

# THE IMPLEMENTATION CHALLENGES OF A PERFORMANCE MANAGEMENT SYSTEM AT STANDARD LESOTHO BANK

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## DECLARATION

"I declare that the Field Study hereby submitted for the Magister in Business Administration at the UFS Business School, University of the Free State, is my own independent work and that I have not previously submitted this work, either as a whole or in part, for a qualification at another university or at another faculty at this university.

I also hereby cede copyright of this work to the University of the Free State."

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## **Abstract**

Most organisations are committed to increasing shareholders' value and remaining competitive by continuously improving profitability, providing excellent service to their clients and increasing efficiency in order to build sustainable businesses. It has been realised that in today's business environment, organisations should have effective implementation of a performance management system in place, as this has been identified as one of the essential factors in ensuring that the businesses perform well by meeting their strategic goals and objectives.

Therefore, this study was undertaken to identify and explore the challenges that may hinder the successful implementation of a performance management system at Standard Lesotho Bank. However, this study was not limited to identification of those factors, but also to making further contributions to the organisation and to those people interested in the topic.

The research was conducted using the qualitative method in the form of a case study by means of interviews which were conducted at Standard Lesotho Bank. The researcher used these interviews to collect the primary source of data. He also used secondary data which was collected from other sources such as articles, journals and books. The researcher used the non-probability sampling method which is based on the researcher's own judgement, experience and knowledge as well as convenience.

The main research findings and recommendations from this study as detailed below could serve as guiding principles for organisations and other interested parties to help their businesses to benefit fully from the successful implementation of the performance management system in order to meet their

strategic goals and objectives and to have sustainable, profitable and competitive businesses.

As a result, it has been found that successful implementation of the performance management system is of critical importance as it may help organisations to optimise performance, efficiency, and growth of their business.

The main research findings are as follows:

- Shortfall in commitment and support on the implementation of a performance system
- Ineffective communication and constructive feedback
- Critical success factors in the implementation of the performance system
- Insufficient competencies and a lack of skilled resources to run the system
- Deficiency in staff recognition and rewards based on the performance management system outcomes
- Inadequate staff training and awareness
- The link between a performance management system and a company's strategy
- Organisational culture and change management

It has been emphasised that further research could be undertaken to validate the premise that the successful implementation of a performance management system would lead to sustainable, profitable and competitive businesses.

**Key words:** performance, implementation of performance management system, importance, challenges and critical success factors of implementation of performance management system.

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# **1 CHAPTER ONE**

## **INTRODUCTION AND BACKGROUND TO THE STUDY**

### **1.1 BACKGROUND**

In today's competitive business environment, a performance management system (PMS) has been regarded as one of the important issues - given that in most organisations, it is very hard to improve performance and profitability to build sustainable organisations.

Most businesses are striving for excellence in terms of performance and high-quality service delivery which can assist in achieving the set goals, and satisfying customers and giving the business an added competitive advantage. Nilsson and Sereban (2013:7) have pointed out that findings from most of the researchers have discovered that there is still a gap when it comes to the design and the implementation of performance management systems in the banks and financial institutions.

Such a system has also been identified as one of the key elements in contemporary organisations in developing countries, including those in Africa. Most organisations have introduced PMS to monitor, measure or evaluate the firm and individuals' efficiency to ensure that organisations meet their needs and objectives (Ohemeng 2009: 1). However, the implementation part of system introduction has been affected by many constraints, such as a deficiency of constructive culture, leadership support, and commitment to the execution of the system. This system of performance management was also introduced to the Standard Bank family, including Standard Lesotho Bank.

Standard Lesotho Bank (SLB) is a subsidiary of the Standard Bank Group of Africa, which has been in existence on the continent of Africa for more than 150 years and has maintained its presence in 20 countries in sub-Saharan Africa (Standard Bank 2018:1). Standard Lesotho Bank is the largest registered financial services provider in the Mountain Kingdom of Lesotho.

Standard Lesotho Bank operates in the urban and rural areas in all ten districts of the Mountain Kingdom of Lesotho with at least 19 branches and 83 ATM machines across the country. Standard Lesotho Bank controls the banking sector with a 60% market share in terms of its assets base. SLB serves personal, business, corporate and investment banking.

Standard Lesotho Bank realised the need to introduce a performance management system. It was then introduced in 2011 with the aim of assisting the bank in monitoring, assessing and evaluating its employees, as well as the organisation against the strategic goals that had been set, and to promote its vision, mission, and values and to cultivate a high performance culture at the Bank.

The aim of introducing this system was also to assist the employees to measure their performance against personal goals for their own development and professional goals which should be aligned with those of the organisation.

## **1.2 PROBLEM STATEMENT**

The problem at Standard Lesotho Bank is that it introduced the performance management system six years ago.,Over the years, however, the bank has faced various challenges in the way that the system has been implemented. This is because the performance management system which was introduced in 2011 did not last long as the management of the Bank felt that the system had inherent weaknesses and that it was not achieving what was expected nor addressing the

performance management system of the employees and of the organisation as a whole.

Therefore, another face-lift of the system was introduced, in the hope that it would address these gaps which had been identified from the previous system. The Bank believes that for the system to work effectively, change management is required to shift the mindsets of the management and employees to assist them to use the system effectively.

Even though the Bank has spent money, time, considerable effort and other resources by investing in the design and proper implementation of a performance system, serious challenges remain as areas of concern.

It has been seen that the take-up rate of the performance management system by employees appeared to be very low, especially by the middle management who are expected to drive its implementation and to influence other employees. The benefits of the system are still far from being met. There is a deficiency in communication as to how the system works and its objectives, so much so that most employees do not understand how the system works., The performance goal setting is not done on time, and performance measurement or evaluation application is also normally not completed on time.

There has been resistance from staff, including the management team towards the attitude and ideologies of the performance management system . Therefore, this has resulted in a situation where individuals are not performing as expected to achieve their own goals as well as the goals of the organisation.,This therefore affects the results of the business.

### **1.3 RESEARCH OBJECTIVES**

### **1.3.1 Research Questions**

- I. Why are performance management systems important?
- II. What are the implementation challenges of the performance management system at Standard Lesotho Bank?

### **1.3.2 Primary Objective**

The primary objective was to explore challenges associated with the implementation of the performance management system at Standard Lesotho Bank.

### **1.3.3 Secondary Objectives**

- I. To identify key challenges facing the implementation of a performance management system at Standard Lesotho Bank.
- II. To gain an understanding of the performance management system development process together with essential factors.
- III. To determine the benefits of an effective performance management system. .
- IV. To be able to assist Standard Lesotho Bank with interventions or remedial actions related to the implementation challenges of the performance management system .

## **1.4 PRELIMINARY LITERATURE REVIEW**

### **1.4.1 Performance management system**

Aguinis (2009, 39) states that a performance management system is an important vehicle that can be used to transform people's talent and motivate them, and which might translate into a strategic business advantage. However, this can only

happen if the system works effectively; in other words, if it has been implemented well. It has also been found that the level of performance through effective PMS can be improved if there is a strong and constructive culture, especially from the leadership (management and executive team) space (Awad and Saod 2013:1).

A performance management system is a very important element of human resource management. It is a continuous process of identifying, measuring, and developing individuals and assisting them in aligning their performance with organisational strategic goals (Lutwama and Dolamo 2013:2).

Performance is said to be not only about short-term success which may be based on a month, quarter or year but there needs to be constant success over a longer period (Spitzer 2007, 17). This means that it requires the use of various elements and the application of effective tools in order to succeed.

According to Coetsee (2011:6), performance is when an individual is achieving or realising goals, objectives, and targets that have been set by him/herself or by other people, such as supervisors.

Performance management systems are very important because they assist employees to achieve more. If the employees are functioning at the optimal level it means that productivity is increased, and therefore the whole organisation will perform well.

#### **1.4.2 Implementation of a performance management system**

Performance management system implementation is crucial for employees and organisations as a whole because successful implementation will yield fruitful results for the organisation (Akella and Waqif 2017:7).

Miruta (2014:3) further states that in the design and implementation of a performance management system, the organisation needs to come up with serious interventions and change strategies, as these require proper and intensive change management with the full support of the leadership team because the impact of this change might result in serious resistance to the implementation of the performance management system.

Performance evaluation is a critical part of a performance management system which should align individual goals with those of the organisation together with its vision, mission, and values. All of these should be linked to rewards and recognition of individuals (Coetsee 2011:167). Performance evaluation or measurement should be able to identify developmental areas of individuals. These are areas where there are gaps or a need for improvements as well as areas where everything is going well, so that constructive feedback can be provided to take corrective measures that will enhance better performance (Kadiri and Aliyu 2016:3).

In most organisations, the employees and managers appeared to perceive the performance evaluation process as simply meaning a form-filling exercise. They therefore ended up being reluctant to engage with each other, especially in a meaningful way that would make this process effective in their environment.

According to Armstrong and Taylor (2014:384), the culture and behaviour of the management are critical aspects that can have a strong influence on how the performance management system is implemented. Also, it is important to have an effective and well-designed PMS as well as the competence, commitment and skills of line managers in order to make it a success.

Factors that influence the successful implementation of a performance management system are as follows:

- Employees' involvement in the design of a performance management system.
- Support structure from the perspective of leadership, especially managers.
- Alignment of team and individuals' goals with those of the organisation.
- A system that enables two-way communication and constructive feedback.
- A proper linkage between the system, compensation, rewards, and recognition of employees.
- A system that represents a continuous process, not only a year-end event.

### **1.4.3 Challenges of a performance management system**

Traditional systems were focused mainly on the measure of inputs in the process and activities, not the end results (such as the outcomes) and these traditional systems do not take in account the influence that could be as a result of the performance management system.

Most managers and executives believe that merely implementing a performance management system would be the solution to achieving organisational strategic goals and objectives, whereas it is imperative to note that the system does not work independently. It needs to be able to address at least the following basic ideas; alignment with objectives, plans, budget, rewards, recognition: performance measurement in terms of the targets or goals that have been set; a report that identifies areas with gaps for improvements; and an analysis of what must be changed to optimise the strategy of the organisation.

Also, most people - especially the employees - may see a performance management system as a tool that can be used only for allocating bonuses and a pay increase, whereas middle management may regard it only as a tool to look for poor performers.

## **1.5 RESEARCH METHODOLOGY**

### **1.5.1 Introduction**

The research method is described as the way of collecting data, which can be done by using various tools such as semi-structured interviews, as in this study (BrymanBell and Hirschsohn et al 2014:100).

Therefore, the aim of this study was to gather information, and to be able to understand and interpret information relating to the challenges of implementation of the performance management system facing Standard Lesotho Bank.

This study was conducted using both primary and secondary data. Primary data was collected directly from the participants (Standard Lesotho Bank employees) during the interviews. Secondary data has been defined as where the researcher did not collect data directly from respondents on the subjects. It may have been collected from articles in journals, or even the Internet (Martelli and Greener 2015:110). Mouton (2011:71) further explains that secondary information sources refer to written sources which discuss, comment, debate and interpret the primary sources of information.

### **1.5.2 Research Design**

The research design of this study was a case study, since the focus was predominantly on the investigation of one organisation (Standard Lesotnho Bank). Dul and Hak (2007:32) state that the case study draws conclusions on the basis of qualitative analysis normally from one single case or small number of instances in their real-life context, which appeared to be the case in this study. Therefore, the methodology used was a qualitative technique as it allowed the researcher to explore individuals, organisations, relationships or programmes in order to develop interventions to address the prevailing problem.

In this case, a qualitative method was selected because the aim of the study was to obtain a detailed understanding from the individuals involved through a first-hand knowledge process. It also aimed to enquire about their perspectives and level of understanding depending on their distinctive individualities and experiences as far as the challenges of PMS implementation are concerned (Gupta and Awasthy 2015:172). This approach is regarded as subjective as it involves data that is collected via interviews.

The qualitative approach was used to gather information through face-to-face interviews with the respondents as they provided answers in the form of words while addressing the questions during semi-structured interviews. It has been found that most qualitative studies rely on semi-structured interviews where the interview starts with specific questions followed by the dialogue between the interviewer and participants (Blumberg, Cooper and Schindler 2014:181).

