EFFECTIVENESS OF PERFORMANCE MANAGEMENT SYSTEM: A REVIEW OF THE MAIN ANTECEDENTS AND LESSONS FOR NIGERIAN ORGANISATIONS

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Abstract
Performance Management System (PMS) was developed and hastily implemented, and it was unable to produce the result that people demand from it. It is one of the greatest obstacles that most organisations face in the human resource units, and it typically escalates to various solutions from employee viewpoints. As a result, the study explores the effectiveness of PMS, the main antecedents and lessons for Nigerian organisations. The paper aims at reviewing the extant literature in the area of PMS to identify various antecedents of the PMS and lessons for Nigerian organisations. The study adopted the use of the qualitative method of secondary data obtained from textbooks, journals and publications materials found in different databases (such as Emerald, ProQuest, EBSCOhost, Sage, Google Scholar, etc.) on the internet. The study concludes that the implementation of PMS in Nigerian organisations would obtain better results if they can further improve some segments such as objective performance, key performance indicators, monitoring and evaluation. The study recommends that organisations need to identify and tackle the various challenges encountered in managing performance to have an effective PMS.

Keywords: Performance management, Performance management system, Performance measurement, Organisational challenges, Performance Indicators.

1.0 Introduction
Performance management is a concept that was initially used in the 1970s to describe a techno-science rooted in technology processes to assist administrative management in monitoring an employee’s outcomes and behaviour, two critical facets of what is generally referred to as a success. The aim of the Performance Management System (PMS) is to ensure that each unit of the enterprise aims towards the same target and a sophisticated strategic management framework identifying value factors and strategic goals will guarantee this. PMS focuses on the results of the company and staff, and the system that is used to execute the appraisal process. Employees from the different divisions of the company will be given the appropriate Key performance indicators (KPIs), including goals, behaviour, and benefits. If successfully developed and introduced, the PMS will ensure high employee efficiency and morale and serve as an essential factor in achieving corporate performance and consistent results (Isiaka et al. 2016).

Employees are considered the most important element to any system as it is their behaviours that determine the achievement of organisational goals (West & Blackman, 2015) given that human capital, one of the components of a firm’s resources, can lead to sustained competitive advantage (Barney, 1991). Given the above, there is the likelihood that if skilled employees are not motivated to perform their job, their effectiveness to the organisation may, however, be limited (Delaney & Huselid, 1996). Their success is only possible if they operate in a working environment which has a PMS as part of its core framework and provides them with valuable knowledge and intelligence (West & Blackman, 2015). Despite the sketchy
nature and hasty introduction of the PMS in many Nigerian organisations, outcomes frequently vary and fail to produce the results that people expect from them (Isiaka et al. 2016). PMS concentrated on functional management issues such as calculating goals, priorities and metrics while neglecting individual dimensions such as motivation and emotional influences. This also leads to disputes, employee demotivation and resulting bad results, which ignore PMS goals.

Latest polls of employee perceptions regarding PMS conducted by Isiaka et al. (2016) show that 70-80 per cent denied that PMS helped them boost personal performance. Approximately 60 per cent of employees, led by the union of workers and those in managerial degrees, expressed dissatisfaction with the PMS saying that the process in the new system had contradictory statements. Over 60 per cent, by comparison, believed that PMS did not have truthful reviews or set simple objectives. Therefore, the paper seeks to examine the concept of performance management, inherent problems in conceptualising performance and challenges towards an effective performance management system. This study based on an extensive review of extant literature aimed at assisting human resource practitioners in implementing a performance management system in organisations successfully.

2.0 Literature Review

2.1 The Conceptualisation of Performance Management System

For the understanding of PMS, it is essential to understand the concept of performance, which often is dependent on the school of thought being followed (Shields & Kaine, 2016). A critical post-structuralist may refer to performance as whatever the commanding management discourse says it is while to a pluralist, and the response will rest on the stakeholder involved (Shields & Kaine, 2016). For instance, following a pluralist point of view, a shareholder is likely to consider it as share price improvement, a manager on a profit-sharing plan may nominate annual net profit (Shields & Kaine, 2016). A production manager may put forward labour productivity; a customer might suggest product quality or cost-attractiveness. On the other hand, an accountant may restrict performance to that of net income, that is the difference between sales and cost (Lebas, 1995).

