

**A CRITICAL ANALYSIS OF PERFORMANCE MANAGEMENT WITHIN  
THE MANUFACTURING DIVISION AT CONTINENTAL TYRE SOUTH AFRICA**

BY

JURGEN DOWLING

**Submitted in partial fulfillment of the requirements for the degree:  
MAGISTER IN BUSINESS ADMINISTRATION  
in the faculty of Business and Economic Sciences  
at the NMMU Business School**

Research Supervisor: Prof. D.M. Berry

January 2007

## **DECLARATION**

**“ I, Jurgen Dowling, hereby declare that:**

- **The work in this dissertation is my own original work;**
- **All sources used or referred to have been documented and recognized; and**
- **This dissertation has not been previously submitted in full or partial fulfillment of the requirements for an equivalent or higher qualification at any other recognized education institution.”**

---

**JURGEN DOWLING**

---

**DATE**

## **ABSTRACT**

Many companies have performance management systems that incorporate financial and non-financial measurements. All organisations have financial and non-financial measures. However, many use their non-financial measures for local improvements at their front-line and customer-facing operations. Performance management is a shared process between managers and the individuals and teams they manage. It is based on the agreement of objectives, knowledge, skill and competence requirements and work and development plans.

The Balanced Scorecard includes financial measures that reflect the results of actions already taken, complementing the financial measures with operational measures on customer satisfaction, internal processes, and the organisation's innovative and improvement activities. The Balanced Scorecard combines both quantitative and qualitative measures, acknowledge the expectations of different stakeholders and relate an assessment of performance to choice of strategy.

The objective of this study was to assess current performance management that is applied within the manufacturing division at Continental Tyre South Africa. To achieve this objective, a comprehensive literature study was performed on performance management and The Balanced Scorecard.

A questionnaire was designed based on the guidelines in the literature study in order to establish the extent to which Continental Tyre South Africa manages performance. The researcher used the random sampling method of selection and distributed the questionnaire to 120 potential respondents via electronic mail and physically. Seventy seven completed questionnaires were returned and these were processed and analysed using Microsoft Office Excel 2003,

running on the Windows XP suite of computer packages.

The opinions of the various respondents were compared with the guidelines provided in the literature survey in order to identify shortcomings of performance management and the achievement of individual and departmental objectives within the manufacturing division at Continental Tyre South Africa.

The following main recommendations were made:

- Continental Tyre South Africa should continue with the sharing of its strategic objectives with management and staff, and must ensure that these objectives are also shared all the way down to the shop floor;
- It is imperative that management and staff mutually agree on performance objectives for the individuals;
- Senior management must measure management and staff on how well they performance manage their direct reports and develop people where performance short-comings exist;
- It is imperative that management and staff undergo performance management training;
- Management must ensure that there current performance management system incorporates a method to distinguish between top and poor performers; and
- It is advisable that senior management consider a mechanism that rewards top performers.

## **ACKNOWLEDGMENTS**

In the successful completion of this dissertation, many individuals played a role to ensure its success. I would like to thank and honour them through this acknowledgement, for their support, assistance and encouragement.

- Prof. D.M. Berry who provided guidance and encouragement during the course of my research efforts.
- Continental Tyre South Africa for its financial support, granting me permission to conduct the research undertaken for this dissertation, and the respondents who completed the questionnaires.
- My study group for their spirit and teamwork.
- My parents, Marius and Sya, my brother, and my wife's family for their support and motivation.
- My wife, Cindy for her patience, support, understanding and for creating a caring environment in which I could prosper.
- Our almighty God, for providing me with another opportunity and the necessary strength to conduct this research.

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
DECLARATION	i
ABSTRACT	ii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LIST OF FIGURES	x
LIST OF TABLES	xi
LIST OF CHARTS	xii
LIST OF APPENDICES	xiii

## **CHAPTER 1**

### **PROBLEM DEFINITION AND KEY CONCEPTS**

1.1 INTRODUCTION	1
1.2 MAIN PROBLEM	2
1.3 SUBPROBLEM	3
1.4 DEMARCATION OF RESEARCH	4
1.4.1 Management level	4
1.4.2 Size of organisation	4
1.4.3 Geographical demarcation	4
1.5 DEFINITION OF KEY CONCEPTS	4
1.5.1 Performance management	4
1.5.2 Balanced Scorecard	5
1.5.3 Strategy	6
1.5.4 Goals	6
1.6 ASSUMPTIONS	6
1.7 THE SIGNIFICANCE OF THE RESEARCH	7
1.8 AN OVERVIEW OF RELATED LITRATURE	8

1.8.1	Introduction	8
1.8.2	Performance management	9
1.8.3	The Balanced Scorecard Model	9
1.9	RESEARCH DESIGN	10
1.9.1	Literature Survey	10
1.9.2	Empirical Study	10
1.9.3	Analysis, conclusions and recommendations	11
1.10	OBJECTIVES OF THE STUDY	11
1.11	OUTLINE OF THE DISSERTATION	12
1.12	CONCLUSION	12

## **CHAPTER 2**

### **PERFORMANCE MANAGEMENT**

2.1	INTRODUCTION	13
2.2	PERFORMANCE MANAGEMENT PROCESS	14
2.3	THE TEN TENETS OF PERFORMANCE MANAGEMENT	17
2.4	PERFORMANCE APPRAISAL	22
2.4.1	The purpose of performance appraisal	22
2.4.2	Fundamental requirements for performance appraisal systems	24
2.4.3	Conducting a performance review	25
2.5	COACHING	26
2.6	REWARDS AND PERFORMANCE INCENTIVES	31
2.7	STEPS IN THE DEVELOPMENT OF A SUCCESSFUL PERFORMANCE MANAGEMENT APPRAISAL SYSTEM	31
2.8	CONCLUSION	33

## **CHAPTER 3**

### **THE BALANCED SCORECARD**

3.1 INTRODUCTION	34
3.2 THE BALANCED SCORECARD AS A MANAGEMENT SYSTEM	35
3.2.1 Clarify and translate vision & strategy	39
3.2.2 Communicate and link strategic objectives and measures	39
3.2.3 Plan, set and align strategic objectives	40
3.2.4 Enhance strategic feedback and learning	40
3.3 THE FOUR PERSPECTIVES BEHIND BALANCED SCORECARDS	41
3.3.1 Financial perspective	44
3.3.2 Customer perspective	44
3.3.3 Internal process perspective	45
3.3.4 Learning and growth perspective	45
3.4 CRITICAL SUCCESS FACTORS OF BALANCED SCORECARDS	47
3.5 BALANCED SCORECARD DOWN-FALLS	50
3.6 BUILDING A BALANCED SCORECARD	51
3.6.1 Guidelines at corporate level	51
3.6.2 Guidelines at employee level	53
3.7 WHY USE BALANCED SCORECARDS?	54
3.8 BALANCED SCORECARD AND REWARDS	55
3.9 CONCLUSION	56

## **CHAPTER 4**

### **THE EMPIRICAL STUDY**

4.1 INTRODUCTION	57
4.2 RESEARCH DESIGN	57
4.3 CONDUCTING THE EMPIRICAL STUDY	59
4.4 SAMPLING METHODS AND SIZE	59
4.4.1 Non-probability sampling	60
4.4.2 Probability sampling	60



4.5 DATA TYPES	61
4.5.1 Data Types 1	61
4.5.2 Data Types 2	62
4.6 THE QUESTIONNAIRE	62
4.6.1 The design	62
4.6.2 Validity and reliability	63
4.7 QUESTIONNAIRE COVER LETTER	65
4.8 RESPONSE RATE	65
4.9 ANALYSIS AND INTERPRETATION OF BIOGRAPHICAL INFORMATION	65
4.10 CONCLUDING REMARKS	70

## **CHAPTER 5**

### **ANALYSIS AND INTERPRETATION OF THE EMPIRICAL STUDY**

5.1 INTRODUCTION	71
5.2 ANALYSIS AND INTERPRETATION OF THE RESULTS OF THE EMPIRICAL STUDY	72
5.2.1 Involvement of employees in strategy	72
5.2.2 Defining performance objectives	75
5.2.3 The performance appraisal / review	78
5.2.4 Development plans and rewards	82
5.2.5 Suggestions from employees on improving performance management	87
5.3 CONCLUDING REMARKS	88

## **CHAPTER 6**

### **CONCLUSIONS AND RECOMMENDATIONS**

6.1 INTRODUCTION	89
6.2 PROBLEMS AND LIMITATIONS	89
6.3 SUMMARY OF THE STUDY	90
6.3.1 Reasons for the research	90
6.3.2 The problem statements	90
6.3.3 Review of the research project	92
6.4 RECOMMENDATIONS	93
6.5 OPPORTUNITY FOR FURTHER RESEARCH	95
6.6 CONCLUSION	95

## **LIST OF FIGURES**

Figure 2.1 The conceptual framework for performance management	15
Figure 2.2 Costello's model on performance analysis	28
Figure 3.1 The Balanced Scorecard as a strategic framework for	38
Figure 3.2 Balance of perspectives	43
Figure 3.3 The four perspectives of the Balanced Scorecard	46
Figure 3.4 Six success factors for Balanced Scorecard implementation	47

## **LIST OF TABLES**

Table 4.1 Responses according to department employed	66
Table 4.2 Responses by position held	67
Table 4.3 Responses by years employed	68
Table 4.4 Responses by number of performance reviews	69
Table 5.1 Involvement in strategy	73
Table 5.2 Defining performance objectives	76
Table 5.3 The performance review / appraisal	79
Table 5.4 Development plans and rewards	83

## **LIST OF CHARTS**

Chart 4.1 Responses according to department employed	66
Chart 4.2 Responses by position held	67
Chart 4.3 Responses by years employed	68
Chart 4.4 Responses by number of performance reviews	69
Chart 5.1 Involvement in strategy	74
Chart 5.2 Defining performance objectives	77
Chart 5.3 The performance review / appraisal	80
Chart 5.4 Development plans and rewards	84
Chart 5.5 Performance rewards	85

## **LIST OF APPENCIDES**

APPENDIX A:ORGANOGRAM: MANUFACTURING CTSA	102
APPENDIX B: ASSESSING THE NEED FOR A BALANCED SCORECARD	103
APPENDIX C: COVERING LETTER	105
APPENDIX D: QUESTIONNAIRE	106
APPENDIX E:RESULTS OF THE EMPIRICAL STUDY	111

## **CHAPTER 1**

### **PROBLEM DEFINITION AND DEFINITION OF KEY CONCEPTS**

#### **1.1 INTRODUCTION**

Johnson & Scholes (2003:480) argue that the starting point of successful strategies is acquiring, retaining and developing resources of at least a threshold standard and this clearly applies to people as a resource. Many of the challenges of human resources are concerned with ensuring that this baseline is maintained within a company. It is all about performance management (PM). Within an rapidly changing environment, these threshold standards are constantly shifting in an upward direction.

Armstrong (1994:23) defines performance management as a means of getting better results from organisations, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and attributes or competency requirements. Armstrong (1994:15) reported that during the late 1980s performance management began to take shape by growing out of a realization that a more continuous and integrated approach was needed to manage and reward performance.

In essence, performance management is a shared process between managers and the individuals and teams they manage. It is based on the agreement of objectives, knowledge, skill and competence requirements and work and development plans.

Performance management aims specifically to improve the following:

- Achievement of objectives;
- Knowledge, skill and overall competence; and
- Day-to-day effectiveness (Armstrong, 1994:13).

## **1.2 MAIN PROBLEM:**

Schultz, Bargrain, Potgieter, Viedge and Werner (2003:74) argue that most organisations face the challenge of successfully implementing its strategy and achieving their goals. Schultz, et al. (2003: 74) cite that David Norton, a leading American strategy consultant, estimates that 90 per cent of organisations fail to implement their strategy. Organisations try to implement strategy without explaining it to their employees. With the use of strategic maps, organisations can provide the architecture for describing the company's strategy. The map breaks the company's objectives down into one of four perspectives namely financial, customer, internal and learning, and growth. The Balanced Scorecard (BSC) approach can be used to turn these objectives into measures, targets, and initiatives. The Balanced Scorecard combines both quantitative and qualitative measures, acknowledge the expectations of different stakeholders and relate an assessment of performance to choice of strategy. Schultz, et al. (2003: 74) state that with the use of a Balanced Scorecard as a performance management tool, it directs the energy of the people in organisations toward the achievement of the strategic goals.

Continental Tyre South Africa (CTSA) has made use of a performance management system based on a Balanced Scorecard approach in several departments within the manufacturing division in order to attain departmental goals. The model that is used take departmental key performance measures



such as quality, speed, cost and morale into account which is based on organisational objectives. Whether the process of performance management has been properly utilized and has facilitated management in achieving the manufacturing goals within all the manufacturing departments remains an open question.

This has led to the following question that also represents the main problem of this study:

**‘Is performance management at Continental Tyre South Africa being properly deployed within the manufacturing division by management in order to achieve the division’s goals and objectives?’**

### **1.3 SUB-PROBLEMS**

In order to develop a research strategy to discuss and solve the main problem, the following sub-problems were identified:

#### **Sub-problem one**

- What performance management models are suggested by literature?

#### **Sub-problem two**

- How does the manufacturing division at Continental Tyre South Africa currently employ their current performance management system which is based on the Balanced Scorecard approach?

#### **Sub-problem three**

- How can the results obtained from the resolution of the first two sub-problems be combined into an integrated strategy which can be used by Continental Tyre South Africa for conducting performance management programmes?

## **1.4 DEMARCATION OF RESEARCH**

In this study the empirical research was focused on a tyre manufacturing company in Port Elizabeth. The exclusion of other manufacturing plants did not imply there was no need to research them.

### **1.4.1 Management level**

The study was limited to middle management and supervisory management within manufacturing. Senior management and hourly employees was excluded.

### **1.4.2 Size of organisation**

The organisation that was studied employs more than 1100 people. An organogram of the management structure of the manufacturing division has been presented in Appendix A.

### **1.4.3 Geographical demarcation:**

The empirical component of the study was limited to Continental Tyre South Africa which is situated within the Nelson Mandela Metropole in the Eastern Cape Province of South Africa.

## **1.5 DEFINITION OF KEY CONCEPTS**

### **1.5.1 Performance management**

Hartle (1995:12) states that performance is about doing things and management is about getting things done. People perform and do things, and managers get

things done by others. In other words, performance management is about the arrangements organisations use to get things done successfully. Performance management is a process for establishing a shared understanding about what is to be achieved, and how it is to be achieved, and an approach to managing people, which increases the probability of achieving job-related success.

### **1.5.2 Balanced Scorecard**

Many companies have performance management systems that incorporate financial and non-financial measures. All organisations have financial and non-financial measures, however many use their non-financial measures for local improvements at their front-line and customer-facing operations. Senior managers use aggregate financial measures as if these measures could be summarized adequately the results of operations performed by their lower and mid-level employees. These organisations are using feedback and control of short-term operations. Kaplan and Norton (1996:7) argue that the Balanced Scorecard is more than a tactical or an operational measurement system. Innovative companies use it as a strategic management system, to manage their strategy over the long run. Therefore, the Balanced Scorecard can be defined as a performance management tool to accomplish critical management process to:

- Clarify and translate strategy and vision;
- Communicate and link strategic objectives and measures;
- Plan, set targets, and align strategic initiatives; and
- Enhance strategic feedback and learning.

### **1.5.3 Strategy**

Johnson and Scholes (2002:9) reported that the strategy of an organisation is affected by the values and expectations of those who have control in and around the organisation. Strategy can be thought of as an indication of the attitudes and beliefs of those who have most influence in an organisation. Whether a company is expansionist or more concerned with consolidation, and where the boundaries are drawn for a company's activities, may say much about the values and attitudes of those who influence strategy – the stakeholders. There are also other stakeholders such as financial institutions, the workforce, buyers and suppliers who also have an influence on strategy. Therefore, for the purpose of this research, strategy was defined as the direction and scope of an organisation over the long term, which achieves advantage for the organisation through its configuration of resources within a changing environment and to fulfill stakeholder expectations.

### **1.5.4 Goals**

Schultz, et al. (2003:61) defines a goal as a specific target that an individual or group are aiming to achieve.

## **1.6 ASSUMPTIONS**

- It is assumed that the manufacturing division currently employs a performance management system in manufacturing department; and
- That Continental Tyre will implement proposed changes to their performance management system as one of the outcomes of the study.

## **1.7 THE SIGNIFICANCE OF THE RESEARCH**

Kaplan and Norton (1992:71) report that organisational measurement systems strongly affect the behavior of managers and employees. The traditional financial accounting measures like return on investment and earnings per share can give misleading signals for continuous improvement and innovation. The traditional financial performance measurements worked well for the industrial era, but they are out of step with the skills and competencies that companies are trying to master today.

Many managers and researchers have tried to cure the inadequacies of current performance management systems. Some have focused on making financial measurements more relevant while others have improved operational measures like cycle time and defect rates hoping that financial results will follow. However, it has been realized by managers that no single measurement can provide a clear performance target or focus attention on the critical areas of the business. Managers want a balanced presentation of both financial and operational measures (Kaplan & Norton; 1992; 71).

Kaplan and Norton's (1992:71) Balanced Scorecard includes financial measures that tell the results of actions already taken, complementing the financial measures with operational measures on customer satisfaction, internal processes, and the organisation's innovative and improvement activities. The Balanced Scorecard combines both quantitative and qualitative measures that acknowledge the expectations of different stakeholders and relate an assessment of performance to choice of strategy.

Organisations in South Africa have been more and more exposed to the competitive environment in the international market. They need to compete on an equal basis with international competitors. The use of a

performance management system, like The Balanced Scorecard, can be a useful tool to assist such organisations as Continental Tyre South Africa in becoming more competitive, both locally and globally.

## **1.8 AN OVERVIEW OF RELATED LITRATURE**

### **1.8.1 Introduction**

Brown (1994:89) argues that managers in large companies have difficulty translating objectives, strategies and performance measures at different levels of the company. Objectives at the senior management level frequently have no clear connection with performance priorities lower down. Generally, financial objectives take precedence at the top, while production volume, quality and service objectives have the highest priority at the frontline, employee level. How lower level production and service objectives translate into upper level financial results is usually not clear. Brown (1994:89) cites that the need to incorporate objectives and strategies across levels and functions is becoming more critical as companies compete on a broader array of performance criteria.

Kaplan and Norton (1992:1) have developed the Balanced Scorecard that integrates measures of customer satisfaction, process performance, product or service innovation and finance. They contend that these areas of measurement are of universal importance to most businesses. Management's task is to balance the emphasis that is given to these interdependent factors and ensure that appropriate weight is given to them at different levels of the company.

### **1.8.2 Performance management**

According to Johnson & Scholes (2003:480) the starting point of successful strategies is acquiring, retaining and developing resources of at least a threshold standard and this clearly applies to people as a resource.

Performance management is the day-to-day management of employees in terms of goals of the organisation. A performance management system is an orderly process that properly documents the goals and objectives of each employee, with a built-in review process. Having a good performance management system means that each person will have goals and measures that are linked directly to the organisation's strategy. The process of developing individual measures starts by taking the strategy of the organisation and cascading the strategic objectives down through the diverse departments. Once managers of the different departments have set their goals and objectives, each person in the department should be assisted by means of a co-operative goal setting session to set his or her goals and the associate measures. This process is often known as goal alignment. In effect, everyone's efforts are directed towards the same goal and there is no wasted effort with employees going off at a tangent (Shultz, et al. 2003: 76).

### **1.8.3 The Balanced Scorecard**

Kaplan and Norton (1996:7) developed the Balanced Scorecard model as an innovative business performance measurement system, in the belief that existing performance measurement approaches, primarily relying on financial accounting measures, were becoming outdated. This innovative approach was able to consider the intangible or "soft" factors that had previously been considered as immeasurable, and as such, of little value. The term "Balanced Scorecard" reflected the balance between short and long-term objectives, financial and non-financial measures, lagging and leading indicators and external and internal

performance perspectives. The successful application of the Balanced Scorecard in a number of transformation projects identified that it could also be a medium to communicate and align a new strategic approach. It has been successful because it is able to identify linkages between the four key areas that generate and perpetuate success.

According to Kaplan and Norton (1992:71) primarily, the Balanced Scorecard gives managers the ability to view performance in several areas at the same time. The Balanced Scorecard also restricts the number of measures used and forces managers' focus on the critical indicators of the company's performance. Apart from bringing diverse pieces of information together in a single management report, it guards against sub-optimisation. This is because the Balanced Scorecard lets managers see whether changes in one area are at the expense of another. This is important as there is often more than one way of achieving the same objective and even the best objective can be achieved badly.

## **1.9 RESEARCH DESIGN**

The following procedure was adopted to solve the main and sub-problems.