### **1.5.3 Sampling Strategy**

The sampling technique that was used is non-probability (purposive) sampling where the sample was selected based on personal judgment or convenience (Zikmund, Babin and Carr et al. 2013:392). Where the research involves a small sample, a qualitative approach would be a more appropriate method of collecting data, as it was in this situation (Saunders, Lewis, and Thornhill et al 2009). Martelli and Greener (2015:70) further state that for a qualitative approach with small sample sizes, the researcher normally uses his/her own judgement. This would offer an opportunity for a faster turnaround time of the findings while still maintaining the quality of data that is being collected.

The selected case study was based on the researcher's own understanding of the population where the sample was selected, which also considered the elements and nature of the research objective (Babbie 2013:232).

Therefore, the sample of participants was drawn from at least fifteen (15) individuals. This sample comprised the following people; Two (2) from the executive team (Exco), six (6) from the middle management, two (2) from the Human Resource Department, two (2) from Standard Lesotho Bank Union members, and the final two (2) from general staff including one (1) from the change management department. The duration of each interview was thirty (30) minutes.

#### **1.5.4 Data Collection**

Data was collected through a qualitative approach where data was normally gathered through the method of semi-structured interviews. Data that was collected in this study was based on and reflect the researcher's views of the object or topic that was discussed during the interview process (Bryman, Bell and Hirschsohn, et al. 2014:47).

During the interview, participants were asked to provide the answers to the open-ended questions which were predetermined but with allowance for questions to seek further clarity on some of the answers. The questions that were asked were regarded as free from bias and avoided negative terms as far as possible, since the respondents comprised colleagues, managers, and executive team members. The questions that were asked during the interviews were specific to the subject topic (challenges of the performance management system implementation at Standard Lesotho Bank).

The study was conducted at Standard Lesotho Bank offices at a time that was convenient for the interviewees depending on their availability.

#### **1.5.5 Data Analysis**

The data that was analysed in this study were the responses consisting of information from each of the participants who were selected from Standard Lesotho Bank staff. This data was gathered through a qualitative approach. This qualitative data refers to information gathered in a narrative way during the interviews (Sekaran and Bougie 2013:32).

Semi-structured interviews were used to analyse and collect data by using a qualitative approach. Primary data for this research was acquired directly from the respondents during interviews with Standard Lesotho Bank employees. The interview refers to the primary collection method for obtaining data in a qualitative approach (Blumberg, Cooper and Schindler 2014:180).

#### **1.5.6 Ethical Considerations**

Permission to conduct the research on challenges facing the implementation of a performance management system at Standard Lesotho Bank was obtained from the appropriate executive directors.

All the respondents who participated in this study were advised that they would contribute voluntarily. The interviews would be conducted objectively; the information was analysed without any bias; and the outcomes of the study would not be used against any person in the organisation, whether such person participated or not.

The reasons for carrying out the research was clearly communicated to the participants to avoid dishonesty which might occur when the researcher represents his/her idea as something other than what it is (Bryman, Bell and Hirschsohn, et al 2014:127). The privacy of the respondents and the confidentiality of information obtained during this research were also guaranteed.

## **1.6 DEMARCATION OF FIELD STUDY**

The focus of the research was to identify and analyse challenges that were affecting the proper implementation of the performance management system at Standard Lesotho Bank. Thereafter, the recommendations or remedial actions that were considered to be of major importance to address these challenges were put forward.

The study was carried out at Standard Lesotho Bank offices, Maseru, Lesotho. The targeted participants of this research were Standard Lesotho Bank staff comprising executive team members, middle management, and non-managerial employees who were considered to be knowledgeable and to have relevant experience about the implementation of the performance management system at Standard Lesotho Bank.

The field of study of this research project is human resource management.

## **1.7 CONCLUSION**

On completion of this study, Standard Lesotho Bank would be able to understand the challenges of the implementation of the performance management system, to prioritise their resources, and to take remedial actions to mediate the key challenges identified.

Also, the results of the research would assist and benefit the organisation, as well as the executive and management team, as it would provide them with an analysis and an explanation of the existing problems surrounding the challenges regarding the implementation of a performance management system.

## **2 CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter discusses the literature review of the theoretical background of this study. It also identifies and discusses the conceptual framework and the fundamental ideas regarding challenges that may affect the successful implementation of the performance management system .

#### **2.2 Performance management system**

The performance management system is designed to improve the overall performance of the organisationorganisation by ensuring that both individual employees and the teams in the organisationperform in such a way that the organisation achieves its overall goals and objectives.

Most of the organisations around the world have been using a performance management system to improve the efficacy and efficiency of the individual employees with the aim of producing the organisationally desirable results (Saudi, Saudi & Mahmud 2017:1). This shows that performance management systems appear to be very important in the business environment. Ohemeng (2009:9) also points out that a performance management system helps most organisations to have talented employees, place them in the right spots, and align their individual performance with organisation's vision & strategic goals and objectives. All these important aspects would help them to develop their abilities and achieve success, benefitting both themselves personally and the organisation as well. As a result, this could assist the organisation in gaining a competitive edge over its competitors.

A performance management system can be used for various purposes, but according to McMahon (2013:7), the main objectives of effective performance management systems are:

“To help line managers make informed decisions on the employees’ salary reviews based on the performance outcomes.

To help both line managers and employees to reach agreement on the set goals and search for ideas to improve the attained results.

To support individual employees to evaluate their strengths and identify areas for development.

To assist both line managers and individual employees to identify in which areas training is needed.

To assist the line manager in identifying where the employee needs coaching, counselling or a performance improvement plan.

To help the employee to be aware of his or her progress as far as performance is concerned through effective communication and constructive feedback.

To assist line managers and individual employees to understand what might have caused poor performance and how to take remedial action regarding this performance.

To maintain employee records about past performance, current performance and for future reference”.

Ohemeng (2009:13) further states that a performance management system is essential because it shows everybody, from the top management (leadership team) and line managers (middle management team) to individual employees, which business results they are answerable for, and sets the stage for actions needed in order to attain those results. Furthermore, the benefits of an effective performance management system embrace improved workforce productivity, which will benefit both the employees (for their role in the outcome) as well as the success of the organisation.

According to Waka (2010:23), in a study conducted at Standard Chartered Bank Kenya limited, the effective implementation of a performance management system has a positive impact on the performance of the organisation, as it was found that it has a relationship with performance results such as profitability and productivity.

Most individual employees would like to have a clear understanding of the outcomes of performance reviews. They would like to know what each rating means and how is it going to affect them. Employees would like to know whether they would be compensated in terms of remuneration, be promoted if they have performed well, or if they have not performed well, to know if they are going to be punished or to be taken to the performance improvement programme.

Therefore, it is very important for the organisation to have all the answers to all these questions and to communicate this to the rest of the employees. All-inclusive feedback should be given in a flexible and constructive way, as this would be much appreciated by the employees and may well motivate them.

### **2.3 Performance management**

Performance management can also be defined as a means of attaining superior outcomes by providing the means for individual employees to perform within an established structure of well-intended goals or objectives, standards and competencies (Armstrong & Taylor 2014:335).

Performance management is an important element of a performance management system, This is defined as a continuous practice of improving performance by setting individual and team goals and objectives which should be in line with the strategies, goals, and objectives of the organisation, making sure that those goals are accomplished (Kumar & Raju 2017:1)

According to Daoanis (2012:57), a performance management system should also pay more attention to team's performance so as to be more effective. Participation of other stakeholders such as suppliers and customers to provide feedback on the employee's performance can also be considered as criteria for determining the rate of the employee.

A performance management system is very important in making sure that the organisation is achieving its strategies and goals. This encompasses measuring and improving the value of the whole workforce. For the organisation to succeed, it must integrate its mission statement, vision, and corporate values into the performance management system.

Radebe (2013:8) also states that a performance management system is very important when reviewing the performance of every organisation, as its successful implementation has a positive influence on the delivery of services.

A performance management system ensures that individual employees follow the organisation's policies and procedures at all times, thereby protecting the interests of the organisation. It should also have the ability to motivate individual employees

to act in such a way that they assist the organisation in achieving its goals and objectives (Saudi, Saudi & Mahmud 2017:1).

## **2.4 Performance**

Armstrong and Taylor (2014:335) state that performance refers to both behaviours and results. This means that most important factors that have to be considered in assessing and rewarding performance should be both the outputs which are normally referred to as the results and the behaviours of individuals which are regarded as actions of the individuals.

The above-mentioned information is critical in order to have a successful performance management system, since the organisation has to be very clear of the expectations required. It also has to provide individual employees with performance information needed so that this can be incorporated into the individual performance records, thereby providing a healthier basis for areas of improvement or affirmation where success has been achieved.

There are also key components of the successful implementation of a performance management system which any organisation must have, as illustrated below (Table 1 : Summary of key components of the successful implementation of a performance management system (PMS)). These components provide the guiding principles on how an effective performance management system should be carried out all year round. The table below indicates the available workflow of a performance management system as well as all the stages of the execution of such a system from start to finish. It also contains an explanation and elaboration of what is expected and required from each level of the whole process in order to successfully complete each stage. This means that these components are the minimum essential elements which every good performance management system in any organisation should have.

Mastering The process of performance management is a journey and it is a very critical process, and hence organisations need to have excellent processes in place. This is especially true of the use of technology to effectively support some of these components.

Armstrong and Taylor (2014:756) summarise these key components of any successful performance management system in the table below, which includes the important elements of an effective performance management system.

<b>Key components of any successful performance management system</b>		
<b>Component</b>	<b>Contents</b>	<b>Considerations</b>
Performance planning and agreement	<ul style="list-style-type: none"> <li>• Agreeing to objectives (see also goal setting)</li> <li>• Agreeing to performance measures</li> <li>• Agreeing to development needs (see also personal)</li> <li>• Agreeing to areas for performance improvement</li> <li>• Recording decisions in an agreement</li> </ul>	<ul style="list-style-type: none"> <li>• Format of role profiles</li> <li>• Methods of preparing and updating role profiles</li> <li>• Choice of measures</li> <li>• Format of agreement</li> </ul>
Goal setting	<ul style="list-style-type: none"> <li>• Identifying key result areas</li> <li>• Identifying key performance indicators</li> <li>• Agreeing to targets and standards of performance</li> </ul>	<ul style="list-style-type: none"> <li>• Methods of goal setting</li> <li>• Ensuring 'SMART' goals are agreed</li> <li>• Selecting appropriate measures</li> </ul>
Personal development planning	<ul style="list-style-type: none"> <li>• Deciding areas for development</li> <li>• Planning methods of development</li> <li>• Identifying key performance indicators</li> </ul>	<ul style="list-style-type: none"> <li>• Format of development plan</li> <li>• Approaches to development</li> <li>• Emphasis on self-directed development</li> </ul>
Feedback	<ul style="list-style-type: none"> <li>• Provision during the year</li> <li>• Provision during formal review</li> </ul>	<ul style="list-style-type: none"> <li>• Developing feedback skills</li> <li>• Use of informal and formal feedback</li> </ul>
Performance Reviews	<ul style="list-style-type: none"> <li>• Purpose</li> <li>• Content</li> <li>• Timing</li> </ul>	<ul style="list-style-type: none"> <li>• Use of informal reviews throughout the year</li> <li>• Preparation for formal reviews</li> <li>• Conduct of formal reviews</li> </ul>
Performance analysis	<ul style="list-style-type: none"> <li>• Methodology</li> <li>• Use of metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Performance analysis skills</li> <li>• Data collection and analysis</li> </ul>
Performance assessment and rating	<ul style="list-style-type: none"> <li>• Use of overall assessment</li> <li>• Use of rating</li> <li>• Use of forced distribution rating</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of guidelines for overall assessments</li> <li>• Arguments for and against rating</li> <li>• Decisions on type of rating to be used, if at all</li> <li>• Developing assessment/rating skills</li> <li>• Providing rating guidelines, if appropriate</li> </ul>
Link to performance pay	<ul style="list-style-type: none"> <li>• How assessment/ratings will inform performance pay decisions</li> <li>• The timing of pay reviews and performance reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Arguments for and against performance pay</li> </ul>
Coaching	<ul style="list-style-type: none"> <li>• Methods</li> <li>• Responsibility of line managers</li> </ul>	<ul style="list-style-type: none"> <li>• Developing coaching skills</li> </ul>
Administration	<ul style="list-style-type: none"> <li>• Documentation</li> <li>• Use of computers</li> </ul>	<ul style="list-style-type: none"> <li>• Design of documentation</li> <li>• Design of computer system</li> <li>• Decision on extent to which a standard approach to performance management should be used</li> </ul>

**Table 1 : Summary of key components of the successful implementation of a performance management system (PMS)**  
(Armstrong and Taylor 2014:756).

