



Practice and Challenges of Performance Management System Design
and Implementation:

The Case of International Center for AIDS Care and Treatment Program
(ICAP)

By: Nitsuh Mekonnen

A Thesis Submitted to School of Graduate Studies of Addis Ababa University
School of Commerce
In Partial fulfillment of the Requirements for the Degree of Master of Arts in
Human Resource Management

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By: Nitsuh Mekonnen

Advisor: Abdurezak Mohammed (Dr.)

Statement of Declaration

I, Nitsuh Mekonnen, declare that this Master's research "*Practice and Challenges of Performance Management System Design and Implementation: International Center for AIDS Care & Treatment Program (ICAP) in focus*" is submitted in partial fulfillment of the requirements for the Degree of Master's of Arts in Human Resource Management at the School of Commerce, Addis Ababa University. The thesis is my original work and has not been presented for a degree in any other university and all sources of materials used for the thesis have been duly acknowledged.

Declared by:

Nitsuh Mekonnen

Date & Signature

Statement of Certification

This is to certify that Nitsuh Mekonnen has carried out her research work on the topic entitled: “Practice and Challenges of Performance Management System Design & Implementation: International Center for AIDS Care & Treatment Program (ICAP) in focus” is her original work and is suitable for submission for the award of Masters of Art Degree in Human Resource Management.

Advisor: Abdurezak Mohammed (Dr.)

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Practice and Challenges of Performance Management System Design and Implementation:
In the Case of International Center for AIDS Care & Treatment Program (ICAP)

By: Nitsuh Mekonnen

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External Examiner

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Abstract

Performance management is the process by which an organization defines its purposes and sets its objectives and the activities it undertakes to ensure that its goals are consistently met in an effective and efficient manner by focusing on the performance of the organization, its departments or functions, employees, and its processes in service delivery. PMS supports the achievement of business strategy through the integration of corporate, functional, departmental, team and individual objectives. ICAP's definition of Performance Management covers some of these key traits and defines its performance management as a process of improving performance that encompasses everything managers and supervisors do to plan, monitor, evaluate and improve the performance of those they supervise. The main purpose of this study is to provide edge to organization by providing practical solutions and recommendations so that organizations can choose the best option and they can improve their implementation of performance management system effectively. This research is done to highlight and examine the practice and challenges of performance management design and implementation in ICAP. Mixed approach has been used by researcher. Through this approach data were collected and analyzed. To identify the PM issues semi-structured interviews were conducted from 120 employees. The research findings have shown that 75% of the employees of ICAP are not satisfied from their current performance management. The performance management system of the organization lacks motivation and proper reward system. For resolution of these issues researcher has recommended direction and guidelines to improve the performance management system.

Key words: Performance Management System, Design, Implementation, motivation, reward system

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Acronyms and Abbreviations

CDC	-	Center for Disease Control and Prevention
FR	-	Formal Review
HR	-	Human Resource
ICAP	-	International Center for AIDS Care and Treatment Program
IR	-	Informal Review
KPI	-	Key Performance Indicator
KSF	-	Key Success Factor
PA	-	Performance Agreement
PEPFAR	-	President's Emergency Plan for AIDS Relief
PM	-	Performance Management
PMS	-	Performance Management System
SMART-		Specific, Measurable, Achievable, Realistic, and Time specific

Chapter One - Introduction

1.1. Background of the Study

Pankaj & Nirmala in their article stated that an actual and real performance management system should comprise differential pay system, objective setting methodology or an appraisal process and performance career management. A successful performance management will give the means for evaluating and improving both individual and organization performance against pre-defined business strategies and objectives. In literature, there are various models and theories of performance management. Each conceptions of performance management system have its importance as a system for managing organizational performance, managing employee performance, and for integrating the management of organizational and employee performance. Performance management involves many stages of scrutiny, and is clearly linked to the evaluation HRM as well as performance management. Many terms refer to performance management initiatives in organizations, for example, performance based mission and goals, performance based reward system, planning, performance review and appraisal and training and development, and management by objectives (Heinrich, 2002).

Performance management (PM) is a complex concept that has received much attention in management accounting literature with much discussion devoted to performance measurement aspect. There seems to be a gap between performance management theory and actual practice as highlighted by several researchers and practitioners. Performance management is of growing importance to NGOs in developing countries due to funding insecurity, multiple stakeholders' requirements, and demands for effectiveness and accountability (Olujide, 2005).

Performance management has come to play an indispensable role in helping organizations achieve organizational goal (Stever & Joyce, 2000). The importance of performance management is on continuously improving organizational performance, and this is achieved by improving individual employee performance (Macky & Johnson, 2000). The design of a performance management system serves as a performance intervention that will improve the performance of the employees in critical areas of the organization. Researches evidence that to

make the system of performance management complete, there is a need for strong executive support and increased employee participation on performance management (Armstrong, 2009).

Performance management is often underutilized and also misused. Poorly implemented performance management systems can do more harm than good. In addition to an increased risk of litigation, there are several other detrimental outcomes of poorly implemented systems, including employee burnout and job dissatisfaction, damaged relationship and increased turnover (Brown & Benson, 2005). In addition, there is a large opportunity cost because poorly implemented systems waste time and resources.

A performance management system, when implemented well, can contribute significantly to an organization's overall performance. However, there is limited literature in this context, and the research will explore the current available sources of information on issues in implementing an effective performance management system. There are a significant number of studies discussing impact of certain variables like clarifying mission, vision and goal setting, performance based rewards arrangement and performance based training and development and review in individual and organizational level. This research will help to identify the concept of effective implementation of performance management systems in NGOs and will attempt to identify further gaps in the literature, for future researchers interested in the area.

1.2. Statement of the Problem

Armstrong and Murlis (1994:205) observed that often PMS(s) are crudely developed and hastily implemented with the result that they fail to deliver the results people expect from them.

In the context of not for profit organizations working in Ethiopia, holding a well performing and managed employees has become the backbone for organizations to build a strong image and acceptance, particularly, in the eyes of donors, regulatory bodies, and recipients of services. Moreover, the ability to attract and retain valuable employees has become the source of competitive advantage for organization in every sector.

In not for profit organizations such as International Center for AIDS Care and Treatment Program (ICAP), managing human resources effectively and efficiently plays a critical role in ensuring that satisfied and motivated work force delivers quality health services. It also plays an

important role in increasing staff performance and productivity, enhancing an organization's competitive advantage, and contributing directly to organizational goals. "The goal of the performance management in ICAP is to enable performance excellence and employee growth" (ICAP, 2016). Many researches show that organizations that spend time annually reviewing goals from the previous year and setting meaningful goals for the upcoming one outperform those that do not (Buchner, 2007). Given the enormous benefits of performance management, however, how well does performance management system in ICAP designed and implemented to achieve the intended purpose?

Despite the annual review of related challenges on the existing performance management system in ICAP, however, so far there has not been any formal undertaking to explain the performance management system design on the bases of appropriate theories, and also measure the effective implementation of the existing process. Hartnett & Matan (2011) explained those who operate in nonprofit world had to embrace significantly different approaches to measuring value than has been practical to corporate business. They have also highlighted "nonprofit world has always to deal with resource constraints and a heavy reliance on the integration of a clear and descriptive mission, goodwill of the community, loyal relationship, and human resources.

Effectiveness of a PM program is dependent on the strength of design and implementation methods. A system lacking in appropriateness (of design, implementation, documentation, or user accountability) will not only fail to improve employee performance but may actually harm the organization. Poor system implementation can result in legal ramifications, undesirable employee perceptions and behaviors (e.g., burnout, job dissatisfaction, turnover), and lost opportunities for enhancing productivity (Aguinis, 2009).

A poorly implemented or managed performance management system can result in ineffective or even detrimental outcomes. But, in a well-planned performance management process, where managers and employees recognize the value of the process to themselves and the organization, these challenges can be overcome. From personal experiences and highlights from survey results conducted on job satisfaction and work climate, it is understood that implementation of performance management system in International Center for AIDS Care and Treatment Program (ICAP) is experiencing notable challenges. Few of the highlighted challenges were little guidance by senior managers or supervisors during implementation, less attention of

management and employee's commitment to the process, and lack of adequate feedbacks and rewards. Moreover, performance management has been noted as the major cause of employee's grievance.

Though the performance management system of ICAP has been designed to create meaningful impact at the county level, the effectiveness of the implementation process is not well known.

1.3. Research Question

It is evident that the performance management process of ICAP undergoes a continuous improvement in process terms in the past ten years, however, despite the clear purpose of the system and steps to be taken to describe the implementation, the design and level of implementation of the process is not well known. This research will, therefore, examine the performance management system of International Center for AIDS Care and Treatment Program (ICAP) in light of relevant theories and also identifies the level of implementation to able explore how much the effective implementation had contributed towards the overall performance improvement. Hence, this research raised the following research questions:

1. How well has the performance management system been designed?
2. What is the level of performance management system implementation?
3. What are the challenges inhibiting the effective implementation of the existing performance management system?
4. Does the design meet the stated purpose? What must be done to ensure effective implementation?

1.4. Objective of the Study

The general objective of the study is to identify the performance management system of International Center for AIDS Care and Treatment Program (ICAP) in light of relevant theories and also to assess how effectively the existing performance management system is being implemented. In line with, the specific objectives of the research are:

- To examine the performance management system design and practice
- To examine the implementation of performance management in International Center for AIDS Care and Treatment Program (ICAP)

- To assess challenges that influence the implementation of performance management system
- To examine measures towards the performance management system design in achieving its purpose and to assess potential areas of improvement of the performance management design and implementation process

1.5. Significance of the Study

The research will have major significance to:

- broaden the knowledge of use of performance management system in the context of NGOs, and recommends the potential benefits that can be obtained from effective implementation of performance management systems.
- serve as an input for further researches that will be conducted on performance management system in Ethiopian context.
- The research will also have importance to ICAP in highlighting potential areas of improvement on the design and implementation of the performance management system.

1.6. Scope of the Study

The scope of this research is that the performance management policy is only applicable for professional (technical) staff only which accounts 80% of the total employees i.e. 213 and all support staff were not included in the study. From the total of 213 technical staff members, however, 93 of them are base in Regional areas where there is no means of communication were not included in this research. Hence the research is limited to those technical staff members whose base in Addis Ababa office only.

1.7. Limitations of the Study

The findings of the study were not generalized to Not-for-Profit Organization as a whole because the study organization (ICAP) is not selected randomly. Moreover, the study considered staff members who are working in Addis Ababa Office and the finding will not be generalized to all over ICAP staff.

1.8. Definition of Terms/Operational Definitions

Performance management is a general term used to describe the continuous process of the identification of goals and objectives and provision of meaningful feedback as well as aligning individual goals and objectives to the strategic goals of an organization. Performance management system can also be designated as the process of creating a work environment or background in which people are enabled to perform to the best of their abilities. It involves the whole work system that begins when a job is defined as required and ends when an employee leaves the organization. (Pankaj & Nirmala, 2013)

Performance Management System (PMS): A system used to enhance employees productivity through managing their performance (Poister, 2003).

Professional Staff: ‘.... is personnel employed with employment contracts filling permanent administrative positions or a person hired in his or her professional capacity. (Oregon Legislature, 2007)

Performance Agreement: - “ a method of establishing expectations and accountability for meeting a set standard of execution excellence and the consequences for not meeting them.” (ICAP, 2016)

Performance Review: – a continuous process of coaching and feedback, and yearly or bi annual formal review of employee performance. (ICAP, 2016)

Formal Review – yearly or bi annual review of employees’ performance against agreed results and competencies. (ICAP, 2016)

Informal Review: – a continuous process of coaching and feedback by the manager to his subordinate. (ICAP, 2016)

Reward: – both tangible and intangible rewards as result of good performance.

Good performance: – performance of employees meeting agreed results and competencies. (ICAP, 2016)

Under performance: – performance of employees that does not meet agreed results and competencies. (ICAP, 2016)

Manager: – a senior member who supervises subordinates and involve on major organizational decision. (ICAP, 2016)

Supervisor: – a manager or any employee who supervises a subordinate. (ICAP, 2016)

Employee: – a subordinate under supervision of a manager or supervisor. (ICAP, 2016)

Top management:- The most senior staff of an organization, including the heads of various divisions or departments led by the Country Director. It is made up of senior-level executives of an organization, or those positions that hold the most responsibility. (ICAP, 2016)

Senior management:- a team of individuals at the highest level of management of an organization who have the day-to-day tasks of managing the organization. (ICAP, 2016)

1.9. Organization of the Study

The research is organized into five chapters namely:

Introduction: This chapter provides an overview of the statement of the problem, the research questions and objectives.

Literature Review: The literature study highlights contemporary perspectives on effectiveness of performance management system in organizations.

Methodology and Research design: The third chapter describes the research approaches and the specific research method used in this study.

Results and Discussion: This chapter gives a thorough description of the findings of the research.

Conclusion and Recommendation: The final chapter presents conclusions based on the findings in relation to the research questions and offers recommendations on the effectiveness of performance management systems.

Chapter Two - Literature Review

Each organization has its unique mission, vision, goals and objectives. To accomplish these goals and objectives it is necessary to make plans and strategies. The most important thing is that to measure and evaluate the performance of employees so that it can be notified whether these goals are achieving according to defined strategies or not. The performance of people is directly related to performance of organization. This process of measuring performance is related to performance management. (Mughal, F. & Akram, F. 2014)

2.1. Theories and Concepts

2.1.1 Definition of Performance Management

Bacal (1999) defined PM as: an ongoing communication process, undertaken in partnership, between an employee and his or her immediate supervisor that involves establishing clear expectations and understanding about the jobs to be done. A system that has a number of parts, all of which need to be included if the performance management system is going to add value to the organization, managers, and staff. Bacal (1999) has also further elaborated the definition that PM is not all about punishing a poor performer or taking punitive actions, it is all about two way communication to prevent poor performance that requires collaboration and cooperation among the employee, the supervisor and the organization.

According to Armstrong and Baron (2000), Performance Management is both a strategic and an integrated approach to delivering successful results in organizations by improving the performance and developing the capabilities of teams and individuals. It is a much broader and a complicated function of HR, as it encompasses activities such as joint goal setting, continuous progress review and frequent communication, feedback and coaching for improved performance, implementation of employee development programs and rewarding achievements.

2.1.2 Importance of Performance Management

Many organizations have performance management system in place but researches evidence that most are serving a little from the enormous benefits that can be acquired from effective implementation of the system. But many organizations struggle to realize certain benefits to their

employees, managers, HR professionals, and organizations, generally these are: improving performance effectiveness and result, developing employees, and facilitating communication and information exchange between employees and managers (Pulakos, Muller-Hanson, Et al., 2012).

According to Smither & London (2009), implementation of performance management has the following five important purposes.