These responses to the definition of the concept of performance underline two crucial aspects of it: first, it is contextual both in terms of purpose and in terms of users (Lebas, 1995); second, and relatedly, it is open-ended and multidimensional (Shields & Kaine, 2016; Sonnentag, 2002; Verweire & Berghe, 2004). Therefore, there is a need to know these aspects of performance as managing performance in an integrated way requires our understanding of the nature and scope of these different contributions towards the concept of performance management (Verweire & Berghe, 2004).

Despite the ambiguity of performance, one can, however, ascribe performance to be an individual phenomenon which involves the employee’s potential to perform (Shields & Kaine, 2016). The performance consists in deploying and managing well the components of the causal model(s) that lead to the timely attainment of stated objectives within constraints specific to the firm and the situation (Lebas, 1995). Asides these descriptions, performance encompasses group and organisation-wide dimensions, each with inputs, processes and results that parallel those operating at the individual level (Shields & Kaine, 2016). At the organisational level, inputs would include the entire workforce’s collective know-how, competitive capabilities, cultural values, and working attitudes; procedures would involve such group activities as teamwork, innovation, and consumer focus; and results such as business productivity, market share, and customer loyalty would be included (Shields & Kaine, 2016).

Several scholars have attempted to explain the antecedents of performance. One of such is the formulation of work performance by Blumber and Pringle (1982). Their formulation comprised three dimensions to work performance including capacity, willingness and opportunity to perform. The formulation of work performance came as a result of the shortcomings of Vroom’s (1964) formulation of performance (ability
and motivation as functions of performance) where they argued that it failed to account for environmental variables not under the control of the individual and also its inability to fit known correlates of performance such as leadership, attitudes and satisfaction into it. Achieving congruence as to the definition of the parameters of performance and the causal model(s) that lead to it is one of the essential functions of management (Lebas, 1995).

Therefore, Hutchinson (2013) views PMS from a diverse range of perspectives, including strategy, organisational behaviour, operations management, economics, accounting, and HRM. However, the study adopts the latter aspect and is focused on how to improve performance through the management of people. In recent years, PMS has been famous as a way of offering a more holistic and consistent approach to performance evaluation than previous discrete and frequently insufficient ranking of merits or performance appraisal schemes (Furtwengler 2000, Kaur, 2011).

Wheelen & Hunger (2012), PMS starts with the formation and definition of organisational strategies and transforms into a sequence of phases that include defining success goals, providing guidance for success, promoting employee engagement, evaluating work results, and performance evaluation. Williams (2002) described a PMS as a paragliding term for performance assessment, setting goals, communicating expectations, observing, documenting, providing feedback and assisting employees in skill development. It can help an organisation gain a competitive edge if it is done well. The core competitive advantage listed is primarily focused around how an individual is handled, established and retained to build capabilities so that they can bring value to the organisation.

2.2 The Antecedents of Performance Management System

The term performance management was first referred to in the works of Warren (1972) as cited in Armstrong, (2009) but received little or no attention for some years until it later re-emerged in the 1980s. Upon the re-emergence of performance management in the 1980s, several studies have been conducted by management bodies, such as Institute of Personnel Development (IPM) now referred to as Chartered Institute of Personnel Development (CIPD). They ascertained that performance management in the early 1990s was in a very vague phrase as many organisations could not differentiate between performance management and performance appraisals (IPM, 1992 cited in Busi & Bititci, 2006). That was because the main objectives of performance management as at the early years were still very unclear and organisations could not differentiate the practices of performance management from performance appraisals and performance-related pay (Armstrong & Ward, 2005).