## **2.5 The future of the performance management system**

In research conducted by Levy, Tseng, Rosen, and Lueke (2017:6) it was stated that many organisations such as Adobe, Accenture, Deloitte and General Electric have identified many problems associated with traditional performance management systems, where performance evaluation is done through ratings and ranking of individual employees. This kind of performance review is regarded as cumbersome, complex and time-consuming because the reviews are normally done once or twice a year. This means that line managers are forced to remember past incidents (backward-looking) in order to determine whether an employee's performance was good or bad.

Therefore, it has been suggested that some changes must be made to traditional performance management systems. These include the incorporation of day-to-day interactions (formal or informal), instant and frequent feedback, and a continuous review system through the year. All these would build a strong and effective relationship between line managers and individual employees.

According to Ewenstein, Hancock, and Komm (2016:5) some organisations have decided to drop the type of performance management systems which use performance rating, semi-annual and annual reviews which have been used for the past few decades. Instead, these organisations have embraced models which focus more on frequent feedback discussions and conversations, and forward-looking coaching for future development, while also placing an emphasis on teamwork rather than on individuals only. These models use artificial intelligence learning machines in collecting data in an effective manner which tends to improve the quality of the data.

With these automated activities, the individual employees get instant feedback which assists them to adjust and improve performance throughout the year, rather than waiting for a certain time before reflecting on the past. By doing so,

organisations are able to identify who has performed well and who has not performed well.

These new models which use technology together with data mean that individual employees can ask for feedback from their team mates, line managers, other internal stakeholders as well as external role-players. All these interactions can be done in real-time through mobile phones and apps which have been designed to enhance effective communication and provide constructive feedback.

The research study carried out by Leon and Murphy (2016:3) found that the company General Electric piloted a new system which was intended to replace their performance management system. This new system, which dealt with performance ratings and rankings of individuals, was found to actually enable the building of trust between line managers and individual employees. This was because the system was designed in such a way that the feedback was more dynamic and frequent, thereby showing transparency. This kind of system was designed to provide continuous feedback on a real-time basis and give more self-sufficiency to individual employees.

## **2.6 Implementation of the performance management system**

### **2.6.1 Introduction**

According to Nilsson and Sereban (2013: 2), there is still more to discover in studying the design, implementation and use of a performance management system in banks and other financial organisations. Nevertheless, a recent study about this programme, conducted in the financial sector in Swedish commercial banks provides some useful data. In this study, Lundberg's (2013) results reveal that banks are only using performance management systems to a limited degree, in order to just meet regulatory requirements, It is suggested that more investigation is still necessary on this spectrum.

Chakraborty (2011:4) states that an effective performance management system has five important features, which are as follows: Firstly, the alignment of individual employees' performance with organisational goals. Secondly, a strong articulation of the preferred work culture. Thirdly, a rich requirement of the results and capabilities - that is, on how the results are to be attained. The fourth feature encompasses the management behaviour and style that inspire discretionary effort, while the fifth feature relates to artless practices and documentation that supports line managers and individual employees to see the performance management system as part of their daily workplace.

### **2.6.2 Performance planning and goal setting**

Performance planning and goal setting are very important in a performance management system. These processes should be done at the start of each period, and entail the setting of goals by individual employees in agreement with their line managers. The performance planning and goal setting should be flexible, interactive and include open discussions so that goals can be achievable.

Mathis and Jackson (2011:348) also state that a performance management system normally starts with the development phase. This encompasses ensuring that the organisational strategies and goals are understood, and then brings together a series of activities that consist of identifying the performance anticipations, providing performance direction, boosting individuals' participation, assessing job performance, and at the end of the process, carrying out the performance review.

### **2.6.3 Performance monitoring**

Performance monitoring as part of a performance management system implementation is a very powerful tool. What gets measured gets managed and

most individual employees appeared to understand that performance measurement is key because they know that their success, their rewards, their budgets, their discipline and a mass of other things at the end of the day, are directly or indirectly based on the performance management system (Spitzer 2007:56).

Therefore, measures are put in place to monitor, review and evaluate progress and thereafter, to develop the capabilities, knowledge, and skills of the relevant individuals (Armstrong & Taylor 2014:368). This means that monitoring performance on a regular basis may create opportunities to monitor progress so that the remedial actions or measures can be implemented well in time, rather than waiting for the end of the particular period.

Mayne (2017:22) argues that performance measurement should not be regarded as the defining issue in having effective performance monitoring, but rather that the curiosity and enthusiasm of the individuals within the organisation should lead them to take on and make sure that they use performance information which will give a clear indication of the state of the monitoring in any situation.

## **1. Performance assessment and evaluation**

The implementation of a performance management system appears to have a lot of challenges. To start with, performance measurement can be flawed due to the inherent human dynamics, especially where line managers are unwilling to create time for their team members to rate their performance and when individual employees as well may not be convinced that they have been rated fairly by their leaders (Akella & Waqif, 2017:1).

An effective performance management system assists individual employees in doing their jobs well and in improving their abilities and potential. The individual employees may be pleased with the useful feedback from the performance

management system. If they think that the evaluations of performance are consistent, open-minded and impartial, they feel more motivated after assessment meetings. The performance management system also assists employees in knowing how their goals narrate to the business requirements of the organisation.

The line managers should always try to build a strong rapport with their team members and should play the roles of coaches and mentors, instead of just being supervisors. This would help the individual employees to perceive constructive feedback as opportunities to develop and improve their performance, as well as to observe the performance evaluation sessions with a positive mindset and attitude (Cao 2015:27).

Mone and London (2018:28) state that effective communication and constructive feedback assist line managers in constructing an erudition or culture that would support individual employees to adapt easily to the dynamic business environment; an environment which is characterised by rapid changes. Therefore, such communication and feedback would assist the particular organisation in succeeding in implementing numerous changes, including the implementation of performance management systems.

According to Bukh and Mouritsen (2014:2), if something is not being measured, it cannot be improved. Furthermore, it may worsen in the performance management system process. Therefore, if there is no understanding concerning improvements in performance variables, it would be very challenging to see how and when the interventions may be put in place. For this reason, observation appears to be one of the most important effects in the Morden business environment in order to reform, as well as develop the strategic implementation of performance measurement systems.

If the information revealed in performance assessments is used sensitively and effectively by the organisation, individual employees would feel more motivated

and this may improve their performance again (Mansor, Chakraborty, & Mahitapoglu 2012:3)

Coetsee (2011:167) further states that performance assessment is an important part of the performance management system, and that it would therefore be ideal to align it with the objectives and intentions of the organisation, which should concur with its vision, mission, and corporate values as well. It has been found that it is imperative to link all these components to reward and recognise the individual employees.

Performance assessment is a suitable system of appraisal and evaluation of individuals or team task performance. This is very important as it assists both individuals and the whole organisation to identify where there are deficiencies or areas which need improvement, as well as where individuals and teams are doing quite well, hence improving the individual organisational performance (Daoanis 2012:56).

## **2. Performance reward**

Rewarding individual employees adequately in the performance management system makes the performance management process to be more effective and may assist the organisation in retaining top performers. Conversely, if the system is not designed in such a way that it rewards and compensates its employees adequately, this might affect its successful implementation (Aguinis, Gottfredson & Joo 2012:7).

This means that in order to implement a performance management system successfully, individuals employees should be measured and rewarded accordingly. On the other hand, the system should be designed in such a way that it also considers how to deal with poor performers.

Sehoa (2015:83) mentions that rewarding employees for their performance appears to be critical in the performance management system process, because if there are no rewards in place for the top performers as well as the poor performers, the implementation of the performance management system cannot be successful. If individual employees recognise that their efforts, hard work or non-performance have no impact on their rewards, then the implementation of the system is affected negatively. It has been found that most people respond to incentives, therefore if there are no motivations for doing something, implementation becomes a challenge.

### **3. Building aptitude necessary for an effective performance management system**

Good initiatives to develop and implement a performance management system may well interfere with the attitudes, values, and styles of the line managers and individual employees as they adjust to the new strategies, practices and ways of working to enhance efficiency and the overall performance of the entire organisation. Nevertheless, the existing environment and conditions and employees' attitudes may also affect the success of the implementation of the performance management system.

Therefore, it is imperative to start the change management from the leadership of the organisation, so that these leaders can drive the effective implementation and overcome resistance to change (Ochurub, Bussin & Goosen 2012:1). In the business environment it has been seen that change is the only constant, and organisations should therefore be able to create an environment which enables and embraces change whether it can be big or minor, fast or slow-paced, prearranged or unforeseen. Such an environment will be conducive to the challenges of a performance measurement system, and the organisation itself and its individual employees should then be able to cope with these changes.

Change management should not be ignored or underestimated because this is a very important aspect when addressing staff issues. Managing resistance from both line managers and individual employees is critically important, as they would like to see the reason for, and the benefits from changing their behaviour.

According to Smither and London (2009:6) there are six important purposes to ensure the successful implementation of a performance management system. These are

**Strategic:** The performance management system links the organisation's goals with individual and team goals, thereby strengthening behaviours consistent with the achievement of organisational goals.

**Administrative:** This is the foundation of effectiveness and valuable evidence in making informed decisions about workforce issues such as salary adjustments, promotions, employee retainment or employment termination, recognition of high performers, identification of poor performers, layoffs, and merit increases.

**Communication:** It allows individuals to stay up-to-date on how well they are doing, to accept facts about specific areas which may require enhancements, and to learn about both the organisation's and the supervisor's expectations and what aspects of their work their supervisor believes are most imperative.

**Developmental:** It emphasises continuous feedback, which lets line managers coach employees and assist them increasing performance on an ongoing basis. Mone and London (2018:21) also further state that the successful implementation of a performance management system usually happens in a work environment where there is a high level of trust between line managers and the effective engagement of individual employees.

Organisational maintenance: This produces information about skills, abilities, promotional potential, and assignment histories of current individuals, which may be used in employees' planning as well as in evaluating future training requirements, assessing performance accomplishments at an organisational level, and assessing the efficiency of human resource mediations (for example, whether employees perform at higher levels after contributing in a training programme).

Documentation: It produces information that can be used to evaluate the predictive accuracy of newly proposed selection instruments as well as significant managerial decisions. This information can be pivotal, especially in the event of a lawsuit.

#### **2.6.4 Critical success factors for successful implementation of performance management systems**

Alharthi (2014:47) explains critical success factors as those elements which are essential for the success of businesses, particularly in the implementation of its strategies. In this case, the research is looking at the critical success factors of the successful implementation of a performance management system. These are dynamic in nature because they are not constant, but rather keep changing.

Most organisations have identified which critical success factors have to be prioritised to achieve successful implementation of a performance management system and assess the impact these factors might have on their businesses.

Therefore, the identification of these critical success factors would assist organisations which would like to successfully implement a performance management system, or which would like to be able to optimise and devote their resources and efforts towards those identified essential elements.

Successful implementation of a performance management system is dependent on the relationship between critical success factors and the fundamental performance indicators established to measure performance in the organisation (Radebe 2013:27).

The critical success factors which have been identified as essential for the successful implementation of the performance management system are discussed below:

- 1) Business benefits from the performance management system

A failure to evaluate the impact or influence of the performance management system may prevent the organisation from achieving its set goals and objectives and from executing its strategies. It is very important for the business to look at those factors that would help it to achieve its important outcomes, such as profitability, revenue growth, customer loyalty and retention of high performers (Smither and London 2009:75 – 78).

A performance management system typically fails when the goals and objectives of the organisation are not clearly defined and the organisation is not aware of critical success factors. Additionally, such failures may occur when there is a lack of correlation between the establishment of performance indicators against the company's vision, mission, and strategies (Diana 2014:9).

- 2) Top management commitment and support

Chakraborty (2011:8) states that top management plays a very important role in designing and developing successful performance management systems and in encompassing commitment which may bring reinforcement to the performance management system reviews. As a result, employees may be encouraged to be

committed to realising their goals and objectives, therefore cultivating a high-performance culture.

