die werknemers van die maatskappy verwag en wat hulle ondervind ten opsigte van elke geïdentifiseerde faktor, te bepaal. Ses-en-veertig van die agt-en-vyftig lede van die teikengroep (werknemers op bestuursvlak) het deelgeneem aan die ondersoek. Alle vraelyste is in die teenwoordigheid van die outeur voltooi.

Die data in hierdie studie verteenwoordig 'n beskikbaarheidsmonster en daarom is die interpretasie gedoen deur gebruik te maak van effekgroottes (d-waardes). Daar is bevind dat een-en-veertig van die nege-en-veertig items wat gemeet is, effekgroottes het wat groot genoeg is om beduidend te wees in die praktyk. 'n Gebrek aan vertroue in die sisteem en ongelyke behandeling van alle deelnemers aan die proses het algeheel die grootste d-waardes.

In die lig van die groot aantal faktore met beduidende verskille tussen wat die bestuurders verwag en wat hulle ondervind, word die onderneming aanbeveel om te begin deur die faktore wat met vertroue verband hou, te kies en te verbeter en holisties daarmee te handel voordat die volgende groep faktore met groot d-waardes aangepak word. Die sukseskoers van die veranderinge moet ook gemeet word.

Herhaling van die ondersoek by ander besigheidseenhede in die groep, wat in die algemeen herhaaldelik beter presteer ten opsigte van operasionele doelwitte, word aanbeveel vir verdere verwante studie.

Trefwoorde: Prestasiebestuur, motivering, prestasiefaktore, effekgroottes.

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LIST OF ABBREVIATIONS

HOD   Head of Department

HR   Human Resources

IPA   Individual Performance Appraisal

MBO   Management by Objectives

NWU   North-West University

PA   Performance Appraisal

PRP   Performance-related Pay

SMART   Specific, Measurable, Achievable, Time-limited

SHEQ   Safety, Health, Environmental and Quality

TQM   Total Quality Management

CHAPTER 1

NATURE AND SCOPE OF STUDY

1.1   INTRODUCTION

Performance management applied correctly can significantly contribute to the satisfaction and motivation of employees (Carrell *et al.,* 1998:260). This could result in considerable positive outcomes for both the employer and the employee. Similarly, ineffective and poorly implemented performance appraisal systems could contribute to negative feelings between employees and management, perceptions of unfairness and discriminatory employment practices. This could lead to poor work performance and counter-productive activities such as "work according to the book", with negative consequences to both parties in the long term.

Individual performance appraisal (IPA) involves a method whereby the employee is rated individually without directly comparing him/her with other employees (Gerber *et al.,* 1992:466). The purpose of IPA can generally be divided into two categories namely evaluative and developmental. Evaluative objectives include compensation and staffing decisions while developmental objectives include performance feedback, direction of future performance and to identify training and development needs. Effective performance management focuses on both evaluative and developmental objectives (Carrell *et al.,* 1998:260).

Generally, the factors contributing to ineffective IPA can be divided into two categories namely poorly designed systems and factors attributed to the evaluator. A poorly designed system is, amongst others, one with poorly constructed measurement criteria or one with a cumbersome technique, which makes it difficult and time-consuming to use (Nel *et al.,* 2006:318).

On the other hand, a poorly trained evaluator often falls into a number of common traps. One such trap, known as the "halo effect", refers to the tendency of the evaluator to base his / her appraisal on overall impression rather than on specific performance. Central tendency is

another common trap, which refers to the tendency of the evaluator to avoid high and low appraisals. Carrell *et al.* (1998:266) describe leniency as a common error by inexperienced or poor supervisors to give everybody a high evaluation because it is the easiest way out. Recency, refers to a tendency to base the rating on what an employee has done just before the rating rather than on the entire assessment period.

Other factors that could also impact on the efficiency of performance appraisal include employee perception of, amongst others, objectivity and transparency of the system. It is critically important to the success of the programme for the employee to have faith in the system. Evaluator training is another factor that can influence IPA. Carrell *et al.* (1998:294) state that there is general agreement that training will improve evaluator performance. The impact of feedback could be positive or negative, depending on whether it is done properly, in good time and handled correctly. This is especially important if the feedback is negative. Feedback should not be treated as criticism (Gerber *et al.,* 1992:471).

Performance criteria in itself could impact negatively on IPA; for instance, if it is based on activities rather than output results, or on personality characteristics rather than performance (Nel *et al.,* 2006:318). Another factor that could negatively impact on IPA is the measurability of performance goals.

The factors mentioned above might also impact on IPA of the management level employees of the company under investigation, where IPA has been in place for many years. Management by objectives (MBO) is the basic technique of IPA employed. The process at this company has evolved over a number of years from a departmental and site-based system to one that is fully structured and centrally managed throughout the entire company.

The process currently employed by the company, involves the development of an IPA document, which contains the performance criteria for the period ahead for each individual. This document is compiled by the supervisor in conjunction with the subordinate at the beginning of each year and reviewed six monthly. The process involves two assessment phases – one in the middle and one at the end of each year. Performance goals could be adjusted at midyear if warranted by circumstances. A rating calibration process follows the year-end assessment during which all performance appraisals across all departments of each

business unit and across all business units of the whole company are normalised. Finally, feedback is given to each employee and a separate process starts for any underperformers.

1.2   PROBLEM STATEMENT

The IPA process of the company under investigation, involves two assessment phases – one in the middle and one at the end of each year. Both of these phases start off with a self-assessment by each employee when he/she measures him/herself against the criteria agreed to during the IPA development stage. The midyear self-assessment does not include a rating as such. It is merely an assessment of progress towards the set performance goals, which is followed by a discussion between supervisor and subordinate, during which the self-assessment is adjusted if necessary. At year end, the self-assessment is followed by a private reassessment by the supervisor who also incorporates inputs from identified stakeholders and from the midyear assessment. After assigning a rating, the supervisor passes the appraisal onto the Head of Department (HOD), who reviews it before passing it on to the Human Resource Department of the respective business units. Ratings from all different sections and departments of a business unit are then calibrated to ensure that the ratings of each, individually and of the business unit as a whole, fit the normal Gaussian distribution curve. This means that the ratings for each section and department in a business unit are adjusted to give small percentages of high and low performers and a majority of average performers within each department or business unit. Calibration is then also performed between all business units in the organisation. All ratings for each business unit are adjusted upwards or downwards depending on its overall performance, as measured against operational criteria. This is done to ensure consistency across functions and operations. This calibration phase is followed by a feedback phase. The adjusted final ratings are fed back to the HOD, who hands it to the supervisor, who then feeds it back to the employee. Salary increases, annual bonuses and other financial benefits depend on this rating.

The process as it is currently employed at the company under investigation does not seem to contribute to the improvement of overall company performance. Some of the factors associated with the process and the perceptions of those subjected to it, might explain this. An evaluation of the system as it is currently employed against factors generally viewed as

important for effective performance management, could draw attention to shortfalls and highlight areas for possible improvement. This, in turn, could result in mutual benefits to the company, its management and its lower-level employees.

A significant amount of time and effort is spent on this process company-wide each year. A performance appraisal system, which is meant to encourage people to focus on and assist in achieving company objectives, but that is, for example, viewed as unfair or non-transparent by the employees, will prevent the company from getting the full benefit from all this effort spent on it. Full acceptance of and trust in the process by all employees are required to ensure a sustainable, mutually beneficial relationship between the organisation and its employees.

The objective of this study was to find factors that are generally viewed as important for effective performance management and compare what the employees of this company expect from and experience in terms of each of them. The identification of factors was done through an extensive literature survey. An empirical study was conducted by means of a survey to gauge what the managers of this company expect and what they currently experience regarding each of these factors. Factors such as trust, transparency, objectivity and fairness were included in the survey. Gaps between expectation and experience were determined, and recommendations were made where possible.

1.3 RESEARCH OBJECTIVES

1.3.1 Primary objective

The primary objective of this study was to find factors that are generally viewed as important for effective performance management and to determine the gaps between what the managerial staff of the company under investigation expect and what they currently experience in terms of each of these factors.

1.3.2   Secondary objectives

The secondary objectives were to:

- Highlight the factors with the most significant gaps between expectation and experience;
- Draw conclusions from the above; and to
- Provide recommendations for improvement where possible.

1.4   RESEARCH METHOD

This study consists of two phases. Firstly, a literature study was conducted to find the factors that are generally viewed as important for effective performance management and secondly, an empirical study followed. The empirical study was conducted by means of a survey during which a questionnaire, which is based on the identified factors were completed by as many of the middle and top management members of the company under investigation as possible. The purpose of the survey was to measure the gap between what is expected and what is experienced in terms of each of these factors.

1.4.1   Phase 1: Literature study

The sources that were consulted included:
- Recent research papers on the subject of performance management, techniques of measurement, management by objectives and performance measurement of managerial staff;
- Academic books;
- Journals; and
- The internet.

1.4.2   Phase 2: Empirical study

This phase of the study consisted of a survey conducted on as many of the managers as possible by means of a questionnaire. The aim was to measure the gap between what managers expect and what they experience in terms of each factor. The questionnaire was based on the literature study conducted during phase one of this study. Descriptive statistical analyses were employed to illustrate and summarise the findings.

1.4.3   Target and study populations

The target population consisted of all the middle and top management employees of the company under investigation. It was compiled from leads from the Operations Manager with seven HODs at senior management level, who report to him. Each HOD has a number of middle managers reporting to each of them, depending on the size of the department. The total number of people involved was 60.

1.5   LIMITATIONS OF THE STUDY

Getting permission from the company authorities to obtain and present sensitive information was seen as a possible constraint in conducting this study. Due to the nature of the subject, the handling of all information required due consideration.

1.6   CHAPTER DIVISION

The chapters in this mini-dissertation are presented as follows:

Chapter 1: Introduction and problem statement.
Chapter 2: Literature review.
Chapter 3: Empirical study.
Chapter 4: Conclusions and recommendations.

1.7 CHAPTER SUMMARY

The current IPA process followed at the company under investigation does not seem to be totally effective. This inhibits the potential value that both the employer and the employee could gain from the process. Factors which are generally regarded as important for effective performance management, will be identified through a comprehensive literature study. The gap between what the employees expect from and what they experience in terms of each of these factors will be measured during a survey. Recommendations for possible improvement will be made at the end of this study.

The next chapter describes the findings from a literature study on the factors that are generally regarded as important for effective performance management.

CHAPTER 2
LITERATURE STUDY

2.1 INTRODUCTION

It is common practice by many companies to evaluate performance of employees as part of a performance management program. This process generally includes an evaluation phase once or twice a year. The operation of such an appraisal system, which holds benefits for the appraisee, the manager and the company, requires a significant investment of resources by the company as well as time and effort from the appraising team (Moon, 1997:9). Moon states that: *"Effective staff appraisal isn't simply a matter of going through the motions: holding ritualistic interviews and mechanically completing forms at the behest of the personnel department, before returning to the more important tasks of day-to-day management."*

The most important reason for an organisation to have a performance management system is to improve overall organisational performance (Grote, 2002:7). This overall improvement in organisational performance is achieved by encouraging the employees to focus and to perform better. Both the employees and the company benefit from performance in the long term. Using the Management by Objectives (MBO) method of performance management, performance improvement is generally achieved by setting individual performance objectives, measuring and communicating performance gaps, identifying and addressing skill and training deficiencies, and by attaching a performance incentive to the program. The program is regarded as effective if it succeeds in improving overall individual, and ultimately, company performance.

A number of factors could potentially influence the effectiveness of the performance management process and therefore also organisational performance. Hunt (2005:13) points out a number of the things that that can go wrong in performance management, which include:

- Conflicting messages to the employee;
- A poor or inappropriate system;
- Inadequate training of the participants (for both the employees and the managers);
- Failure to implement the system properly;
- Conflicting aims of the appraisal interview;

- Failure to get the people on board;
- The process takes too much time;
- Too little time is spent on the process;
- Poor follow up; and
- No validation of the system.

The remainder of this chapter consists of the views and interpretations of various authors of these and other such factors. The terms "performance appraisal" and "performance management" are used as synonyms.