Moving forward to the late 1990s, the subsequent survey conducted by Armstrong and Baron (2004) showed that organisations had started differentiating between performance management and performance appraisals. Performance management was in the late 1990s, according to Armstrong and Baron (2006) referred to as several interlinked and continuous processes aimed at development rather than pay or a yearly performance process. Going forward from the understanding of performance management in 1998 was the understanding of performance management as not just a people management tool but as a strategic tool to be used for the development of organisations (Armstrong, 2009; CIPD, 2010; Coens and Jenkins, 2002).

Cooper, Gulen, and Rau (2009 ) noted that systematic performance evaluation started before the First World War (1914 – 1918), and branched out to the British army and factories. Appraisals in the 1930’s were used as incentive-linked systems for deciding promotion. The reviews had been based on ratings and personality characteristics in the 1950s. Maila (2006) stresses that in such a situation, the task of the boss is to include feature-related problems that emerge from job review and determine whether to maintain, hire, compensate or promote workers. In comparison, McGregor (cited in Armstrong, 2006) favours measuring work results against targets, rather than measuring personality.
2.2 Dimensions of Performance Management System
As indicated from the definitions, various elements are incorporated, which are critical to PMS in an organisation. Because of this, the researcher has identified ten (10) essential factors for effective PMS, which are discussed as follow:

i. **Communication and feedback:** Connectivity is a critical part of the management process. This ties all the administrative systems together, and without interacting, administrators couldn’t do their work. It includes the sharing of knowledge and thoughts (Dessler, 2002). Feedback by serving as a guarantee for potential benefits motivates behaviour. The purpose of ethical feedback is to encourage people to continue the more effective response and to recognise less effective behaviour, and to find effective alternatives (Weiss & Hartle, 2007).

ii. **Training and development:** The PMS helps a mentor to carry out his role of mentoring and coaching. There is no greater calling than assisting others to become the best they can be. To do that one must see the employee's strength, encourage the employee to improve, provide insights and tools to help the employee improve, celebrate the employee’s success, enable the employee to work through the difficult times (Elien, Riet & Johan, 2005).

iii. **Performance Improvement:** Quality is calculated in terms of tempo, efficiency, operation and importance. Such steps are necessary to obtain and retain a competitive edge and need to be implemented to deliver quality offerings and enable consumer specialisation (Weiss & Hartle, 2007).

iv. **Employee satisfaction:** The PMS tends to predict workplace discontent, and also avoid it. It helps to expose the attitude of employees towards diversity, development, difficulty, learning, engagement, health, autonomy, money and their ability (Furtwengler, 2000). Employees whose voices were heard commonly believe the program is equal and reliable. In PMS to be taken seriously, people need to see the relationship between the given coaching and the positive outcomes (Latham et al. 2005).

v. **Results Orientation:** The performance of the employee should be measured based on a work schedule which covers a given time, setting out his or her duties and the goals to be achieved. Such goals should be articulated in terms of results to be delivered within a given timeframe and should cover both professional growth and organisational objectives (Furtwengler, 2000).

vi. **Compensation Decision:** PMS offers staff the ability to learn about how they can change and what you expect of them. The rewards for increasing contact standard and how the success is to be tracked should be addressed at success meetings.

vii. **Rewarding Good Performance:** Recognising and praising workers who work exceptionally well and whose talents are especially respected is significant, motivating them to continue the high quality they have accomplished and inspiring others to aspire for better success. The most logical way to achieve so is by granting variable wage scales. If performance-related compensation is based on an incorporated PMS, it may have beneficial effects on the working environment (Weiss & Hartle, 2007).

viii. **The Commitment:** The management has structured authority as well as a series of practices such as budgeting, performance assessment, and organisational set-up structures which they carry out to lead and monitor the others. Like many other business structures, PMS has collapsed in the past, mostly not due to program failure but due to operational causes such as unsupportive organisational environment (Spangenberg, 1994) cited in Hogue (2010). Managers must, therefore, be committed to their work in such a way as to create conditions that will improve employee motivation, satisfaction and commitment.

ix. **Fairness, Objectivity and Transparency:** The PMS process requires honesty, objectivity and accountability. The whole process, from performance monitoring to awarding the highest results requires good coordination and constructive dialogue between the individual and the boss. If the
workers do not see the procedure as honest, impartial and open, they are likely to be demoralised and less done (Latham et al., 2005).