Failures in the performance management system may be due to poor execution or a lack of genuine management commitment, as well as a lack of accountability. Such accountability should focus more on the attainment of employees' or team goals and the consequences of achieving or not achieving these.

Also, according to Armstrong and Taylor (2014:383) it is very important to first get the support and buy-in from the organisation's leadership (top management). By doing so, these leaders can influence and encourage the line managers to implement the performance management system, as they are the ones who are more influential and involved in the whole process.

### 3) Incentives linked to performance management systems

It has also been found that a performance management system is beneficial to both the organisation and its employees because the organisation benefits from the better realisation of goals and objectives, more effective communication and consistent feedback on its organisational strategies. It may also enhance the strategic alignment of whatever the organisation wants to attain. The employees also stand to gain from the proper implementation of a performance management system, as this will assist the organisation in designing the training needs that best suit individual employees' needs, which will subsequently improve their ability to perform well (Isiaka, Ismaila, Aliyu 2016:9).

It was further stated that if the organisation does not reward high performers for their good work, their motivation to perform and deliver the expected results may weaken their performance and they may eventually not be interested in the performance management system or even in performing well within it.

#### 4) Skilled resources and the running of the system

According to Mathis and Jackson (2011:353), training and equipping line managers and individual employees on how to carry out the performance management system process may contribute to the successful implementation thereof. Conversely, a lack of continuous assessment of the performance management system may disengage the employees. The performance management system should also be aligned with new developments and changes which means that the people involved in the process should be well-informed regarding these changes. Therefore, it is imperative to review the system skills of the people who are running the system on a continuous basis to ensure that the system remains relevant. This would help the organisation to achieve its goals and objectives effectively.

Furthermore, if the performance management system is done online or using technology, employees should be well trained so that they appreciate using it, and in order to assist in managing resistance to change by these employees. Proper engagement and clear communication must make sure that the system is designed only to support the performance management system, and not to replace it. The online system should be as clear as possible, flexible and also stable. If such a system does not adhere to these criteria, employees may not do what they are supposed to do but rather keep on blaming the system even if it was in fact working at that time.

Mucha (2011:2) also state that the performance management system exercise can be too complex and consume a lot of time, entailing a massive effort given the limited resource – especially when it is paper-work based. Therefore, there are numerous systems which have been developed to address such challenges, and for this reason, organisations are encouraged to invest in the introduction of these brilliant systems which can achieve the same results in a smarter, faster

way and which provide greater flexibility regarding the monitoring of performance measures and results as well as reporting.

5) The linking of the performance management system with organisational strategies

A performance management system ought not to be considered in isolation but should be integrated with every single element of the way in which an organisation is run, from its strategy to its operational day-to-day activities, and should also include ways of measuring the effectiveness of these efforts. The lack of a suitable performance management system may be an obstruction to change and improvement within the company's work environment (Hellqvist 2011:4).

The implementation of a performance management system works effectively when its elements have been tied closely with the values of the organisation. This would include elements which would resonate with senior and middle management leadership styles and philosophies, and extend to the lower levels of individual employees and other systems within the organisation. The system must therefore be part the important values of such an organisation (Smither & London 2009:113).

6) Effective communication and constructive feedback

An important component of a performance management system is the effective use of constructive feedback, and providing ongoing feedback to team members which would help to improve performance. Such feedback is also considered a key driver of employee engagement, and this constructive feedback (of both strengths and areas for improvement) appears to be helpful because it ensures that employees understand their performance strengths and can identify areas for development (Hellqvist 2011:3). It has also been found that if a performance

management system is used only to punish individual employees it generally becomes less effective (Mathis & Jackson 2011:351).

Mucha (2011:1) further states that in developing a performance management system, the organisation should have clear communication of its vision to those that are affected by it (individual employees). The organisation should reiterate that the main reason for the system is to learn and improve, not to praise or punish the specific results of the accomplishment of the predetermined goals.

Also, providing feedback during the year is very important and may provide an environment conducive to allowing individual employees to be more open and willing to participate during discussions, enabling them to get constructive advice.

The implementation of a performance management system can only be successful if the culture of the organisation is supportive and performance-oriented. It is vital that the programme is tied to the corporate strategy. Also, the management of such a company should "walk the talk" (align what they say with what they do) as this is likely to have a stronger impact on how the system is implemented and executed (Armstrong 2014:350). Therefore, a constructive corporate culture appears to be very important for the effective implementation of a performance management system. The process of designing a performance management system properly is crucial in increasing the overall performance of the organisation, enabling it to transform corporate strategy into results that support its mission, vision, and objectives (Mathis & Jackson 2011:320). The best examples of successful performance management systems are used consistently and continually throughout an organisation and are incorporated into other structures such as promotions, compensation and succession planning (Hellqvist 2011:5).

#### 7) Employees' engagement and involvement across the entire organisation

Ochurub, Bussin, and Goosen (2012:2) state that an organisation should always develop strategy – especially through its human resource department - to ensure that everyone in the organisation fully understands the intentions and benefits of the performance management system even before it is implemented. Therefore, the buy-in and involvement of all the relevant stakeholders is considered to be critical in the implementation of such a system.

Some individual employees may believe that the performance management system implementation is not carried out fairly, and this may end up affecting the implementation of such a system. Therefore, the performance assessment of individual employees should be a fair reflection of the genuine performance revealed by such individuals. Waal, Kourtit, and Nijkamp (2009:8) add that the complete performance management system implementation may assist organisations in sharing more knowledge, creating more employee engagement, commitment and satisfaction, more clarity of contribution, more effective communication and constructive feedback, as well as a respectable organisational reputation. These aspects may take a longer time than planned to be realised, and so those involved in the implementation should guard against systems which contain too much information, potentially bringing bureaucracy into the workplace. The risk of such systems becoming too expensive and costing the organisation a lot of money should also be prevented.

According to Abrudan and Coita (2008:6), feedback remains fundamental to successful practice for both employees and line managers as they all have an equal opportunity to deliver information to the discussion. Similarly, the feedback can often be gained from 360 degrees feedback, which incorporates peers, direct reporting staff, and other relevant stakeholders to enhance a common understanding of an individual's involvement and developmental needs.

A more participative and all-encompassing approach may assist the organisation in recognising the challenges that the current processes of its performance

management system might have, as well as in creating conditions for changes that may fix prevailing issues to be introduced (Mathis & Jackson 2011:354).

### **2.6.5 Challenges of implementing a performance management system**

#### 1) Organisational culture and behaviour

The implementation of a performance management system often fails because of organisational cultural issues. These may be due to the line managers who are involved in this process not having adequate capabilities or not even being interested in carrying out the required actions properly (Armstrong & Taylor 2014:368).

Because of this, line managers can have a powerful influence on employees' attitudes and behaviours as they are the ones who can bring the organisational policies and systems to life.

It has also been found that the line managers often still use certain performance management systems because they must apply it to a variety of purposes, such as promotions, salary increases, dismissals, and for staff training purposes.

The culture and other traditional practices have been recognised as one of the key fundamental difficulties which continue to hamper the effective employment of performance management systems. This is especially true in developing countries, where traditional culture institutes a major obstacle in the development and implementation of such systems (Ohemeng 2009:12).

A failure to create a culture of performance within the work environment in the organisation may hamper the successful implementation of the performance management system . Therefore, this calls for intensive mind shifts in the attitudes

of the whole organisation, including individual employees. This can be achieved better if there appears to be a proper relationship between line managers and individual employees as this can create a more conducive environment which enables all the stakeholders to discuss matters in either a formal or informal setup.

Therefore, embracing and implementing a performance management system should keep cognisance of culture-specific structural and contextual characteristics. Effective implementation of a performance management system requires a substantial change within management across the organisation; not only in changing the processes but also in changing the overall philosophy of the entire organisation (Mucha 2011:2).

It must however be noted that introducing excessive change and transformation too rapidly may affect the successful implementation of the system. Therefore, it is very important that this process should be given enough time and resources..

## 2) Staff training and support

Armstrong and Taylor (2014:383) further add that the implementation of a performance management system may fail simply because of untrained coaches without the required skills and competencies. This is especially true of line managers, since the success of the deployment is essentially dependent on them ensuring proper engagement with individual employees. In order for this to happen, line managers first need to take ownership –they have to be involved in the entire process of the development of the system, from the testing stage up until the system is eventually implemented.

According to Armstrong and Taylor (2014:365), in research carried out in 2011 by the Institute of Employment Studies, it was found that a performance management system may not work as expected because of the lack of skills and

the attitude of reviewing line managers, as well as the complexity of the system. In order to effectively implement a system successfully there must be strong commitment and proper skills within the middle management sector.

### 3) Lack of commitment and support for effective implementation of PMS

In most cases, the implementation of a performance management system is initiated by the human resource department, which often lacks support and commitment, especially from the leadership (top management). Top management staff are often busy running the business and expect results or good performance from the business as well as from individual employees, but there needs to be total commitment from the leadership to ensure the effective implementation of such a system.

Dechev (2010:61) mentions that to ensure the successful implementation of a performance management system, there must be full participation and support from senior management (the executive team). This would create an environment with a constructive culture that would ensure ongoing processes and the effective implementation of the envisioned performance management system.

It has also been found that the implementation of a complete performance management system has a failure rate of around 70%. In contrast, where a performance management system has been successfully implemented, the system has been adequately supported in terms of financial and human resources, such as high-level support and commitment from the executive and leadership teams.

### 4) Communication challenges

Effective, constructive communication ensures that everyone in the organisation is on board, further assisting the organisation in the effective implementation of a

performance management system. This may also help individual employees to “buy in” to the idea, because once they have been involved in the whole process, accompanied by proper and effective communication it would be easy for them to understand and perform accordingly.

Sisa, Westhuizen, and Naidoo (2015:3-4) state that where there is effective communication to build a business case for change; continuous employee and leadership training and development; detailed plans and guidelines as well as established structures and interventions, these factors support the performance management system implementation. The researchers also note that several African countries like Botswana, Namibia, and South Africa are pushing the implementation of such a programme to ensure that public servants and public services are performing at optimal levels.

High-performance standards need to be provided, where the objective is to improve the quality of service delivery.

A successful performance management system also allows line managers to improve their work tasks by focusing on day-to-day activities (Mathis & Jackson 2011:321).

### **2.6.6 Conclusion**

From the literature review above it has been observed that the successful implementation of performance management systems is critical for an organisation to succeed in achieving its strategic goals and objectives, and in cultivating a high-performance culture within the work environment.

Therefore, a performance management system should be carried out all year round, through continuous conversations (effective communication and providing instant constructive feedback). It should also be designed in a simple and clear

manner. Such a system should be stable throughout and it must be borne in mind that the use of technological know-how can only support the performance management system, but not replace it.

Furthermore, there has to be clarity on the roles of line managers and individual employees. If the performance management system is linked to incentives, these must be simple and transparent in nature. Resources such as training are an integral part of people development. Various other critical success factors are also important for the successful implementation of a performance management system .

### **3 CHAPTER THREE**

#### **RESEARCH METHODOLOGY**

##### **3.1.1 Introduction**

According to Bryman et al, (2014:100), research methodology is defined as a technique used to collect data, which can be carried out by means of various approaches, amongst others, semi-structured interviews which have been used in this study.

Semi-structured interviews normally use a mix of open-ended questions and closed questions which allow the researcher a bit of flexibility to develop the dialogue, thereby assisting him/her to gain more access to information, new knowledge, and experiences. This means that semi-structured interviews carry characteristics of both structured and unstructured approaches.

Alharthi (2014:86) explain that an interview is an exchange of understandings between different individuals, discussing something in which they both may have an interest. The interviewer obtains data and facts from the people being interviewed in order to allow the respondents to provide their side of the story or their understanding of the topic in question. Interviews appear to be useful in situations where there is a need to gather information.

This research was based on a case study of Standard Lesotho Bank. The primary objective was to explore the implementation challenges regarding the performance management system at this organisation. This research methodology included the following steps: research design, sampling strategy, data collection, data analysis and ethical considerations.

### **3.1.2 Research Design**

The research design of this methodology was a case study because the main objective was to examine a small group of participants on their real-life experience as far as the challenges regarding implementation of performance management systems are concerned (Dul & Hak 2007:32).

