Performance Management Systems and their Effectiveness in SME's in the North West of Ireland: A Case Study

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Signed Statement

I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of Master of Business Administration is entirely my own work and has not been taken from the work of others, save and to the extent that such work has been cited and acknowledged within the text of my work.

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Abstract

Research suggests that performance management rests on the assumption that if you can raise the performance levels of individuals, then better organisational performance will follow. Performance Management is about ensuring that an organisation's employees reach their potential and remain committed and motivated. After a review of the literature relevant to performance management systems, this dissertation confines its research to a case study of the effectiveness of a performance management system in a small to medium sized enterprise (SME) in the North West of Ireland.

According to IBEC (2007) business productivity, financial impact and shareholder value are all realised through the collective performance of individuals at work. Clear corporate goals lead to departmental, team and individual objectives that are precise and integrated with business needs.

By exploring the implementation and development of the performance management system at Masonite Ireland, this study contributes towards an enhanced understanding of the effectiveness of such a system in a small and medium sized enterprise (SME). Through the use of document analysis and qualitative interviews with six senior Managers, the study findings suggest that performance management systems do result in greater financial performance, increased employee productivity and more motivated employees.

The findings of the study suggest that performance management in Masonite has provided many positive contributions to the organisation, especially in the area of training and development. This identification of talent, especially in terms of the

current economic climate is paramount to the long term sustainability of the organisation. Evidence suggests that these benefits of having a performance management system are applicable to other SME's.

Chapter One:

Introduction

INTRODUCTION

1.1 Context of the Research

The past two decades have seen the growth of Performance management systems in Ireland as well as globally. Organisations in both the private sector and public sector are under increasing pressure to achieve performance improvements and maximize the contribution of every employee. It has become a strategic approach by companies to integrate individual objectives with those of the organization and to recognize and develop the capabilities of their staff. Indeed there is a growing body of evidence which suggests that an increase in the performance levels of individuals will result in a major improvement in organizational performance. People are recognized as the most important source of competitive advantage.

Much literature is available on the necessity of performance management systems to the large corporate organization. There has been a notable increase in the use of performance management systems in sectors such as the public sector and academic sector. There have been many criticisms and concerns directed at performance management systems (Brown & Armstrong, 1999; Rademan & Vos, 2001; Furnham, 2004, Armstrong & Baron 2005) in relation to its overall contribution to organizations.

However Viedge, 2003 makes reference that in the Western world, these systems can and do make a useful contribution to the efficiency and effectiveness of an organization's success. Since their earliest beginnings as mere performance appraisal systems, they are now widely incorporated into an organizations overall strategic planning and assist with the achievement of organizational objectives.

In a survey of HR practices in Ireland, three quarters of respondent companies reported that they operated a formal performance management process, and 40% of those that did not have one in place planned to implement one in the next two years (IBEC Human Resource Management Survey 2006). The respondents also indicated that their performance management systems were effective in improving overall organizational performance.

The intention of this research is to broaden the field on the use of performance management systems in other environments, specifically in this instance through the example of a small to medium sized enterprise, Masonite Ireland.

It must also be noted that during the course of this research, Masonite encountered more organizational restructuring, which had an impact on this study. Management felt that the use of a questionnaire and interviews with ground staff would at the time not reflect a true and fair validation of the performance management system. As the research was already in motion, the HR Manager agreed to the use of interviews with Senior Management of the organization.

1.2 Organisational Background

Masonite is a unique, integrated, global building products company with its Corporate Headquarters in Mississauga, Ontario and its International Administrative Offices in Tampa, Florida. It operates over 80 facilities in eighteen countries in North America, South America, Europe, Asia and Africa and has approximately 14,500 employees. The Company sells its products to customers in over 50 countries.

