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Branch managers' perceptions regarding the performance management system at a state-owned company

Abstract

The purpose of this study is to explore how branch managers perceive the performance management system (PMS) at a state-owned company (SOC). A qualitative, exploratory case study approach using semi-structured interviews is adopted for the study. The population comprise eighty-one ($N = 81$) branch managers, who were selected using the purposive sampling technique. Theoretical saturation is reached after the twentieth interview, when no new information is emerging from the interviews. Primary data are collected using face-to-face interviews and secondary data are collected from the SOC's annual report. Combining the two data collection methods assist in triangulating the findings of the study. In the data analysis phase, inductive qualitative content analysis was used to analyze the interview transcripts. The findings reveal concerns that although a performance committee is appointed to implement and effectively manage the PMS at the SOC; it does not fully comply with the equal distribution of PMS training between different branches of the SOC. The study finding of lack of support and a failure to engage branches during performance contracting and evaluation led to organizational citizenship behavior and teamwork.

Keywords: performance management system, perceptions, state-owned company, South Africa.

JEL Classification: M54.

Introduction

In South Africa, research has shown that a PMS is difficult to implement because of technical and human resource issues (Swanepoel, Erasmus, van Wyk & Schenk, 2003). The former entails the procedure to be followed, for example the documentation used, how often it is conducted and whether or not good performers are rewarded. The human resource issues include managers' perceptions or experience regarding technical issues, for example how objective the evaluators (Munzhedzi & Phago, 2014) and raters (Swanepoel et al., 2003) are, whether or not achieving performance objectives leads to rewards, and whether or not non-performance is linked to training (Cassim & Dlodlu, 2012). A common finding of this research was that PMS has been implemented across job levels. By conducting a literature search on academic databases and Google Scholar, it became clear to the authors that in the South African context there is a paucity of research on managers' perceptions in cases where the PMS is not implemented for employees reporting to them.

In the SOC that was used for this study, PMS was implemented at branch management level and not on the lower level of employees, and this raised concerns about the fairness of the system. From the union letter (2011) that was consulted by the researchers, it could be deduced that employees perceived the PMS negatively, because the rewards and benefits of it were ignored. The union's letter

suggested that there were human resource-related issues with the PMS, as discussed above. However, at the time of conducting this study it was unclear how branch managers perceived the PMS. Therefore, the research question of this study is as follows: how do branch managers at the SOC whose subordinates are not contracted to the PMS perceive it?

In this article, a PMS will be defined, followed by a discussion on the legal framework governing PMS, different theories of motivation and PMS models. The methodology used in this study will also be outlined. Lastly, the research findings will be used to determine the implications for area managers who are responsible for branch managers' performance assessment.

1. Theoretical framework

Performance management, according to Grobler, Warnich, Carrell, Elbert and Hatfield (2011), is the process of evaluating employees' job performance in line with a set of standards, and then communicating the outcomes of the evaluation to employees. Amos, Ristow, Ristow and Pearse (2008) refer to performance management as an approach to managing people through the establishment of principles used by managers to plan, direct and improve the performance of employees. These principles are aimed at achieving the overall strategic objectives of the organization. Amos et al. (2008, p. 286) also refer to PMS as a process that begins with translating the overall strategic objectives of the organization into clear objectives for each individual employee.

In South Africa, like in other countries (see Spector, 2012), there is legislation governing framework PMS. Section 23 (1) of the Constitution states that "everyone" (i.e. employer, employee and managers) is entitled to be treated fairly (Grogan, 2014;

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van Niekerk, Christianson, McGregor, Smith & van Eck, 2009; NEHAWU versus University of Cape Town & others, 2003). Section 9 (3) of the Constitution and section 6 (1) of the Employment Equity Act state that managers must not be exposed to discriminatory practices (The Constitution of the Republic of South, 2013; Dupper & Garbers, 2014). Landis and Grossett (2014) argue that it is discriminatory and grossly unfair to set unachievable performance targets and penalize managers for not achieving them. If a manager is not performing according to the goals set during the performance contract, the employer must provide counselling, and if the employee's performance is not improving, the employer is entitled to discipline and dismiss the employee or manager for poor performance (Labour Relations Act & CCMA Related Material, 2013, p. 290). Managers who are not performing according to the agreed performance standards are entitled to receive training (Bendix, 2015; Skills Development Act, 1998).

Other than the legal framework governing PMS, in South Africa, there are public institutional documents that guide how PMS should be implemented. Performance evaluation must be done on an ongoing basis and not only once or twice a year (Department of Public Service & Administration, 1997). In Australia, the Public Service Commission document states that a PMS is perceived positively if it has formal (i.e. performance contracting, annual feedback) and informal components (i.e. coaching and mentoring), and if managers are individually recognised and rewarded for achieving set goals or targets (Head, 2014).