This research study was designed with an exploratory purpose, as the main objective of the research is to explore the challenges related to the implementation of this particular performance management system. Saunders, Lewis, Thornhill, and Wilson (2009:138-140) explain that an exploratory study is an important method when wanting to find out what is happening in an environment. This may be done in order to look for new insights by asking questions and assessing occurrences with the aim of finding answers to the prevailing problems. This is more relevant if the researcher can get clarification and a better understanding of the problems. A good way to do this exploratory study would be through interviews with the people with more knowledge and experiences regarding the problem in question as, well as by consulting the literature.

The qualitative method was the most appropriate technique used to investigate and understand the challenges regarding the implementation of the performance management system at Standard Lesotho Bank. This assisted in examining the details around the issues which are deterring successful implementation of a performance system in this organisation.

This qualitative approach was more subjective in nature because interviews were used in collecting data. This involved getting the responses from the participants in order to have comprehensive data that was directly collected from them. This is normally regarded as primary data, which is heavily dependent on the individual

knowledge and experiences which were considered important for unpacking the challenges of performance management system implementation (Gupta & Awasthy 2015:172).

Therefore, the design of this case study used a qualitative process which was applied to collect data through face-to-face discussions with the participants, who provided their responses to address closed and open-ended questions in the form of semi-structured conversations. Blumberg, Cooper, and Schindler (2014:181) confirm that most of the qualitative techniques use a semi-structured setup where the interview normally starts with explicit or closed questions. Thereafter, one moves onto open-ended questions; finally followed by the emerging dialogue between the researcher who is carrying out the interview and the participants.

The questions used during the interviews of this study were developed by the researcher from the research questions, primary and secondary objectives, and from the findings of other studies.

### **3.1.3 Sampling Strategy**

In this research, purposive sampling was used, which is also referred to as non-probability sampling rather than random sampling. This selection is normally based on individual judgement, characteristics, and knowledge or convenience (Zikmund, Babin, Carr & Griffin 2013:392).

In a study which involves a small sample, a qualitative methodology would be very helpful and more suitable for collecting data that would assist in getting better research results. This research involved the small number of the group of people or a small sample of the population because the participants, who would be interviewed and asked open-ended questions at the same time. The mix of the two approaches have been applied, hence this is referred to as semi-structured interviews (Martelli and Greener 2015:47). This sampling strategy of qualitative

methodology offers an opportunity to complete the data collection more quickly, while still maintaining the good quality of data used to reach the results or to get to the findings.

Sampling is referred to as a practical technique of carrying out the study of the participants regarding their actions, thinking, attitudes, capabilities, and interactions., The objective of sampling is to achieve results that can be regarded as representative of the entire population because not every individual in the organisation was chosen for the interview (Martelli and Greener 2015:61).

This case study was established on the researcher's understanding of the participants since the sample was chosen considering the components and nature of the research objective (Babbie 2013:232).

Consequently, the researcher selected fifteen (15) participants which comprised the following individuals: two (2) from the heads of different departments (Executive team members), six (6) from the management team, two (2) from the human capital department, two (2) Standard Lesotho Bank union members and two (2) from the general staff including one (1) from the change management section.

The sample above was based on three levels of employees' classes: executive team members (known as the top management team), middle management (line managers), and general staff. The researcher believed that the results or outcomes from this strategy would provide data validity and reliability as the purpose of the study was to understand the implementation challenges of the performance management system in the company from the perspectives of different levels of staff members.

Also, the sample was constructed on the individual knowledge and level of experience the participants possess within the organisation (Standard Lesotho

Bank) and in terms of the number of years worked. Most of these participants have been part of the past performance management systems as well as the new system, called “perform to grow” which was recently introduced.

The participants were subjected to the study by means of an interview guide. These interviews were structured in such a way that both closed and open-ended questions were asked during the process and each interview was planned to take thirty (30) minutes.

#### **3.1.4 Data Collection**

The case study used semi-structured interviews in collecting data by means of the qualitative technique. The data which was collected in this study was done on the basis of the researcher’s assessments of the purpose of the object or topic during the interview process (Bryman et al. 2014:47).

The qualitative technique with semi-structured interviews allowed the researcher flexibility as the questions asked were determined well in advance. Comprising closed questions initially, and followed by open-ended questions, this allowed the researcher to make follow-up remarks to look for clarity where the questions were not clearly understood or not well responded to by the participants. The questions asked were designed in such a way that they were free from bias and did not include undesirable or harmful words. They were very specific to the research topic of the implementation challenges of performance management systems at Standard Lesotho Bank.

Saunders, Lewis, Thornhill, and Wilson (2009, 116) also state that in collecting data by way of conducting interviews, this may advocate the researcher’s value-subjective interaction with the participants more than would be the case if the interviews were carried out through anonymous questionnaires.

During the interviews, the researcher encouraged the respondents to feel free to deliberate further on any information or issues that wished to share which might be considered relevant to this research study. The interviews started with a structured approach (closed questions) as this assisted the researcher in ensuring that the issues or concerns of addressing the primary objective of the research were addressed firsthand.

Bryman, et al (2014:217-218) also state that face-to-face interviews are likely to have higher response rates as compared to telephone interviews and that the quality of data collected through personal interviews is far superior to that of telephonic ones. However, these kind of interviews (face-to-face) may have the problem of participants' responses being affected by the personal characteristics of the interviewer, hence it is very important for the researchers to pay particular attention to this aspect.

The participants who were key to this research were executive team members, followed by the line managers (middle management) as they are the ones who might have a strong influence on the success of the performance management system implementation. Data was collected through interviews where participants included top management or the executive team, increasing the chances of getting results with valid data during the discussions. It was found to be very useful to include them in the sampling strategy, as mentioned earlier (Saunders, Lewis, Thornhill & Wilson 2009:190).

All the interviews were carried out at Standard Bank Lesotho premises with a total of 15 meetings, each lasting thirty (30) minutes. These were scheduled for times that were convenient for the participants, depending on their availability – especially trying to hold interviews when they were not busy.

The interviews were conducted in accordance with the interview protocol or guide used by the researcher to avoid any misunderstanding or miscommunication that

may occur between the researcher and respondents during the interview process. This included, amongst others, the following points:

- The invitations for the interviews were very clear about the agenda of the interviews, and the purpose thereof.
- The place of the interview was prearranged to be where there was no noise and limited distractions, using boardrooms and closed offices.
- These arrangements of place, time and duration of the interviews were arranged with the respondents well beforehand to avoid any stumbling blocks that may otherwise have arisen before the meetings.

During and after the interviews, better knowledge and experiences were gained, which shed some light of the areas of concern where improvements could be made to overcome the implementation challenges and where the potential for successful implementation of the performance management system could be explored.

### **3.1.5 Data Analysis**

The data was collected through semi-structured interviews beginning with closed questions and followed by open-ended questions which had no limitations to the responses submitted by the respondents. This qualitative research study was analysed using narrative analysis. Bryman, et al (2014:366) describe narrative analysis as a way that qualitative data is collected and analysed without crumbling it, and which takes into account the people's stories. Each story is analysed in order to grasp the understandings and connotations, and after that, the information collected is matched and checked for similarities in order to get the connected meaning and to interpret it to find an insightful meaning.

Sekaran & Bougie (2013:32) also confirm that data that has been collected using the qualitative method during the interviews may be referred to as information put together in a narrative way. The data analysed in this study was made up of all the responses received from the participants during the interviews from the sample selected from Standard Lesotho Bank Staff.

In the process of analysing the information, it was found that it was imperative to look for issues which were mentioned repeatedly by the respondents.

The interview protocol or guide was found to be very useful in this research as it provided the researcher with information on how to conduct the interview and how to deal with unknown or unplanned issues which could arise during the interview.

After the interviews, the information was interpreted in conjunction with the challenges of the performance management system at Standard Lesotho Bank. This data acquired directly from the employees of Standard Lesotho Bank was data collected from the source, referred to as a primary source of data obtained by means of the qualitative method (Blumberg, Cooper & Schindler 2014:180).

### **3.1.6 Ethical Considerations**

The executive director of Standard Lesotho Bank provided the go-ahead for the research to be carried out. The relevant authority was prepared by means of a well-articulated request with the clear objective and the importance of the research being clearly outlined.

The purpose and the reasons for conducting this research study were discussed openly and communicated with all the participants beforehand and the assurance that the study would be conducted in an objective manner was also given to the participants. Also, Bryman, et al (2014:127) reiterate that the deception of participants should be avoided; something which may take place when

researchers carry out their study under the auspices of something other than what the real study is all about.

Ethical issues or behaviour were also observed throughout the whole process of this research study as these are considered to be very important at all stages, as well as in portraying professionalism throughout, especially during the research design, and in collecting data. The researcher also avoided plagiarism; presenting others' work or ideas as if it was owned by the researchers without even giving recognition to the original sources consulted during the study. He also respected all the participants at all levels of the organisation, regardless of their positions, titles and departments.

Saunders, Lewis, Thornhill and Wilson (2009:194) also mention that in the research design, the researcher should be aware of the research sample from the population so that the researcher can avoid any ethical issues that may arise, such as embarrassment or anything else that may cause harm to the people involved. It was very important to observe this during the research.

In this research study, the ethical considerations were observed to preserve confidentiality, in collecting data from participants and the way in which it was used, how it was analysed, up until the final stage of reporting on the data that was collected. Once again care was taken to avoid anything that could cause harm to the individuals involved.

Saunders, Lewis, Thornhill, and Wilson (2009:185) confirm that the following ethical issues should be observed in the entire research study:

- Avoidance of violation of privacy of all participants from those selected and those who did not take part in the study.

- The participants should be given a chance to participate voluntarily, and not to feel like they have been forced to participate.
- The participants should also provide their free consent and should not be deceived by the researchers.
- During data collection, usage, analysis and reporting, no embarrassment, discomfort or anything that may harm the participants should be caused.

### **3.1.7 Conclusion**

In this chapter, the research methodology highlighted the important techniques used and the processes which were followed to achieve the objective of the study.

The research was designed to explore the challenges regarding the implementation of the performance management system at Standard Lesotho Bank. The chapter also explained the qualitative approach which was applied to the sampling strategy of purposive sampling, known as non-probability sampling.

Furthermore, the chapter discussed how data was collected and analysed during the interviews as the responses were received directly from the sample of 15 participants. The literature review was also consulted in the process.

Ethical consideration principles were observed and followed throughout the study where anonymity, confidentiality, and voluntary participation were prioritised in order to avoid any harm to the participants or the organisation. Informed consent from all involved was also obtained in order to conduct the study.

## **4 CHAPTER FOUR**

### **DATA ANALYSIS AND INTERPRETATION**

#### **4.1.1 Introduction**

The main objective of this study was to explore challenges linked with the implementation of a particular performance management system at Standard Lesotho Bank. Data was collected through face-to-face interviews and it was also analysed using the narrative analysis method. The selected participants were 15 employees of Standard Lesotho Bank who were the targeted sample of this study. The participants' response rate was very satisfactory as it was 100% - all 15 participants of the whole sample.

The narrative method was appropriate when analysing data from the interviews in this research. Saunders, Lewis, Thornhill, and Wilson (2009:497) also state that when the narrative approach is used during interviews, it has been found that it is possible that the respondents may provide interpretations that, at least in part, take the form of narratives or stories.

All the interviews were conducted by means of face-to-face meetings at the workplace of the participants, at a time which was convenient for them. During the interviews, when collecting data, the interviewer took notes of the responses of the participants.

The interviews were used to collect data in a semi-structured form, as the researcher started with closed questions and followed these with open-ended questions which eventually gave the interviewees the opportunity to elaborate

more on their responses. They were also given a chance to ask questions wherever they wanted clarification.

#### 4.1.2 Background of the respondents

The participants in this research were mainly made up of senior staff (mostly middle management staff) and a few general staff. These particular people were selected because it was believed that they had extensive work experience in the bank and were more knowledgeable than others when it came to the performance management system in the organisation.

