# UTILITY EFFECT OF PERFORMANCE MANAGEMENT PROCESS WITHOUT PERFORMANCE REVIEWS: THE CASE OF A MULTINATIONAL ORGANISATION IN MALAWI

## MASTER OF ARTS (HUMAN RESOURCE MANAGEMENT AND INDUSTRAL RELATIONS) THESIS

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### UNIVERSITY OF MALAWI

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Submitted to the Political and Administrative Studies Department (PAS) in partial fulfilment of the requirements for the degree of Master of Arts in Human Resource Management and Industrial Relations

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## DECLARATION

This Dissertation is my own original work and it has not been submitted to any other institution for similar purposes. Acknowledgements have been duly made where other people's work have been used. I bear responsibility for the contents of this Paper

**KHUMBO IMMACULATE NTAMBO**
**_____**
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**Date**

## CERTIFICATE OF APPROVAL

The undersigned certify that this thesis represents the students own work and effort and has been submitted with our approval.

Signature: _____Date: _____

Happy Kayuni, PhD (Professor)

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**Second Supervisor**

# DEDICATION

To My Second Born Son, Daniel

# ACKNOWLEDGEMENTS

# ABSTRACT

There is a growing number of organizations that have concluded that formal performance reviews are unnecessary or even counter-productive. The aim of this research was to determine the utility effect of this global change in readjusting or fundamentally removing employee reviews has on the Performance Management process, tasks and subtask activities. Specifically, this study focuses on assessing how the removal of performance reviews affect the design and usefulness of the performance management process. From an empirical perspective, the study used International Business Machines Corporation (IBM) as a case study; IBM is a well-established organisation on performance management that announced a fundamental change in its Performance management process. Using Qualitative research methods, the findings indicate that the changes in performance review process had a noticeable effect on the effectiveness of the Performance Management process in IBM. The new process design presented in the paper allows employees, line managers and the business to extract the intended benefits of the Performance Management process tasks more effectively, however not fully eradicating the challenges with bias and line manager relationship as identified by other scholars.

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# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| IBM | International Business Machines Corporation |
| CPM | Continuous Performance Management |
| BPC | Business Process Change |
| BPR | Business Process Reengineering |
| BPM | Business Process Management |
| BPI | Business Process Improvement |
| PM | Performance Management |
| PR | Performance Reviews |

# CHAPTER ONE

# INTRODUCTION

## 1.1 Introduction

Performance management is important because it plays a very important role in any organization's human resource framework. A good performance management system aims to work towards improving overall organizational performance while managing individual and team performance to achieve organizational objectives (Armstrong, 2010). A well-designed performance management process stimulates managers to develop high-quality strategic plans, set ambitious targets, and track performance closely (Bort, 2016).

While a period around the early 2000's to 2010 had companies actively encouraged to adopt formal performance management procedures (Williams & Beck, 2015), a number of performance management literature in the past decade has established a new idea that performance reviews in the performance management process are unnecessary or even counter- productive (Crush, 2015; Cappelli & Tavis, 2016). The modern literature advocating for changes in the formal performance management processes has led to many large multinational companies like Accenture, Deloitte and IBM announcing the abandonment of performance reviews entirely in favour of more fluid approaches (Bauer, 2016; Bort, 2016; Cunningham, 2016; Crush, 2015; Hall et al., 2005).

In Malawi, there are about four multinational organizations that have made an attempt to remove completely or readjusted their performance reviews from the performance management process as per their global head offices decisions. Two of the four organizations have proceeded to fundamentally change the reviews process as part of the process and adopted a more "fluid" continuous performance management process that has no element of annual or mid-year formal reviews following their organizations abandonment at a regional or global level (Institute of People Managers in Malawi IPMM conference, 2018).

Therefore, this study focuses on assessing how the removal of performance reviews affect the design and usefulness of the performance management process. It includes an analysis on how the performance management process without the performance reviews helps to improve the performance of individuals and teams in an organization. The rest of the chapter contains the following main sections: background and context to this study, research problem, purpose statement, study objectives, research questions and respective propositions for the study. It also has sections on justification of the study and limitations of the study.

## 1.2 Background and context

Every profit making corporate organisation looks at how to be the best in their industry by ensuring they perform better than competition. The Performance Management (PM) Process, one of numerous business processes that enables businesses align on their performance goal and compete well on the market; has transformed over the last view decade, although the fundamental goal of PM remains the same. A number of organisations are reshaping or changing the old way of annual performance appraisals and adopting a more fluid continuous one. Such effort, to support the process of organizational transformation of any business process, is made through Business Process Reengineering (BPR) processes (Abubakar, 2016). Business process management as a discipline of improving company performance has been adopted by many CEO's and has become a more important focus in strategic management (Looy, 2016).

A business process is any set of activities performed by a business that is initiated by an event (Kaplan & Norton, 2010; Looy & Shafagatova, 2016). Business process change (BPC) can be dated from the business process reengineering (BPR) movement that begun in 1990 with the publications of Michael Hammer and Thomas Davenport and James Short (Harmon, 2019). Sometimes, it is more than changing what is already there, but it involves a complete change of certain things. BPR can be seen as a cycle because each phase depends on the success of the other (Looy & Shafagatova, 2016). The BPR theorists emphasizes that if a company focuses on the development of a new product, it may improve part of the new product development and may not improve the overall process (Harmon, 2019; Kaplan & Norton, 1996; Tupa, 2010). Alternatively, an improvement of the new product development can be done at an expense of the

overall value chain since BPR is seen as a cycle because the phases are interrelated (Harmon, 2019; vom Brocke & Rosemann, 2010).

Business Process Management (BPM) represents a constant process in which employees of the BPM department, constantly analyze company's business processes and enhance the same, improve or change them using Business Process Improvement (BPI) and Business Process Reengineering (BPR) (Kasim et al., 2018). Each organization wants to improve from its usual ways of doing things to new if there is potential of it maximizing its investments (Kasim et al., 2018, p.3). A change in a business process might lead to a competitive advantage by reducing costs or make a business become outstanding among others.

Currently, there are two main approaches when it comes to assessing performance and these are traditional annual appraisals and continuous performance management (CPM) also called agile performance management (Hearn, 2018; Levy et al., 2015). Traditional annual appraisal is said to be time consuming formal review that takes place once or twice a year. Its seen to be time consuming because an employee's performance of over 6 to 12 months is assessed at once which leads to extensive paperwork involved, backwards looking nature (Hearn, 2018). Continuous performance management involves regular meetings and frequent feedback aiming at improving performance on an ongoing basis (Hearn, 2018). As present, there are indications that continuous performance management is the preferred approach. Not surprising that other global organizations such as IBM and Deloitte are adopting the new performance management processes that have no performance reviews. Yet gaps exist on documented evidence on the effects of the new shift in performance management.

It is regarded that continuous performance management helps management to identify efforts worthy of praise and reward which motivate the employees (Ana-Maria, Constantin, & Radu, 2009; Levy et al., 2017; Pulakos, Handson, Arad & Moye, 2015). It helps managers to know when employees have gone above and beyond hence react accordingly at that particular time unlike traditional approach that keeps all the records and react after some months hence leading to the mistakes being repeated now and again (Ana-Maria et al., 2009; Hearn 2018). CPM generates an on-going dialogue, an atmosphere of trust, support and encouragement hence helps in development of a strong

relationship between an employee and the company since they consistently meet to discuss their performance, encourage them (Ana-Maria et al., 2009; Hearn 2018). Unlike the traditional annual appraisal approach where the connection can rarely happen because managers meet employees once a year to discuss their progress.

The investigation on the PM effect in this study was guided by the notion that PM is a strategic and integrated approach for success of an organization (Armstrong & Baron, 1998; Frank & Conte, 2009). In-line with the established problem statement, the investigation is grounded on the notion that the business process change will cause changes in performance, in the nature and sequence of tasks associated with PM process of an organization.

## 1.3 Problem statement

PM is critical for organizational success, in private and public sectors. However, there is a divergence on what a PM process should entail. On one hand, there are several scholars such as Dzimbiri (2009) who still support the old PM approach and on the other hand there is the divergent notion that there should be abandonment or complete change in the performance reviews in order to improve performance of individuals and teams. As Capelli and Travis (2016, p.2) points out "others have described annual reviews as a last-century practice and blamed them for a lack of collaboration and innovation". Several other authors have also supported the view raised by Capelli and Travis (2016); for instance, Pulakos and O'Leary, (2011, p.146) argues "that a significant part of the problem is that performance management has been reduced to prescribed steps within formal administrative systems that are disconnected from the day-to-day activities that determine performance management effectiveness". Thus, the old PM review is considered not fit to the needs of today's organizations (Crush, 2015; Cunningham, 2016). Other evidence shows that the PM review is time consuming, burdensome and its ratings are inaccurate and not useful (Bort, 2016; Crush, 2015). The proponents argue that such a shift will also remove the uncontrollable bias which surfaced as a result of performance review practices (Levy et al., 2017).

