

**IMPACT OF PERFORMANCE APPRAISAL MANAGEMNT ON
EMPLOYEES PERFORMANCE IN NIGERIA**

BY

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**BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS
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DECLARATION

I SULAIMAN Maryam with registration number **NSU/ADM/MBA/HRM/0033/15/16** humbly declare that the work entitled impact of performance appraisal management on employees performance in Nigeria is a result of my research effort carried out in my Masters degree in Business Administration , faculty of Administration, Nasarawa state university. I further wish to declare that, the best of my knowledge published or written by another person nor material which to a substantial extent has been accepted for the award of the other degree or diploma of any university or other institutions of higher learning, except where due acknowledgement has been made in the text.

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CERTIFICATION

This is to certify that this work has been read and approved by the undersigned as meeting the requirements for the award of Masters of Business Administration in the department of Business Administration of Nasarawa State University, Keffi.

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DEDICATION

I dedicate this project to God Almighty my creator, my strong pillar, my source of inspiration, wisdom, knowledge and understanding. He has been the source of my strength throughout this program and on His wings only have I soared.

I also dedicate this work to my Mother Hajia Barira Sulaiman who has encouraged me all the way and whose encouragement has made sure that I give it all it takes to finish that which I have started.

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I thank all who in one way or another contributed in the completion of this Project. First, I give thanks to God for protection and ability to do work.

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To my Siblings; Suleiman A. Suleiman, Aisha Suleiman, Malam Umar and Hon. Isa who have been affected in every way possible by this quest. Thank you. My love for you all can never be quantified. May the Almighty God bless all of you.

ABSTRACT

Globally, performance appraisal management play a great role in employment performance, organisational and economic growth. However, in Nigeria employees are faced with a number of factors including socio-cultural factors (SCFs) which hinder their satisfaction in respect of their appraisal management. This study assesses the impact of performance appraisal management on employee's performance in Nigeria. The study was conducted in FCT Abuja metropolitan employing cross-sectional and case study research designs in which department of development control of FCT Abuja were surveyed using primary data. Data were analyzed using descriptive statistics and binary logistic model. Conversely, they should demonstrate in their promises and conduct that the evaluation plays a key role in motivating people to utilize their abilities in pursuing the organization's objectives. Employees should be made to have value for their money and should also match value with appraisal service quality. Regular visits are needed to re-assure the employees of the organisational preparedness to serve the customer better. The study generally concludes that each organisation should be prepared to commit resources to provide excellent employees services that would improve complaints of employee to the barest minimum on performance appraisal. Finally, It is recommended that the Pay-for-performance is a useful financial appraisal tool to stimulate employee's passion for their work to its top priority.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Performance management systems are employed "to manage and align" all of an organization's resources in order to achieve highest possible performance. "How performance is managed in an organization determines to a large extent the success or failure of the organization. Therefore, improving performance appraisal (PA) for everyone should be among the highest priorities of contemporary organizations".

Performance management is a process for ensuring employees focus on their work in ways that contribute to achieving the organization's mission is indispensable for a business organization. Actually, performance management includes various types or system. Performance management system is a kind of performance management forms. Supervisors and managers are responsible for managing the performance of their employees. Each organization's policy should specify how the performance management system will be carried out. Organizations should adopt performance management practices that are consistent with the requirements of this policy and that best fit the nature of the work performed and the mission of the organization.

Other researchers propose that the purpose of PAs and the frequency of their feedback are contingent upon the nature of the job and characteristics of the employee. For example, employees of routine jobs where performance maintenance is the goal would benefit sufficiently from annual PA feedback. On the other hand, employees of more discretionary and non-routine jobs, where goal-setting is appropriate and there is room for development, would benefit from more frequent PA feedback. Non formal performance appraisals may be done more often, to prevent the element of surprise from the formal appraisal. Some

applications of PA are compensation, performance improvement, promotions, termination, test validation, and more. While there are many potential benefits of PA, there are also some potential drawbacks. For example, PA can help facilitate management-employee communication; however, PA may result in legal issues if not executed appropriately, as many employees tend to be unsatisfied with the PA process. PAs created in and determined as useful in the United States are not necessarily able to be transferable cross-culturally.

A central reason for the utilization of performance appraisals (PAs) is performance improvement ("initially at the level of the individual employee, and ultimately at the level of the organization"). Other fundamental reasons include "as a basis for employment decisions (e.g. promotions, terminations, transfers), as criteria in research (e.g. test validation), to aid with communication (e.g. allowing employees to know how they are doing and organizational expectations), to establish personal objectives for training" programs, for transmission of objective feedback for personal development, "as a means of documentation to aid in keeping track of decisions and legal requirements" and in wage and salary administration. Additionally, PAs can aid in the formulation of job criteria and selection of individuals "who are best suited to perform the required organizational tasks". A PA can be part of guiding and monitoring employee career development. PAs can also be used to aid in work motivation through the use of reward systems.

The most effective organizations work to establish a culture of development, where people at all levels are encouraged to help others develop their skills. Providing positive and constructive feedback is a critical component. It is the manager's role and responsibility to give feedback to others. They are responsible for managing employees' job performance, holding them accountable for completing their assigned tasks, and coaching or counseling them to overcome barriers or improve performance. Feedback should be given with the intention of praising positive behavior and performance, ensuring that the employee

understands the expectations, or identifying areas of development. Leaders must be willing to provide both praise and constructive feedback to others, regardless of reporting lines. All employees should be willing and able to do the same. If a peer, another employee, or even a senior leader is engaging in behaviors which are detrimental to patrons/customers, other employees, or the organization, we need to let them know the impact of their behavior.

This study focuses on analyzing and exploring the impact of performance management system on employee performance. According to Chan and Lynn (1991), the organizational performance criteria should include profitability, productivity, marketing effectiveness, customer satisfaction, but also employee morale. In this perspective, employee performance is tightly related to organizational performance, effective and efficient employee performance will positively influence organizational performance. On the other view, Millar (2007) built a framework of talent management which consists of planning, recruiting, performance, learning, career development, succession planning, compensation, and measuring and reporting. In order to organize a company effectively, companies must rethink how they hire, train and reward their employees; therefore the employees could be encouraged to be competitive. Undoubtedly, there is an important factor is human in organizations. One of the main management strategies of the organizations is to invest in employees. Organizations are seeking to develop, motivate and increase the performance of their employees in a variety of human resources applications (Gungor, 2011). Thus, performance management should be an important step in the organization's HRM system and influences employee performance and then to organizational performance.

The reason why the researchers chose this research topic is that nowadays there are many organizations that are relying on employees for success and competitiveness. According to the resource-based view, employees are the resources and assets of an organization. Consequently, organizations need to figure out strategies for identifying, encouraging,

measuring, evaluating, improving and rewarding employees' performance at work. According to this respect, performance management and appraisal systems have come to play an indispensable role in helping organizations to reach their goals of productivity (Stevens & Joyce, 2000). In fact, human resource management practices could influence the behaviours of individual employees. The impact of Human Resources (HR) practices on employees' commitment and performance depends on employees' perception and evaluation of these practices (Guest, 1999).

Therefore, it is important that this research will be conducted, or existing research will be expanded to understand employees' experiences and perceptions of performance management and appraisal system so that a completed and comprehensive performance system could be built up. Moreover, it is important for employees and managers to understand that performance management and performance management systems are the key determinants of an organization's long-term success or failure. If employees are not happy or do not agree with the performance management system, they are likely to be unwilling to take an active part in the process because they do not see any value of it. As a result, the organizational performance and productivity would decrease due to the inefficient employee performance. To conclude, this topic would be interesting and meaningful for any organization because the performances of employees have a significant relationship with organizational performance. Also, understanding how HRM practices influence employee performance could help organizations setting up a better management system, and finally improve employee performance and organizational performance.

This research study is an academic research which tests how a performance management system influences employee performance. Firstly, I will do a literature review which is a theory conclusion of former researches about performance management system and performance management. The research method in this study is secondary data analysis

method. The study will use the relevant independent and dependent variables from WERS 2017/2018 questionnaire to analyze the relationship between performance management system and employee performance. The 2017/2018 Workplace Employment Relations Survey is surveys that aim to provide a national representative of the state of employment relations and working in development control department workplaces.

In this study, we attempt to discuss some hypotheses which would be built after the literature review. These hypotheses are relevant to the impact of performance management system on employee performance. Therefore, it could better understand the relationship between performance management system and employee performance.

1.2 Problem Statement

Globally, performance appraisal management play a great role in employment performance, organisational and economic growth. However, in Nigeria employees are faced with a number of factors including socio-cultural factors (SCFs) which hinder their satisfaction in respect of their appraisal management. Performance management is important for an organization, as it helps organizations ensuring employees are working hard to contribute to achieving the organization's mission and objectives. Performance management sets expectations for employee performance and motivates employees to work hard in ways that is expected by the organization. Moreover, performance management system provides a completed and professional management process for organizations to assess the performance results of organizations and employees. Employee performance could be expected, assessed and encouraged. Macky and Johnson (2000) pressed that the importance of performance management system is on continuously improving organizational performance, and this is achieved by improved individual employee performance. Therefore, improving employee performance by using performance management system is a way to improve organizational performance. Conversely, they should demonstrate in their

promises and conduct that the evaluation plays a key role in motivating people to utilize their abilities in pursuing the organization's objectives. Employees should be made to have value for their money and should also match value with appraisal service quality. Regular visits are needed to re-assure the employees of the organisational preparedness to serve the customer better. So, in this master project, the researcher investigates the relationship between performance management system and employee performance empirically. And how could the different stages in performance management system influence employee performance respectively?

1.3 Research questions

- i. To what extent does the performance management system influence employee performance?
- ii. How does the Rewarding performance phase will lead to better employee performance
- iii. How do personnel development, evaluation influence employee performance?
- iv. To what extend does Pay-for-performance will lead to better employee performance

1.4 Research Objective

The main objective of the study is to examine the impact of performance Appraisal management on employees' performance in Nigeria. The specific objectives are to:

- i. Evaluate the impact of performance management system influence employee performance
- ii. Analyse the impact of Rewarding performance phase will lead to better employee performance
- iii. Identify how Personnel development will lead to better employee performance;

- iv. Examine how Pay-for-performance will lead to better employee performance

1.5 Statement of Hypothesis

Therefore, the third hypothesis is set up:

Hypothesis i: Rewarding performance phase does not significantly lead to better employee performance.

Hypothesis ii: Personnel development does not significantly lead to better employee performance;

Hypothesis iii: Evaluating performance does not significantly lead to better employee performance;

Hypothesis iv: Pay-for-performance does not significantly lead to better employee performance.

1.6 Significant of the study

Meeting the organizational objectives is completely dependent upon identifying and supplying the requirements and demands of the along with satisfying the employees needs more effectively than the other competitors, paying more attention to employees in providing the best services to the employees, and consequently retain them. Identifying employees and their retention are very essential affairs in today's competitive world. This is what prompted (Chen, 2012) to opine that Economic entities should seek to satisfy the expectations and requirements of their employees in order to earn revenue in addition to increasing profitability.

The study will go a long way to add up to the store of knowledge on employees' satisfaction in the work place sector. It will also serve as guideline for the formulation of policies on the quality of work place services. It will help organisation to know the perceptions of employees in terms of age, sex and geographical location.

1.7 Scope of the study

This study focused on employees' satisfaction and its impact on organisational performance appraisal in Nigeria. It was studied for period of two years from 2017-2018.

CHAPTER TWO

LITERATURE REVIEW

2.1 Concept of Performance management

The study of performance management has been popular within human resource management study. The study attempt to define performance management, as deploying and managing the components of the causal model that lead to the timely attainment of stated objectives within constraints specific to the firm and to the situation . At an organizational level of analysis the study assume that an organization that is performing well is one that is successfully attaining its objectives; in other words, one that is effectively implementing an appropriate strategy (Otley, 1999). The AMO-model (Appelbaum et al., 2003) claims performance which is a function of employees' Ability, Motivation and Opportunity to participate. This means that an organization will benefit most if it organizes the work process in such a way that non-managerial employees have the opportunity (O) to contribute discretionary effort and it could be achieved by giving them autonomy in decision making, by providing in good communication and by employee membership in self-directed and/or off-line teams. For their effort to be effective, employees need to have the appropriate skills and knowledge (A). Hence, organizations can achieve this by attracting employees who already poses this knowledge, or by providing employees with formal and/or informal training. Finally, the organization needs to motivate these employees to put their abilities into the best effort for the organization (M).