#### 4.1.3 Respondents' departments and work experience within the organisation

<b>Background of the respondents</b>			
<b>Respondents</b>	<b>Department</b>	<b>Gender</b>	<b>Work experience</b>
Respondent 1	Finance Department	Male	3 - 7 years
Respondent 2	Risk and Compliance Department	Male	3 - 7 years
Respondent 3	Procurement Department	Male	3 - 7 years
Respondent 4	Change & Enablement - Processes	Female	7 - 10 years
Respondent 5	Business Banking Department	Male	3 - 7 years
Respondent 6	Personal Business Banking (PBB)	Female	Under 3 years
Respondent 7	Human Capital	Female	Over 10 years
Respondent 8	Finance Department	Male	Under 3 years
Respondent 9	Audit Department	Male	3 - 7 years
Respondent 10	Change & Enablement - Processes	Male	3 - 7 years
Respondent 11	Information Technology	Male	Over 10 years
Respondent 12	Human Capital	Female	Over 10 years

Respondent 13	Personal Business Banking (PBB)	Male	Over 10 years
Respondent 14	Corporate & Business Banking (CIB)	Female	3 - 7 years
Respondent 15	Group Real Estate Services (GRES)	Male	3 - 7 years

**Table 2: Respondents’ departments and work experience within the organisation**

The table above shows that the respondents were selected from different sections or business units within the organisation with different skills and experience so that the entire population is well represented. This was important in order to get information which is more reliable and accurate. It also shows that the sample was made up of a mixture of females and males; 27% and 73% respectively.

#### **4.1.4 Work experience of the respondents in the Bank**

<b>Number of years</b>	<b>Frequency</b>	<b>Expressed as percentage (%)</b>
Under 3 years	2	13%
3 - 7 years	8	53%
7- 10 years	1	7%
Over 10 years	4	27%
<b>Total</b>	<b>15</b>	<b>100%</b>

**Table 3: Work experience of the respondents in the Bank**

From the summarised table above, it was found that most of the respondents (53%) have worked for the Bank for between 3 and 7 years. Those respondents who have worked there for 10 years or more comprised 27% of the sample. From these results, one can see that at least 87% of the respondents have worked at this organisation for 3 years or more, which denotes that the majority of the

respondents interviewed have lengthy work experience of both the current and the previous system used in the Bank.

#### 4.1.5 The results of the implementation of performance management system factors

Performance management system factors	Not at all	Small extent	Moderate extent	Great extent	Very great extent	Total	Highest in Percentage (%)
	<b>Frequency</b>						
How do you rate the level of commitment and support from top management on the PMS?	0	2	11	2	2	15	73%
To what extent does the Bank train employees on the performance management system?	0	5	6	4	0	15	40%
To what extent are employees' individual goals aligned with the company's strategy?	0	1	2	7	5	15	47%

To what extent does the bank recognize and reward performance?	0	3	4	<b>6</b>	2	15	<b>40%</b>
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**Table 3: The performance management system factors**

In the above table, the respondents were asked to rate to what extent the performance management system factors are applicable to Standard Lesotho Bank. The respondents were asked to select one of 5 options: 1. Not at all, 2. To a small extent, 3. Moderate extent, 3. Great extent, 4 Very great extent.

#### **4.1.6 The level of commitment and support from top management on the PMS**

Most respondents rated the level of commitment and support from top management on the PMS to a moderate extent, as represented by 73% of the respondents. This means that the level of commitment and support from management was not good enough to support or facilitate the successful implementation of the performance management system.

#### **4.1.7 Employees' training and awareness of the performance management system**

From the interviews, the respondents mentioned that it is very important to train staff and make them aware of any changes that might affect the way they have been doing things. They emphasised that if staff have received proper training to understand this performance management system, then successful implementation should not be a challenge as this training would aid in reducing the resistance to change regarding the use of this new system.

Therefore, from the findings as per the above table, most of the respondents believe that training of staff on the performance management system was not sufficient, hence it was rated as being to a moderate extent. Some of the respondents explained that the training was limited in nature because most of the people who received the training were from middle management.

Furthermore, it was indicated that the Bank should come up with an effective training strategy that would involve everybody from the organisation so as to get buy-in from staff in order to improve their skills. This would enable the system to be fully implemented in an effective manner.

#### **4.1.8 Linking Individual goals with the company's strategy**

Smither and London (2009:21) state that a having performance management system that links individual goals with the organisation's goals and strategy can reinforce the behaviour that is consistent with the fulfilment of the strategic purpose, and therefore, the success of the organisation. Also, this linkage can serve as a communication tool of the organisation's initiatives to the rest of the employees – something which is similarly important in achieving successful implementation of the performance management system.

It was found that many of the respondents are of the view that there is an alignment of individual goals with the organisational strategy and goals as evidenced from the table above where this linkage was rated to be to a great extent, which means that there is strong alignment. However, some of the respondents believe that the linkage is not strong as expected and they mentioned that there were areas where the linkage is not all that clear. As a result, the organisation still has to work hard to ensure that the linkage becomes unquestionable and very clear to all affected. The respondents also emphasised

that this linkage is critical to ensure effective implementation of the performance management system.

#### **4.1.9 Staff recognition and rewards based on the performance management system**

Staff recognition and rewards are very important factors to ensure full employee engagement, enhancing satisfaction, motivation, and morale in general. Therefore, linking a performance management system with staff recognition and rewards supports the effective implementation of the system, and hence the success of the business. However, if an employee's performance is not recognised and rewarded accordingly, it may affect the level of motivation and this employee's efforts to perform, which will eventually have a negative impact on the implementation of the performance management system (Mone, et al. 2011:208).

Therefore, from the findings as per the table 3: The performance management system factors shown above the level of the linkage between the performance management system to recognition and rewards was rated as being to a great extent, suggesting a strong linkage.

Nevertheless, some of the participants believed that successful implementation of the performance management system needs a close working relationship between these elements, as the results of this would assist the company to prosper. These respondents stressed that the organisation still needs to work very hard to ensure that there are no questionable aspects as far as recognition and rewards are concerned. They raised two important points regarding the apparent absence of transparency and fairness during recognition and rewarding of employees.

Another problem raised was that the recognition and rewards are more financial in nature and the organisation tends to neglect non-financial incentives, such as promotions to higher grades or even a better job title.

#### **4.1.10 The challenges during performance planning and goal setting**

The Bank has defined its performance management system as the tool that it uses to manage the performance of the whole organisation, departments or sections, teams, and individual employees compared to its set goals, in such a way that all these would drive a high-performance culture and result in the execution of the Bank's strategy in both the short and long term. The performance review period of the Bank runs from the beginning of the year until the end of the calendar year (from 1 January to 31 December).

According to Abben (2015:244), the thought of an effective performance management system is directly intended to assist employees and companies to increase efficiency by empowering employees to perform to their full potential. He further mentions that to achieve this, the performance management system must manage at least three of the following critical goals:

To empower employees to align their energies to the organisation's goals.

To make available guide posts to monitor behaviour and results and make real-time adjustments to make the most of performance.

To assist employees to get rid of barriers to victory.

The process of performance planning and goal setting normally start by the strategy input (known as strategy review) and planning where the organisation and departments' strategies, goals, and objectives are defined and communicated.

Thereafter, the goals are communicated by departments or sections through line managers to individual employees for them to formulate their own individual goals.

These goals are expected to be SMART (Specific, Measurable, Achievable, Results-focused, and Time-bound). At this point, individuals are expected to come up with their own annual performance goals (no more than six) and these goals are expected to be aligned to the company's plans and strategy. All the individual goals should be well recorded in the performance management system called “perform to grow”.

During the research interviews, it was found that there were several challenges encountered during performance planning and goal setting. The findings indicated that the strategy review is normally carried out late, affecting the cascading down of the corporate goals to individual goals, something which appeared to have been done three months late in the current year under review. This was evidenced by the teams’ and individual engagements which started at the beginning of the second quarter (April 2018).

From the interviews, it was found that most of the staff members were not able to set SMART goals and they were also not able to differentiate between their responsibilities as per their job descriptions and the annual performance goals that they were expected to bring forth. They also struggled with the setting of fewer important goals in order of priority, as there are no weights attached to each goal. The respondents felt that it was imperative to have weighting of goals so that the performance ratings at the end of the year could be assessed objectively.

It was also found that there was a lack of ownership of the whole process of performance planning and goal setting, especially on the part of the line managers, which affected the buy-in from individual employees.

#### **4.1.11 Employees’ engagement and involvement during the implementation of the performance management system**

The literature review indicated that in order to implement a performance management system effectively, there must be mutual trust amongst the employees, especially between the line managers and their team members, as well as compact involvement and high engagement (Mone and London 2018:28).

This research found that there was limited staff involvement and engagement, especially from the leadership during the design and implementation of the performance management system. Likewise, there was a lack of ownership and involvement by the line managers, which eventually affected the effective implementation of the system, as there was no satisfactory buy-in from the rest of the staff members and this resulted in little uptake of the system.

It was also found that the executive team displayed commitment and support at the beginning of the design and implementation of the performance management system project, but at the later stages there was not enough commitment, support, effort and involvement. This was confirmed when the respondents rated the level of commitment and support from top management to be to a moderate extent, as displayed by 73% of the interviewees. Most of the respondents stated that eventually, the process of the performance management system was left as the sole responsibility of the human capital department and that this department had tried its level best to train, engage and involve the workers through roadshows but that this did not materialise because of a lack of continued support and commitment from the business' senior role-players.

Furthermore, the results show that the engagements and involvement which arose between line managers and employees were according to a top-down approach, and not a two-way process. The line managers were seen as following the process to keep the human capital department quiet, but not necessarily for the purpose of the performance management system.

Adler, et al. (2016:243) also reveal that if line managers and employees do engage in an effective manner as anticipated, this should reduce the amount of time required to conduct formal performance review meetings, hence saving the company's resources for other important things.

#### **4.1.12 The necessary skills and knowledge of line managers to deal with the performance management system.**

Aguinis (2013:241) mentions that it is very important for the line managers to have numerous vital skills in order to model the performance management system process effectively to the employees. This process requires skills relating to performance coaching, asking and providing feedback and conducting performance review meetings.

This research found that the majority of the respondents believe that some line managers do have the necessary skills and competencies, while others do not have enough of these in order to implement the performance management system effectively. These respondents indicated that if these line managers could undergo proper training or any programme dealing the with performance management system, they believe they would be able to do this task properly. The research also indicated that new line managers who join the organisation are not given adequate induction on how to deal with the performance management system.

Most of the respondents highlighted that the skills which appeared to be lacking on the part of some of the line managers include challenges on how to provide and receive feedback, how to do the coaching, how to motivate employees who are doing a good job to maintain that standard, and how to motivate employees who are not performing well or performing according to the expectations. Most importantly, skill in how to manage poor performers appears to be lacking. The respondents highlighted that these skills were identified as vital skills for line

managers to have, therefore if the line managers who do not have them are assisted by the organisation, this would benefit both the organisation and the rest of the employees.

The interviews also revealed that some line managers do not have enough skills to deal with grievances and to resolve disputes. This may be because of the performance management system review which might have taken place between the two parties (line manager and employee) to such an extent that an agreement could not be reached about a suitable performance rating, necessitating a call for human capital intervention. These kinds of problems may affect the effective implementation of the performance management system if they are not well addressed. Aguinis (2013:167) also states that the performance management system should be designed in such a way that the benefits of providing an accurate rating should surpass the benefits of providing an inaccurate rating.

Furthermore, the respondents mentioned that the line managers appeared not to take full responsibility and ownership of the performance management system process. As the literature review indicated, the role of the line managers in this regard is very important, because if they take full responsibility and ownership they can easily influence and encourage the rest of the employees to do the same.

#### **4.1.13 Understanding and awareness of the critical success factors of the performance management system at the Bank.**

The literature review showed that the achievement of the performance management system may depend on critical success factors which are central to the successful implementation of the system. This means that for the organisation to thrive in the implementation, those fundamental elements should first be identified so that they can be addressed and prioritised accordingly.

The interviews indicated that some respondents felt that some of the employees were aware of and did understand the critical success factors of the successful implementation of the performance management system., Others, however, were only aware of the quantitative elements such as motivation and linking performance with incentives or bonus and salary adjustments, elements which are normally related to financial rewards.

Another challenge regarding these critical success factors is that even those who are aware of them, do not always enforce them or make sure that they are effectively implemented.

In the recent research conducted by Alharthi (2014:71) the identification of the critical success factors that influence the successful implementation of the performance management system were mentioned as being very important. These factors would assist the organisation to prioritise its resources and efforts to be directed towards the most important elements, thereby reducing the chances of failure of the implementation of the performance management system.