In Malawi, some international organizations have adopted this adjustment notion (Dzimbiri, 2009); they have readjusted their PM processes. However, there is no evidence of systematic investigation that provides the usefulness of the shift in the PM

process. Meanwhile, evidence available shows that it is not clear what characteristic of PM systems (frequency, rating scales, technology, formality) are most effective in concert with different organizational characteristics (industry, structure, culture and strategy) especially when a fundamental aspect of the process, that is, performance review, is removed or changed significantly (Levy et al., 2015). Therefore, this research study will contribute empirical evidence on the utility effects of a PM process that excludes performance reviews using a case study.

## 1.4 Main objective

To investigate the perceived design and performance effect of the removal of performance reviews from the PM processes in an organization using a case of a Malawian multinational organization.

### *1.4.1 Specific objectives*

The set objectives of the study are as follows:

1) To find out the structure of the new PM process with adjusted performance reviews
2) To critique out the positive and negative impacts of the new PM on employees' productivity
3) To assess the positive and negative impacts of the new PM process on team performance
4) To find out the level of confidence of staff in the new PM process

## 1.5 Research questions

The study established the following research questions:
1) What is the structure of the new PM process with adjusted performance reviews?
2) What are the positive and negative impacts of the new PM process on employees' productivity?
3) What are the positive and negative impacts of the new PM process on team performance?
4) What is the level of confidence of staff in the new PM process?

**1.6 Propositions**

The study set out the following propositions:

1) The new PM process without the performance reviews has caused changes in the nature and sequence of tasks associated with the PM process.

2) With the new PM process, there are more positive than negative impacts on employees' productivity.

3) With the new PM process, there are significant positive impacts than negative on team performance/ productivity.

4) There is high level of confidence among staff, employees and managers, in the established new PM process. The established new performance process is perceived as relevant to enabling staff performance

**1.7 Justification for the study**

Continued business efficiency and effectiveness are important in every organization. Business management, therefore, has to ensure that processes and resources are appropriate and being put to fitting and relevant use in an organization. This study focuses on understanding how the newly adopted management performance processes that does exclude performance reviews, is helping to improve business efficiency and effectiveness in the selected organizations understudy (Capelli & Travis, 2015; Hearn 2018). Change that improves business performance, in terms of processes, individuals and team performance is likely desirable.

Evidence from this study will fill knowledge gap and give insights on the empirical effects of adopting the performance review exclusion change in the PM process (Levy et al., 2017). In practice, the results of the study may help managers to understand if the removal of performance reviews from the PM process is indeed beneficial to the performance or individuals, teams and organisations and achievable in the organisations perspective. The study results will also contribute empirical evidence to the debate on emerging approaches to PM in regards to either remove or completely transform performance reviews from the PM process (Armstrong, 2010; Bort, 2016; Crush, 2015; Cappelli & Tavis, 2016; Peterson, 2016).

## 1.8 Limitations of the study

The study sought to understand the experiences of line managers and employees on utility of a PM process without performance reviews using a case study. The main limitations of the study were time, financial resources, sampling and case study approach limitations for generalization of study findings. The following are other constraints for the research study:

- Initially, the researcher intended to use random sampling in selecting employees and line managers. However, due to restricted access to employee documents and time available to complete the research, the researcher changed the sampling technique to purposive and convenient sampling.

- Some respondents might not have expressed their true feelings of the new process as it is an initiative driven from above. To some extent, the researcher's use of convenient and purposive sampling boosted morale for participants to express themselves better as their participation was not structured, hence less likely to be known. In addition, the researcher provided assurance that all responses offered by the research participants will be treated with anonymity. Also, that the researcher obtained permission from the senior management of the organizations to conduct the research study was a motivating factor for employees to be cooperative.

## 1.9 Conclusion

Organizations that are successful are good for profit making and sustaining jobs in an economy. As such PM is considered an essential component in strategic management of organizations to attain organizational goals. This study sought to establish the perceived design and performance effect of redesigning performance reviews from the PM processes in an organization using a case of a Malawian multinational organization. Consequently, the chapter provided background and context to this study. It also discussed the research problem and presented the purpose statement. It presented research objectives, research questions and respective propositions for the study. It has also highlighted the rational for the study and limitations of the study.

# CHAPTER TWO
# LITERITURE REVIEW

## 2.1 Introduction

The chapter covers literature reviewed in this research study in-line with the set research objectives and research questions. The research study sought to examine the effects of removal of performance reviews in the design of the PM process, and performance of individuals and teams in an organization. Subsequently, the chapter has presented a summary of key concepts and discussed the functions of PM. Furthermore, it looks at the historical perspective of PM. Furthermore, literature was reviewed on PM and its business process change, and significance of performance reviews. Finally, the chapter presents the conceptualization applied and the theoretical basis of this study.

## 2.2 Performance Management

It is generally argued that PM is core component in organization's success. Primarily, PM seeks to ensure that an organization works together in integrated manner across its sub-systems to achieve desired success set by the organization (Gunningle & Mcdonnell, 2008; Lockett, 1992; Weiss & Hartle, 1997).

Considering the reviewed literature, this study defines PM as a strategic process for establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving organizational success (Gunningle & Mcdonnell, 2008; Weiss & Hartle, 1997). The reviewed literature indicates that PM is variedly defined. For instance, Armstrong (2010) views PM as a "systematic process for improving organizational performance by developing the performance of individuals and teams and for him, processes exist for establishing shared understanding about what is to be achieved, and for managing and developing people in a way that increases the probability that it will be achieved in the short and longer term. Similarly, other scholars define PM differently. Aguinis (2013:2) considers PM as a 'continuous process of identifying,

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measuring, and developing the performance of individuals and teams and aligning performance with strategic goals of the organization'; and Bach (2005) defined PM as "a cycle of integrated activities which ensures that a systematic link is established between the contribution of each employee and the performance of the organisation".

## 2.3 Performance Management Process

Armstrong (2010) points out that PM process is a cycle. It involves establishing performance benchmarks, providing regular feedback and helping individuals and teams in the organization to better develop. This explanation of PM as a system or a cycle or process has also been described by several other authors. However, Armstrong (2010) looks at a four-step cycle, while Bach (2005) looks at a five-step cycle.

Table 1: PM process using a 4 step method Adapted from Armstrong (2010)

| No. | Step | Sub-tasks | Activities |
|-----|------|-----------|------------|
| 1 | Plan | - Setting objectives<br>- Performance agreements<br>- Development agreements | - Assessment of the key deliverables aligned to business strategy is done<br>- Employee develops goal plan aligned with business goals<br>- Line manager amend/approves goal plan<br>- Developmental areas are discussed and agreed<br>- A SMART plan to signed off by both parties for deliverable within the period<br>- Agree on criteria for measurement |
| 2 | Act | - Goals into Action | - Employee implements plans according to plan |
| 3 | Monitor | - Regular one on one conversations | - Regular catch up with line manager and employee on goal process,<br>- Informal, could be weekly or monthly<br>- Realignment and reassessment to goal plan |
| 4 | Review | - Formal review Meeting | - Preparation for formal review process<br>- Review of individual contribution<br>- Comments from line manager<br>- Rating performance based on agreed rating scale agreed upon<br>- Dealing with underperformance or career next moves |

{PM process using a 4 step method adapted from Armstrong, 2010; Bach (2005), Aguinis (2013), Dessler et al, (1999) and Boxall and Purcell (2016)}

This study adopts Armstrong's (2010) four step cycle. The four step cycle components are plan, act, monitor and review. This has been adopted because it seems to be more robust in clarifying the core elements of PM. Table 1 provides a summary of the associate sub-tasks and activities at each step in the PM process. However, this doesn't mean that other processes have been ignored. Other authors like Bach (2005), Aguinis (2013), Dessler et al., (1999) and Boxall and Purcell (2016) have nearly described their PM processes in a similar way with words like plan, act, track, review; goal setting, performance, review, reward and promotion; planning, maintaining, reviewing and rewarding.

## 2.4 Functions of PM

Generally, the reviewed literature indicates that PM is intended to improve performance at individual and organization levels (Lockett, 1992). PM has been defined as a strategic and integrated approach delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors (Armstrong & Baron, 1998). Employee coordination, retention, reward and loyalty are promoted with existence of PM. With PM, all employees' efforts are better integrated and coordinated to achieve strategic goals of an organization.

The behaviors that make teams successful vary. They depend on individuals, processes and rules involved in that team. PM at team or organization level helps to ascertain engagement parameters and expected deliverables. In addition, it helps in identifying strengths and weaknesses of different employees. Futhermore, it helps in putting together people of same interests, qualities together as well if need be for the success of the team. For example, a financial audit team may need people with special qualities and same can apply to a management team. Such kind of people can be easily identified by the PM. Managers should make sure that they include contextual performance in their performance category. This category emphasizes on how well individuals help and cooperate with others (Motowildo & Schmit, 1999).

At individual level, PM gives employees a clear understanding of expectations and enables them to achieve good performance. When an employee has a clear understanding of their roles and responsibilities in their work places, any uncertainties

in the workplace are eliminated (Waal & Kourtit, 2013). Each individual is held accountable for their own duties and responsibilities. PM helps employees to identify their strengths and weaknesses and be able to work on them. When feedback on performance is given to employees, employees are motivated to work hard beyond expected hence making them feel more satisfied.