Masonite Corporation (previously part of International Paper) was purchased by Premdor on 31st August 2001. The new organisation (Masonite International

Corporation) combines Masonite –the world's largest producer of hardboard and Premdor – the world's largest door manufacturer. As a result of the acquisition, Masonite Ireland is now part of a vertically integrated international building products company with a product offering now extending to doors, components and door entry systems. Masonite Ireland is located in Carrick-on-Shannon, Ireland's North West. The Carrick on Shannon facility is a state of the art facility using a by-product of native Irish forestry as a raw material. This facility is one of the finest of its kind in the world and has a full capacity of 240 million square feet or 15 million door skins. Masonite sells products to approximately 200 customers in 37 countries throughout Western Europe, Central Europe, Eastern Europe, the Middle East and North Africa. It currently consists of a workforce of 200 employees.

This divestiture by International Paper to Premdor set new challenges for Masonite. They were challenged to meet the demand for an increase in productivity and profitability, which involved an organizational restructuring. To meet these challenges the management board developed strategies, with the implementation of a performance management system forming a major part of these strategies.

1.2.1. Adopting a Performance Management Approach

Performance Management, with the input of hired consultants was introduced into Masonite Ireland in 2002. Once the system had been initiated, the HR department was responsible to monitor the system and to report on its effectiveness. It became apparent that in order for a performance management system to function to its full potential that administration and time commitment from all involved was essential. Since then many changes and improvements to the performance management

system have been made. Throughout the process of implementing and maintaining an effective performance management system constant reassessment of the system has been necessary. Performance Management in Masonite is based on a recognition that business performance is built on the input of employees. It has had to change with the needs of the individual and of the organization, as well as in response to the external environment. The Masonite case will highlight potential problems and benefits associated with the development and implementation of a performance management system. This advice will be presented as part of Chapter Five.

1.3 Research Objectives

The goal of this study is to describe and analyze the implementation and development of a performance management system in a SME, specifically Masonite Ireland from its inception to date. This is primarily to consider and examine the effectiveness of their performance management system and determine whether Masonite met their challenges.

The following research objectives have been defined:

- Describe the development and implementation of the performance management system in Masonite

- Analyse the development and implementation of the performance management system

- Assess potential areas for future development of Masonite's performance management system

- Advice on areas for consideration in the development and implementation of performance management systems for SME'S

These objectives will be addressed in Chapter 4.

1.4 Current Status of SMEs

Definitions of SMEs vary, but an internationally accepted definition (Regional Aid Guidelines, European Union) is that SMEs must employ less than 250 employees, although there are also associated defining indicators such as the value of the balance sheet and the annual turnover of the company. Loecher (2000) in his review of definitions of SME's, of which there are over 200 in the literature suggests there be a maximum of 27 million euro of a balance sheet along with a maximum of 4o million euro in annual turnover. For the purposes of this research, the 250 employees' definition is accepted. According to The Economic Impact Report commissioned by the Small Business Forum and undertaken by DKM Consultants (2006), SME's in Ireland make up over 90% of all trading entities, equating to over 250,000 businesses, representing 50% growth in 10 years. These employ 777,000 people or 54% of private sector employment (excluding agriculture), representing a growth of 79% over 10 years. Specifically in the BMW Region, some 98.4% of companies are SME's (Audit of Innovation 2004). However, 20% of the employment (excluding agriculture) in the BMW Region is in the Multinational Enterprises (MNE) sector, but there is a high share of these in the labour intensive threatened sectors such as clothing, footwear and leather, wood and wood products, rubber and plastic products and other manufacturing.

1.5 Structure of Dissertation

Chapter 2 comprises of a literature review undertaken on the topic of Performance management. The historical context and purpose of performance management systems are examined. The different models and criticisms, followed by the components of performance management systems are then discussed. In Chapter 3 the methodology employed for the research will be outlined. This includes the use of qualitative interviews with six senior managers from Masonite who were involved with the implementation of the performance management system in the organization. This chapter also includes the rationale and objectives for this study, limitations and ethical considerations. The results of the research undertaken with practitioners will be outlined in Chapter 4. A full discussion on these findings will also be undertaken in this chapter. Finally, a conclusion will summarise the implications of the aims and objectives, including specific recommendations and suggestions for future research.