#### **4.1.14 The challenges of effective communication and constructive feedback.**

Effective communication and constructive feedback are critical tools for the successful implementation of the performance management system. This requires communication that focuses on the specifics; actionable feedback and not the avoidance of feedback (Adler, et al. 2016:240).

The interviews showed that at the beginning of the implementation of the performance management system, workshops, presentations, training sessions, and various posters were used, however, the majority of the respondents believed that the communication strategy was limited because it did not facilitate enough buy-in from most of the employees. Furthermore, the post-implementation review

was not done adequately to ensure that everyone was on board. This was regarded as one of the obstacles as the communication was not continuous, but rather this process was treated as a once-off event, hence affecting the implementation of the performance management system.

The literature review also indicated that effective communication provides employees with the necessary information about their performance, such as what they were good at and not good at, and what they should be doing differently. However, the respondents were of the view that this was lacking during the implementation of the performance management system.

Also, Dahling, O'Malley, and Chau (2015:200) state that line managers who create an environment which embraces effective communication and feedback-seeking behaviour, whether positive or negative (constructive), promote a conducive work environment with a culture that helps employees to learn and improve their performance. This in turn creates high levels of employee engagement, which further enables the effective implementation of the performance management system.

Most of the respondents spoke of limited feedback as an obstacle, as there is a culture in the organisation of not providing or delaying feedback. They also mentioned that most of the employees are not willing to get negative or constructive feedback which focuses on their areas of development to such an extent that people would end up not providing feedback at all. If there was feedback provided, it would be solely for the purpose of meeting the deadlines as required. One other challenge identified was that most people do not want to create time to provide feedback or engage in the process, stating that there was too high a workload to deal with.

The respondents also mentioned that the feedback provided was by means of a top-down approach and not a two-way process where feedback could come from

the line manager or from an individual employee. A lack of peer review (feedback) at a horizontal level was also identified, where feedback could be from one particular line manager to another, or from one executive team to another executive team, or simply given at general staff level.

#### **4.1.15 The organisational culture of Standard Lesotho bank that supports or facilitates the effective implementation of PMS.**

An organisation's culture cannot be installed. The only way it can be changed is through changing the way employees perform on a daily basis. It can however, be guided and influenced by the policies, certain behaviours, norms, practices and procedures that are implemented and reinforced (Aguinis 2013:21).

In this research, the respondents revealed that the current organisational culture is one of the factors which hinders progress in the organisation, because it is not supportive enough to implement a performance management system successfully. Most people interviewed mentioned that the performance management system is normally carried out for compliance purposes and for financial rewards, such as bonuses and salary adjustments, which happen at the end of each financial year.

The respondents also cited that the process of the performance management system is still regarded as a once-off event that occurs twice a year (once mid-year and once at the end of the year), despite it being explicitly stated in the system that this should be a continuous process.

Another challenge that impedes the implementation of the performance management system is a lack of regular conversations and feedback discussions, particularly between the line managers and employees. This is a similar problem to that which was observed during the era of the previous performance management system which was considered to be traditional.

Levy, Tseng, Rosen and Lueke (2017:192) emphasise that employees should have regular engagements about their performance, as this would assist in developing the culture of providing feedback. Traditional annual review systems were used to hold people accountable for the past, instead of assisting them to improve going forward, an aim which can be achieved by providing relevant instant feedback at the appropriate time while the issues in question are still fresh in the employees' minds. The respondents therefore conceded that the Bank has made impressive progress by having a good performance management system, but that it still has to work very hard to ensure that the constructive and positive culture is driven seriously. This is necessary so that the benefits of the investment in a system which appeared to have a lot of capabilities are fully utilised, and this should also help to create a high-performance culture within the workforce.

#### **4.1.16 Change management - resistance to change**

Linda and Dean (2009:7) state that conscious effort to carry out proper change management requires the transformation of people's mindsets and the altering of their behaviours to make sure that change that is planned to be implemented happens successfully. It is important to focus on the individual mindset as well as on the culture which is embedded in the organisation, since the culture is the foundation of people's collective mindsets. Therefore, when managing resistance to change, a company's change strategy should address the cultural change which is driven by the new business requirements and the purpose for change must be clearly articulated. In order to implement the change successfully to manage resistance, employees should be familiarised with new ways of doing things and how they may be affected by them, or how are likely to benefit from such changes.

The findings from the interviews indicated that there is resistance to change to a certain degree, and most of the respondents stated that the employees are ready

to accept some of the changes, but that they believe that the performance management system is not being used for its real purpose, especially by the managers. As a result, this has affected the effective implementation of the performance management system.

Other respondents mentioned that there are employees who appeared to be comfortable with the previous system and who are unwilling to adjust to the new system. The respondents also stated that some of the employees are still afraid to use technology, especially when it is new to the business environment.

The respondents also mentioned that no conscious effort was made to ensure that the change management was properly done to shift staff resistance to adoption.

Also, another important aspect found was that the current culture does not facilitate or support the effective implementation of the performance management system as most of the respondents highlighted that the majority of the processes, including performance management system processes, are done for the sake of compliance not for the real purpose of such processes.

It was further mentioned that even though the purpose and objectives of the introduction of the new system were well articulated, proper engagement was not satisfactory to successfully implement the performance management system, because there were no continuous follow-ups to ensure that everyone was well on-board and using the system effectively as expected.

#### **4.1.17 Other challenges affecting the implementation of the performance management system in the Bank.**

The interviews also revealed that there are other challenges which are affecting the effective implementation of the performance management system at Standard Lesotho Bank. The respondents mentioned that the current performance management system does not have a peer review rating function, where the executive team members, middle management, and general staff working together can provide their own assessment regarding an individual's performance. They believe that this has a negative impact on the successful implementation of the performance management system.

Another important point which was raised by the respondents relates to a lack of post-implementation review or monitoring. The respondents were of the view that this was also affecting the successful implementation of the performance management system. The respondents explained that the organisation has implemented a good system involving a massive investment. but that there is a lack of post-implementation involvement once the initial projects have been completed. Instead, the organisation looks only at the budgetary constraints and not at other important aspects, such as whether the system is working as expected or whether it is meeting the requirements that were intended to be addressed. This new system was intended to improve performance coaching and regular, continuous and instant feedback, but there is no report which can attest to these goals having been achieved.

The interviews also showed that the system is not being utilised to its potential capabilities. The respondents mentioned that the accessibility of the system is somewhat limited, and therefore it has to be improved to ensure that it is in line with the objectives of the system. These include facets such as user-friendliness and accessibility, anytime and anywhere. The observation of the respondents was that the current system involves detailed, complicated steps before anyone can have access to and use it.

Therefore, the respondents mentioned that since the organisation is living in a world full of technology and where data can be collected, analysed and disseminated easily for quick and reliable decision-making, the performance management system should make use of smart advanced technological applications which can be accessed via mobile phones or iPads. This would encourage users to be more productive and participative, and consequently improve the successful implementation of the performance management system.

#### **4.2 Summary of the findings**

From the analysis and findings above it can be seen that the effective implementation of a performance management system requires a combination of essential factors and efforts. These include strong commitment from all the stakeholders within the organisation, effective communication and dedication, robust systems, processes and procedures, as well strong strategies that support and facilitate the execution and implementation of the system to ensure that the company meets its goals and objectives.

The background and work experience of the respondents are considered strong and satisfactory in this research because the respondents were carefully chosen from various departments which play different roles in the Bank. Similarly, the respondents selected for the interviews appear to have suitable work experience as the majority of them have worked for the organisation for an average of three to ten years. This means that they have been part of the new performance management system which was recently deployed, as well as other previous systems including the former performance management system.

The sample also contained a combination of females and males. It was therefore a good representation of the population, which assisted in obtaining more accurate, reliable and relevant information, thereby achieving the objective of this

study. Better quality, rich information was obtained to support the decision-making and related recommendations.

Furthermore, it was found that the Bank has made significant progress towards the successful implementation of the performance management system. Nevertheless, there are gaps or areas of improvement which have been identified that need to be addressed so that a full return on the investment made on this performance management system can take place.

The literature also revealed that linking the performance management system to the organisational strategy is one of the most significant factors in accomplishing successful implementation of the system. The research findings show, therefore, that the Bank is doing a relatively good job in linking these two vital elements, because many of the respondents declared that there is strong alignment between the performance management system and the organisational strategy. Nevertheless, they also highlighted that there are some areas which still need development to ensure that the Bank has complete linkage, which in turn would lead to the successful implementation of the performance management system.

It was also found that the Standard Lesotho Bank has a good policy in place regarding how poor performance should be dealt with, as it has been clearly specified that the Bank is trying to create a performance-driven culture that encourages excellent performance through rewards recognition, and it is committed to taking the necessary steps to ensure that it eradicates poor performance. However, the findings show that the Bank's actual approach to dealing with these issues is considered to be amongst the biggest challenges it is facing. The respondents mentioned that they are not working in an effective manner to achieve the objectives of a high-performance culture and excellent performance, and these factors are affecting the successful implementation of the performance management system.

Another important issue highlighted relates to the challenges of performance planning and goal setting. It was found that the cascading down of the company' strategy and goals is normally carried out well to individual employees, but that the strategy review and the cascading down of the goals are somehow delayed. This too affects the effective implementation of the performance management system.

The critical success factors of the successful implementation of the performance management system should be prioritised by the organisation, and resources and greater effort should be assigned to these areas, in order to ensure the system's successful implementation. This would also assist the company in achieving its goals and objectives.

## **5 CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1.1 Introduction**

This study was undertaken to unpack the challenges that must be considered in order to successfully implement a particular performance management system at Standard Lesotho Bank. This research was therefore carried out with the aim of identifying the problems relating to the implementation of this performance management system. A rigorous literature review from various sources was consulted and interviews with the Bank employees were carried out in order to understand the challenges which might hinder the successful implementation of the performance management system.

The findings and recommendations from this study may be valuable in shedding more light on the organisation and other interested parties, so that the benefits of the successful implementation of a performance management system can be known. The findings of other important aspects such as critical success factors which were identified during the research would also assist the organisation and other interested parties to address the implementation challenges and direct their resources and efforts towards those critical factors.

Therefore, the overall discussion below provides insights on the major research findings and recommendations, limitations of the research, directions for future research, and the conclusion thereof.

#### **5.1.2 Major research findings and recommendations**

It was found that the performance management system and its implementation in this organisation (Standard Lesotho Bank) is not new, as the organisation has implemented various systems previously. However, it has never undertaken an analysis on the challenges of the implementation of any performance management system.

### **Commitment and support on the implementation of a performance system**

It was found that commitment and support from the top management or leadership plays a critical role and that this is one of the most important factors to ensure that the implementation of a performance management system becomes a success. However, in this research, it was evident that the level of commitment and support was not satisfactory to facilitate the system's implementation. The support which was demonstrated at the start of the project, when there was a change of performance management systems from the previous one to the new one (that is currently used) was substantial, as the leadership had a great interest in completing the project, since it was a requirement of the Standard Bank Group. However, once the initial project was completed, continued support was no longer present to reinforce the effective use of the system and sustain buy-in from the rest of the organisation.

The deficits in commitment and support for the implementation of this performance management system were found to hamper its effective implementation. A resulting recommendation, therefore, is that top management and leadership should "walk the talk" and be encouraged to use the system more themselves. This would set a good example to the rest of the organisation as their leaders are regarded as the most powerful and influential people in the organisation.

### **Critical success factors in the implementation of the performance management system**

This study found that most of the respondents believe that the majority of the organisation's employees do not understand and are not aware of the critical

success factors relating to the implementation of a performance management system, as well as the importance of these factors. From the literature review and the research findings, it became clear that there are certain most critical success factors which have a high level of importance and a significant impact on the effective implementation of the performance system. The organisation would be well-advised to give these factors a high level of consideration and priority, in order to ensure the successful implementation of the performance management system.

It is recommended that the organisation should make people aware of these critical success factors and assist them in understanding what they are, as well as their importance. Doing so could have a significant influence in ensuring that all the essential elements are given an ample allocation of efforts and resources, because this would reduce a number of problems which might otherwise hinder the effective implementation of the performance management system .

### **Effective communication and constructive feedback**

Another aspect which was identified as one of the major hindrances to the successful implementation of the performance management system is the non-existence of effective communication and constructive feedback. These aspects have been acknowledged as the most critical instrument for the effective implementation of the performance management system.