## 2.5 Performance reviews in the PM process

There is wide agreement among scholars about the importance of PM in the achievement of organisational goals. Guest was one of the first advocates for this link and he stated that "organisations differ in the importance they attach to the role workers play in organisational performance and that affects their view of how they are managed" (Guest 1989, p.23). Furthermore, "Superior organisational performance is not a matter of luck – it is determined by the choices that managers make around PM" (Daft 2010, p. 188).

In reference to the PM process steps (Armstrong, 2010), performance review is to be completed as the end step in the process of PM. At the performance review the five primary PM elements of agreement, measurement, feedback, positive reinforcement and dialogue are meant to be put to good use and reinforced during each performance review discussion (Armstrong 2010, p. 507). According to Levy et al. (2017), this process of performance review is where the biggest issues arise, from the preparation of the review process, all the way to the reward and performance improvement plans. Table 2 gives summary of the key processes in a performance review as suggested by Armstrong 2010.

**Table 2 Performance review process**

| No. | Performance review process step | Activities |
|---|---|---|
| 1 | Planning for Performance reviews | <ul><li>Employee consolidates her key performance area versus results delivered over the year</li><li>Line manager prepares his view of the individuals performance over the year based on facts</li><li>Line manager and employee have an idea of the rating based on performance throughout the year</li></ul> |
| 2 | Review Meeting | <ul><li>During the meeting, the employee presents his view of his performance versus his action plan</li><li>Manager prevents his view over the performance of the employee versus the goal plan agreed at the beginning of the year or modified during the year</li></ul> |
| 3 | Ratings | <ul><li>Employee proposes ratings based on his view of the achievement of the goal plan as per the organisations rating plan</li><li>Line manager suggest his rating based on his view of the goal plan</li><li>There is sign off of the agreed rating based on the discussion on ratings</li><li>Line manager submits ratings to Human Resources awaiting calibration meeting</li><li>Line manager has final view of rating after calibration meeting</li><li>Line manager communicates final rating to employee after calibration meeting</li></ul> |
| 4 | Reward | <ul><li>Line manager explains the reward implication of the rating received</li><li>Depending on the score and performance the employee will be encouraged to perform or will be placed on a performance improvement plan</li></ul> |

Adapted from Armstrong 2010, pages 509-517

The reviewed literature suggests that c most common practice is to have one annual review and twice-yearly reviews (Armstrong 2010, p.511).

Recently, it is being argued that formal reviews are unnecessary and that it is better to conduct informal reviews as part of normal good management practice to be carried out as and when required (Armstrong, 2010; Levy, 2017). There are arguments that a

number of problems exist with traditional PM review practices. One main argument is that they are not dynamic enough to meet the needs of modern organizations. Others have argued that many of the traditional PM review practices should be completely abandoned; while others have simply argued that the practices be improved.

Some of the suggestions that practitioners have suggested are the need for improving alignment of the PM review with organization and industry characteristics, incorporating future focused aspects into the PM system and allowing for more frequent feedback on performance and leveraging technology to implement these changes (Capelli & Travis, 2016; Cunningham, 2015; Crush, 2015; Cardy et al., 2016; Levy et al., 2017).

The literature reviewed shows that towards improved PM, there is no one size fits all solution. This suggest that a model of PM may yield different results in two different organizations. Organizations, therefore, have to align their PM review structures and practices to the environment in which they operate and their associated goals (Cardy, et al., 2016). In view of these arguments, Capelli and Travis (2016) suggest that, in other industries, the traditional PM review model may still be the best fit, however industries with a high need for innovation and flexibility will likely do better with a different approach.

Although some literature provides guidance in terms of aligning PM to organizational strategy but it is not clear what characteristic of PM systems (frequency, rating scales, technology, formality) are most effective in concert with different organsational characteristics (industry, structure, culture and strategy) (Levy et al., 2017). A progress performance review should aim at inspiring the employees and focus on their continual improvement and development (Cappelli & Travis, 2016). This does not mean that mistakes should be ignored rather mistakes to be presented in a constructive manner. The managers who know their jobs must aim at recognizing employees' achievements and making sure that they are motivated and help them understand how they can improve in future.

**2.6 PM influence and impact**

*2.6.1 Impacts of the new PM process on team performance*

Traditionally, performance appraisals have focused and provided information at individual level to help employee performance. However, for companies who also see the importance of team work, they focus on more innovative performance reviews which are called new PM reviews in this paper. This performance appraisal can measure how a team of workers perform rather than just seeing how an individual performs (Motowildo & Schmit, 1999). This can be done by using the performance appraisals to assess an employee's contribution to the team. For instance, when doing an individual performance appraisal, an employee should also be assessed on how well they work with other team members. Formally and publicly recognizing a team member's achievement to their teams leads to positive changes in other team members (Li et al., 2016).

*2.6.2 Staff's confidence in a PM process*

PM being crucial to an organization, managers have to make sure that employees are satisfied and happy with the PM process. One key element that gives employees confidence in PM process is to be shown that they are involved in managing it (Schneier et al., 1987). If managers are able to talk to the employees now and again on their performance and discuss how they can do better where they are weak, it gives the employees confidence in the PM process because they know that their performance is discussed with them not just assessed by someone else and they get the feedback on how they had performed previously. According to Armstrong and Baron (2005), employees must know and understand what is expected of them, and have the skills and ability to deliver on these expectations and be supported by the organization to develop the capacity to meet these expectations. The PM process has to be unambiguous so as to make sure every employee is clear of what she is supposed to be doing (McAfee & Champagne, 1993). This will help employees have confidence in the PM process since they know and understand what they need to do.

## 2.7 Theoretical ground for the study: Business process change theory

This study is informed by business process change theory. In this study, PM is treated as a business process (Reynolds 1995: 328). Ideally, a PM process intends to facilitate business processes that yield satisfactory efficiency and effectiveness (Armstrong, 2010; Reynolds 1995). However, in practice, the process may not always yield the intended results. This study set out to find out the positive and negative impacts of the new PM on employees' productivity and also perceived relevance. The study also intended to assess the positive and negative impacts of the new PM process on team performance.

Davenport and Short (1990) define business process as a set of logically related tasks performed to achieve a defined business outcome for internal or external recipients. A business process occurs across or between organizational subunits and is independent of formal organizational structure. Most business processes can be deconstructed into several sub-processes which each have their own attributes and components, but ultimately all contribute to achieving the goal of the overall strategic process (Harmon 2003). Business process analysis typically includes the mapping of individual processes down to activity level. However, at whatever level it is being considered, a business process begins with a customer's need, achievement of individual goals and ends with that need being fulfilled (Slack, Chambers, Johnston & Betts, 2006).

To assess whether PM can be a business process, the characteristics of a business process as defined by Harmon will be used (Harmon, 2003). Harmon suggests that the first characteristics of 'Business Process' is that it must be Specific; i.e. have a definite boundary, input and output. PM is according to Armstrong (2010) as process that's starts off with a development of a set of goals with the intention to have these goals achieved over an agreed period of time. Secondly, Harmon (2003) expresses that a Business process should have a definite order i.e. must consist of activities that are sequenced. As explained above, the PM process of "Plan, Act Monitor and Review" and according to Armstrong (2010), this order has been definite since the inception of PM as a new methodology from Performance appraisal (Armstrong, 2010)

Next, Harmon (2003) posit that any business process must have a definite customer, that is, there has to be a recipient of the business process. As for PM, it is quite clear

that Armstrong (2010) explains that the importance of PM is to align business needs with organisational goals and that employee's role in that alignment is clarified. From this discussion, it seems quite clear that both the organisation and the Employee are recipients of the output of the PM process. Further, Harmon 2003 expresses that it should be Integral and Adding Value to the business. For him, by adding value; a transformation must take place within the process, which shall be of importance to the customer. The purpose of the study is to look at transforming the PM process by readjusting a fundamental aspect of the process, which is the review process to eliminate key challenges with this process in order to have a system that according to Purcell et al (2003), contributes to employee engagement that results in an enhanced organisational performance.

A change in business process can be caused by many factors and affect organizations in many ways. Paul Harmon, describes four basic process redesign patterns that result in a process change: re-engineering, simplification, value-added analysis, and gaps and disconnects. For Harmon, re-engineering relates to a fundamental rethinking of existing processes to achieve major efficiency improvements while simplification assumes that most established processes (or sub-processes) are likely to have developed elements of duplication or redundancy and that process efficiency can be improved by removing these (Harmon, 2003).

Furthermore, Harmon (2003) considers that value-added analysis looks at the process (or sub-process) from a customer's perspective (in the PM case, the employees' perspective) and a process or activity is said to add value if it meets the customer needs and is performed correctly at the first attempt. Harmon suggests that non-value-adding activities should be eliminated as far as possible. Obviously, some of them (for example set-up activities) may be essential for the value-added activity to take place. These essential support activities are known as value-enabling activities, and cannot be eliminated altogether. However, they should be done simply and cost-effectively to allow resources to be focused as much as possible on the value-added activities (Harmon 2003). Regarding gaps and disconnects, Harmon argues that many of the problems affecting process performance (and businesses more generally) result from a failure in communication between functions or business departments. The focus of this

redesign pattern is to ensure that the appropriate checks and controls are in place so that efforts are coordinated between functions and departments.