- **Strategic:** It links the organization's goals with individual goals, thereby reinforcing behaviors consistent with the attainment of organizational goals.
- **Administrative:** It is a source of valid and useful information for making decisions about employees, including salary adjustments, promotions, employee retention or termination, recognition of superior performance, identification of poor performers, layoffs, and merit increases. If an organization does not have a good performance management system in place, administrative decisions are more likely to be based on personal preferences, politics, and otherwise biased decisions.
- **Communication:** It allows employees to be informed about how well they are doing, to receive information on specific areas that may need improvement, and to learn about the organization's and the supervisor's expectations and what aspects of work the supervisor believes are most important.
- **Developmental:** a well implemented performance management system would have two important developmental purposes. In one hand, managers can use feedback to coach employees and help them improve performance on an ongoing basis, and another aspect of the developmental purpose is that employees receive information about themselves that can help them individualize their career paths.
- **Organizational maintenance:** It yields information about skills, abilities, promotional potential, and assignment histories of current employees to be used in workforce planning as well as assessing future training needs, evaluating performance achievements at the organizational level, and evaluating the effectiveness of human resource interventions, such as employee training program (Pulakos, Muller-Hanson, Et al., 2012).

Given the above enormous benefits of performance management, however, how well does it work to achieve its purpose? After decades of research and practice devoted to improving performance management systems in organizations, in reality, most of them could not able to drive effective performance (Pulakos, Muller-Hanson, Et al., 2012). Given the current negative perception, should organizations continue to invest in performance management?

Researches, in the contrary, has evidenced that organizations that are engaged in effective implementation of performance management were able to produce extra ordinary results (Pulakos, Muller-Hanson, Et al., 2012).

2.1.3 The Performance Management Systems Theoretical Framework

Aldonio Ferreira & David Otley (2009), in their article on “the design and use of performance management systems: An extended framework for analysis” have clearly described the Performance Management Systems (PMS) framework. The PMSs framework represents a considerably improved tool to that originally developed by Otley (1999) for describing many important aspects of PMSs design and implementation. The PMS framework aims to provide a broad view of the key aspects of PMSs and to form the basis upon which further investigations can be developed.

The focus of the framework and its extension is to provide a descriptive tool that may be used to amass evidence upon which further analysis can be based. The theoretical development of the framework is provided and draws upon common understanding of the issues that are associated with PMSs. The framework represents a progression from Otley’s (1999) 12 questions. The naming of the framework as ‘performance management systems’ aims to reflect a shift from the traditional compartmentalized approaches to control in organizations to a broader perspective of the role of control in managing organizational performance. It also aims to give a managerial emphasis, by integrating various dimensions of managerial activity with the control system.

The 12 questions form the PMSs framework and all the questions have been found by the authors to yield significant insight into the various aspects of PMSs design and implementation, and to form a coherent framework that can be used to structure enquiry in this field. They can be used to facilitate the description of PMSs design and implementation in practice, without any prior

assumption as to whether the existence or absence of a particular feature is a good or bad thing. They are put forward as an empirical tool to facilitate the rapid description of significant aspects of PMSs design and operation. There are two aspects that permeate the PMSs that are not explicitly addressed by those questions. These are contextual factors and organizational culture. First, the literature has shown that variables relating to external environment, strategy, culture, organizational structure, size, technology, and ownership structure have an impact on control systems design and implementation

Consequently, the study of the operation of the PMSs would require their consideration even if only implicitly. Note, however, that strategy and organizational structure are two of these factors that are already explicitly built into the framework because they are significantly influenced by the organization itself. The other factors can be seen primarily as external influences. Second, organizational culture, a notable contextual variable, pervades the entire control system influencing choices and behaviors of individuals. So, as with the other external contextual factors, the study and understanding of the operation of the control system benefits from the consideration of the impact of culture. The 12 questions are outlined here below:

2.1.4 Theoretical Development and Overall Framework

a. Vision and Mission

What is the vision and mission of the organization and how is this brought to the attention of managers and employees? What mechanisms, processes, and networks are used to convey the organization's overarching purposes and objectives to its members?

Performance management begins with purposes and objectives. It has been long established that a fundamental requirement for control is the existence of objectives, which are used to evaluate performance (Otley and Berry, 1980). Organizations have to meet multiple and sometimes competing objectives (Chenhall, 2003), and these are typically set out by senior managers to meet key stakeholders expectations (Otley, 2008). The corollary of having to satisfy multiple objectives is that performance becomes a multi-dimensional concept for which no single overriding measure is adequate (Otley, 2008).

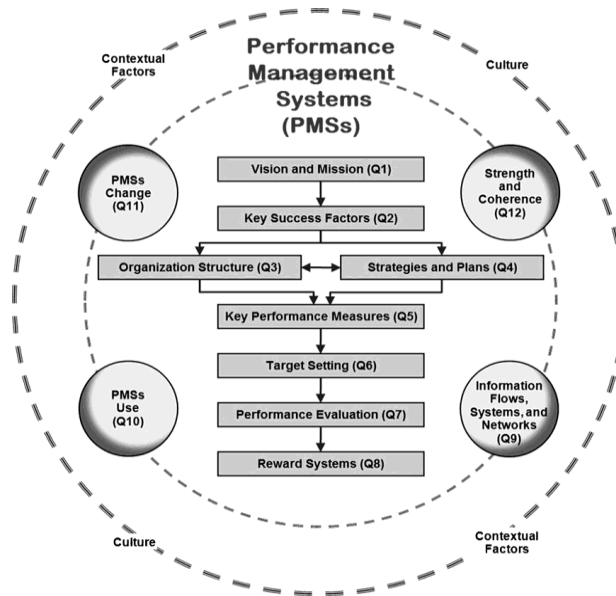


Fig. 2.1: The Performance Management Systems (PMSs) Framework. Otley (1999)

The broad orientation and the overall direction that organizations wish to pursue are sometimes expressed by vision and mission statements. The mission outlines the “overriding purpose of the organization in line with the values or expectations of stakeholders”, while the vision sets out the “desired future state: the aspiration of the organization” (Johnson et al., 2005, p. 13). So, clearly, vision and mission are more observable than objectives in that they have clear manifestations, but they have importance only insofar as they are communicated and acted upon. Vision is part of the process of setting the direction for the organization, while a mission statement aims to “identify the requirements to attract and maintain shareholders, employees, and customers and to do so in ways that are socially acceptable” (Chenhall, 2003, p. 136).

Thus, the focus of this question is to elicit information on how organizational values and purposes are established and communicated as a means of influencing the behavior of organizational participants. It also suggests the need to observe the impact that such processes have on the behavior of managers at all levels.

b. Key Success Factors

What are the key factors that are believed to be central to the organization’s overall future success and how are they brought to the attention of managers and employees?

The writers identified the key success factors (KSFs) which are those activities, attributes, competencies, and capabilities that are seen as critical pre-requisites for the success of an organization in its industry at a certain point of time (Sousa de Vasconcellos e Sá and Hambrick, 1989; Thompson and Strickland, 2003). They need to be achieved if the organization is to progress towards achieving its vision and their identification and monitoring are essential for the fulfillment of strategic goals.

KSFs are those that are perceived to be important by the managers concerned, rather than necessarily representing any objective or external point of view. Managers, however, have been cautioned to “resist the temptation to include factors that have only minor importance” in that an extensive list of KSFs defeats the purpose of focusing management attention on the items which are “truly critical to long term competitive success”. KSFs are a codification of the vision and mission in more concrete terms and in a more compressed timeframe, recognizing that control measures need to be reported on a routine basis. KSFs represent major factors on different timescales that would indicate whether the vision and mission is being successfully pursued.

c. Organization Structure

What is the organization structure and what impact does it have on the design and implementation of performance management systems (PMSs)? How does it influence and how is it influenced by the strategic management process?

According to the writers, organization structures are formed as means of establishing formally the specification of individual roles and tasks to be carried out (Chenhall, 2003) and in doing so, they entrust and empower individuals to act within their sphere of responsibility. There are multiple forms of organization structure and they involve choices regarding decentralization/centralization of authority, differentiation/standardization, and the level of formalization of rules and procedures, as well as configuration (Johnson et al., 2005). Configuration “consists of the structures, processes and relationships through which the organization operates” (Johnson et al., 2005, p. 396).

Structures include the functional, the multidivisional, the holding company, the matrix, the transnational, the team-based, and the project based. Processes include supervision, planning, and market processes, while relationships refer to internal relationships and external relationships

like outsourcing, strategic alliances, networks, and virtual organizations (Johnson et al., 2005). Organization structure determines the responsibilities and accountabilities of organizational participants; it equally defines the activities that individuals with specific roles should not pay attention to. It is then not surprising that these “arrangements influence the efficiency of work, the motivation of individuals, information flows and control systems and can help shape the future of the organization” (Chenhall, 2003, p. 145).

Hence, organizational structure is clearly a fundamental control element, and one which has become subject to change and amendment. It is, at a minimum, a constraint on PMSs design and implementation, and in the longer-term a necessary issue that requires specific consideration as organizations grow and develop.

d. Strategies and Plans

What strategies and plans has the organization adopted and what are the processes and activities that it has decided will be required for it to ensure its success? How are strategies and plans adapted, generated and communicated to managers and employees?

The writers also explained strategy as the direction the organization chooses to pursue over the long term as the means of achieving organizational objectives (Johnson et al., 2005; Thompson and Strickland, 2003). The strategy literature argues that the organization needs to develop the strengths that match its KSFs to achieve the desired outcomes it sets for itself. A key element of this entails translating strategic goals into operating goals to attain alignment (Chenhall, 2003; Kaplan and Norton, 1996). Research also suggests that a match between the environment, strategy, and internal structures is associated with higher performance (Govindarajan, 1988; Govindarajan and Gupta, 1985).

The focus of this question is on the actions that management have identified as being necessary for the successful development of the organization. Thus, the emphasis is on the actions that are thought likely to achieve outcomes (i.e. relationship between means and ends). One could observe that an organization has clear goals and objectives, perhaps expressed through mission and vision statements, and has identified the appropriate KSFs, but has not thought through what actions will be necessary to achieve such goals (i.e. a strategic planning failure). The process of devising and communicating strategies and plans in this area of the PMSs framework can be as

important as the outcome of the strategic planning and thus it warrants explicit consideration. Lack of direction is one of the key control problems observed in practice (Merchant and Van der Stede, 2007) and failure to communicate strategies and plans to organizational members may result in a lack of understanding of how individual actions contribute to the overall strategy.

e. Key Performance Measures/Indicators (KPIs)

What are the organization's key performance measures deriving from its objectives, key success factors, and strategies and plans? How are these specified and communicated and what role do they play in performance evaluation? Are there significant omissions?

As expressed by the writers, key performance measures are the financial or non-financial measures (metrics) used at different levels in organizations to evaluate success in achieving their objectives, KSFs, strategies and plans, and thus satisfying the expectations of different stakeholders. They are explicitly identified in the PMSs framework to reflect both the importance that is attached to performance measures in most contemporary organizations and the influence that such measures have on individual behavior.

The question is explicit about whether performance measures are derived from objectives, KSFs, and strategies and plans to the extent that identification of suitable performance measures is part of the strategic implementation process and indicative of the alignment between operations and strategy. This idea of alignment is consistent with Chenhall (2005), who refers to the links between operations and strategy and goals as one of the features of integrative strategic performance measurement systems. Furthermore, the choice of performance measures is a function of the organization's competitive environment, strategy, and organizational design. There is evidence that alignment between performance measures and strategy affect performance; in particular, the pairing of quality-based manufacturing strategies with the extensive use of subjective non-financial performance measures was found to have a positive performance effect (Van der Stede et al., 2006).

Care needs to be taken both to observe the measures that are actually in use and also areas where measures are absent or limited in scope. It is a truism that what is measured tends to drive out what is not measured and so omissions may be as influential as measures in use. Further, the number of such 'key' measures is also of relevance, as managers' limited attention span means

that the use of many performance measures reduces their impact. The articulation of measures between organizational levels is also of interest, especially as non-financial performance measures may well have to be different at different organizational levels.

f. Target Setting

What level of performance does the organization need to achieve for each of its key performance measures, how does it go about setting appropriate performance targets for them, and how challenging are those performance targets?

The writers, Aldonio Ferreira & David Otley (2009), highlighted that target setting is a critical aspect of performance management. It should then be no surprise that the issue of setting targets and using them for evaluating and rewarding performance has been the subject of discussion in the literature and is likely to continue to receive attention in years to come. However, Stringer (2007) notes that field research has failed to provide an in-depth analysis of these issues, particularly in regard to the relationship between target setting and other aspects of the PMS.

This question, which has been left unchanged from the original Otley's (1999) framework, reflects the universal tension between what is desired and what is thought to be feasible in determining targets for all aspects of organizational performance. The process of target setting (e.g. imposition, consultation, participation) may be as important as the outcome (e.g. perceived target difficulty). They added that target levels have effects on performance, with moderately difficult goals enhancing group performance (Fisher et al., 2003), with evidence that, in practice, targets tend to be 80-90% achievable and this is regarded as desirable. Aggressive target setting in situations where there is need for cooperation between units is not associated with higher performance, as managers become less willing to make concessions and take longer to reach agreements.

g. Performance Evaluation

What processes, if any, does the organization follow for evaluating individual, group, and organizational performance? Are performance evaluations primarily objective, subjective or mixed and how important are formal and informal information and controls in these processes?

Aldonio Ferreira & David Otley (2009) also highlighted that the area of performance evaluation represents a critical nexus in control activities. Managers tend to be most affected by areas that senior managers signal as important, with success in these areas potentially determining status and progression in the organization. Thus both formal performance evaluation activities and informal indications of what is felt to be important are both covered in this question. This is an area where subordinates' perceptions of what is believed to be the situation are even more important than the formal situation, with research showing that trust between the parties plays a major role (Gibbs et al., 2004). This question is also not concerned exclusively with individual performance evaluations, even though they are likely to be the most observable. It includes the evaluation of the performance of various groups of individuals (e.g. teams, departments, and divisions) and, more generally, the organization as a whole.

Performance evaluations can be objective, subjective, or fall in-between these two extremes. Under subjective performance evaluations, the specific weightings placed on the various dimensions of performance are unknown to the evaluatee and determined subjectively by the evaluator. However, the evaluator may make these weightings more explicit by flagging which aspects are more important. The use of subjective evaluations has the important advantage of enabling evaluators to correct for identifiable flaws in performance measurement (Gibbs et al., 2004), but they also come at the cost of expensive managerial time and perceptions of bias. The use of subjective performance evaluations in conjunction with the balanced scorecard has attracted criticism for permitting favoritism and for creating uncertainty about evaluation criteria (Ittner et al., 2003). Other research on the use of subjective evaluations has found them to be positively related to the level of spending on training, the severity of the consequences of missing targets, the extent of interdependency between subunits, and increased pay satisfaction and productivity (Gibbs et al., 2004). In contrast, under objective performance evaluation there is no scope for ambiguity in the weightings; assessment is based only on the actual results and, typically, they do not allow for adjustments to the agreed standards of performance nor to their weightings. Therefore, objective, formulaic performance evaluations are likely to be acceptable in situations where the input-output relationship is clear, the performance is controllable or, when it is accepted as part of institutionalized practice.

h. Reward systems

What rewards, financial and/or non-financial, will managers and other employees gain by achieving performance targets or other assessed aspects of performance (or, conversely, what penalties will they suffer by failing to achieve them)?