### **1.9.1 Literature survey**

A literature survey was conducted to determine a framework for the development of a performance management system. It was conducted with the use of secondary resources in the form of textbooks, articles, research reports and unpublished internal documents.

### **1.9.2 Empirical Study**

A survey was conducted among management and salaried staff within the manufacturing division of Continental Tyre South Africa, using a questionnaire



drawn up by the researcher to establish what key strategies management follows to achieve individual and departmental goals. The researcher obtained permission from the General Manager: Manufacturing of Continental Tyre South Africa to conduct the said research.

### **1.9.3 Analysis, Conclusions and recommendations**

The results of the literature survey and the empirical study were used to establish if the performance management system within the manufacturing division at Continental Tyre South Africa had been properly deployed by management in order to achieve the manufacturing goals and objectives.

### **1.10 OBJECTIVES OF THE STUDY**

The purpose of this study was to assess how the current performance management is applied within the manufacturing division at Continental Tyre South Africa.

The specific objectives of the study were to:

- Assess the attitudes of managers towards performance management;
- Evaluate the current performance management systems that are in place within the different departments of the manufacturing division; and
- Make recommendations on the current performance management system which is based on the Balanced Scorecard approach which will be effective and sustainable.

### **1.11 OUTLINE OF THE DISSERTATION**

The study will include the following chapters.

Chapter 1: Problem definition and key concepts.

Chapter 2: Performance management.

Chapter 3: The Balanced Scorecard.

Chapter 4: The empirical study.

Chapter 5: Analysis and interpretation of the results of the empirical study.

Chapter 6: Conclusions and recommendations.

## **1.12 CONCLUSION**

This chapter introduced the research problem to be investigated as well as three sub-problems. Definitions of the terms used in the research were provided and the significance of the research was discussed. The research design was also outlined.

Chapter 2 will provide an overview of performance management as well as the guidelines to be used when establishing an effective performance management system.

## **CHAPTER 2**

### **PERFORMANCE MANAGEMENT**

#### **2.1 INTRODUCTION**

Performance management is the day-to-day management of employees in terms of the goals of the organisation. A performance management system is an orderly process that properly documents the goals and objectives of each employee, with a built-in review process. Having a good performance management system means that each person will have goals and measures that are linked directly to the organisation's strategy. The process of developing individual measures starts by taking the strategy of the organisation and cascading the strategic objectives down through the diverse departments. Once managers of the different departments have set their goals and objectives, each person in the department should be assisted by means, of a co-operative goal setting session to set his or her goals and the associate measures. This process is often known as goal alignment. In effect, everyone's efforts are directed towards the same goal and there is no wasted effort with employees going off at a tangent (Shultz, et al. 2003: 76).

Armstrong (1994:17) notes that effective performance management must direct the vision and efforts of all managers towards a common goal. It must ensure that the individual manager understands what results are demanded from him or her. It must ensure that the superior understands what is to be expected of each of his subordinate's managers. It must motivate each manager to maximum efforts in the right direction.

In chapter 2 the author will review the guidelines to be used when establishing an effective performance management system. The chapter will look at key

components for an effective performance management system, success factors and shortfalls with performance management systems and also at ways on how to improve on current performance management systems used by management.

## **2.2 PERFORMANCE MANAGEMENT PROCESS**

Armstrong (1994:1) states that the goal of performance management is to improve the following aspects of performance:

- Achievement of objectives;
- Knowledge, skill and overall competence; and
- Day-to-day effectiveness.

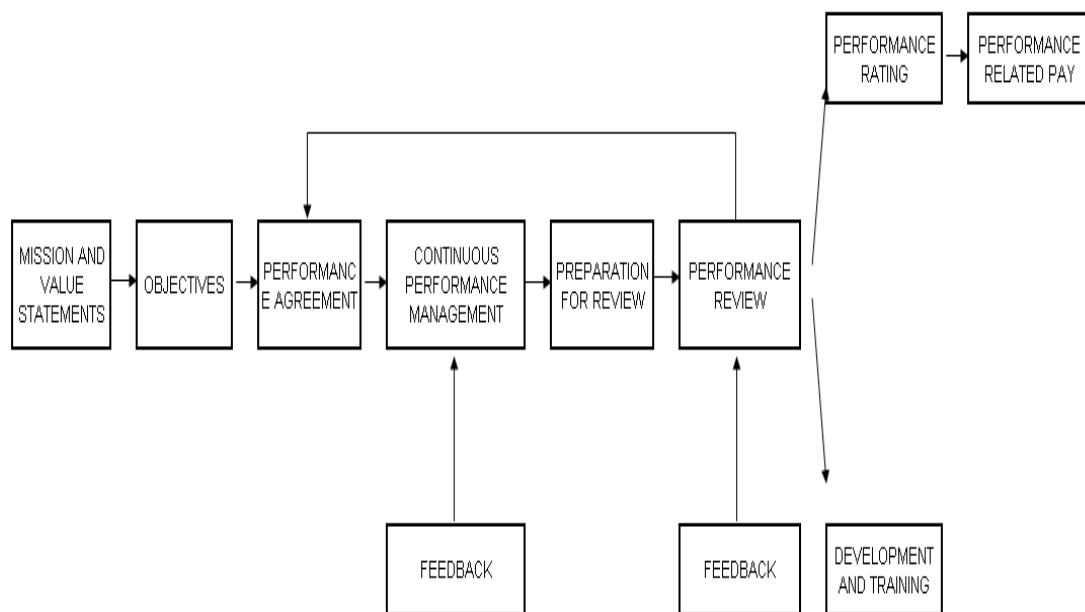
Armstrong (1994:40) argues that performance management must be regarded as a flexible process which involves managers and those whom they manage operating as partners within a framework which sets out how they can best work together. This framework must reduce the degree to which performance management is a top-down affair and it needs to encourage a balanced approach with the following features:

- Less focus on retrospective performance assessment and more concentration on future performance planning and improvement;
- Identification and recognition of the skills and competencies associated with higher levels of performance;
- Identification and recognition of outputs which are defined in qualitative terms and not just quantitative ones;
- A freer, upwardly managed process;
- A more coaching and counselling style of appraisal with less emphasis on criticism;
- More focus on the individual's contribution to the success of the team as a whole, with some objectives defined in these terms;

- Equally concerned with improving performance as assessing it;
- No forced distribution of performance ratings; and
- Possibly no formal performance ratings given.

Armstrong (1994:42) has developed a conceptual framework for performance management as depicted in figure 2.1:

**Figure 2.1: The conceptual framework for performance management**



**Source: Armstrong (1994:42)**

The process illustrated in figure 2.1 by Armstrong (1994: 42) consists of the following activities:

- Corporate strategies and objectives;
- Preparation of mission and value statements linked to business strategy;
- Definition of corporate and functional or departmental objectives; performance agreements and plans;
- Agreement of accountabilities, tasks, objectives, knowledge, skill and competence requirements and performance measures – the performance agreement and contract;
- Agreement of work plans and personal development and performance improvement action plans, continuous management of performance throughout the year;
- Regular feedback;
- Interim progress reviews, formal performance reviews;
- Preparation by the manager and the individual for the formal review;
- The annual performance review, which leads to a new performance management agreement, development and training;
- Formal development and training programmes prompted by the performance review;
- Less formal development throughout the year will be taking place in the shape of coaching, counselling, on-the-job training and self-development activities;
- Rating or ranking performance – although usual, this is not an inevitable performance activity; and
- Performance related pay – this is not always associated with performance management, but because an increasing number of organisations are introducing it, the link between performance as measured by the performance management process and pay is becoming more common.

## **2.3 THE TEN TENETS OF PERFORMANCE MANAGEMENT**

Romanoff (1989:24) recommends the following “Ten Commandments” when managers decide to set up a performance management process or system. These are as follows.

Commandment 1: “Thou shalt involve thine employees in the design of the performance management programme” (Romanoff, 1989:24). An ordinary programme designed by employees is better than an ideal programme designed by management. By giving employees the opportunity to play a meaningful role in designing their own performance management programme, one builds commitment and support into the programme, instead of merely adding these qualities as an afterthought.

This does not mean, however that employees should be given carte blanche to design the programme any way they choose. Romanoff (1989:25) reported that besides the fact that employees do not necessarily want that level of responsibility, they only want evidence that their involvement influenced the programme’s outcome. Involvement from the employees can vary in a variety of ways such as defining performance standards, designing forms, instructions and reviewing communication and training material. The input from management should be more directed to articulating organisational missions and values, defining annual goals and objectives and approving performance standards.

Commandment 2: “Thou shalt go out of thy way to recognize top performers. We are an organisation that tolerates nothing short of excellence, and all of our employees are above average!” (Romanoff, 1989:24). Being called “average” in many organisations is synonymous to being labeled a failure. Performance ratings often fail to make clear distinctions between the exceptional and the ordinary. If an organisation has a clearly articulated notion of excellence and all employees are achieving it, then there is not enough stretch in the organisations

goals. Thus an organisation with many excellent employees will have many "excellent" employees who are average. Therefore, how do organisations avoid discouraging such employees or losing them to companies where they can be bigger fish in smaller ponds?

Romanoff (1989:25) argues that there are two strategies that organisations can follow:

- Strategy 1 - Organisations should show employees that being average in such an organisation is itself an accomplishment. Good, solid performers are the backbone of successful organisations - they should be valued, nurtured, recognized, and rewarded.
- Strategy 2 – Organisations should remember that achieving excellence in an excellent organisation calls for a stretch. Measure excellent people on a different scale; expect more from them, and when they deliver, be prepared to offer commensurate rewards. Without these rewards, there is no incentive to make the extra effort.

Vollmer (2005: 1) cites in the article "*Create Candor in the Workplace, Says Jack Welch*" that Jack Welch, former CEO of General Electric, instituted the 20/70/10 rule for employee performance. According to Jack Welch, essentially 20 per cent of employees are outstanding and should be looked after as future leaders for an organisation, 70 per cent are good and are encouraged to improve, and 10 per cent are below current performance standards and are encouraged to find a new position. For a company's top performers, Welch said that the right combination of rewards and recognition fosters a high-performance work environment. Good managers know exactly how to motivate each of their employees, but Welch suggested a few specific strategies for rewarding excellence in the workplace. "Have small celebrations for every little victory on the way to reaching your goal," he advised. "Excite people. Send them to training. The day you become a leader, your job is to take people who



are already great and make them unbelievable."

([http://www.gsb.stanford.edu/news/headlines/vfft\\_welch.shtml](http://www.gsb.stanford.edu/news/headlines/vfft_welch.shtml))

Commandment 3: "Thou shalt allow thy employees to fail" (Romanoff, 1989:25). Romanoff (1989:25) argues that no matter how much organisations and managers desire success, and no matter how much effort they exert to achieve it, even the best experiences a setback now and then. Failure should be handled sensitively by authority figures or it will become debilitating. Romanoff (1989:25) uses the example of a company president who called in a young salesman into his office to reprimand him for pricing mistake that cost the company million of dollars. When the salesman asked if he would be fired, the president replied: "Fire you? Are you crazy? I just invested a million dollars in your development!". The president realised that failure is critical to the learning process and must be considered in the context of individual potential for future success (Romanoff, 1989: 26). The objective of management should be to remove punishing effects of failure and to help employees avoid the reluctance to take further risks.

Commandment 4: "Thou shalt tie a large part of manager's' own performance appraisals to how well they plan for, encourage, and assess the performance of their employees" (Romanoff, 1989:26). People who manage others have a tremendous obligation both to their company and to their employees. Organisations depend on its managers for the performance of the entire business, while employees trust these same managers for much of their professional development, financial security, and future success. Romanoff (1989:26) cited several activities that contribute to good management and provide a healthy environment for employee development: articulating goals. These are:

- Developing standards;
- Monitoring progress;

- Providing feedback and support;
- Coaching, counselling, and motivating;
- Appraising performance;
- Promoting staff;
- Directing activities, assisting with professional development: teaching skills and techniques; and
- Conferring rewards.

Commandment 5: “Thou shalt base performance decisions on actual work results, not on personality traits” (Romanoff, 1989:26). Performance appraisal can be a difficult and confrontational undertaking, largely because managers place so much value and importance on what we do at work. Most performance management systems actually measure factors that are more reflective of employee’s personalities than they are of their accomplishments on the job. Some personality traits and abilities that frequently appear in performance appraisal systems are: commitment, enthusiasm, attitude, cooperation, responsiveness, responsibility, motivation, discipline, follow-through, ambition and leadership.

Commandment 6: “Thou shalt link each individual’s goals to the organisation's overall goals” (Romanoff, 1989:26). The real goal of effective performance management is to improve performance, not merely to measure it and should be related to overall company goals. Without the perspective of a uniform set of these goals, a company tug-of-war will occur; employees may be pulling as hard as they can, but in opposite directions. Therefore, goal alignment should be achieved where all this effort could be redirected to get everybody pulling in the same direction; the force would be very powerful.

Commandment 7: “Thou shalt explain to managers and employees what a salary

range is and how it is used” (Romanoff, 1989:26). Romanoff (1989:26) argues that top performers are upset if they get do not get the highest percentage increase, regardless of their current pay levels. They should realise and compare the actual monetary difference between their salary and the salaries of others, and not the difference in percentage increases. Every job in an organisation is not worth an infinite amount of money if it is performed well enough. If organisations continue to give the highest performers the highest percentage increases without considering their current level of pay, they will eventually raise their salaries beyond reasonable levels. Romanoff (1989:26) recommends addressing this situation by teaching managers and employees how salary ranges work and how to use them. This will eliminate the discouraging condition that stems from current misunderstandings and realign employees’ salary expectations so that they are consistent with the way the system is really designed to work.

Commandment 8: “Thou shalt not succumb to the temptation simply to design a form and call it a performance management program” (Romanoff, 1989:28). Romanoff (1989:28) believes that managers spend too much time trying to design the ideal form and that a performance management programme is much more likely to be successful if managers spend about 20 per cent of “programme time” designing the form and the other 80 per cent on implementing the programme.

Commandment 9: “Thou shalt train managers to give and receive meaning full performance feedback” (Romanoff, 1989:28). Performance feedback gives employees essential information about how someone else perceives the effectiveness of his or her work. Managers use feedback to refocus or redirect employees' behavior and to help them achieve desired results.

Giving feedback both positive and negative, often presents an awkward and difficult situation for managers. To be effective according to Romanoff (1989:

28), feedback should be:

- Clear. Vague, poorly thought-out, or unnecessarily complex feedback can have unexpected and undesired impact;
- Descriptive not judgmental. Offering examples instead of unsubstantiated opinions will help prevent defensive reactions;
- Constructive. Suggesting ways to improve performance-rather than just listing what is wrong - will make the discussion future-oriented and productive; and
- Positive and negative. Telling both sides of the story makes feedback more credible, palatable, and useful.

Commandment 10: "Thou shalt treat employees as adults and with respect, and not lose sight of the fact that they are people, not just human resources" (Romanoff, 1989:28). People do not exist to be exploited and depleted. The surest way for an organisation to fail is to suggest, through its actions or statements, that people are nothing more than useful commodities. Romanoff (1989:28) argues that managers must never forget that they are dealing with people - real human beings who deserve to be treated with fairness, honesty, and respect.

## **2.4 PERFORMANCE APPRAISAL**

### **2.4.1 The purpose of performance appraisal**

Swanepoel, Erasmus, Van Wyk and Schenk (2000:406) define performance appraisal as a formal and systematic process by means of which job-relevant strengths and weaknesses of employees are identified, observed, measured, recorded and developed. Armstrong (1994:77) also argues that in order for performance management to be effective, there needs to be a continuing agenda

through regular review meetings to ensure that good progress is being made towards achieving agreed objectives for each of the key results areas. Swanepoel, et al. (2000:406) conclude that many uses and purposes of performance appraisal have been advanced, but generally these can be categorized under the headings of administrative purposes and developmental purposes.

Administrative purposes involve the use of performance data as bases for personnel decision making, including:

- Human resources planning;
- Rewarding decisions;
- Placement decisions such as promotions, transfers, dismissals and retrenchments; and
- Personnel research.

Developmental purposes of performance appraisals focus on developmental functions on the individual as well as the organisational level.

Appraisal can serve individual development purposes by:

- Providing employees with feedback on their strengths and weaknesses and on how to improve future performance;
- Aiding career planning and development; and
- Providing inputs for personal remedial interventions.

Organisational development purposes may include:

- Facilitating organisational diagnoses and development by specifying performance levels and suggesting overall training needs;
- Providing essential information for affirmative action programmes, job redesign efforts, multi skilling programmes, etc; and

- Promoting effective communication within the organisation through ongoing interaction between superiors and subordinates.

#### **2.4.2 Fundamental Requirements for performance appraisal systems**

Swanepoel, et al. (2000:406) conclude that the specific requirements for an appraisal system as a criterion for judging the work performance of individuals are:

- Relevance. Swanepoel, et al. (2000:410) cite Cascio (1998:304) who suggests three necessary processes to ensure relevance:
  - Establishing clear links between the performance standards of all jobs and the organisational goals;
  - Establishing clear links between the critical job elements of each job and function, and the performance dimensions to be rated on the appraisal form; and
  - Ensuring the regular maintenance and updating of job descriptions, performance standards and appraisal systems.
- Reliability. The performance management system must produce evaluations and ratings that are consistent and repeatable;
- Discriminability / Sensitivity. Although the system must be highly reliable and relevant, a system will still be of no use if it is unable to establish between good performers and poor performers;
- Freedom from contamination. The system should be able to measure individual performance without being contaminated by extraneous factors that are outside of the employee's control;
- Practicality. The system should be easy to understand and to be used by managers and subordinates, i.e. it should be user friendly and manageable in terms of the amount of administration it requires and in terms of its cost effectiveness; and
- Acceptability. Acceptability of the system by employees is the most important prerequisite, since the support and perceived legitimacy a system receives

from both managers and employees will probably carry more weight in determining its success than its inherent technical soundness.

### **2.4.3 Conducting a performance review**

It should be noted that the purpose of the review is not to discuss personality but performance. Kirkpatrick (2006:61) recommends that the following ten principles must be applied to all performance reviews regardless of the form that is used:

- Establish and maintain rapport. Rapport can be defined as the climate in which the interview takes place. Socialising for a few minutes is well worth the time if it creates rapport;
- Clearly explain the purpose of the interview. Make it clear to the employee what you want to accomplish. State it in positive terms. This can be done as “The purpose of this review today is for us to discuss your performance and agree on your strengths and areas that can be improved. Then we are going to talk about your future and how we can work together” (Kirkpatrick , 2006:61);
- Encourage the employee to talk. The review must include two way communications. The establishment of rapport helps to overcome this reluctance;
- Listen and do not interrupt. The word listen here means to really listen. It is an active process of finding out the thoughts as well as the feelings of the other person. And if both parties start to talk at the same time, the manager should quit talking and encourage the employee to go ahead;
- Avoid confrontation and argument: Even though differences of opinions are expressed, the manager should avoid confrontation and argument;
- Focus on performance, not personality. This is a performance review, and emphasis should be on performance, not personality. It does not mean that items as attitude, integrity, dependability, appearance, or initiative are not mentioned, it means that these characteristics are mentioned only as they relate to performance;

- Focus on the future and not the past. This does not mean that past performance is not discussed, but that the emphasis is on what can be learned from the past that will help the future;
- Emphasize strengths as well as areas to improve. Every employee has strengths as well as areas of performance that can be improved. Recognise and build on the strengths, and also discuss job segments that must be corrected if performance is to improve;
- Terminate the interview when advisable. The appraiser should hesitate to terminate the review at any point when he thinks it is a good idea. If the review meeting is terminated before accomplishing all of the objectives set, agree on when the review meeting can be continued; and
- Conclude on a positive note. The appraiser must ensure that the employee leaves the meeting in a positive frame of mind instead of feeling resentful of the negative aspects of the discussion. A warm handshake at the end of the meeting is one way of ending on a positive note.

## **2.5 COACHING**

The terms “coaching” and “counselling” are frequently used to describe the on-the-job conversations that take place between manager and employee. Some organisations use the words interchangeably to mean that same thing, while others differentiate. Kirkpatrick (2006:92) characterises coaching and counselling as two different meanings as follows:

Counselling –

- The employee usually initiates discussion;
- Counselling takes place when a problem arises or when the employee feels a problem needs solving;
- The problem can be job or personal orientated;
- Emphasis is on listening on the part of the manager;
- The manager avoids giving specific advice and helps the employee solve his or her problem; and



- The objectives are to solve a specific problem /and/or to relieve tension on the part of the employee.