2. Individual and group team performance theories

There are various theories on how PMS is perceived by individual managers. But the one that is relevant for this study is social justice and human relations. Adam's equity theory is applicable during the evaluation phase of a PMS, because if evaluation is deemed unfair, managers will perceive the PMS negatively (Judge & Robbins, 2015) and embark on counter productive work behaviors like reducing effort to execute tasks and attrition (McGrath & Bates, 2013).

In terms of human relations theory, Mayo and his colleagues in the late 1920s conducted a study at Western Electric Company Hawthorne plant (Mayo, 1993). The study showed that "changes involving incentive schemes, rest pauses, hours of work and refreshments were made, but it was found that whatever changes were made – including a return to original conditions – output rose" (Watson, 2012, p. 44). This result seems to suggest that there was no

relationship between improved working conditions and performance (McGrath & Bates, 2013).

Post human relations and social justice theories development, there are PMS models that show the integration of organizational and individual performance objectives (Purcell, Kinnie, Hutchinson, Rayton & Swart, 2003; West, Borrill, Dawson, Scully, Carter, Anelay, Patterson & Waring, 2002). Most scholars argue that managers' perception is influenced by whether or not the PMS goal setting, evaluation, training and development and rewards are integrated, as well as whether or not there is an alignment between organizational, departmental and employee performance objectives (Armstrong, 2012; Williams, 2002). According to Norton and Kaplan (1996), the PMS will assist managers to achieve set targets if employees are trained and deliver excellent customer service. The latter will assist the organization to remain financially viable and profitable.

It can be deduced from the literature reviewed above that the technical aspects (i.e. legal framework and documents) of PMS are complex. In the South African and internationally, PMS is governed by complex legislation and institutional documents. The other issue is that there are different theories and models developed to guide the implementation of PMS. With regard to human resource issues, PMS can be perceived negatively by managers if it is implemented unfairly and in a discriminatory manner. Research also reveals that there is a paucity of research related to cases where managers are contracted to the PMS and their subordinates are not. Therefore, the purpose of this study is to close this gap by exploring how branch managers who are part of the PMS, while their employees are not, perceive the PMS.

3. Methodology

3.1. Research approach. The research approach adopted in this study was qualitative and the research design was an exploratory case study and cross-sectional. The latter is applicable when researchers want to answer a "how" question and are investigating "a contemporary phenomenon in depth and in its real world context" (Yin, 2014, p. 10). The researchers chose the exploratory case study design because little was known about the topic (Creswell, 2013; Kumar, 2014; Neuman, 2014).

The SOC was used as a case study to determine the subjective (epistemological) perceptions of branch managers regarding the PMS. As this study was qualitative, the researchers wanted to solicit branch managers' multiple realities (ontological) with regard to how they were contracted, evaluated and rewarded for their performance by the SOC.

3.2. Population and sampling. The population in this study comprised eighty-one ($N = 81$) branch managers who had subordinates that were not part of the PMS that was implemented at SOC. Since this study was qualitative, the researchers did not know how many branch managers they were going to sample. Theoretical saturation was used to determine sample size (Creswell, 2013). After purposively selecting participants, between interviewees 18 and 20, no new information was emerging. This process is known as theoretical saturation (Bryman, 2012). The following criteria were used to select branch managers: three years' experience, knowledge about PMS and permanent employment.

3.3. Data collection. In order to collect primary data, one of the researchers conducted face-to-face interviews using an interview protocol. The advantage of using a semi-structured interview protocol was that participants were asked the same questions (Bless, Higson-Smith & Sithole, 2013) and the interviewer was able to probe for further clarity (Blanche, Durrheim & Painter, 2006). The interview protocol was developed from the literature reviewed and was piloted using five branch managers. The participants in the pilot study were selected based on their availability and proximity (Yin, 2014). In terms of the latter, the researcher who conducted the interviews selected participants in Pretoria. All participants, during piloting ($n = 5$) and actual data collection ($n = 20$), allowed the interviewer to record the interview using a digital recorder. The actual data collection was bounded by time (i.e. three months). Since this study utilized a case study design, other data were collected from the SOC's annual report. Combing two data collection methods assisted the researchers to triangulate the findings (Stake, 2010, p. 123). The Table below provides the biographical information of participants:

Table 1. Biographical information

Participants	Range	Average managerial tenure	Standard deviation
$n(8)$	1 to 5 years	2	2.38
$n(12)$	6 years and more	6	7.11

From the Table above, it can be seen that 40% of participants had work experience that ranged from 1 to 5 years, and 60% had 6 or more years of work experience.