According to Otley (1999), a general performance management considers such problems: "What are the key objectives that are central to the organization's overall future success, and how does it go about evaluating its achievement for each of these objectives? 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 successfully implement these? How does it assess

and measure the performance of these activities? What level of performance does the organization need to achieve in each of the areas defined in the above two questions) and how does it go about setting appropriate performance targets for them? What rewards will managers (and other employees) gain by achieving these performance targets (or, conversely, what penalties will they suffer by failing to achieve them)? What are the information flows (feedback and feed-forward loops) that are necessary to enable the organization to learn from its experience) and to adapt its current behavior in the light of that experience?”(Otley, 1999)

According to Fletcher (2001), who gave a completed and comprehensive HR related performance management definition which is “an approach to creating a shared vision of the purpose and aims of the organization, helping each individual employee understand and recognize their part in contributing to them, and in so doing manage and enhance the performance of both the individual and the organization”. Similarly, performance management is a management process for ensuring employees is focusing on their work efforts in ways that contribute to achieving the organization's mission. It consists of three phases: (a) setting expectations for employee performance, (b) maintaining a dialogue between supervisor and employee to keep performance on track, and (c) measuring actual performance relative to performance expectations. Armstrong (2004) defined performance management as a means of getting better results from the whole organization by understanding and managing within an agreed framework, performance of planned goals, standards and competence requirements. “Performance management is a process of designing and executing motivational strategies, interventions and drivers with on objective to transform the raw potential of human resource into performance. All human beings possess potential within themselves in a few or more functional areas. However, utilization and conversion of this potential into deliverable performances is often sub optimal due to a variety of reasons. Performance management acts as an agent in converting the potential into

performance by removing the intermediate barriers as well as motivating the human resource". (Kandula, 2006). Comprehensively, Bacal (1999) defines performance management 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 essential job functions of employee are expected to do; how the employee's job contributes to the goals of the organization; what doing the work well means in concrete terms; how employee and supervisor will work together to sustain, improve, or build on existing employee performance; how performance management will be measured, and identifying barriers to performance and removing them.

The similarities of general performance management and HR related performance management are the goal setting, planning, evaluation, feedback and rewarding activities. However, the HR related performance management focus on the management of employee or managers, then motivating employees and managers. Moreover, general performance management was defined more widely than HR related performance management. It considers the definition of goals and the measurement of goal attainment) not just financially but also in terms of meeting all stakeholder aspirations.

HR-performance management aims at developing potential capabilities of human resource. The performance management must be in line with the company's long-term policies (Kandula, 2006). Performance management involves managing employee efforts, based on measured performance outcomes. Therefore, determining what constitutes good performance and how the different aspects of high performance can be measured is critical to the design of an effective performance management process. And performance management effectiveness increases when there is ongoing feedback, behavior-based measures are used and preset goals and trained ratters are employed (Lawler, 2003).

In order to answer these questions, I need to do a literature review which a body of text that

aims to review the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions to a particular topic. Initially, in 2.1 I will introduce the definition about performance management, and 2.2 is the literature review about performance management system which made up of three stages: developing and planning performance, managing and reviewing performance and rewarding performance. Then, there will be an extensive literature review about employee performance and measurement, also the nature of relationship between each stage in performance management system and employee performance.

2.1.1 Performance management system

In different literature, there are various models of performance management. Each model has 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 multiple levels of analysis, and is clearly linked to the topics studied in strategic HRM as well as performance appraisal. Different terms refer to performance management initiatives in organizations, for example, performance-based budgeting, pay-for-performance, planning, programming and budgeting, and management by objectives (Heinrich, 2002). A performance management system, according to Rudman (2003), is increasingly seen as a means of integrating HRM activities with the business objectives of the organization, where management and HR activities are working together to influence individual and collective behaviour to support the organization's strategy. Besides, he also stressed that the performance management system must fit with the organization's culture. Performance management system is a kind of completed and integrated cycle for performance management. The emphasis of performance management systems is on continuously improving organizational performance, and this is achieved through improved individual employee performance (Macky & Johnson, 2000). Similarly from the suggestion of Lawler (2003), the objectives often include motivating

performance, helping individuals develop their skills, building a performance culture, determining who should be promoted, eliminating individuals who are poor performers, and helping implement business strategies. The main **purpose** of the performance management system is to ensure that:

1. The work performed by employees accomplishes the work of the company;
2. Employees have a clear understanding of the quality and quantity of work expected from them;
3. Employees receive ongoing information about how effectively they are performing relative to expectations;
4. Awards and salary increases based on employee performance are distributed accordingly;
5. Opportunities for employee development are identified; and
6. Employee performance that does not meet expectations is addressed

Developing a performance management system is essential for an organization. Developing a performance management system, according to Schneier, Beatty and Baird (1987), is classified into a development, planning, managing, reviewing and rewarding phase. In 2000, Macky and Johnson suggested that a typical performance management system would include: the organization communicates its mission/strategies to its employees; the setting of individual performance targets to meet the employees' individual team and ultimately the organization's mission/strategies; the regular appraisal of these individuals against the agreed set targets; use of the results for identification of development and/or for administrative decisions; and the continual review of the performance management system to ensure it continues to contribute to the organizational performance, ideally through consultation with employees.

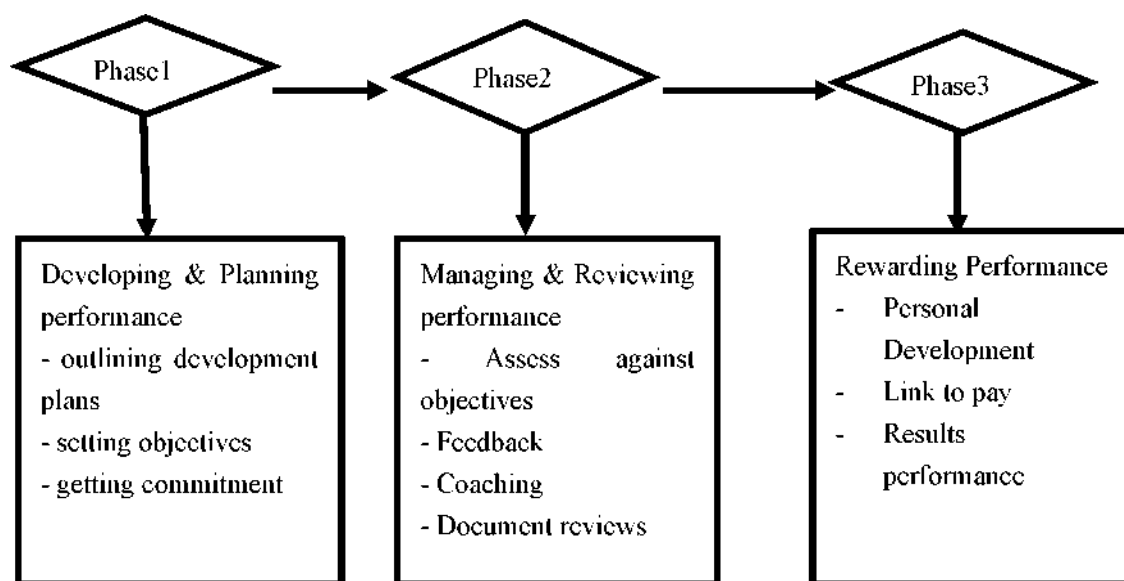
Fletcher (1996) suggested that the main building blocks of a performance management system approach include: development of the organization's mission and objectives;

enhancing communication within the organization so that employees are not only aware of the objectives and the business plan, but can contribute to their formulation; clarifying individual responsibilities and accountabilities; defining and measuring individual performance; implementing appropriate reward strategies, and developing staff to improve performance, and their career progression further in the future.

2.1.2 The stages of Performance Management System

According to Schneier, Beatty and Baird (1987), a performance management system is classified into a development, planning, managing, reviewing and rewarding phase. Figure 2.1 below shows the contents of three phases according Schneier, Beatty and Baird (1987).

Figure 2.1: Performance Management System



Source: Drawn according to interpretation-Original source: Schneier, Beatty and Baird, (1987:98)

From above figure and according to Schneier, Beatty and Baird (1987), the performance management system consists of three phases: developing and planning performance is the Phase 1 which includes outlining development plans, setting objectives and getting commitment activities; managing and reviewing performance is the Phase 2 which includes assessing against objectives, seeking feedback, coaching and document reviews activities; rewarding performance is the last phase which has personal development, results of

performance and link to pay activities. In the last chapter, I introduced the performance management system definition from Fletcher. He mentioned that a performance management system approach should include developing organization's mission and objectives, enhancing communication within organization, clarifying individual responsibilities and accountabilities, then defining and measuring individual performance and rewarding performance, and finally improving staff performance and developing career progression in the future. There is an apparent difference of definition between Schineier and Fletcher, it is the communication. Fletcher pointed that enhancing communication within the organization so that employees are aware of the objectives and the business plan, and employees can continue communication in the production process for exchanging information, discussing problems and seeking feedbacks. Thus, I would combine the definition of performance management system from Macky, Johnson, Fletcher and Schneier. Clear and detailed employee performance objectives play a crucial role in helping companies to perform in accordance with their business plan and achieve their strategic goals. Then, the managing performance activities like seeking feedback and coaching, also evaluation and rewarding are included in the theories of both authors. In addition to this, according to Fletcher (1996), I would analysis the continuous communication activity in the managing performance phase as well. The reason why I concluded communication activity in the performance system is that communication between managers and employees and communication within employees could make employees understand the objectives and make managers supervise the progress of daily work. Next, the details and contents in each phase would be introduced and discussed adequately.

Phase I: Developing and planning performance

Planning is the first stage in the performance management system process cycle and offers the foundation for an effective process. Planning is a continuous process in performance management and should be executed with great care (Schneier et al., 1987). Planning helps

to encourage commitment and understanding by linking the employees' work with the organization's goals and objectives (Schneier et al., 1987). It usually includes identifying key value drivers of stakeholders, for example, shareholders, customers and employees of the organization. Similarly, according to Armstrong and Baron (2004), objectives or goals describe something to be accomplished by individuals, departments and organizations over a period of time. They can be expressed as targets to be met, for instance, sales, and tasks to be completed before the deadline. Armstrong and Baron (2004) further state that objectives need to be defined and agreed on. The objectives relate to the overall purpose of the job and define performance areas--all the aspects of the job that contribute to achieving its overall purpose. Targets then are set for each performance area. Rogers and Hunter (1991) stated that goal setting is the fundamental aspect for an organization. They further indicated that productivity gains will correlate with the extent of top management support for and employees' participation in the process of setting objectives. It is a motivational process which also gives the individual the feeling of being involved and creates a sense of ownership for employees. At the same time, part of the planning phase includes the agreement on a formal development plan for the employees. Actually this plan should be based on requisite skills, behaviors and knowledge and key competencies that will be required to achieve the objectives and targets set. The development plan can also include long-term development initiatives which are usually based on potential and good performance (Nyembezi, 2009).

In this planning phase, the supervisors and subordinates are involved in a joint participative process and set organizational goals, as well as specific goals for an individual. Objectives, on the other hand, also create the environment in which an individual will be measured according to his or her own performance and output, with set standards for evaluation (Nyembezi, 2009).

Phase 2: Managing and Reviewing performance

Managing performance is the second element of the performance management system cycle. This step distinguishes performance management as a process from performance appraisal as an activity (Schneier et al., 1987). According to Schneier et al. (1987), every employee is responsible for managing his or her own work performance. This involves: (1) maintaining a positive approach to work, (2) updating and revising initial objectives, performance standards and job competency areas as conditions change, (3) requesting feedback from a supervisor, (4) providing feedback to supervisor, (5) suggesting career development experiences, and (6) employees and supervisors working together, managing the performance management process. According to the view of Fletcher, in the second stage, enhancing communication within an organization is important for employees to be aware of objectives and contribute to the future development.