Chapter Two:

Literature Review

LITERATURE REVIEW

2.1 Introduction

This chapter provides an outline of performance management, in terms of its definition, historical context, purpose and criticisms, as well as an initial consideration of different models applicable to small and medium sized enterprises. This is followed by a review of the components of an effective performance management system and an example of the successful implementation of a performance management system. As this study is specifically focused on the use of a performance management system in a small to medium sized enterprise (SME) in Ireland, SME is contextualised and the significance of performance management systems explored.

2.2. Performance Management Definition

The concept of performance is an old phenomenon in a working environment especially in the private sector. If you can't define performance, you can't measure or manage it (Armstrong and Baron, 1998). Daniels (1989) defines the term performance as a process, which entails a number, or series, of behaviours, directed towards the achievement of some predetermined goal. Others argue that performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organisation, customer satisfaction, and economic contributions (Rogers, 1994; Fitzgerald and Moon, 1996).

Armstrong and Baron (2005) state that the term 'performance management' first came into use in the HR field in the early 1990's. It was not until the late 1980's

that organisations started to become concerned with the management of individual performance in a holistic way. They continue to say that it is now agreed that performance management as a natural process of management contributes to the effective management of individuals and teams to achieve high levels of organizational performance (Poister (2003). Hendry et al (1997) imply that performance management is a systematic approach to improving individual and team performance in order to achieve organizational goals. Walters (1995) state that it is about directing and supporting employees to work as effectively and efficiently as possible in line with the needs of the organization. Ibec (2007) state that Performance management practices have been growing in Ireland as well as globally, and that organisations are under increasing pressure to achieve performance improvements and maximize the contribution of every employee.

2.3 The Historical Context of Performance Management

The concept of performance management has been one of the most important and positive developments in human resource management (Freeman 2006). It was first mentioned by Beer and Ruh in (1976), but it was the mid 1980's before it was realized that a more continuous and integrated approach was needed to manage and reward performance. Armstrong (1995) contradicts this by stating that performance management emerged in the late 1980's.

Furnham (2004) states that Performance management has been a necessary part of organizational life for as long as there have been organizations. The ancient Egyptians had to 'encourage' their workers to build the great pyramids – and,

unwittingly, they utilized performance management systems to do so. However, over time, as our understanding of human nature and the environment in which we exist has changed, the importance of managing performance to align individual goals to a common vision has been recognized as being vital to an organization's success.(Armstrong & Baron 2005).. The necessity of an effective holistic performance measurement and appraisal system, therefore, became apparent.

Andersen et al 2006, in their description of Holistic performance management imply that instead of allowing various concepts and tools to develop haphazardly throughout the organization, they must be harnessed and put into an overall framework where their inter-linkages are understood.

This way, concepts and tools can be selected based on their fit into the overall model and designed to support each other (Andersen et al 2006).

Armstrong and Baron (2005) state that the first formal monitoring systems evolved out of the work of Frederick Taylor and his followers before World War 1.

IBEC (2007) state that over the last number of years there has been a consolidation of the concept of performance management. Performance management practices have been growing in Ireland as well as globally. There is increasing evidence that companies perform better when they have performance management systems in place (CIPD 2005). This was highlighted in a survey, where respondents indicated that their overall organizational performance became more effective as a result of these systems. (IBEC Human Resource Management Survey 2006).