3.4. Data collection instrument. The data instrument contained biographical and PMS-related questions, and the latter included the following questions:

- ◆ How are the PMS targets set in the SOC?
- ◆ What is your impression regarding the way in which the PMS' objectives are set by the SOC?
- ◆ What kind of support is provided by the SOC to achieve the set PMS targets?
- ◆ How is your performance evaluated?
- ◆ How often do you get PMS feedback in the SOC?
- ◆ Are PMS achievements linked to rewards in the SOC?
- ◆ How do you perceive the PMS outcome processes of the SOC?

3.5. Data analysis. The data analysis strategy that was followed in this study was inductive and qualitative content analysis was used to analyze the data, since the researchers wanted to analyze the transcripts of the interviews (Struwig & Stead, 2013). In terms of the latter, keywords were drawn from the questions in the interview schedule and literature to create codes (Neuman, 2014). This was done manually, since the researchers did not have access to qualitative data analysis software such as ATLAS.ti or Nvivo. Since there were many responses, the researchers winnowed them (Creswell, 2014) and compared them with secondary data and literature findings. After coding the data separately, the researchers met again and categorized the codes into themes. This process is known as an inter-coder reliability check (Bryman, 2012; Bless et al., 2013).

3.6. Trustworthiness. The researchers adhered to the following criteria for trustworthiness, as recommended by Lincoln and Guba (1985).

3.6.1. Credibility. Different theories were consulted in order to provide a theoretical framework for the study. In addition, data were collected through face-to-face interviews and official documentation. This is known as triangulation (Lincoln & Guba, 1985). The interviews were recorded verbatim and the researchers did a peer review by presenting the study results to a panel of academics. Their valuable inputs assisted the researchers in refining the manuscript before it was submitted to the journal for publication.

3.6.2. Transferability. Since this study used qualitative methods to answer the research question, the study results will not be generalized to the population, but will be generalized to theoretical propositions (Creswell, 2014).

3.6.3. Dependability. The interviews were recorded using a digital recorder. In addition, the researchers explained how the study was conducted, so that any other researcher who wants to replicate this study will hopefully obtain similar results.

3.6.4. Confirmability. The researchers also gave the interview transcripts to an independent academic, who did an audit trial to ensure that the documentation of the findings was done in an objective and honest manner. Furthermore, the researchers remained neutral (i.e. bracketing) throughout the analysis and interpretation of the study results.

3.7. Ethical considerations. Prior to data collection, the research instrument was sent to the Tshwane University of Technology’s Management Science Ethics Committee. Before the interviews, the researcher who was going to conduct the interviews gave participants an informed consent form to complete, as well as providing them with pseudonyms. In addition, during the discussions, only what the participants said was reported. The study results were presented to the group talent manager executive, who recommended that when the article was written, the SOC’s name should be kept confidential.

4. Findings

The majority of the participants (2 out of 20) who were interviewed did not meet the minimum educational requirement to be a branch manager. According to the SOC’s job description, a branch manager must have a national diploma, either in operations or financial management. Fourteen branch managers out of twenty had Grade 12 and 6 had post-Grade 12 qualifications. Similarly, the SOC’s annual report revealed that the SOC had done a skills audit and was addressing the issues of unskilled branch managers and other employees.

5. Themes that emerged

The themes and sub-themes that emerged during face-to-face interviews are indicated in the table below.

Table 2. Contracting, evaluation and outcomes

Themes	Sub-themes
PMS contracting	PMS preparations before contracting in SOC PMS targets setting in SOC Achievable PMS targets of SOC Support provided by area managers to achieve the targets
PMS evaluation	How often SOC evaluates branch managers Non-participatory evaluation process of SOC Reasons for not reaching targets
PMS outcomes	Addressing performance deficiencies Linking PMS achievements to rewards and recognition Reasons why branch managers do not resign

A review of the 2014 annual report revealed that the performance management system is a strategic objective of the SOC. In addition, it emerged that employees who are performing will be rewarded and recognized. In terms of financial performance, the SOC’s performance has been on the decline for the past five years. It was found that the organization has a performance management committee which is

responsible for ensuring that the PMS is effectively implemented and managed. It was also found that the SOC did not fully comply with aligning training to performance deficiencies, and the technology to run branches effectively was not implemented in all branches. A survey commissioned by the organization in branches showed that branches were under-staffed and that staff were not friendly to customers.