Both writers, Aldonio Ferreira & David Otley (2009) explained rewards as those are typically the outcome of performance evaluations and as such reward systems are the next logical aspect to consider in the analysis of PMSs. Rewards are considered broadly and may range from expressions of approval and recognition by senior management (or lack of criticism), through financial rewards (bonuses and salary increases) to long-term progression and promotion. This question is carried over from Otley's (1999) framework, but now making explicit the fact that rewards can include both financial and non-financial elements. It also opens up the issue of the distinction between positive (i.e. rewarded) and negative (i.e. penalized) control activities, which were hinted at in distinction between beliefs and boundary systems (i.e. Those things that should be done versus those things which should be avoided). The area of non-financial rewards is worthy of further elaboration as it may often include quite subtle attitudes and behaviors of superiors. Thus informal praise or criticism and general attitudes about a subordinate's progress within the organization can significantly influence the subordinates' behavior and thus the workings of the PMSs. Issues of equity, fairness and inclusiveness between different managers also loom large in many organizations.

The relationship between rewards, motivation and performance is complex, perhaps more so than it appears at first sight. It has been long recognized that reward systems are used to motivate individuals to align their own goals with those of the organization and that desired behaviors that are not rewarded tend to be neglected. Financial incentives do not necessarily translate into performance as shown by Jenkins et al. (1998), who suggests a positive relationship between financial incentives and performance quantity (e.g. number of tasks completed), but not with performance quality (e.g. supervisor ratings). Additional evidence in support of a positive relationship was provided by Bonner et al. (2000), but this was only observed in half of the studies they reviewed. They also found that this positive effect decreased as tasks became more complex and that the relationship differed across types of incentive schemes. The effect of monetary incentives on performance occurs when individuals possess the necessary skills, but

the increased effort generated by the monetary incentives does not flow through to performance when they do not have such skills (Bonner and Sprinkle, 2002).

i. Information flows, systems and networks

What specific information flows, feedback and feed-forward, systems and networks has the organization in place to support the operation of its PMSs?

Otley, (1999) described that information flows, systems and networks are essential enabling mechanisms to any performance management system they are the binding agent that keeps the whole system together. They act like the nervous system in the human body, transmitting information from the extremities to the center and from the center to the extremities. The question notes the difference between feedback information that is, information used to enable the undertaking of corrective and/or adaptive courses of action, and feed-forward information that is, information used to enable the organization to learn from its experience, to generate new ideas and to recreate strategies and plans. In other words, it distinguishes between information flows aimed at the correction of past shortcomings from those which attempt to anticipate future events and respond in advance of their occurrence. This question represents an extended version of the final question in Otley's (1999) framework.

Feedback and feed forward information flows are omnipresent in contemporary organizations (Otley, 1999) and they are directly related to the notions of single loop and double loop learning (Argyris and Schön, 1974, 1978). Single loop learning entails a response to a signal of deviance from a predefined course of action that does not question the initial objectives or strategies; it sees the deviance as the product of a deficient operationalization (Argyris and Schön, 1978).

Many organizations have organized their systems in networks that are made available to various parties within the organization. However, information networks go beyond formal mechanisms. Informal networks of individuals can also play a key role in the dissemination of information within the organization. This is something that will be shaped by and shape the prevailing organizational culture.

j. PMSs use

What type of use is made of information and of the various control mechanisms in place? Can these uses be characterized in terms of various typologies in the literature? How do controls and their uses differ at different hierarchical levels?

The use made of information and controls is a cornerstone of the PMSs. Broadbent and Laughlin (2007) have built upon the idea of ‘transactional’ and ‘relational’ uses of PMSs and this provides an additional dimension of ‘use’ at an organizational level of analysis. Transactional use of a PMS “has a high level of specification of ends to achieve (e.g. through performance measures, targets etc.) as well often a clear specification of the means needed to achieve these defined ends”, whereas relational use of a PMS “can be less specific about the ends to achieve and the means to achieve them if this is the view of the stakeholders designers but could be very precise if they so chose”.

Broadbent and Laughlin (2017), maintain that “context affects the PMS functional questions and the financial transfers, yet culture expressed through communicative and instrumental rationalities, has an even more direct and ultimately more significant effect on the PMS design”. From the perspective of framework, Broadbent and Laughlin’s work is valuable as it emphasizes an organizational level of analysis of the concept of ‘use’ to complement the typically individual level of analysis found in earlier work. That is, relational and transactional usage typifies the overall ‘use’ made of a range of control mechanisms across a whole organization, or by one organization in its dealings with others.

k. PMSs change

How have the PMSs altered in the light of the change dynamics of the organization and its environment? Have the changes in PMSs design or implementation been made in a proactive or reactive manner?

Change and its dynamics have been included into the extended framework. Environments change, organizations change, and so PMSs also need to change in order to sustain their relevance and usefulness. The idea of change in the PMSs applies to both the design infrastructure that underpins the PMSs and also to the way performance management information is used. However, the issue is not the process of change itself, but rather the extent

and type of change that has taken place in the PMSs design and implementation as a response to or in anticipation of changes in the organization and its environment. In other words, the question draws the attention to the antecedents (i.e. the causes) and consequences (i.e. the outcomes) of change in the PMSs, leaving issues of process aside.

The writers were also advised to consider the scope of strategic change in the increasingly competitive environment faced by contemporary organizations. Strategies are a core component of a PMS and a strategic change can be expected to send ripples across the entire PMSs. Thus, the extent to which strategies have changed is an issue of interest for understanding the functioning of the PMSs.

1. Strength and Coherence

How strong and coherent are the links between the components of PMSs and the ways in which they are used?

The strength and coherence of the links within a PMS is crucial to understanding its operation and therefore an area that needs to be considered in the extended framework. Like any other system, a PMS is greater than the sum of its parts and there is a need for alignment and coordination between the different components for the whole to deliver efficient and effective outcomes. Although the individual components of the PMSs may be apparently well-designed, evidence suggests that when they do not fit well together (either in design or implementation) control failures can occur (Ferreira, 2002). The theoretical development provided in the eleven preceding questions of the PMSs framework makes clear the key links between its components and, thus provides a good starting point for questioning, critical analysis and assessment of the balance, harmony, consistency and coherence of the links in the whole PMSs package.

In examining the strength and coherence of the PMSs, Chenhall (2003) provides hints and suggests that judgments should be made about the extent to which the control system “consider(s) multiple stakeholders; measure(s) efficiency, effectiveness and equity; capture(s) financial and non-financial outcomes; provide(s) vertical links between strategy and operations and horizontal links across the value chain; provide(s) information on how the organization relates to its external environment and its ability to adapt”.

Evidence of the importance of translating values into coherent performance measures has been shown by Jazayeri and Scapens (2008). They stress the idea of coherence between and across performance perspectives unlike Kaplan and Norton's (1996) cause-and-effect relationships. It is also worth considering the inter-relationship between the design and implementation of a PMS and whether these are mutually supportive. The information flows, systems, networks and techniques used need to be considered in light of the overall objectives that are desired. The strength and coherence of the links in the PMSs are no doubt the most challenging aspect of using the framework, but they are clearly fundamental.

Otley (1980) discussed control 'packages' rather than control 'systems' because he had found that they tended to be composed of sets of loosely coupled elements. These were often designed and implemented by different people, in different parts of an organization, at different times. Their interactions often emerged rather than being planned. It is, therefore, likely that observations of PMSs in practice will exhibit characteristics of systemic and designed coherence together with characteristics of tension and conflict between the different elements. This is a similar tension to that found in organization design between rational and natural elements, with rational intentions being overtaken by natural adaptations (Scott, 1981).

The Overall Framework

The 12 questions elaborated above form the extended PMSs framework. It should be noted that a normative position is not taken on the mechanisms that should be used in any specific context; this is regarded as a matter for empirical research which can study the consequences of different control configurations in different contexts. Also, it is not expected that there will be consistency between the practices adapted from one part of an organization to another. Rather, it would be expected both 'rational' differences caused by differences in subunit context and 'unplanned' differences caused by the natural evolution of organizations. Further, it is expected considerable differences between practices at different hierarchical levels, and for all these practices to be changing and evolving over time. It is believed that the role of the framework is to help a 'snapshot' to be taken of the package of practices that are in operation at a particular point in time, and to gain some sense of how these practices have evolved into their current form. As such, the

writers believe that it can serve as a useful research tool to enable such practices to be documented and correlated with other variables, such as in traditional contingency studies.

2.2 Empirical Evidences

According to A. Srinivasa Rao, the empirical study which is based on the effectiveness of the performance management systems in selected companies focuses on the factors responsible for effectiveness of the performance management systems and its alignment with organization goals. As part of the study, antecedents and consequences of effective implementers of performance management systems were also examined. It was found that managers having good academic backgrounds with high profiles are effective implementers of the system. Further, it was found that personality characteristics/consequences such as system discipline, exposure to the system, effective interpersonal relations and team working are essentially required for the effective implementation of the system.

Rao (2008) also indicated that personality characteristics were essentially required for the effective implementation of a performance management system.

Watkins & Leigh (2012) in their studies on design and implementation of performance management system, argue that the weakness in a performance management system arise primarily because the PMS is poorly designed or training on the PMS has not transferred into the organization to support its implementation. Regular rather than a once off communication should be driven from the highest offices and supported by the communications department using every possible vehicle within the organization's communication infrastructure. Davis & Rogers (2006) argue that it is critical that the organization develop a pre-launch, launch, and post-launch communication plan. Communications should be crafted to build enthusiasm, understanding, and commitment by continually explaining the benefits of using the system to employees, to leaders, and to the organizations.

As cited by Ricci (2016) on her master's thesis, "performance management systems are crucial to enhance organizational performance and effectiveness (Buchner, 2007). However, despite the touted benefits of utilizing performance management systems, 70% of implementations of these systems fail. In order to put successful performance management systems in place, organizations

must know what characteristics of these systems are most instrumental in producing beneficial organizational outcomes.”

Pulakos, E. in her study outlined that performance management systems, which typically include performance appraisal and employee development, are the “Achilles’ heel” of human resources management. They suffer flaws in many organizations, with employees and managers regularly bemoaning their ineffectiveness. A survey by Watson Wyatt showed that only three out of 10 workers agree that their company’s performance management system helps improve performance. Less than 40 percent of employees said their systems established clear performance goals, generated honest feedback or used technology to streamline the process. While these results suggest that there may be poorly designed performance management systems in many organizations, it is typically not poorly developed tools and processes that cause difficulties with performance management. Rather, difficulties arise because, at its core, performance management is a highly personal and often threatening process for both managers and employees.

While research and experienced practitioners have identified several characteristics that are prerequisites for effective performance management systems, there are also many decisions that need to be made to design a system ideally suited for a given organization’s needs. One such decision is what purpose(s) the system will serve. For instance, performance management systems can support pay decisions, promotion decisions, employee development and reductions in force. A performance management system that attempts to achieve too many objectives is likely to die of its own lack of focus and weight. There is no one type of system or set of objectives that is best suited for all Performance Management organizations. The purposes for a given performance management system should be determined by considering business needs, organizational culture and the system’s integration with other human resource management systems.

Frاندale & Biron (2011), in their study “Performance management effectiveness: lessons from world-leading firms” showed that while interest in performance management has increased considerably in recent years, research has revealed inconsistent results about its effectiveness. Inconsistencies may be related to insufficient understanding of the factors likely to enhance the effectiveness of performance management systems. They have conducted their study seeking to

address this issue by investigating performance management systems in 16 world-leading firms. They have used signaling theory and quarterly journal of Economics to propose that to the extent that firms promote certain facilitating practices, employees infer that management is concerned with performance management issues, and this may have a trickle-down effect with regard to the effectiveness of the firm's performance management system. Lastly, their framework has proposed four performance management system facilitators, which include (1) taking a broad view of performance management that includes both strategic and tactical elements; (2) involving senior managers in the process; (3) clearly communicating performance expectations and (4) formally training performance raters.

2.3 Performance Management System Process

A performance management system is a set of interrelated activities and processes that are treated holistically as an integrated and key component of an organization's approach to managing performance through people and developing the skills and capabilities of its human capital, thus enhancing organizational capability and the achievement of sustained competitive advantage (Armstrong, 2009). Because performance management can never be mechanistic, it is argued that performance management is essentially a process than a system (Armstrong, 2009; Price, 2000). Despite the availability of relevant and advanced models in other disciplines such as work motivation, however, it is usual that performance management is described in process terms wherein it starts from objective setting, through formal appraisal, to the start of the next cycle (Buchner, 2007).

Armstrong further explains performance management process as the process by which the company manages its performance in line with its corporate and functional strategies and objectives. The objective of this process is to provide a pro-active closed loop system, where the corporate and functional strategies are deployed to all business processes, activities, tasks and personnel, and feedback is obtained through the performance measurement system to enable appropriate management decisions (Bitici, Carrie and McDevitt, 1997).

Although no one model of performance management process is fit for every organization, and also different authors put different models of performance management system, however, most of these models explain that formulation and cascading of corporate strategic plan, clear and

measuring goal/performance agreement, performance review/feedback & monitoring, and rewarding of performance are the building blocks/variables of performance management system (Armstrong, 2009; Price, 2000). And these common steps of performance management can be best explained by the below Performance Management Cycle of Armstrong (Armstrong, 2009).