2.2   DEFINITIONS

Grote (2002:1) defines performance appraisal as follow: *"Performance appraisal is a formal management system that provides for the evaluation of the quality of an individual's performance in an organisation."*

Armstrong and Baron (quoted by Edenborough, 2005:2) have a more comprehensive definition for performance management: *"Performance management has been defined as a strategic and integrated approach to delivering sustained success to organisations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors."*

Hunt (2005:232) has the following definition: *"The appraisal is used as a method of assessing the role of the individual in the organisation. There are two main purposes: to ensure that employees have maximum job satisfaction and fulfilment and to ensure that the right person is in the right job and doing it to a suitable standard."*

The common ingredients in each of these definitions are the employee and the organisation, which also represent the two sides to the performance management process.

2.3 FACTORS THAT INFLUENCE PERFORMANCE MANAGEMENT

Figure 2.1 below illustrates the steps and functions associated with each step of the performance management process.

Figure 2.1: Strategy-based performance management
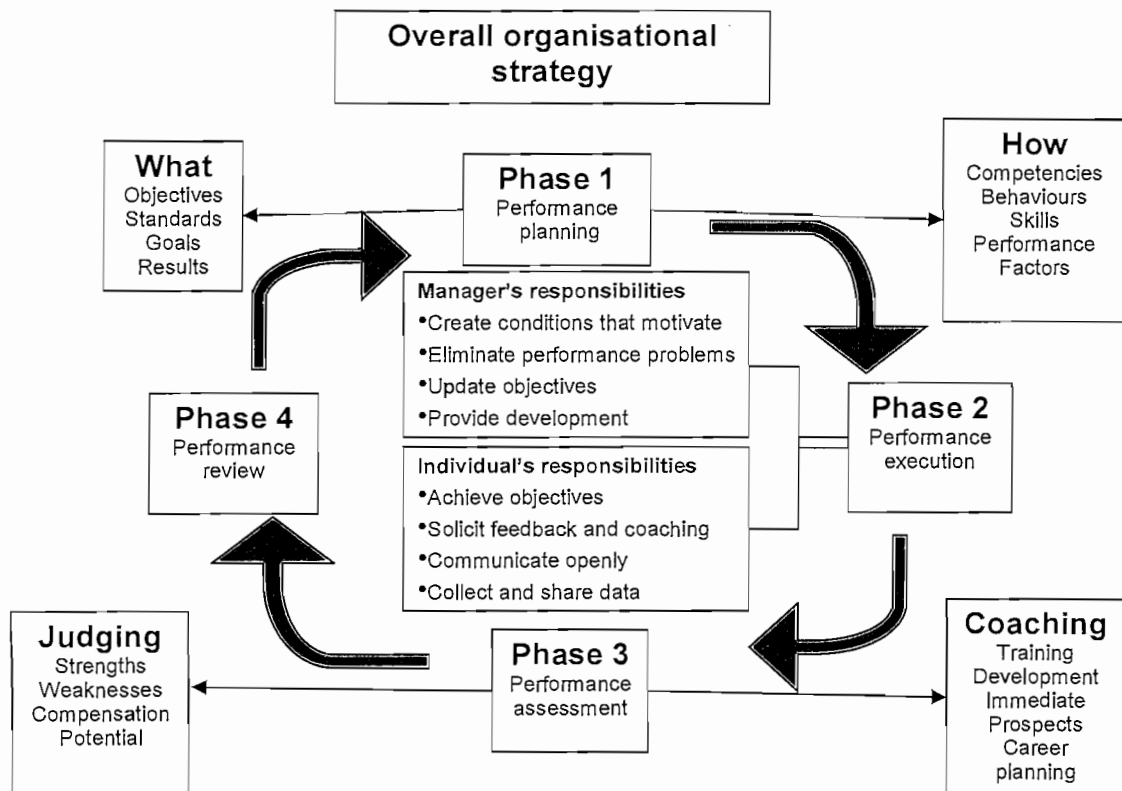
Adapted from: Grote (2002:3)

The views and interpretations of different authors of various aspects that could influence performance management are outlined below. Although all these factors are closely interlinked, for ease of reference they have been divided into four categories namely *system, employee, managerial and performance measure* factors.

2.3.1 System factors

Factors associated with the system itself or with the procedure that could influence the effectiveness of performance management are outlined in no particular order in the following section.

- **Time**

  Most managers are always busy and their jobs multifaceted. Managers often complain that they are short of time and that the appraisal process takes too much time. While the problem is recognised, Moon (1997:19) feels that it is rather an issue of priorities and not time. Grote (2002:7) states that the complaint about the process taking too much time often results because neither the appraiser nor the appraisee has a clear picture of exactly what is expected of the process or what the benefits of an effective performance management system are. If people do not understand something, they cannot get excited about it.

- **Negative perception**

  According to Moon (1997:20), complicated paperwork and the fact that the process never seems to lead to anything have been identified as problems with the performance appraisal system. Both managers and employees dislike performance appraisals for different reasons (Saunders, 2000:7). Employees, because they are worried about becoming victims of arbitrary opinions or unclear expectations, and managers, because they do not like to judge employees whose support is necessary for the success of the company. A good appraisal system, with clear objectives set by both managers and employees together and with progress towards them monitored jointly, relieves pressure on both the employee and the manager. Hunt (2005:2) says many organisations see performance appraisal negatively because of the time, energy and resources it consume. A well-managed appraisal system enables the organisation to know what the individual is doing as well as the individual to know that his contribution is valued. Hunt also points out that years of research have shown that performance appraisal carried out effectively can improve the productivity of the organisation as well as the satisfaction of the employee. In spite of this, organisations still do not take it seriously. Wha and Ching (2006:1) supports this by stating that a poorly designed performance management system does not only reduce the efficiency and profitability of the organisation, it also has a negative impact on the morale and

motivation of the employees. According to Keary *et al.* (2003:41) performance appraisal is one of the most universally hated tasks that managers undertake even though it is one of the most important ones. Flecher (quoted by Edenborough, 2005:231) is of the opinion that there are not many more persistent topics of dissatisfaction in the workplace than the performance appraisal process. It is simply a way to formalise what the organisation is planning to do and that there is no real alternative to appraisal. If an organisation attempts to manage without an appraisal system, informal and uncontrolled subjective systems will take its place. Few organisations actually do something to address the need for ongoing improvement in employees' performance, because managers view the appraisal process as *"a chore to be gotten over with"* (Frank, 2003:5).

Hunt (2005:5) states that some companies really do not care for its employees and that some employees genuinely do not care about or trust their organisations. He feels that performance appraisal will only be truly effective in an open organisation, which is an organisation which involves employees at all levels with all decisions and that respects the needs of the individual. Personality conflicts between managers and employees make it even more difficult to develop mutual trust between the parties (Arnold & Pulish, 2003:227). If the appraisal is kept open to employee input, it assists in conducting effective performance appraisals (Anon., 2004:3).

- **Validation**

Hunt (2005:206) emphasises the importance to the organisation of validating its appraisal system. It should not be used without confirming that it is working properly. The system will become outdated over time and new elements will need to be introduced. Jobs change, people change and new ways of doing things constantly present themselves, which make regular validation of the system imperative. It should be done by consulting with the employees about the system. They should know best why it works or does not work since they are the ones that use it. Introducing this kind of consultation will ensure that they feel the system belongs to them (Hunt, 2005:213). The appraisal system should not be imposed on the employees.

- **Continuous process**

According to Moon (1997:24), one of the ingredients necessary to make performance appraisal work, is an appropriate system. This means a system with clear objectives, which operates effectively without becoming cumbersome or bureaucratic and with user-friendly paperwork and realistic performance measures. He also emphasises that the process should be continuous rather than an annual or once-off exercise. Performance monitoring should be continuous and feedback should happen regularly. Grote (2002:1) says that performance appraisal is too often seen as a once-a-year exercise that is mandated by the personnel department. Managers fill out the form and use it to give feedback and justify salary increases. Although it is wrong, the idea is common and it causes many employees to be sceptical about performance appraisal (Grote, 2002:74). He stresses that organisations that are serious about performance appraisal, do it on an ongoing basis and not merely as a once a year event. According to Saunders (2000:12), there is a right and a wrong way to manage most things and performance appraisals are no exception. If you do it wrong, you could lose all the benefits that a performance appraisal process provides. Armstrong (quoted by Edenborough, 2005:231) states that failure of the traditional performance appraisal schemes can to a large extent be attributed to the tendency to turn it into a form-filling exercise rather than to use it as a worthwhile interview process and to support continuous interaction and discussion throughout the year. Hunt (2005:61) also emphasises the importance of not treating appraisal as a once-a-year exercise, but rather as a continuous activity. He says, *"In today's organisations once a year is not enough. The appraisal process needs to take account of continual change"* (Hunt, 2005:132). This is particularly applicable to organisations in which there is regular and unpredictable change. Keary *et al*. (2003:41) say appraisal once a year is just not enough. The process should be happening all year long. Managers should be trained to give feedback on a regular basis, for example, during brief, informal exchanges in which the managers can inform staff members how they are doing, while everyone's memories are still fresh. It also enables the manager to get regular feedback from staff members. Arnold and Pulish (2003:227) argue that many organisations have downsized and enlarged managerial spans of control, which have made effective appraisals more complex. Larger numbers of people to be supervised make it difficult to communicate with individuals on a continuous basis in order to do performance appraisals accurately. This increases the likelihood of personality clashes and it introduces more problems with objectivity in the appraisal process.

- **Upper management review / objectivity**

  Arnold and Pulish (2003:232) recommend the incorporation of input by others that qualify to assess an employee, to improve objectivity. According to Grote (2002:2), the performance assessment is done by the person that the individual reports to – his direct boss. The completed assessment is then usually reviewed and approved by the appraiser's boss and often further reviewed and approved by others such as the head of department or the compensation manager. One of the seven basic good management practices to minimise legal difficulties is to provide for upper management review before the appraisal is reviewed with the individual (Grote, 2002:14).

- **Taking the system seriously**

  A problem that, particularly, large companies have with performance appraisal according to Hunt (2005:4), is that the follow-up is not effective. This leads to many employees not viewing the system seriously. Grote (2002:10) views the fact that organisations usually do not offer any formal rewards for taking the process seriously, as one of the reasons why performance appraisals do not work as well as it might. Hunt (2005:222) feels that the biggest problem with appraisal is the fact that it is not taken seriously by either the organisation or the employees. Organisations do not take the needs of the employees seriously and pay lip service to performance appraisal. Employees realise this and, in turn, also do not take the system seriously. In order for an appraisal system to work, the organisation has to have a genuine interest in the wellbeing of its employees – partly though recognising the need for a work-life balance (Hunt, 2005:224). Wah and Ching (2006:2) point out that the total commitment of management and full participation of the entire workforce are essential to the overall success of the performance management program.

- **Purpose**

  Loftus (2006:1) lists the purposes of performance appraisal found in a study of 288 organisations according to the following ranking order:

o To assess training needs;

o To improve current performance;

o To review past performance;

o To assess future potential;

o To assist with career planning decisions;

o To set performance objectives; and

o To assess salary increases.

He states that the system is also increasingly being used for coaching and counselling, among others. People too often perceive that the purpose of the whole performance appraisal process is to point out all of their faults, flaws and failings over the course of the year (Grote, 2002:81). The main reason pointed out for this, is the way in which some managers conduct performance appraisal discussions. One way to convince people that the manager is genuinely trying to focus on his strengths and successes for the review is to request the individual to compile a list of accomplishments, and not to include anything that is not a genuine source of pride. The list compiled by the individual also gives the rater a good perspective of how he sees his own performance.

- **Self-appraisal**

It is recommended by Grote (2002:82) that self-appraisal should always be voluntary. It gets people to carefully think about their performance over the last year and prevents resentment – thinking that it is the job of the rater and not the ratee. Grote stresses that self-appraisal should only be considered when the individual's performance at least meets the organisational standards. If performance is below standard, it is even more important for the manager to have great control and be in charge of the situation from the start. Hunt (2005:124) mentions advantages of self-appraisal such as enhancement of self-respect, increased commitment to organisational and personal goals and motivation. He also mentions the serious downside, which is that studies have shown that people rate themselves higher than supervisors do. This is particularly true for managerial and professional employees. Arnold and Pulish (2003:230) view self-appraisal as a tool that could be used to improve objectivity in performance appraisal even though it might increase the

potential for conflict if manager and employee differ on ratings. They also stress that managers need to be trained on how to conduct the interview in case of conflict.