#### Coaching -

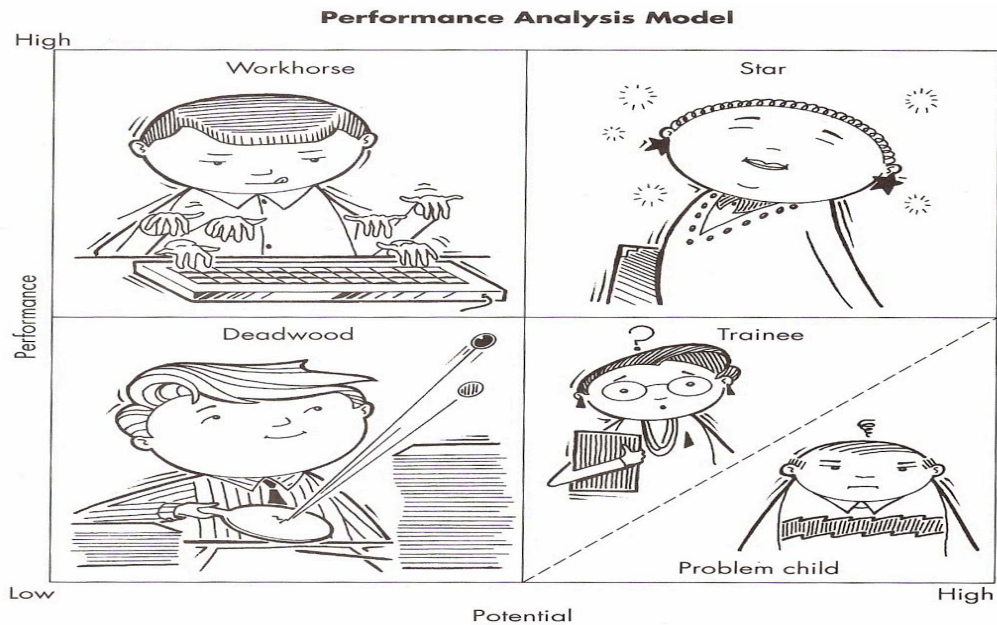
- The manager usually initiates discussion;
- It is done on a regular basis;
- It is job orientated;
- It is positive or corrective, with the emphasis on telling, training, and teaching by the manager;
- The manager frequently gives specific advice on what to do and how to do it; and
- The objective is to improve the job performance of the employee as an individual and a team member.

Costello's model (1994:78) in figure 2.2 on performance analysis, looks at identifying coaching needs classifying the employee into one of five categories:

- Workhorse – People on whom you can rely and who get the job done. Their potential is moderate, but their performance is high;
- Stars – People who have high potential as well as high performance;
- Trainees – People who are new employees or learners. They have potential to perform well with training and support;
- Problem child – People who have high potential but who do not perform well, even after support. Managers often spend too much time with these employees, getting caught in what is known as the “saviour syndrome” in their desire to avoid conflict; and
- Deadwood – People who are non-productive and give low potentials and low performance. These people are often known as the “quit-and-stay” type employees who show up for work in body only. In a tight economy,

organisations usually divest themselves of this group.

**Figure 2.2: Costello's model on performance analysis**



**Source: Costello (1994:79)**

Kirkpatrick (2006: 93) however, argues that coaching is not a specific set of instructions that a manager has developed about the activities or behavior of the employee. It is not a set of tasks to be performed with the demands for vaguely determined outcomes such as “hitting the ball”. And it is not some action or policy that inhibits movement, requires sitting overly long in one position, or extols the virtues of patience and humility.

Gilley & Boughton (1996:32) cite in their book, *Stop Managing, start Coaching*, that successful organisations have managers who motivate and inspire their employees, not beat them down. These managers see themselves not just as

bosses, but as performance coaches, taking the responsibility for:

- Providing employee training that applies directly to the job;
- Helping employees enhance their careers;
- Confronting employees in a positive way to improve performance; and
- Mentoring employees to help them become the best they can be. The result is motivated, productive employees ready to accept challenges and take initiatives.

Gilley and Boughton (1996:32) describe performance coaching as "person centered management" that requires establishing rapport and engaging in face to face interactions with employees targeted towards the solving of problems, improving performance, or getting results. They view performance coaching as consisting of four sequential phases: (1) developing a synergistic relationship with employees, (2) using the four roles of performance coaching, (3) developing self directed and self esteeming employees, and (4) selecting rewards that build commitment and get results.

They recommend that performance coaching relationship with employees must include each of the following components listed below. These form a step by step process for creating a bond between managers and employees that will benefit both.

- Freedom from fear. Fear kills organisational and individual performance. An intimidating manager and constant fear of reprisals, for example, make employees frustrated, angry, and resentful. Good relationships can't survive under such conditions.
- Communication. Even in organisations free of fear, communication can break down. Often, managers only allow one-way communication - from them to employees. Some managers are willing to communicate but have poor listening skills that discourage employee communication. Managers must encourage two-way, open communication between themselves and employees, ensuring that they are communicating on the same level and

with the same language.

- Interaction. To have healthy, fear-free - and mistake-free communication, allows personal interaction between manager and employees. E-mail, for example, is convenient but it can also be used as a barrier to interaction. Managers should not be afraid to face their employees - in person.
- Acceptance. Relationships must be non-judgmental. Acceptance means being ready to listen to and consider what employees have to say. If managers immediately dismiss anything employees say, the relationship becomes one-way and weak.
- Personal involvement. Managers must know their employees as human beings, and let them know them as a human being. That does not mean that every personal detail has to be shared. But it means showing concern and interest in the employee as a person as well as a worker.
- Trust. Trust can be established only if the relationship is personal. Only then will employees know that a manager will respect the confidentiality of any information they give to the manager.
- Honesty. Relationships depend on total honesty. That does not mean managers cannot hide things that will hurt their employees.
- Self-esteem. If the other components of a healthy relationship, such as trust and interaction, are in place, the result will be employees and managers with higher self-esteem. This is the point when the relationship becomes synergistic.
- Personal and professional development. Once a relationship is self-esteeming, managers are ready to develop employees personally and professionally. The job of the manager (coach) is to offer the right work assignments that help employees achieve their goals. Performance coaching will help managers find out what these goals are - and help their employees achieve them.

## **2.6 REWARDS AND PERFORMANCE INCENTIVES**

Increasingly companies are seeking ways to include employee pay as an element in the strategic planning process. Pay should probably be a cornerstone of strategy if management is committed to using pay as an incentive and a reward for desired levels and directions of performance (Sears, 1987:198). It has become increasingly common for managers to advocate that pay should be linked to performance, to provide motivation and feedback. Employee good performance awards can lead to definite improvements if the culture is right (Macaulay & Cook, 1994).

Walters (1995:117) recommends the purpose of performance related pay should be to reinforce the performance goals and priorities determined by the organisation. If the performance pay system is aligned with the organisation's performance needs, pay can become, in effect, the fuel that drives overall performance management.

## **2.7 STEPS IN THE DEVELOPMENT OF A SUCCESSFUL PERFORMANCE MANAGEMENT APPRAISAL SYSTEM**

The foremost requirement for any effective appraisal system would be a tailor-made design and process that fits the specific needs, business environment, culture, etc. of the organisation. Swanepoel, et al. (2000:418) state that the following steps typical choices or questions to be addressed according to Anthony, Perrewe and Kacmar (1999:369), to ensure an appropriate customised appraisal system are highlighted at each development step:

Step 1: Planning the system – An effective performance management system should enable and empower all employees down to first line management to implement strategy and objectives of the organisation successfully. Anthony, et al. (1999:369) have developed the following questions that need to be addressed

during the planning phase:

- Who will be involved in appraisal (direct supervisors, peers, etc)?;
- What will the overriding purpose be (developmental or judgmental)?;
- How will the results be used?;
- What organisational factors need to be taken into account?; and
- Should evaluations be individual or group based?

Step 2: Developing the system – Swanepoel, et al. (2000:419) cite the following essential activities to be performed, namely:

- Obtaining basic job information through appropriate job analysis techniques and results in the writing of job descriptions. Agreement must be reached between managers and subordinates on the job requirements;
- Establishing performance standards and performance criteria which should describe the conditions for totally satisfactory performance. Performance standards should be mutually agreed upon and provide details to the worker action or output that will be assessed, the criteria to be used for the assessment, and how performance will be measured; and
- Preparing documentation - Once a format have been decided on, the appraisal forms have to designed and a user guide or policies and procedures manual for managers must be prepared.

Step3: Implementing the system – Various training sessions with both the managers and subordinates should take place.

Step 4: Maintaining the system – The maintenance of an appraisal system entails activities such as:

- Monitoring the consistent application of performance ratings;

- Reviewing pay decisions and recommending disciplinary action;
- Devising and arranging training and development interventions indicated by review results;
- Monitoring the internal and external environment for changing circumstances that may necessitate a review or adjustment of current practices; and
- Auditing and evaluating the effectiveness of the programme on an annual basis (Swanepoel, et al. 2000: 419).

## **2.8 CONCLUSION**

Managing performance in the workplace involves letting employees know what is expected from them, how they are doing, and how they can do a better job. Only then can employees contribute their best, use their abilities to the fullest, and feel connected to their organisation.

Chapter 2 provided the reader with guidelines and key principles for the establishment of an effective performance management system. Critical success factors to sustain success of a performance management system, the performance appraisal system as well as the steps in developing a system were provided.

Chapter 3 will discuss the Balanced Scorecard concept to specifics related to the four perspectives of the Balanced Scorecard, success factors, downfalls as well as building of a Balanced Scorecard at corporate and employee level.

## **CHAPTER 3**

### **THE BALANCED SCORECARD**

#### **3.1 INTRODUCTION**

In chapter 2 the author reviewed the guidelines to be used when establishing an effective performance management system. The chapter looked at key components for an effective performance management system, success factors and shortfalls with performance management systems. Chapter three deals with an overview of the Balanced Scorecard concept, relating it to the four perspectives of the Balanced Scorecard, success factors, downfalls as well as the building of a Balanced Scorecard at corporate and employee level.

Just as great ships must chart their position before undergoing ocean voyages, organisations must measure their position before knowing their direction. However for organisations, the challenge has been in finding the tools to measure these “voyages”. Niven (2005:12) cites that during the 1990’s Kaplan and Norton developed the Balanced Scorecard. Kaplan (a visionary) realized that financial numbers alone would not be enough for organisations attempting to thrive or compete in the 21<sup>st</sup> century. He and Norton organised a research study of a dozen companies, attempting to discern best practices in performance management. It was as a outcome from their research that the Balanced Scorecard was borne (Niven, 2005: 12).

As discussed in chapters 1 and 2, many companies have performance management systems that incorporate financial and non-financial measures. All organisation’s have financial and non-financial measures. However many use their non-financial measures for local improvements at their front-line and customer-facing operations. Senior managers use aggregate financial measures



as if these measures could be summarized adequately the results of operations performed by their lower and mid-level employees. These organisations are using feedback and control of short-term operations.

### **3.2 THE BALANCED SCORECARD AS A MANAGEMENT SYSTEM**

As stated in chapter 1, the strategy of an organisation is affected by the values and expectations of those who have control in and around the organisation. Johnson and Scholes (2003:9) reported that strategy can be thought of as an indication of the attitudes and beliefs of those who have most influence in an organisation. Whether a company is expansionist or more concerned with consolidation, and where the boundaries are drawn for a company's activities, may say much about the values and attitudes of those who influence strategy – the stakeholders. There are also other stakeholders such as financial institutions, the workforce, buyers and suppliers whom also have an influence on strategy.

With reference to Figure 3.1, Kaplan and Norton (1996:24) cite that the Balanced Scorecard provides senior executives with a comprehensive framework that translate an organisation's vision and strategy into a coherent set of performance measures. Many organisations have adopted mission statements to communicate fundamental values and beliefs to all employees. The mission statement addresses core beliefs to all employees and identifies target markets and core products. Nair (2004:68) believes that only when employees at all levels of management wake up in the morning and know why they are going to work and what they have to do to advance the purpose of the organisation, then strategy is realised. Olson and Slater (2002:1) argues that the starting point is developing a mission that guides all subsequent efforts of the business which leads to an analysis of the firm's situation, and on to the formation of a competitive strategy.

Johnson & Scholes (2003:239) define a mission statement as a generalized statement of the overriding purpose of an organisation. Nair argues that mission statements are not that important to the Balanced Scorecard as much as they are important to drive the organisation. Missions have the following characteristics:

- They are targeted and concise;
- They have strong emotional content;
- They must have meaning beyond the words on paper but in the action of the organisation; and
- They serve to define the objective of the organisation (Nair, 2004:68).

Nair (2004:73) defines that a vision is a dream that never leaves you. It is a picture of what the organisation believes the future can be. Vision statements show everyone that the world can be:

- Significantly motivating;
- A selling document;
- A communications tool used to solicit members and stakeholders; and
- A driving dream of the way things can be.

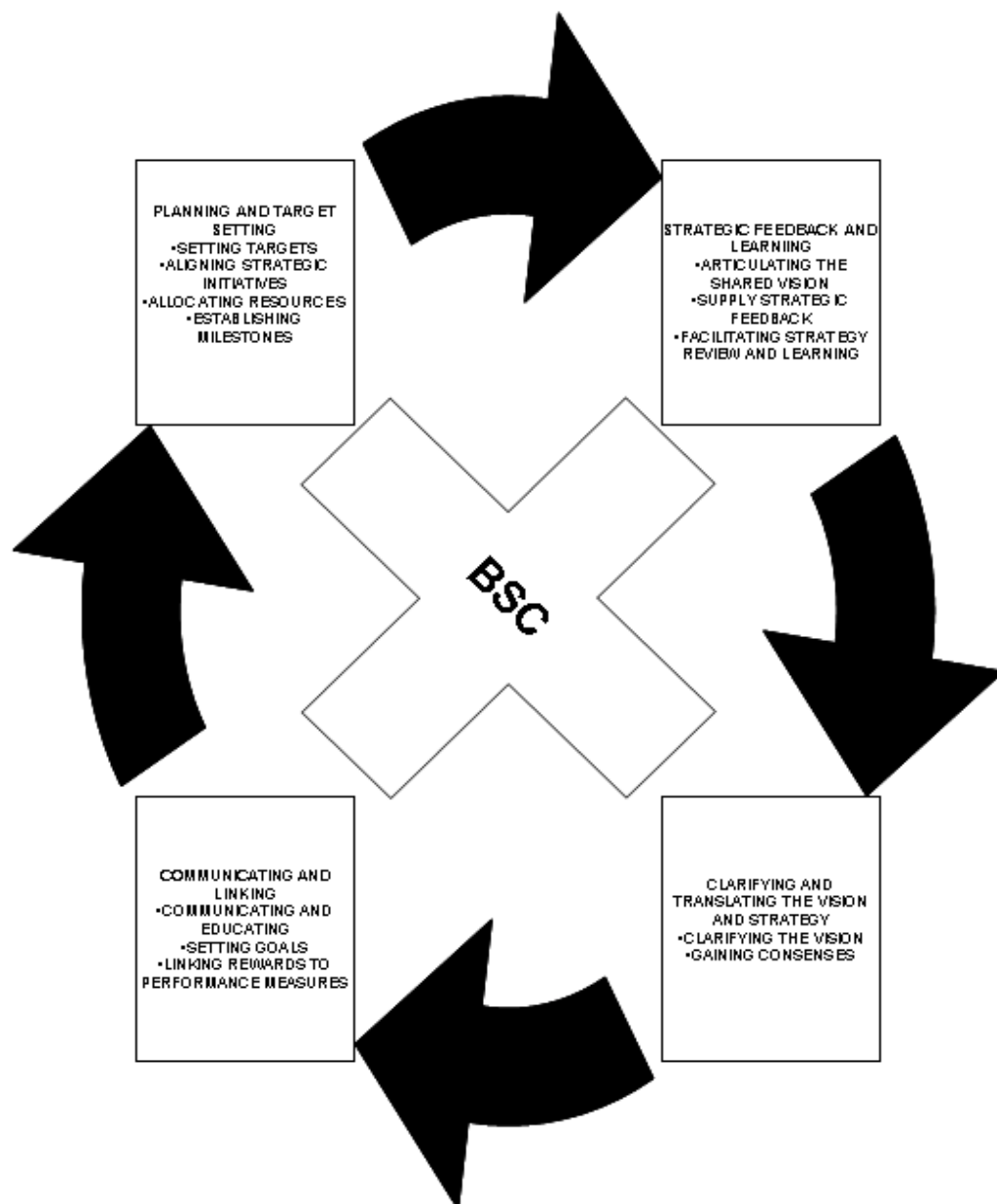
Values guide the entire process of objective setting, goal acquisition, and strategy deployment. The key elements of mission, vision, and values drive the entire success of any organisation. Without these statements of purpose, the guiding principles of a corporation will not exist. Guiding principles articulate for all concerned the personality of the organisation, and strategy is a reflection of that personality in action.

Kaplan and Norton (1992:79) argue that because traditional measurement systems have sprung from the finance function, the systems have a

control bias, specifying the particular actions they want employees to take and then measure to see whether employees have in fact taken those actions. The Balanced Scorecard puts strategy and vision, not control, at the centre. Kaplan (1992:79) argue that it establishes goals but assumes that people will adopt whatever behaviors and take whatever actions are necessary to arrive at those goals. The measures are designed to pull people toward the overall vision.

Kaplan and Norton (1996:10) argue that the Balanced Scorecard should translate a business unit's mission and strategy into tangible objectives and measures. The measures should present a balance between external measures for stakeholders and customers, and internal measures of critical business processes, innovation, and learning and growth. Innovative organisations are using the Balanced Scorecard as a strategic management system to manage their strategy over the long run and are using the measurement focus of the scorecard to accomplish critical management processes.

**Figure 3.1: The Balanced Scorecard as a strategic framework for action**



**SOURCE: Adapted from Kaplan and Norton (1996:11)**

### **3.2.1 Clarify and translate vision and strategy**

The process starts with the senior executive management team working together to translate its business unit's strategy into specific strategic objectives. According to Kaplan and Norton (1996:10) to set financial goals, the team must consider whether to emphasize revenue and market growth, profitability, or cash flow generation. For the customer perspective, the management team must be explicit about the customer and market segments in which it has decided to compete. With financial and customer objectives established, an organisation then identifies the objectives and measures for its internal business process. Such identification represents one of the principal innovations and benefits of the scorecard approach.

The final linkage, to learning and growth objectives, reveals the rationale for significant investments in re-skilling employees, in information technology and systems, and in enhanced organisational procedures. Kaplan and Norton (1996:12) note that these investments in people, systems, and procedures generate major innovation and improvement for internal business processes, for customers, and, eventually, for shareholders.

### **3.2.2 Communicate and link strategic objectives and measures**

Kaplan and Norton (1996:12) recommend that the Balanced Scorecard strategic objectives and measures be communicated throughout the organisation via company newsletters, bulletin boards, videos, and even electronically via groupware and networked personal computers. This communication effort must signal to all employees the critical objectives that must be accomplished if an organisation's strategy is to succeed.

### **3.2.3 Plan set and align strategic initiatives**

Kaplan and Norton (1996:13) argue that the Balanced Scorecard has its greatest impact when it is deployed to drive organisational change. They cite that senior executives should establish targets for the scorecard measures, three to five years out, which, if achieved, will transform the company. The targets should represent a discontinuity in business unit performance. Kaplan and Norton (1996:12) recommend that if the business unit is a public company, target achievement should produce a doubling or more of the stock price. Organisational financial targets have included doubling the return on invested capital, or a 150 per cent increase in sales during the next five years.

To achieve such ambitious financial objectives, managers must identify stretch targets for their customer, internal-business-process, and learning and growth objectives. Once targets for customer, internal business process, and learning growth measures are established, managers can align their strategic quality, response time, and re-engineering initiatives for achieving the breakthrough objectives. Kaplan and Norton (1996:14) emphasize that the Balanced Scorecard provides the front end justification as well as focus and integration for continuous improvement, re-engineering, and transformation programmes

### **3.2.4 Enhance strategic feedback and learning**

Kaplan and Norton (1996:15) consider this process to be the most innovative and most important aspect of the entire scorecard management process. It provides the capability for organisational learning at the executive level. Managers in organisations today do not have a procedure to receive feedback about their strategy and to test the hypotheses on which the strategy is based. This has enabled managers by monitoring and adjusting the implementation of their strategy, and, if necessary, to make fundamental changes in the strategy itself.

By having near-term milestones established for financial, as well as other measures, monthly and quarterly management reviews can still examine financial results. Kaplan and Norton (1996:15) cite that managers can also examine closely whether the business unit is achieving its targets for customers, for internal processes and innovation, and for employees, systems, and procedures. Management reviews and updates shift from reviewing the past to learning about the future. Managers discuss not only how past results have been achieved but also whether their expectations for the future remain on track.

### **3.3 THE FOUR PERSPECTIVES BEHIND BALANCED SCORECARDS**

As managers and academic researchers have tried to remedy the inadequacies of current performance measurement systems, some have focused on making financial measures more relevant. Managers should not have to choose between financial and operational measures. Olson and Slater (2002:11) cite that according to Simons (1991: 49) management control systems have three major elements:

- Setting performance standards;
- Measuring performance against the standards; and
- Taking corrective action if the standards are not being achieved.