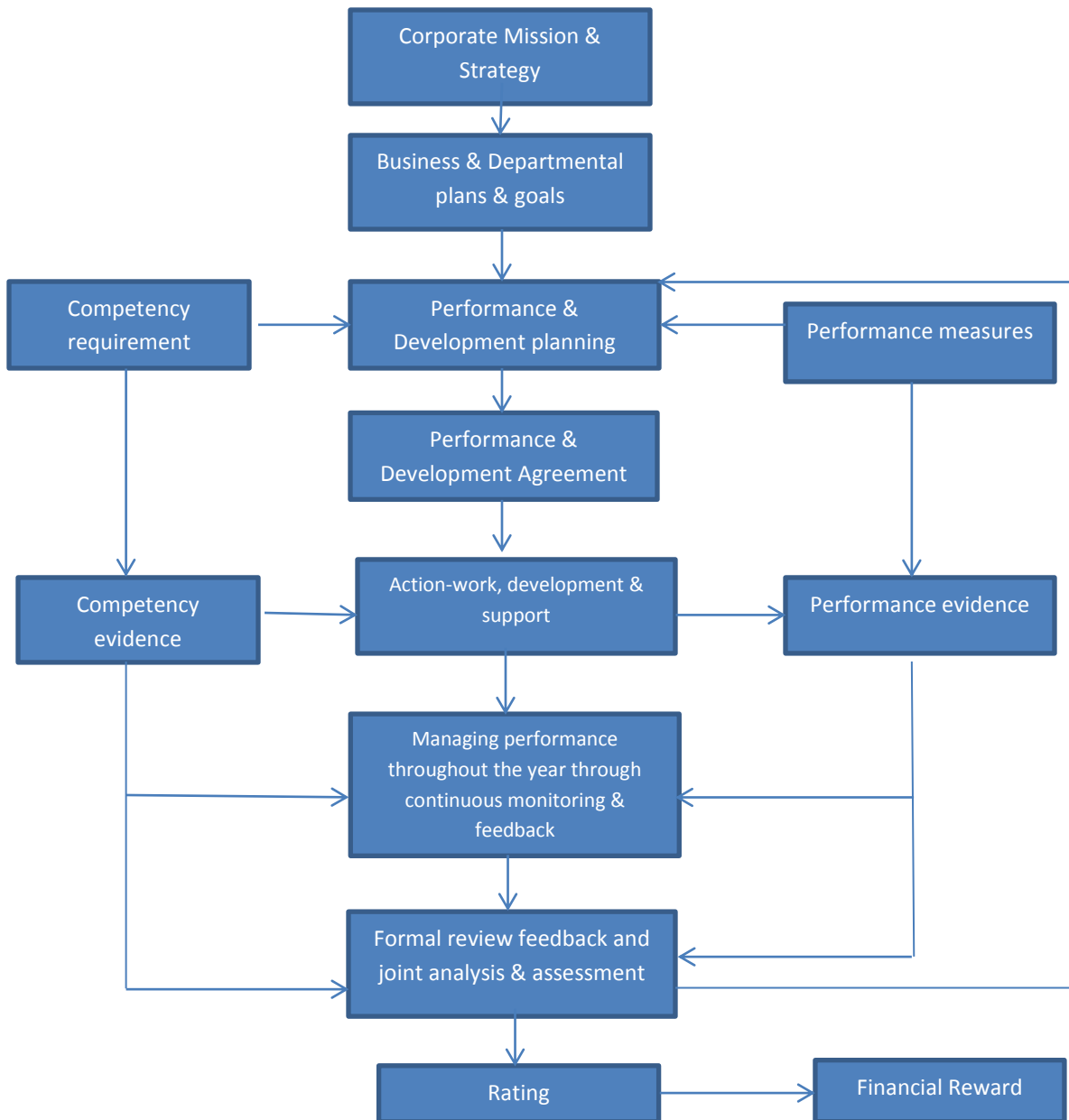


Fig. 2.2: Performance Management Cycle (Armstrong, 2009)

The key performance management activities in the diagram can be summarized as formulating and cascading of organization strategic plan, Performance Agreement, Performance Review, and Rewarding Performance and Managing under Performers.

2.3.1 Formulating and Cascading of Organization Strategic Plan

One of the essential premises of performance management system is that formulation and cascading of strategic plan which is an essential prerequisite for successful performance management (Armstrong, 2009). Although there are numerous definitions of strategic planning, most authors conceptualize strategic planning as a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it acts as it does (Armstrong, 2009). Typically, strategic planning includes the following components: setting a vision for the organization; scanning the external environment; assessing internal capabilities; and establishing goals, performance measures, and implementation plans (Armstrong, 2009).

Price (2000) argues that as long as integration is at the heart of performance management concept, the performance management system must start with the process of defining the vision and mission and translating these into actionable goals and objectives for the organization. Performance management system links organizational vision, missions, values and strategic goals to divisional, departmental and individual goals, objectives and tasks/ targets (Armstrong, 2009; Price, 2000).

Strategic planning usually requires broad-scale information gathering, generation and exploration of alternative courses of action, and an emphasis on the future implications of near-term decisions and as such it should be the role of top management of an organization (Price, 2000). However, while it should be the role for senior executives and directors to formulate the strategic plan, this process should be one of the engagements with the wider employees to ensure understanding and clarity about strategy (Armstrong, 2009). Marr (2008) remarked that “managing and delivering performance in an organization is about engaging everyone in the strategy and its execution so that organizational performance becomes everyone’s everyday job. The starting point for good performance management is, therefore, a shared understanding and

clarification of the strategic context of the organization. We cannot expect people to understand and implement our strategy if they do not know what the strategy is”.

Once an organization's strategic plan have been clearly formulated, the various teams (departments/programs) within the organization must begin to work on the goals that they need to reach in order to attain the organizational objectives laid out in the strategic plan (Price, 2000). A way to achieve this is by cascading the organization-wide strategy with its objectives down into the organization in order to create departmental and business unit objectives. These objectives can then be further broken down into individual performance plans with clearly articulated ownership and accountability (Marr, 2008).

Thus, the starting point of a performance management system should be setting out the organization's mission, aims and values. Following this, the organization's objectives are identified, and these need to be intrinsically linked to, and support the firm's mission. These objectives should be cascaded down into the organization in order to create departmental and individual objectives. The end result should be integrated objectives across all organizational levels and personnel.

2.3.2 Performance Agreement

Performance agreement is the bedrock of an effective performance management system. It involves the agreement between the manager and the individual on how the latter is expected to perform in terms of results and behaviors (Armstrong, 2009). It also incorporates any performance improvement plans that may be necessary, and a personal development plan (Armstrong, 2006). It is argued that the performance agreement should specify targets that are S.M.A.R.T (specific, measurable, achievable, realistic, and time specific).

Goal theory as originated by Locke and Latham (1990 & 2002) states that specific and challenging goals lead to higher performance than no goals or generalized goals, such as 'try your best'. Also people who participate in setting their own goals are likely to set more difficult goals than others will set for them, and goal difficulty leads to increased commitment to achieving the goals (Locke and Latham, 1990).

Feedback and competition have a similar effect on performance. Therefore, the extent to which goals lead to performance depends on participation, commitment and other elements of the performance management process such as feedback (Armstrong, 2009). Goals can also be achieved when organizations are committed to provide the required resources. In setting goals, one should consider the need to set work goals or results, the desirable and undesirable behaviors, the core values of the organization, and also standards to measure performances (Armstrong, 2009).

As the focus of goal setting is to guide employees doing the right thing, integration and alignment of individual goals with organizational objectives is fundamental. The integration of organizational and individual/team objectives is often referred to as a process of ‘cascading objectives’ (Armstrong, 2009). Integration is achieved by ensuring that everyone is aware of corporate, functional and team goals and that the objectives they agree for themselves are consistent with those goals and will contribute in specified ways to their achievement. (Armstrong, 2009)

2.3.3 Performance Review

Performance management is a continuous process that involves informal reviews as required and formal review as mandatory (Armstrong, 2009; Price, 2000). As Plachy (1988) explained: ‘Performance review occurs whenever a manager and an employee confirm, adjust, or correct their understanding of work performance during routine work contacts.’ It is the best way to manage performance. But it is still useful to have a formal review once or twice yearly. It is a focal point and a ‘stocktaking’ opportunity for the consideration of key performance and development issues and provides the basis for performance and development planning and agreements (Armstrong, 2009).

Informal reviews are the process by which performance is managed throughout the year (Armstrong 2009; Price, 2000). Performance is reviewed as it occurs by the individual as well as the manager, comparing what happened with what should have happened. Informal feedback can take place whenever a manager comments on a piece of work or an action taken by an individual at work (Armstrong, 2009). Whenever appropriate, managers meet individual members of their

teams to provide feedback, initiate coaching or other learning activities, and agree on revised goals or any corrective action required (Armstrong, 2009).

Feedback focuses attention on goals, helps discover errors, maintains goal direction, and provides information on the capabilities and effort needed for goal achievement. Hence supervisors need to provide feedback to enhance goal achievement. (Ilgen, Fisher, & Taylor, 1979 & London, 2003)

It is important that employees receive feedback throughout the performance management cycle, not only when it is time to review the formal evaluation. Having ongoing reviews allows the employee to provide detail on how they are progressing and the manager can provide detail on any organizational changes that may impact on the achievement of these objectives. It also allows one to see how their performance to date is being viewed and what might be required to engender improved performance (Armstrong, 2009).

Formal reviews are meetings in which performance is analyzed more systematically. They include an overview and analysis of performance since the last review, comparing results with agreed expectations and plans (Armstrong, 2009).

The level of performance achieved is assessed so that individuals know where they stand, and in many cases it is rated (Armstrong 2009). Formal reviews are usually documented on paper or recorded on a computer. They can provide the basis for decisions on performance pay, promotion, inclusion in talent management development programs, training, performance and development plans, and action to deal with poor performance (Armstrong, 2009).

Formal performance review happens on a one-to-one basis, a get-together of the manager and the individual. This should be a conversation involving dialogue and joint analysis of performance. It should be constructive and forward-looking, not a top-down judgmental affair (Price, 2000).

The review should be rooted in the reality of the employee's performance. It is concrete, not abstract, and it allows managers and individuals to take a positive look together at how performance can be developed in the future and how any problems in achieving goals and meeting performance standards can be resolved. The review should involve both the manager and the individual. As Rudman, (2003) noted, a review made by a manager without any

discussion with the employee might fulfill an administrative need, but will have little impact on the employee's performance or motivation, or on the relationship between manager and employee. Therefore individuals should be encouraged to assess their own performance and become active agents for change in developing that performance (Armstrong, 2009).

2.3.4 Reward Performance and Manage Underperformance

Rewarding of good performers and managing of underperformers is among the building blocks of performance management system. Performance management system relies on the premises that employees who are performing at high levels should be rewarded and those who fail to meet performance standards should be provided with training or, if necessary, be dismissed (Armstrong, 2009).

The performance management system provides management with important information for making strategic decisions on employee promotions, training and development activities, compensation decisions, and retention or separation. Performance management system relies on performance reviews to make decisions on performance related pay, promotion and other rewards as well as to manage under performers (Armstrong, 2009).

Many authors agree that no performance review has much point unless it leads to actions or decisions (Armstrong, 2009). Marr (2008) argued that, in order for performance management to be taken seriously, performance must have consequences. Both good and bad performance must have some sort of effect. If not, people will realize that performance management initiatives are not really important and have no real meaning.

Notwithstanding the important role that rewarding of performance and managing of underperformance play in performance management process, some authors stress that although performance management is an important part of the reward system; its developmental aspects are much more important (Armstrong, 2009). In fact a body of work has taken place arguing for and against the inclusion of reward, particularly pays, in performance management system. The main argument for this is that all parties take the process more seriously while the main argument against is that pay becomes the central issue to the detriment of the developmental aspect of performance management (Armstrong, 2009). Linking performance to pay is a market-based

approach to gaining employee commitment, whilst simultaneously helping ‘to align managerial interests with shareholder value and shift downside risk’ to the employees (Armstrong, 2009).

It is clear from the preceding paragraphs that performance management system is based on the assertion that all work performance stems from and is driven by the organization strategic plan. These are then broken into functional/departmental objectives. Individual objectives shoot out from these and all are monitored and reviewed on an ongoing basis with a formal review or appraisal conducted at least annually. The results are used to reward performance and to manage under performance.

2.4 Effective Performance Management System Design

The design of a performance management system serves as a performance intervention that will improve the performance of the employees in critical areas of the organization.

While research and experienced practitioners have identified several characteristics that are prerequisites for effective performance management systems, there are also many decisions that need to be made to design a system ideally suited for a given organization’s needs. One such decision is what purpose(s) the system will serve. For instance, performance management systems can support pay decisions, promotion decisions, employee development and reductions in force. Further explained that the purposes for a given performance management system should be determined by considering business needs, organizational culture and the system’s integration with other human resource management systems. (Paulakos, 2004)

Implementation of a well-designed performance management (PM) system can strengthen an organization in numerous ways. Through the alignment of individual and organizational goals, PM systems advance strategic organizational objectives. High-quality PM systems also improve work contributions of employees by offering increased opportunity and guidance for growth and development.

Engelmann & Roesch (2001) discussed in their paper that five key steps involved in developing effective performance systems in organizations. These include (1) creating and working with a design team; (2) linking the system to key organizational objectives, characteristics and strategy; (3) determining the performance management cycle; (4) linking performance management and

pay delivery; and (5) implementing the system. The paper presents best practice-based, easy to understand, nuts-and-bolts approaches or developing and implementing performance management systems in organizations.

2.5 Effective Implementation of Performance Management Systems

Experienced practitioners uniformly agree that having effective tools and processes is a necessary but certainly not sufficient condition for having an effective performance system. This is because what really matters in any performance management system is how effectively it is used and how seriously managers and employees take it. This is why both the most challenging and the most important part of developing an effective performance management system is successful implementation (Armstrong, 2009).

Mohrman et al, (1989), advocate that taking the design of performance appraisal systems out of the “back room” and treating performance management as a major organizational change effort in order to correct past problems and insufficiencies. They argue that implementation of effective performance management processes requires the involvement of all management levels within an organization, from top to bottom. It also requires a design process that advances the fundamental strategic direction of the organization and incorporates the needs of employees. It is argued that this approach is necessary if appraisal systems are to be relevant, central to the management of the business and useful to employees. The book presents a balanced discussion of the technical aspects of appraisal, the contextual realities affecting appraisal and the process of system design. The book is geared to internal HR professionals and external consultants who are working to enhance the strategic value of performance management in organizations.

Different articles suggested various components for successful implementation of performance management depending on the framework of various organizations (Price, 2000; Armstrong 2009). Some of the important components that should be taken into consideration have been discussed by different authors as follows:

According to Buchner (2007), successful implementation of performance management system should include the conduct of cautious study regarding the existing performance management system and the identification of a relevant and strong theoretical support. Such a theoretical base must be in congruent with the circumstances of the organization, or to simply put, the culture of

the organization. The integration of a well-founded and valid theory in the performance management system will result surely to the attainment of a highly performing organization.

Buchner (2007) has also described the need for organizations to create an open and active communication. To ensure an open and active communication there must be a clear communication of goals and job expectations, ongoing feedback, and finally suggested the need for participation of all involved parties.

It is important that the organizational vision and goals are crafted with the employees for them to clearly understand how their works fits into the organization, and how they could contribute to the achievement of such organizational goal (Buchner, 2007).

It must be a regular and frequent performance feedback process that will facilitate dialogue between the manager, supervisor and the employee. Consequently, it will foster better communication in the organization. An effective performance management system promotes regular checking of the strengths and weaknesses and allows the performer to participate in the exchange of views (Buchner, 2007). Organization must foster a performance management system that must include manager, supervisor(s), and employees in the work planning, setting expectations, monitoring performance, developing the capacity to perform, rating and good performance must rewarded. (Buchner, 2007)

According to Paulakos (2004), the corner stone for successful implementation of performance management system has explained as follows:

Ensure Alignment with other HR Systems: In developing a performance management system, it is important to ensure that it is aligned with other HR systems in the organization. For example, competencies used as the basis for performance management should be the same as those used for recruitment, staffing and training. This not only ensures that employees are being hired, trained and appraised on a consistent set of critical job requirements, but it also sends a strong message, internally and externally, about what is valued by the organization.

Get Organization Members on Board: The literature on many different types of management programs shows that effective program implementation depends on the level of top management commitment. Management support means that the highest level managers follow all parameters

of the system themselves and establish expectations for their direct reports to do so as well by including performance management as a critical aspect of their evaluations.