For process change to be efficient and effective, it is important that the level of process change is appropriate to the process under review. However, the level of process change required is also likely to reflect the process capability maturity of the business. If the business has mature process capabilities, process improvement efforts will be more or less continuous, undertaken by managers and their process teams. If a business has a low degree of process maturity then a process redesign effort might be required to establish the initial process capabilities (Harmon, 2003).

Since the 1990s, Business Process Reengineering (BPR) has been one of the most frequently used tools in organizations, such as private companies or government agencies, to improve processes in the production of goods or services. According to Michael Hammer and James Champy who coined the term in a book that revolutionised the business world, reengineering is "the fundamental rethink and radical redesign of business processes to generate dramatic improvements in critical performance measures-such as cost, quality, service and speed" (Hammer & Champy, 1993, p. 32,). Whereas for Manganelli and Klein (1995, p. 8), BPR is the rapid and radical redesign of strategic processes to add value. It is also the redesign of systems, policies and organizational structures that support the processes to optimize workflows and productivity of an organization. According to these authors, strategic processes are the most relevant. They are essential for the fulfillment of the objectives, goals, positioning and strategy of any organization. On the other hand, the processes for added value are also indispensable to meet the requirements and needs of the clients willing to pay.

Out of many descriptions of how to conduct BPR, three Authors came close to linking BPR to PM but focused mainly on Organisational performance with little or no mention of PM as a business process and how it can be subject to BPR. According to Hammer and Champy (1993), and Harmon (2003) the table below depicts a Business Process Reengineering steps:

**Table 3 Business process reengineering steps**

| Hammer and Champy | Paul Harmon |
|---|---|
| Step 1: Identify and communicate the need for change (create followership) | Phase 1: Understanding the Project (Plan) |
| Step 2: Put together a team of experts | |
| Step 3: Find the Inefficient Process and define Key Performance Indicators (KPI's) | Phase 2: Analyze Business Process(Analysis)<br><br>Phase 3: Redesign Business Process(Redesign) |
| Step 4: Reengineer the process and compare KPI's | Phase 4: Implement Redesigned Process( Development)<br><br>Phase 5: Roll Out the Redesigned Process(Transition) |

Adapted from Hammer, M. and Champy, J. (1993) Reengineering the Corporation: A Manifesto for Business Revolution. Harper Collins, New Yorkand Harmon P. (2003) 'Business Process Change' Morgan Kaufman, San Francisco

To clearly understand and answer the research question 'How does the removal of performance reviews affect the design of the PM process, and does this improve the performance of the individual, teams or organisations?'. Companies that have removed the PR from the PM process, would have already completed the major aspect of the BPR. The intention will be to clearly understand if the initial performance Indicators have been achieved, reconstructed or still in the process of being achieved.

## 2.8 Challenges with performance reviews: suggestions to remove or change practice

Every organization seeks to attain and sustain business efficiency and effectiveness. This study focuses on understanding how the newly adopted management performance processes that does exclude performance reviews, is helping to improve business efficiency and effectiveness in the selected organizations understudy (Capelli & Travis, 2015; Hearn, 2018). Change that improves business performance.

In recent years, according to Levy, Tseng, Rosen and Lueke (2017), practitioners have identified a number of problems with this model of PM, arguing that it is broken and need to be fixed with specific attention paid to the area of 'review'. This has come at a time that many large multinational companies like Accenture, Delloite and IBM have announced that they are abandoning performance reviews entirely from the PM process (Bauer, 2016; Bort, 2016; Cunningham, 2016; Crush 2015; Hall et al, 205), in favour of a more fluid approach that has less bureaucratic tendencies. Some authors have expressed the need to throw away performance reviews completely (Bort, 2016; Cunningham, 2016) while others are of the view that there is need for a change in the ways PM is done in organisations (Capelli & Tavis, 2016; Cardy & Mungal, 2016; Church et al 2015; Crush, 2015; Levy et al, 2017).

The need for change, to remove or completely restructure the 'review' stage in the PM process has developed in various ways. One of the reasons for removal of reviews is that it is time consuming, expensive, and burdensome and bureaucratic (Pulakos & O'Leary, 2011). Pulakos and O'Leary (2011) described PM review as a burdensome process that is difficult to do well and takes a great deal of time and effort on the part of managers who spend considerable time in meetings talking with others about ratings. Furthermore, Delloite as part of the reasons to change its PM practice expressed that their system required goals to be set for 65,000 employees and each employee rated on progress at year end, and lengthy consensus meetings in which leaders discussed the performance of hundreds of peers in relation to each other and they estimated that this process alone took up to 2 million hours per year! (Cunningham, 2016).

Another reason authors have necessitated the need to remove performance review is that during the reviews, the ratings are not useful for PM as they do not have a strong relationship with the ratee performance hence not accurate (Levy et al., 2017). The argument is that managers rarely have full access to a full spectrum of objective performance data when rating employees and therefore the ratings are biased and very subjective (Goler et al., 2016; Pulakos & O'Leary 2011). Another clear aspect of this is that practitioners and authors argue that rates receive ratings that are backward thinking and though to lack dynamism necessary to accurately capture employee performance over time (Levy et al., 2017).

Another key summary of exclusion of the performance review step in the PM process is performance reviews no longer fit the needs of today's organisation (Crush, 2015). The organisations that have completely stripped off PM processes consider that the systems have become antiquated and no longer fit in today's volatile, ambiguous uncertain world. The argument is that the PM models do not facilitate performance in today's work environment as they focus on what has already been done and cannot be changed while the world is waiting for new solutions (Cappelli & Travis, 2016; Cunningham, 2016). Cappelli and Travis (2016) argue that a PM process designed to review performance over the past year will not work for an organisation that is operating in an ever-changing environment that is characterized by access to information and rapidly changing technology and have therefore argued that formal review process based on scales, formal procedures and hierarchical structures were a great fit for structures of the 20th century but no longer for today's dynamic organisations. Furthermore, the workplace is characterized by generation x employees who according to Crush (2015) not only want instant feedback but also recognition. Influx of Millennials (Born between 1981 and 1997) in the workplace have made them the largest workgroup generation and according to Cunningham (2015) millennials do not want their performance measured in an evaluative method using old traditional, ranking- based systems characterized by performance reviews

Furthermore, broad category of authors agree that PM reviews evoke negative reactions in employee and managers alike and various authors have expressed they have been identified as a "dreadful dental appointment" (Bauer, 2016) and source of fear, anxiety and; managers find the process burdensome and discomforting, while employees feel it lacks relevance (Capelli & Travis, 2016; Pulakos & O'Leary, 2011, Crush, 2015). Based on some or a combination of the above, some consulting firms and large multinationals followed in a process of abandoning or completely eradication performance reviews from the PM process.

**Table 4 Summary of previous research on readjusting performance reviews**

| Author, Year | Changes in PM Review | Changes in PM process performance |
|---|---|---|
| Cappelli and Travis (2016) | - Remodel PM review and remove all not value adding activities<br>- Focus on one on ones throughout the year | - Credible Feedback<br>- Organisations move at a faster pace with no 1-year cycles<br>- More focus on development |
| Pulakos and O'Leary (2011) | - Remove the PM review | - Organsational Justice<br>- Constant feedback<br>- Cost saving |
| Cunningham (2015) | - Remove Ratings<br>- Remove yearly reviews<br>- Concentrate on one on ones throughout the year | - Engaged employees<br>- No lagging problems |
| Crush (2016) | - Remove ratings<br>- Remove annual Appraisal | - Developed employees |

Summary of previous research into the main effects of readjusting performance reviews on the PM process.

## 2.9 Conclusion

The literature reviewed shows that assessment of PM processes has debates about performance reviews. It suggests that there is a gap on empirical effects of removing completely or readjusting the performance reviews from PM process. The literature reviewed topics that are relevant to the established research objectives. Subsequently, the chapter has presented a discussion on PM, which included functions of PM. It also looked at the historical perspective of PM. Furthermore, literature was reviewed on PM and its business process change, and significance of performance reviews. The chapter also discussed the theoretical framework guiding the study. The next chapter in this report is research methodology.

# CHAPTER THREE

# METHODOLOGY

## 3.1 Introduction

This chapter discusses the research methodology used in this study to answer the established research questions. The main interest was to establish an inquiry process that answers the question of 'how does the removal or readjusting of performance reviews affect the design and usefulness of the PM process, and does this improve the performance of individual employees, teams or an organization?' Therefore, the rest of the chapter includes discussions and presentations on research design, research strategy/ approach, study population and sampling for the study. In addition, it explains the data choice, data collection and data entry employed in this study. The chapter also presents how the collected data was analyzed. It also presents the delimitation and scope of study, validity and reliability issues and ethical considerations in this study.

## 3.2 Research design

The study used qualitative research design. Guided by the research problem of this study, qualitative research design was selected considered the most suitable for the purpose of this investigation (Creswell, 2009). A qualitative research design allowed the researcher to explore any emerging variables in the study in gauging the utility of a new PM process. In addition, considering the multiple stakeholder in a PM, the qualitative design permitted the use of multiple data sources (Creswell, 2009; Eisenhardt & Graebner, 2007). Qualitative research is characterised by strategies that take the subject's perspective as central. This approach also pays significant attention to detailed observation in an attempt to produce a 'rich' and 'deep' description (Morrison, 2002). In qualitative research, detailed consideration is given to the holistic picture in which the research topic is embedded.