Venkatraman and Ramanujam (1986: 801) proposed that strategy-level performance measurement should include both financial and operating measures. A study by Ernst and Young's Centre for Business innovation (Daly, 1996:65) found that investment analysts who considered non-financial as well as financial performance indicators were more accurate in their earnings estimates than those who just used financial indicators. This suggests that a comprehensive performance evaluation system has greater predictive validity than one that is purely financially orientated. Because different strategies have

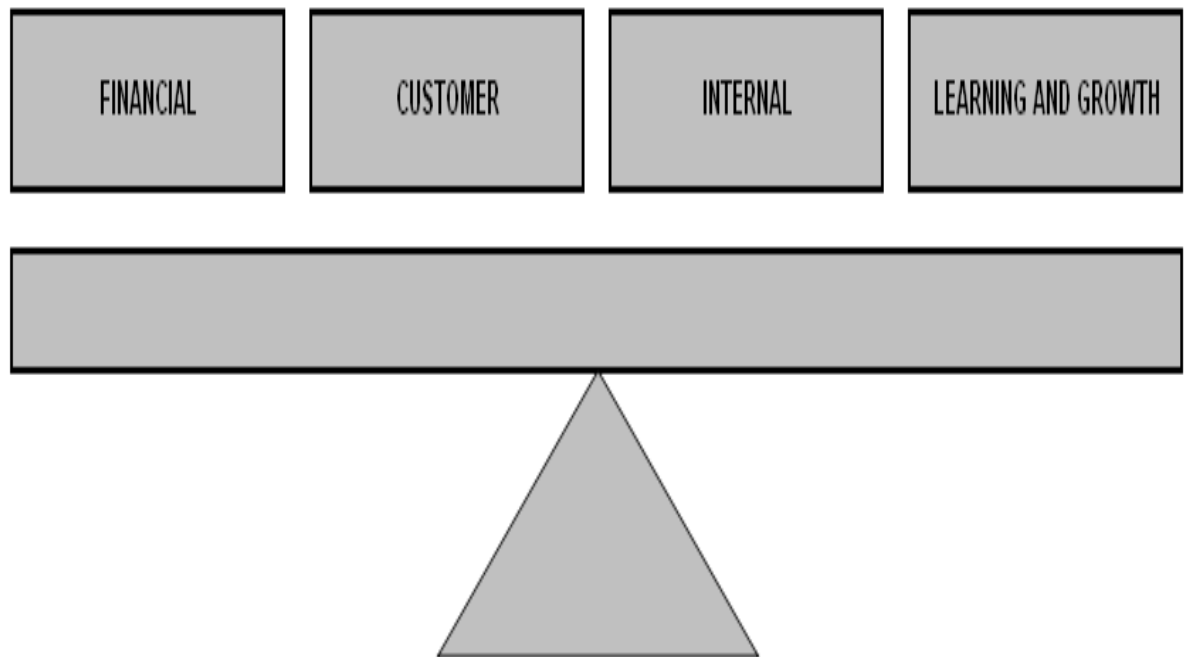
different requirements for success, it follows that performance evaluation should be tailored to strategic orientation (Olson & Slater; 2002:11-16).

Kaplan and Norton (1992:71) have also observed and worked with many companies and have found that senior executives do not rely on one set of measures to the exclusion of the others. They realized that no single measure can provide a clear performance target or focus attention on the critical areas of the organisation. Managers want a balanced presentation of both financial and operational measures. Kaplan and Norton identified four perspectives each representing an important face of the organisation. These were:

- Financial;
- External customer;
- Internal process; and
- Learning and growth.



**Figure 3.2: Balance of perspectives**



**SOURCE: Nair, 2004:21**

Bourne and Bourne (2002:12) argue that the idea is that these four perspectives in figure 3.2 represent a balanced view of any organisation and that by creating measures under each of these headings no important area would be missed. However, Slater, Olson, and Reddy (1997: 37) argue that the Balanced Scorecard should be “unbalanced” based on the strategy of the organisation. They argue using Treacy and Wiersma’s (1995) “value disciplines” that product leaders should emphasise the innovation and learning perspective, the operational excellent should emphasise the internal business perspective, customer intimates should emphasise the customer perspective, and all the

value disciplines should pay attention to the financial perspectives.

### **3.3.1 Financial perspective**

Niven (2005:15) notes that one of the important components of the Balanced Scorecard is financial measures. In a for-profit domain, the measures in this perspective indicate whether an organisation's strategy execution is leading to improve bottom-line results. In a non-profit sector, financial measures ensure that organisations are achieving their results, but doing so in an efficient manner that minimizes cost. They normally encounter classic lagging indicators in the financial perspective. Typical examples include revenue, profitability, and asset utilisation.

### **3.3.2 Customer perspective**

According to Niven (2005:15) two critical questions that organisations must ask themselves when choosing measures for the customer perspective are: "Who are our target customers?" and "What is our value proposition in serving them?". Niven (2005:15) notes that Michael Porter suggested that organisations not focusing on their customers will prevent an organisation from differentiating itself from their competitors. Choosing an appropriate value proposition poses no less of a challenge to most organisations. Many will choose one of three disciplines:

- Operational Excellence – Organisations pursuing an operational discipline focus on low price, convenience, and often "no frills";
- Product leadership – Product leadership pushes the envelope of their firm's products. Constantly innovating, they strive to offer simply the best product in the market; or
- Customer intimacy – Doing whatever it takes to provide solutions for unique customers' needs helps define customer-intimate companies. They do not look for one-time transactions but instead focus on long-term relationship

building through their deep knowledge of customer needs.

### **3.3.3 Internal process perspective**

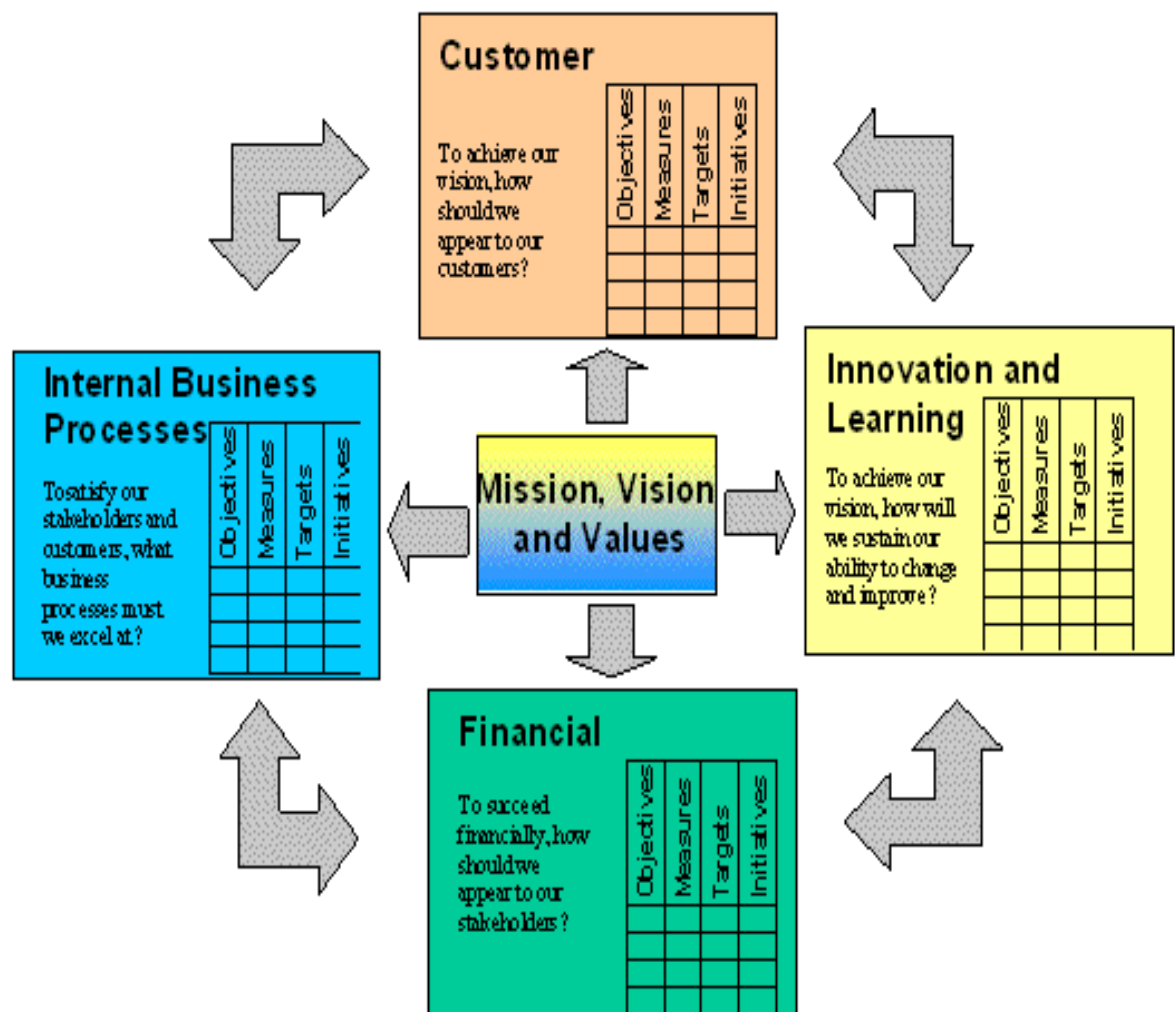
Niven (2005:15) has identified within the internal process perspective the key processes at which organisations must excel in order to continue adding value for customers. As outlined previously, each of the customer disciplines entailed efficient operation of specific internal process in order to serve customers and fulfil their value proposition. Within this perspective organisations must identify those processes and develop the best possible measures with which to track their progress.

### **3.3.4 Learning and growth perspective**

The measures in the learning and growth perspective of the Balanced Scorecard serve as the enablers of the other three perspectives. In essence they are the foundation on which this entire house of the Balanced Scorecard is built. Once organisations have identified measures and related initiatives in their customer and internal perspectives, they can be certain to discover some gaps between their current organisational infrastructure of employee skills, information systems, and climate and the level necessary to achieve the results they desire. The measures developed within this perspective should close these gaps and ensure sustainable performance in the future (Niven, 2005:16).

Niven (2005:16) claims that many organisations struggle in the development of learning and growth measures being normally the last perspective to be developed. The measures developed in this perspective are really the enablers of all the other measures on the Balanced Scorecard.

**Figure 3.3: The four perspective of the Balanced Scorecard**



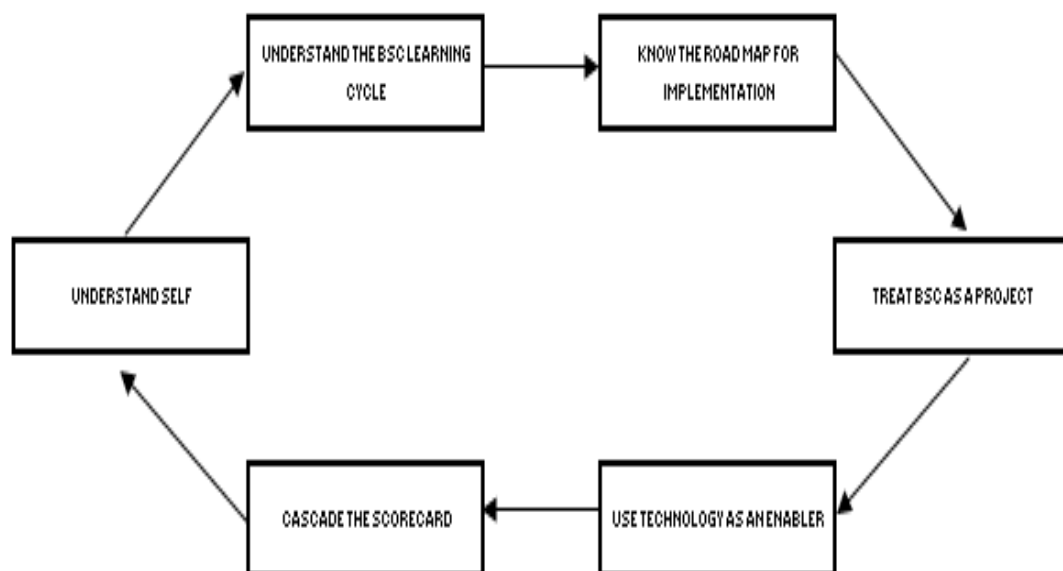
**Source: Niven, 2005:14**

According to Kaplan & Norton (1996:15) the four perspectives in figure 3.3 of the Balanced Scorecard have been found to be robust across a wide variety of companies and industries. But the four perspectives should be considered a template, not a strait jacket.

### 3.4 CRITICAL SUCCESS FACTORS OF BALANCED SCORECARDS:

As with all projects and processes, it is important to get off to a good start and to encourage those involved by showing them some early benefits. This means devoting a substantial amount of thinking time at the beginning to the factors that will create success when implementing the Balanced Scorecard. Nair (2004) illustrates a combination of insights that contributes to the success of a Balanced Scorecard as depicted in figure 3.4:

**Figure 3.4: Six success factors for Balanced Scorecard implementation**



**Source: Nair, 2004:79**

Success Factor One: Understand Self –

Nair (2004:79) refers to John Lingle and William Schiemann (authors of “From Balanced Scorecard to Strategic Gauges; Is Measurement worth It?”) who confirm that organisations must “Know thyself” to be effective. Executives then face the urgent task of re-examining their measurement system to gain greater self-knowledge and self-confidence. Balanced Scorecard will formalise any strategy if consistent and may not be designed to test the viability of the strategy. Nair (2004:79) argues that it will come close, by providing a balanced view of the strategy and allow for more questions to be asked around the measures and around the ability to mobilise through the organisation. If organisations do not understand their own capabilities or competencies, or have incapacitating habits, then Balanced Scorecard will not work.

#### Success Factor Two: Understand the Balanced Scorecard Learning Cycle –

Nair (2004:81) argues that champions that lead Balanced Scorecard efforts are fast learners who expect others to move and be motivated by the same ideas. Organisations learn and adopt new methodology differently. There are some distinct phases that methodologies like Balanced Scorecard go through, and these phases can enable for fast organisational absorption or adoption. Understanding how they evolved in the phases will help organisations pace themselves and watch for the signs that permit them to move along in the phases.

#### Success Factor Three: Know the Road Map for Implementation –

There is no magic in this success factor except for the significant activities that go into implementing the project using meetings, goals, and objectives, selection criteria for vendors and consultants, and the attainment of support. Bourne & Bourne (2004:22) believe that the most effective use of the Balanced Scorecard is to help people to measure their own effectiveness in key areas of the business and to use these measures to improve performance. In some organisations

measures are used as a way of grading the performance of individuals or to create competition between comparable sections of the business.

#### Success Factor Four: Treat the Balanced Scorecard as a Project –

Organisations that are product –and project orientated, making the project ship dates, product-freeze schedules, and product lifecycles only enhances the chance for use. Treating clients of the information as customer's forces formalism for success (Nair; 2004: 82).

#### Success Factor Five: Use technology as an enabler –

Balanced Scorecard implementations can take full advantage to accelerate the projects using technology as an enabler. According to Nair (2004:82) three main technological frameworks exists namely;

- Enterprise wide performance management systems;
- Stand-alone but integrated Balanced Scorecard systems or business intelligence systems;
- In-house customs build systems.

#### Success Factor Six: Cascade the Scorecard –

Cascading the Balanced Scorecard project is not a simple issue according to Nair (2004:206), but must be held to simplicity for it to work. Given that measures and objectives and initiatives and strategy linkage are all needed and coordinated, the challenge in a large organisation is significant. Deployment of the Balanced Scorecard can take two forms:

- A centrally controlled and modeled environment; and

- A distributed environment.

### **3.5 BALANCED SCORECARD DOWNFALLS**

Scheiderman (1999:6) firmly believes that a good scorecard can be the single most important management tool in organisations. Scheiderman (1999:6) quote Tom Malone, President of Milliken and Company: “If you’re not keeping score, you’re only practicing.”

Scheiderman (1999:6) offers the following view as to why most balanced scorecards fail:

- The independent (i.e. non-financial) variables on the scorecard are incorrectly identified as the primary drivers of future stakeholder satisfaction;
- Poorly defined metrics;
- Improvement goals are negotiated rather than based on stakeholder requirements, fundamental process limits, and improvement process capabilities;
- There is no exploitation system that breaks high level goals down to the sub-process level where actual improvement activities reside;
- A state of the art improvement system is not used; and
- There is not and cannot be a quantitative linkage between non-financial and expected financial results.



### **3.6 BUILDING A BALANCED SCORECARD**

#### **3.6.1 Guidelines at corporate level**

Each organisation is unique and so follows its own path in building a balanced scorecard. Kaplan and Norton (1993:138) gives examples of companies such as Apple and AMD in *The Harvard Business Review* (September-October, 1993:138-139), where the senior finance or business development executive intimately familiar with the strategic thinking of the top management group, constructed the initial scorecard without extensive deliberations. At Rockwater, however, senior management had yet to define sharply the organisations strategy, much less the key performance levers that drive and measure the strategy's success. Kaplan and Norton (1993:138) recommend a typical project profile when building a balanced scorecard as follows:

- Preparation – The organisation must first define the business unit in which a top-level scorecard is appropriate. In general, a scorecard is appropriate for a business unit that had its own customers, distribution channels, production facilities, and financial performance measures;
- Interviews: First Round – Each manager in the different business units receives background material on the Balanced Scorecard as well as internal documents that describe the company's vision, mission and values. Balanced Scorecard facilitators conduct interviews with senior managers to obtain their input on the company's strategic objectives and tentative proposals for balanced scorecard measures. The facilitator may also interview some principle shareholders to learn about their expectations for the business unit's financial performance, as well as some key customers to learn about their expectations for top-ranked suppliers;
- Executive Workshop: First Round – The facilitator brings the top management team together to undergo the process of developing the scorecard. During the workshop they debate the proposed mission and strategy statements until consensus is reached. The team then needs to ask themselves the following question: "If I succeed with my vision and strategy,

how will my performance differ for shareholders, for customers, for internal business processes, for my ability to innovate, grow and improve?”. The group needs to formulate a preliminary Balanced Scorecard containing operational measures for strategic objectives. Frequently the group proposes far more than four or five measures for each perspective;

- Interviews: Second round – The facilitator review, consolidates, and documents the output from the executive interviews / workshop and interviews each senior executive about the tentative Balanced Scorecard. The facilitator also seeks opinions about issues involved in implementing the scorecard;
- Executive Workshop: Second Round – A second workshop involving senior managers, direct reports, and middle managers debates the organisation’s vision, strategy statements, and the tentative scorecard. This group links the various change programmes underway to the measures, and start to develop an implementation programme;
- Executive Workshop: Third round – The senior management team meets to come to a final consensus on the vision, objectives, and measurements developed in the first two workshops to develop stretch targets for each measure on the scorecard and to identify preliminarily action programmes to achieve the targets. The team must agree on an implementation plan, including communicating the scorecard to employees, integrating it into a management philosophy, and developing an information system to support the scorecard;
- Implementation – The organisation then links the measures to databases and information systems, communicating the balanced scorecard throughout the organisation, and encouraging and facilitating the development of second-level metrics for decentralised units; and
- Periodic Reviews – Each quarter a blue book of information on the Balanced Scorecard is prepared for both top management review and discussion with managers of decentralised divisions and departments. The Balanced Scorecard metrics are revitalised annually as part of strategic planning, goal setting, and resource allocation processes.

### **3.6.2 Guidelines at employee level**

Higher level strategies always need to be converted into activities and measures which are meaningful to lower level employees. Davis (1996:18) recommends the following guidelines for the development of an employee Balanced Scorecard:

- The employee scorecard should be closely integrated with the plant, divisional, group and corporate measures of the company. This keeps the entire organisation focused on the same agreed set of objectives;
- Lower level employees should be involved in the development of the measures. Employee participation will inspire greater ownership of the measures and the commitment to accomplish them. This approach is compatible with “open book management” in which a great deal of financial and non-financial information is shared with the employees. By showing employees how their performance influences and impacts of the bottom line, front line employees are encourage to act like owners and ensure the future of their jobs;
- Union officials should be included in the earliest discussion of the measurement system;
- Production employees need information in real time so that they can respond and solve problems on the spot;
- The measures selected should focus on the critical aspects of performance. Plant personnel should use root cause and Pareto analysis to determine what aspects of the work have the largest impact on the targeted performance goals;
- New measures that are being introduced should be balanced with the other scorecard measures; and
- The Balanced Scorecard measures should be entered into a database so that current figures can be accessed instantly by people in different departments and at different levels of the company.