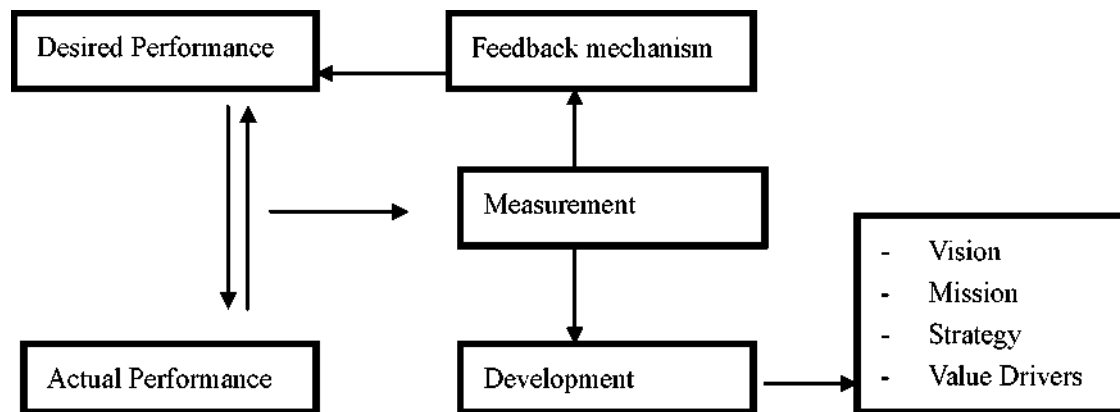
Amrstrong and Baron (2004) pointed that at its best, performance management is a tool to ensure that managers manage effectively. Therefore, performance management system should ensure the manager of employees or teams know and understand what is expected of them, and have the skills and ability to deliver on these expectations and be supported by the organization to develop the capacity to meet these expectation are given feedback on their performance; and have the opportunity to discuss and contribute to individual and team aims and objectives. Moreover, according to Armstrong and Baron (2004), performance management system is also about ensuring that managers themselves are aware of the impact of their own behaviour on the people they manage, and are encouraged to identify and exhibit positive behaviours. The actual performance is compared to the desired performance, so the outcome is evaluated and a development plan is set according to the weakness with reference the strategy. This outcome also provides a feedback mechanism to employees. In order to improve the feedback and update and discuss initial objectives, the organization should also focus on communication within employees and between

employees and managers. It is important for managers to develop a fully integrated strategy which enables the different forms of communication to contribute to the success of the firm's mission or common goal (Marion, 1998). Moreover, continuous communication or exchanging information between an organization's strategic managers and its internal stakeholders should be designed to promote commitment to the organization and aware of its changing environment and understanding of its evolving aims (Welch&Jackson, 2007).

In the second phase, it includes the performance reviews which can be regarded as learning events. Individuals could be encouraged to think about how and in which ways they want to develop. Research by Ashford and Cummings (1983) demonstrates that feedback has strong positive effects on the performance of both individuals and groups, specifically through role clarification, improved self-efficacy, the establishment of behaviour reward contingencies and increased self-regulatory control processes (Ashford & Cummings, 1983). Similarly, according to Armstrong and

Baron (2004), the actual performance could also be compared to the desired performance, therefore the outcome is evaluated and a development plan is set based on the weakness. This comparative approach also provides a feedback mechanism to employees. Figure 2.2 shows the structure of performance comparing according to the view of Ashford and Cummings (1983).

Figure 2.2: Performance Comparing



Source: Ashford, S.J. and Cummings, L.L. (1983), "Feedback as an individual resource: personnel strategies of creating information", *Organizational Behavior and Human Performance*, Vol. 32, pp. 370-98.

Additionally, in this phase, coaching and training is an important tool in learning and development. Coaching is developing a person's skills and knowledge so that employees' job performance improves, and helps them to achieve of organizational objectives. Managers should identify and implement training and other actions necessary to improve individual performance (Bevan and Thompson, 1991). According to Armstrong (2004), performance management is a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors. Similarly, Black, SE & Lynch, LM (1996) suggest that the training courses that are offered by organizations must be designed through considering the present and future needs of the employees and facilitate the learning of these skills. A good training or coaching course should improve the quantity and quality of organizations output; increase the chance of organizational success; decrease the organizational costs and expenses. Moreover, coaching is increasingly being recognized as a significant responsibility of managers, and can play an important role in an employee's working life. In 2006, Cunneen stressed that coaching comes naturally, and could take place during the review meetings or should be carried out throughout the year. Also, in this phase, training may be needed to improve

their skills.

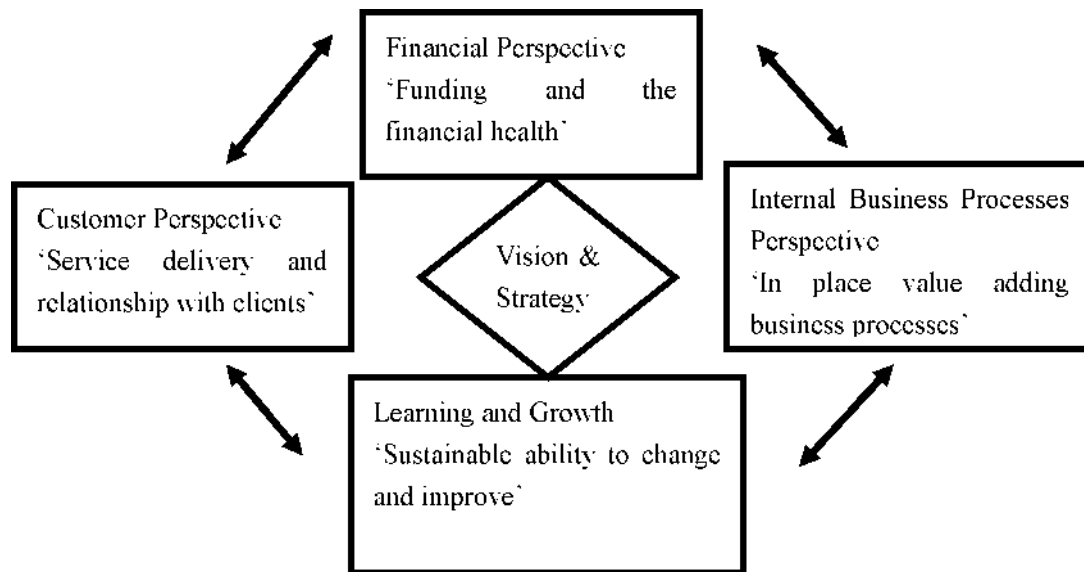
Phase 3: Rewarding Performance

According to Schneier, Beatty and Baird (1987), the rewarding performance phase includes three activities: personnel development, linking to pay and identifying the results or performance. In Rahdert's (1960) view, the function of personnel development is that the growth of people can be accelerated over and above that which would take place naturally and normally, and then maximum the employees' contribution to personal and group goals. Personnel development has some development principles. First one is personal involvement. All personnel development is basically self-development. Opportunity for development is valuable only if the individual capitalizes on it himself. In fact, the organization can and should offer encouragement and help, but development activities seem to be successful only to the degree that individuals become personally involved in them. Second one mutual objective. The premise of any development activity in organization, there should be a clear understanding and acceptance of mutual objectives by both the individual and organization. If the objectives are understood and accepted, the efforts expended will be far more likely to succeed. The company should offer universal opportunity to every employee instead of single out a few of its people and make opportunities available only to them. In fact, it is difficult to make long-term predictions concerning the ambition, drive, and growth potential of individuals. The forth principle is individual planning. Development is individual and should be tailored to fit the individual and the situation; attempts to squeeze everyone into the same model may even prove a waste of effort. Moreover, development should be designed to improve performance on the current job firstly, and then prepare the employee for promotion. Employees who get promoted are those who are currently doing outstanding work and thus have been able to demonstrate their capacity to assume greater responsibilities. Next principle is continuity. If a man who abandoned his efforts to keep updating skills or

information, he will become antiquated. Especially for nowadays, the new knowledge and skills are constantly being introduced. Rahdert (1960) also points out that the benefit of personnel development. For employees, if the individual skills or knowledge increase, he may create more value and as a result he may receive a sense of satisfaction in the achievement of personal goals and attainment of professional recognition. On the other hand, for organization, personnel development is able to achieve competitive advantages because of a better qualified and a more highly motivated team, and is able to utilize advanced technology because of the effectively trained employees. Furthermore, training activities should ideally be based on performance gaps that are identified during the performance review phase (Teke, 2002). By linking training to identified performance gaps, training will be focused, specific and relevant. Teke (2002) also points out that relevant training and development interventions and regular performance feedback are important factors in skills retention. Therefore, the training, development strategy and the performance management system process should be aligned tightly with the overall retention strategy of the organization. Development programmes are reflecting the needs of succession plans and seeking to foster leadership skills. In addition, there is a growing interest in pay-for-performance plans focused on small groups or teams. Small group pay plans provide monetary rewards based on the measured performance of the group or team. Evaluation and checking feedback are both important activities in this period. In most organizations, they will not have only one corporate scorecard for the company as a whole, but will also have separate scorecards for each division/employee that feeds into the overall scorecard (Huang & Hu, 2007). See Figure2.3, the first process is translating the vision which helps managers build a consensus around the organization's vision and strategy. For employee to act on the words in vision and strategy statements, those statements must be expressed as an integrated set of objectives and measures, agreed upon by all senior executives, that describe the long-term drivers of success. From financial perspective,

organization should form some kind of profit measure for organization and employee performance. Financial performance measures might include shareholder value such as economic value added, profitability and growth such as sales volume growth and cost reduction, and liquidity and solvency such as inventory turnover and ratio of debt to assets. Then, organizations and employees also need to fulfill customers' commands and needs. The customer perspective measures include client satisfaction, client profitability or time, price and quality (Kaplan&Norton, 1996). The measures needed in the internal business processes perspective can be summarized in the company's value chain. For instance, the organization could create new products and services to penetrate new markets and customer segments, also to achieve operational excellence through improving internal process and asset utilization (Kaplan&Norton, 2000). The last perspective is learning and growth, managers will define the employee capabilities and skills, technology, and corporate climate needed to support a strategy. According to Kaplan and Norton (1996), organization should pay attention to assess the effectiveness of their research and development process. Then, employee retention, workforce productivity, the number of suggestions made by employees and the number of suggestions implemented could be treated as the performance measures.

Figure 2.3: A Balanced Scorecard to evaluate performance



Source: Huang, C.D. & Hu, Q. 2007. Achieving IT-business strategic alignment via enterprisewide implementation of balanced scorecards. *Information Systems Management*, 24:173-184.

In this phase, pay-for-performance could be used together as a tool to assess the performance. Moreover, in the organization, employees are most likely to perceive that pay differences are made fairly when they are provided with information regarding the appraisal process and employees are allowed to discuss the appraisal results. According to the view of Locke (2004), the pay-for-performance principle involves providing monetary rewards through carefully designed compensation system that base pay on measured performance within the control participants. According to Delery and Doty (1996:802), employee performance appraisal is defined as 'the process of identifying, evaluating and developing the work performance of the employee in the organization, so that organizational goals and objectives are effectively achieved while, at the same time, benefiting employees in terms of recognition, receiving feedback, and offering career guidance'. Appraisals can be based on results or behavior. Behavior-based appraisals focus on the behaviors of individuals necessary to perform the job effectively, whereas results-oriented appraisals focus merely on the consequences of those behaviors (Delery&Doty, 1996). Therefore, procedural justice concerns are central to ensuring that employees perceive the process of performance appraisals, and the linkage of appraisal to pay, to be fair (Greenberg, 1996). In most

situations, properly designed pay-for-performance systems will lead to better performance results. Pay-for-performance systems make major contributions to performance through two main mechanisms. First, they positively influence the motivation to perform. Second, they impact the attraction and retention patterns of organizations, thereby affecting the ability of individuals available to perform. Pay-for-performance systems can deliver monetary rewards at the individual, small group, and/or divisional or organizational level. All of this impact of different levels can positively impact performance.