**Motivation:** Work morale and happiness in organisations related to corporate culture, reputation and in managing productivity and efficiency are considered as effective approaches to human capital (Wilson, 2004). Well-motivated workers can be a big cause of increased efficiency.

### 2.3 Key Performance Indicators (KPIs)

Hogue (2010) stresses performance assessment when the organisation is on track to meet its target targets. Still, the performance monitoring method establishes key performance indicators (KPIs), or metrics, based on the company’s structure and activities. KPIs can serve as the cornerstone of employee incentive schemes within an organisation. Bloom and Reenen (2010) thought that the creation of KPIs for increasing improvement region within the company is far more difficult to quantify efficiently. The lessons learnt from the literature is that if there is insufficient awareness or inadequate preparation on performance assessment programs, it might lead to the suspension or removal of programs (Hutchinson, 2013). However, Armstrong (2006) pointed out the following performance indicators that are commonly used for performance assessment: (a) finance (income, shareholder, economic value-added, etc.). (b) quantity or quality of outputs (units produced or processed, attainment of standard, level of service, etc.). (c) the reaction (judgment by others, colleagues, internal and external customers). (d) timeliness (speed of respond or turn-around, achievements compare with time tables, amount of backlog, time to market, delivery time, etc.). (e) the presence/attendance on the job (f) efficiency and effectiveness of work completed.

### 2.4 Performance Management System and Challenges

Performance management is an organisational development activity and one of the several approaches to management, which consists of the practical strategy and management techniques for improving employee performance to pursue corporate performance (Lin, 2011). These include but not limited to leadership style and expertise, organisational culture, human resource management, strategy processes and strategy content (Boyne, 2003). Performance management is what line-managers do continuously, not an HR-directed annual procedure (Armstrong, 2009). It is a natural process of management and integration with other key human resource activities, especially human capital management, talent management, learning and development and reward management (Armstrong, 2009).

What is understood by human resource practitioners and expert managers is that there are several factors that if managed well will set the foundation for high levels of performance (West & Blackman, 2015). For instance, performance management is seen to influence employee engagement through setting performance and development goals; managing employee development; providing recognition and ongoing feedback; conducting appraisals and creating a climate of trust and empowerment (Bakker, 2017). Tseng and Levy (2018) argue that performance management is an essential aspect of human resource management which can bring about development and performance in an organisation. On the other hand, important decisions are seen to be taken based on an accurate assessment of employees (Ishizaka & Pereira, 2016) to enhance employee skills (Delaney & Huselid, 1996).

Delaney and Huselid (1996), in their study, highlighted the significance of effectively managing employees in an organisation as it tends to influence the performance of an organisation. According to their research, this could come in the form of organisational practices such as training and development activities. Organisations face significant challenges in implementing performance management practices. These challenges can, however, be classified into two (Mayne, 2007). These include organisational (behavioural) and technical difficulties (Mayne, 2007). Organisational challenge refers to situations where the organisations and the people in them need to change or to do things not done before (Mayne, 2007). Verweire and Berghe (2004) identified this situation as one of the building blocks of their integrated management framework. One key organisational challenge, setting realistic expectations, selectivity,
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avoiding distorting behaviour, and accountability for outcomes is fostering the right climate for performance information (Mayne, 2007). The challenge here is that it is difficult to get individuals in organisations (and governments) to change their management behaviour if an organisation does not value performance information and the incentives in the organisation do not and are not seen to support the development and use of performance information (Mayne, 2007). Technical challenges, on the other hand, are those where expertise is required in measurement and reporting (Mayne, 2007). This challenge seems to arise because specifying the correct objective measure of employee performance is often impossible (Baker, Jensen & Murphy., 1988). That has negative consequences, and one of the implications of this is that it could reduce productivity by reducing the effectiveness of incentives in the organisation (Baker et al., 1988).