6. Discussion

The purpose of this study was to explore how branch managers perceived the PMS at the SOC. The practical implications in terms of PMS contracting, evaluation and outcomes are discussed below.

6.1. Practical implication: PMS contracting.

Research shows that PMS contracting should be an engaging process (Gruman & Saks, 2011; Rich, Lepine & Crawford, 2010). This was also mentioned in the SOC’s annual report. However, the branch managers’ experience regarding PMS contracting was different – it emerged that they only became aware of the PMS when they signed the contract, and this non-engagement left participants despondent and made them regret applying for the branch manager position. One of the participants said the following: *“I have never seen a workshop conducted with the intention to prepare employees ahead before contracting to PMS. Even when you apply for branch manager position there is no clarity of what will happen in regard to PMS, once you get the position that is when you realize the requirements, some branch managers regret after they got the positions some even want to go back to their previous positions”*.

Despite the SOC annual report stating that there was a PMS committee which ensured that non-performance is linked to training, the majority (i.e. 18 out of 20) of participants interviewed disagreed. Instead, what emerged is that they established a branch managers’ forum. The purpose of this forum was to assist each other to achieve organizational targets. This kind of behavior is known as organizational citizenship behavior (Robbins & Judge, 2011). It also emerged that the quality department was supportive, as one participant said the following: *“As branch managers we formed branch managers’ forum to support each other while quality advice with the required standards for operations”*.

Besides the lack of support from area managers, the participants interviewed mentioned that the performance targets were not achievable. It was also mentioned that branch managers were given targets, irrespective of their branch size and area. According to the participants, this was grossly unfair because location of the branch played a major role in reaching sales targets. One participant said the

following: *"I think it is not fair, the branch location should also be considered not only the classification. Sometimes we reach ceiling with some products sales and we are penalized for not increasing these sales"*. As indicated in the annual report and by the Minister of Communications, the SOC was not profitable, and the reason for this was alluded to by one participant: *"Our own business or our core business is going down. These targets are unreasonably high although we know that this is a dying entity, we still set high targets for what no single branch reaches those targets"*. It also emerged during the interviews that branches were expected to perform non-monetary activities and to reach their sales target. This SOC's PMS strategy is not in line with the PMS and organizational model, which suggests that business activities should lead to profitability (Kaplan & Norton, 1996).

6.2. Practical implication: PMS evaluation. Both the primary and secondary data revealed that PMS evaluations were conducted twice a year. Both the study and literature findings seem to suggest that the PMS evaluation was formal. However, other scholars argue that PMS evaluation must be both informal and formal. In terms of the latter, PMS should be continuous, using softer HR techniques such as coaching (Yadav & Dabhade, 2013) and mentoring (Schultz & van der Walt, 2015) of employees. In terms of how the evaluation was conducted, one participant said the following: *"There is also not enough time to correct the wrongs when evaluation is done two times a year; I suggest that it should go back to four times a year"*.

It also emerged during face-to-face interviews that evaluation is not a non-participatory process. This finding was in contrast to the statement in the SOC's annual report that PMS evaluation is a participatory and two-way process. The interview findings are in contrast to those of Cassim and Dudlu (2012), who found that the PMS was participatory and that results were not imposed on participants. One participant who was bullied into accepting the evaluation score lamented as follows: *"You are called to area office by the area manager when it is time for evaluation and when you arrives you find your PMS document readily printed for you to sign. You may try to negotiate some scores you feel it is not your fault that you did not achieve but unfortunately that will not change"*. Similarly, it was found at another SOC that a manager was bullied into signing a pre-scored PMS evaluation by the appraiser, and that top management was bullied into signing the performance appraisal form (Maleka, 2012; Maleka & Rankhumise, 2014).

Earlier in this article, it was mentioned that in the SOC annual report, it was stated that targets were

not reached because of under-staffing. Similarly, branch managers indicated during the interviews that they were under-staffed and that labor unrest resulted in them not reaching their performance targets. One of them responded as follows: *"Branch managers should not be penalized for things they do not have control shortage of staff in branches and employee's labor strikes"*.

6.3. Practical implication: PMS outcomes. The SOC annual report revealed that when branch managers did not meet their performance targets, they would be trained. Again, the data from the branch were not in line with what was written in the SOC's annual report. It emerged that branch managers were not trained, but were instead threatened with disciplinary action. One participant put it bluntly: *"The area manager advises you if it is found that you did not perform and if it happens again then you will face disciplinary actions"*. Similarly, other research reveals that employees would perceive the PMS more positively if performance deficiency was linked to training (Joseph, Emmett & Louw-Potgieter, 2012; Sebashe & Mputari, 2011). Hence, one participant made the following comment: *"In summary it is a good tool but it is not correctly implemented"*.