2.1.3 Employee performance

In the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization. Employees are a primary source of competitive advantage in service-oriented organizations (Luthans and Stajkovic, 1999; Pfeffer, 1994). In addition, a commitment performance approach views employees as resources or assets, and values their voice. Employee performance plays an important role for organizational performance. Employee performance is originally what an employee does or does not do. Performance of employees could include: quantity of output, quality of output, timeliness of output, presence at work, cooperativeness (Gungor, 2011). Macky and Johnson pointed that improved individual employee performance could improve organizational performance as well. From Deadrick and Gardner's (1997) points, employee performance could be defined as the record of outcomes achieved, for each job function, during a specified period of time. If viewed in this way, performance is represented as a distribution of outcomes achieved, and performance could be measured by using a variety of parameters which describe an employee's pattern of performance over time. On the other hand, Darden and Babin (1994) said employee's performance is a rating system used in many corporations to decide the abilities and output of an employee. Good employee performance has been linked with increased consumer perception of service quality, while poor employee performance has been linked with increased customer complaints and brand

switching. To conclude, employee performance could be simply understood as the related activities expected of a worker and how well those activities were executed. Then, many business personnel directors assess the employee performance of each staff member on an annual or quarterly basis in order to help employees identify suggested areas for improvement.

2.1.4 Employee performance measurement

The concepts of performance are studied through evaluation of overall performance and the management of the performance and the evaluation of performance is the process classifying certain outcomes within a definite timeframe (Coens & Jenkins, 2002). Moreover, the axiom, 'If you can't measure it, you can't manage it,' underpins the rationale for organization having a completed and comprehensive performance measurement system such as the Balanced Scorecard or total quality performance management. This approach connects measures throughout an organization to translate high level objectives into lower level activities. Then, measures are imposed on individual employees to monitor their performance of these activities (Platts&Sobotka, 2010). Performance criteria need to be unambiguous, clearly explained, relevant to the work tasks undertaken by employees and achievable. The criteria should not include factors beyond the control of the individual employee. Supervisors also need to be trained to provide regular, meaningful and constructive feedback. Employees should also be provided with appropriate training and development opportunities to overcome weaknesses in performance identified through the appraisal process. The assessment of individual employee performance also needs to focus on evaluating employee behaviour and work performance and not the personality of the employee (O' Donnell & O' Brien, 1999).

According to Huselid (1995), employees within firms contribute for organizational performance and HRM practices can affect individual employee performance through their

influence over employees' skills and motivation and through organizational structures that allow employees to improve how their jobs are performed. Also, he used labour turnover, productivity as employee performance measurement when he test the influence of HRM practices on employee performance. Labour turnover is the rate at which an employer gains and losses employees. Arnold and Feldman (1982) concluded that perceptions of job security, the presence of a union, compensation level, job satisfaction, organizational tenure, demographic variables such as age, gender, education, and number of dependents, organizational commitment, whether a job meets an individual's expectations, and the expressed intention to search for another job were all predictive of employee's leaving, and Sheridan (1992) also concluded that perceptions of organizational culture influenced turnover. Job dissatisfaction could cause employees to leave once they have reached decisions on the desirability of movement and the perceived ease of movement (March and Simon, 1958). Prior to leaving the organization, individuals experiencing job dissatisfaction explore job alternatives and evaluate these in terms of their expected utility (Mobley, 1977). The traditional approach therefore views voluntary separation as a consequence of low job satisfaction combined with alternative labour market opportunities that are subjectively perceived as having higher utility and relative ease of movement to alternative employment (Price, 1977). In order to avoid job dissatisfaction, employees need adequate remuneration, job security and comfortable working conditions (Jonathan, 2004).

In Bhatti (2007) and Qureshi's (2007) perspectives, productivity is a performance measure encompassing both efficiency and effectiveness. Labour productivity means the output of workers per unit of time which is a commonly used and straightforward measure of productivity. The growth rate of labor productivity is approximately equal to the difference between the growth rate of output and the growth rate of the number of hours worked in the economy (Christopher Gust& Jaime Marquez, 2004). High performing, effective organizations have a culture that encourages employee involvement. Therefore, employees

are more willing to get involved in decision-making, goal setting or problem solving activities, which subsequently result in higher employee performance. Moreover, labour productivity also could be impact by continuing information technology innovations which has the potential of changing the competitive game for many organizations (Mukhopadhyay, Javier Lerch& Mangal, 1994). If employee output is produced by two factors, labor and capital, then the growth of labor productivity depends upon the rate of ‘capital deepening’ and the growth of ‘multifactor productivity’ (Christopher Gust& Jaime Marquez, 2004). Capital deepening refers to a rise in the ratio of capital to labor, that is, an increase in the amount of capital which includes machines, structures, and infrastructure. For a given level of technology, capital deepening raises workers’ ability to produce more output with the same level of effort. Increases in multifactor productivity may reflect advances in technology, but they may also reflect any other developments that result in greater efficiency, such as reorganization of tasks in a firm or improvements in distribution channels used to deliver goods and services.

2.1.5 TECHNIQUES/METHODS OF PERFORMANCE APPRAISALS

Numerous methods have been devised to measure the quantity and quality of performance appraisals. Each of the methods is effective for some purposes for some organizations only. None should be dismissed or accepted as appropriate except as they relate to the particular needs of the organization or an employee.

- 1) **Rating Scales:** Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived. Advantages – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required. Disadvantages – Ratter’s biases
- 2) **Checklist:** Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the person rating only does the reporting or checking and HR department does the actual evaluation. Advantages – economy, ease

of administration, limited training required, standardization. Disadvantages – Raters' biases, use of improper weights by HR, does not allow rater to give relative ratings

- 3) **Forced Choice Method:** The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does actual assessment. Advantages – Absence of personal biases because of forced choice. Disadvantages – Statements may be wrongly framed.
- 4) **Forced Distribution Method:** here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution. Advantages – Eliminates rater's bias Disadvantages – Assumption of normal distribution, unrealistic, errors of central tendency.
- 5) **Critical Incidents Method:** The approach is focused on certain critical behaviours of the employee that makes all the difference in the performance. These critical incidents or events represent the outstanding or poor behaviour of employees or the job. The manager maintain logs of each employee, whereby he periodically records critical incidents of the worker's behaviour – Evaluations are based on actual job behaviours, ratings are supported by descriptions, feedback is easy, reduces regency biases, chances of subordinate improvement are high. Disadvantages – Negative incidents can be prioritized, forgetting incidents, overly close supervision; feedback may be too much and may appear to be punishment.
- 6) **Behaviourally Anchored Rating Scales:** Statements of effective and ineffective behaviours determine the points. They are said to be behaviourally anchored. The rater is supposed to say, which behaviour describes the employee performance. Advantages – helps overcome rating errors. Disadvantages – Suffers from distortions inherent in most rating techniques.
- 7) **Field Review Method:** This is an appraisal done by someone outside employees own department usually from corporate or HR department. Advantages – Useful for managerial level promotions, when comparable information is needed, Disadvantages – Outsider is generally not familiar with employees work environment, observation of actual behaviours not possible.

- 8) **Performance Tests & Observations:** This is based on the test of knowledge or skills. The tests may be written or an actual presentation of skills. Tests must be reliable and validated to be useful. Advantage – Tests may be apt to measure potential more than actual performance. Disadvantages – Tests may suffer if costs of test development or administration are high.
- 9) **Confidential Records:** Mostly used by government departments, however its application in industry is not ruled out. Here, a the report is given in the form of Annual Confidentiality Report (ACR) and may record ratings with respect to following items; attendance, self expression, team work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness etc. The system is highly secretive and confidential. Feedback to the assessee is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.
- 10) **Essay Method:** In this method the rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promote ability of employee, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee. Advantage – It is extremely useful in filling information gaps about the employees that often occur in a better-structured checklist. Disadvantages – It is highly dependent upon the writing skills of rater and most of them are not good writers. They may get confused success depends on the memory power of raters.
- 11) **Cost Accounting Method:** Here performance is evaluated from the monetary returns yields to his or her organization. Cost to keep employee, and benefit the organization derives is ascertained. Hence it is more dependent upon cost and benefit analysis.
- 12) **Comparative Evaluation Method (Ranking & Paired Comparisons):** These are collection of different methods that compare performance with that of other co-workers. The usual techniques used may be ranking methods and paired comparison method.
- 13) **Ranking Methods:** Superior ranks his worker based on merit, from best to worst. However how best and why best are not elaborated in this method. It is easy to administer and explain.

14) **Paired Comparison Methods:** In this method each employee is rated with another employee in the form of pairs. The number of comparisons may be calculated with the help of a formula.

15) **Management by Objectives:** It means management by objectives and the performance is rated against the achievement of objectives stated by the management. MBO process goes as under.

- Establish goals and desired outcomes for each subordinate
- Setting performance standards
- Comparison of actual goals with goals attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

Advantage – It is more useful for managerial positions.

Disadvantages – Not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals etc.

16) **Psychological Appraisals:** These appraisals are more directed to assess employee's potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual, and motivational and other personal characteristics affecting his performance. This approach is slow and costly and may be useful for bright young members who may have considerable potential. However, quality of these appraisals largely depend upon the skills of psychologists who perform the evaluation.

17) **Assessment Centres:** This technique was first developed in USA and UK in 1943. An assessment centre is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviours across a series of select exercises or work samples. Assesses are requested to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment centre can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision

making, sensitivity to feelings, administrative ability, creativity and mental alertness etc.

Disadvantages – Costs of employees traveling and lodging, psychologists, ratings strongly influenced by assesses inter-personal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected.

Advantages – well-conducted assessment centre can achieve better forecasts of future performance and progress than other methods of appraisals. Also reliability, content validity and predictive ability are said to be high in assessment centres. The tests also make sure that the wrong people are not hired or promoted. Finally, it clearly defines the criteria for selection and promotion.

- 18) **360-Degree Feedback:** It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact, anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills. However, on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple ratters may be less adept at providing balanced and objective feedback

Table 2.1 Difference between Traditional and Modern (Systems) approach to Appraisals

Categories	Traditional Appraisals	Modern, Systems Appraisals
Guiding Values	Individualistic, Control oriented, Documentary	Systematic, Developmental, Problem solving
Leadership Styles	Directional, Evaluative	Facilitative, Coaching
Frequency	Occasional	Frequent

Formalities	High	Low
Rewards	Individualistic	Grouped, Organizational

2.2. The relationship between Performance management systems between employee performances

2.2.1 Assessment of performance management system and developing and planning

In this stage, business needs to set up mission and objectives, and then clarify the individual responsibility and duty. A mission is an organization's character, identity, and reason for existence. It can be divided into four inter-relating parts: purpose, strategy, behaviour standards and values. Purpose addresses why an organization is in being; strategy considers the nature of the business; behaviour standards are the norms and rules of 'the way we do things around here'; values are the beliefs and moral principles that lie behind the behaviour standards, beliefs that have normally been formulated within the organization by a founding dynasty or a dominant management team (Campbell and Yeung, 1991). In order to maximize performance, organizations focus on the efforts of the organization on explicit, challenging and realistic aims and objectives. A clear mission answer the question: what business should the company be in, and it should be the guide line for employees and managers behaviour and performance. Campbell and Yeung (1991a) refer to as creating a sense of mission--that is, employee's personal commitment to the organization's mission. There are two simple views on the purpose of the mission statement: one is that it is primarily for external public relations and the other is that it is to motivate staff within the company (Klemm, Sanderson&Luffman, 1991). A simple explanation of motivation is the capability to change behaviour. Motivation is also a drive that holds one to act because human behaviour is directed toward some goal. Grant (2008) established a study where motivation enforced the employee outcomes such as persistence, productivity and

performance. Besides, motivated employees are found to be more self-driven and more autonomy-oriented than those who are less motivated (e.g. Ryan and Deci, 2000; Thomas, 2002, as cited in Grant, 2008), which suggests that they will take more responsibility when offered developmental opportunities. On the other hand, motivated employees are also more engaged and involved with their jobs (e.g. Guay et al., 2000; Vansteenkiste et al., 2007); they may be more involved in the work of their colleagues, when compared with employees with low motivation.

The organization still sets individual performance management targets which related both to operating-unit and wider organizational objectives (Bevan and Thompson, 1991). According to Costello (1994), performance management supports a company's or organization's overall business goals by linking the work of each individual employee or manager to the overall mission of the work unit. Individual targets or responsibilities could be the mechanism to enable the performance of individuals within the organization to be aligned with the mission statement and the way of adjusting performance requirements to meet new challenges which may arise.

In the first stage, the most important thing of developing and planning performance is setting mission and objectives. Mission and objectives could motivate employees to act by the directions; therefore, motivated employees are more engaged and involved with their jobs. Moreover, motivated employees are found to be more self-driven and more autonomy-oriented.