For the purposes of this dissertation the author will distinguish between performance measurement and performance management. Confusingly, performance management can be applied to either organizational performance or individual performance, and the terms performance measurement and performance management are often used interchangeably. Radnor and McGuire (2004) describe performance measurement as the *"act of measuring the performance"* which is usually at an organizational business unit level, and performance management is used to mean a system that *"aims to react to the 'outcome' measure using it in order to manage the performance"*, which is usually at an individual level. They continue to imply that performance measurement as we know it now can be recognized as having started in the mid 1800's with the cost and management accounting profession This came about due to recognition that tasks that occurred within these, mainly industrialized, organizations could be measured in terms of the time taken to perform a task as well as the budget required to perform the task (Radnor & McGuire 2004). Performance measurement was not necessarily linked to individual performance appraisal but rather to assessing the profitability of the organization as a whole. Performance measurement could be seen to be concentrated simply on measuring specific activities, rather than measuring them with the aim of providing support and facilitating improved performance, as is the case with performance management (Poister 2003). Neely et al (1995) states that Performance measurement seems to have been quite a clear cut choice for businesses to implement for two reasons – firstly, it was driven by the cost and management accounting profession with their focus on measuring financial indicators, particularly in terms of direct labour costs and direct material costs, and secondly, because it is easier to measure performance than to manage it.

After much work from the cost and management side in refining the available measures (resulting in the introduction of activity based costing (abc) in the mid 1980's (Neely *et al.*, 1995) and from the financial accounting side in terms of measures such as Return on Investment (ROI) and Return on Equity (ROE), it became clear that accounting indicators on their own were not necessarily clear predictors of the success or failure of an organization. Indeed IBEC (2007) state that it has now become widely accepted that accounting measures provide an incomplete picture of what drives company performance. Campbell (1990) believes that "performance is behaviour and should be distinguished from the outcomes because they can be contaminated by system factors." What is implied in Campbell's argument is that performance measurement can only focus on an individual/group's final output, if and only if, system factors are controllable. That is, after a person has performed and produced a quality output, this product may deteriorate due to system factors that are outside the control of the performer.

Peters and Waterman (1995) state that by the early 1980's the growing trend to move away from viewing capital assets as the most important to understanding that intellectual or human capital would be the way of the future. Those companies that had a strong belief in their people, not necessarily only their financial indicators, were turning out to be the top companies (Alfred & Potter 1995). Examples of such companies would be Hewlett-Packard with their 'the HP way', which included mutual trust and confidence expressed in terms of, for instance, their flexible working hours and open door policy, and Disney's description of staff as 'cast members' with all staff being recognized on a first name basis from the President

down, and all staff being part of 'the show'. These examples show how working with people was infiltrating to the very core of a companies internal operations and how this commitment was reaping rewards in terms of the companies' bottom line. Neely (1999) states that by the mid to late 1980's traditional organizational performance measurement systems had many critics. For example, it seems that a focus on purely accounting performance measure might have promoted a culture of short-termism resulting in managers trying to achieve financial targets to meet their performance measurement objectives, at the expense of long-term sustainability (Neely *et al.,* 1995).

It was at around this time that Kaplan & Norton (1992) developed and proposed a balanced scorecard to include the measurement of indicators other than financial ones. They proposed four areas of importance including financial but in addition, customer, internal business processes and learning and growth. They felt that these provided a more holistic picture of an organizations' performance. Kaplan & Norton (1996) then postulated that these scorecards could then be linked to and be drivers of strategy. They maintained an ultimate focus on financial objectives, though, saying "ultimately, causal paths from all measures on a Scorecard should be linked to financial objectives" (Kaplan & Norton, 1996).

Performance management as a more holistic complex measurement and management system arose out of a combination of performance appraisals (which have been noted by Furnham (2004) as early as being "*in both Britain and America*

in the eighteenth and nineteenth centuries") and of performance measurement systems.

According to Furnham (2004) "by the 1950s in America and the 1960s in Europe, around a half to two-thirds of bigger companies had some performance appraisals process", and since then this has increased further. Armstrong and Baron (2005) agree with this in what they call "Merit Rating" which was later re-christened 'performance appraisal'.