The underlying idea is that researchers can only make sense of the data collected if they are able to understand the data in a broader educational, social and historical context (Morrison, 2002). Thus, the design intended to provide deeper insights into the complex social processes of PM (Eisenhardt & Graebner, 2007; Fitzgerald & Dopson, 2009). There were 4 companies that had made a choice to either completely ditch the performance reviews or change them completely. One of the key ones was IBM.

IBM is a global technology and innovation company headquartered in Armonk, New York, United States of America. IBM offers a wide range of technology and consulting services; a broad portfolio of middleware for collaboration, predictive analytics, software development and systems management; and the world's most advanced servers and supercomputers. Utilizing its business consulting, technology and R&D expertise, IBM helps clients become "smarter" as the planet becomes more digitally interconnected (Reflektive, 2016).

IBM launched Checkpoint in February of 2016 as part of its major change in the performance management process. It enables employees to shift goals during the year and managers to give more frequent feedback. At minimum, managers must provide feedback on progress once per quarter, and instead of a single assessment score, employees are scored on five dimensions: business results, impact on client success, innovation, personal responsibility to others and skills. A check-in is a structured conversation between managers and direct reports to touch base on goal progress, development or competencies (Reflektive, 2016).

Employees also have access to an app made by IBM called ACE, short for "Appreciation, Coaching, Evaluation." The app allows for 360 feedback between managers, direct reports and peers, and also includes surveys. IBM recognizes that a shift from a formal performance appraisal to a more open, continuous approach requires soft skills, and also launched a learning tool to equip employees with best practices on giving and receiving feedback (Reflektive, 2016).

## 3.3 Research strategy

The research study used case study as a strategy of inquiry (Creswell, 2009). Simons (2009) defines a case study broadly as that process of conducting systematic, critical inquiry into a phenomenon of choice and generating understanding to contribute to cumulative public knowledge of the topic. In contrast, Thomas (2009) and Lichtman (2006) assert that a case study involves in-depth research into one case or a small set of cases. The 'case' that forms the basis of the investigation is normally something that already exists (Descombe, 2007); it is a 'naturally occurring' phenomenon Yin (1994) cited in Descombe (2007). According to Merriam (1998), the qualitative case study can be defined as an intensive, holistic description and analysis of a single entity, phenomenon, or social unit.

While acknowledging that there is more than one case of institutions that have shifted from traditional PM process; this study focuses on IBM as a case in order to provide more depth and intensive information (Soy, 1997; Yin, 2003). Therefore, the research strategy implemented was a shift from the initial plan to have a comparative case study as in the proposal for the study.

## 3.4 Study population

Polit and Hungler (1999:37) refer to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications. The study population in this study comprises employees of IBM in Malawi that have practically adopted a shift from the traditional PM process. IBM was selected because according to Bort (2016), it is one of the first organizations to abandon old PM approach. The defining characteristic of case study research is the delimiting of the object, in this case, organisations that completely dropped performance reviews or significant adjusted their performance reviews. In Malawi, only four organizations were identified to fall in this population. All the four organizations are part of multi-national corporations (MNCs), existing just as offices/ branches in Malawi. They have well-established PM practices with full control and ownership of the process from line management. At the time of the study, the case company had been using PM process for over 25 years. IBM in this research was purposefully selected due to initial indications on maturity level of their new PM process and size of the organization (Patton, 2002). Globally, IBM has 377, 757 employees, 47 of whom are based in Malawi. It was one of the first companies

to officially declare removal of the performance reviews from the performance management process in 2016 (Capelli & Travis, 2015; Pulakos & O'Leary, 2011). IBM was deemed a better fit for this research as it was also accessible at the initial stage of investigation.

### 3.5 Sampling and sample size

The study used multi-stage sampling. Firstly, the study used purposive sampling to select an institution for a case study to answer the research questions consistent with the research problem statement (Palinkas, 2015). IBM was selected among four institutions that have adopted new PM processes, as a key informant selection to provide more insights on the emerging arguments on effects of adopting new PM processes that do not include traditional performance reviews. Purposive sampling is a non-probability sampling technique (Boddy, 2016). Probability sampling allows the investigator to generalise results of the study from the sample to the population from which it was drawn. Since generalisation in a statistical sense is not a goal of qualitative research, probabilistic sampling is not necessary or even justifiable in qualitative research (Merriam, 2009). Non-probability sampling is thus the method of choice.

Even in a case study approach, it is not possible to study the entire population of IBM. A population is defined as a group of individuals, with at least one common characteristic which distinguishes that group from other individuals (Best & Kahn, 2006). The population would firstly, be too large for a study of this limited scope and secondly, too diverse to be able to generalise the findings. It is for this reason that it is necessary to have a target population. A target population consists of a specific group to whom findings might be generalizable.

Table 1 presents a summary of the selected samples for this case study. The human resource manager was selected based on expert sampling considering the specific expertise in human resource management and PM processes in the organization (Patton, 2002). The human resource manager was identified as key informant due to knowledge, experience and designated office responsibility. The 5-line managers and the 13 employees were selected using maximum variation sampling where a sample is made up of extremes or is chosen to ensure a wide variety of participants. Samples collected are typically small (from 3 up to about 50). Above 50 items, quota sampling or a similar

non-probability method is simpler to implement and achieves better result (Patton, 2002). These maximum variation samplings assist to capture a wide range of perspectives. The sample size of 12 is sufficient to provide the perceptions from multiple angles within the institution on efficiency and effectiveness of the new PM process (Boddy, 2016; Dworkin, 2012; Miles & Huberman, 1994). Perspectives of the process from more than one angle are better when informed by the business process change theory, while examining the utility of the new PM process.

**Table 5 Sample mixture and size**

| No. | Staff level | Sample size |
|-----|-------------|-------------|
| 1 | Human resource manager | 1 |
| 2 | Line managers | 3 |
| 3 | Employees | 13 |
| | Total sample size | 17 |

The maximum variation sampling partially addresses the general weakness of purposive sampling that it is difficult to establish sample representativeness (Boddy, 2016).

**3.6 Data choice, Data collection and Data Entry**

The research used primary data to address the research questions. The choice of primary data was based on the fact that there was no other ready sourced data to respond to the set research questions. The primary data was collected from the selected sample using key informant interviews following a guide. The manner in which the participants were approached to participate in the study was based on the relationship between the interviewer and interviewee, where the belief was interviews can be a superior form of data collection. As compared to a questionnaire, people are more willing to talk about their experiences than to write about them. When rapport is established, the subject may also be willing to share confidential information that they may be reluctant to put into writing.

Another advantage of interviewing is that the interviewer is able to explain the purpose of the investigation more explicitly. Further, if questions are misinterpreted, the interviewer may follow up with a clarifying question. During interviews it is also possible for the interviewer to evaluate the sincerity and insight of the interviewee. Through the interview technique, it is also possible that the interviewer may stimulate the subject's insight into his or her own experiences, thereby exploring significant areas not anticipated in the original plan of investigation (Best & Kahn, 2006).

The researcher developed a guide to source information from employees as appraisees and line managers in capacity of appraisers and appraisees.

Using the key informant interviews, data was also collected from human resource managers as custodians of the PM in an organization, Line managers as implementors and employees as participants in the process. The research used an open interview guide to frame the scope of the interviews. The interview guide is presented in Appendix. The scheduling of interviews, however, proved difficult. The entire interview process took five days, of forty minutes each, every day. Interviews were conducted in private to ensure confidentiality, and recorded so as to be transcribed at a later stage.

## 3.7 Analysis of data

Study is based on qualitative data, thus qualitative data is collected using interview guides, or observation, and frequently appears in narrative form (Strauss & Corbin, 1990). Qualitative data analysis according to Cohen et al. (2007) involves organising, accounting for and making sense of the data in terms of the participants' definitions of the situation, noting patterns, themes, categories and regularities. The data analysis used deductive approach in order to answer the established four research questions in this study. The primary interest was to understand the phenomenon and not necessarily explain or predict (Miles & Huberman, 1994; Potter & Levine-Donnerstein, 1999; Strauss & Corbin, 1990).

The qualitative analysis techniques used in this study include thematic analysis, pattern building, narrative and performance analysis (Aranson, 1994; Benard, 2000; Kawulich, 2004; Merrriam, 1998). Kawulich (2004, p.97) posit that "the focus of narrative and performance analysis is to discover repeated similarities in people's stories". The

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questionnaire was designed in such a manner as to reflect the concepts found in the performance management process review. As a result, it was not necessary to code the data from the questionnaires. Data from the questionnaire, semi-structured interviews and document analysis were categorised according to themes. The themes that emerged from the data coincided with the research questions being asked.