2.2.2 Managing and reviewing performance

In this second stage, there are lots of activities that include observing and document efforts and accomplishments; provide feedback, coach and counsel employee regarding performance. In this stage, enhancing communication within the organization, so that employees are not only aware of the objectives and the business plan but can contribute to

their formulation. Besides, employee communication could be discussed in the narrowly defined context of mediated communication, for instance, the impact of internal newsletters or specialized internal communication tactics. However, Cameron and McCollum (1993) found that employees tended to prefer direct interpersonal communication to mediated communication when they need more information on ongoing issues of their corporations. According to Robertson (2005), an effective communication climate is based on such topics: job, personal, operational and strategic issue. Moreover, Hargie & Tourish (2009) concluded top six topics were cited for 'information needed'--how problems that I report in my job are dealt with; how my job contributes to the organization; how decisions that affect my job are reached; things that go wrong in my organization; staff development opportunities, my performance in my job. According to Ainspan and Dell (2000), favorable employee communication has been shown to increase job satisfaction and employee performance and finally result in organizational success (Baskin, Aronoff, & Lattimore, 1996).

On the other way, providing the quantitative and qualitative standards for judging individual and organizational performance are important elements in managing performance. As a result, individual employees would be aware of the standards which will encourage them and be the main objectives of them. Performance reviews can be regarded as learning events, in which individuals can be encouraged to think about how and in which ways they want to develop (Teke, 2002). Performance feedback has significant potential to benefit employees in terms of individual and team performance. Taylor, Fisher and Ilgen (1984) suggest that feedback is essential for organizational effectiveness and that a lack of feedback can lead to anxiety, inaccurate self-evaluations, and a diversion of effort toward feedback gathering activities. Moreover, effective performance feedback has the potential to enhance employee engagement, motivation, and job satisfaction (Aguinis, Gottfredson, Joo, 2011). Performance feedback is a critical component of all performance management systems. It can be defined as information about an employee's past behaviours with respect to

established standards of employee behaviours and results. Effective performance feedback is timely, specific, behavioural in nature, and presented by a credible source. The goals of performance feedback are to improve individual and team performance, as well as employee engagement, motivation, and job satisfaction (Aguinis, 2009). Performance feedback is effective in changing employee work behavior and enhances employee job satisfaction and performance (Islam&Rasad, 2006). On the other hand, it is necessary to analysis and understands the feedback which is always ignored its complexities. Feedback may improve performance under some conditions. However, in other conditions, feedback may not impact performance or even prove detrimental to performance (Kluger & DeNisi, 1996; Locke & Latham, 1990). According to this perspective, it further indicates that a number of factors, including characteristics of the feedback source and message, and timing issues such as the amount and frequency of feedback employees received attitudinal outcomes of feedback.

Coaching is an important tool in learning and development. Coaching is developing a person's skills and knowledge so that his or her job performance improves, leading to the achievement of organizational objectives (Cunneen, 2006). Similarly, Apperbaum and Armstrong (2003) pointed that the knowledge bases of coaching provide the company's employees with a new professional outlook that in the long term leads to a higher level of productivity. An individual's attitude towards an issue is factually the vision that he or she form around that entity. Positive attitude affects the productivity of the organization, affects the productivity of the organization, while skills refers to the employee's ability in undertaking the practical tasks. The employees feel more efficient and confident in performing their duties when they learn what material would be needed, how the material must be collected and interpreted.

In the second stage, managing performance includes communication, collecting performance and coaching. Communication makes employees who are not only aware of the

objectives and the business plan but can contribute to their formulation. Feedbacks contribute to evaluating the actual performance of employee with desired performance. Managers and employees could realize the advantages and disadvantages of their works. After the realization of pros and cons of works, the coaching plays a role to improve acknowledge and skills of employees and finally impact the employee performance.

2.2.3 Performance Appraisal management and Rewarding performance

Rewarding performance happens on the end of performance period. The main activities include evaluating employee's accomplishments and skills; discussing evaluation with employees (McAfee and Champagne, 1993). It evaluates the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance. The effectiveness of any organization is dependent on the quality of its personnel. The right people must be originally selected into the organization, motivated to works; and sound personnel promotion and training decisions must be made in filling nonentry level. An effective personnel performance evaluation system is a crucial cornerstone in this process, as it provides the data needed for most of the required administrative decisions. This system plays a key role in motivating people to utilize their abilities in pursuing the organization's goals (Musgrove&Creighton, 1973).

After the evaluating and checking the feedback, managers or organizations should provide the pay-for-performance. Financial appraisal is a useful tool to incent employee's passion for their work. In this stage, managers still need to focus on developing staff to further improve performance, and their career progression, in the future. Rewards represent important mechanisms by which employee behaviors can be aligned with the interests of the organization (Eisenhardt, 1989). Particularly, pay-for-performance is a reward practice that links one's pay increase to one's performance, and could be used to direct, sustain, and motivate desirable behaviors, such as knowledge sharing (Bartol and Srivastava, 2002),

creativity (Eisenhardt et al., 1998), quality (Cowherd and Levine, 1992) and customer satisfaction (Delaney and Huselid, 1996). Pay-for-performance establishes the behavioral criteria by which rewards are allocated and in doing so underpins the alignment of employee behaviour with organizational values and objectives. Therefore, if an employee achieves his or her performance objectives then the employee receives a pay increase. This simple and visible link between pay and performance recognizes an employee for a specific level of accomplishment, therefore nurturing favourable work attitudes, such as satisfaction and commitment (Heneman et al., 1988). Thus, the effectiveness of pay-for-performance has a direct influence on high levels of service quality and desirable work attitudes.

In the last stage, rewarding performance consist of personnel development, final evaluation and rewarding activities. Financial appraisal is a useful tool to incent employee's passion for their work. Rewarding motivates the positive emotion of employees, such as satisfaction and commitment. Thus, the effectiveness of pay-for-performance has a direct influence on high levels of productivity and desirable work attitudes.

To conclude, from the above literature review, nowadays the performance management which is a management process for ensuring employees is focusing their work efforts in ways that contribute to achieving the agency's mission is indispensable for a business organization. At the same time, the performance management system is quite obviously influencing employee performance. Moreover, each phase within performance management system also impact employee performance respectively. Setting up an accurate and ambiguous objectives or goals for organization and employee could guide for staff to produce effectively and efficiently in a certain period. In addition, such a goal and plan could improve employee's initiatives and commitment for their job. Performance review provides the feedback of employee performance which could reflect the problems during the production and advantages for employees. Facing those problems, organization needs to solve it. In performance management system, communication and training could play an

important role in improving employee performance. The continuous communication between managers and employees, also the communication between employees would contribute to update organizational and individual goals, solve and improve the deficiencies in the production process so that the performance quality would be improved and guaranteed. On the other hand, coaching focuses on empowerment, development and qualifying employee through knowledge and skills so that the problems would be corrected and the success opportunity of the organization would be increased. Through those activities, employee performance could be improved in different aspect. For instance, the productivity of employee performance, the teamwork and communication effectiveness could be influenced positively. Self-development of employee is also quite important for improving employee performance and it could integrate the organizational support and opportunities as well. In the last stage of performance management system, performance evaluation could use for assessing the performance in the process and providing the information for paying. Management's feedback is required for a common sense reason. When the employees do good jobs, they expect a pat on their backs (positive feedback); on the other hand, if the poor performers do not receive any constructive feedback which tells them to improve, they will think that the present level of performance is accepted in the organization and they might not put extra efforts to improve. Performance appraisal or pay-for-performance could be treated as a tool to reward employee for their good performance and motivate employee to perform better in the next process. To sum up, I would like to build a hypothesis that the whole performance management system will have impact on employee performance.

2.3 THEORETICAL FRAMEWORK

The study adopts the Dynamic Capability Theory (DCT) to underpin the study. It was first introduced in 1994 by David Teece and Gary Pisano to explain firm performance in dynamic business environment, focusing on the capabilities that firms employ to reach competitive

advantage (Beske, Land, & Seuring, 2014). It adds to the Resource Base View (RBV) by explaining the nature of sustainable competitive advantage, while also intending to inform managerial practices. It emphasized the key role of managers in appropriately adapting, integrating and reconfiguring resources and competences to match the market change (Teece and Pisano. 1997). The framework was later on developed as an extension of the RBV to address dynamic markets; i.e. DCT seeks to explain how business firm achieve and sustain competitive advantage despite an ever-changing environment.

CHAPETR THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design is based on quantitative research. The 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.

3.2 Population, sample and sampling Techniques

The research is based on primary data analysis of the 2017-2018 Workplace Employment Relations in the department of development control of FCT Abuja were surveyed research is adopted using primary data between the periods of 2017-2018. The Workplace Employment Relations Survey (**WERS**) aims to provide a nationally representative account of the state of employment relations and working life inside FCT Abuja workplaces.

Moreover, WERS 2017-2018 is a computer aided personal interview (CAPI) which is a computer assisted data collection method for replacing paper-and-pen methods of survey data collection and usually conducted at the home or business of the respondent using a portable personal computer such as a notebook. Around workplaces of department of development control, 6 employee union representatives and 260 employees took part in the 2018 Cross-section Survey. Response rates of 7.7 per cent for the Cross-section's main management interview give a clear indication of the quality of the resultant data.

3.2.1 Distribution of population and sample size for the study

Sample Frame	population size	Sample size
Management staff	30	3
Senior Staff	60	12
Junior Staff	170	68
Total	260	83

Source: Author's Field Study(2018).

A sample is the representative part of the total population chosen for analysis during a research (Bryman and Bell, 2007). The importance of the sampling process is crucial. The characteristic of the interest sample of the population are department of development control workers of FCT Abuja. Hence the sample size was purposively and conveniently distributed among the sample frame as shown in table 3.2.1, based upon those who are directly or directly involved in projects and have expertise in that field.

The sampling approach chosen to answer the question “What were the bases of using certain organisation structures in projects execution?” was Purposive sampling where 3 executives manager were sample, because the interest was to get resource personnel who have in-depth knowledge in the subject area. Convenient sampling was used for the rest of the sample population (260), because of ease of obtaining them and the fact that they could best provide the needed information on the study.

3.3 Method of Data Collection

The standardization of the data collected represents another special strength of survey research. Questionnaires are used primarily in survey research and include open-ended questions which the respondents are asked to provide his or her answers and close-ended

questions which the respondents are asked to select an answer from among a list provided by the researcher. In WERS 2017-2018, a majority of questions are close-ended questions.

The Cross-Section interview with employee representatives contains questions on: structure of representation at the workplace, time spent on representative duties, means of communication with employees, incidence of negotiation and consultation over pay and other matters, involvement in redundancies, discipline and grievance matters, incidence of collective disputes and industrial action, relations with managers, union recruitment. The Cross-Section questionnaire for employees contains questions on: working hours, job influence, job satisfaction, working arrangements, training and skills, information and consultation, employee representation and payment.

3.3 Techniques for Data Analysis and Model specification

The procedure of data analysis is conducted by the use of Stata. Stata is a full-featured statistical programming language for Windows, Mac OS X, Unix and Linux. In this study, the STATA 9 will be used as a statistic tool. Stata is a powerful tool for analyzing data. Stata can make statistics and data analysis fun because it does so much of the tedious work for user. Stata is a command-driven program that operates in a graphical (windowed) environment. Stata has three major advantages: data manipulation, statistics, and graphics. Stata is an excellent tool for data manipulation: moving data from external sources into the program, cleaning it up, generating new variables, generating summary data sets, merging data sets and checking for merge errors, collapsing cross - section time-series data on either of its dimensions, reshaping data sets from 'long' to 'wide', and so on. In this context, Stata is an excellent program for answering ad hoc questions about any aspect of the data. In terms of statistics, Stata provides all of the standard univariate, bivariate and multivariate statistical tools, from descriptive statistics and t-tests through one-, two- and N-way ANOVA, regression, principal components.