- **Appraisal form**

  Grote (2002:139) recognises the need for differences in performance appraisal forms from one organisation to the next, but suggests that every form should contain the following five elements:

  - Organisational core competencies – These are competencies expected from all employees regardless of level or job in the organisation. Examples are communication skills and result orientation or teamwork. It is core to the successful operation of the business and focuses on <u>how</u> an individual goes about doing his job in a company.
  - Job family competencies – Managerial or technical are examples of job families. Conceptual thinking and technical expertise might be competencies that are getting measured for employees in the technical family and people development, and motivation of subordinates for employees in the managerial family. The focus is on <u>how</u> an individual goes about doing his job in his specific field.
  - Key job responsibilities – The focus here is on <u>what</u> the individual needs to do, which normally appears in a person's job description. It is determined by the manager together with the individual during the performance planning discussion at the beginning of the appraisal period.
  - Goals and projects – This refers to activities that are beyond specific tasks and duties described in the individual's job description. People with the same job could have different goals and projects. The focus is on <u>what</u> the individual needs to do.
  - Major achievements – Major accomplishments that the individual was responsible for during the year as identified by the manager.

- **Rating levels**

  The majority of performance appraisal forms allow for between three and five rating levels of performance (Grote, 2002:156). Appraisers always tend to use fewer levels

than what is available, but a three-level scale often becomes a five-level scale as raters add plusses and minuses. **Table 2.1** below summarises advantages and disadvantages of the different number of rating levels.

Table 2.1: Advantages and disadvantages of the different number of rating levels in performance appraisal

Advantages	Disadvantages
Five levels	
• Fine distinction in performance • Consistent with bell curve distribution • Most managers believe they can distinguish between five levels of performance • Consistent with familiar A,B,C,D,E rating model • Most familiar rating model – requires less training	• May be more difficult for managers to explain how to get to a higher performance level • Only four levels are typically used • The middle rating is usually perceived negatively as average • May encourage central tendency
Four levels	
• Does not include a middle rating • Eliminates the central tendency rating error • May skew raters in a positive or negative direction • Allows finer distinction than a three-level rating scale	• May not allow distinction between individuals that can improve and those that should be terminated • May skew raters in a positive or negative direction • Only three levels are normally used
Three levels	
• Managers find it easy to use • Managers more consistent with fewer choices • Some jobs are better appraised on a pass / fail basis • Only three levels of performance can be	• May not allow fine enough distinction in performance • System is frequently altered by managers who add plusses and minuses. • Does not distinguish between those that can improve and those that should be terminated

empirically proven.	• Only two levels are normally used
• Middle rating implies expected and not average performance • More consistent with *Total Quality Management* principles	• Does not allow identification of exceptional performers

Adapted from: Grote (2002:158)

Grote (2002:103) views a performance appraisal form with a numerical rating scale as bad. He feels that good performance appraisal forms do not require an individual's performance to be reduced to a number. A numeric rating scale should be actively avoided since people resent being classified in those terms and it provides an illusion of perfection in the system, which does not actually exist (Grote, 2002:160).

- **Normalisation**

According to Grote (2002:162), the standard bell-shaped curve distribution of performance appraisal ratings with the same number of people getting higher than average than the number getting lower than average ratings, is probably not appropriate in most organisations. He points out that in order for this curve to be mathematically valid, the sample size needs to be sufficiently large and requires a random distribution of elements being distributed. The problem is that performance in an organisation is not randomly distributed due to all the efforts that companies put into enhancing individual performance, which tend to shift the distribution of ratings in a higher direction – especially in well-managed organisations. Demanding that ratings should follow the bell-shaped curve is not a very effective approach, especially in small work units where managers will be forced to rate employees higher or lower than what their actual performance warrants in order to fit the curve. The manager of a highly talented or particularly weak group is also limited to use the performance appraisal process effectively.

- **Consistency**

  There is always a concern that people that perform the same could get different ratings from different supervisors. Grote (2002:185) suggests that the most effective way to make sure that performance standards are consistent across an organisation is to hold cross-calibration meetings, where managers who supervise <u>similar groups</u> compare appraisals and ratings before reviewing it with the individual or their bosses. Saunders (2000:12) argues that comparability of performance appraisals of individuals in the same job between different sites within an organisation and between different managers is one of the most important aspects of any appraisal system.

- **Link to mission and vision**

  It is important to link the organisation's performance appraisal system to its mission, vision and values in order to achieve its strategic objectives (Grote, 2002:226). Saunders (2000:8) supports this view and sees performance appraisal as a tool to direct employee effort towards the departmental and organisational mission. One of the benefits of a formal performance appraisal process, according to Saunders (2000:22), is that it gives an employee a better sense of where he fits into the department and company as a whole. It also creates an opportunity for the manager and the subordinate to form a team of two, working together towards the company mission. In organisations which are fully integrated, there would be a clear continuity between business plans and the management of people to address the business plan (Edenborough, 2005:211). This is rarely the case in practice. Edenborough says a gap often exists between top managements overall objectives and what the worker does. The definition of exactly what is required from each role, even at the very top level in the organisation, may not always be clear.

- **Training and development**

  The performance appraisal is used to identify training and developmental needs that the employee might have as well as areas in which coaching could help the employee to improve (Saunders, 2000:22). Too often managers only talk about the financial consequences of the individual's performance and just pay lip service to the developmental side of the appraisal process (Saunders, 2000:96). Hunt (2005:14) shares the view that the appraisal system has to consider development and training of

staff, but emphasises that the system should take account of the need for autonomy and independence of individual employees.

Edenborough (2005:24) says many of the problems associated with appraisals seem to be associated with the application as well as with the design of the system. He found through a study that 44 percent of appraisers claimed to have never received any appraisal training. Although the MBO system is widely used and creditable, the system has been criticized among other things for its complexity – hence the need for training. Hunt (2005:41) emphasises that an appraisal should never involve a performance review only. Although the information might be valuable to the organisation, it does not consider any of the needs of the individual. Individual training needs, as well as long-term career development, should also be considered.

- **Performance review**

The performance review during the course of the year has five objectives, according to Saunders (2000:52). These are:
   o   To discuss and agree the quality of the employee's performance;
   o   To identify strengths;
   o   To identify areas where improvement is required;
   o   To create a development plan, if improvement is necessary; and
   o   To agree on what is to be done by the next review and how it is to be done.

The year-end review has the additional element that the employee receives a rating for the whole year and it might include salary increases, bonuses or other financial incentives.

- **Technology**

Frank (2003:6) is of the opinion that technology can enhance the performance management process. He says web based appraisal systems could, for instance, collect, display and decipher complex information, which encourages collaboration between managers and employees. Some companies use computer-based performance appraisal systems where an electronic form is used. Grote (2002:164) is not in favour

of this. He reckons it is a very bad idea because it takes away from the manager the opportunity to express his evaluation freely. The fact that performance appraisal systems are paper-based and controlled by the HR department is one of the primary reasons why it is neglected (Anon., 2002:3).

- **Feedback**

  Feedback on a performance appraisal needs to take place timely and it needs to be specific to be effective (Edenborough, 2005:225). He says that if feedback is given and accepted on a continuous basis in a series of interactions throughout the year, the need for a disciplinary interview to address substandard performance is far less. In this sort of environment, positive and negative aspects of performance are discussed as a matter of routine. Managers are pressed for time and do not make the effort to give timely feedback to their staff (Keary *et al.*, 2003:41). This leads to out-of-date feedback and often unwelcome surprise to the employee, which leaves both parties tense and uncomfortable. Feedback should be given instead of appraisal (Anon., 2004a:7). He argues that feedback is characterised as informative, continuous, daily, immediate, informal, verbal, positive and not linked to other matters. Appraisal is characterised as judgement / evaluation, periodic, retrospective, formal, written, negative and linked to other things. Companies recognise that their managers are very busy and that they may not be giving feedback on a continuous basis. Formal feedback meetings, as few as twice a year, are therefore arranged to ensure that managers give feedback to subordinates on performance (Saunders, 2000:20).

- **Ethics**

  All appraisal systems should be ethical, which means it should treat all races, age groups and genders fairly and equally in terms of rating, training, development and promotion (Hunt, 2005:11). If this does not happen, the employees will resent the system and it has failed. If employees believe that the system subtly (or not so subtly) treats people in different roles differently, they will lose faith in the system and in the organisation (Hunt, 2005:32). The system should not only be concerned with legal issues, but with moral and ethical issues too. A well-designed system will ensure that the same procedures and guidelines are used for everyone.

- **Performance-related pay**

Using a performance appraisal system to determine performance-related pay (PRP) could be dangerous, according to Hunt (2005:48), because if it is not applied to all employees, those outside the system (usually non-managers) are likely to resent the system. Hunt suggests that PRP should never be used unless it is a fair and objective system that applies to all employees in the organisation. It should never be applied to the managers only. Applying it to managers has the danger that it is difficult to create objective criteria for managers anyway. Hunt says, "*It can be difficult to review performance with a view to providing reward at the same time as assessing individual needs and personal issues. An appraisee is unlikely to be entirely honest if there is reward at stake.*" According to Fralicx (quoted by Bates, 2003:12), three out of four employees from a survey of 2 600 workers question the connection between their performance and their pay. He views this as a compelling reason for employers to pay close attention to their performance appraisal systems. Managers evaluate performance and then reward monetarily in the hope that employees will work harder, smarter and stay longer with the company (Gray, 2002:16). Gray states that after many years of use and study, there is very little hard evidence that performance appraisal systems obtain the desired effect. Performance appraisal systems do not produce more competent, loyal workers because the process is inherently flawed. Gray is of the opinion that appraisal programs that are used to determine merit increases, fail to motivate because of the following four reasons:

- o They are not synchronised with the way the business operates. The business emphasises <u>team</u> contribution, but rewards are based on <u>individual</u> merit*. This is a confusing signal from management to employees.

- o They are not a motivating factor. There is no real incentive to get rated exceptional if it only means an additional one percent on basic salary. The difference in merit pay between outstanding and poor performance is too small**. It is also often unclear how a person actually got a higher or lower raise.

- o No one is average. The process dictates that most employees should be average, but few workers would describe their own work as average.

- o Bad timing. Performance evaluation normally coincides with other year-end activities, which makes it impossible for the manager to be objective and honest regarding appraisal and pay issues.

Gray suggests a variable pay plan, which is directly linked to the performance of the organisation and individual contribution.

* Most work is the product of a group of people. This implies that if an individual is evaluated, it is assumed that he works on his own. Although such highly unique jobs do exist, they are the exception and not the rule (Gray, 2002:16).

** Wah and Ching (2006:1) also see insufficient or ineffective reward as one of the key problem areas associated with performance management.

- **Grievance procedure**

  A good performance appraisal system gets round perceived inaccuracies and biases with grievance and arbitration procedures (Hunt, 2005:62). This gives appraisees an opportunity to get their concerns addressed if they feel that they have been treated unfairly. He stresses the caution that should be applied before making disagreements formal in order to avoid tension between employee and manager. In this regard, Keary *et al.* (2003:41) point out that regular feedback sessions give managers an opportunity to document poor performance cases that may ultimately lead to disciplinary action.

2.3.2 Employee factors

Employee characteristics, which influence the performance management process according to various authors, are discussed in this section.

People react differently in different situations. This also applies to the work situation. Sometimes people, who get on well on a day-to-day basis, get difficult in the appraisal situation (Moon, 1997:23). This leads to raters sometimes backing off and giving a better performance appraisal rating than what actual performance warrants.

Specific job-related skills are necessary to enable anybody to perform their daily work, but the employee should also have skills in subjects such as negotiation and bargaining in order to get the best individual deal (Hunt, 2005:8). In addition, it is important to employees to feel

the organisation needs them and respects them. This is particularly difficult to achieve in large organisations.

Nobody enjoys spending time on something that does not have any value. Employees need to believe that the performance appraisal process is worth while and that there is something of real value in it for them (Moon, 1997:24). They also need to know how the process works and exactly what is expected from them to get their buy-in.

The determination of individual training needs, according to Hunt (2005:49), is one of the primary objectives of the performance appraisal process.

Preparation for the appraisal interview is critical for the success of the system (Hunt, 2005:72). Collection of accurate and the correct data before the interview, apply to both the employee and the manager. Because important decisions could be made during the interview, this is crucial and only adequate preparation could ensure that the right ones are made. Fletcher-Porter (2003:7) also emphasises the importance of preparation for the appraisal interview to help the employee to get what he deserves from the employer. She suggests the documentation of accomplishments throughout the year, and not just normal duties, as a way to prepare for the interview.