Communicate: Specially, in cases where new systems are designed, organizational members should also be provided with ample opportunities to comment on the new system, and their comments should be incorporated.

Automate: Performance management systems involve a considerable amount of paperwork, writing and exchange of documents. When the administrative demands are great, both employees and managers end up spending their performance management time pushing paper rather than discussing performance issues and development. Automation can greatly facilitate the performance management workflow and substantially reduce the paperwork associated with this process.

Train Employee and Managers: Employees and managers need to be able and motivated to use the performance management system effectively. When employees and managers are required to attend a structured performance management briefing or training session, this sends a message that performance management is important. Evaluate and improve-performance management systems need to be evaluated and continually improved over time (Armstrong, 2009).

From the above literatures, notwithstanding effective design and effective implementation of performance management system most importantly requires a culture of open dialogue and participation, clear communication of goals and expectations between managers and subordinates, exchange of ongoing feedback, and sort of motivational packages.

2.6 Performance Management and Organizational Culture

Organizational culture is the pattern of shared beliefs, norms and values in an organization that shape the way people act and interact and strongly influence the ways in which things get done. Bititci et al. (2006) confirm that organizational culture affects the success and failure of the implementation of performance management systems. From the performance management viewpoint one of the most important manifestations of organizational culture is management style. This refers to the ways in which managers behave in managing people and how they exercise authority and use their power. If the prevailing management style in a command-and-

control type structure is autocratic, directive, task orientated, distant and tough, then a ‘caring and sharing’ philosophy of performance management is not likely to work, even if it was felt to be desirable, which is unlikely. Alternatively, a non-directive, participative and considerate style is more likely to support a ‘partnership’ approach to performance management, with an emphasis on involvement, empowerment and ownership (Armstrong, 2009).

It is, however, noted that whilst organizational culture affects performance management, it is also affected by performance management” (Bititci et al., 2006). It is vital to take account of cultural considerations when developing and implementing performance management. The aim must be to achieve a high degree of fit between the performance management processes and the corporate culture when the latter is embedded and appropriate. However, performance management is one of the instruments that can be used in a cultural change program where the focus is on high performance, engagement, commitment and involvement (Armstrong, 2009).

2.7 Challenges Affecting Effective Implementation of Performance Management System

Researches indicated that there are number of possible problems that affect the successful implementation of a performance management system (Rademan and Vos, 2001). De Waal and Counet (2009) identified thirty-one problems associated with the implementation of performance management systems. It is indicated that one of the problems which affects the implementation of a performance management system is that “management put a low priority on the implementation” because of work pressures and time constraints and also when there is change in management, especially, where old management is replaced by new management who do not support the system (De Waal and Counet, 2009).

According to De Waal and Counet (2009), implementation of performance management system requires more time and effort than organizations usually plan for it. This makes the organization members discouraged; spend less time and energy in implementing the performance management system.

De Waal and Counet (2009: 368) noted that “there can be insufficient resources and capacity for the implementation of a performance management system”. This happens often because organizations cannot free enough resources and capacity to implement the system. This implies

that for organizations to succeed in implementing the performance management system, they need to provide sufficient resources and capacity for implementing the performance management system. This has implications for this study as it takes into account other factors, like resources, which impact on the implementation of the performance management system.

Another problem is that failure to implement the performance management system is caused by the fact that an organization is in an “unstable phase” either because it is busy with major projects or because it has financial problems.

De Waal and Counet (2009) noted that one of the reasons for failure to implement the performance management system is the lack of clear goals for implementing the performance management system and this is further complicated by the lack of clear and understandable strategy, mission and objectives for the organization. This finally leads to the development of key performance indicators which are not relevant, and thus it is found that some organizations measure the wrong performance indicators. Organizations’ difficulty in defining key performance indicators (KPIs) has also identified as one constraint that results employee’s lack of trust on the system. (De Waal, 2009).

One major problem for successful implementation of performance management system is lack of management commitment and insufficient use of the system. Lack of management’s commitment leads to less or no priority in the implementation of a performance management system. (De Waal, 2009).

Another problem in implementing a performance management system happens when the organization does not see the benefit of the system. If employees and managers cannot see positive results in their organization which they can trace back to the performance management system they give up on the system. This contributes to the “failure of an organization to implement the performance management system” (De Waal and Counet, 2009).

Ohemeng (2009) also indicates other problems associated with the implementation of performance management systems include organizational fragmentation whereby decision making is fragmented among different departments instead of one, and this create a problem of accountability and responsibility, and lack of seriousness.



Figure 2.3: Conceptual Framework for Effectiveness of PMS Design & Implementation

Chapter Three: Research Methodology

3.1. Research Design

This research has been done using the descriptive type of research since it attempts to describe and examine the practice of performance management system design and implementation in ICAP.

To solve the research problem, descriptive research has applied which helps to come up with informative analysis of the findings. This can be further supported by the mere purpose of descriptive research. Quantitative approach was employed to gather data expressed in the form of numbers through self-administered structured questionnaire. Descriptive statistical analysis was used based on the data collected from the respondents.

3.2. Research Approach

Researchers applied two types of research approaches, namely qualitative and quantitative approach (Saunders et.al, 2007). This paper is, therefore, based on a study that used mixed approach. According to Babbie (2010), quantitative research can be described as involving a collection of numerical data and as presenting a view of the relationship between theory and research as a deductive and objectivist conception of social reality, with a preference for a mutual science approach while the qualitative research is used to generate possible leads and ideas which can be used to formulate a realistic and testable theory. This theory can then be comprehensively tested and mathematically analyzed, with standard quantitative research methods.

The research has built inferences from relevant literatures, journals and review documents from the study organization, and collected primary data from the study groups. To address the objectives of the study, quantitative survey was adopted and used structured questionnaire to collect data from the employees. The survey questionnaire was an adaptation of a questionnaire used by De Waal and Counet (2009) which consisted of the demographic questions (e.g. work experience, job category, gender and level of education) and the second part of the questionnaire consisted of thirty-four closed-ended questions/problems associated with the implementation of PMS.

Qualitative research is used to generate possible leads and ideas which can be used to formulate a realistic and testable theory. This theory can then be comprehensively tested and mathematically analyzed, with standard quantitative research methods. For these reasons, these qualitative methods are often closely allied with interviews and ten interview questions were developed and used for qualitative purpose.

The data were generated from these questionnaires and interviews which consisted of a series of questions related to effectiveness of performance management system design and implementation in ICAP.

3.3. Data Sources and Types

For this research purpose the researcher used primary data which were collected through standardized questionnaires and interviews. Semi-structured interview has been conducted with seven members of the management team who are responsible for and key drivers of implementing the PMS.

The researcher used secondary data from ICAP employee handbook, Intranet, Journals, literatures and other publicized documents. This data also served as reference and guide the focus of clarifying research question.

3.4. Description of the Study Area/Study Site

International Center for AIDS Care and Treatment Program (ICAP) is a not for profit international health organization; head quartered in United States (New York).

ICAP commenced its partnership with the Government of Ethiopia in 2005 with the mission of providing technical assistance to improve HIV prevention, care and treatment and malaria diagnosis and care. It launched its program in Ethiopia by supporting large scale antiretroviral treatment (ART) programs in four regions of the country (Oromia, Dire Dawa, Harar and Ethiopian Somali Regions). With support from the President's Emergency Plan for AIDS Relief (PEPFAR) through the Centers for Disease Control and Prevention (CDC), ICAP has been engaged in supporting capacity building, strengthening health systems, and delivering comprehensive and high-quality HIV prevention, care and treatment services at the national, regional, and facility levels. (ICAP, 2016)

ICAP Addis Ababa, the identified site to conduct this research, is the head office for Ethiopian Country Office with 265 permanent employees (ICAP, 2016).

3.5. Research Population and Sample

International Center for AIDS Care and Treatment Program (ICAP), central office, consist of 265 permanent employees whose base of employment is in Addis Ababa and in different regions. In terms of job category ICAP consists of professional as well as support staff job categories (manual workers), however, the performance management policy is only applicable for professional (technical) staff which accounts 80% of the total employees i.e. 213. From the total of 213 technical staff members, 93 of them are base remotely in Regional areas.

The researcher used census survey and collected complete information from all participants in the population. Hence, the study population in the present study, therefore, constituted 120 technical permanent employees who are base in the head office for Ethiopian Country Office as summarized in the following table:

Table 3.1: Summary of total Permanent Employees in ICAP as of March 2017

Category	Number	Percentage
Technical (a) = c+d	213	80%
Support (b)	52	20%
Regional Staff (Technical) (c)	93	
Addis Ababa Staff (Technical) (d)	120	
Total Employees (e) = a+b+c+d	265	

Data Source: ICAP HR Monthly Report, March 2017

The research respondents/participants constituted 120 employees from the Country Director to lower levels in the ICAP. The selected respondents to be interviewed were the Department Directors/senior management teams and chosen on the basis of their experience and understanding by virtue of their position in the ICAP, and their encounter with the problems of staff in relation to performance management.

3.6. Pilot Testing

A pilot study is a standard scientific tool for 'soft' research, allowing researchers to conduct a preliminary analysis before committing to a full-blown study or experiment.

A pilot test is collecting data from a small population of respondents which serves as a guidance for a larger research (Zikmund 2003). It can detect weaknesses in design, evaluate questionnaire items and review the actual wordings of questions (Warwick & Linniger 1975). For this pilot test, instruments of this research were given to 10 selected respondents. Questionnaires were pilot tested through Cronbach's Alpha (α) coefficient to ensure the reliability of the instrument and the internal consistency of the measurement instrument.

Table 3.2: Pilot Testing through Cronbach's Alpha Coefficient

Cronbach's Alpha	N of Items
0.992	3

As shown in the above table 3.2, the instruments' prior validity and reliability were tested and confirmed that they are valid and reliable for the research.

The pilot test respondents were also identified poor wordings and ambiguous questions which were misinterpreted by the participants. Consequently, the wordings of some questions in the questionnaire of this research were amended.

3.7. Data Validity and Reliability

According to Shadish, Cook and Campbell (2002), the term validity refers to the approximate truth of an inference. When we say something is valid, we make a judgment about the extent to which relevant evidence supports that inference as being true or correct.

The study instrument was pilot-tested on ten people to ascertain that the questions made sense to respondents and identified the problem with the questionnaire that might lead to biased answers. In addition, validity of the research instrument for this study was assured by giving to professionals, HR Advisors, managers and specialists for their review and finally forwarded to the advisor to validate.

Statistical validity used to measure the validity of the research through use of correct statistical procedure and instruments (Neuman, 2007). To ensure the statistical validity of the study, the researcher has collected quantitative data using questionnaire and analyzed the data using correct statistical instruments like descriptive statistics and correlation analysis to see the relationship of those variable and reach concrete conclusion.

The researcher used the Cronbach's Alpha (α) coefficient to ensure the reliability of the instrument and the internal consistency of the measurement instrument. Cronbach's Alpha (α) is the most common measure of scale reliability (Field, 2006). According to Neuman (2007), Cronbach's Alpha used to assess uni-dimensionality. It is most commonly used when one has multiple Likert questions in a survey/questionnaire that form a scale and wishes to determine if the scale is reliable. Alpha ranges from a maximum of 1.0 for a perfect score to minimum of zero, good measure of the alpha should be 0.70 or higher. The researcher measured the reliability of the data using Cronbach's Alpha.

Reliability refers to the extent to which data collection techniques or analysis procedures yield consistent findings (Saunders et al., 2007). Dunn (2001) also defines reliability as a measure's stability or consistency across time. Cronbach's Alpha was also calculated as part of the reliability test to assess how valid the results were and should produce similar generalized results if the sample size were increase (Field, 2006).

Table 3.3: Cronbach's Alpha Value of Individual and Group Variables

Serial No.	Variables	Cronbach's Alpha value	Number of Questions or Items
1	Performance Agreement	.996	6
2	Performance Review	.986	10
3	Reward & Management	.976	5

Data Source: Own Survey, 2017

The Cronbach's Alpha values of the survey indicate best reliability as presented in table 3.3 since the alpha value exceed the minimum accepted level of (0.7) as suggested by scholars.

The Cronbach's Alpha value of each variable is a minimum of 0.976 to maximum value of 0.996. Therefore, the researcher confirmed that the data has internal consistency and reliable for further analysis.

3.8. Data Collection Procedures

Data were collected through self-administered structured questionnaire and interview. (*Appendix I & II*). The questionnaire were distributed and collected by the researcher. The interview was also conducted by the researcher as well. The researcher, therefore, applied a cross sectional approach designed to obtain information on employees and management's understanding and perception of the organization's PMS.

3.9. Data Processing and Analysis

After respondents fill the questionnaire the researcher collected the questionnaires and checked completeness. The collected data were coded (converted into numeric form), entered and cleaned using Statistical Package for Social Science (SPSS) for analysis purpose. Descriptive statistics such as mean, median, frequency, proportion and standard deviation were computed.

The interview questionnaires were transcribed into questions and recorded responses. The qualitative data are analyzed thematically and triangulated with the quantitative data. The data emanating from the interviews were integrated into the discussion sections of the findings.

3.10. Inclusion - Exclusion Criteria

The researcher has included in the study all professional employees based in ICAP Addis Ababa office and excluded those professional staff members who are based in regional offices of ICAP where there is no means of communication. In addition, all support staff were excluded from the research. The reason for the exclusion of support staff from the study is because the performance management system policy of ICAP is applicable to professional staff members only.

3.11. Ethical Consideration

To maintain the ethical standard, both the consent of the organization and individuals under the study were acquired, and the responses were kept confidential. The researcher was respectful of the research site, used ethical interview practices, maintained privacy, and cooperated with participants.

Chapter Four: Data Presentation, Analysis and Interpretation

The main purpose of the study is to examine the performance management system design, to evaluate effectiveness of the performance management implementation, as well as to identify factors affecting effective implementation in ICAP. In an objective to address the main research questions, this chapter entails performance management system policy review of ICAP, data presentation and descriptive analysis of the survey questionnaires that are used in addressing the study questions.

In order to conduct the research, survey questionnaires were distributed to a total of 120 sample respondents. With a repetitive follow ups and reminders, all respondents completed and returned the filled questionnaire. Hence, the final data collected and analyzed were from 120 sample respondents. Collected data using quantitative method was tabulated and analyzed using descriptive analysis statistical tools. In addition, the qualitative data collected through semi-structured interview were narrated in every aspects of the information gathered.

4.1 Performance Management Policy of ICAP

Different organizations design their performance management system differently, so as to meet the unique purpose of their organization. Authors also explain that no one model of performance management system is fit for every organization, and also put different models of performance management system (Armstrong, 2009; Price, 2000). Therefore, it is wise to describe below the performance management policy of ICAP before we went to the data presentation and discussion of its implementation.

In an attempt to answer the first research question *“How well has the performance management system of ICAP been designed?”* the researcher has conducted a document review, in which a review is made towards ICAP employee handbook and ICAP intranet. The ICAP employee handbook is a comprehensive ICAP policy and standard operating procedure document which briefly discusses about performance management system and the procedures thereon. ICAP intranet is an ICAP web site consists of the organization overview, and policy and procedure highlights that can be taken as one useful complement on top of the ICAP handbook or policy.