All participants in the face-to-face interviews responded that there are no rewards and recognition for achieving targets. This finding did not come as a surprise, because the annual report showed that in the past five years, the SOC's financial performance was on a downward spiral. This non-rewarding of performance demoralized the participants and resulted in them viewing PMS outcomes in a negative light. One of the participants responded by saying: *"There are no rewards when one has achieved the targets. You will only be told about the score and it end up there"*. This finding is similar to the finding sofa study conducted in a government department in the Nordic states (Politt, 2005). Similarly, another study in South Africa showed that employees would be satisfied if evaluations were linked to monetary rewards and recognition (Sebashe & Mputari, 2011). Data from the interviews also showed that branch managers were not recognized for achieving their target. These results were in contrast to a study conducted by Kanyane and Mabelane (2009), who found that employees were motivated to perform when they were recognized for their efforts. Interestingly, according to one participant, top managers received bonuses even though financial performance had been on a downward spiral for the past five years: *"Top management gets performance bonus but not us, branch managers"*.

Despite branch managers experiencing unfair labor practices when the PMS was implemented in the

organization, none of them indicated that they would lodge a grievance against the employer or that they would resign. In terms of the former, it emerged that their subordinates, who were part of the bargaining council, were not part of the PMS. When talking about this unfair labor practice of not including subordinates in the PMS, one participant said the following: *“As I indicated let everybody be measured on PMS not only us branch managers”*. In terms of why employees stay, research shows that managers who do not have skills that are in demand stay in the organization despite experiencing unfair labour practices (Khoele & Daya, 2014).

7. Limitations and contribution of the study

The main limitation of this study was that its results are idiosyncratic and cannot be generalized to the population, since the study was conducted in Pretoria on twenty branch managers. Another limitation of the study was that it used a cross-sectional research design. Despite these limitations, it could be argued that the findings of the study may be applicable beyond the context. Yin (2014, p. 237) calls applicability beyond context analytical generalization, which means that they might be relevant to “similar theoretical concepts or principles”.

This study has contributed to knowledge about the perceptions regarding the PMS among branch managers whose subordinates were not part of it. The literature review showed that there was a paucity of research in the South African context on cases where the PMS was only implemented for managers and not for their subordinates.

6. Recommendations for future research and the organization

Since this study was conducted on a small sample, it is recommended that future research should include a bigger sample using a mixed method research design. Such research will provide rich data and the results can be generalized to the population (i.e. branch managers). Based on the literature and study findings, the following is recommended to the SOC, so that the PMS will be more positively perceived by branch managers:

- ◆ PMS contracting and evaluation should be a two-way process, where branch managers are allowed to give their inputs.
- ◆ PMS evaluation should be formal and informal, with the latter including coaching, mentoring and recognition.
- ◆ PMS must also include branch managers’ subordinates, since they play a role in how the branch performs.

- ◆ In line with top managers receiving bonuses, the branch managers who have achieved PMS targets should also receive bonuses.
- ◆ Branches should be supported by being given adequate resources and their performance deficiencies should be linked to training, which will empower them to perform optimally.

Conclusion

The study findings were similar to other findings, which showed that the PMS is formal (i.e. conducted twice a year) and that if PMS contracting and evaluation are not participatory and engaging, these will be negatively perceived. In terms of PMS outcomes, the findings of this study were similar to other studies, which found that the PMS would be positively viewed if performance deficiencies are linked to training and good performance is linked to rewards. In addition, other studies also found that the lack of unique skills made branch managers remain in the organization despite their negative experiences regarding the PMS. The contribution of this study is that it has found that lack of support and a failure to engage branches during performance contracting and evaluation led to organizational citizenship behavior and teamwork.

From a theoretical point of view, the results of the study disconfirmed Adam’s equity theory which stated that when employees viewed PMS as unfairly implemented, employees would embark on counter-productive work behavior (i.e. resigning or reducing effort to execute tasks). Instead branch managers formed an informal group so that they can reach their sales target and support each other. This study confirmed Western Electric Company Hawthorne study results which showed that there was no relationship between improved working conditions and performance (Mayo, 1933).

In terms of managerial implications, this study suggests that top or area managers might struggle to get the commitment of branch managers to the PMS if they do not engage them during contracting, give them resources to assist them to achieve their targets, and recognize them for achieving these targets. When branch managers are not given training to augment their skills deficiency, this may result in the organization not reaching its performance targets. In conclusion, this study has shown that if the PMS continues to be implemented in the same way as the SOC is currently doing it, branch managers will perceive it negatively.

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