### **3.7 WHY USE THE BALANCED SCORECARD?**

Traditional measurement systems have sprung from the finance function, in which the systems have a control bias. These traditional performance measurement systems specify the particular actions they want employees to take and then measure to see whether the employees have in fact taken those actions. In that way, the systems try to control behavior. Kaplan & Norton (1992:79) argue that the balanced scorecard, on the other hand, is well suited to the kind of organisation many companies are trying to become. It places strategy and vision, not control, at the center and establishes goals, but assumes that people will adopt whatever behaviors and take whatever actions are necessary to arrive at those goals. The measures are designed to pull people toward the overall vision of the organisation. Senior managers may know what the end result should be, but they cannot tell employees exactly how to achieve that result, if only because the conditions in which employees operate are constantly changing.

Kaplan & Norton (1992:79) cite that this Balanced Scorecard approach to performance measurement is consistent with the initiatives under way in many companies: cross-functional integration, customer-supplier partnerships, global scale, continuous improvement, and team rather than individual accountability. By combining the financial, customer, internal process and innovation, and organisational learning perspectives, the balanced scorecard helps managers understand, at least implicitly, many interrelationships. This understanding can help managers transcend traditional notions about functional barriers and ultimately lead to improved decision making and problem solving.

Niven (2005:27) argues that probably the most oft-mentioned impetus for implementing a Balanced Scorecard is the effective execution of a new

strategy. The Balanced Scorecard is a tool that was designed to assist organisations in executing their strategy and not crafting a new strategy. Niven (2005:27) recommends that organisations complete the questionnaire referred to in Appendix B in order to assess the need for a Balanced Scorecard. The score achieved can be evaluated as follows:

- Score of 20-30: Organisation at question most likely have a strong performance measurement system in place. The programme has been cascaded throughout the organisation to ensure that all employees are contributing to the success of the organisation, and it is linked to key management processes;
- Score of 31-60: Organisation at question have a performance management system in place but are not experiencing the benefits they anticipated or need to succeed. Using the Balanced Scorecard as a strategic management system would be of benefit to them; and
- Score of 61-100: Scores in this range suggest difficulty in successfully executing strategy in the organisation and meeting the needs of their customers and other stakeholders. A Balanced Scorecard system strongly recommends helping the organisation to focus on the implementation of strategy and align the organisation with overall goals.

### **3.8 BALANCED SCORECARD AND REWARDS**

Kaplan and Norton (1996:283) argue that as long as personal incentives and rewards are tied to short-term performance measures, management thinking will remain risk-averse and short-term. Incentive compensation motivates performance, but organisations may wish to get some experience in managing with the Balanced Scorecard before explicitly tying compensation to it. However, reward and punishment are eventually tied, implicitly or explicitly, to the balanced set of objectives, measures, and targets on corporate and business scorecards, the organisation will not be able to use the Balanced Scorecard as the central organising framework for its management systems.

### **3.9 CONCLUSION**

The Balanced Scorecard concept discussed in chapter 3 was created by Drs. Robert S. Kaplan and David P. Norton in the 1990's, and has been implemented in thousands of corporations, organisations, and government agencies worldwide. The Balanced Scorecard allows organisations to implement strategy rapidly and effectively by integrating the measurement system with the management system.

The chapter discussed the following in detail concerned with Balanced Scorecards:

- The Balanced Scorecard as management system;
- The four perspectives of the Balanced Scorecard;
- Success factors for a Balanced Scorecard; and
- Why Balanced Scorecards fail.

Chapters 2 and 3 were concerned with fundamental criteria required for performance management and Balanced Scorecards. In the next chapter the empirical study will be addressed.

## **CHAPTER 4**

### **THE EMPIRICAL STUDY**

#### **4.1 INTRODUCTION**

In chapters 2 and 3, the author discussed guidelines for an effective performance management system as well as the application of the Balanced Scorecard. The literature study was used to establish the answer to the first sub-problem:

- What does literature suggest performance management should comprise of?

The purpose of this chapter is to describe the research methodology applied by the researcher to solve the remaining sub-problems. The development and structure of the questionnaire, the design of the questionnaire and the administration of the questionnaire will be discussed. The response of the respondents will also be discussed, followed by an analysis of the biographical details of respondents.

#### **4.2 RESEARCH DESIGN**

Jankowitz (1995:173) defines methodology as the analysis of data, the rationale for a particular method or methods used in a given study. Research according to Leedy & Ormrod (2003:4) refers to the systematic process of collecting and analyzing information (data) in order to increase our understanding of the phenomenon about which we are concerned or interested. Zikmund (1994:43) defines a research design as the master plan that specifies the methods and procedures used in collecting and analyzing information.

With this in mind, the research design for this study was broken down into the main problem, with three sub-problems. The main problem is:

**‘Is performance management at Continental Tyre South Africa being properly deployed within the manufacturing division by management in order to achieve the division’s goals and objectives?’**

Following from the main problem, three sub-problems were identified to assist with the of solution to the main problem, namely:

- What performance management models are suggested by literature?
- How does the manufacturing division at Continental Tyre South Africa currently employ their current performance management system which is based on the Balanced Scorecard approach?
- How can the results obtained from the resolution of the first two sub-problems be combined into an integrated strategy which can be used by Continental Tyre South Africa for conducting performance management programmes?

The procedure used to solve the main problem and the sub-problems was as follows:

- In chapter 2 a literature survey was conducted providing guidelines to be used when establishing an affective performance management system within an organisation.
- In chapter 3 the author discussed the application of the Balanced Scorecard;
- In order to resolve sub-problems two and three, a survey based on the key elements of performance management identified in sub-problems two and three, was developed and circulated to management and salaried staff in the manufacturing division of Continental Tyre South Africa.



### **4.3 CONDUCTING THE EMPIRICAL STUDY**

The empirical study was conducted by a mail survey as well as by physically distributing a questionnaire to staff at random. The results of the questionnaire were statistically analysed. Sampling procedures, the questionnaire, the mail survey, and the research response are discussed in detail below.

### **4.4 SAMPLING METHODS AND SIZE**

Before the study could be initiated, it was necessary for the researcher to decide whether to study Continental Tyre South Africa in its entirety, or to do a sample of the workforce.

Wegner (2001:169) argues that it is not always practical to gather data on every possible observation in a population. If this is the case, then a subset of all observations, called a sample, is usually gathered on the random variable. Leedy & Ormrod (2001:211) cite that “the sample should be carefully chosen that, through it, the researcher is able to see all the characteristics of the total population in the same relationship that they would be seen were the researcher, in fact, to inspect the total population.”

According to Wegner (2001:170) there are two basic methods of sampling:

- Non-probability sampling methods; and
- Probability sampling methods.

#### **4.4.1 Non-probability Sampling**

Wegner (2001:170) defines the non-probability sampling method as any sampling method in which the observations are not selected randomly. There are three types of non-probability sampling procedures:

- Convenience sampling – a sample drawn to suit the convenience of the researcher;
- Judgmental sampling – judgement is used by the researcher to select the best sampling units to include in the sample; and
- Quota sampling – the population is divided into segments and a quota of observations is collected from each segment.

Wegner (2001:171) points out that the disadvantage of the non-probability sampling methods is the unrepresentative nature of the sample with respect to the population from which it is drawn.

#### **4.4.2 Probability Sampling**

Wegner (2001:171) states that probability sampling includes all selection methods where the observations to be included in a sample have been selected on a purely random basis from the population. The following are probability sampling techniques:

- Simple random sampling – each observation in the entire population has an equal chance of being selected;
- Systematic random sampling – some randomness is sacrificed: sampling begins by randomly selecting the first observation and thereafter subsequent observations are selected at a uniform interval relative to the first observation;
- Stratified random sampling – if the population is regarded as being heterogeneous with respect to the random variable under study, the population can be divided into segments or strata where the sampling units

in each stratum are relative homogenous; and

- Cluster random sampling – the population is divided into clusters, where each cluster is similar in profile, to every other cluster.

It is clear that for the purpose of this research, the most useful sampling method is that of random sampling, which is part of the probability group of sampling techniques.

## **4.5 DATA TYPES**

According to Wegner (2001:7) data quality is influenced by three factors: the type, source and methods of data collection.

Data types are determined by the nature of the random variable which the data represent which can be:

- Qualitative random variables which yield categorical (non-numeric) responses; and
- Quantitative random variables which yield numeric responses.

### **4.5.1 Data types 1**

- Nominal-scaled data is associated mainly with qualitative random variables where data is assigned to one number of categories of equal importance.
- Ordinal-scaled data is associated with qualitative random variables is assigned to only one of a number of coded categories, but there is now ranking implied between the categories in terms of being better, older, longer, taller, stronger, etc.
- Interval-scaled data is associated with quantitative random variables where the differences can be measured between values of quantitative random variable. This data possesses both order and distance properties.
- Ration-scaled data is associated with quantitative random variables where if

the full range of the arithmetic operations can be meaningfully performed on the observation of a random variable, the data associated with that random variable is termed ratio-scaled.

#### **4.5.2 Data types 2**

- Discrete data is a random variable whose observations can take on only specific values, usually only integer values are referred to as a discrete random variable.
- Continuous data is a random variable whose observations can take on any value in an interval is said to generate continuous data.

It is clear that for the purpose of this research, the most useful data type that will be used is that of interval-scaled data.

### **4.6 THE QUESTIONNAIRE**

The questionnaire is the data collection instrument used to gather data in all interview situations. Wegner (2001:17) cite that the design of a questionnaire is critical to ensure that the correct research questions are addressed and that accurate and appropriate data for statistical analysis is collected.

#### **4.6.1 The design**

According to Wegner (2001:17) a questionnaire should consist of three sections:

- The administrative section is used to record the identity of the respondent and the interviewer by name, date, and address, and where the interviews were conducted;
- The demographic or classification section describes the respondent by a

- number of demographic characteristics which generally include age, gender, residential location, marital status, language, qualification, etc; and
- The information sought section makes up the major portion of the questionnaire and consists of all questions which will extract data from respondents to address the research objectives.

Leedy and Ormord (2001:202) suggest that the following guidelines be used for developing a questionnaire that encourages people to be co-operative and yields responses one can use and interpret:

- Keep it short as brief as possible;
- Use simple, clear, unambiguous language;
- Check for unwarranted assumptions implicit in your questions;
- Word your questions in ways that do not give clues about preferred or more desirable responses;
- Check for consistency;
- Determine in advance how you will code your responses;
- Keep the respondent's task simple;
- Provide clear instructions;
- Give rationale for any items whose purpose may be unclear;
- Make the questionnaire attractive and professional looking;
- Conduct a pilot test; and
- Scrutinize the almost-final product carefully to make sure it addresses your needs.

#### **4.6.2 Validity and reliability**

Leedy and Ormord (2001:98) argue that validity of a measurement instrument is the extent to which the instrument measures what it is supposed to measure. It takes different forms, each of which is important in different situations:

- Face validity is the extent to which, on the surface, an instrument looks like it is measuring a particular characteristic;
- Content validity is the extent to which a measurement instrument is a representative sample of the content area being measured;
- Criterion validity is the extent to which the results of an assessment instrument correlate with another, presumably related measure; and
- Constructive validity is the extent to which an instrument measures a characteristic that cannot be directly observed but must instead be inferred from patterns in people's behavior.

Leedy and Ormord (2001:99) explain that the reliability of a measurement instrument is the extent to which it yields consistent results when the characteristic being measured has not changed. The following are forms of reliability that are frequently of interest in research studies:

- Interrater reliability is the extent to which two or more individuals evaluating the same product or performance give identical judgments;
- Internal consistency reliability is the extent to which all the items within a single instrument yield similar results;
- Equivalent forms reliability is the extent to which two different versions of the same instrument (e.g. "Form A" and "Form B" of a scholastic aptitude test) yield similar results; and
- Test-retest reliability is the extent to which the same instrument yields the same result on two different occasions.

#### **4.7 QUESTIONNAIRE COVER LETTER**

In the covering letter (Appendix C) accompanying the questionnaire (Appendix D), the aim of the research was briefly explained, and the respondent was also assured that the content of the questionnaire would be regarded as strictly confidential. The covering letter was sent out as a memorandum to management and salaried staff of the manufacturing division at Continental Tyre South Africa and was signed by the researcher. The covering letter also identified the individual to whom the questionnaires must be returned and a specified return date for the completed questionnaire.

#### **4.8 RESPONSE RATE**

Letters and questionnaires were electronically mailed and handed out to 120 employees on 19 September 2006 and respondents were requested to return the questionnaire by 28 September 2006. Seventy seven questionnaires were returned, which represent a response rate of 64 per cent.

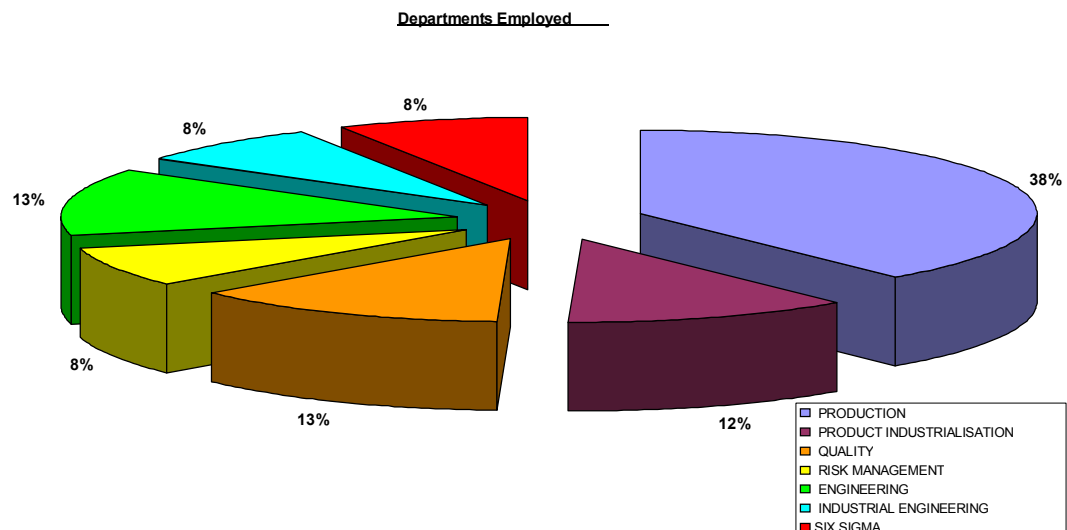
#### **4.9 ANALYSIS AND INTERPRETATION OF BIOGRAPHICAL INFORMATION**

Section A of the questionnaire required the respondents to complete general biographical information within the manufacturing division. The questions were designed to highlight independent variables that could facilitate comparisons between responses to the dependant variables in the responses to the questions in Section B. The results of the questions posed in Section A of the questionnaire are presented in Tables 4.1 to 4.4 and Charts 4.1 to 4.4.

**Table 4.1: Responses according to department employed**

DEPARTMENT	NUMBER	PERCENTAGE
PRODUCTION	30	39%
PRODUCT INDUSTRIALISATION	9	12%
QUALITY	10	13%
RISK MANAGEMENT	6	8%
ENGINEERING	10	13%
INDUSTRIAL ENGINEERING	6	8%
SIX SIGMA	6	8%
<b>TOTAL RESPONDENTS</b>	<b>77</b>	<b>100%</b>

**Chart 4.1: Responses according to department employed**



**Source: Table 4.1**

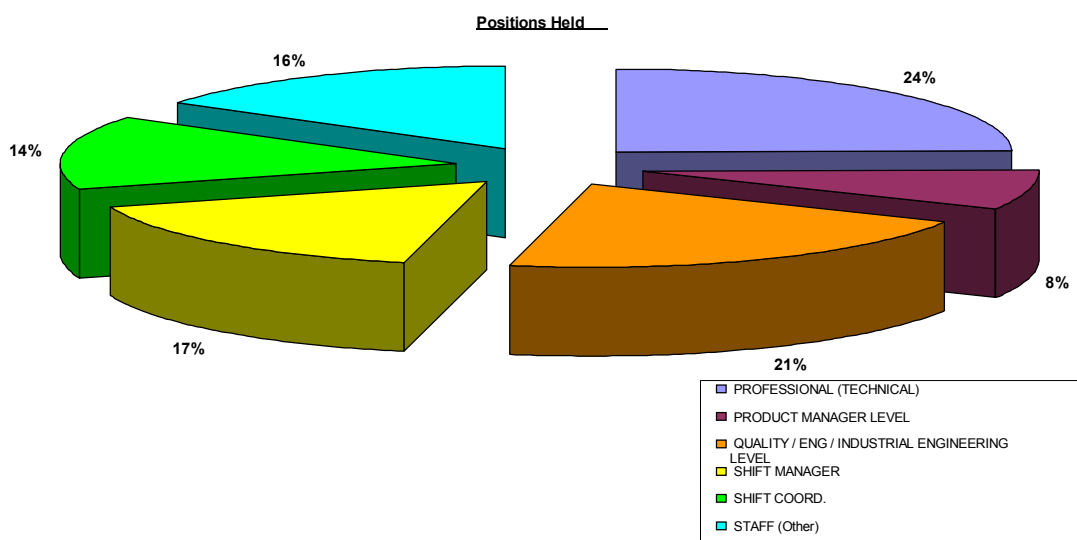
From Table 4.1 and Chart 4.1 it can be seen that a fair spread of responses were received from the different departments within the manufacturing division. It can be noted that the majority of the response came from the production department.



**Table 4.2: Responses by positions held**

POSITION	NUMBER	PERCENTAGE
PROFESSIONAL (TECHNICAL)	19	25%
PRODUCT MANAGER LEVEL	6	8%
QUALITY / ENG / INDUSTRIAL ENGINEERING LEVEL	16	21%
SHIFT MANAGER	13	17%
SHIFT COORD.	11	14%
STAFF (Other)	12	16%
<b>TOTAL RESPONDENTS</b>	<b>77</b>	<b>100%</b>

**Chart 4.2: Responses by positions held**



**Source: Table 4.2**

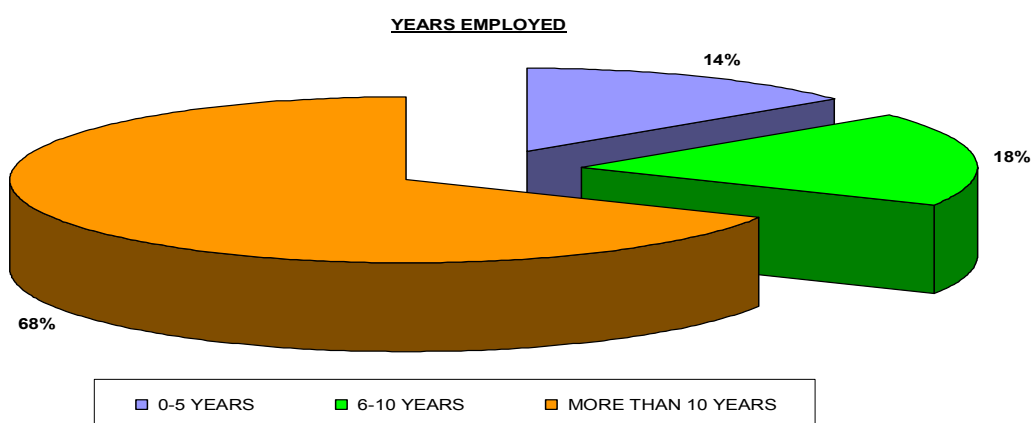
Table 4.2 and Chart 4.2 reflect the positions currently held by the respondents.

- The majority of the respondents are respectively 24 per cent and 21 per cent professional and middle management employees.
- First line management respondents are respectively 17 per cent and 14 per cent shift managers and co-ordinators.
- Other staff 16 per cent of the respondents.

**Table 4.3: Response by years employed**

YEARS EMPLOYED IN CTSA	NUMBER	PERCENTAGE
0 - 5 YEARS	11	14%
6 - 10 YEARS	14	18%
MORE THAN 10 YEARS	52	68%
<b>TOTAL RESPONDENTS</b>	<b>77</b>	<b>100%</b>

**Chart 4.3: Responses by years employed**



**Source: Table 4.3**

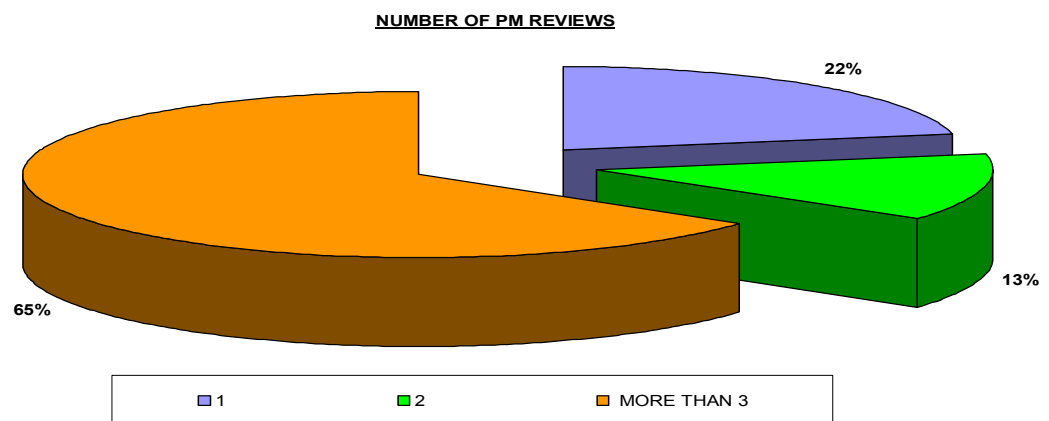
Table 4.3 and Chart 4.3 reflect the number of years the respondents have been employed at Continental Tyre South Africa.