3.3.1 Validity and Reliability

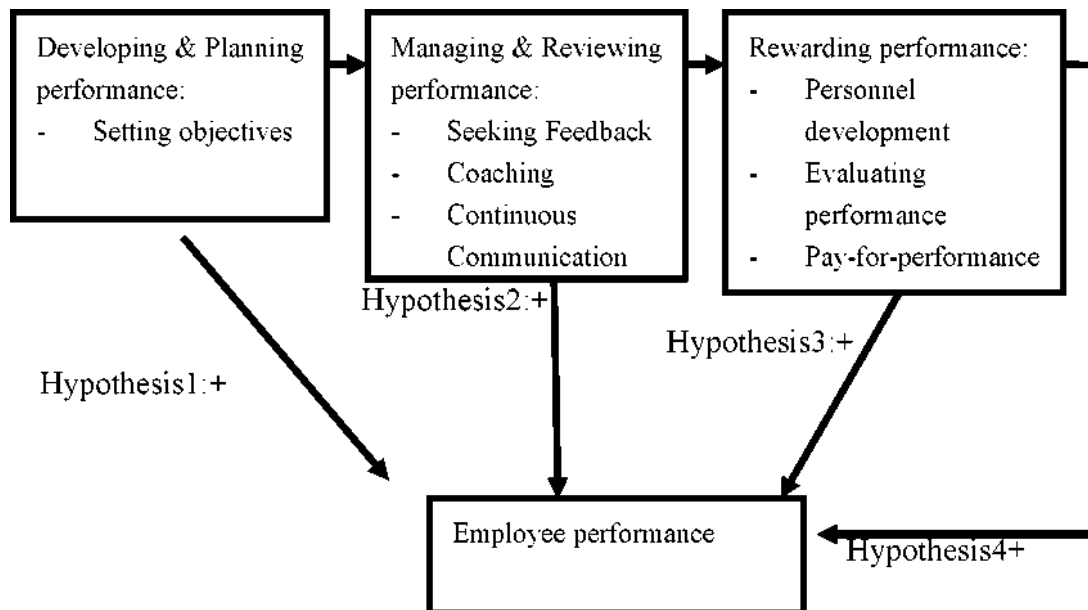
According to Shadish, Cook and Campbell (2002), the term validity refers to the approximate truth of an inference. When we say something is valid, we make a judgment about the extent to which relevant evidence supports that inference as being true or correct. It is important to concern the subjective and objective measures of WERS 2017/2018. Although WERS 2017/2018 included issues about HRM, industrial relations and personnel economics, there are still two issues needed to be questioned. Firstly, there is an issue of whether the data collected are able to capture the complexity and diversity of human resource management practices and industrial relations at the workplace; the other one is whether the measures of performance that are typically used are accurate indicators of actual performance (Forth, J. and McNabb, R, 2008). On the other hand, there is a possible error that respondents remember figures incorrectly, guessing, or confusing the accounting period of interest with an earlier or later one (Wall, T. D., Michie, J., Malcolm, P., Wood, S. J., Sheehan, M., Clegg, C. W. and West, M. 2004). Statistical conclusion validity concerns two related statistical inferences that affect the co-variation component of causal inferences: whether the presumed cause and effect co-vary and how strongly they co-vary (Shadish, Cook & Campbell, 2002). In this study, the amount of dependent variables from WERS 2017/2018 is limited. Therefore, the measurement of employee performance is not adequate. Moreover, this WERS 2017-2018 concludes two parts of questionnaire: management questionnaire and worker representative questionnaire. However, in this study, the choose of management questionnaire which contains variables needed to use in statistical test. Therefore, these answers are realized as the perspective from managers instead of employee. Shadish, Cook and Campbell (2002) also suggest the threats to external validity refer to the reasons why inferences about how study results would hold over variations in persons, settings, treatments and outcomes may be incorrect. In this study, WERS 2017/2018 is the questionnaire from other place than department of development control of FCT Abuja, the

analysis result and conclusion may not suitable when research in other places and other people in different organisation or government agency.

3.3.2 Model Specification

According to the above hypotheses, a research framework would be built based on that. Firstly, I would test the relationship between setting objectives which is the most important activity in the developing and planning performance stage with employee performance (Hypothesis 1). In the second stage, I would test the relationship between seeking feedback, coaching and communication with employee performance respectively (Hypothesis 2). Then, in the last stage, how do personnel development, seeking evaluation and payment influence employee performance would be test (Hypothesis 3). Figure 3.1 below illustrates the research model.

Figure 3.1: Research Model



CHAPTER FOUR DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation

The data presented below are collection from field survey undertake from the period of study 2017-2018 as related to primary data in questionnaire constructed for between performance appraisal and the performance of employees in FCT, Abuja.

Table 4.1.1 Option to ascertain the number of years respondents are in workforces.

RESPONDENT	NO OF RESPONDENTS	%
Below 5 years	150	57.7
Between 5_ 10 years	55	21.2
Between 10_15 years	35	13.5
Over 15 years	20	7.7
TOTAL	260	100

Source: Field study (2018)

From the table, majority of the respondents representing 57.7% are in the workforces below 5years, 21.2% have been in workforces between 10_15 years, while 13.5% and 7.7% are in work forces between 5_10years and over 15years respectively.

Table 4.1.2 Opinion to ascertain the levels of the respondents' in workforce's services

RESPONDENT	NO OF RESPONDENT	%
Junior Staff	90	34.6
Intermediate	70	26.9
Mediate Staff	50	19.2
Senior Staff	30	11.5
Management staff	20	7.7
TOTAL	260	100

Source: Field study (2018)

From the table greater percentage of the respondents representing 34.6% of Junior staff, 26.9% each of those with between Intermediate staff, 19.2% representing between Mediate Staff, while 11.5% and 7.7% representing between Senior Staff and Management staff respectively.

4.2 The data analysis structure

This section is devoted to an analysis of and discussion of data gathered from the field. The issues concern included the bases of the performance appraisal put in place, measurement of the performance of the employees' key indicators, identifying the problems of implementing projects and examining the relationship between performance appraisal and the performance of employees. The ordinal data is where the data is rank-order, interval data/ratio data are rank-ordered and have equal distances between adjacent attributes, and nominal data is a categorical answer.

4.2.1 Factor analysis

Firstly, the factor analysis will be used to test if the related independent variables could be analysis in one factor. Factor analysis is an analytic method of discovering the general dimensions represented by a collection of actual variables. These general dimensions, or factors are calculated hypothetical dimensions that are not perfectly represented by any of the empirical variables under study but are highly associated with groups of empirical variables (Babbie, 2010). Therefore, the data can be reduced through using this method. In this study, the dependent variables will be used to predict related activities, for instance, setting objectives, or reduced if the variables are not perfectly representing activities in performance management system.

4.2.2 Descriptive statistics

Descriptive statistics describe either the characteristics of a sample or the relationship among variables in a sample. Descriptive statistics merely summarize a set of sample observations, whereas inferential statistics move beyond the description of specific observations to make inferences about the larger population from which the sample observations were drawn. Descriptive statistics is the discipline of quantitatively describing the main features of a collection of data. In this study, descriptive statistics would be used for describe the characteristics of selected variables.

4.2.3 Kruskal-Wallis test

Then, the Kruskal-Wallis test will be taken to understand the relationship between ordinal dependent variable and nominal variables. A Kruskal-Wallis used to compare three or more independent groups of sampled data. The reason why I use Kruskal-Wallis test is the dependent variable (e.g KESTPER2) in this thesis is at ordinal measurement level, and the majority of independent variables are at nominal measurement level. Through Kruskal-Wallis test I could recognize the relationship between (in)-dependent variables is significant or not.

4.2.4 Ordered logit regression

Finally, ordered logit regression would be used to test the impact of activities in performance management system on employee performance. When a dependent variable has more than two categories and the values of each category have a meaningful sequential order where a value is indeed ‘higher’ than the previous one, then you can use ordinal logit. In this master thesis, the dependent variable is a categorized variable and has more than three categories; therefore, ordered logit regression would be used.

To conclude, in this chapter the research methodology and approach were outlined. The statistical test and data are realized in this chapter. The following chapter will focus on

the presentation of the research findings from the WERS 2017-2018. In this chapter, the result will be showed and discussed. Using the variables described above, the statistical analysis will be started with factor analysis.

4.2.1 Factor Analysis results

Factor analysis is an analytic method of discovering the general dimensions represented by a collection of actual variables. Therefore, the amount of independent and dependent variables will be decreased or be titled under new category. The study used the factor analysis firstly according the four stages in performance management system. Table 4.1 shows the factor analysis result of variables belong with the first stage in performance management system. The results show that the there is no distinctive factor with an eigenvalue is revealed. Therefore, the variable bstrateg2 and bmanage could not be characterized in one category (planning stage). According to Table 4.2, there is no distinctive factor with an eigenvalue above 1. As a result, the variables waproto6 and wetrainil which belong with training under managing performance stage could not predict training. Then, Table 4.3 shows the factor analysis result of variables wbmanmeet1 and wbmancon which are realized to predict factor communication. There is still no significant factor with an eigenvalue above 1. Table 4.4 indicates there is no distinct factor's eigenvalue above 1 of payment variables: fmeasur and fappwhen. Unfortunately, the factor analysis shows there is no factor could be used to predict an activity under the performance management system. Therefore, I have to choose the most representative variable of each activity to do the following statistic test. This kind of situation would decrease the statistic power and reliability of results.

In the following statistic tests, BSTRATEG would be used to represent setting objectives; WETRAINI would be stand for coaching; WBMANEET would represent communication activity; WBPROCES stands for seeking feedback; BMANAGE1 would indicate personnel development; for evaluation, I prefer FJOBEVAL to predict; and finally, FMEASURE

would be used to represent payment activity.

Table 4.1 Factor analysis of variables under the first stage: bstrateg2, bmanage,

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	0.12811	0.229812	4.8513	4.8513
Factor2	-0.10171		-3.8513	1.0000

Table 4.2 Factor analysis of variables under the second stage: waprot06, wetrainil

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	0.13616	0.243 00	4.6153	4.6153
Factor2	-0.10674		-3.6153	1.0000

Table 4.3 Factor analysis of variables under the second stage: wbnameetl, wbmancon

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	0.52424	0.75 982	1.8161	1.8161
Factor2	-0.23558		-0.8161	1.0000

Table 4.4 Factor analysis of variables of payment: fmeasurl, fappwhen

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor1	0.00578	0.0 1 1 49	87.5144	87.5144
Factor2	-0.00571		-86.5144	1.00000

The Kruskal-Wallis test is used to test the relationship between ordinal dependent variable and nominal independent variable. Through this test, I could recognize the relationship between variables is significant or not. Next table, the result of Kruskal-Wallis test would be summarized. There is only two variables having a significant relationship with employee performance and p-value of wbnameetl and bmanagel are 0.0139 and 0.0307 respectively which are below 0.05. In the other word, only communication and personnel development have significant relationship with employee performance. In addition, coaching activity has a compared significant relationship with employee performance. The rest of variables or activities have an insignificant relationship with employee performance. The reasons why these variables have an insignificant relationship with employee performance would be summarized in the discussion chapter.

Table 4.4 Kruskal-Wallis test

Activities	Chi-square	P-value
Phase1:	2.266	0.1322
Setting objectives(bstrateg2)	3.162	0.0754
Coaching(wetraini1)	6.048	0.0139*
communication(wbmameet1)	6.671	0.2463
Phase3:	18.414	0.0307*
Personnel development(bmanagel)	0.008	0.9275
Pay-for-performance(fmeasurl)	7.421	0.1912

** Significant at 1% level * Significant at 5% level

4.2 Ordered Logit regression result

Next table indicates the summarized results of Ordered Logit regression which is a kind of test used for ordinal dependent variables with nominal dependent variables. The positive or negative relationship between variables would be recognized through regression. In the ordered logit regression, the control variables would be included. The control variables consist of industry (ASTATYUS), gender (ZMALFULL for male, ZFEMFULL for female) and technology innovation (LMANCHA02).