## 3.8 Validity and reliability of the study

To ensure that the research is of good quality, the researcher mainstreamed processes and steps that advance validity and reliability. In this case validity implied the extent to which the results of the research really measure what they are supposed to measure (Drost, 2011; Korb, 2012; Potter & Levine-Donnerstein, 1999). Reliability means the extent to which the results can be reproduced when research is repeated under the same conditions (Drost, 2011; Potter & Levine-Donnerstein, 1999; Shuttleworth, 2015).

To ensure validity of the constructs and content, the research applied triangulation (Drost, 2011). In addition, it made reference to multiple methods, sources of information and promote validation of results. Also, the variables used in the study and the study results were subjected to other similar studies and theories for verification of meanings and linkages (Potter & Levine-Donnerstein, 1999; Smith, 2015). The used interview guides were pre-tested to ensure they were measuring the intended (Korb, 2012). The sampling methods and analysis techniques applied were appropriate for the task done.

The data collection process and tools were done with precision to avoid external influences (Drost, 2011; Shuttleworth, 2015). At planning stage, the research proposal and literature review, the researcher used more than one source to check constructs (Drost, 2011; Smith, 2015).

## 3.9 Ethical considerations

The researcher followed the ethical requirements of the University. The researcher sought permission to engage with the staff in the selected companies. All third party information used in the study has been acknowledged. The researcher obtained full informed consent from the research participants prior to the data collection exercise.

The researcher entered into an agreement by with the research participants and their respective organizations under study to maintain their privacy and confidentiality.

The researcher assured all participants in the research that their participation was voluntary. The processes followed ensured that there was respect for dignity of research participants and university's code of conduct for research.

## 3.10 Conclusion

This chapter has presented research methods, procedures and techniques that were used in searching for answers to the set research questions. The study used a qualitative research design and applied a case study research strategy. Thereof, the chapter has presented the study population and sampling for the study, the data choice, data collection and data entry employed in this study.  It has also has given an outline of the data analysis, limitations, validity and reliability, and ethical considerations under this study. The subsequent chapter presents results and discussion of the collected data.

# CHAPTER FOUR
# RESULTS AND DISCUSSION

## 4.1 Introduction

The chapter presents results and discussion based on the primary data using a case of IBM in Malawi. The study was grounded on the indications that in Malawi, there exist about four multinational organizations that have made an attempt to completely remove or adjust the performance reviews from the PM process. The organization under study adopted a more "fluid" continuous PM process that has no element of annual or mid-year formal reviews following their organizations abandonment at a regional or global level (Institute of People Managers in Malawi IPMM Conference 2018; Zhang, 2016). As such this study focused on assessing how the adjustments in performance reviews affected the design and usefulness of the PM process.

The following were the set questions that the study sought to address:
  i.   What is the structure of the new PM process with readjusted performance reviews?
  ii.  What are the positive and negative impacts of the new PM process on employees' productivity?
  iii. What are the positive and negative impacts of the new PM process on team performance?
  iv.  What is the level of confidence of staff in the new PM process?

The subsequent sections provide results of the study based on the primary and secondary data used in and discussion. They also provide a discussion of the results in relation to the reviewed literature.

## 4.2 The new PM process

The study sought to find out the nature of the new management performance process without the performance reviews or with adjustments in the performance reviews. It involved employees and managers, here in referred as P, and key informants, herein referred as KI. Generally, the respondents indicated that the organization has a new PM process. The new PM process is comprised of goal setting, action and learning, and performance review (KI 1; KI 2; Zhang, 2016). This result, is generally, similar to the contents argued in the reviewed literature on PM process as a cycle (Armstrong, 2010; Gunnigle & McDonnell, 2008; Weiss & Hartle, 1997).

In the PM process, an employee is responsible for setting strategic goals and sending them to a line manager for approval (KI 1; KI 2; KI 3). Assessment on performance of these goals is done in the course of the year and at the end of the year. All the respondents recognized that the new PM process still contain performance reviews. Nevertheless, on description of the PM process, the employees, as supervisees, engaged in this study opted out on the question to describe the process. The procedural nature of the PM process is as asserted by other authors who indicate that performance review should show relations and linkages between supervisees and supervisors towards achieving organizational goals (Murphy & Cleveland, 1995; Cappelli & Tavis, 2016; Demmke, 2007).

All the respondents strongly agreed that the process allows for regular/ frequent feedback. They also agreed strongly that the new PM process is focused on employee productivity and that employees have to set performance expectations up-front themselves. The performance expectations or goals, can be edited and revised as per requirement and discussion between the supervisor and supervisee. In addition, there is strong agreement that guidelines for feedback are available to all staff in this new PM process.

All staff indicated that they know the objectives of the new PM process. They indicate that the new PM process is there to improve employees' productivity. Apart from the popularly stated objective of 'to improve employee productivity', most of the employees in non-managerial roles did not state other objectives. However, employees

with managerial role further stated some objectives, presented in Figure 1 (KI 1, 2 & 3).

**Table 6: Popular responses - objectives of the PM process**

| No | Objectives of the PM process stated |
|----|-------------------------------------|
| 1 | To contribute to betterment of the organization |
| 2 | To reward top performers |
| 3 | To identify trainings needs |
| 4 | To promote alignment of individual roles to organization purpose. |

*Summarized from responses of key informants engaged in the study*

Regarding the changes made in the organization's team structure due to the new PM process, the employees and line managers indicated that there has been no change, however KI1 indicated that the company removed ratings, forced ranking and calibration sessions, a component of the performance review process. It is indicated that the new PM process is done online. Still, the participants indicated that they strongly agree that the PM process is fit for the organization.

The participants agree that PM process allows for frequent feedback on one's performance. Frequent feedbacks are recommended for every month with possibilities of everyday feedback. The new performance reviews are done on five areas. Although there are five areas of performance assessment, rating applies to four areas only, namely, business results, impact on client success, innovation and personal responsibility to others (KI 3; Reflektive, 2016). The new performance review links goals, feedback and recognition in the organization. For example, one of the participants, P4, stated

> "*When performance is consistent going forward always, they reward the member and if there are openings within same department or sometimes outside department, they encourage multi-tasking for the benefit of both, organization and employee*".

The evidence presented shows that there is a new PM process in place. The new PM process does include adjusted performance reviews rather than complete abandonment. There is a shift from annual reviews to frequent check-ins. Check-ins are recommended to be done every month and at a minimum of once every three months. Also, the current performance review allows employees to set and change goals during the year and

managers to give frequent feedback, has annual but with 5 dimensions (employees are scored on four of the dimensions). The practice indications are similar to other arguments that reject complete abandonment of performance reviews (Bauer, 2016; Bort, 2016; Crush, 2015).

Although Reflektive (2016) indicate that the new things about the PM process in IBM include real time feedback – mobile app called ACE, 360 reviews – feedback can be given and requested through ACE, Surveys; the evidence from Malawi shows that real time feedback is not to full scale yet as they have not rollout out the mobile app called ACE. The difference noted is operational than design.

The evidence also shows that looking at the actual process of performance management, a major change that came about was on the performance reviews process itself. Firstly, IBM changed the frequency of the reviews and secondly the contents of the actual process of reviews. The process of reviews adapted from Armstrong (2010) as displayed in Table 2 in the literature review showcases four key steps in the review process. Firstly, planning for review meeting, secondly, attending and holding the review meeting, thirdly, the rating for the performance for the year and lastly the reward component.

The KI expressed that ratings are no longer done once a year and that calibration for reward purposes was abandoned completely, reshaping the process as defined by Armstrong in 2010.

## 4.3 PM process' impact on employees' productivity

Secondly, in order to gauge performance effects of business process change in PM process, the study intended to find out any positive and negative impacts of the new PM process on employees' productivity. There was a difference in opinion among employees in relation to number of years engaged in the organization. A majority of the employees involved in the study indicated that they joined the company before the new PM process was adopted. Those that stayed with the company for more than five years indicated that they had been engaged in more than one PM process/ system. Those

that stayed with the company for less than five years only experienced the current process, which is new.

Generally, the employees in non-managerial roles, indicated that the PM process positively affected their productivity. All of the employees involved in this study were of the view that the new PM process has strengthened their productivity. No research participant indicated that the PM process has weakened or has had no effect on his or her productivity.

From the key informants, the results indicate that the new PM process empowers motivation among staff and helps them to develop and achieve their goals. On improvement of employee and manager relationship, one of the participants, KI1 stated:

> *"the process decreases poor performance and errors i.e. repeated work encourages speed of work and results".*

Another participant, KI 2, concurred that "heart to heart review sessions help in improving employee and manager relationship". This finding supports the claim by Lockett (1992), Armstrong and Baron (1998), and that PM is intended to improve performance at individual level and that constant feedback enhances productivity.

One of the positive impacts expressed include better focus on job results. One participant (P3) claimed that

> *"I have clear goals of what needs to be achieved hence I am more focused. While one of the participants with supervision functions claimed "I have up to date information on performance of my subordinates as the checkins have enabled an accountability that was not there before"*

There are some insignificant indications of negative impacts of the new PM process. There was indication that sometimes it makes staff demotivated when they are underperforming and it builds negativity between the supervisee and the supervisor, especially when reviews are done in a harsh way (KI 1). However, this negative impact was marked less insignificant as it rarely happens.