Several studies have highlighted what constitutes an effective performance management system that could help overcome the challenges encountered. For instance, Shields and Kaine (2015) explored the basic requirements of an effective performance management system where four basic needs were addressed, namely validity, reliability, cost-effectiveness and felt-fairness. Also, Makhubela Botha and Swanepoel (2016) in their study, noted two organisational components that constitute an effective performance management system, namely, employee involvement and management commitment. Similarly, Haines and St-Onge (2012) study, revealed two organisational practices but in the form of training and employee recognition that could lead to performance management effectiveness. The study pointed out that some methods can improve the capabilities of some systems

Furthermore, Ahenkan (2018) noted the training of supervisors and the ability to link performance management systems with reward and recognition as ways of ensuring an effective performance management system. Besides, Sutheewasinnon, Hoque and Nyamori (2016) introduced a different dimension to implementing an effective performance management system. From a macro-level perspective, their study revealed how a conviction could act as a way of persuading citizens when developing a new performance management system. One of the reasons being the presence of conflicting culture is the appearance in most developing countries. Notwithstanding these varying perspectives, it can be inferred that the goal towards an effective performance management system involves a rigorous process and in which a change in an existing system is likely to occur over a long period.

Consequently, the process of performance management needs to take a strategic approach - a strategy is only realised as decisions are made, and courses of action are pursued (Neely, Gregory & Platts, 1995). This is because of the changes and recent developments occurring in the performance management systems and a need to critically assess the relational dynamics that put these systems into action. There is a need for leaders of organisations to develop a methodology and system that align organisational strategies and core principles with performance management and management indicators (Curtright, 2000). One of the reasons for the disparity between awareness and action could be that organisations tend to focus more on underperformance rather than on high performance (West & Blackman, 2015; Curtright, 2000). In order words, the system fails to recognise the high performance or strength of their workers. West and Blackman (2015) suggest that for real improvement in performance management outcomes as the needs to be a fundamental shift in thinking; not in terms of the processes or of ensuring compliance. But instead that organisations undertaking performance management need to be much straightforward as to the strategic direction such an approach is going to support.

2.5 Benefits of Performance Management System

For organisations: The benefits of performance management systems for organisations are the qualitative advantages such as better achievement of organisational goals, more effective communication of organisational strategies, greater innovativeness amongst staff, better strategic alignment of organisational units and more focus on achievement of results (CIPD, 2010). It is because, the practices of PMS have
helped organisations in objectively communicating and aligning employees’ performances with that of the organisations and has successfully improved communication between managers and employees through the identification of employees strength and weaknesses without being a judge of their abilities unlike performance appraisals (Armstrong & Baron, 2006).

**For employees:** The use and implementations of performance management systems in organisations have been observed to have improved employees job satisfaction and has helped reduce staff turnover in organisations (Lawson and Shen, 2008). It is because the introduction of performance management programs in companies has helped bridge the trust divide between upper management in organisations and workers, resulting in a feeling of belonging to staff and a more vital dedication to work (Bloom & Reen, 2010). In addition to the advantages of workplace performance management systems, the introduction of PMS in companies has helped organisations formulate preparation requirements that better matched particular workers and ultimately improved their ability to achieve and execute their mission (Busi and Bitici, 2006). Consequently, the problem of high unemployment and the retention of staff as a result of poor results was accordingly minimised (Shadrak, 2011).

### 2.6 Theoretical Framework of the Literature

**Goal-setting theory:** Edwin Locke and Gary Latham (1981) proposed that managers can increase motivation and enhance performance by setting specific challenging goals, then helping people track their progress toward goal achievement by providing timely feedback. Philosophically, the goal-setting theory is based on the assumption that people have conscious goals that energised them and directed their thought and behaviour toward one end. Lessons from researchers such as (Robbins & Coulter, 2013) in goal-setting theory show that properly conceived goals trigger a motivational process that improves performance. A general goal-setting model has four components, according to Daft (2010), Goal specificity, refers to the degree to which goals are concrete and unambiguous. Goal difficulty, hard goals are more motivating than easy ones. Easy goals provide little challenge for employees and don’t require them to increase their output. Highly ambitious but achievable goals ask people to stretch their abilities and provide a basis for greater feelings of accomplishment and personal effectiveness.