Table 4.5 Ordered Logit regression result

Kestper2 (employee productivity)	Coefficient	P value
Phase1:	.1570996	0.356
Setting objectives(bstrateg2) Phase2:	-.3300035	0.108
Coaching(wetraini 1)	.7043614	0.014*
Seeking feedback(wbproces)	.0513466	0.348
Phase3:	-.0021285	0.960
Personnel development(bmanage1)	.1676666	0.218
Pay-for-performance(fmeasurl)	.0109292	0.824

** Significant at 1% level * Significant at 5% level

In the above table, it demonstrates that communication (wbmameetl) has a significant relationship with performance management, and p-values are 0.014 which is below 0.05. And communication has a positive impact on employee performance which means the better communication activities in the organization, the better employee performance. Then, setting objectives, coaching, seeking feedback, job evaluation and payment activities have insignificant relationship with employee performance because of the p-values are larger than 0.05. Even if the relationships are not significant, but I can see that setting objectives (bstrateg2), seeking feedback (wbproces), job evaluation (fjobevall) and payment (fmeasul) have positive impacts on employee performance when compared with control variables, the b-values are 0.157, 0.05, 0.17 and 0.01 respectively. Coaching and personnel development have negative relationships with employee performance, the coefficient are -0.33, -0.02 respectively. In addition to the result of activities in performance management, alternative variable LMANCHA02 which stands for technology innovation have positive and significant relationship with employee performance (see Appendix2) when compared with setting objectives, communication, personnel development, job evaluation and payment activity. However, control variables like different industry and various genders have insignificant relationship with employee performance (see Appendix2).

Next, I will test the relationship between employee performance and each two Phases. Firstly, Phase1 and Phase2 will be tested together with employee performance; then, I will analyze the relationship between Phase1 and Phase3; finally, Phase2 and Phase3 will be tested with employee performance. The reason why I need to test the relationship between employee performance and each two phases is I could understand which phase has a stronger relationship with employee performance.

Table 4.6 Relationship between employee performance with Phase 1 and Phase2

Kestper2 (employee productivity)	Coefficient	P value
Phase1:	.2837651	0.391
Setting objectives(bstrateg2)	-.891304	0.001**
Coaching(wetraini 1) Continuous	1.12949	0.000**
communication(wbmameet1)	-.0366778	0.559

** Significant at 1% level * Significant at 5% level

Table 4.7 Relationship between employee performance with Phase 1 and Phase3

Kestper2 (employee productivity)	Coefficient	P value
Phase1:	.1605639	0.348
Setting objectives(bstrateg2)	-.0088327	0.837
Personnel development(bmanage1)	.1634271	0.235
Pay-for-performance(fmeasur1)	.0031727	0.949

** Significant at 1% level * Significant at 5% level

Table 4.8 Relationship between employee performance with Phase2 and Phase3

Kestper2 (employee productivity)	Coefficient	P value
Phase2:	-.8572459	0.001**
Coaching(wetraini1)	1.080981	0.001**
communication(wbmameet1)	-.0438439	0.486
Phase3:	.201315	0.034*
Personnel development(bmanage1)	.0303798	0.905
Pay-for-performance(fmeasur1)	.0090694	0.925

** Significant at 1% level * Significant at 5% level

From above three tables, they demonstrate that activities in Phase2, especially coaching and continuous communication, have significant relationship with employee performance, the P values are below 0.05 or 0.001. However, according to the results of Table 4.6 and Table 4.8, coaching activity influences employee performance negatively

(b=-.891304, -.8572459) and continuous communication impacts employee performance positively (b=1.12949, 1.080981).

In Table 4.8, personnel development influences employee performance significantly and positively (p-value=0.034<0.05, and b=.2013). Through above analysis, I could summarize that Phase2 has a stronger and significant relationship with employee performance. Because performance management system is a completed system, thus, I will test the impact of the whole performance management system on employee performance. Then, I could figure out the impact of total performance management system on employee performance.

Table 4.9 Relationship between employee performances with performance management system

Kestper2 (employee productivity)	Coefficient	P value
Phasel:	.2338434	0.488
Setting objectives(bstrateg2)	-.8627238	0.001**
Coaching(wetraini 1) Continuous	1.109551	0.001**
communication(wbmameet1)	-.0422143	0.503
Phase3:	.193685	0.044*
Personnel development(bmanagel)	.0416801	0.871
Pay-for-performance(fmeasur1)	-.0014819	0.988

** Significant at 1% level * Significant at 5% level

In Table 4.9, it demonstrates that coaching, continuous communication and personnel development activities influence employee performance significantly because p-values are below 0.001 and 0.05. Phase 1 has an insignificant relationship with employee performance. Generally concluding, Phase3 also influences employee insignificantly and Phase2 has a compared significant and positive relationship with employee performance. Then, I will create a new variable named PMS that includes all activities of performance

management system. The reason why I do this test is that I could figure out as a system, how performance management system influences employee performance. Next Table 4.10 shows the results. It is clear that performance management system has an insignificant relationship with employee performance when compares with control variables ($b=.037$, $p\text{-value}=0.319>0.05$).

Table 4.10 Relationship between PMS with employee performance

Kestper2 (employee productivity)	Coefficient	P value
PMS	.0373812	0.319
Astatus1 (industry)	.0289069	0.318
Zmalfull(company size)	-.0004354	0.323
Zfemfull(male)	.0000234	0.978

Imancha2(female)	.1656287	0.051
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** Significant at 1% level *

Significant at 5% level

To conclude, after the data analysis, the relationship between each activity and three phases under performance management system and employee performance could be recognized. Therefore, the hypotheses also could be confirmed or not be confirmed. Next table will summarize the results.

Table 4.11 Hypotheses testing results

Phases in performance	Hypothesis	Confirmed or not
Developing & Planning performance	Hypothesis: Developing and Planning phase will lead to better	Not confirmed
	Hypothesis 1a: Having set objectives in organization could motivate employee performance	Not confirmed
Managing & Reviewing performance	Hypothesis2: Managing and reviewing performance phase will lead to employee performance	Not confirmed
	Hypothesis 2a: Continuous communication within organization will lead to better	Confirmed
	Hypothesis 2b: Collecting feedback will lead to better	Not confirmed
	Hypothesis 2c: Having coaching activity within organization will lead to better employee	Not confirmed
Rewarding Performance	Hypothesis3: Rewarding performance phase will lead to	Not confirmed
	Hypothesis 3a: personnel development will lead to better	Confirmed
	Hypothesis 3b: evaluating performance will lead to better	Not confirmed

	Hypothesis 3: pay-for-performance will lead to	c: Not confirmed
	Hypothesis4: performance management system will lead to	Not confirmed

4.2 Discussion of findings

The purpose of this study is to examine the relationship between performance management system and employee performance. Rather than examining specific human resource management policies and practices, this study focuses only on performance management system which is a model of performance management and its relationship with employee performance. Generally speaking, the results are quite mixed, however it is positive and insignificant according to Table 4.10. Performance management system consists of three stages: developing and planning performance, managing and reviewing performance, and rewarding performance. In the first stage, developing and planning performance which includes setting mission and objectives influences employee performance insignificantly and but positively according the Table 4.9. However, in the literature review, the study concluded that setting mission and objectives in planning performance stage could impact positively on employee performance. There could be several reasons for the difference between theory and practical data analysis. First of all, the data analysis of this study is secondary data analysis. For example, the main objective of the WERS 2018 researchers is various from research objective of this research. Therefore, the content of questions would not be focused on objective of this study which is examining the relationship between objectives and employee performance. Then, the questions which were used to represent setting objectives in WERS 2017/2018 are quite little. Therefore, the variables are quite limited for me to choose, which would result in decreasing the statistic power in the data analysis. Besides the nature of data, objective

itself also could affect the result. If the target which was built by an organization is higher than the company could expect, it would pressure the staffs because they are not able to do such tough work. On the other hand, if the objectives cannot indicate the ability and productivity of an organization, then the motivation of employee will be decreased. I could say that setting objectives is a way to meet the expectation of employees and employees could compare the motivation of themselves with the objectives of the company. To conclude, planning performance influences employee performance positively from theoretical perspective; in practical data analysis perspective, the objectives have a negative effect on employee performance.

In the second stage—managing performance, coaching and communication has significant and positive relationship with employee performance. From the literature review and data analysis, I could conclude that the discussions and interactions between employees and employee could increase job satisfaction and employee performance and finally result in organizational success. Also from the results of data analysis, Phase2—managing and reviewing performance—has a compared significant relationship with employee performance when compared together with Phase1 and Phase3. Therefore, managers could pay more attention on these activities to gain better employee performance. During the discussion, staffs in an organization could know what the state they are in and what the problems they face, or give the management suggestions to leaders and so on, then finally affect the performance of employees and organizations. In my view, continuous communication is a good way to solve some problems, even conflicts and exchange idea, knowledge also between staffs in organization. On the other hand, coaching and seeking feedback impact employee performance negatively according to the data analysis results. It is opposite to the conclusion of literature review. Again, the dataset could be a reason for this result, there is no accurate variable to represent

coaching, therefore I only could pick a related variable to predict coaching activity. But I still think that coaching could improve people's skills and knowledge which could create higher labour productivity. Especially in some high-tech industries, updating the knowledge and skills for employee is fairly useful and meaningful. Higher knowledge and skill level of employee could be treated as a competitive asset for an organization. The evaluation or checking feedback in this stage still plays an important role for increasing employee performance. In addition to this, seeking feedback has a negative but insignificant relationship with employee performance. The variable for seeking feedback is not quite suitable because there are only three questions related to seeking feedback activity in WERS 2017/2018. However, from my view, feedback is effective in changing employee work behaviour and enhances employee job satisfaction and performance, also from theoretical perspective. Seeking feedback is kind of reviews and learning activity which could compare actual performance and desired performance, in this way, employees could be encouraged to think about what kind of work they did well, then, they could recognize how and in which ways they can use for developing. Moreover, feedbacks also help employee to stipulate themselves and control the working processes. In my opinion, more coaching time and different contents in the training activity, like computer skills and communication skills, also improve the productivity of employee. Indeed, training activity is indispensable in a company. It related to improve employee efficiency and effectiveness, and finally impact on the organizational performance.

In the last stage---rewarding performance, the main activities are personnel development, providing evaluation of employees' performance and paying for performance. From data analysis, personnel development activity has a significant but negative relationship with employee performance. Employees in an organization should recognize the objectives of organization and themselves. Then, organization should provide the opportunities for

employee development. From theoretical view, the effectiveness of pay-for-performance has a direct influence on desirable work attitudes of employee. Pay-for-performance sets up the behavioural criteria by which rewards are allocated and also making employee behaviour fitting with organizational values and objectives. From many literatures demonstrated that the evaluation and pay-for-performance could positively influence employee performance, the data analysis showed a different conclusion. In my view, in the payment system, the criteria of financial appraisal could not be too high to achieve, therefore motivation and passion of employee would be reduced. As well, accompanying with reduced motivation and passion of employee, the job satisfaction and expectation would be decreased. Payment should act as stimulation for employees and it should be proper to the organization performance and working performance of employee. If the payment is below the employee performance, the motivation and passion of employee would be reduced. Therefore, the productivity will be reduced. Meanwhile, when the payment is higher than the payment level of employee performance, employee would be inflated because the same work gains more in this company than payment in the others. It would decrease the efficiency and effectiveness of employee, therefore negatively impact on labour productivity. From the Table 4.5, the data analysis indicated that evaluation and payment activities generally impact positively on employee productivity when compared with control variables. Therefore, the effect of evaluation and payment activities could not be ignored. To conclude generally, the activities in rewarding performance stage in performance management system affect employee performance positively.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Summary

Performance management system consists of three stages: developing and planning performance, managing and reviewing performance, and rewarding performance. In the first stage, developing and planning performance which includes setting mission and objectives influences employee performance insignificantly and but positively. However, in the literature review, the study concluded that setting mission and objectives in planning performance stage could impact positively on employee performance. There could be several reasons for the difference between theory and practical data analysis. First of all, the data analysis of this study is secondary data analysis. For example, the main objective of the WERS 2018 researcher is various from research objective of this research. Therefore, the content of questions would not be focused on objective of this study which is examining the relationship between objectives and employee performance.

However, performance management system must fit with the organization's culture. Developing and planning performance management system should consider the employee ability, organizational asset and performance. The system should be suitable for the real ability and organization's situation. On the other hand, the three stages: developing and planning performance, managing and reviewing performance and rewarding performance should be coherent with each other when establishing and executing the system.