Confidence in the system is crucial to gain full participation with associated benefits. Gray (2002:16) states that many employees are sceptical about the evaluation results and even more are doubtful of the ability of the managers who perform the annual process. An analysis of 27 studies and 6 732 individuals indicated that there was a positive relationship between participation in the performance appraisal process and the employees' satisfaction with the review, their perceived value of the process, motivation to improve performance after the review and perceived fairness of the whole process (Kreitner & Kinicki, 2007:490).

2.3.3 Managerial factors

The following factors highlighted by the various authors impact on the manager's ability to influence the effectivity of the performance management process or describes the manager's impact on the process.

Apart from understanding the system, an appraiser needs to understand people and what makes them tick to be an effective appraiser (Moon, 1997:6). This is really important since the objective of the whole process is to improve individual performance. It is also important because it enables the rater to identify skill and developmental needs. In order to get the best from the process, the multi-faceted skill of the appraiser to lead the appraisal discussions is vital. These skills include communicating, listening, questioning and criticising.

Commitment of the appraiser to the process is viewed by Moon (1997:24) as a main ingredient to make the system work. The manager needs to demonstrate that he believes that the process is worth while by investing appropriate effort and time into it. It is equally important that he / she needs to demonstrate that he/she is skilled in the process of appraising staff by his knowledge of the performance management process, the ability to analyse performance and to lead the discussions. Grote (2002:9) supports this view. He states that often neither the manager nor the individual takes any ownership of the process because they were not involved in the design or administration thereof and they are not trained to use it effectively. Commitment from employees as well as from managers is critical for an appraisal system to work (Hunt, 2005:36). Hunt feels that commitment will only be there if adequate resources and training are provided. Brentz *et al.* (quoted by Spears and Parker, 2002:13) point out that human resource literature demonstrates that satisfaction with a performance appraisal system correlates with employee commitment.

Moon (1997:71) emphasises the importance of preparation for the appraisal discussion by both the appraiser and the appraisee, to assist with and guide the discussion in order for both parties to get the most out of the process.

Managers do not like to deliver negative messages to people that they have to work with (Grote, 2002:9). They often get on well with these people on a personal basis, which makes it even more difficult. Employees also do not like to be told that they are not performing as well as what they think they are. Managers are hesitant to give unfavourable appraisals because it might reflect negative on their own ability to select and develop subordinates (Grote, 2002:10). In addition, managers are wary of getting accused of discrimination if they give an unacceptable appraisal to a handicapped person or to a person belonging to a different ethnic group. Many managers seem to dislike the idea of judging their colleagues and "playing God". They see it as a process of criticising their staff and that it is difficult to assess performance objectively. Employees react negatively and discussions often lead to arguments about pay (Moon, 1997:22-24).

The fact that a lot of managers are not honest with their subordinates during the appraisal interviews, impacts on the effectiveness of a performance appraisal system (Saunders, 2000:76). Managers fear confrontation or that their employees might not like them anymore. They also do not want to hurt their employees' feelings and hope that the problem will correct itself. The problem with holding back is that it only becomes more difficult to get the employee to change the longer the manager waits and it also becomes more difficult to act from a legal perspective.

Research indicates that performance ratings are generally bias-free or objective in terms of race, age, gender and education although general belief is that managers are discriminating either deliberately or unconsciously (Grote, 2002:11). Arnold and Pulish (2003:229) disagree with this statement. They report that research studies have found that individual differences in age, gender and race may bias performance appraisal. They suggest that this problem could be minimised by screening candidates for managerial positions and by thorough training of managers.

Objective versus subjective description of an individual's performance is discussed in some detail by Grote (2002:34). In his opinion, it is a common mistake to think that an appraisal is subjective if a number cannot be attached to describe an individual's performance. Descriptive measures such as "outstanding", "good" or "fair" are mistakenly viewed as subjective. He does not think objectivity has anything to do with countability. He feels that as

long as an appraiser meets the following three criteria, the appraisal can be viewed as objective:

- The rater must have a clear model of what represents excellence.
- The rater must be trained and experienced.
- The rater must act with integrity.

An individual should get the same rating regardless of whether he or she has been appraised by rater A, rater B or rater C. Hunt (2005:15) points deliberate malicious appraisers out as one of the pitfalls of performance appraisal. The appraisal system should be designed to ensure that systematic biases do not occur and provide a means to the appraisee to have it addressed if it does. One of the responsibilities of the rater's boss, according to Grote (2002:79), is to ensure inter-rater reliability. This deals with the requirement to have all raters applying the same standards to their people and that they apply the same emphasis on competencies and performance measures.

Grote (2002:92) lists eleven common "rating errors", which are mistakes in judgment that result from unrelated factors that influence decisions about someone's performance. These errors are:

- Attractiveness effect – to assume that people that are physically attractive are also superior performers.
- Attribution bias – to attribute performance failure to factors under the control of the individual and successes to external causes.
- Central tendency – to rate people in the middle of the scale even if their performance clearly warrants a substantially lower or higher rating.
- First impression error – to make an initial's positive or negative impression of an individual and later allow it to distort other information about that individual.
- Halo or horns effect – Inappropriate generalisation of all areas of an individual's performance from a single aspect of his performance.
- High potential error – Confusing an individuals future potential with his current performance.

- Negative and positive skew – Rating all individuals higher or lower than what their performance actually warrants.
- Past performance error – Allowing an individual's performance of a previous period to interfere with the performance rating of the current period.
- Recency effect – When minor events that happened recently have more influence on the rating than major events of months ago.
- Similar-to-me effect – People that resemble the rater get rated higher than other people.
- Stereotyping – Tendency to generalise across groups and to ignore individual differences.

Saunders (2000:48) points out an additional error commonly made by managers in an appraisal program, which is the exclusion of a development plan or follow-up plan.

Rating errors could be reduced or avoided by proper rater training and by passing appraisals by the rater's manager before having the performance review with the individuals in a department (Edenborough, 2005:232). Many organisations provide appraisal training for their managers. The rater needs a range of skills and attributes such as communication, listening, negotiation, counselling, bargaining, interviewing, praise and encouragement skills, which could be gained from proper training (Hunt, 2005:66). In addition to these skills, the rater should also have detailed knowledge and understanding of the appraisee's work as well as a detailed understanding of the requirements of the department and organisation as a whole. This makes rating by the supervisor or the line manager effective because they know the person and the job. If the work is much specialised, the line manager may be the only person who is really qualified to rate performance effectively. Because performance is not always objectively measurable, the appraiser should be someone who is knowledgeable about the job. An appraisal by a "specially trained appraisal officer" is undesirable for these reasons.

Three skills are essential to manage performance professionally, according to Saunders (2000:103). These skills are coaching, mentoring and counselling. Few managers are skilled at doing any of them well, which hampers the effectiveness of the performance appraisal process. Both weak and strong performers take longer to reach full potential or could even get lost in the system because of this.

Arnold and Pulish (2003:232) state that an objective appraisal system with well-trained appraisers that can recognise biases and evaluate performance on job-related criteria will result in a win-win situation for all parties concerned. Employees will be more likely to perceive appraisers as fair and the process as equitable. According to Gray (2002:16), many appraisal programs are implemented without proper training. It is assumed that the managers are capable anyway, which impacts on the objectivity, consistency and dependability of the whole process. Grote (2002:17) views rater training to assess performance accurately and to conduct effective appraisal discussions as a good basic management practice to minimise legal complications. All managers should attend a formal and comprehensive training program as a precondition before conducting performance appraisals and there should be an annual refresher course just before the appraisal process starts. Hunt (2005:33) says an incompetently carried out appraisal is worse than no appraisal at all. It will cause participants to lose faith in the system as well as in the organisation. The appraisal system should provide for good rater training as well.

Good preparation requirements for the appraisal interview, particularly pertaining to the appraiser, include the following, according to Hunt (2005:78):

- Choice of a proper location;
- Creating a relaxed atmosphere;
- Asking the right questions;
- Structuring the interview;
- Personal skills; and
- Obtaining and recording data accurately.

2.3.4 Performance measure factors

This section deals with factors pertaining to performance goals that could influence the effectiveness of the performance management process.

One of the weaknesses of the MBO approach to performance management, according to Moon (1997:27) is that it only emphasises what has been achieved and not how it has been

achieved. It also fails to distinguish whether a target was met in spite of rather than because of the appraisee's contribution. A major advantage of the MBO system is that it reduces bias (Loftus, 2006:2).

According to Moon (1997:61-64), a performance measure needs to meet certain criteria in order to be meaningful. It needs to be specific in terms of what is expected and it needs to be measurable in terms of output. It is also crucial that performance measures are agreed by both the appraiser and the appraisee. These measures must be realistic and therefore achievable. What is most important is that the appraisee must believe that the performance measures are achievable. If a performance measure is not attached to a timescale, it might not meet its objective and if it is not integrated with the departmental and organisational objectives, it will certainly not serve its purpose. The final test for a performance measure is whether or not it is regarded as worthwhile – is it really worth achieving? Grote (2002:42) states that the SMART acronym for an effective goal is merely a test that the goal is properly structured. It does not give any information in terms of whether the goal is worthwhile or important. Saunders (2000:15) emphasises the importance of the wording of performance measures when it comes to legal defendability. Goals need to be clearly defined and measurable in order to make it clear what constitutes achievement. In order to get "buy in" from the employee on set goals, performance measures need to be prioritised and reasonable deadlines for achievement agreed between manager and employee. Good performance objectives are the foundation of a performance appraisal system because it is a way to provide fair and accurate performance appraisals and it helps the employee to achieve departmental and company goals (Saunders, 2000:26). He is also of the opinion that a performance measure should demand a certain (realistic) degree of employee stretch, which means that it could only be achieved with a reasonable amount of effort.

Hunt (2005:155) points out the extreme difficulty of assessing an individual in the context of the organisation since performance often depends heavily on the effectiveness of other people or on the organisation in a broader context. Hunt says performance criteria need to be objective and fair. *"If the organisation is not performing effectively, it cannot expect the individual employee to function effectively."* Company performance is directly linked to employee performance (Anon., 2002:3). In spite of this, the annual individual appraisal as well as the setting of performance objectives is more often done badly than well.

Individual performance objectives should, among others, be connected to the organisation's mission statement, departmental objectives and organisational or departmental problems (Grote, 2002:38). Divisional or departmental objectives should be the most important source of objectives, according to Grote, and not connecting objectives to the company mission is a common mistake. Employees almost always see areas where improvements can be made. These are obvious sources of performance objectives.

An individual cannot be held responsible for a result that is outside his control. The goal must be controllable by the individual even if it is only partially so, in order to work for the individual and for the organisation. The individual must be able to influence the achievement of the goal to a large degree (Grote, 2002:41).

If the appraisal system is linked to promotion or salary, the system must ensure that the measures of performance are objective and valid and that other purposes of appraisal like training and development do not get mixed up with the performance assessment (Hunt, 2005:33). Many organisations feel performance-related pay for managers is inappropriate since the workers normally produce, and not the manager.

Hunt (2005:45) lists a number of factors that need to be taken into account when setting performance objectives. These are:

- Performance with regard to previous objectives;
- Aptitude at job;
- Personal circumstances;
- Future potential; and
- Changing work environment.

He says reasonable objectives act as sensible guidelines against which employees can work for the coming year. Without these guidelines, or if they are not clear, employees might not know what is expected from them. This is especially true in cases where performance is not easy to quantify – like for many white collar workers. If an employee had problems performing during the past year, the objectives for the coming year should include some developmental goals (Saunders, 2000:22).

It is essential for performance management that at least part of an individual's performance objectives should be determined by himself (Hunt, 2005:47). He also points out the importance of the organisation helping individuals achieving their own goals in work and in life. He is of the opinion that it is entirely reasonable for the individual to ask, "What is in it for me?" Hunt argues that if the organisation wants the best performance out of an employee, it must be prepared to help employees towards achieving their own personal goals.

One of the fallacies about performance appraisal is that all the important measures of performance are reflected in the appraisal system (Anon., 2004b:7). He says the reality is that it is impossible to forecast all of a department's needs and requirements all the time. He suggests that performance should rather be managed through the job description.