Performance management in ICAP is a year-round process of regular coaching and feedback which lends efficiency to the annual performance review and planning process (ICAP, 2016). The performance management policy of ICAP has entails important steps that can be summarized as performance planning or agreement, performance review and rewarding of good performers and design improvement plans for under performers (ICAP, 2016). In each of these steps, activities and actions that should be in place as per the organization performance management policy has maintained below (ICAP, 2016).

- 1) Performance agreement should be concluded between supervisors and employees and this include the following activities and actions;
 - Supervisors and employees should engage in open dialogue and agree on key areas of accountability and planned objectives that the latter is expected to perform.
 - Supervisors and employees agreement of key areas of accountability and objectives should be based on ICAP strategic road map and/or center/office/project objective.
 - Agreed objectives should be SMART, showing what success will look like i.e. specific, measurable, achievable, relevant and time bound.
 - Supervisors and employees list mutually agreed upon areas of professional development that can support the latter meet planned objectives, grow in current or future positions.

- 2) Performance review should be in practice. Key to successful performance management in ICAP is the initiation and sustainment of regular supervisor-employee touch-base and open communication. This shall include the following activities and actions;
 - Supervisors and employees engage in genuine discussion on performances of the latter throughout the performance period.
 - Supervisors provide critical face-to-face feedback to employees at times of events.
 - Supervisors assist employees through regular coaching and feedback throughout the performance period.

- Supervisors and employees engage in a conversation involving dialogue and joint analysis of performance at formal performance review (formal performance review is participatory rather than a top-down judgmental affair).
 - Supervisors and employees discussion on formal performance review should focus on planning for the future rather than simply dwelling on the past (formal performance review is future oriented).
 - Supervisors and employees should critically exchange feedbacks during formal performance review.
 - Employees should participate and provide their supervisor a genuine self-assessment on agreed areas of accountability and required performance behaviors.
 - Employees give critical comments on the performance of other employees (genuine peer evaluation in place).
 - Supervisors evaluate the performance of employees against agreed key areas of accountability and performance objectives, and ICAP performance factors or behaviors.
- 3) Rewarding of good performers and managing of underperformers should be in practice to reinforce strong performances and results. The reward and recognition program demonstrates ICAP's commitment to a performance driven organizational culture. This shall include:
- The compensation plan has designed to reinforce strong performances and results both with monetary and non-monetary rewards.
 - Employees who are meeting or surpassing agreed performance shall be provided with monetary and non-monetary rewards.
 - Employee's review result shall also be factored into promotion and job assignment decisions.
 - Among other things, poor performance has characterized by employee's inability to carry out his or her job responsibilities effectively, and not meeting performance objectives.

- To assist employees understand performance problem and as an opportunity for improvement, employees who fail to meet agreed performance shall be provided with the necessary coaching and training.
- In accordance with local labor law, supervisors invoke disciplinary action including termination against employee who received the necessary support but failed to meet the agreed performance.

It is worth to mention that the above activities and actions, that are included in the performance management policy of ICAP, are expected to be the ways of managing professional employees at ICAP.

From the above performance management policy review, it can be understood that the performance management system design of ICAP has quite similarity with the widely accepted designs of performance management in literatures. Despite the differences in the design of most performance management systems, researches explain that formulation and cascading of corporate strategic plan, performance agreement, performance review and rewarding of performance are the building blocks of performance management system (Armstrong, 2009; Price, 2000). From the above inference, we can conclude that the individual level performance management system of ICAP fulfills the important building blocks of performance agreement, performance review, and reward and managing of underperformers. As the performance management policy of ICAP has designed at Home Office level in United States, New York, the researcher believes that the home office has taken enough references of related literatures during design. The remaining section, therefore, examines the level of implementation of this important policy.

4.2 Descriptive Statistics

There are three main sections: the respondents' profile, description of the status of performance management system implementation, and challenges affecting effective implementation. In terms of the respondents' profile, Section 'A' covers gender, highest educational attainment, job category, and year(s) of service in the ICAP. Section 'B' presents and analyzes the scaled responses in respect of the implementation status of the performance management system in terms of three core elements i.e. performance agreement, performance review, and rewarding and

managing of underperformers. Finally, Section ‘C’ presents and analyzes the scaled responses of factors affecting effective implementation of performance management system in ICAP.

4.2.1 Respondents’ Profiles

This section presents the profile of participants in the research study by gender, higher level of education, job category and year of service in ICAP.

Table 4.1 Respondents’ Personal (Biographic) Data

Description	%age
Gender	
Male	78
Female	22
Level of Education	
PHD	2
MD	16
MA	25
BA	57
Job Category	
Supervisory	17
Non-Supervisory	83
Service Year	
<1 Year	19
1-2 Year	24
3-5 Years	31
>5 years	26

Data Source: Own Survey, 2017

As indicated in the above figure, male respondents comprised of 78% compared to 22% of female respondents. Respondents’ profile by level of education attained also show that 2% of the respondents held PHD, 16% Medical Doctorate, 25% Master’s Degree and 57 held Bachelors’

degree. The table indicates that 82.5% of respondents are non-supervisory and the remaining 17.5% are categorized as supervisory.

As shown in the above figure, 19% of the sample respondents served for less than one year, 24% of respondents had served between 1-2 years, 31% for 3-5 years and the remaining 26% served between 5-11 years. Therefore, 85% of respondents have at least passed into one fiscal year performance management process. Hence the information obtain from this group is more reliable since the respondents have good know-how and better experience about the performance management process since the PMS implementation period requires at least a one year service.

4.3 Data Analysis on Distributed Questionnaire

The researcher analyzed the data gathered through close ended questionnaires with the aid of statistical tool which is descriptive statistics. The information gathered through interview has been narrated.

4.3.1 Descriptive Analysis of Implementation of Performance Management System

This section describes and analyzes the employees' perspective on implementation status of the current performance management system in ICAP.

4.3.1.1 Implementation of Performance Agreement Aspects of the Performance Management Policy in ICAP

Performance agreement is the basic element of an effective performance management system. It has been well noted in the literature that performance agreement is not just a top-down process in which managers tell their subordinates what they think about them, set objectives and institute performance improvement plans. It is not something that is done to people. Rather performance agreement should be something that is done for people and in partnership with them. Cognizant of this fact, the performance management policy at ICAP requires supervisors and employees to engage in joint discussion and open dialogue while setting of what employees expected to do as well as training and development needs thereon. Six items appeared in the questionnaire and each of which intended to assess the effectiveness of this aspect of the performance management implementation in ICAP.

Table 4.2: Implementation of Performance Agreement Aspects of Performance Management System

Performance Agreement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Standard Deviation
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
Supervisors and employees engage in open dialogue while setting employees goals or objectives.	4	3.3	23	19.2	14	11.7	62	51.7	17	14.2	3.54	1.060
Goals or objectives that employees expected to perform are agreed between supervisors and employees rather than imposed by the manager	6	5.0	51	42.5	42	35.0	21	17.5	0	0	2.65	0.827
Goals or objectives set to employees to perform are on the bases of strategic plan and project objectives.	4	3.3	24	20.0	38	31.7	46	38.3	8	6.7	3.25	0.964
Individual goal setting is based on SMART criteria.	3	2.5	15	12.5	61	50.8	32	26.7	9	7.5	3.24	0.860
Supervisors and employees engage in joint discussion to agree on training, development and support required to the employee.	32	26.7	58	48.3	23	19.2	5	4.2	2	1.7	2.06	0.882
Employees agreed performance development plan is usually implemented.	11	9.2	54	45.0	36	30.0	12	10.0	7	5.8	2.58	0.992
Grand Mean & Standard Deviation											2.88	0.930

Data Source: Own Survey, 2017

Table 4.2 indicates that over 66% of respondents selected the positive choice (agree and strongly agree) towards the presence of supervisors and employees engagement in open dialogue while setting of goals or objectives that employees expected to perform in ICAP. However, at least

three fourth of respondents did not believe that goals or objectives that employees expected to perform are usually agreed between the supervisor and employee in ICAP, and this is perhaps because of goal imposition by managers, as about 50% of respondents negatively reported towards the statement that goals or objectives employees expected to perform are agreed between supervisors and employees rather than imposed by the managers. This data clearly implies that employee's genuine participation in setting of what they expected to achieve is highly limited in ICAP. In other words, the presence of joint discussion as perceived by majority of employees may be a reflection of compliance than true commitment towards the performance management system. Probably such absence of genuine participatory goal setting is due to autocratic nature of managerial level employees or it can be also attributed to lack of skill.

As can be seen in table 4.2, majority of respondents reported a positive perspective concerning the use of strategic plan and project goals as a base in determination of individual objectives in ICAP (45% agree and strongly agree). This is interesting given the fact that integration of organizational goals with each individuals are at the core of the performance management system. However, only 34% of respondents' believed that individual goal setting follows SMART criteria. These findings suggests that though the idea of formulating performance agreement on the basis of strategic plan has got attention, setting of S.M.A.R.T (specific, measurable, achievable, realistic, and time specific) objective at individual level is still a challenge in ICAP. This may not able employees in ICAP to feel a sense of accomplishment, as it is difficult to link each employee's contribution towards the attainment of project goal.

Table 4.2, also demonstrates that majority of respondents (75%) revealed their disagreement with the statement which states supervisors and employees engage in joint discussion to agree on training, development and support required to the employee. Finally, we can infer from Table 4.2 that even in circumstances where agreed performance development plan for subordinate is in place, it usually remains paper exercise in ICAP (54.2% disagree and strongly disagree). This implies that adequate attention was not given towards performance development aspect of the performance management, and this would probably hinder accomplishment of agreed objective.

Essentially, from the statistics presented in table 4.2 and as indicated in the grand mean, i.e. 2.88, it can be concluded that the current implementation status of performance agreement aspects of the performance management policy in ICAP is weak.

4.3.1.2 Implementation of Performance Review Aspect of Performance Management Policy in ICAP

The best way to confirm and adjust agreements reached between manager and subordinate is to have a performance review. Authors suggest having a formal review of performances once or twice a year, and whenever appropriate, managers meet individual members of their teams to provide feedback, initiate coaching or other learning activities, and agree on revised goals or any corrective action required (Armstrong, 2009; Price, 2000). Key to successful performance management in ICAP is the initiation and sustainment of regular supervisor-employee touch-base and open communication. The performance management policy of ICAP has also put the importance of supervisor and employee engagement in a conversation involving dialogue and joint analysis of performance at formal performance review and also the formal performance review should focus on planning for the future rather than simply dwelling on the past.

Table 4.3: Implementation of performance review aspect of performance management

Performance Review	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Standard Deviation
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
Regular coaching and feedback is conducted between supervisor and employee on the performance of the employee.	8	6.7	21	17.5	37	30.8	51	42.5	3	2.5	3.17	0.973
Regular coaching and feedback between supervisor and employee focuses both on strengths and weaknesses of the employee.	7	5.8	29	24.2	55	45.8	24	20.0	5	4.2	2.93	0.918
Supervisors use to directly criticize employees at the instances of poor performance.	9	7.5	48	40.8	39	31.7	23	19.2	1	0.8	2.65	0.904

Performance Review	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Standard Deviation
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
Employees use to directly express problems on the side of their supervisor or the organization at the time of occurrence.	36	30.0	52	43.3	17	14.2	15	12.5	0	0	2.09	0.970
Supervisors and employees jointly discuss on performance during performance review period.	3	2.5	17	14.2	26	21.7	47	39.2	27	22.5	3.65	1.058
During formal performance review, supervisors and employees use to focus their discussion on the future rather than simply dwelling on the past.	7	5.8	30	25.0	48	40.0	24	20.0	11	9.2	3.02	1.029
During formal performance review, supervisors use to forward to employees a negative but critical face to face feedback.	32	26.7	58	48.3	29	24.2	1	0.8	0	0	2.0	0.767
During formal performance review, employees use to provide their supervisor a genuine self-assessment.	0	0	29	24.2	30	25.0	51	42.5	10	8.3	3.35	0.941
During formal performance review, employees use to provide a genuine colleague feedback.	3	2.5	18	15.0	36	30.0	49	40.8	14	11.7	3.44	0.968
During formal performance review, supervisors use to rate subordinates only on the basis of agreed performance and competencies.	18	15.0	30	25.0	47	39.2	20	16.7	5	4.2	2.70	1.050
Grand Mean & Standard Deviation											2.9	0.958

Data Source: Own Survey, 2017

From the above Table 4.3, about half of the respondents agree the existence of a regular coaching and feedback practice between supervisors and employees (42.5% Agree and 2.5% strongly agree). Notwithstanding this, however around 24.2% of respondents disagreement for the same statement implies that there are still some units in ICAP where regular coaching and feedback is either nonexistence or totally ignored.

Table 4.3 also shows that only 24.2% of respondents revealed their agreement with the statement which states “*regular coaching and feedback between supervisor and employee focuses both on strengths and weaknesses of the employee*”. Similarly, only 20% of respondents believed that supervisors in ICAP directly criticize employees who exhibit poor performance. In similar vein, only 12.5% of respondents believed that employees in ICAP openly express problems on the side of managers or organization which hinder their performances. All this implies that the ideals of continuous performance management with critical exchange of feedback between superior and subordinates are still at its infant stage in ICAP. It also shows that there is some sort of fear and lack of openness from supervisors.

It has been well noted in the literature that apart from regular review, performance management system requires formal performance reviews which are meetings in which performance is analyzed more systematically and happens on a one-to-one basis; a get-together of the manager and the individual (Armstrong, 2009). This should be a conversation involving dialogue and joint analysis of performance. It should be constructive and forward-looking, not a top-down judgmental affair (Price, 2000). Likewise, the performance management policy of ICAP has also put the importance of supervisor and employee engagement in a conversation involving dialogue and joint analysis of performance at formal performance review and also the formal performance review should focus on planning for the future rather than simply dwelling on the past.

It is interesting to report that more than half of the respondents (61.7%) revealed their agreement to the statement “*supervisors and employees jointly discuss on performance during performance review period*”. One quarter of the respondents argue that despite the existence of joint discussion practices in ICAP, however, the discussion is dwelling on the past and is not focused on the future. Similarly, 75% of respondents demonstrated their disagreement on the statement supervisors use to forward to employees a negative but critical face to face feedback during formal performance review. Hence, from the above inferences, we can conclude that even

though ICAP performance management policy highlights the need for conducting supervisors-employee joint discussions is at the heart of future planning and critical face to face feedback, however, the discussions are conducted for compliance reasons and not in the reality of the employee's performance.