5.2 Conclusion

As the increase of concentration on administrative management during these years, HRM plays a more important role in managing an organization, such as the effects of HRM on innovation, 'new way of working principle' for working relations. Performance

management system, as a field of study, is a popular topic in HRM over time. It is important for a company to plan, manage and reward the performance. In doing so, company's productivity would be developed and profit would be increased as well through supervising the whole process of performance management, such as building objectives, checking feedback and evaluating performance. On the other hand, employees are the resources and assets of an organization. Organizations need to figure out strategies for identifying, encouraging, measuring, evaluating, improving and rewarding employees' performance at work. Consequently, improved employee performance could also influence organizational performance. Therefore, this project aimed at knowing how performance management system influences employee performance. And how could the different stages in performance management system influence employee performance respectively? The first objective is to review the relevant literature about performance management system and employee performance, also the relationship between them. The second objective is to analysis performance management system indicators and their link to employee performance based on the WERS 2017/2018 dataset. The last objective is to find out the nature of the relationship between performance management system and employee performance, and to make a conclusion, also to develop a set of recommendations.

This project presented the existing literature covering performance management, performance management system as well as employee performance, the measurement models of employee performance, as well as the empirical studies examining the relationship between performance management system and employee performance. From the literature review, there are three stages in performance management system. Firstly, it is the developing and planning stage which helps to encourage commitment and understanding by linking the employees' work with the organization's goals and

objectives. According to organization's mission and objectives, employees could understand their responsibility and also motivate employees to engage and involve with their jobs. The ordered logit regression data analysis based on WERS 2017/2018 dataset indicated that the relationship between planning and employee performance is positive but insignificant. In the second stage, there are several activities included, such as coaching, communication and seeking feedback. Coaching aims at empowerment, development and qualifying employees through knowledge and skills. Enhancing communication within the organization makes employees who are not only aware of the objectives and the business plan but can contribute to their formulation. As well as effective feedback has the potential to enhance employee engagement, motivation, and job satisfaction. The last stage is rewarding performance which consists of personnel development, evaluation and payment. An effective personnel performance evaluation system provides the feedback needed for most of the required administrative decisions, and motivate people to utilize their abilities in pursuing the organization's goals. Financial appraisal is also a useful tool to indent employee's passion for their work.

In the literature, labour productivity is the measurement of employee performance. That is quite needed when I analysis how performance management activities influence employee performance. To conclude, combining the literature review, prior research and ordered logic regression analysis results, there is a compared insignificant relationship between performance management system and employee performance. In addition, this study reveals that not all activities in performance management system influence employee performance positively. Therefore, management and employees need to aware that the performance management activities need to be revised when they find employees is depression or unsatisfied. Furthermore, when the managers or professions set up objectives, they should consider the culture of the organization, the knowledge and skills

of employees and other problems. As a result, the objectives could be more achievable and motivating employee better. Then, managers or professions need to create a comprehensive model for financial appraisal to asses employees fairly and consequently to motivate better employee performance. It is obviously that performance management is useful and meaningful for an organization to improve employee and organizational performance.

5.3 Recommendations

Firstly, organization needs to encourage employees to improve their knowledge or skills. Secondly, organization should promote employee if they have outstanding performance. In this way, employees can be motivated to do a better job and then contribute to employee performance. The evaluation in this stage, it focus on the effectiveness of the whole process and its contribution to overall organizational performance to allow changes and improvements to be made, and also provides the feedback to the organization and to individual staff about their actual performance. Moreover, the evaluation plays a key role in motivating people to utilize their abilities in pursuing the organization's objectives. Even though the relationship is not significant from data analysis result, the impact however is positive. Pay-for-performance is a useful financial appraisal tool to stimulate employee's passion for their work.

5.2 Limitation of the study

Consequently, this study adds to more empirical evidence that supports the opinion about the relationship between performance management system and employee performance. However, regarding the various limitation of this study, there is a need for further research in the area of performance management system and employee performance. There are various limitations within this research study which must be considered. Limitations of

the actual data which has been used must be considered. The dataset is extremely large and includes a number of industries. Then, the survey it is somewhat artificial, potentially superficial, and relatively inflexible. Using surveys to gain a full sense of social processes in their natural settings is difficult. For this study, the questions asked within the WERS 2017/2018 data may not accurately reflect what I intended. This is due to the shortcomings of secondary data analysis which is a form of research in which the data collected and processed by one researcher is reanalyzed--often for a different purpose--by another. Therefore, it is difficult to mirror the purposes of my research exactly. On the other hand, the variables were picked subjectively from WERS 2017/2018 by the researcher of this research. The bias of researcher problem might be existed in other researchers with the same topic with variable to reflect personnel development in managing performance stage. Then, the result could be various.

In addition to these limitations, the WERS 2017/2018 data might now be out of date. As opinions change with the time, this might lead to various answers from interviewees. At the same time, the data was only collected within the Nigeria which means that the findings of this questionnaire might not fit with other countries. Furthermore, some variables were not included in the WERS 2017/2018 data; therefore I could not do data analysis. For instance, I could not find a quite suitable variable from WERS 2017/2018 to predict feedback activity in managing performance stage, even though I picked one variable to predict feedback. Moreover, the WERS 2017/2018 was a computer aided personal interview (CAPI) which is a computer assisted data collection method for replacing paper-and-pen methods of survey data collection and usually conducted at the home or business of the respondent using a portable personal computer such as a notebook. Therefore, interviewer could not control what the interviewee was thinking and what the situation interviewee faced. Some problems would happen, for example, the

interviewee perhaps had a misunderstanding of questions, and therefore, the answer could not fit what the researchers expected. In doing so, the validity and reliability of WER 2004 and this research will be influenced.

The survey research in general offers advantages in terms of economy, the amount of data that can be collected, and the chance to sample a large population. On the other hand, survey research has several weaknesses: it is somewhat artificial, potentially superficial, and relatively inflexible. Using surveys to gain a full sense of social processes in their natural settings is difficult. In general, survey research is comparatively weak on validity and strong on reliability. Surveys include the use of a questionnaire--an instrument specifically designed to elicit information that will be useful for analysis.

With the use of STATA, in some data analysis may not be an accurate reflection of the data. The statistics power in this study is not such strong. This may result in questioning if the result reflects the correct relationship between performance management and employee performance. Also, in some questions, there was an option 'other' could include the answers which could not be included in that question.

5.3 Suggestion for further studies

Considering these limitations of this study, it could derive several recommendations for further research on the relationship between performance management system and employee performance. First of all, it has to be noted that further primary data collection method to collect raw data is needed. Therefore, researchers could build questions' contents and types according their research objectives. So, the feedbacks and answers from interviewees would be better reflecting the truth of relationship. Then, WERS 2017/2018 is a cross sectional study which means a class of research methods that involve observation of all of a population, or a representative subset, at one specific point in time.

In the future study of relationship between performance management and employee performance could use longitudinal research. In fact, longitudinal research allows the analysis of the possibility of lagged effects in the relationship between performance management system on employee performance. Moreover, longitudinal analysis can help to determine possible reverse causation in the relationship. Therefore, researchers could understand the nature of relationship between performance management system and employee performance through the repeated research over time.

Moreover, future studies could focus on across national boarder research. This study is limited to the FCT Abuja, Nigeria and the results might not suitable to be analyzed in other countries. In fact, the different country has its own special working situation, so if future study collects data from multiple nations, the empirical results would be various as well. However, it could be difficult to find a dataset that conclude cross national data.

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Appendix2

1. Descriptive statistic results

Table1

Variable	Obs	Mean	Std.Dev	Min	Mas
bstrateg2	1037	.8360656	.3703947	0	1
wetraini 1	981	.5412844	.4985468	0	1
wbmameetl	733	.728513	.4450304	0	1
wbproces	984	1341463	1.821733	-9	3
bmanagel	2295	1.023529	1.611685	-8	8
fjobevall	2292	.3390052	.4734749	0	1
fmeasurl	1042	-.2034549	1.285726	-1	5

Table1 Ordered logit regression result 1—setting objectives with Kestper2

Kestper2	Coefficient	P>Z
bstrateg2	.1570996	0.356
Astatusl (industry)	.0189175	0.206
Zmalfull(company size)	.0002567	0.289
Zfemfull(male)	-.0002343	0.371
lmancha2(female)	.0988922	0.026*

** Significant at 1% level

* Significant at 5% level

Table2 Ordered logit regression result 2---coaching with Kestper2

Kestper2	Coefficient	P>Z
wetraini 1	-.3300035	0.108
Astatusl (industry)	.0468604	0.058
Zmalfull(company size)	-6.18e-06	0.986
Zfemfull(male)	-.0005247	0.229
lmancha2(female)	.0912515	0.203

** Significant at 1% level

* Significant at 5% level

Table3 Ordered logit regression result 3---communication with Kestper2

Kestper2	Coefficient	P>Z
wbmameetl	.7043614	0.014*
Astatusl (industry)	.0364974	0.203
Zmalfull(company size)	-.0004942	0.264
Zfemfull(male)	4.67e-06	0.996
lmancha2(female)	.1754224	0.040*

** Significant at 1% level

2. Ordered logit regression results

* Significant at 5% level

Table4 Ordered logit regression result 4—seeking feedback with Kestper2

Kestper2	Coefficient	P>Z
Wbproces	.0513466	0.348
Astatusl (industry)	.045132	0.068
Zmalfull(company size)	-.0001501	0.638
Zfemfull(male)	-.0004702	0.268
Imancha2(female)	.0929216	0.192

** Significant at 1% level

* Significant at 5% level

Table5 Ordered logit regression result 5---personnel development with Kestper2

Kestper2	Coefficient	P>Z
bmanage1	-.0021285	0.960
Astatusl (industry)	.0205537	0.169
Zmalfull(company size)	.0002678	0.269
Zfemfull(male)	-.0002164	0.408
Imancha2(female)	.0958183	0.030*

** Significant at 1% level

* Significant at 5% level

Table6 Ordered logit regression result 6---evaluation with Kestper2

Kestper2	Coefficient	P>Z
fjobevall	.1676666	0.218
Astatusl (industry)	.0151768	0.327
Zmalfull(company size)	.0002714	0.264
Zfemfull(male)	-.0002214	0.397
Imancha2(female)	.100557	0.023*

** Significant at 1% level

* Significant at 5% level

Table7 Ordered logit regression result 7---pay-for-performance with Kestper2

Kestper2	Coefficient	P>Z
fmeasurl	.0109292	0.824
Astatusl (industry)	.0205476	0.168
Zmalfull(company size)	.0002652	0.274
Zfemfull(male)	-.0002172	0.407
Imancha2(female)	.0959863	0.09*

** Significant at 1% level * Significant at 5% level

Table8 Ordered logit regression result 8—Phasel and Phase2 with Kestper2

Kestper2 (employee productivity)	Coefficient	P>Z
Phasel:	.2837651	0.391
Setting objectives(bstrateg2) Phase2:	-.891304	0.001**
Coaching(wetraini 1) Continuous	1.12949	0.000**
communication(wbmameetl) Seeking	-.0366778	0.559
feedback(wbproces)		
Astatusl (industry)	.0411836	0.155
Zmalfull(company size)	-.0003959	0.378
Zfemfull(male)	-.0001987	0.815
lmancha2(female)	1691918	0.054

** Significant at 1% level * Significant at 5% level

Table9 Ordered logit regression result 9—Phasel and Phase3 with Kestper2

Kestper2 (employee productivity)	Coefficient	P>Z
Phasel:	.1605639	0.348
Setting objectives(bstrateg2) Phase3:	-.0088327	0.837
Personnel development(bmanagel)	.1634271	0.235
Pay-for-performance(fmeasurl)	.0031727	0.949
Astatusl (industry)	0137715	0.375
Zmalfull(company size)	.0002616	0.284
Zfemfull(male)	-.0002421	0.356
lmancha2(female)	.1032548	0.021*

** Significant at 1% level * Significant at 5% level

Table10 Ordered logit regression result10—Phase2 and Phase3 with Kestper2

Kestper2 (employee productivity)	Coefficient	P>Z
Phase1: Setting objectives(bstrateg2)	.2338434	0.488
Phase2: Coaching(wetrainil)	-.8627238	0.001**
Continuous communication(wbmameetl)	1.109551	0.001**
Seeking feedback(wbproces)	-.0422143	0.503
Phase3: Personnel development(bmanagel)	.193685	0.044*
Evaluation(fjobevall)	.0416801	0.871
Pay-for-performance(fmeasur1)	-.0014819	0.988
Astatus1 (industry)	.0340201	0.249
Zmalfull(company size)	-.0004046	0.371
Zfemfull(male)	-.0002767	0.741
lmancha2(female)	.1847416	0.037*

** Significant at 1% level * Significant at 5% level