Goal acceptance means that employees have to “buy into” the goals and be committed to them. Having people participate in setting goals is an excellent way to increase acceptance and commitment. And feedback means that people get information about how well they are doing in progressing toward goal achievement. Managers need to provide performance feedback on a regular, ongoing basis. However, self-feedback, where people can monitor their progress toward a goal, is an even stronger motivator than external feedback. Furthermore, goal theory as argued by Latham et al. (2005) has been said to help stimulate employees’ effort to outperform task as well as challenging people to bring to fore their skills and knowledge to increase chances of success. This is because goal theory helps communicate objectively to employee the task that is expected of them to achieve that is in line with that of the organisation (Armstrong & Baron, 2006). Besides, the goal-setting theory is an essential performance management tool (Broadbent & Laughlin, 2009; Lee, 2005). This is because it is the basis upon which performance can be measured, managed, monitored and assessed, for a PMS to effectively work and enhance employees’ and organisational performance (CIPD, 2010).

### 2.7 Empirical Review of the Literature

In the study of Isiaka et al. (2016), it examines the effect of Performance Management System (PMS) on Employees’ Attitude in the Nigerian Banking Sector. The study used a stratified sampling technique to select a total number of one hundred and eighty (180) staff from Head Offices of the fifteen (15) listed Banks in Nigerian Stock Exchange (NSE). Primary data were collected using a structured questionnaire. The findings revealed that R2 of 0.2177, 0.4066 and 0.6687 values suggested that variables in the model are all jointly significantly influence the probability of the Nigerian banking sector performing better. The
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study concluded that the implementation of PMS is said to be the commencement of a changed attitude to work due to continuous and systematic assessment of employees’ performance regularly.

Also, Hutchinson (2013) conducted an empirical survey. The data provide insights into how workplace underperformance is identified and categorised. Respondents were asked to identify the most common manifestations of individual worker underperformance in their organisations. The following list summarises their responses: absence; incapability; inappropriate attitudes and behaviours towards colleagues and customers; a low standard of work; failing to meet objectives; bad time-keeping; failing to meet deadlines; disregarding workplace norms and rules; insubordination; low output.

Similarly, Homa and Baqer (2013) studied 160 branches of a Canadian bank. The results showed that branch performance was higher when employees were satisfied with performance evaluation procedures, feedback, and recognition at the branch; further, improvements in these attitudes within a unit predict gains in performance. Despite the arguments for expecting a stronger relationship between the PMS and employee attitude, there has been relatively little empirical work that systematically measures the satisfaction performance relationship at the level of the work unit. The study further reported that attitudes typically predicted multiple act criteria better than single act criteria. They generalised that attitudes and behaviours must be compatible to ensure a healthy relationship.

3.0 Conclusion and Recommendations

The paper examined the antecedents and effectiveness of PMS for Nigerian organisations through extensive literature review. It first explained the concept of performance through two schools of thought, post-structuralist and pluralist. These different points of view were noted to present themselves as challenges to the conceptualisation of performance. It went further to examine performance management as a whole. The benefits and challenges, organisational and technical that are associated with a successful implementation of a performance management system were also highlighted. These challenges must be understood and appropriately handled for an organisation to operate an effective performance management system.

Therefore, employees and managers need to understand that PMS are the critical determinants of the organisation’s long-term success or failure. If employees are not happy with PMS, they are likely to be unwilling to take an active part in the process because they do not see any value attach to it. As a result, organisational performance and productivity would decrease due to inefficient employee interest. The successful implementation of a new PMS requires sufficient technical knowledge of the measurement system adopted and KPIs that fosters the participation of management and employees in goal setting and that is sensitive to and acknowledges their genuine concerns.

The study recommends that organisations need to identify and tackle the various challenges encountered in managing performance to have a useful PMS. Organisations should apply PMS in such a way that it will assist them in identifying good and poor performance and acting appropriately through development, recognition and rewarding of good performance.

References


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