As Rudman, (2003) noted, a review made by a manager without any discussion with the employee might fulfill an administrative need, but will have little impact on the employee's performance or motivation, or on the relationship between manager and employee (Armstrong, 2009). Same has emphasized by ICAP performance management policy in which noted that employees should participate on the formal review by providing their supervisor a genuine self-assessment, and beyond this fact the policy requires supervisor to solicit a colleague feedback report from other staff members and/or partners. In addressing this important issues, table 4.3 evidences that fairly enough number of respondents (8.3% strongly agree and 42.5% agree) express their agreement towards the statement "***employees use to provide their supervisor a genuine self-assessment***". However, around 24.2% of the respondents express their disagreement on the same statement. And, half of the respondents (40.8% agree and 11.7% strongly agree) express their agreement on the fact that ***employees use to provide a genuine colleagues feedback during formal performance review***.

The reason for some employees does not provide honest colleague feedback might be because they want to keep a good work relationship with their colleague or because of bias against or towards certain employees. Finally, in response with the statement "***whether supervisors use to rate employees on the basis of agreed performance and competencies or not***", surprisingly higher percentage of respondents shown their disagreement (40%), and only 21% agreed with the statement. This implies that beyond the agreed performances and competencies between supervisor and employee, other factors, such as personal likes and connections might be considered during performance rating in ICAP. Literature also provides performance management is regarded as too subjective and the reason for this might be manager's consideration of sense of ownership, bad news effect, and personal reflection (Furnham, 2004).

In the same notion with the performance agreement above, and the grand mean obtained, i.e. 2.9, we can conclude that implementation of performance review in ICAP is weak to practice some basic premises stated on the policy document.

4.3.1.3 Rewarding and Managing under Performance Aspects of Performance Management Policy in ICAP

Performance management system relies on the premises that employees who are performing at high levels should be rewarded and those who fail to meet performance standards should be provided with training or, if necessary, be dismissed (Armstrong, 2009). To address these issues, five statements were proposed to respondents and as shown in Table 4.4 below, only around one third (33.4%) respondents were described their agreement to the statement that “*the formal performance review in ICAP results in identification of high and low performers*”. Nevertheless, relatively large number (26.6%) of respondents explained their disagreement. However, fairly enough number of respondents (57.5%) believes that performance results gave them the advantage of higher annual merit and award than the rest of employees. However, few are still in disagreement with the above fact (17%) that might probably indicate existence of other criteria beyond individual performance or the merit and award provided to good performers is not with significant difference.

From the performance management policy of ICAP, one of the important decision performance management relies on performance review is promotion. And, many authors agree that no performance review has much point unless it leads to actions or decisions, like pay and promotion (Armstrong, 2009). Despite the above theory, however, 51.7% of respondents expressed their disagreement towards the statement “*promotion practice in ICAP is based on formal performance review*”. And, 17% agreement on the same statement can never support the existence of sufficient link between performance management and promotion in ICAP.

Fig. 4.4 Reward and managing under performers aspects of performance management

Reward and Managing under-performers/ Performance Improvement	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Mean	Standard Deviation
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%		
The formal performance review results in identification of high and low performers.	10	8.3	22	18.3	48	40.0	35	29.2	5	4.2	3.03	0.991
Reward practices like merit and award are based on individual performance than across the board.	8	6.7	12	10.0	31	25.8	60	50.0	9	7.5	3.42	1.001
Promotion practice is based on individual performance and formal performance review.	12	10.0	50	41.7	38	31.7	11	9.2	9	7.5	2.63	1.038
There is a practice by supervisors to provide employees an ongoing feedback and training to address under performance.	12	10.0	37	30.8	52	43.3	17	14.2	2	1.7	2.67	0.901
It is common to take disciplinary action including termination against poor performers.	11	9.2	54	31.7	36	40.8	12	10	7	4.2	2.73	0.961
Grand Mean & Standard Deviation											2.89	0.978

Data Source: Own Survey, 2017

Table 4.4 also shows that 43% of respondents are neither in agreement nor in disagreement to the statement “*supervisors provide employees an ongoing feedback and training to address under performance*”. Despite the ICAP policy statement, 41% of respondents further claim non-existence of ongoing feedback and training to address under performers. While researches (De Waal and Counet) indicate that organizations use performance management for punishing people instead of coaching and continuously improving employee’s capacity, in the contrary, the finding in ICAP has confirmed that close to half of the respondents do not agree with the common

phenomenon of taking disciplinary action including termination against poor performers. Lack of consequences of disciplinary action, as argued by Marr (2008), would result in absence of serious attention to the performance management by employees. Also explains, people will realize that performance management initiatives are not really important and have no real meaning.

It can be concluded that employees in ICAP, in general, are not satisfied with the merits and promotions provided to good performers and also the management of under performers requires continuous endeavor and, followed by, serious of actions.

It is clear that from the above successive discussions on performance agreement, performance review, and reward and managing under performers, overwhelmingly large number of respondents indicated their responses on “neutral” and “disagree” parameters. And this would call cautious attention of the management to explore the challenges behind the implementation of performance management in ICAP. The below section will discuss some of the possible factors affecting successful implementation of performance management system in ICAP.

4.4 Challenges Affecting Effective Practices of Performance Management

The previous section has analyzed and discussed the assessment of effective implementation of performance management in ICAP, and proved respondents disagreement in most of the statements. Therefore, given the effective design and weak implementation of performance management in ICAP, it is wise to explore the possible reasons behind the scenario. In an effort, literatures were reviewed to explore the possible factors and found that De Waal and Counet (2009) identified thirty-one problems associated with the implementation of performance management systems. Among these factors, thirteen of them that are highly related with individual level performance management were taken and developed in to questionnaires and the researcher collected responses.

Respondents scaled their agreement to each of the statements from number 1-5, whereby 1 represents “strongly disagree” to describe that the statement has no significance in hindering effective implementation, up to 5 whereby number 5 represents the statement heavily hinders effective implementation. Later, the response mean has computed for each statement and ranked

the statement from one to thirteen based on the mean result, whereby higher mean describes the heavy impact of the statement in hindering successful implementation.

The thirteen factors have fairly classified in to Management, Resources, Strategic, and Attitude and Cultural groups and discussed below. Under resource, time constraint and reward are classified.

Table 4.5 Challenges affecting effective practice of Performance Management

Statements	Mean	Rank	Challenges
1. Supervisors put low priority on the PMS implementation	3.17	7	Management
2. Implementation of the PMS requires more time and effort than expected	3.24	6	Resource
3. The PMS implementation doesn't have a clear goal	2.70	11	Strategic
4. Lack of senior management commitment for PMS implementation	3.02	9	Management
5. Period of commitment from management to the PMS implementation is not enough	2.66	12	Management
6. Organizational members lack a positive attitude towards the PMS	2.73	10	Attitude & Culture
7. Insufficient commitment from middle management and employees for PMS implementation	3.3	8	Management
8. There is an insufficient link between the PMS and reward system	3.83	1	Resource
9. The organization doesn't have performance management culture	2.63	13	Attitude & Culture
10. The PMS is not used for daily management of the organization	3.65	2	Management
11. Organizational member are not adopting the right management style	3.35	4	Management
12. There is lack of knowledge and skills in regard to the PMS	3.54	3	Resource
13. It is difficult to define relevant performance objectives	3.25	5	Strategic

Data Source: Own Survey, 2017

4.4.1 Management Factors Affecting Effective Implementation of Performance Management

Table 4.5 indicates that, factors classified under management related are Supervisors put low priority on the PMS implementation; Lack of senior management commitment for PMS implementation; Period of commitment from management to the PMS implementation is not enough; Insufficient commitment from middle management and employees for PMS implementation; The PMS is not used for daily management of the organization; and Organizational members are not adopting the right management style.

The finding of this research indicates that, except one factor that is period of commitment from management to the PMS implementation is not enough, all the management related factors has been rated by respondents above neutral. And this implies management should provide special attention so that the performance management implementation succeeds.

Among management related factors presented for comparison, “*the PMS is not used for daily management of the organization*” and “*organizational members are not adopting the right management style*” have got a higher ranking (2nd and 4th, respectively). This seems the major management problems hindering effective implementation emanated both from the organization and the managers. It is also important to see the three managements related problems ranked from seventh to ninth, which are “*supervisors put low priority on the PMS implementation*”, “*insufficient commitment from middle management and employees for PMS implementation*”, and “*lack of senior management commitment for PMS implementation*”. Though these three factors are ranked from seven to nine, however, all scored a mean average of three and above that confirms the lack of shared understanding and agreement among organizational members and further indicates the need for senior management increased commitment to change the existing situation. However, despite the existed lack of commitment by the manager, however, period of commitment from management to the PMS implementation is not enough has ranked number twelve. This probably shows that those committed to the implementation; do not have a problem to sustain their enthusiasm to make sure performances are improved.

4.4.2 Resource Factors Affecting Effective Implementation of Performance Management

Table 4.5 shows that the statement “*there is insufficient link between the PMS and reward system*” has got the first top ranking. Though one of the important decision performance management relies on is reward, it is surprising to see that overwhelmingly large number of respondents in ICAP identified the statement at the top front of the performance management problem. In the same category, it is also interesting to see that the statement “*there is lack of knowledge and skill in regards to PMS*” has ranked third. The linkage of the two problems indicates the requirement of serious attention in ICAP both to provide sufficient reward to good performers and also address gaps on performance management through training.

Table 4.5 also shows sixth ranking of the statement “*implementation of PMS requires more time and effort than expected*”. Despite the existence of the problem, however, the need for more time to implement PMS seem somehow already acknowledged in ICAP.

From the finding, it is clear to conclude that ICAP should provide better attention to allocate resources to sufficiently reward good performers and also identify gaps and enhance employees’ skill and knowledge.

4.4.3 Strategic Factors Affecting Effective Implementation of Performance Management

As shown in Table 4.5 above, from the two factors categorized under strategic category the statement “*it is difficult to define relevant performance objective*” has seen ranked at fifth and “*the PMS implementation does not have a clear goal*” took the final rankings (ranked at eleventh). The result demonstrates that organizational member have enough understanding of the goal for performance implementation in ICAP, although they are facing challenges in determining relevant performance objectives. The researcher believes proper cascading of organizational goals and trainings are the cornerstone to overcome these problems. And it is also a need to note though the statement the PMS does not have a clear goal took the final rankings but fairly large number of respondent demonstrated the existence of the problem.

4.4.4 Attitude and Cultural Factors Affecting Effective Implementation of Performance Management

As shown in Table 4.5, the effect of Attitude and Culture has given insignificant attention by the respondents of the study in hindering performance management implementation in ICAP. The two statements have ranked at tenth and thirteenth, however, the study evidences the existence of the problems regardless of the lower rankings. The implication is that even some of the organizational members with negative attitude and culture towards the performance management would have high hindrance to the successful implementation. Literatures also put the need for hard work and commitment from senior management to revert negative attitude and undesirable culture that are mostly in close link with management style (Armstrong, 2009).

In conclusion, from the first top ranked problems, it is evident that ICAP should provide a sufficient link between good performance and reward, should use the performance management system for daily management of the organization, and the existing gap towards PMS should be explored and addressed through training.

4.5 Semi-Structured Interviews

The interview was aimed at obtaining information on whether employees and management affected by the implementation of the PMS shared common objectives and expected outcomes as those of the key promoters of the PMS. The semi-structured interview was carried out with a total of seven representative members of the ICAP family who have explored the PMS implementation, the key objectives and expected outcomes of the PMS within the company as well as the change management processes applied in its implementation.

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

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

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

The researcher observed that the interviewees had almost the same levels of appreciation of the subject though they had different perceptions. Cooperation of the interviewees was also encouraging.

The interviews were tape-recorded and the researcher took down notes during the interviews. The tape recordings were later transcribed and provided a source for further reflection on a particular interview.

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

The researcher had targeted to undertake ten (10) interviews. However, the researcher failed to organize convenient time with the interviewee due to the participants' busy schedules and time constraints and managed to undertake a total of seven interviewees. Despite the limited interviews, the researcher believes that the interviews that were conducted, together with other data obtained, provided an appropriate basis upon which to base the outcomes and conclusions of this study.

For the first interview question “*What is your understanding of Performance Management?*”, during the interviews held with the management representative, it was found that the basic understanding of the PMS was common among the interviewees. The researcher however observed that the understanding was significantly limited in getting the employees to perform and offered little on matters involving improving organization's processes and growth and

development. This limited understanding could have attributed to the perception that there was no correlation between the PMS and corporate achievements. 68% of the respondents disagreed or strongly disagreed that the existence of the PMS had helped the ICAP to achieve its objectives. This appeared to contradict a finding that 74% of the respondents had an understanding of how the PMS was linked to and helped the organization achieve its objectives.

The interviewees' understanding of PMS, as was the definition of PMS within ICAP above, therefore, was limited in getting the employees to perform and offered little on matters involving strategy, improving organization processes, satisfying customer needs and growth and development. This limited view may account for the outcome that the implementation of the PMS in ICAP was not seen as having helped the Organization to achieve its objectives.

In view of interview question No. 4: *“Are there any specific areas that you felt/feel strongly about with respect to ICAP’s PMS implementation activities: What did/did not you like most?”*: 67% of all respondents indicated that employees were not evaluated fairly and equitably in contrast to 58% of respondents within the managerial group who indicated that employees were evaluated fairly and equitably. During the interviews, it was pointed out that a “significant” number of employees were not happy with their performance ratings of September 2016. Some scores were reported by the interviewees as unjustified. The high level representatives indicated that there was no common understanding of what evidence was needed to be availed to support the ratings. They presented a personal view, which according to them, is shared among employees, that supervisors were not entitled to higher ratings than their subordinates and referred to such instances as inconsistencies. Such view suggested a perception within ICAP that performance ratings were and should be comparable within departments and among peers. Thus some variations in ratings between peers and their supervisors was a source of discontentment during the performance bonus determination October 2016.

In addition, it was highlighted in this interview question that there were no shared objectives for implementing the PMS between employees and senior management. Employees were not as committed to the successful implementation of the PMS as senior management. The organization’s PMS was identified as a source of stress and had failed to enhance employee motivation. The outcome was different for management respondents. It was noted that the level of management participation in strategy formulation and goal setting was higher.

There was evidence of a lack of ownership with 65% of the respondents indicating that employees and management lacked ownership of the PMS and thus did not view it as one of their most critical responsibilities. Some also noted the resistance by senior management including the Country Director to utilize the information system technology in performing reviews.

84% of the interview respondent forwarded their opinion on areas that require immediate attention to resolve the challenges faced with ICAP's PMS. They suggested that it may be appropriate for ICAP to consider team reviews, recognition and rewards as a remedy or alternative. Upon further probing, this suggestion was set aside in favor of the current individual ratings and reward system. The discontentment was ascribed to a lack of adequate understanding of the PMS by employees, their supervisors and to some extent the implementers. They also mentioned a perceived lack of commitment on the part of management and thus called for a hands-on approach by executives, middle management and supervisors in further training and information dissemination.

The researcher also concluded that there was evidence of areas requiring further attention if ICAP was to achieve the most out of the PMS. These activities include additional training, developing a common understanding on the benefits of the PMS to the organization as a whole and improving performance measures and the performance evaluation process to minimize disputes.