- The majority of the respondents have been employed at Continental Tyre South Africa for more than 10 years.
- 14 per cent of the respondents have been employed at Continental Tyre South Africa for less than five years.
- 16 per cent of the respondents have been employed at Continental Tyre South Africa between five to ten years.

**Table 4.4: Responses by number of performance reviews**

NUMBDER OF PM REVIEWS	NUMBER	PERCENTAGE
1	17	22%
2	11	14%
MORE THAN 3	50	65%
<b>TOTAL RESPONDENTS</b>	<b>77</b>	<b>100%</b>

**Chart 4.4: Responses by number of Performance reviews**



**Source: Table 4.4**

Table 4.4 and Chart 4.4 reflect the number of performance reviews the respondents had at Continental Tyre South Africa.

- The majority of the respondents have been exposed to performance reviews which represent 65 per cent of the respondents.
- 13 per cent of the respondents had been exposed to only one performance review at Continental Tyre South Africa.
- 22 per cent of the respondents have been exposed to two performance reviews at Continental Tyre South Africa.

#### **4.10 CONCLUDING REMARKS**

The purpose of this chapter was to document the research methodology that was used during the study as well as the quantitative analysis of the biographical details of the respondents.

During the chapter the researcher discussed sampling techniques as well as the development of the questionnaire. An analysis followed about the biographical information by the means of tables and charts of the respondents.

The research findings will be analysed in the following chapter to interpret how the manufacturing division at Continental Tyre South Africa currently employ performance management.

## **CHAPTER 5**

### **ANALYSIS AND INTERPRETATION OF EMPIRICAL STUDY**

#### **5.1 INTRODUCTION**

The purpose of chapter 4 was to describe the research methodology applied by the researcher to solve the sub-problems. The development and structure of the questionnaire, the design of the questionnaire and the administration of the questionnaire was discussed. The response of the respondents was also discussed, which was followed by an analysis of the biographical details of respondents.

The objective of chapter 5 is to assist the researcher to solve the second and third sub-problems:

- How does the manufacturing division at Continental Tyre South Africa currently employ their current performance management system which is based on the Balanced Scorecard approach?; and
- How can the results obtained from the resolution of the first two sub-problems be combined into an integrated strategy which can be used by Continental Tyre South Africa for conducting performance management programmes?

The results of section B of the questionnaire are presented in this chapter. The questions from section B were designed to verify the information sourced during the literature study described in chapters 2 and 3. Finally, a conclusion regarding the responses and the integration of the literature will be presented.

## **5.2 ANALYSIS AND INTERPRETATION OF RESULTS OF EMPIRICAL STUDY**

### **5.2.1 Involvement of employees in strategy**

An effective performance management system should enable and empower all employees down to first line management to implement strategy and objectives of the organisation successfully. The strategy of an organisation is affected by the values and expectations of those who have control in and around the organisation. Johnson and Scholes (2003:9) reported that strategy can be thought of as an indication of the attitudes and beliefs of those who have most influence in an organisation.

In this section the emphasis is on determining whether a strategic plan exists at Continental Tyre South Africa and to what degree individual performance is linked to the organisational strategic objectives, and the achievement of these objectives.

Table 5.1 shows the respondent's opinions to the extent to which Continental Tyre South Africa's strategic objectives are clear, and to the extent to which individual and organisational goals are achieved through current performance management within the manufacturing division of Continental Tyre South Africa.

**Table 5.1 Involvement in strategy**

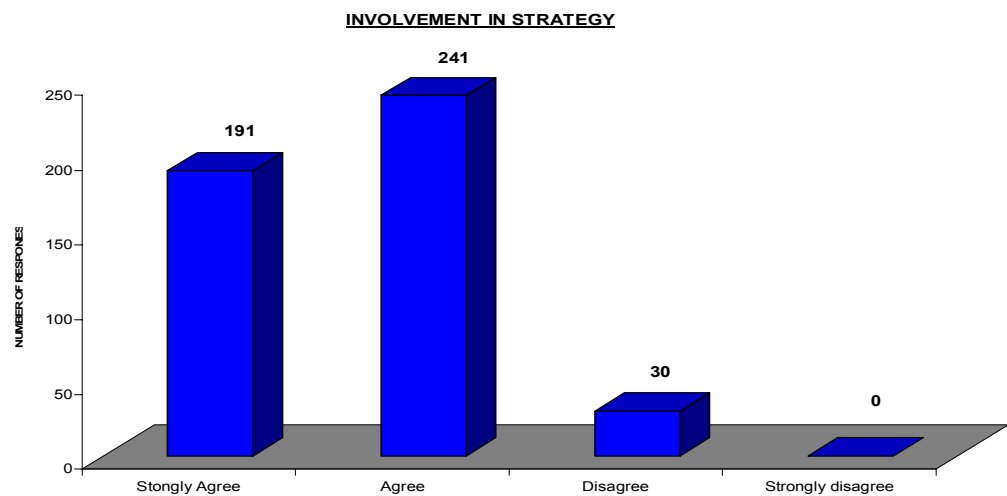
	<b>INVOLVEMENT IN STRATEGY</b>	<b>STRONGLY AGREE</b>	<b>AGREE</b>	<b>DISAGREE</b>	<b>STRONGLY DISAGREE</b>
1	CTSA has defined a vision, mission and values.	52 (67%)	25 (32%)	0 (0%)	0 (0%)
2	CTSA shares its strategic objectives with employees	29 (38%)	42 (55%)	6 (8%)	0 (0%)
3	I strive to achieve the strategic objectives of CTSA	43 (56%)	32 (42%)	2 (2%)	0 (0%)
4	I am clear about how my role fits into CTSA's strategic objectives	31 (40%)	36 (47%)	10 (13%)	0 (0%)
5	My manager define my duties and responsibilities	21 (27%)	51 (66%)	5 (6%)	0 (0%)
6	I set clear objectives for my direct reports in line with CTSA strategy	15 (19%)	55 (71%)	7 (9%)	0 (0%)

An analysis of Table 5.1 indicates the following:

- All respondents agree that Continental Tyre South Africa has a clear vision statement, mission statement and values;
- 93 per cent of respondents agree that Continental Tyre South Africa shares its strategic objectives with employees;
- 98 per cent of the respondents agree that they strive to achieve the strategic objectives of Continental Tyre South Africa;
- 87 per cent of the respondents agree that they are clear about how their roles fits into the organisation's strategic plan;
- 93 per cent of the respondents agree that management define their roles and responsibilities; and
- 90 per cent of the respondents' set clear goals for their staff.

To summarise Table 5.1, the total responses to all questions were added together, and presented in Chart 5.1.

**Chart 5.1 Involvement in strategy**



From Chart 5.1 it is evident that most of the respondents trust that Continental Tyre South Africa incorporate their strategic objectives into their performance management system.

Relating the results of the analysis of above Table and Chart 5.1 to the theory previously discussed, the findings are as follows:

- Management and staff are clear about the strategic objectives of Continental Tyre South Africa and about how their individual roles and goals are linked to the organisation overall goals. This is indicative of theory, where Romanoff (1989:25) argues that the real goal of effective performance management is to improve performance, not merely to measure it and should be related to overall company goals. Without the perspective of a uniform set of these goals, a company tug-of-war will occur; employees may be pulling as hard as they can, but in opposite directions. Therefore goal alignment should be achieved where all this effort could be redirected to get everybody pulling in the same direction. Nair (2004:68) confirms this with his belief that only when employees at all levels of management wake up in the morning and know why they are going to work



and what they have to do to advance the purpose of the organisation, then strategy is realized; and

- Management and staff confirm that Continental Tyre South Africa shares its strategic objectives with their employees and that they are committed to the achievement of these goals. Kaplan and Norton (1996:12) recommend that the Balanced Scorecard strategic objectives and measures be communicated throughout the organisation via company newsletters, bulletin boards, videos, and even electronically via groupware and networked personal computers. This communication effort must signal to all employees the critical objectives that must be accomplished if an organisation's strategy is to succeed.

### **5.2.2 Defining performance objectives**

Armstrong (1994:40) argues that performance management must be regarded as a flexible process which involves managers and those whom they manage operating as partners within a framework which sets out how they can best work together. This framework must reduce the degree to which performance management is a top-down affair and it needs to encourage a balanced approach. This section is aimed at establishing the involvement of employees in defining their performance objectives.

Table 5.2 shows the respondents' opinions to the extent to which clear goals and performance measures have been established.

**Table 5.2 Defining performance objectives**

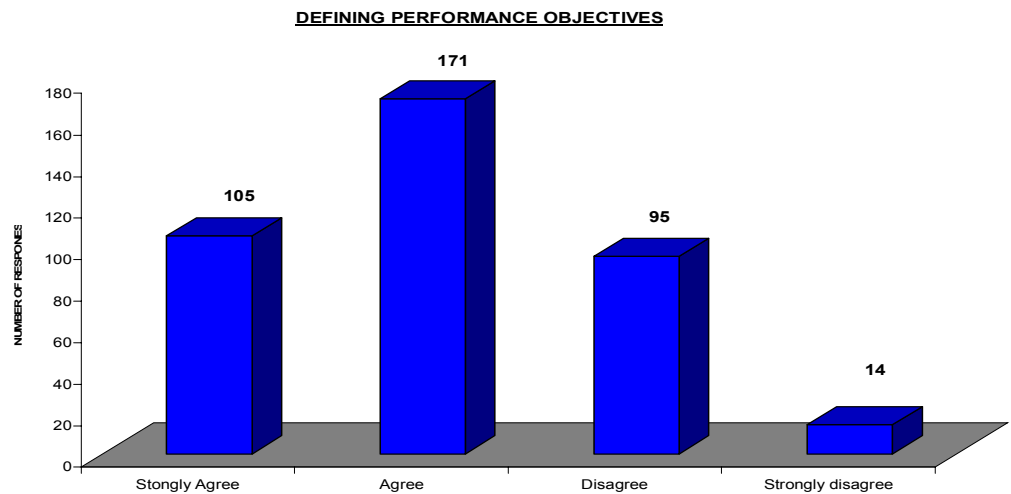
	<b>DEFINING PERFORMANCE OBJECTIVES</b>	<b>STRONGLY AGREE</b>	<b>AGREE</b>	<b>DISAGREE</b>	<b>STRONGLY DISAGREE</b>
7	I have a chance to influence my performance goals and standards	27 (35%)	37 (48%)	11 (14%)	2 (3%)
8	Individual performance goals are reached by agreement between managers and staff	16 (21%)	33 (43%)	26 (34%)	2 (3%)
9	The goals set for me are in line with CTSA's strategy	23 (30%)	45 (58%)	9 (12%)	0 (0%)
10	I participate in setting deadlines for the achievement of my goals	22 (29%)	31 (40%)	23 (30%)	1 (1%)
11	My manager and I mutually agree how my performance will be measured	17 (22%)	25 (32%)	26 (34%)	9 (12%)

An analysis of Table 5.2 indicates the following:

- 83 per cent of the respondents agree that they have the opportunity to influence their performance goals and standards;
- 63 per cent of the respondents agree that their individual goals are reached by agreement between managers and staff;
- 88 per cent of the respondents agree that the goals set for them are in line with the strategy of CTSA;
- 69 per cent of the respondents agree that they participate in setting deadlines for the achievement of their goals; and
- 54 per cent of the respondents agree that their managers and they mutually agree on how their performance will be measured.

To summarise Table 5.2, the total responses to all questions were added together, and presented in Chart 5.2.

**Chart 5.2 Defining performance objectives**



From Chart 5.2 it is evident that most of the respondents agree that goals and performance measures have been established with the involvement of the individuals.

From the questions analysed in Table 5.2, the findings are as follows:

- Romanoff (1989:25) argues that an ordinary programme designed by employees is better than an ideal programme designed by management. By giving employees the opportunity to play a meaningful role in designing their own performance management programme, one builds commitment and support into the programme, instead of merely adding these qualities as an afterthought. This is clearly evident of the performance management system used within the manufacturing division of Continental Tyre South Africa. In table 5.2 it is evident that the respondents are involved in setting individual goals and have the opportunity to influence it; and
- The respondents agree that the performance goals set for them are in line with Continental Tyre South Africa's strategy. Davis (1996:18) recommends that when developing an employee Balanced Scorecard, the employee scorecard should be closely integrated with the plant, divisional, group and corporate measures of the company. This keeps

the entire organisation focused on the same agreed set of objectives. Lower level employees should be involved in the development of the measures. Employee participation will inspire greater ownership of the measures and the commitment to accomplish them.

### **5.2.3 The performance appraisal / review**

Swanepoel, Erasmus, Van Wyk and Schenk (2000:406) define performance appraisal as a formal and systematic process by means of which job-relevant strengths and weaknesses of employees are identified, observed, measured, recorded and developed.

This section is aimed at determining whether the performance management system has improved employee motivation and performance through the process of performance feedback and reviews.

Table 5.3 shows the respondents' opinions as to whether their performance improved as a result of feedback and reviews.

**Table 5.3 Performance Review / Appraisal**

	<b>PERFORMANCE REVIEW / APPRAISAL</b>	<b>STRONGLY AGREE</b>	<b>AGREE</b>	<b>DISAGREE</b>	<b>STRONGLY DISAGREE</b>
12	My performance is measured as per agreement reached with my manager	13 (17%)	33 (43%)	25 (32%)	6 (8%)
13	My manager continually reviews my performance	8 (10%)	31 (40%)	35 (45%)	3 (4%)
14	Performance problems are identified and action plans are in place to eliminate these	14 (18%)	35 (45%)	26 (34%)	2 (3%)
15	My manager is constructive when doing a performance review	14 (18%)	43 (56%)	18 (23%)	2 (3%)
16	Managers provide a climate conducive to openly communicate my performance-related problems	8 (10%)	45 (58%)	23 (30%)	1 (1%)
17	I am given written feedback about my performance	3 (4%)	18 (23%)	38 (49%)	18 (23%)
18	I feel that I receive adequate acknowledgement and recognition for my contributions and excellent performance	8 (10%)	22 (29%)	34 (44%)	13 (17%)
19	CTSA has a fair system to evaluate performance of individuals	6 (8%)	19 (25%)	38 (49%)	14 (18%)
20	Managers focus on performance, not personality during the PM review	14 (18%)	34 (44%)	25 (32%)	4 (5%)
21	I set clear PM objectives for my direct reports in line with CTSA's strategy	6 (8%)	54 (70%)	14 (18%)	3 (4%)

An analysis of Table 5.3 indicates the following:

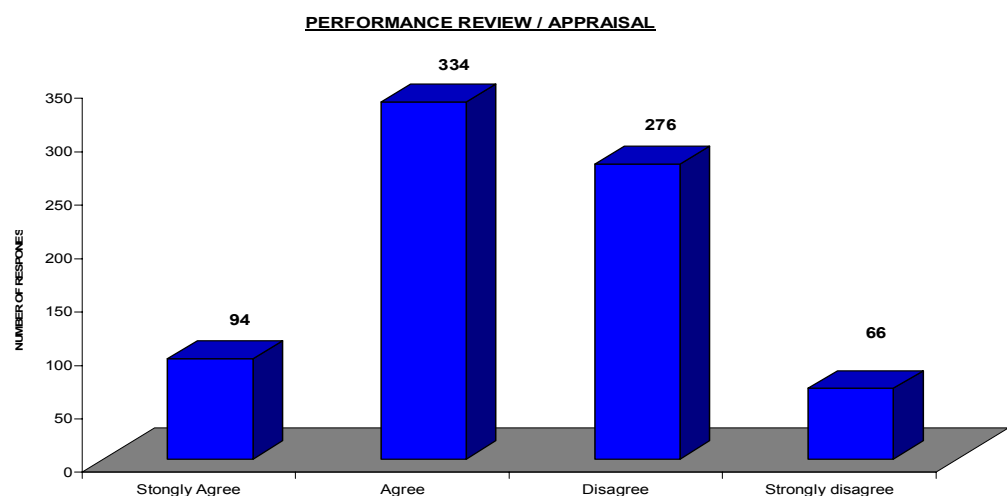
- 60 per cent of the respondents agree that their performance is measured as per agreement reached with the relevant managers;
- 50 per cent of the respondents agree that management review performance on a continuous basis;
- 63 per cent of the respondents agree that performance problems are identified and action plans put in place to eliminate these;
- 74 per cent of the respondents agree that management is constructive when doing a performance review;
- 68 per cent of the respondents agree that managers provide a

climate that is conducive to openly communicate performance related problems;

- 39 per cent of the respondents agree that they receive adequate acknowledgement and recognition for his or her contributions and excellent performance;
- 62 per cent of the respondents agree that managers focus of performance and not on the individuals personality;
- 78 per cent of the respondents agree that they set clear performance objectives for direct reports in line with Continental Tyre South Africa's strategy.

To summarise Table 5.3, the total responses to all questions were added together, and presented in Chart 5.3.

**Chart 5.3 Performance review / appraisal**



From the chart it is clear that just more than half of the respondents agree that the performance management system has improved employee motivation and performance through continuous feedback and reviews.

From the questions analysed in Table 5.3, the findings are as follows:

- The respondents feel that during the performance reviews managers do provide a climate conducive to openly communicate performance problems. Kirkpatrick (2006:61) supports this by recommending that the review must include two-way communications. The establishment of rapport helps to overcome this reluctance. He also recommend that managers should listen and do not interrupt the employee when discussing performance issues. It must be an active process of finding out the thoughts as well as the feelings of the other person;
- The respondents feel that that they are not given adequate acknowledgement and recognition for their excellent performance. Romanoff (1989:26) cites that being called "average" in many organisations is synonymous to being labeled a failure. Performance ratings often fail to make clear distinctions between the exceptional and the ordinary. If an organisation has a clearly articulated notion of excellence and all employees are achieving it, then there is not enough stretch in the organisations goals. Thus an organisation with many excellent employees will have many "excellent" employees who are average, therefore, how do organisations avoid discouraging such employees or losing them to companies where they can be bigger fish in smaller ponds?;
- More than two thirds of the respondents agree that the current performance management system is not fair. This is an indication of the acceptability of the system by the employees. Swanepoel, et al. (2000:406) argue that acceptability of the system by employees is the most important prerequisite, since the support and perceived legitimacy a system received from both managers and employees will probably carry more weight in determining its success than its inherent technical soundness;
- It is evident from the analysis that just less than halve of the respondents agree that there is no continues performance review and that more than two thirds of the respondents do not receive written feedback of the performance review. Swanepoel, Erasmus, Van Wyk and Schenk (2000:406) define performance appraisal as a formal and systematic

process by means of which job-relevant strengths and weaknesses of employees are identified, observed, measured, recorded and developed. Armstrong (1994:77) supports this by arguing that in order for performance management to be effective, there needs to be a continuing agenda through regular review meetings to ensure that good progress is being made towards achieving agreed objectives for each of the key results areas; and

- More than half of the respondents agree that during the performance review management focus on the performance objectives and not on the personality of the employee. Romanoff (1989:260) cites that most performance management systems actually measure factors that are more reflective of employee's personalities than they are of their accomplishments on the job. He argues that in order for a performance management system to be successful, managers should not concentrate on the personality of the individual. This is also supported by Kirkpatrick (2006:61) that this is a performance review, and emphasis should be on performance, not personality. It does not mean that items as attitude, integrity, dependability, appearance, or initiative are not mentioned, it means that these characteristics are mentioned only as they relate to performance.

#### **5.2.4 Development plans and rewards**

The last two important components of the performance management process according to Armstrong (1994: 42) is development of employees' work related skills, knowledge and experience, and rewards and recognition. This section is aimed at determining whether the performance management process aids in the improvement of the employee's performance.

Table 5.4 shows the respondents' opinion as to whether their performance improved as a result of development and training and whether their performance is recognized and rewarded.