2.4 CHAPTER SUMMARY

An extensive literature study was conducted in order to identify factors that are generally regarded as important for an effective performance management system. The list of factors seems to be long. For ease of reference, it was grouped into four sections, namely system factors, employee factors, managerial factors and performance measure factors. In general, there is good agreement among various authors on a large number of factors that influence the performance management system. There is also agreement on the way in which it influences the system, both positively and negatively.

The following chapter deals with the survey that was conducted to measure the gap between what the managerial level employees of the company under investigation expect and what they actually experience in terms of each of these factors. The results of the survey are also discussed.

CHAPTER 3

EMPIRICAL STUDY

3.1   INTRODUCTION

This chapter deals with the empirical study that was conducted, the approach that was followed and the results that were obtained from it. It describes the measuring instrument that was employed, the target and study populations and the method that was used for data collection. It discusses the findings from the empirical study in statistical terms.

3.2   RESEARCH METHODOLOGY

3.2.1 Research instrument

A questionnaire, compiled by the author in collaboration with Statistical Consultation Services of the NWU, Potchefstroom campus, was used as measuring instrument for this study – see **Appendix A**.   In the last section of the questionnaire biographical data such as age, gender, years of experience and years in current position and level of position in the company were requested from the participants.   The goal of the study was to measure the gap between what the respondents expect and what they actually experience in terms of a number of aspects associated with the performance appraisal process of the company.

Questions were formulated around a number of factors, which could have an influence on performance management. These factors were identified during the preceding literature study, as well as through the author's intuition (Field, 2005:5). Please note the word *'factor'* in this study is used instead of *'issue'* or *'item'* and that each question on the questionnaire deals with a separate issue (factor). These are the factors referred to in the title of this dissertation. Two questions were formulated around each of these factors – one to gauge expectation with regard to the specific factor and the other, personal experience with regard to the same factor. This process was followed for all of the identified factors (49 in total). The questions were

then grouped into two separate sections in the questionnaire. Those that measured expectation were grouped together in Section A and those that measure actual experience (the counter question), in Section B. The sequence of the questions in each of the two sections was independently randomly mixed and some questions were also slightly rephrased (Field, 2005:5). This was done to reduce the ease with which the two questions, measuring the same factor could be connected in order to get an honest answer on each individual question without being lead in any way by the related question. Both positive and negative questions were asked to avoid response bias (Field, 2005:5). The overall objective was to increase the reliability and validity of the data collected during the process.

In order to allow respondents a larger degree of freedom to clearly express differences in high and low ratings for each of the aspects measured, a ten-point Likert scale was used rather than a scale with less points. The ten-point scale was also selected to enable clear distinction between small and large differences between expectation and experience on each of the factors measured. In view of the large number of factors tested, the intention was to highlight only those with the largest gaps between expectation and experience. Allowance was also made for additional comments – see **Appendix E.**

3.2.2 Data collection

The target population for the survey consisted of all employees at management level who are directly involved in managing the company under investigation, in total 58 persons. All of these employees are subjected to the same performance appraisal system. Due to the relatively small number of employees involved, no attempt was made to select a random sample from this target population. Only employees at management level are subjected to performance management in this company. Each of the members of the target population, who were on site during the two weeks that the data collection took place, were invited via their Heads of Department (HODs) to participate in this survey. The HODs had been briefed prior by the Head of Operations, who fully supported the investigation. Participants took part on a voluntary basis. A total of 46 members of the target population took part in the survey and formed the study population. Only those members that were absent from work for whatever reason during this period did not take part in the survey.

A total of seven sessions were held by appointment, during which data collection took place. A session was held with each HOD and the members of his / her department. Employees that could not attend the session, who was scheduled for his / her own department, slotted in with other departments. The author personally led each of these sessions and all questionnaires were completed in his presence.

After handing a questionnaire to each participant of a data collection session, the author read a standard introduction to the group – see **Appendix B**. This introduction dealt with the reasons for the research, the utilisation of the results and some general guidelines for the completion of the questionnaire. This background also ensured a degree of consistency from one session to the next. The author's personal involvement in the data collection sessions was a further attempt to increase the reliability and validity of the data collected. All questions asked by the respondents during each of the sessions were noted in order to get a 'feel' for badly formulated questions that might have needed to be rejected for analysis purposes. None of these questions or variations thereof was repeated during the series of sessions. This was interpreted as an indication that nothing on the questionnaire was generally unclear. Completed questionnaires were collected by the author at the end of each session.

3.2.3 Data analysis

The Statistical Consultation Services of the North-West University performed the data analysis. It was done with the aid of the SAS programme (SAS System for Windows Release 9.1 TS Level 1M0, 2002-2005).

Due to the fact that no random sampling was done, statistical inference was not used to interpret the statistical results. However p-values will be reported in case of random sampling for the sake of completeness (see **Appendix D**). The data in this study was an availability sample and interpretation of the results was thus by using effect sizes. The effect size (d) is independent of sample size and is a measure of practical significance, which can be understood as a large enough effect to be important in practice (Ellis & Steyn, 2003). The effect size for differences in means for dependant groups was used namely:

$$d = \overline{x}_{\text{dif}}$$

$$S_{dif}$$

The following guidelines for interpretation could be used, according to Cohen (1988:25-27):

$d = 0.2$ Small effect

$d = 0.5$ Medium effect

$d \geq 0.8$ Large effect and also of practical significance

According to Cohen (1988:80), medium and large effect sizes are *"noticeable with the naked eye"*.

3.3   RELIABILITY AND VALIDITY

Due to the fact that each factor (item) was dealt with separately, the data was not subjected to statistical reliability and validity tests. There is therefore, for instance, no need for any Cronbach Alpha coefficients or Factor Analyses. However, the way in which the questionnaire was composed (separation and randomising order of questions) and in which data collection took place (author's personal supervision and consistency across sessions) contributed considerably to the reliability and validity of the data (see section 3.2.1 and section 3.2.2). Content validity was assured by consulting subject specialists to determine if the questions on the questionnaire were subject related (Breytenbach, 2008:15-16).

3.4   RESULTS AND DISCUSSION

The interpretation of the data analysis in the previous section follows in the subsections below. Only the questions for which the most significant differences between expectation and experience were measured are highlighted under each heading. The complete result of the statistical analyses of all discrepancies (differences between expectation and experience) is contained in **Table 3.2** in **Appendix D**.

3.4.1 Demographic information

The breakdown of the demographic composition of the study population is attached in **Table 3.1** (see **Appendix C**).

As much as 90% of respondents were male, while 74% was white and in terms of total years' service, 76% of respondents fell in two groups namely zero to five years or sixteen plus years' service – that is either relatively new to the company or long-term service. In terms of total years in the same position, close to seventy percent had spent zero to five years in their current positions. The majority (43%) of the respondents came from the Production Department with the second most (26%) coming from the Engineering Department. A total of 46% of the respondents are at the D2 level in the company and 28% at the D4 level.

3.4.2 Factors relating to the ratee (employee)

The factors discussed under this heading, relate to the individual who is subject to the PA system and who is being rated by someone else. The graphical presentation below summarises these items and the effect size of each. The thick horizontal line indicates the *d*-value above which the effect size becomes significant in practice.

Figure 3.1: Factors which relate to the ratee with the respective effect size (*d*-value) for each
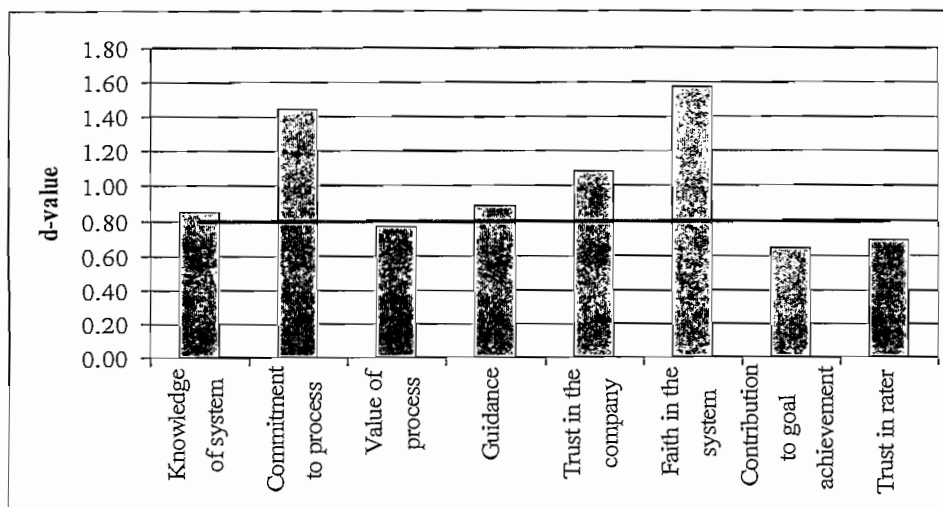
The item with the largest effect size in this category is the **employee's faith in the appraisal system,** with a *d*-value of 1.57. The mean "expect" rating for this factor is 8.52 with a standard deviation of 1.55. The mean of the "experience" rating for the same item is 4.46 with a standard deviation of 2.17. The difference between the means is 4.46. This is the average "gap" between what respondents expect from this factor and what they actually experience. The expectation mean value is higher than the experience mean value, which indicates that the respondents expect the employees to have more faith in the appraisal system than what they experience them to have. The large *d*-value for this factor of 1.57 indicates that the difference between what is expected and what is experienced is large enough to be of practical significance - "*visible to the naked eye*" (Cohen, 1988:80).

The item with the second highest *d*-value in this category is the **employee's commitment to the process** with a value of 1.45, which also makes the difference between what is expected and what is experienced significant in practice. The mean "expect" rating is 8.22 and the mean "experience" rating is 4.57. The difference between the means is 3.65. The expectation mean value is higher than the experience mean value, which indicates that the respondents expect the employee to be more committed to the process than what they experience him/her to be.

Three more factors in this category have *d*-values above 0.8, which means that its individual effects are also large and therefore significant in practice – "*visible to the naked eye*". The first of these is the employee's knowledge of the process. The respondents expect the employee to be more familiar with the appraisal system than what they experience him / her to be. The second of these is guidance with achievement of performance goals and the third is trust in the company. Respondents expect more guidance than what they receive and trust the company less than what they expect the case to be.

The remaining factors in this category have *d*-values ranging between 0.65 and 0.77, which means that its individual effects are medium to large. Overall, all items tested in this category had a medium to a large effect size, that is all significant in practice.

3.4.3 Factors relating to the rater (manager)

The factors dealt with in this section, relate to the person who is rating others. **Figure 3.2** below summarises the items that were measured and the effect size of each.

Figure 3.2: Factors relating to the rater with the respective effect size (*d*-value) for each
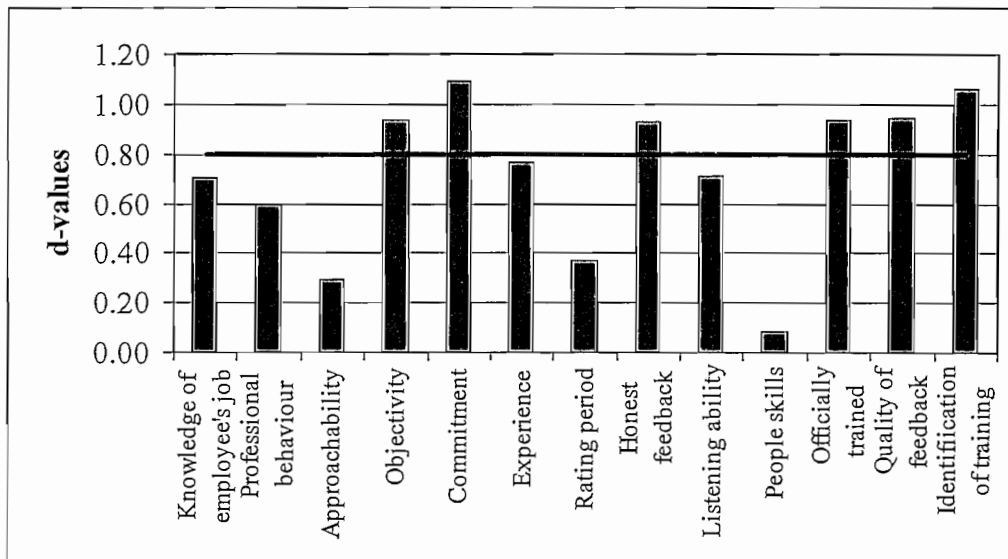
The item in this category with the largest *d*-value is the **rater's commitment to the appraisal process** with a value of 1.10. The mean "expect" rating is 8.65 with a standard deviation of 1.08. The mean "experience" value is 6.00 with a standard deviation of 2.07. The difference between the means is 2.65, which is the average gap between what the respondents expect and what they experience in terms of the rater's commitment to the appraisal process. The expectation mean value is higher than the experience mean value, which indicates that the respondents expect the rater to be more committed to the process than what they actually experience him / her to be.