Therefore, the organisation, especially top management, should develop a communication plan or strategy on how they will ensure that everyone across the organisation is fully aware and able to use the system effectively. Effective communication and continuous engagement with constructive feedback will go a long way in reducing resistance to change, eliminating fear of change and the use of a new system, as well as in creating a strong, supportive and positive culture which is favourable for the implementation of changes.

### **Competencies and skilled resources to run the system**

The research found that line managers do have the necessary skills which the respondents believe are important for an effective performance management system. The areas of high importance, amongst others, are deficiencies in giving constructive and instant feedback, performance coaching, dispute resolution and dealing with grievances, as well as poor performance management.

Insufficient skills and competencies were found to be amongst the factors contributing to major challenges. The organisation is huge, with around eight hundred (800) staff in numerous divisions and departments. Because of its size, it would be ideal to have at least some trained champions of the system from different business units, especially role models who are known to have really good performance conversion, who are well-equipped with the necessary skills to support the implementation and report on the progress thereof. It is also suggested that the organisation should have clear guidelines on what should happen following performance reviews (whether good, excellent or poor), and clear ratings that would provide guidance for positive incentives or the need for development programmes.

### **Staff recognition and rewards based on the performance management system outcomes**

Linking performance incentives with an organisation's performance management system has been identified as one of the critical factors which can contribute to staff satisfaction, morale, motivation and commitment. These conditions, however, can only be created if the recognition and rewards thereof are considered to be fair and transparent. This research showed that the respondents acknowledge that the organisation has a good system for staff recognition and rewards in place, and there is partial linkage, but there are still areas which are not 100% satisfactory, particularly those related to the fairness and transparency of the rewards and recognition.

The system of recognition and rewards does not appear to be objective and transparent enough and is more linked almost exclusively to financial rewards. It

is therefore recommended that the organisation should keep the ratings and the linkage simple and transparent as this may remove a number of negative concerns. Furthermore, it should also consider other, non-financial incentives such as better job titles, promotions, nominations for bigger projects as well as participation in leadership assignments.

### **Staff training and awareness**

Staff training and awareness was identified as one of the factors which affects the successful implementation of the performance management system. These factors are very important because they can empower employees with the necessary skills and a better understanding of the system, resulting in enhanced buy-in from the workforce. This research, however, showed that the training and awareness were considered unsatisfactory as most of the respondents believe that they need more training.

Therefore, in order to improve staff training and awareness, it is highly recommended that the organisation should have an effective, continuous training strategy that will assist the employees to improve their skills as far as the performance management system is concerned. This would improve the system utilisation as well as staff buy-in. It is also recommended that that the organisation should use external or independent consultants with professional know-how, especially in dealing with the training of the line managers, who are regarded as the most influential people in the implementation of the performance management system. New line managers at the organisation also need to be shown how the system works as this would help them to lead and guide their team members accordingly.

### **The link between the performance management system and the company's strategy**

This research showed that linking performance management system objectives with the organisational strategy was identified as an important point by the respondents. On the whole, they rated this link to be good at the Bank, although

they highlighted that there are still gaps to be addressed to ensure full alignment between these two important factors.

Therefore, it is recommended that the Bank should clearly state how performance objectives are linked to the company's strategy and goals and that the performance management system tool itself should allow users to see and understand this linkage. The Bank needs to make sure that the performance management system goals are specific and measurable in nature and defined according to the specific business objectives or outcomes., This will also enable them to show how the individuals' goals support the success of the business.

### **Organisational culture**

A constructive culture is one those factors which is very important in an organisation to enable changes to happen. However, in the Bank under discussion, this factor was regarded to be hindering the successful implementation of the performance management system. The bank has clearly stated that it would like to have a culture which embeds high performance principles within the workforce, hence the introduction of the performance management system as a tool to assist it in achieving this strategic initiative. Nonetheless, this was considered to be its biggest challenge because the findings and literature review repeatedly show that in order to create a high-performance culture, there has to be a dramatic shift in behaviours towards that critical goal line.

It would be very difficult to implement systems effectively in a culture that is not constructive and supportive. This step therefore calls on the Bank to should infiltrate a culture of employee-manager relationships by ensuring that these people meet regularly to discuss performance expectations, goals and objectives. All of these initiatives would contribute towards a different culture within a conducive environment for all, benefitting the organisation overall. The Bank should also show full support to line managers in particular, who are considered to

have a strong influence in this situation. In addition, the bank should provide these teams with the necessary skills such as persuasion, relationship building and negotiation so that these managers are able to make things happen.

### **Change management**

The system employed by the Bank to assist with the process of performance management system implementation appeared to be working effectively, but the challenge which has been identified relates to change management and the related “people issues”. It was stated by the respondents and from the literature review that people would like to be clear about the benefits as a result of changing their behaviour, and they felt that this had not been dealt with properly during the implementation of the new system.

Therefore, it is recommended that the Bank should develop a robust communication plan and training strategies for all the relevant stakeholders, from top management to individual employees, as well as line managers. Such communication should clearly state the objectives of changing to a new approach because by so doing this, it would offer an opportunity to the system users to take ownership and enable implementation to happen effectively.

#### **5.1.3 Limitations of this research**

It can be acknowledged that the main objectives of this study have been achieved, however, there were several limitations identified. The first one is that the research did not involve the performance management system consultants who would be regarded as experts in this field. They could have potentially offered more insights about the challenges of implementation of the performance management system in the organisation.

Another limitation is that the study was restricted to one organisation. If the study was extended to other organisations, more information and issues could have been identified, which would have improved the qualitative findings as these

would have been obtained from a broader spectrum of sources, and comparisons from different perspectives would then have been possible.

#### **5.1.4 Directions for future research**

In order to authenticate the research findings, further studies on a similar theme from other organisations may be considered very useful in this regard. It was found that the successful implementation of a performance management system is very important for organisations to succeed and to remain competitive. Therefore, it is imperative that further research should be conducted to confirm that the successful implementation of the performance management system has a positive relationship with the achievement of the company's goals and objectives.

#### **5.1.5 Conclusion**

This thesis examines the challenges associated with the implementation of a particular performance management system at Standard Lesotho Bank. The investigation was carried out in order to understand why the performance management system is so important, so that the Bank in turn could identify those critical success factors for the effective implementation of its performance management system. This would influence the organisation by providing interventions and counteractive actions to overcome the challenges currently being faced.

The literature review and the findings of this research also made it clear that an effective performance management system can actually assist the organisation in attaining its goals and objectives and provide it with an added competitive advantage.

Therefore, Standard Lesotho Bank has made enormous efforts and allocated resources, putting in place procedures, documentation such as policies, and internal communication to ensure that the performance management system in the organisation is successfully implemented. It has undoubtedly made immense

progress since the establishment of the performance management system in terms of its objective of increasing shareholders' wealth and improving productivity. Despite the efforts applied, and the enhancements and benefits that the system has brought so far, there are still considerable gaps and critical factors that need to be addressed.

In linking the performance of individual employees with rewards and recognition, the Bank has been rated to be doing well, but not quite well enough. This is because there is a linkage between these factors, but the respondents believe that this link is not simple and transparent, and the rewards and recognition are predominantly focused on financial incentives, especially performance bonuses. Therefore, the Bank should keep performance ratings and its linkage with rewards and recognition pretty simple and extremely clear so that any suspicions and lack of trust about its fairness and subjectivity can be removed. Doing so would create a positive environment which has the potential to motivate the employees, hence contributing to the successful implementation of the performance management system.

Other gaps can also be attributed to the major findings as discussed earlier. These include deficiencies in the areas of commitment and support, especially from top management, ineffective communication (especially in terms of constructive feedback), insufficient skills and competencies (especially at middle management), as well as people who do not understand and are not aware of critical success factors in the implementation of the performance system., Further gaps include staff recognition and rewards processes being regarded as unclear, unfair and not transparent, and their link to the system's outcomes need greater emphasis. Inadequate staff training and awareness, particularly regarding the links between the performance management system and the company's strategy, organisational culture and change management, should also be addressed.

It was also found that investment in individual employees through their remuneration and financial packages which is considered to be substantial operating costs in nature to Standard Lesotho Bank and other organisations. It is essential that this investment or cost is well managed, and that it maximises employees' efficiency, which fortunately can be achieved through the effective implementation of the performance management system. Consequently, it is imperative that Standard Lesotho Bank should ensure that its performance management system is working effectively so that it is able to achieve its strategic goals.

The necessary competencies and skills required, especially for line managers, were identified as being inadequate. Because these skills are so important for the Bank to effectively manage performance, it should provide more support and training to ensure that these people are well equipped with the necessary skills which are essential for the effective implementation of the performance management system. The line managers have a particularly strong influence on the successful implementation of this system and should therefore be equipped with performance coaching skills so that they can identify when the employees need coaching, counselling or a performance improvement plan (PIP).

Both the research findings and the literature review revealed that the use of artificial intelligence learning machines may be of great help in collecting and analysing data, and in enhancing data quality used in making informed decisions. These advanced technologies could also be used to build effective and strong relationships amongst the members of the workforce and assist in providing instant feedback and in creating opportunities for real-time conversations.

Therefore, if the Bank deploys the use of mobile phone applications (apps) in this performance management system, this would be greatly beneficial. Such technology would assist the Bank in addressing some of the challenges which are considered to be hindering the effective implementation of the performance management system. The use of these applications could also enhance system accessibility and availability, opportunities for instant feedback and creating

meaningful conversations, as well as the adoption of a forward-looking approach, as everything would take place on a real-time platform.

A resolution to these gaps would require Standard Lesotho Bank to take these major research findings as well as the recommendations as the guiding principles to address the identified shortcomings and to guarantee the successful implementation of the performance management system. The Bank should also embed the performance management system solidly within the organisation and create an environment that would better engage the workforce. Most importantly, it should ensure strong commitment from all the stakeholders to reinforce the engagement and continuous monitoring of progress.

If Standard Lesotho Bank can meet and address the challenges of its performance management system, business will improve, performance will flourish, and in due time it will get the deserved return on investment on its performance management system.

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## APPENDICES

### Appendix 1: Cover letter to respondents requesting Interviews

P. O. Box 0633  
Maseru 105, Lesotho

2<sup>nd</sup> August 2018

Dear Respondent,

I am a student at University of the Free state (UFS) completing my Master's in Business Administration (MBA) program. I am writing a thesis on the following topic: The implementation challenges of the performance management system at Standard Lesotho Bank.

Therefore, I humbly request your valuable time for a maximum of 30 minutes to discuss the attached questions linked to my research on the implementation challenges of the performance management system at Standard Lesotho Bank. The meeting will be at a convenient place and suitable time that we will both agree on.

Please note that the information relating to this research and the answers that will be obtained from you shall be treated confidentially, anonymously and only for this research. I will also provide you with the findings of the research if you would like to have them.

Thank you in advance for your time and cooperation.

Yours sincerely,

Thabo Polanka (Mr)  
(Student No. 2015222314)

Appendix 2: Research Interview questions

1) **How long have you worked with the bank?**

Less than 3 years

3 - 7 years

7- 10 years

Over 10 years


2) **How do you rate the level of commitment and support from the top management on the PMS?**

Not at all

Small extent

Moderate extent

Great extent

Very great extent


3) **To what extent does the Bank train employees on the performance management system?**

Not at all

Small extent

Moderate extent

Great extent

Very great extent


4) **To what extent are employees' individual goals aligned with the**

**company's strategy?**

- Not at all
- Small extent
- Moderate extent
- Great extent
- Very great extent


**5) To what extent does the bank recognise and reward performance?**

- Not at all
- Small extent
- Moderate extent
- Great extent
- Very great extent


- 6) Are there any challenges experienced during the planning of performance and setting of goals?
- 7) Do you think employees are well involved and engaged in the implementation of the performance management system (PMS) in Standard Lesotho Bank?
- 8) Do you think line managers have the necessary skills and knowledge to deal with performance management system?
- 9) Do you think that the employees are aware of the critical success factors of the performance management system at the Bank?
- 10) Do you think the current culture at Standard Lesotho Bank supports/facilitates the effective implementation of PMS?
- 11) What are the challenges of providing feedback on performance management system in the Bank?

12) Do you think resistance to change is affecting effective implementation of PMS?

13) In your view, what are other challenges affecting the implementation of the PMS at standard Lesotho?