The 5th question which states: *“What do you consider to be the top three things that ICAP did correctly or incorrectly during the implementation of the PMS?”* it was pointed out during the interviews that there existed lack of transparency in PMS implementation. Some employees were rewarded without a process of measuring and monitoring performance, this system lacked transparency and credibility. It was therefore regarded by many employees as a tool used by senior managers to establish favoritism. What surprised the respondents was the resistance to PMS by the same employees who stood to profit from the success of the PMS in providing transparency. Although formal appraisals were being undertaken periodically, respondents felt that they were not evaluated fairly and equitably. There was no common understanding of what evidence was or is needed to be availed to support the ratings. In addition, there appeared to be an expectation that performance ratings were and should be comparable within

functions/sections and among peers. The introduction of the reward component was not supported by almost 50% of both employees and senior management, including the management representative interviewed during this study.

With regard to the 7th question, to *describe the communication methods employed as predominantly top-to-bottom or bottom-up or inclusive?* 58% of the respondents disagreed that management communicated regularly in a concise manner throughout the organization. It is the researcher's interpretation that whilst the respondents understood the vision, mission and strategy, the regular communication to the wider organization by management lacked consistency and clarity. Thus communication by those occupying managerial positions was incoherent. This reflected a perception among respondents that management communications in daily interactions with employees was not aligned with the understanding developed by the employees from the Corporate Strategy document. The respondents also replied that the communication methods used were predominantly top-to-bottom with little opportunity for bottom-up communication. Literature on change management recommends that communication be carried out in an interactive manner that draws staff into discussions and debates about the need for and the format of the new PMS and allows them to convince themselves of the need to implement it. (Burnes, 2009).

For the question to *“describe the way in which the PMS was communicated during the implementation phase; and the extent of which management acknowledge employees' genuine concern”*; 74% of all respondents felt that management did not listen to employee concerns on PMS and did not respond satisfactorily in a manner that showed genuine concern. The same view was shared by management respondents with 77% disagreeing to the statement that management listened, paid attention and responded satisfactorily in a manner that showed genuine concern during the PMS implementation.

Respondents were commented on the last question *“How do you see ICAP's PMS in future? Do you see it being a success or it will fail?”*: It was noted that employees still perceived the PMS as being imposed from the top and recognized little, if any, attempts by management to engage in dialogue with them. Despite the perceived top-to-bottom approach to PMS implementation in ICAP, the progress achieved was evident and provided valuable insights to the subject of change management with specific reference to PMS implementation. Whilst change theorists, such as

Johnson and Scholes (1997) and Kotter (2007) argue that people's buy-in and ownership of the change process are important for successful change initiatives, ICAP showed that when there is strong leadership, rewards and tangible consequences on employees who do not buy-in to the change program, successful implementation may still be possible.

Chapter Five: Conclusions and Recommendations

In this chapter, the conclusions are based on the empirical study. Practical recommendations to support the successful implementation of the performance management system (PMS) as given by respondents are shared, and the achievement of the study's objectives is ascertained. Suggestions for further research are discussed.

5.1. Main Findings

From the review of performance management policy of ICAP, it can be understood that the performance management system design of ICAP has quite similarity with the widely accepted designs of performance management in literatures and we can conclude that the individual level performance management system of ICAP fulfills the important building blocks of performance agreement, performance review, and reward and managing of underperformers.

With regard to the implementation of PMS, a relatively high percentage of respondents do not believe that the performance management of ICAP is fair and equitable. Awareness by management regarding the PMS is also a burning issue because almost half of the respondents indicated dissatisfaction with efforts that are being made. Reward linked to good performance also comes to the forth as an element that is lagging in the performance management cycle which has adverse effect on the effective implementation of the performance management system at the ICAP unless the organization takes prompt initiative to address this because employees can question what is in it for them and lack trust and motivation as a consequence. The most important aspect that is overlooked, according to respondents, is the fact that there is limited understanding of how the PMS works.

5.2. Conclusions

Performance management has been seen as a complex system in which managers work with their employees to set expectations, measure and review results, and reward performance, to ultimately improve organizational success and has consequences for both individuals and organizations. As with any other organizational system, performance management system's

effectiveness is heavily dependent upon the way it is designed and implemented and perhaps the reason for it being one of the most praised, criticized and debated management practices for decades.

Performance management systems are crucial to enhance organizational performance and effectiveness. However, despite the touted benefits of utilizing performance management systems, 70% of implementations of these systems fail. In order to put successful performance management systems in place, organizations must know what characteristics of these systems are most instrumental in producing beneficial organizational outcomes.

The study used both quantitative and qualitative research method to collect and analyze relevant data. In addition, a review of ICAP performance management policy was conducted to examine the performance management system in ICAP. To address the research questions, descriptive statistics such as mean, frequency, proportion and standard deviation were computed.

5.2.1. Addressing the Research Question

In the following sections, the quantitative and qualitative results are revisited which relate to the research questions in order to address the problem statement and formulate conclusions:

How well has the Performance Management System been Designed?

Based on the ICAP performance management policy review against relevant literatures, performance management system design of ICAP has quite similarity with the widely accepted designs of performance management system in literatures. The individual level performance management system in ICAP consists of and fulfills the important building blocks of performance agreement, performance review, and reward and managing of underperformers.

What is the level of Performance Management System Implemented?

To measure the level of performance management implementation in ICAP, constructs were designed on performance agreement, performance review, and reward and managing of underperformance, and the result indicated that majority of respondents confirmed their disagreement (disagree and strongly disagree). The reason is the policy is not seriously followed

in all areas and weak enforcement of the policy. Hence, the implementation of performance review in ICAP is weak to practice some basic premises stated on the policy document.

What are the challenges Inhibiting the Effective Implementation of the existing Performance Management System

The study further explored the possible factors for weak implementation of performance management in ICAP, and respondents were requested to rank thirteen performance management implementation problems recognized in literatures and the following three factors found on top ranking:

- insufficient link between the PMS and reward,
- PMS is not used for daily management of the organization, &
- lack of management knowledge and skill in regards to the PMS

Does the Design Meet the Stated Purpose? What must be done to Ensure Effective Implementation?

It can be concluded from the analysis performed that the PMS of ICAP has many challenges and much needs to be done in order to successfully implement and meet the goals of the PMS. Considerable training by management and the Human Resources department need to be done. It is also important to adopt a project plan to ensure that performance management is inclusive and there is buy-in from all concerned units/bodies as an effective PMS will enhance the morale of employees and will assist in retaining employees.

5.3. Recommendations

Basing on the findings from the study, the discussion that followed and the conclusion drawn in line with the study objectives, the researcher draws the following important recommendations for ICAP in order to make better and informed correction action:

- To ensure performance agreement between supervisors and employees, the senior management should put an increased commitment to bring a genuine open dialogue and communication between supervisors and employees. Management should call increased participation of organizational members to assure understanding and agreement, and also to

make use of the performance management policy at its best. Feedback should be provided so that employees can align their individual tasks with organizational goals and objectives.

Hence to ensure an open and active communication, it is highly recommended creating a clear communication of goals, job expectation, ongoing feedback and the need for participation of all involved parties.

- Supervisors should communicate effectively and provide timely feedback as both are important success factors for effective implementation of PMS and help employees to continuously improve their process towards achieving their set objectives. In addition to providing feedback whenever exceptional or ineffective performance is observed, providing periodic feedback about day-to-day accomplishments and contributions is recommended.

For the feedback process to work well, supervisors need to maintain a two-way communication process that is the joint responsibility of both managers and employees. This method requires training for both managers and employees about their responsibilities in the performance feedback process. Hence, supervisors are advised to provide effective and constructive, timely, specific and balanced feedback, including both positive and development information based on what the employee did or did not do in terms of his or her behavior. It is critical that feedback be based on behaviors rather than on personal characteristics and that these behaviors are linked to effective versus ineffective performance.

- Supervisors and employees should be provided enough training on how to cascade organizational goals and objectives into individual goals and objectives. Further, training should also be provided on how to set SMART objectives and feedback must be provided so that employees can align their individual tasks with organizational goals and objectives.

The process of training employees who participate in performance reviews is strongly recommended. To be effective, at a minimum, the employee and his or her manager should both be provided with information outlining the steps in the performance review process, the timelines, the expected outcomes at each step and the specific allocation of follow-up responsibilities. Performance management aids can be used to support training. The advantage of such aids is that they can be reviewed at an employee's own pace.

In addition, the management need to provide enough focus and continuous support towards employee training and development; and the performance management should provide direction to employees towards career development. ICAP should provide employees with a clear description of the performance management processes, explaining the elements of employee performance evaluation (e.g., frequency, performance standards, performance reviews, link to compensation/merit increases) and the consequences of unmet performance standards (e.g., disciplinary process).

- Top management's involvement and prompt follow up and support is critical for the effectiveness of the performance management system that it should have to pursue improving the current practice, and the capacity and technical knowledge of the PMS team should have to be upgraded so as to provide adequate support and advice.

For this to be effective, leadership commitment and support is highly recommended for smooth implementation of the system. Leaders need to drive the process and make performance management an integral part of the management of the organization. Leaders contribute not only in setting the strategic direction and performance measures but also in monitoring and reviewing performance across the organization. They also reinforce the performance cycle by recognizing and rewarding performance.

- ICAP should use the implementation of performance management for motivation purpose. Through this system employees with high scores should be rewarded in such a way that other employees are motivated to achieve the targets. The management need to extend/allocate adequate resources to reward good performers as the current merit is not with significant difference and, moreover, promotion should be linked with performance management. It is highly recommended ICAP to provide a sufficient link between good performance and reward and advised to use the performance management system for daily management of the organization, and the existing gap towards PMS should be explored and addressed through training i.e. employees with low performance should be encouraged and trained to improve their performance.

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Appendixes

- ✓ Survey Questionnaire
- ✓ Semi-Structured Interview Questions

Appendix I

Survey Questionnaire to be filled by Employees of ICAP

Dear Respondent,

The questionnaire is aimed at analyzing the effectiveness of performance management system design and implementation in ICAP. The research is undertaken as partial fulfillment to the completion of the Masters of Human Resource Management (HRM) Program at Addis Ababa University, School of Commerce. In this regard, I humbly request you to provide me reliable information that is to the best of your knowledge so that the findings from the study would meet the intended purpose. Your prompt attention to this study is highly appreciated. I strongly assure you of confidential treatment of your answers and would like to extend my deep-heart thanks filling this form. Please also note that your responses will be used for my research purpose only.

Instructions for completion:

- Do not write your name and/or address on the questionnaire
- Answer by making a √ mark
- Please answer the questions as objectively and honestly as possible.
- Please answer all the questions as this will provide more information to the researcher so that an accurate analysis and interpretation of data can be made.
- In case you have ambiguities on any of the questions, please do not hesitate to contact me through my mobile number 0912 13 60 65

With respect,

Nitsuh Mekonnen

Section A. Personal (Bibliographic) Data

1. Gender Male Female
2. Highest Level of Education
 High school complete Certificate/ Diploma Bachelor's Degree
 Master's Degree Doctoral Degree Other _____
 Medical Degree

3. Job category

Supervisory

Non-Supervisory

4. Year/s of service in ICAP _____

Section B. Performance Management Aspect

Please indicate the extent to which you agree/disagree/ that the following desirable activities and actions of performance management are a reality in ICAP on a scale from 1 to 5, whereby 1 represents “Strongly disagree”, 2 “Disagree”, 3 “Neutral”, 4 “Agree”, and 5, “Strongly Agree”. **For each statement please circle on a scale that best represents your level of Agreement.**

Please note: throughout this questionnaire, Performance Management System (PMS) is to mean the ICAP Continuous Performance Management Process that involves the periodic PPRD, and regular coaching & feedback over the year. “Formal review” is also to mean PPRD.

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I. Performance Agreement					
Supervisors and employees engage in open dialogue while setting employees goals or objectives.	1	2	3	4	5
Goals or objectives that employees expected to perform are agreed between supervisors and employees rather than imposed by the manager.	1	2	3	4	5
Goals or objectives set to employees to perform are on the bases of strategic plan and project objectives.	1	2	3	4	5
Individual goal setting is based on SMART criteria.	1	2	3	4	5
Supervisors and employees engage in joint discussion to agree on training, development and support required to the employee.	1	2	3	4	5
Employees agreed performance development plan is usually implemented.	1	2	3	4	5
II. Performance Review					
Regular coaching and feedback is conducted between supervisor and employee on the performance of the employee.	1	2	3	4	5
Regular coaching and feedback between supervisor and employee focuses both on strengths and weaknesses of the employee.	1	2	3	4	5
Supervisors use to directly criticize employees at the instances of poor performance.	1	2	3	4	5
Employees use to directly express problems on the side of their supervisor or the organization at the time	1	2	3	4	5

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
of occurrence.					
Supervisors and employees jointly discuss on performance during performance review period.	1	2	3	4	5
During formal performance review, supervisors and employees use to focus their discussion on the future rather than simply dwelling on the past.	1	2	3	4	5
During formal performance review, supervisors use to forward to employees a negative but critical face to face feedback.	1	2	3	4	5
During formal performance review, employees use to provide their supervisor a genuine self-assessment.	1	2	3	4	5
During formal performance review, employees use to provide a genuine colleague feedback.	1	2	3	4	5
During formal performance review, supervisors use to rate subordinates only on the basis of agreed performance and competencies.	1	2	3	4	5
III. Reward, and Managing Under Performers/Performance Improvement					
The formal performance review results in identification of high and low performers.	1	2	3	4	5
Reward practices like merit and award are based on individual performance than across the board.	1	2	3	4	5
Promotion practice is based on individual performance and formal performance review.	1	2	3	4	5
There is a practice by supervisors to provide employees an ongoing feedback and training to address under performance.	1	2	3	4	5
It is common to take disciplinary action including termination against poor performers.	1	2	3	4	5

Section C. Factors Affecting Effective Implementation of Performance Management

The following problems have been identified by literatures as major factors inhibiting successful implementation of Performance Management Systems in various organizational contexts. **To what extent do you agree with each of the statements? Please circle on a scale that best represents your level of Agreement.**

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Supervisors put low priority on the PMS implementation	1	2	3	4	5
Implementation of the PMS requires more time and effort than expected	1	2	3	4	5
The PMS implementation doesn't have a clear goal	1	2	3	4	5
Lack of senior management commitment for PMS implementation	1	2	3	4	5

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Period of commitment from management to the PMS implementation is not enough	1	2	3	4	5
Organizational members lack a positive attitude towards the PMS	1	2	3	4	5
Insufficient commitment from middle management and employees for PMS implementation	1	2	3	4	5
There is an insufficient link between the PMS and reward system	1	2	3	4	5
The organization doesn't have performance management culture	1	2	3	4	5
The PMS is not used for daily management of the organization	1	2	3	4	5
Organizational member are not adopting the right management style	1	2	3	4	5
There is lack of knowledge and skills in regard to the PMS	1	2	3	4	5
It is difficult to define relevant performance objectives	1	2	3	4	5

(De Waal & Counet, 2009)

APPENDIX II - SEMI-STRUCTURED INTERVIEW QUESTIONS

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

(Saunders et al., 2007)