The second largest *d*-value of 1.06 is for **accurate identification of training needs by the rater**. The mean "expect" rating is 7.76 and the mean "experience" rating is 4.89. The expectation value is higher than the experience value, which indicates the respondents expect the rater to identify their training needs more accurately than what they experience him / her to do.

Four more factors in this category have effect values of over 0.8. These are the rater's objectivity, the rater's own training to carry out performance appraisal, quality of feedback from the rater and honest feedback from the rater. The respondents experience the rater to be less objective and less trained to conduct performance appraisals than what they expect him / her to be. They also experience the quality of the feedback to be lower than what they expect and the rater to be less honest during feedback than what they expect him / her to be.

The rest of the items in this category have *d*-values ranging between 0.29 and 0.77. The effect size of 0.09 for the rater's people skills is negligible. Overall, one item had a negligible effect size, two had a small to a medium effect size, four had a medium to a large effect size and six had a large effect size.

3.4.4 Factors relating to the performance goals

This section deals with factors that relate to the performance goals that the ratee aims to achieve within the rating period. The illustration below summarises the items that were tested in this category, with the effect size determined for each.

Figure 3.3: Factors relating to performance goals with the respective effect size (*d*-value) for each
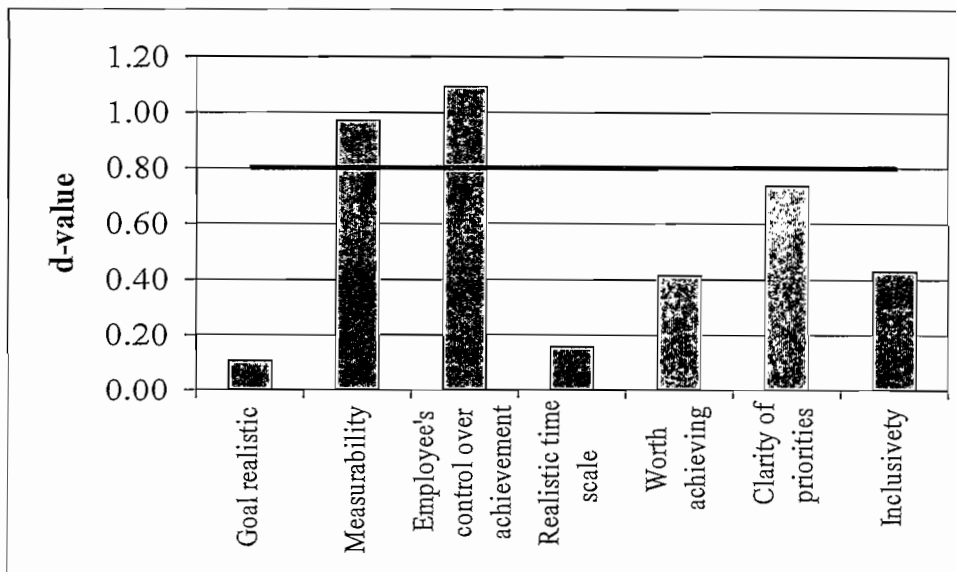
The largest effect size of 1.09 measured in this category is for the **employee's control over achievement of performance goals**. The mean "expect" value is 8.43 with a standard deviation of 1.26. The mean "experience" value is 6.33 with a standard deviation of 1.81. The mean difference for this item was 2.10, which is the gap between what respondents expect and what they experience in terms of control over achievement of their performance goals. The expectation value is higher than that for experience, which indicates that the respondents would like to have more control over the achievement of their goals than what they actually experience the case to be.

The item with the second largest *d*-value of 0.97 is **measurability of performance goals**. The expectation value is higher than the experience value, which indicates that the respondents expect their goals to be more measurable than what they experience it to be.

In the case of **realistic goal setting**, the "experience" mean value is slightly higher than the "expect" value, which indicates that the performance goals are more realistic than what the respondents expect them to be. The "experience" mean value for "realistic time scale to reach performance goals" is also higher than the "expect" mean. This indicates that the respondents experience it less realistic to achieve their performance goals in the allotted time scale than what they would expect. However, the effect sizes for these two factors are only 0.11 and 0.16 respectively, which means that these differences are not significant in practice.

The effect sizes of the remainder of the items in this category range between insignificant and small to medium. Overall, only two items have large and practically significant effect sizes, three have small to medium effect sizes and that of two items are insignificant.

3.4.5 Factors relating to the system

The items discussed in this section have to do with the performance appraisal system itself, its construction, administration, role and fairness. Twenty-one items were tested in this category. **Figure 3.4** below is a summary of these factors with the effect sizes.

Figure 3.4: Factors associated with the performance appraisal system with the respective effect size (*d*-value) for each
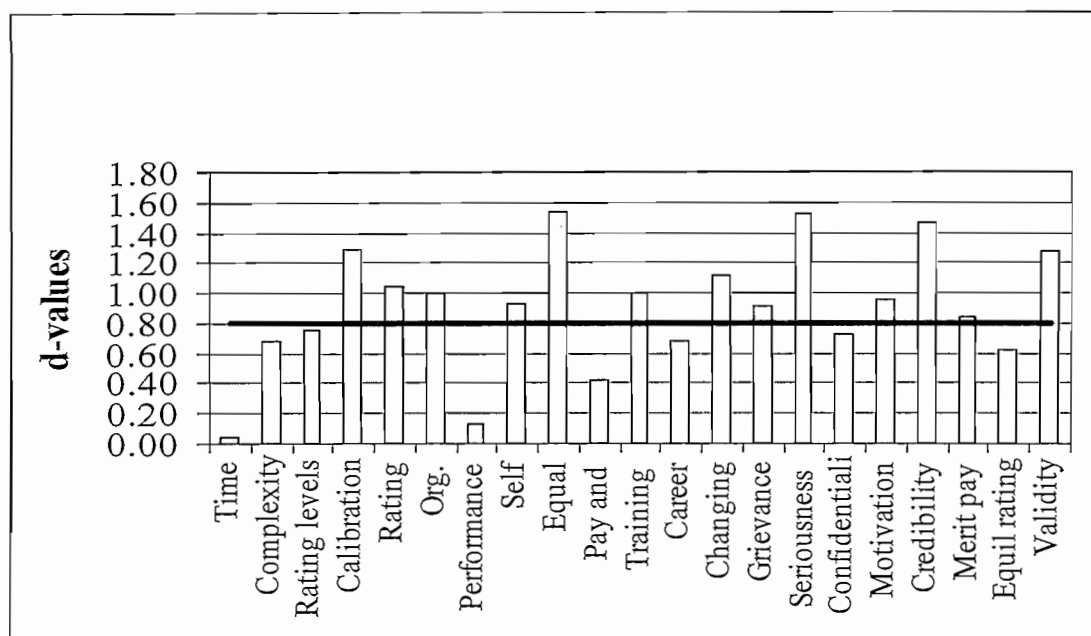
The item with the largest *d-value* of 1.53 is for **equal treatment of all participants (e.g. race, gender and others)**. The mean "expect" value for this item is 9.3 with a standard deviation of 0.92. This is also the highest expectation mean value and the lowest standard deviation value overall in this study. The mean "experience" value is 5.02 with a standard deviation of 2.56. The mean difference between what the respondents expect and what they experience is 4.28. The expectation value is higher than the experience value, which indicates that the respondents expect the PA system to treat participants more equally than what they experience the case to be.

The second largest effect size of 1.52 is for **how seriously everybody takes the performance appraisal system**. The mean "expect "and "experience" values are 8.59 and 4.70 respectively. The mean expectation value is higher than the experience value, which indicates that the respondents expect everybody to take the system more seriously than what they actually experience the case to be.

Eleven more items in this category, which are shown in the table below, have *d-values* above 0.80.

Table 3.3: Factors associated with the PA system, which have *d-values* greater than 0.80

Factor	*d*-value
Credibility of the appraisal system	1.47
Transparency of the rating **calibration** process	1.29
Validity of the performance management system	1.27
System's consideration of changing environment	1.12
Transparency of the rating process	1.04
Training driven by the appraisal system	1.00
The appraisal system's role in organisational performance	1.00
Motivational power of the appraisal system	0.96
Value of the self-appraisal process	0.92
Effectiveness of the grievance procedure for the appraisal system	0.91
Difference in merit pay between good and bad performance	0.84

The respondents experience the credibility of the system and the transparency of the rating calibration process to be less than what they expect it to be. They also experience the validity of the process to be less than what they expect and that it does not consider the changing work environment as much as what they would expect. The rating process is less transparent and their training is less driven by the appraisal system than what they expect. The appraisal system's role in organisational performance and its motivational power is less than what they expect. They also get less value from the self-appraisal process and the appraisal system grievance procedure is less effective than what they expect. The difference in merit pay between good and bad performance is less than what they expect.

Five more items have *d*-values of discrepancies (differences between what is expected and what is experienced) between 0.5 and 0.8, which also make it significant in practice. Respondents experience the number of rating levels to be fewer than what they expect and the confidentiality level of the system to be less than what they expect. They also experience the PA system to have less influence on their career development than what they would expect and the system to be more complex than what they would expect. Furthermore, they experience the rating for equal performance by different raters less equal than what they would expect.

The remainder of the items tested in this category have d-values ranging from 0.05 to 0.42. Overall thirteen factors have large effect sizes, five are between medium and large, one is between small and medium and two are insignificant.

3.5 CHAPTER SUMMARY

This investigation tested 49 factors that were identified through a literature study and through personal intuition to have an influence on performance management. Twenty-six of them were confirmed to have large enough differences between what the respondents expect and what they experience, to be significant in practice. Five of these significant factors are associated with the ratee, six with the rater, two with performance goals and thirteen with the performance appraisal system itself.

The two factors that were confirmed to have the largest effect sizes are the employees' lack of faith in the system and unequal treatment of all participants. The two factors identified to have the smallest effect sizes are the time consumed by the process and the raters' people skills.

Chapter 4 is the final chapter of the study. It provides conclusions, offers some recommendations and also identifies areas for future research.

CHAPTER 4
CONCLUSIONS AND RECOMMENDATIONS

4.1   INTRODUCTION

This chapter summarises the findings of this study. Conclusions are drawn and recommendations are made to the company under investigation. Recommendations are also made in terms of related future research.

4.2   CONCLUSIONS

The main objective of this investigation was to find factors which are generally known to influence the performance management process and to determine which of these also influence the process at the company under investigation. It was done by measuring the gap between what the management level employees of this company (target population) expect from a number of factors that have been reported in the literature to impact on performance management and how they actually experience each of these factors. Forty-six (study population) of the 58 members of the target group took part in the survey that measured this gap. Although this represents a significant portion of the target population, no inference is made from the results on the target population.

Quite a large number of factors were found to influence the performance management process of this company. Of the 49 items tested, 41 (83.7%) measured differences between what is expected and what is experienced from each, that are large enough to be significant in practice — i.e. their effect sizes are bigger than 0.5. Only 16.3% of the items measured have differences with small to medium effect sizes, which are less significant. Respondents generally expect more than what they experience in the case of positive questions and vis-à-vis in the case of negative questions. It can therefore be concluded from this overwhelming result that the majority of the people in the study population are not content with how they experience the current performance management process to which they are subjected at this

company. This dissatisfaction could be expected to impact negatively on the overall motivational climate in the workplace and also on the effectiveness of the performance management process of the company. It is therefore unlikely that the system will achieve its ultimate objective namely overall improved company performance.

This investigation has found that out of all the items tested, the factor with the largest d-value of discrepancy between what is expected and what is experienced, is the employee's faith in the system. By far the majority of the study population expects the employee to trust the system significantly more than what they actually experience the case to be. Without trust, the system is deemed to fail because in essence it is based on trust. Each individual exerts effort to achieve (stretched) performance goals over an extended period of time in the belief that the system will reward him / her fairly. This result shows that they do not feel this is happening.