**Table 5.4 Development plans and rewards**

	<b>DEVELOPMENT PLANS AND REWARDS</b>	<b>STRONGLY AGREE</b>	<b>AGREE</b>	<b>DISAGREE</b>	<b>STRONGLY DISAGREE</b>
22	I am given opportunities to learn and develop to expand my career options	19 (25%)	34 (44%)	17 (22%)	7 (9%)
23	I know what skills and competencies are essential to perform my job	38 (49%)	36 (47%)	3 (4%)	0 (0%)
24	My manager and I have conducted a gap analysis	14 (18%)	35 (45%)	18 (23%)	10 (13%)
25	I have attended a training programme in PM	13 (17%)	14 (18%)	37 (48%)	13 (17%)
26	The most important reward for performance is in monetary terms	12 (16%)	33 (43%)	19 (25%)	13 (17%)
27	I believe I am rewarded fairly	5 (6%)	23 (30%)	36 (47%)	13 (17%)
28	CTSA performance management system is fair in determining annual salary increments	5 (6%)	21 (27%)	23 (30%)	29 (38%)

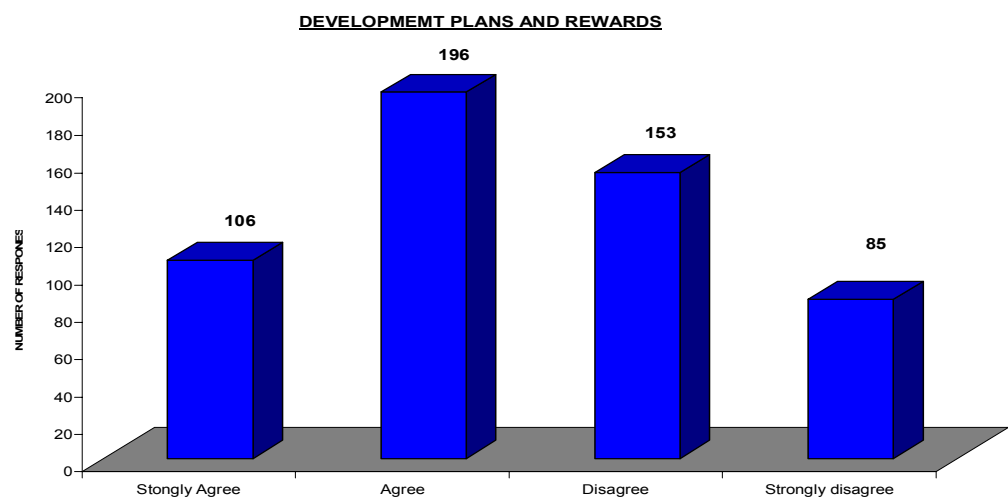
An analysis of Table 5.4 indicates the following:

- 69 per cent of the respondents agree that they are given opportunities to learn and develop in order to expand their career options;
- 96 per cent of the respondents agree that they know what skills and competences are essential for them to perform their job;
- 63 per cent of the respondents agree that a gap analysis has been conducted between them and their respective managers in order to highlight potential opportunities for improvement of their skills and knowledge;
- Just less than two thirds of the respondents agree that they have not attended a performance management training programme;
- 59 per cent of the respondents agree that the best reward for their performance is that of financial reward in monetary terms;
- 36 per cent of the respondents agree that they are rewarded fairly for their performance;
- One third of the respondents agree that the performance management system at Continental Tyre South Africa is fair in determining annual salary

increments based on performance reviews.

To summarise Table 5.4 and in order to provide the reader with a visual picture of the responses, the total number of responses to all questions were added together and are presented in Chart 5.4.

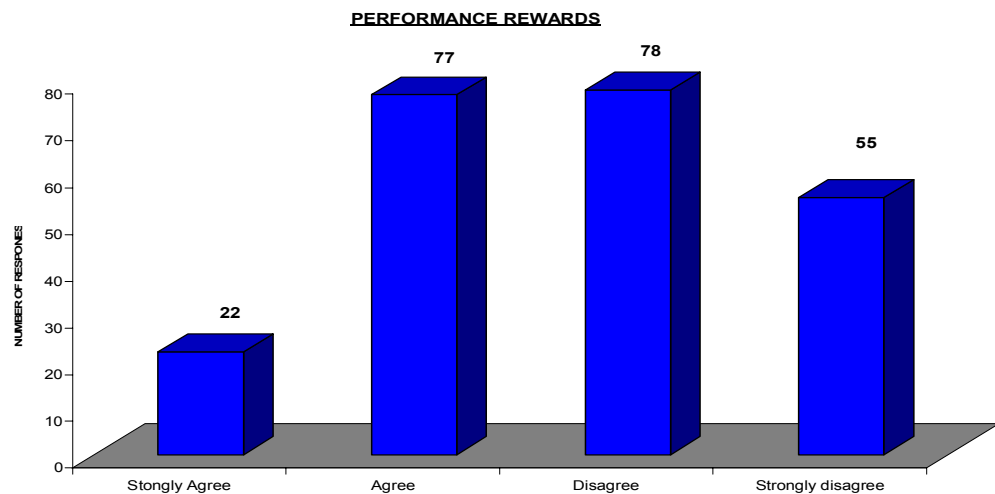
**Chart 5.4 Development plans and rewards**



From Chart 5.4 it is clear that most respondents agree that the performance management system aims to improve employee performance, develop potential and commitment to Continental Tyre South Africa.

However, by extracting questions 26 to 28 from Chart 5.4, the following visualization is created based on rewarding of employees for good performance.

**Chart 5.5 Performance rewards**



From Chart 5.5 it is clear that the majority of the respondents believe that they are not rewarded fairly or adequately for performance achievements.

From the responses analysed in Tables 5.4 and 5.5, the findings are as follows:

- The respondents are satisfied that they are given opportunities to learn and develop in order to expand their career options as well as knowing what skills and competencies they require to perform. Gilley & Boughton (1996) recommend that performance-coaching relationship with employees must include the nine components listed in chapter 2. They argue that once a relationship is self-esteeming, managers are ready to develop employees personally and professionally. The job of the manager (coach) is to offer the right work assignments that help employees achieve their goals. Performance coaching will help managers find out what these goals are, and help their employees achieve them. This is further supported by the learning and growth perspective of the Balanced Scorecard where Niven (2005:16) cites that the measures in the learning and growth perspective of the Balanced Scorecard serve as the enablers of the other three

perspectives. Once organisations have identified measures and related initiatives in their customer and internal perspectives, they can be certain to discover some gaps between their current organisational infrastructure of employee skills, information systems, and climate and the level necessary to achieve the results they desire. The measures developed within this perspective should close these gaps and ensure sustainable performance in the future;

- As per Chart 5.5 it can be concluded that most of the respondents agreed that they are not rewarded fairly and should be rewarded in monetary terms. Sears (1987:198) recommends that performance related pay should probably be a cornerstone of strategy if management is committed to using pay as an incentive and a reward for desired levels and directions of performance. Kaplan and Norton (1996:283) however, argue that as long as personal incentives and rewards are tied to short-term performance measures, management thinking will remain risk-averse and short-term. Incentive compensation motivates performance, but organisations may wish to get some experience in managing with the Balanced Scorecard before explicitly tying compensation to it; and
- It is also noted that the majority of respondents do believe that they are not rewarded fairly for the excellent performance. Costello's model (1994:78) in figure 2.2 in chapter 2 on performance analysis recommend that managers look at and identify coaching needs and rewards classifying the employee into one of five categories namely; stars, workhorse, trainees, problem child and deadwood.

### **5.2.5 Suggestions from employees on improving current performance management**

The last part of the questionnaire allowed the respondents to voice any other comments regarding the current performance management system. Table 5.6 shows the suggestions and comments for improving the current performance management system at Continental Tyre South Africa.

5.1	CTSA should have a separate grading system for professional qualified personnel who function as specialists.
5.2	CTSA does not have a dynamic system for individual performance; they should start with team based performance management.
5.3	The current performance management system does not accommodate the freedom for managers to reward the different level of performers at different salary increase themselves as the yearly increases are pre-determined.
5.4	Performance reviews should be done on a quarterly basis to maximize performance improvement opportunities.
5.5	All the departments within manufacturing must have a standard BSC which focuses more on the inputs of the employees.
5.6	The performance management system should be tailored-made for the various departments when measuring the various disciplines within the company.
5.7	At CTSA there seems to be very little connection between performance and remuneration.
5.8	Business team leaders should also have input into evaluating the performance of an individual, together with the individual's manager.
5.7	CTSA 's performance management system does not recognize expertise or experience sufficiently, but is based on management level.
5.8	Performance reviews should occur more regular by within the engineering department.

5.9	Managers and employees should have the same understanding of performance management.
5.10	Outside influences on individual performance should be excluded with reachable objectives.
5.11	Recognize and reward top performers accordingly.
5.12	Managers must respect their subordinates

### **5.3 CONCLUDING REMARKS**

The purpose of chapter 5 was to analyse and interpret the data obtained through the research questionnaire. The analysis and interpretation was undertaken in terms of the objectives stated in chapter 1. The evaluation done by the researcher indicates that some of the guidelines discussed in chapters 2 and 3 were adhered to, but also certain key aspects of performance management were not being applied by the manufacturing division at Continental Tyre South Africa.

Chapter 6 will focus on the various recommendations, based on the above findings. Problems and limitations encountered during the research, as well as opportunities for further research will be highlighted.

## **CHAPTER 6**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

In this final chapter, the researcher will provide a summary of the main findings of the study of the application of performance management within the manufacturing division at Continental Tyre South Africa.

The conclusions that have been reached with respect to the main problem and sub-problems will also be stated. Lastly, recommendations for future research and suggestions for the application of the findings will be presented.

#### **6.2 PROBLEMS AND LIMITATIONS**

During the course of the research project, no major problems were encountered. Certain events within Continental Tyre South Africa that could have influenced the outcomes of the research are as follows:

- The implementation of performance bonuses for manufacturing staff based on organisational quality related objectives;
- The research was conducted after a retrenchment exercise towards the end of 2005.

Minor problems that were encountered are:

- Failure of a substantial number of respondents to return questionnaires by the deadline stipulated; and
- Not receiving a spontaneous response in the first few days after distributing the questionnaire. Only after the researcher reminded

respondents about the questionnaire, were respondents willing to their questionnaires.

## **6.3 SUMMARY OF THE STUDY**

### **6.3.1 Reasons for the research**

Continental Tyre South Africa has made use of a performance management system based on a Balanced Scorecard approach in the several departments within the manufacturing division in order to attain departmental goals. Whether the process of performance management has been properly utilised and has facilitated management in achieving the manufacturing goals within all the manufacturing departments remained an open question.

### **6.3.2 The problems statements**

The main problem identified in this study was:

**‘Is performance management at Continental Tyre South Africa being properly deployed within the manufacturing division by management in order to achieve the division’s goals and objectives?’**

The following sub-problems were identified in order to make the main problem more researchable:

#### **Sub-problem One**

- What performance management models are suggested by literature?

This sub-problem was addressed in chapters 2 and 3 by a literature review on performance management and The Balanced Scorecard approach.



### **Sub-problem Two**

- How does the manufacturing division at Continental Tyre South Africa currently employ their current performance management system which is based on the Balanced Scorecard approach?

A questionnaire was designed using interval-scaled data which was distributed to 120 staff employee within the manufacturing division which excluded senior management. The respondents were assured of their privacy and confidentiality so as to ensure honest and reliable information. The responses of the respondents were analysed in chapter 5 in order to address the sub-problem above.

### **Sub-problem Three**

- How can the results obtained from the resolution of the first two sub-problems be combined into an integrated strategy which can be used by Continental Tyre South Africa for conducting performance management programmes?

The results obtained from the questionnaire was presented in chapter 5 and the literature in chapters 2 and 3 will be used to make recommendations on how to improve the current performance management system at Continental Tyre South Africa.

The main findings of the research conducted can be summarised as follows:

- The staff within the manufacturing division are clear about the strategic objectives of Continental Tyre South Africa, and more importantly that the organisation shares its strategic objectives with its employees (93%);
- The staff at Continental Tyre South Africa are clear on how their roles fit in with the strategic objectives of the organisation (87%);
- Not all staff at Continental Tyre South Africa have performance objectives mutually agreed between management and staff (63%);
- It is clear from the respondents that management does have continuous

performance reviews that could be used in assisting individuals in achieving of their goals (50%);

- It is clear that some individuals feel that they do not receive adequate acknowledgement and recognition for his or her contributions and excellent performance (39%);
- An overwhelming amount of the respondents agree that they know what skills and competences are essential for them to perform their job (96%);
- Just less than two thirds of the respondents agree that they have not attended a performance management training programme;
- Only 36 per cent of the respondents agree that they are rewarded fairly for their performance;
- Only one third of the respondents agree that the performance management system at Continental Tyre South Africa is fair in determining annual salary increments based on performance reviews.

### **6.3.3 Review of the research project**

- **Chapter One (PROBLEM DEFINITION AND DEFINITION OF KEY CONCEPTS)**

This chapter presented the main and sub-problems to be addressed. It also outlined the researcher's method for solving the stated problems.

- **Chapter Two (PERFORMANCE MANAGEMENT)**

In this chapter an overview of performance management suggested by literature was presented.

- **Chapter Three ( THE BALANCED SCORECARD)**

In this chapter an overview of The Balanced Scorecard suggested by literature was presented.

- **Chapter Four (THE EMPIRICAL STUDY)**

In this chapter the researcher covered the methods of how the research was conducted. An analysis of the biographical information was presented.

- **Chapter Five (ANALYSIS AND INTERPRETATION OF EMPIRICAL STUDY)**

In this chapter the data that was generated from the questionnaire was presented and analysed. The literature review was integrated with the data analysis.

- **Chapter Six (CONCLUSIONS AND RECOMMENDATIONS)**

The purpose of this chapter is to summarise the research project and to provide concluding remarks and recommendations.

## **6.4 RECOMMENDATIONS**

- Although the empirical study revealed that Continental Tyre South Africa shares its strategic objectives with its management and staff, it is highly recommended that the executive team of Continental Tyre South Africa have regular feedback sessions for all the employees on the achievement of their objectives. It is also recommended, although it has not been evaluated as part of this research project, that management must share the strategic objectives down to the shop floor.
- It is highly recommended for the management team at Continental Tyre South Africa that when the performance review meeting occurs at the beginning of the year in order to identify the performance objectives, that the individuals who will be measured on their performance be actively

involved in setting performance goals and that these goals and how they will be measured be mutually agreed upon by manager and sub ordinate.

- It is highly recommended to senior management that people who manage others be measured on how they conduct performance reviews of their sub ordinates. This the researcher truly believes will ensure that those who performance manage employees, will:
  - Ensure regular feedback and support to the employees;
  - Ensure adequate coaching, counselling and motivation; and
  - Ensure that the whole organisation is aligned in accordance with the strategic objectives of Continental Tyre South Africa.
- It is recommended that management and those who performance manage others, undergo training in performance management. This is of utmost importance.
- From the empirical study it is evident that the current performance management system is not distinguishing between top, average and poor performers. It is highly advisable to management that they either apply Costello's model on performance analysis or Jack Welsh's 20/70/10 principle as discussed in chapter 2.
- Lastly, it is advisable for senior management to consider a mechanism for the rewarding of top performers. The current system which bases the annual increments on the year's performance, does not promote better performance from individuals as the past few years' average annual increments ranged from four to six per cent. This does not allow enough leverage for managers to reward excellent performance. It is therefore recommended that until such time that management introduces a formal performance reward policy at Continental Tyre South Africa that they should consider rewarding performance by paying people at different levels within the salary range based on the individual's performance. It is however, very important that management clearly stipulate to top performers that they should then realize and compare the actual monetary difference between their salary and the salaries of others at the same level or job function, and not the difference in percentage increases.

## **6.5 OPPORTUNITIES FOR FURTHER RESEARCH**

This study can also provide the basis for further research. The current performance management system has been in place for a number of years and clearly still have some flaws. Taking cognisance of the recommendations could result in a different outcome, if this study is repeated at a later stage.

## **6.6 CONCLUSION**

Performance management can be seen as a means of getting better results from organisations, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and attributes or competency requirements. Whether or not companies use the tailored performance management systems or The Balanced Scorecard approach, at the end of the day the effectiveness of the system depends on how well it is utilised and managed within an organisation.

It can be concluded that whether performance management within an organisation can achieve its objectives, depends on:

- Senior management's leadership and support through articulating the organisational goals and ensuring alignment of performance management objectives with these goals;
- Charging managers at all levels with clear responsibility for coaching, monitoring and improving performance of their respective divisions/units/sections;
- Continuous improvement to managers' skills on performance management, including objective setting and measurement, coaching, appraising, and motivating staff; and
- Produce staff ownership of the performance management system by effective

communication and regular feedback in the performance management processes.

The purpose of the research paper was to establish the effectiveness of performance management within the manufacturing division at Continental Tyre South Africa in line with departmental goals through resolving the sub-problems identified.

## REFERENCES:

- Anthony, W.P., Perrewe, P.L., & Kacmar, K.M. 1999. Human Resource Management: A Strategic Approach, 3<sup>rd</sup> Ed. Orlando, Florida: Dryden.
- Armstrong, M. 1994. Performance Management. London: Kogan Page Limited.
- Bacal, R. 1999. Performance Management. USA: McGraw-Hill.
- Bagraim, J. 2003. Motivating the South Africa workforce. In Schultz, H., Bagraim, J., Potgieter, T., Viedge, C. & Werner, A. Eds. Organisational behavior: A contemporary South African perspective. Pretoria: Van Schaik.
- Beckett, Y. 2003. A critical analysis of the influence of the performance management system used in the financial department at General Motors South Africa. Unpublished M Degree Thesis. Nelson Mandela Metropolitan University, Port Elizabeth.
- Bourne, M & Bourne, P. 2002. Balanced Scorecard in a week. London: Holder & Stoughton.
- Brown, M.D. 1994. Measuring corporate performance. Long Range Planning, 2(27), 89-98.
- Costello, S.J. 1994. Effective performance management. USA: McGraw-Hill.
- Davis, R. 1996. Developing an employee balanced scorecard: Linking frontline performance to corporate objectives. Management Decision 34(4) 14-18.
- Daly, D. September 1996. Performance measurement and management.

Management accounting. 78(3), 65-66

Gilley, J; Boughton, N. 1996. Stop Managing, Start Coaching: How Performance Coaching can enhance commitment and improve productivity. Irwin Professional Publishing

Hartle, F. 1995. How to re-engineer your performance management process. London: Kogan Page.

Jankowitz. 1995. Business research project. 2<sup>nd</sup> ed. UK: International Thomson Business Press.

Jonhson, G & Scholes, K. 2002. Exploring Corporate Strategy. 6<sup>th</sup> Ed. Harlow: England, Prentice Hall.

Kaplan, R.S. & Norton, D. January-February 1992. The Balance scorecard – Measures that drive performance. Harvard Business Review, 71-79.

Kaplan, R.S. & Norton, D. September-October 1993. Putting the Balance Scorecard to Work. Harvard Business Review 134-147.

Kaplan, R.S. & Norton, D. 1996. The Balanced Scorecard: Translating strategy into action. Boston, Mass: Harvard Business School.

Kaplan, R.S. & Norton, D. 2001. The strategy focused organisation: How Balanced Scorecard companies thrive in the new business environment. Boston, Mass: Harvard Business School.

Kaufman, R., Thaigarajan, S. & MacGillis, P. 1997. The Guidebook for



performance management: Working with individuals and Organisations. Jossey-Bass/Pfeiffer.

Kirkpatrick, D. 2006. Improving employee performance through appraisal and coaching. 2<sup>nd</sup> Edition. USA.

Leedy, P.D. & Ormrod, J.E.; 2001. Practical Research: Planning and Design. 7<sup>th</sup> Ed. New Jersey, Prentice Hall.

Macaulay, S. & Cook, S. 1994. Performance management as the key to customer service. Industrial and Commercial Training, 26 (11), 3-8.

Nair, M. 2004. Essentials of the Balanced Scorecard. John Wiley & Sons, Inc.

Niven, P. 2005. Balanced Scorecard Diagnostics: Maintain Maximum performance. John Wiley & Sons, Inc.

Olson, E & Slater, S. May/June 2002. The Balanced Scorecard, competitive strategy, and performance. Business Horizons, 11-16.

Romanoff, K. 1989. The ten commandments of performance management. Personnel, January, 66(1), 24-28.

Scheiderman, M. January 1999. Why Balanced Scorecards fail. Journal of strategic performance measurement, 6-10.

Schuitema, E. 1998. Leadership: The Care and Growth Model. Ampersand Press.

Schultz, H Bagraim J, Potgieter T, Viedge C & Werner A; 2003; Organisational

Behaviour: A contemporary South African perspective. Pretoria, Van Schaik Publishers.