The results presented show that there are positive impacts on employees' productivity following implementation of the new PM process. The noted positive effects are similar to those found by Morris (2016) in a similar discussion on outcomes of implementation of a new PM process, in a case of Adobe, which moved from annual performance review to frequent check-ins.

**4.4 PM process' impact on team productivity**

The study also attempted to assess the positive and negative impacts of the new PM process on team performance. The study then sought information as evidence to find out the positive and negative impacts of the new PM process. All the participants indicate that the new PM process strengthens the productivity of their team. One of the participants (P3) claimed that everyone is focused since goals are clearly outlined; while P2 indicated that teams are able to track the quarterly goals and improve accordingly. In agreement, one of the participants, P2, claimed "teams are able to track the quarterly goals and improve accordingly".

The available information states that the new PM process has a strength of improved coordination between manager and subordinate, especially at setting realistic goals. The data shows that this relationship factor is marked significant. KI 1 claimed that:

> *"with realistic setting of goals in line with corporate strategy and that employees have understanding of responsibilities…there is improved motivation and productivity at team level and better results follow".*

The finding is similar to the advanced notion that regular and open conversations help to build team productivity (Cappelli & Tavis, 2016).

One of the participants, P2, as part of challenges with the new PM process, indicated that "competition amongst the teams which sometimes brings demotivation to others whose efforts are not recognized". Meanwhile, another participant, P3, claimed that "some activities to be done by an employee are missed in list of KPIs". However, the first challenge was noted to be futuristic caution; while the latter was noted as an operational challenge that is covered in the provided performance review guidelines on goal setting (P2, P2, and KI3).

The evidence available indicates that there are positive and negative impacts of the new PM process on team performance, and that positive impacts outweigh the negative impacts. Not surprising that all the participants agreed that the PM process is for the organization and that it has strengthened productivity of their teams. The different views from the research participants support the perspective that PM process has a positive impact on team productivity. The evidence on task setting, regular conversations and team cohesion is similar to the conclusion and assertions made by Motowildo and Schmidt (1999), and Cappelli and Tavis (2016), respectively. Motowildo and Schmidt (1999) depicted that indication of expected deliverables and consideration of contextual performance help in team cooperation.

## 4.5 Staff confidence in the new PM process

Finally, the study sought to find out the level of confidence of staff in the new PM process. Most of the participants indicate that they are somewhat satisfied with the PM process. There is no participant who expressed dissatisfaction with the PM process. This finding is contrary to what other studies found in relation to employees attitude towards traditional PM process (Cappelli & Tavis, 2016), but consistent with other findings on employees' reception of the new PM process with frequent check-ins (Morris, 2016).

About all of the participants indicated the new PM process is useful or/and very useful. There is no participant that indicated that the PM process is un-useful or of little use. Also, on usefulness of the ratings used in the PM process, all participants agreed that it is useful.

The participants failed to agree on their perception about time involved in the PM process. The voices were equally distributed between view that time spent on the new PM process is a minor problem, moderate problem and serious problem.

The research participants indicate that fairness of the PM process is good. None of the participants was of the view that fairness is poor or fair or average. One of the participants, KI 1 claimed "It is fair since an employee does self-scoring first and given a chance to include other facts for giving self that certain score". In addition, most of the participants rated the consistence of the new PM process to be good, with less than

one third rating it as average. None of the participants rated consistence of the PM process to be poor or fair.

Whereas the PM process flows within the notion of improving PM review for more frequent feedback to improve alignment of expectations and results, the presented findings indicate that staff have confidence in the new PM process (Antonioni, 1994; Cappelli & Tavis, 2016; Cunningham, 2015; Crush, 2015; Morris, 2016). Based on the business change theory, the new PM process is considered relevant (Harmon, 2003; Slack et al., 2006; Reynolds, 1995). Similar observation was noted by Morris (2016) in a discussion on outcomes of the change in PM processes in Adobe.

## 4.6 Design and productivity effect of the PM process

The organization under study attempted to make a shift from traditional performance review (Zhang, 2016). Traditional performance review uses formal rating or ranking approach to evaluate performance every 6 months or 12 months for review and feedback. Business process change suggests that changes in business processes are done generally for better efficiency and effectiveness of an organization (Armstrong, 2010; Antonioni, 1994; Reynolds, 1995). IBM is reported to have changed its PM to real-time feedback (Zhang, 2016).

The evidence available shows that the design of the PM process has changed in regards to the performance reviews. The available evidence shows that the change in performance reviews is associated with ratings, calibration and stack ranking. It does not have effect on structural set-up or linkages between supervisors and supervisees. The notable changes in design are setting and continuous reviewing of goals, frequent feedback with a recommendation of at least once a month, scores are done on five areas and not one at the end of the year. The adjustment of effecting frequent feedbacks in the PM process is as recommended and noted as of positive effects by other proponents of business change in performance reviews, a shift from traditional performance reviews (DeNisi & Pritchard, 2006; Morris, 2016; Zhang, 2016; Murphy & Cleveland, 1995).

Also, the new PM process has positively influenced productivity of employees and teams as expected. The employees find the PM process to be fair, useful, employee and

team productivity strengthening, fit for organization success, satisfactory and have confidence in it. This finding of positive effects experienced by the employees is similar to others that made a similar shift in PM and registered a positive effects at individual and organizational level, such as Adobe (Morris, 2016; Cappelli & Tavis, 2016). Theoretically, the observed productivity effect of the PM process is as intended and agrees with objective of business process change (Davenport & Short, 1990; Harmon, 2003; Reynolds, 1995). In addition, the findings of this study align with the argument that performance reviews should not be abolished rather adjusted to fit to organization purpose with a goal of performance improvement (Antonioni, 1994; Coens & Jenkins, 2009; DeNisi & Pritchard, 2006). Ultimately, in line with the business process change theory, the findings of the study suggest that business process change should be aligned to context of an organization, external and internal.

## 4.7 Conclusion

This chapter has presented and discussed the results and findings of the study. The study intended to investigate the perceived design and performance effect of the removal of performance reviews from the PM processes in an organization using a case of IBM office in Malawi. In accord the chapter presented results and discussion on the new PM process, the PM process' impact on employees' productivity, the PM process' impact on team productivity, and staff confidence in the new PM process. The results and discussion also agree with the notion that PM is perceived as a strategic and integrated approach for productivity and success of an organization. The results and discussion presented also shows that the effected business process change caused significant changes in productivity of employees, including employee relations, but is inconclusive on direct effect on organizational performance.

# CHAPTER FIVE

# CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

The study looked at the utility effects of adjusting a PM process using a case study. The subsequent section of this chapter presents a summary of context and background to the study. The third section presents a summary of the key findings and conclusions of the study. Furthermore, it presents theoretical and practice implications and recommendations for future research.

## 5.2 Overview of the study - background and context

In Malawi, there exist about four multinational organizations that have made an attempt to remove completely the performance reviews from the PM process from their global head offices. One of the four organizations have proceeded to adjust the performance reviews as part of the process and adopted a more "fluid" continuous PM process that has no element of annual or mid-year formal reviews following their organizations partial abandonment of traditional performance reviews at a regional or global level.

The reviewed literature also posits that PM plays a very important role in any organization's human resource framework and achievement of organizational goals. A good PM system aims to work towards improving overall organizational performance while managing individual and team performance to achieve organizational objectives. The reviewed literature suggested that a well-designed PM process stimulates managers to develop high-quality strategic plans, set ambitious targets, and track performance closely. PM is a strategic and integrated approach for success of an organization

Therefore, this study focused on addressing knowledge gap on the empirical effects of changing the performance reviews in the PM process. It sought to assess how the adjustment of performance reviews affect the design and usefulness of the PM process.

The assessment included an analysis on how the PM process helps to improve the performance of individuals and teams in an organization. It was informed by the business process change theory. The investigation is grounded on the notion that the business process change will cause changes in performance, in the nature and sequence of tasks associated with PM process of an organization.

The set objectives of the study are as follows:

a) To find out the structure of the new PM process with adjusted performance reviews
b) To find out the positive and negative impacts of the new PM on employees' productivity
c) To assess the positive and negative impacts of the new PM process on team performance
d) To find out the level of confidence of staff in the new PM process

## 5.3 Conclusions

This section presents a summary of the main findings of the study. This study intended to investigate the perceived design and performance effect of the removal of performance reviews from the PM processes in an organization using a case of two Malawian multinational organizations. It considered four main areas of analysis, the procedural and structural aspects of the PM process with a focus on performance review; the impact of the PM process on employees' productivity; the impact of the PM process on team productivity; and the confidence of staff in the new PM process.

### *5.3.1 The PM process*

The study set out the proposition that the new PM process with adjusted performance reviews has caused changes in the nature and sequence of tasks associated with the PM process. The study finds that a new PM process is in place and has caused some procedural changes and structural changes, focusing on the performance reviews. The changes include employee performance assessment is done across five areas (business results, impact on client success, innovation and personal responsibility to others), employee participation is central at goal setting and performance assessment, feedback provision and increased frequency of check-ins (reviews) at minimum of one every month. The proposition is not rejected.