The factor with the second largest effect size is that of equal treatment of all participants. The expectation that everybody should be treated equally is significantly bigger than what the case is experienced to be. This factor goes hand in hand with the one discussed in the previous paragraph namely trust. A perception of unequal treatment of participants to a process will destroy the trust in that process. This seems to be the case for this company.

Although also significant, it is interesting to note that the issue of difference in merit pay between good and bad performance only ended up with the 26th highest d-value. Because the PA process has a direct impact on the monitory remuneration of the employees, this is surprisingly low on the list and may be an indication of the deep rooted problems within the system. The issue relating to the amount of time consumed by the process came out at the lowest overall d-value, which is also surprising considering that only managers take part in the IPA process and their busy programs in general.

A large number of other factors also have d-values larger than 0.5, which means that the differences between expectation and experience for each of them are big enough to be significant in practice. Both the level of significance and the large number of factors involved seem to indicate that the performance management system at this company cannot be effective and needs to be reviewed if the ultimate objective of improved overall company performance is to be achieved along with the other positive spin-offs associated with it.

4.3 RECOMMENDATIONS

Due to the large number of factors that have been positively identified by this study to impact on the performance management system of this company, it would be impractical and even impossible to address all of them simultaneously and effectively within a reasonable period of time. Assuming the company is not planning to replace the PA system with a totally new system, the recommendation is that it only focuses on three or four carefully selected items at a time that will give the maximum benefit at the lowest cost and with the least effort in the shortest possible time.

It is the author's view that the factor that acts as the "glue" which keeps the whole system together namely trust, should be at the top of the list of items to be addressed. Other factors, which contribute to trust such as equal treatment, honesty and improved skill levels of the raters should be considered and addressed in a holistic approach. Changes to the process should be well communicated and considered in conjunction with all the stakeholders to enhance the probability of improvement.

It is further recommended that a similar survey be conducted within a year after implementing any changes in order to measure its success rate. In addition, a mechanism such as an anonymous electronic survey twice a year should be built into the system to continuously monitor its validity.

4.4 ACHIEVEMENT OF THE STUDY OBJECTIVES

This study set out to identify factors that influence performance management at a large refinery in the North West Province. It successfully identified 41 such factors of which the *d-values* of the discrepancies between what the employees expect and what they experience, are large enough to be significant in practice.

4.5 RECOMMENDATIONS FOR FUTURE RESEARCH

The company that was investigated was only one of a number of business units in the larger company. Some of the other business units in the group consistently perform significantly better overall in terms of company targets such as costs, production, health and safety, recovery, and more. The incentive bonus scheme for each unit is based on its overall performance. It would be useful to determine to what extent the same set of factors used for this investigation, also impact on the PA systems of those business units. All the business units are subject to the same system. Furthermore, it would be useful to determine which other controllable factors also impact on the overall performance of the different business units in the group.

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Appendix A

Survey Questionnaire

Survey Questionnaire

Performance management

Introduction

This survey forms part of a research project on factors that influence Performance Management (Performance Appraisal) in the company. The study was approved by the Head of Operations.

- Please complete all questions as best you can – it should not take you more than 30 minutes. There are no right or wrong answers.
- Base your answers on your personal experience.
- Read the instructions for the completion of questions in different sections carefully.
- Demographic information will be used for statistical analyses of results only.
- All individual responses are anonymous and will be treated as confidential.

Thank you for your time

Instructions:

There are two broad categories of questions:

  *Section A: What you **expect (want)** from each aspect of the appraisal system.*

  *Section B: What you **experience (get)** from each aspect of the appraisal system.*

  Please rate each question on a ten point scale:

0 = extremely low or little or poor   and   10 = extremely high or very much

Example:

If your expectation from or experience with a specific factor is <u>high</u>, your rating should be between 6 and 10, depending on the degree of your expectation or experience. If it is <u>low</u>, your rating will be between 0 and 4, depending on the degree of your expectation or experience and if it is neutral, your rating should be 5.

Please make a clear cross (X) in the applicable block in each case.

Section A   (Expectations)

This section deals with your personal **expectation** in terms of each of the following performance appraisal (PA) aspects.

Aspect	Rating										
A1. How committed do you expect the employee be to the PA process?	0	1	2	3	4	5	6	7	8	9	10
A2. How honest should the feedback from the rater be?	0	1	2	3	4	5	6	7	8	9	10
A3. By how much do you expect your performance goals be stretched?	0	1	2	3	4	5	6	7	8	9	10
A4. How difficult should it be to understand the PA process?	0	1	2	3	4	5	6	7	8	9	10
A5. How much should the employee's contribution add to the achievement of his/her performance goals?	0	1	2	3	4	5	6	7	8	9	10
A6. How objective do you expect the rater be?	0	1	2	3	4	5	6	7	8	9	10
A7. How measurable should your performance goals be?	0	1	2	3	4	5	6	7	8	9	10
A8. How serious do you expect everybody to be taking the appraisal system?	0	1	2	3	4	5	6	7	8	9	10
A9. How much trust should the employee have in the company?	0	1	2	3	4	5	6	7	8	9	10
A10. How people orientated do you expect your rater to be?	0	1	2	3	4	5	6	7	8	9	10
A11. How difficult should it be to reach your performance goals in the allotted time scale?	0	1	2	3	4	5	6	7	8	9	10
A12. How transparent do you expect the rating **calibration** process to be?	0	1	2	3	4	5	6	7	8	9	10
A13. To what extent should your pay be related to your appraisal rating?	0	1	2	3	4	5	6	7	8	9	10

Aspect	Rating										
A14. To what extent should your performance rating be based on the entire rating period rather than on recent performance?	0	1	2	3	4	5	6	7	8	9	10
A15. How much do you expect the PA process to mean to you?	0	1	2	3	4	5	6	7	8	9	10
A16. To what extent should your career development be determined by the appraisal system?	0	1	2	3	4	5	6	7	8	9	10
A17. How much difference do you expect there to be in **merit pay** between poor & good performers?	0	1	2	3	4	5	6	7	8	9	10
A18. How committed should the rater be to the appraisal process?	0	1	2	3	4	5	6	7	8	9	10
A19. How accurate do you expect your rater to identify your training needs through the PA process?	0	1	2	3	4	5	6	7	8	9	10
A20. How much time do you expect the PA process to consume?	0	1	2	3	4	5	6	7	8	9	10
A21. To what extent should your duties be included as part of your performance goals?	0	1	2	3	4	5	6	7	8	9	10
A22. How experienced do you expect your rater to be in performance appraisal?	0	1	2	3	4	5	6	7	8	9	10
A23. How credible do you expect the appraisal system to be?	0	1	2	3	4	5	6	7	8	9	10
A24. To what extent should your rater be officially trained to conduct a performance appraisal?	0	1	2	3	4	5	6	7	8	9	10
A25. How much faith should the employee have in the performance appraisal system?	0	1	2	3	4	5	6	7	8	9	10
A26. How much <u>control</u> do you expect the employee to have over the achievement of his/her performance goals?	0	1	2	3	4	5	6	7	8	9	10
A27. How open do you expect the rating process to be?	0	1	2	3	4	5	6	7	8	9	10

Aspect	Rating										
A28. How much trust should the employee have in the rating manager?	0	1	2	3	4	5	6	7	8	9	10
A29. How much detailed knowledge do you expect the rater to have of your job?	0	1	2	3	4	5	6	7	8	9	10
A30. How much should the appraisal system contribute to organisational (plant) performance?	0	1	2	3	4	5	6	7	8	9	10
A31. How confidential should the appraisal process be handled?	0	1	2	3	4	5	6	7	8	9	10
A32. How professional do you expect the rater's behaviour to be?	0	1	2	3	4	5	6	7	8	9	10
A33. How large should the number of rating levels be between good & bad performance?	0	1	2	3	4	5	6	7	8	9	10
A34. How important is approachability of the rater to you?	0	1	2	3	4	5	6	7	8	9	10
A35. How familiar should the employee be with the PA system?	0	1	2	3	4	5	6	7	8	9	10
A36. To what extent should all participants (i.e. race, gender etc.) be treated equally by the PA process?	0	1	2	3	4	5	6	7	8	9	10
A37. How important is the listening skills of the rater to you?	0	1	2	3	4	5	6	7	8	9	10
A38. Should there be more or less performance reviews per year?	0	1	2	3	4	5	6	7	8	9	10
A39. How clear should the priorities of your performance objectives be to you?	0	1	2	3	4	5	6	7	8	9	10
A40. What quality of feedback do you expect from your rater?	0	1	2	3	4	5	6	7	8	9	10
A41. How much guidance do you expect on how to achieve your performance objectives?	0	1	2	3	4	5	6	7	8	9	10
A42. To what extent should your training be driven by the appraisal system?	0	1	2	3	4	5	6	7	8	9	10

Aspect	Rating										
A43. How much do you expect achieving your performance goals to be worth to you and to the company?	0	1	2	3	4	5	6	7	8	9	10
A44. How much value do you expect from the compulsory self appraisal process?	0	1	2	3	4	5	6	7	8	9	10
A45. To what extent should the PA system consider the changing work environment?	0	1	2	3	4	5	6	7	8	9	10
A46. How valid do you expect the performance management system to be? (Should it really work?)	0	1	2	3	4	5	6	7	8	9	10
A47. How effective do you expect the grievance procedure for the appraisal system to be?	0	1	2	3	4	5	6	7	8	9	10
A48. How much motivational power should the appraisal system have?	0	1	2	3	4	5	6	7	8	9	10
A49. How different should ratings for equal performance be between different raters?	0	1	2	3	4	5	6	7	8	9	10

Section B   (Experience)

This section deals with your personal **experience** in terms of each of the following performance appraisal (PA) aspects?

Aspect	Rating										
B1. How much confidence do you have in the performance appraisal system?	0	1	2	3	4	5	6	7	8	9	10
B2. How professional is your rater's behaviour?	0	1	2	3	4	5	6	7	8	9	10
B3. How clear are the priorities of your performance objectives to you?	0	1	2	3	4	5	6	7	8	9	10
B4. How honest is the rater during feedback sessions?	0	1	2	3	4	5	6	7	8	9	10
B5. How valid is the performance management	0	1	2	3	4	5	6	7	8	9	10

Aspect	Rating										
system? (Does it really work?)											
B6. To what extent does your rater demonstrate the ability to listen?	0	1	2	3	4	5	6	7	8	9	10
B7. How much difference does your contribution make towards the achievement of your performance goals?	0	1	2	3	4	5	6	7	8	9	10
B8. To what extent is there a relationship between your appraisal rating and your pay?	0	1	2	3	4	5	6	7	8	9	10
B9. To what extent are your duties included as part of your performance goals?	0	1	2	3	4	5	6	7	8	9	10
B10. How large is the number of rating levels between good & bad performance?	0	1	2	3	4	5	6	7	8	9	10
B11. To what extent is your rater officially trained to do performance appraisal?	0	1	2	3	4	5	6	7	8	9	10
B12. To what extent is everybody devoted to the PA process?	0	1	2	3	4	5	6	7	8	9	10
B13. To what extent is your performance goals stretched?	0	1	2	3	4	5	6	7	8	9	10
B14. How difficult is it to understand all aspects of the PA process?	0	1	2	3	4	5	6	7	8	9	10
B15. To what extent is everybody treated equally by the PA system (i.e. race, gender etc.)?	0	1	2	3	4	5	6	7	8	9	10
B16. What level of quality feedback are you getting from your rater?	0	1	2	3	4	5	6	7	8	9	10
B17. How much is achieving your performance goals worth to you and to the company?	0	1	2	3	4	5	6	7	8	9	10
B18. How much influence does the appraisal system have on your career development?	0	1	2	3	4	5	6	7	8	9	10
B19. How accurate are your training needs identified by your rater during the appraisal process?	0	1	2	3	4	5	6	7	8	9	10
B20. How measurable are your performance	0	1	2	3	4	5	6	7	8	9	10