Sears, D. 1987. Make employee pay a strategic issue. In Schneier, C.E., Beatty, R.W. & Baird, L.S. Eds. The performance management sourcebook. pp198. USA:HRD Press

Sheard, A. November 1992. Learning to improve performance. Personnel Management, 24(11), 40-45.

Slater, F. Olson, E. & Reddy, V. July-August 1997. Strategy based performance measurement. Business Horizons 40(4), 33-44.

Stiffler, M. 2006. Performance: Creating the performance driven organisation. John Wiley & Sons, Inc.

Swanepoel, B; Erasmus, B; van Wyk, M; Schenk, H. 2000. South African Human Resources Management: Theory and Practice. 2<sup>nd</sup> Ed. Juta & Co Ltd.

Venkatraman, N. & Ramanujam, R. October 1986. Measurement of business performance in strategy research. Academy of Management review 11(4), 801-814

Vollmer, L.. *Create Candor in the workplace, says Jack Welch*. 2005. Available from [http://www.gsb.stanford.edu/news/headlines/vftt\\_welch.shtml](http://www.gsb.stanford.edu/news/headlines/vftt_welch.shtml) (Accessed on 30 Sept 2006.)

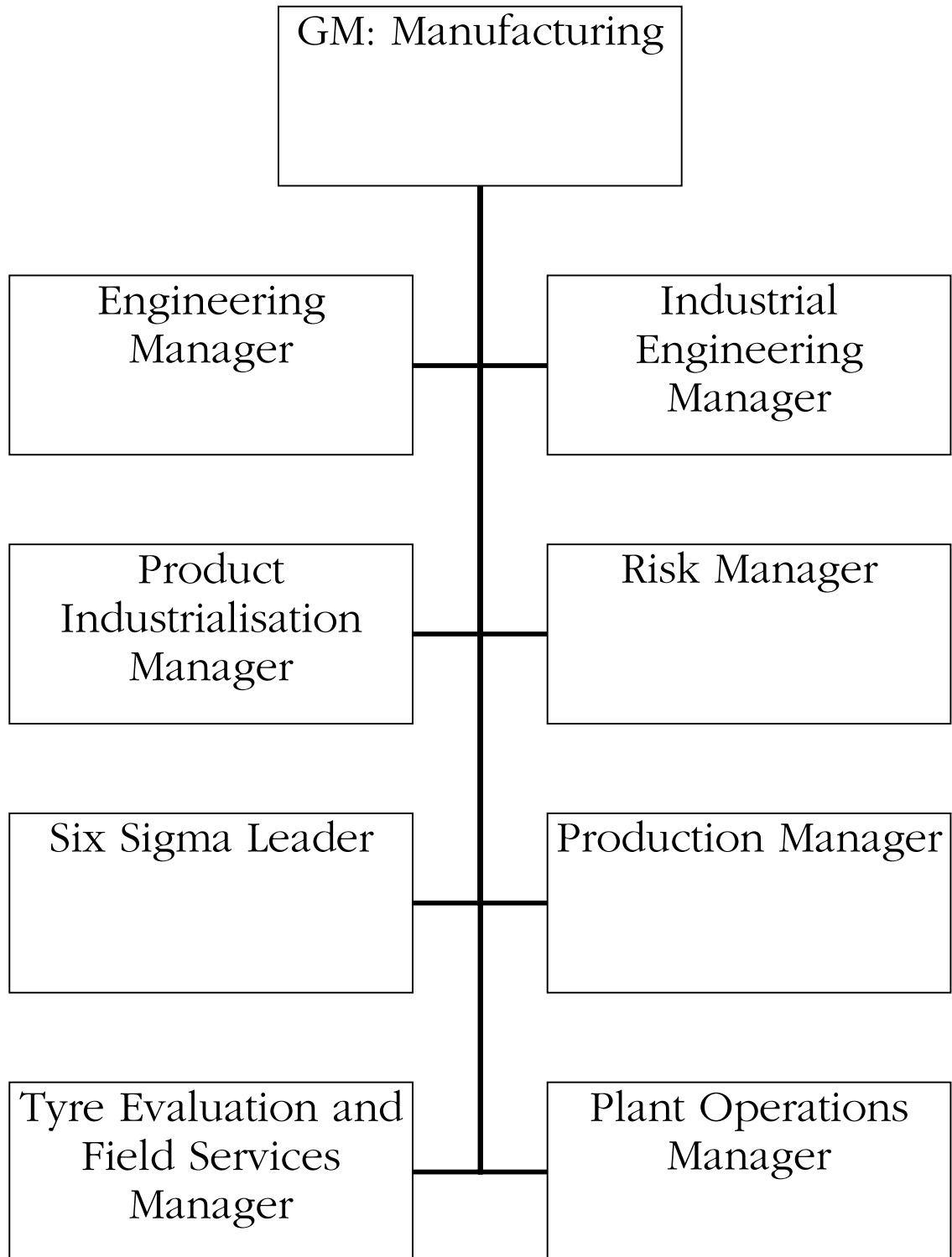
Walters, M. 1995. The performance management handbook. London: Institute of

personnel and development.

Wegner, T. 2001. Applied Business Statistics: Methods and Applications. Juta &Co, Ltd.

Zikmund, W.G. 1994. Business research methods. 4<sup>th</sup> ed. New York: The Dryden Press.

**ORGANOGRAM: MANUFACTURING DIVISION AT CONTNINETAL TYRE  
SOUTH AFRICA**



# ASSESSING THE NEED FOR A BALANCED SCORECARD

*To complete the exercise, read each statement and determine how much you agree with what is stated. The more you agree, the higher the score you assign. For example, if you fully agree, assign a score of 5 points.*

1.Our organisation has invested in Total Quality Management (TQM) and other improvement initiatives but we have not seen a corresponding increase in financial or customer results. (Score 1 2 3 4 5)

2.If we did not produce our current Performance Reports for a month, nobody would notice. (Score 1 2 3 4 5)

3.We create significant value from intangible assets such as employee knowledge and innovation, customer relationships and a strong culture.

4.We have a strategy (or have had strategies in the past) but have a hard time successfully implementing it. (Score 1 2 3 4 5)

5.We rarely review our performance measures and make suggestions for new and innovative indicators. (Score 1 2 3 4 5)

6.Our senior management team spends the majority of their time together discussing variances from plan and other operational issues. (Score 1 2 3 4 5)

7.Budgeting at our organisation is political and based largely on historical trends. (Score 1 2 3 4 5)

8.Our employees do not have a solid understanding of our mission, vision, and strategy. (Score 1 2 3 4 5)

9.Our employees do not know how their day-to-day actions contribute to the organisation's success. (Score 1 2 3 4 5)

10.Nobody owns the performance measurement process at our organisation. (Score 1 2 3 4 5)
11.We have numerous initiatives taking place at our organisation, and it's possible that not all are truly strategic in nature.
12.There is little accountability in our organisation for the things we agree as a group to do. (Score 1 2 3 4 5)
13.People tend to stay within their "silos," and as a result we have little collaboration among departments. (Score 1 2 3 4 5)
14.Our employees have difficulty accessing the critical information they need to serve customers. (Score 1 2 3 4 5)
15.Priorities at our organisation are often dictated by current necessity or "fire-fighting." (Score 1 2 3 4 5)
16.The environment in which we operate is changing, and in order to succeed, we too must change. (Score 1 2 3 4 5)
17.We face increased pressure from stakeholders to demonstrate results.
18.We do not have clearly defined performance targets for both financial and non-financial indicators. (Score 1 2 3 4 5)
19.We cannot clearly articulate our strategy in a one-page document or "map." (Score 1 2 3 4 5)
20.We sometimes make decisions that are beneficial in the short term but may harm long-term value creation. (Score 1 2 3 4 5)

**SOURCE: Niven (2005:27)**

COVERING LETTER

MEMORANDUM

PRODUCTION  
JJ DOWLING  
Product Manager  
Stock Preparation  
☎ +27-41-406 5191  
[jj.dowling@conti.co.za](mailto:jj.dowling@conti.co.za)

19 Sept 2006

Dear Colleague

**Subject: Performance Management survey at CTSA**

You are invited to participate in a survey aimed at investigating whether performance management within the manufacturing division at Continental Tyre South Africa is being properly deployed by management in order to achieve the manufacturing goals and objectives. I am conducting the survey, in order to obtain a Master's degree in Business Administration at the NMMU.

The company has agreed that I can conduct this evaluation. I would greatly appreciate it if you can complete the attached questionnaire. This questionnaire has been developed in such a way, that minimum time is required for the completion thereof. It is important to note that you need not reflect your name on the questionnaire, and that your response will be treated as strictly confidential.

Your kind co-operation in this regard will be highly appreciated. Kindly return the questionnaire to me before 28 Sept 2006.

-----

JJ Dowling

Researcher

**QUESTIONNAIRE**



**Research Title:**     **A critical analysis of performance management within the manufacturing division at Continental Tyre South Africa.**

**Researcher:**         **JJ Dowling**

**Product Manager: Stock Preparation**

This study is based on research to identify what key performance management elements will aid or assist management in achieving individual and departmental objectives.

This questionnaire is designed to test the degree to which you agree that the performance management system can assist management to achieve individual and departmental goals at CTSA within the manufacturing division.



## QUESTIONNAIRE (CONT.)

### PERFORMANCE MANAGEMENT EVALUATION

#### SECTION A: BIOGRAPHICAL INFORMATION

Please provide the following information regarding your position in the organisation, by placing an 'X' in the appropriate block.

1. In which division of CTSA are you employed?

1.1	PRODUCTION	
1.2	PRODUCT INDUSTRIALISATION	
1.3	QUALITY	
1.4	RISK MANAGEMENT	
1.5	ENGINEERING	
1.6	INDUSTRIAL ENGINEERING	
1.7	SIX SIGMA	

2. What position do you hold at CTSA?

2.1	PROFESSIONAL (TECHNICAL)	
2.2	PRODUCT MANAGER LEVEL	
2.3	QUALITY / ENG / INDUSTRIAL ENGINEERING LEVEL	
2.4	SHIFT MANAGER	
2.5	SHIFT COORD.	
2.6	STAFF (Other)	

3. How many years have you been employed at CTSA?

3.1	0-5 YEARS	
3.2	6-10 YEARS	
3.3	MORE THAN 10 YEARS	

4. How many performance reviews have you had at CTSA?

4.1	1	
4.2	2	
4.3	MORE THAN 3	

## **QUESTIONNAIRE (CONT.)**

### **SECTION B: PERFORMANCE MANAGEMENT**

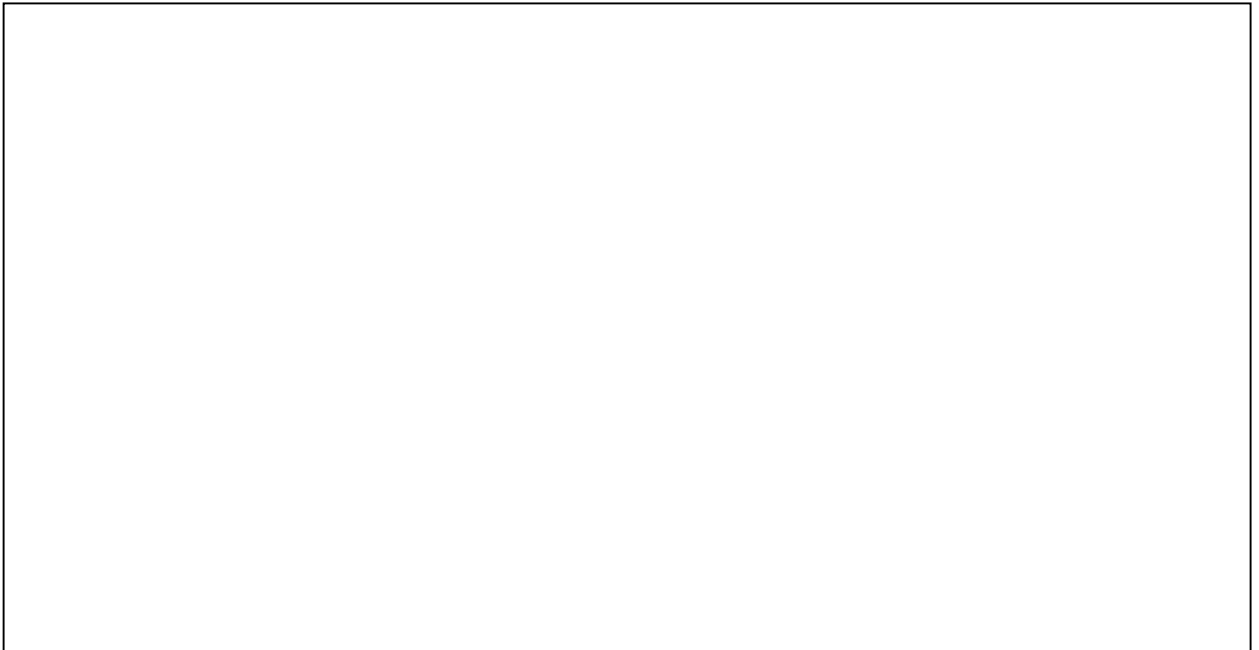
The strategic plan sets the nature and direction of the business. Performance management recognises that relating work performance to the strategic plan of the organisation is critical for success. An effective performance management system should provide clarity of the organisation's goals, establish key results, objectives and measures, and lead to the continuous improvement of performance.

Please indicate the extent to which you agree with the following statements by indicating with an "X" in the appropriate box.

	<b>INVOLVEMENT IN STRATEGY</b>	<b>STRONGLY AGREE</b>	<b>AGREE</b>	<b>DISAGREE</b>	<b>STRONGLY DISAGREE</b>
1	CTSA has defined a vision, mission and values.	1	2	3	4
2	CTSA shares its strategic objectives with employees	1	2	3	4
3	I strive to achieve the strategic objectives of CTSA	1	2	3	4
4	I am clear about how my role fits into CTSA's strategic objectives	1	2	3	4
5	My manager define my duties and responsibilities	1	2	3	4
6	I set clear objectives for my direct reports in line with CTSA strategy	1	2	3	4
<b>DEFINING PERFORMANCE OBJECTIVES</b>					
7	I have a chance to influence my performance goals and standards	1	2	3	4
8	Individual performance goals are reached by agreement between managers and staff	1	2	3	4
9	The goals set for me are in line with CTSA's strategy	1	2	3	4
10	I participate in setting deadlines for the achievement of my goals	1	2	3	4
11	My manager and I mutually agree how my performance will be measured	1	2	3	4

PERFORMANCE REVIEW / APPRAISAL					
12	My performance is measured as per agreement reached with my manager	1	2	3	4
13	My manager continually reviews my performance	1	2	3	4
14	Performance problems are identified and action plans are in place to eliminate these	1	2	3	4
15	My manager is constructive when doing a performance review	1	2	3	4
16	Managers provide a climate conducive to openly communicate my performance-related problems	1	2	3	4
17	I am given written feedback about my performance	1	2	3	4
18	I feel that I receive adequate acknowledgement and recognition for my contributions and excellent performance	1	2	3	4
19	CTSA has a fair system to evaluate performance of individuals	1	2	3	4
20	Managers focus on performance, not personality during the PM review	1	2	3	4
21	I set clear PM objectives for my direct reports in line with CTSA's strategy	1	2	3	4
DEVELOPMENT PLANS AND REWARDS					
22	I am given opportunities to learn and develop to expand my career options	1	2	3	4
23	I know what skills and competencies are essential to perform my job	1	2	3	4
24	My manager and I have conducted a gap analysis	1	2	3	4
25	I have attended a training programme in PM	1	2	3	4
26	The most important reward for performance is in monetary terms	1	2	3	4
27	I believe I am rewarded fairly	1	2	3	4
28	CTSA performance management system is fair in determining annual salary increments	1	2	3	4

29. Do you have any additional suggestions for improving the current performance management system?

A large, empty rectangular box with a thin black border, intended for the respondent to write their suggestions for improving the performance management system.

**Thank you for your kind co-operation.**

## RESULTS OF EMPIRICAL STUDY

## SECTION B: PERFORMANCE MANAGEMENT

	INVOLVEMENT IN STRATEGY	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE
1	CTSA has defined a vision, mission and values.	52 (67%)	25 (32%)	0 (0%)	0 (0%)
2	CTSA shares its strategic objectives with employees	29 (38%)	42 (55%)	6 (8%)	0 (0%)
3	I strive to achieve the strategic objectives of CTSA	43 (56%)	32 (42%)	2 (2%)	0 (0%)
4	I am clear about how my role fits into CTSA's strategic objectives	31 (40%)	36 (47%)	10 (13%)	0 (0%)
5	My manager define my duties and responsibilities	21 (27%)	51 (66%)	5 (6%)	0 (0%)
6	I set clear objectives for my direct reports in line with CTSA strategy	15 (19%)	55 (71%)	7 (9%)	0 (0%)
<b>DEFINING PERFORMANCE OBJECTIVES</b>					
7	I have a chance to influence my performance goals and standards	27 (35%)	37 (48%)	11 (14%)	2 (3%)
8	Individual performance goals are reached by agreement between managers and staff	16 (21%)	33 (43%)	26 (34%)	2 (3%)
9	The goals set for me are in line with CTSA's strategy	23 (30%)	45 (58%)	9 (12%)	0 (0%)
10	I participate in setting deadlines for the achievement of my goals	22 (29%)	31 (40%)	23 (30%)	1 (1%)
11	My manager and I mutually agree how my performance will be measured	17 (22%)	25 (32%)	26 (34%)	9 (12%)
<b>PERFORMANCE REVIEW / APPRAISAL</b>					
12	My performance is measured as per agreement reached with my manager	13 (17%)	33 (43%)	25 (32%)	6 (8%)
13	My manager continually reviews my performance	8 (10%)	31 (40%)	35 (45%)	3 (4%)
14	Performance problems are identified and action plans are in place to eliminate these	14 (18%)	35 (45%)	26 (34%)	2 (3%)
15	My manager is constructive when doing a performance review	14 (18%)	43 (56%)	18 (23%)	2 (3%)

16	Managers provide a climate conducive to openly communicate my performance-related problems	8 (10%)	45 (58%)	23 (30%)	1 (1%)
17	I am given written feedback about my performance	3 (4%)	18 (23%)	38 (49%)	18 (23%)
18	I feel that I receive adequate acknowledgement and recognition for my contributions and excellent performance	8 (10%)	22 (29%)	34 (44%)	13 (17%)
19	CTSA has a fair system to evaluate performance of individuals	6 (8%)	19 (25%)	38 (49%)	14 (18%)
20	Managers focus on performance, not personality during the PM review	14 (18%)	34 (44%)	25 (32%)	4 (5%)
21	I set clear PM objectives for my direct reports in line with CTSA's strategy	6 (8%)	54 (70%)	14 (18%)	3 (4%)
<b>DEVELOPMENT PLANS AND REWARDS</b>					
22	I am given opportunities to learn and develop to expand my career options	19 (25%)	34 (44%)	17 (22%)	7 (9%)
23	I know what skills and competencies are essential to perform my job	38 (49%)	36 (47%)	3 (4%)	0 (0%)
24	My manager and I have conducted a gap analysis	14 (18%)	35 (45%)	18 (23%)	10 (13%)
25	I have attended a training programme in PM	13 (17%)	14 (18%)	37 (48%)	13 (17%)
26	The most important reward for performance is in monetary terms	12 (16%)	33 (43%)	19 (25%)	13 (17%)
27	I believe I am rewarded fairly	5 (6%)	23 (30%)	36 (47%)	13 (17%)
28	CTSA performance management system is fair in determining annual salary increments	5 (6%)	21 (27%)	23 (30%)	29 (38%)

## **RESULTS OF EMPIRICAL STUDY (CONT.)**

29. Do you have any additional suggestions for improving the current performance management system?

5.1	CTSA should have a separate grading system for professional qualified personnel who function as specialists.
5.2	CTSA does not have a dynamic system for individual performance, they should start with team based performance management.
5.3	The current performance management system does not accommodate the freedom for managers to reward the different level of performers with different salary increases themselves as the yearly increases are predetermined.
5.4	Performance reviews should be done on a quarterly basis to maximize performance improvement opportunities.
5.5	All the departments within manufacturing must have a standard BSC which focuses more on the inputs of the employees.
5.6	The performance management system should be tailor made for the various departments when measuring the various disciplines within the company.
5.7	At CTSA there seems to be very little connection between performance and remuneration.
5.8	Business team leaders should also have input into evaluating the performance of an individual, together with the individuals manager.
5.7	CTSA's performance management system does not recognise expertise or experience sufficiently, but is based on management level.
5.8	Performance reviews should occur more regularly within the engineering department.
5.9	Managers and employees should have the same understanding of performance management.
5.10	Outside influences on individual performance should be excluded with reachable objectives.
5.11	Recognize and reward top performers accordingly.
5.12	Managers must respect their subordinates