### 5.3.2 PM process' impact on employees' productivity

In examining this aspect of the research study, the study set out the proposition that with the new PM process, there are more positive than negative impacts on employees' productivity. The study finds that there are more positive impacts on employees' productivity, with zero significant negative impacts. With the adjusted performance reviews, employees find the PM process to be relevant. They also agree that the objective of the new PM process is improvement of employee productivity. Therefore, the proposition is not rejected.

### 5.3.3 PM process' impact on team productivity

Thirdly, the study set out the proposition that with the new PM process, there are significant positive impacts than negative on team performance/ productivity. The study finds that there are positive and negative impacts of the new PM process on team performance, and that positive impacts outweigh the negative impacts. The PM process is found to be perceived fit for the organization and to have strengthened team productivity. The set proposition is not rejected.

### 5.3.4 Staff confidence in the PM process

Lastly, the study set out the proposition that there is high level of confidence among staff, supervisors and supervisees, in the established new PM process that has adjusted performance reviews. The study finds that the established performance reviews, along with the new performance process, is perceived as fair, its ratings useful and relevant to enabling staff performance. It also finds that all staff are satisfied with the process. Therefore, the study concludes that staff have confidence in the new PM process.

### 5.3.5 Usefulness of the new PM process

Primarily, the study sought to establish evidence of systematic investigation that provides the usefulness of the PM process as a result of the adjustment in performance reviews. An integral consideration of the presented main findings, the study concludes that the PM process with the effected changes in performance reviews is useful and fit for the organization as it is deemed to have strengthened performance of employees and productivity at team and organizational levels. The study also finds that with the shift, fairness is rated highly and ratings are considered useful. The evidence is inconclusive on the PM process being time consuming and burdensome.

**5.4 Implications and recommendations**

The study is in the subfield of PM under human resource. Based on the case study of IBM in Malawi the study raises implications and recommendations in terms of theory and practice.

### 5.4.1 Theoretical implications

The study was informed by the business process change theory. The findings of the study support the theoretical notion that a change in business process can have positive outcomes (Hammer & Champy, 1993). The findings discussed in this study show that the changes in performance reviews as a sub-business process with good implementation and consideration of context yielded desirable results. In line with the theory, the findings of the study suggests that business process change should be aligned to context of an organization, external and internal.

### 5.4.2 Practice implications: performance reviews for enhanced productivity

The study has concluded that making changes in the design and practice of performance reviews has positive effect on productivity at individual and team levels. The study recommends that organizations should regularly and gradually attempt to make changes in their PM processes in order to retain the utility of the processes to external and/ or internal clients. In addition, the study recommends that PM processes themselves be subjected to frequent reviews as part of ensuring alignment between business process and performance of an organization. Thirdly, the study recommends that performance reviews that attach rewards to performance of teams should be more inclusive on rewards not to divide teams. The study notes that in some cases, fears exist that rewards can create tension between teams.

### 5.4.3 Future research

The study recommends the following future research areas:

Since this study focused more on the PM reviews only it may be important to further analyze the relationship between PM and staff satisfaction in work places where they have a traditional PM system compared to those that do not use this system. This will add a lot of value to the debate of relevance or irrelevance of the conventional PM. Another area worthy exploring is the comparison between SMEs and Large enterprises

in relation to PM challenges that they face. It may be possible that traditional PM may be more applicable in either one of these types of organisations. In other words, this may inform HRM officers and consultants to be more precise in their recommendations for which PM systems to adopt. Finally, it may also be interesting to investigate the influence of technology on the adoption or rejection of PM system. It is possible that organizations that are technologically advanced may not prefer PM process and vise versa for less technologically endowed organizations.

a) Effects of technology on PM process
b) Determining the critical components of PM process for employee productivity
c) Innovation and PM practices in organizational success

## 5.5 Summary

This chapter has primarily presented the conclusions and recommendations of study. It also presented a summary of the background, context and objectives of the study. The study intended to investigate the perceived design and performance effect of the removal of performance reviews from the PM processes in an organization using a case of one Malawian multinational organizations. The chapter has consequently provided a summary of the findings and related conclusions.

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## Appendix 1: Interview Guide– HR Manager

My name is Khumbo Ntambo, a Master's student at the University of Malawi. I am conducting this survey/ research as part of my Master study requirements. The research project is solely for academic purposes. It is a study on utility effect of PM process without performance reviews: a case of study of two multinational organizations in Malawi. The data/information collected will be used only for this expressed intention. Your participation in this research is voluntary. As a research participant, you are free to leave out questions that you are comfortable with. If you do not want to answer a particular question, please do tell me so that I skip to the next question. Your identity will not be revealed in the research report. Thank you for your participation.

.

**Respondent Code……..**                                      **Date: ___ / ___ / ___ (Day/ Month/ Year)**

## INTERVIEW GUIDE

## SECTION A (The organizations that abandoned the system entirely)

**To critique the practice of performance management without performance review**

a) what was the overall process of PM within the organization before abandoning PR? Did you have individual tasks within the process?

b) How were individual tasks performed within the PM process?

c) What did the removal of PR imply? Was there a significant change in the way employees received feedback?

d) What are the reasons behind the organization's decision to remove PR in the PM process?

e) What alternative solution has the organization adopted?

f) What issues has the company been faced with due to the removal of PR?

**To compare the link between performance management and business process**

a) What value does the PM process add to the organization?

b) What needs does PM try to tackle?

**3. To determine whether the removal of the PR process delivers a transformational change in the organization**

a) What Impact did the removal of PR have on the PM system and design?

  b) What desired results has the removal of PR achieved?

4. **To establish if performance reviews affect employee performance**

  a) How were performance reviews carried out within the organization?

  b) How did employees perceive the process?

  c) Has the process shown to have any significant results on employee performance? If yes, or no, why is that so?

Any other comments/ otherwise- thank you for your participation in this research.

**Appendix 2: Key Informant Interview – Line Manager and employee**

My name is Khumbo Ntambo, a Master's student at the University of Malawi. I am conducting this survey/ research as part of my Master study requirements. The research project is solely for academic qualification purpose. It is a study on utility effect of PM process without performance reviews: a case of study of two multinational organizations in Malawi. The data/information collected will be used only for this expressed intention. Your participation in this research is voluntary. As a research participant, you are free to leave out questions that you are comfortable with. If you do not want to answer a particular question, please do tell me so that I skip to the next question. Your identity will not be revealed in the research report. Thank you for your participation.

.

**Respondent Code: ……..**                              **Date: ___ / ___ /  ___ (Day/ Month/ Year)**

1)      Please confirm that your role in the organization?

        _____

2)      For how long have you worked at this position in this organization?

        _____

3)      Please confirm that your organization has a new PM process?
        Yes ☐      No ☐

        **Since when? _____**

4)      Would you please describe the new PM process?

        _____
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        _____
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        _____

_____
_____ 52 _____

5)      What are the objectives of the new PM process?

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_____

6)      Would you please point out the changes in this new PM process that were not there in the previous PM process?

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_____

7)      Would you please state any changes effected in terms of employee and management tasks as a result of the new PM process?

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8)      How do you think the new PM process promotes employees' productivity?

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_____
_____

9)      What do you think have been the positive impacts of the new PM process in staff productivity?

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_____

10)    What do you think have been the negative impacts of the new PM process in staff productivity?

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_____53_____
_____

11)     What do you consider as strengths of the new PM process?

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        Of these strengths stated, are there any significant?

_____
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_____

12)     What do you consider as challenges of the new PM process?

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_____

        Of these challenges stated, are there any significant?

_____
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_____

13)     Practically, how relevant is the new PM process in achieving your organizational
        goals (at individual, team and organization levels)?

_____
_____
_____
_____
_____

14)     What is your perception on the fairness of the new PM process?

15)    What is your perception on the improvement of employee and manager relationship
       in PM?

**Appendix 3: Research approval and introductory letter**



PRINCIPAL
Prof Richard Tambulasi, Ph.D.

Our Ref.:

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### Department of Political and Administrative Studies

3rd January 2020

**TO WHOM IT MAY CONCERN**

Dear Sir/Madam,

**APPROVED RESEARCH ACTIVITY: MS KHUMBO NTAMBO**

I refer to the above captioned matter. I write to introduce the bearer of this letter, Ms Khumbo Ntambo, who is our Master of Arts in Human Resource Management and Industrial Relation student in the Department of Political and Administrative Studies at University of Malawi's Chancellor College.

Our postgraduate students are required, in partial fulfillment of the requirements for the Masters degree, to submit and defend a thesis at the end of their two years of study. Among other things, the said thesis is generally based on empirical data. In this regard, Ms Ntambo intends to carry out a data gathering exercise for this purpose and you have been sampled as one of the possible respondents/organisation. Her **approved research topic** is entitled "Utility Effect of Performance Management Process Without Performance Reviews: The Case of a Multinational Organisation in Malawi".

Any assistance rendered to her in the course of this exercise will be highly appreciated. Let me also point out that the information gathered will be treated as confidential and it is purely for academic purposes.

If you have any questions please do not hesitate to contact me.

Yours faithfully,

H.M.KAYUNI, BA(Pub Admin) *Mlw*, BPA, MPA *Stell*, PhD *Western Cape*

**Professor, Department of Political & Administrative Studies**