Aspect	Rating										
goals?											
B21. To what extent does your rater have a detailed understanding of your job?	0	1	2	3	4	5	6	7	8	9	10
B22. To what extent does your rater demonstrate the ability to work with people?	0	1	2	3	4	5	6	7	8	9	10
B23. How much value do you get from the self appraisal process?	0	1	2	3	4	5	6	7	8	9	10
B24. How difficult is it to reach your performance goals within the allotted time scale?	0	1	2	3	4	5	6	7	8	9	10
B25. How much time is taken up by the process?	0	1	2	3	4	5	6	7	8	9	10
B26. How approachable is your rater?	0	1	2	3	4	5	6	7	8	9	10
B27. How much does the appraisal system motivate you?	0	1	2	3	4	5	6	7	8	9	10
B28. How much benefit does the PA process hold for you?	0	1	2	3	4	5	6	7	8	9	10
B29. How transparent is the rating process?	0	1	2	3	4	5	6	7	8	9	10
B30. How experienced is your rater in performance appraisal?	0	1	2	3	4	5	6	7	8	9	10
B31. How much difference is there in **merit pay** between poor & good performers?	0	1	2	3	4	5	6	7	8	9	10
B32. How much does the appraisal system contribute to organisational performance?	0	1	2	3	4	5	6	7	8	9	10
B33. How much faith do you have in your rating manager?	0	1	2	3	4	5	6	7	8	9	10
B34. How much control do you have over the achievement of your performance goals?	0	1	2	3	4	5	6	7	8	9	10
B35. How serious is the appraisal system taken by all?	0	1	2	3	4	5	6	7	8	9	10
B36. Are there too many or too few performance reviews per year?	0	1	2	3	4	5	6	7	8	9	10

Aspect	Rating										
B37. To what extent is your performance rating based on the entire rating period rather than on recent performance?	0	1	2	3	4	5	6	7	8	9	10
B38. How transparent is the rating calibration process?	0	1	2	3	4	5	6	7	8	9	10
B39. To what extent is your training driven by the appraisal system?	0	1	2	3	4	5	6	7	8	9	10
B40. How much does the rating for equal performance differ between different raters?	0	1	2	3	4	5	6	7	8	9	10
B41. How impartial is the behaviour of your rater?	0	1	2	3	4	5	6	7	8	9	10
B42. How knowledgeable are you on exactly how the system works?	0	1	2	3	4	5	6	7	8	9	10
B43. How much does the PA system consider the changing work environment?	0	1	2	3	4	5	6	7	8	9	10
B44. How much faith do you have in the company?	0	1	2	3	4	5	6	7	8	9	10
B45. How effective is the appraisal system's grievance procedure?	0	1	2	3	4	5	6	7	8	9	10
B46. How confidential is the appraisal process?	0	1	2	3	4	5	6	7	8	9	10
B47. How trustworthy is the appraisal system?	0	1	2	3	4	5	6	7	8	9	10
B48. How much guidance do you receive on how to achieve your performance objectives?	0	1	2	3	4	5	6	7	8	9	10
B49. How devoted is your rater to the appraisal process?	0	1	2	3	4	5	6	7	8	9	10

Section E (Additional comments)

_____
_____
_____
_____
_____
_____
_____
_____
_____

Section F (Demographic information)

The information in this section will be used for statistical purposes only.

Please make a cross (**X**) *in the applicable box.*

Age group

20 - 30	31 - 40	41 - 50	51 - 60	61 +

Gender

Male	Female

Race / Ethnicity

Black	White	Coloured	Indian

Total full years of service

0 - 5	6 - 10	11 - 15	16 +

Total full years in current position

0 - 5	6 - 10	11 - 15	16 +

Discipline

Engineering	Production	Laboratory	Fin & Admin
SHEQ	Security	HR	

Level

D 2	D 3	D 4	E 1	E 2+

Thank you for your time

Appendix B

Data Collection Session Introduction

Data collection session introduction

The questionnaire that you have received is part of an investigation which looks at the factors that influence performance management in this company. You have been asked to take part in the survey on the basis of the fact that you are subjected to the performance appraisal system and for no other reason. The information you provide will only be used for research purposes. You are under no obligation to take part in the survey. The questionnaire is completed anonymously. Even if it is possible to connect any information to any individual, the study is only interested in the mean response from the study population as a whole and any identification of an individual is therefore meaningless in any case. Data analysis will only be done at group level. All completed questionnaires will be kept and seen by the author only, which adds to the confidentiality of the information therein.

Some general comments:

- All questionnaires should have nine pages – please check yours.
- Please let me know immediately if you miss a page.
- Please note that the questions are printed on both sides of the paper.
- Although the questions are simple, read them carefully before you answer.
- Please answer all the questions if you can.
- Please do not use the extreme ends of the rating scale only. However, if you feel strongly about the specific aspect, use it.
- Please ask if a question is unclear.

Appendix C

Demographic
Descriptive Statistics

Table 3.1 - Demographic Descriptive Statistics

The FREQ Procedure

Gender	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Male	41	89.13	41	89.13
Female	5	10.87	46	100.00

Race	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Black	11	23.91	11	23.91
White	34	73.91	45	97.83
Coulored	1	2.17	46	100.00

Years Service	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0 - 5	16	34.78	16	34.78
6 - 10	7	15.22	23	50.00
11 - 15	4	8.70	27	58.70
16+	19	41.30	46	100.00

Years in Position	Frequency	Percent	Cumulative Frequency	Cumulative Percent
0 - 5	31	67.39	31	67.39
6 - 10	7	15.22	38	82.61
11 - 15	2	4.35	40	86.96
16+	6	13.04	46	100.00

Discipline	Frequency	Percent	Cumulative Frequency	Cumulative Percent
Engineering	12	26.09	12	26.09
Production	20	43.48	32	69.57
Laboratory	3	6.52	35	76.09
Finance	4	8.70	39	84.78
SHEQ	2	4.35	41	89.13
Security	2	4.35	43	93.48
HR	3	6.52	46	100.00

Level	Frequency	Percent	Cumulative Frequency	Cumulative Percent
D2	21	45.65	21	45.65
D3	7	15.22	28	60.87
D4	13	28.26	41	89.13
E1	1	2.17	42	91.30
E2+	4	8.70	46	100.00

Appendix D

Summery of means and standard deviations calculated for differences between dependant groups with p- and d-values for each.

Table 3.2 - Summery of means and standard deviations calculated for differences between dependant groups with p and d values for each.

Question number	Expected: Mean	Expected: Std Dev	Experience: Mean	Experience: Std Dev	Mean Difference	Std Dev of Difference	P-value (in case of random sampling)	d - Value
1	8.22	1.35	4.57	2.08	3.65	2.52	0.0001	1.45
2	9.28	0.98	7.09	2.06	2.19	2.37	0.0001	0.93
3	6.39	1.63	6.63	1.99	-0.24	2.17	0.4592	0.11
4	2.76	2.54	4.59	2.31	-1.83	2.70	0.0001	0.68
5	7.89	1.49	6.49	2.07	1.40	2.17	0.0001	0.65
6	8.71	1.11	6.37	2.25	2.34	2.50	0.0001	0.94
7	8.65	1.32	6.35	1.80	2.30	2.37	0.0001	0.97
8	8.59	1.39	4.70	2.22	3.89	2.56	0.0001	1.52
9	8.65	1.61	5.91	2.26	2.74	2.53	0.0001	1.08
10	7.41	1.77	7.20	2.09	0.21	2.51	0.5601	0.09
11	5.59	1.90	6.07	2.29	-0.48	2.99	0.2833	0.16
12	8.71	1.99	3.87	2.75	4.84	3.75	0.0001	1.29
13	7.65	1.73	6.50	2.40	1.15	2.77	0.0071	0.42
14	7.39	2.10	6.28	2.13	1.11	2.98	0.0151	0.37
15	7.93	1.34	5.98	2.43	1.95	2.56	0.0001	0.77
16	6.89	1.98	5.09	2.81	1.80	2.66	0.0001	0.68
17	7.70	1.66	5.35	2.45	2.35	2.81	0.0001	0.84

Appendix D: Summery of statistics

Question number	Expected: Mean	Expected: Std Dev	Experience: Mean	Experience: Std Dev	Mean Difference	Std Dev of Difference	P-value (in case of random sampling)	d – Value
18	8.65	1.08	6.00	2.07	2.65	2.42	0.0001	1.10
19	7.76	1.69	4.89	2.48	2.87	2.70	0.0001	1.06
20	5.04	2.40	4.91	1.82	0.13	2.85	0.7576	0.05
21	7.83	1.47	6.63	2.26	1.20	2.78	0.0055	0.43
22	8.50	1.31	6.74	2.15	1.76	2.29	0.0001	0.77
23	8.93	1.22	5.20	2.05	3.73	2.55	0.0001	1.47
24	7.85	1.62	5.46	2.42	2.39	2.55	0.0001	0.94
25	8.52	1.55	4.46	2.17	4.06	2.59	0.0001	1.57
26	8.43	1.26	6.33	1.81	2.10	1.93	0.0001	1.09
27	8.33	1.99	5.22	2.59	3.11	2.98	0.0001	1.04
28	8.35	1.89	6.46	2.37	1.89	2.75	0.0001	0.69
29	8.57	1.29	7.00	2.09	1.57	2.22	0.0001	0.71
30	8.22	1.50	5.57	2.33	2.65	2.65	0.0001	1.00
31	8.36	1.76	6.37	2.24	1.99	2.78	0.0001	0.73
32	8.89	1.54	7.13	2.37	1.76	2.97	0.0002	0.59
33	6.85	1.52	4.70	2.37	2.15	2.83	0.0001	0.76
34	8.15	1.23	7.54	1.95	0.61	2.10	0.0558	0.29
35	8.61	1.00	6.46	2.40	2.15	2.52	0.0001	0.85
36	9.30	0.92	5.02	2.56	4.28	2.79	0.0001	1.53
37	8.56	1.20	6.89	1.98	1.67	2.34	0.0001	0.71
38	5.59	2.07	5.22	1.55	0.37	2.76	0.3686	0.13

Appendix D: Summery of statistics

Question number	Expected: Mean	Expected: Std Dev	Experience: Mean	Experience: Std Dev	Mean Difference	Std Dev of Difference	P-value (in case of random sampling)	d - Value
39	8.72	1.03	7.13	2.10	1.59	2.17	0.0001	0.73
40	8.76	1.04	6.41	2.29	2.35	2.49	0.0001	0.94
41	7.24	2.01	4.96	2.23	2.28	2.56	0.0001	0.89
42	7.02	2.02	4.07	2.29	2.95	2.95	0.0001	1.00
43	8.57	1.09	7.61	2.17	0.96	2.30	0.0071	0.42
44	7.50	1.63	5.30	2.49	2.20	2.38	0.0001	0.92
45	7.65	1.96	4.71	2.32	2.94	2.58	0.0001	1.12
46	8.41	1.38	4.83	2.36	3.58	2.82	0.0001	1.27
47	7.09	2.51	4.35	2.31	2.74	3.01	0.0001	0.91
48	8.04	1.81	5.61	2.54	2.43	2.54	0.0001	0.96
49	2.78	3.29	5.26	2.39	-2.48	3.95	0.0001	0.63

Appendix D: Summery of statistics

Appendix E

Additional Comments

Additional comments supplied by some of the respondents:

- "The goals are not properly defined; hence there are problems when the rating period arrives. The goals must be clearly linked to the company's KPI's."

- "Targets set out in the PA system should be more specific and achievable. Your performance should not be dependant on or influenced by any outside factor."

- "I personally think that the system is manipulated by the different managers that decide what your actual final mark must be even if they don't even know the person."

- "The calibration process is not fair and therefore makes the whole PA process questionable. Most managers are not honest in how they treat different people."

- "The higher the position you have, the less the measurables must be, which is not the way the PA system works. The more your working environment changes, the less the PA system works for you."

- "Many of the performance goals are based on instruments and break downs are not controllable. Personnel resources are not taken into account and changes regularly.

- "PA system needs to be rolled out to the lower level employees. Their performances have a major impact on the higher level PA."

- "The calibration process is totally unfair and not transparent. I have never received any feedback from the calibration process conducted by the finance discipline."

- "The system is not totally transparent as the calibration is done without your rater and his / her input. When ratings are sent to Head Office, employees have no idea what their ratings are. Feedback becomes useless because you cannot compare pre-calibration rating with post-calibration rating."

- "The system will work in an environment where there are objective, measurable targets with clearly understood accountability. Performance reviews should also happen more frequently."

- "PA KPI's are not reviewed and scored according to agreed targets. Mid-year review not done according to the process and weaknesses and strengths identified."

- "Production personnel tend to get higher ratings."

- "Any appraisal system tends to be subjective rather than objective because of the human nature. An effective means of dealing with personality clashes and favouritism between rater and ratee should be considered. PA should be rolled out to all supervisory levels."