Organizations performance management systems were becoming increasingly complex, taking factors other than financial indicators into consideration and were aimed at the long-term sustainability of the organization. Since the mid-1990's there has been a marked increase in research of both an academic and a practical nature (Thorpe & Beasley, 2004; Neely, 1999) into the areas of organizational performance measurement and performance management of both the organization as well as the individual.

There are many reasons for the current trend to focus on performance management as a whole. As our society changes and these changes become apparent, it is clear that to be a successful organization requires some form of measurement system. To ensure that the results of these measures are managed and improved upon, performance management needs to be in everyday organizational life. In many ways it is a natural progression of our understanding from the importance of performance measurement to the philosophy of performance management

(Fitzgerald & Moon 1996). It also arises because of the environment in which we are operating, with its focus on 'living your best life' and 'being all that you can be' and the trend towards self improvement and development, emotional intelligence (Goleman, 1996), a knowledge economy with knowledge workers (Tobin, 1998) and transformational leaders as Hellriegel, et al (2001) has alluded.

Perhaps because of these changes, individuals and organizations have learned the importance of the role of people in an organization, and how the success of the organization depends on its people (Weightman 2001). Bartlett & Ghosal (1995) state that the shift in mindset from *"organization man to individualized corporation"* has resulted in a situation where an organizations people are its greatest assets. Performance management in today's knowledge economy is a vastly important system that contributes to the success of an organization in finding and retaining the right people, training and developing these individuals to realize both their own and the organizations full potential, and as a system of evaluating and rewarding individuals within the organization. In fact the '*old*' way of operating and the '*Organization Man*' model (Bartlett & Ghoshal 1995) are not able to achieve the results required for success in this constantly changing world. In the 'old' way, according to Bartlett & Ghoshal (1995) "workers' tasks were well defined, measured, and controlled. With the objective of making people as consistent, reliable, and efficient as the machines they supported".

This meant that systems and procedures that are already in place were designed to control workers.

However, employees are individuals and this type of forced system neither brought out the best in them, nor fostered employee motivation and commitment. As noted by Maritz (1995) it is underlying cultural support that provide a basis for excellent performance by an individual within an organization. A high performance culture facilitates and rewards potential through factors such as a strong system of values and a credible leadership.

Today's performance management systems are more refined and are based on the understanding that the dynamic, creative employees that an organization desires and requires cannot be fitted in to a one-size-fits-all model. "The new paradigm recognizes that, as suggested by the science of chaos theory, we live in a complex world characterized by randomness and uncertainty and that small events often have massive and far-reaching consequences" (Daft, 1999). It is being realized that a synergistic solution can be gained from discussions with different minded people, that teamwork and collaboration increase productivity and efficiency and that doing the right things right, is critical. There is a move towards a management philosophy that encourages a sense of purpose, a partnership with people and a variety of processes that empower and enable the people to accomplish creative and competitive results. Bartlett & Ghoshal (1995) sum this up as *"creating an organization with which members can identify, in which they share a sense of pride, and to which they are willing to commit"*.

Because of the turbulent and volatile, technologically-based, global society, many organizational attributes that were once considered competitive advantages are now

easily eroded. Competitive advantages have the traits of being hard to copy, durable, competitively superior, not having an available substitute and not being appropriated (Collis & Montgomery, 1995). Many organizations now feel that their people can provide that competitive advantage. The importance of recognizing that successful organizations are those that are able to keep ahead of the competition i.e. that are continuously able to produce sustainable growth of above average returns, now often depends on the ability of the organization to attract and retain high calibre knowledge workers (Rogers 1994). Due to the realization that people are the most valuable asset to an organization, the importance of performance management has been pushed to the fore. Flood and Guthrie (2004) in their research on high performance work systems in Ireland conclude that the implementation of a performance management system reduces employee turnover. The CIPD surveys of performance management in 1997 and 2005 note the development of this process from an integrating point of view and that it needs to be fully understood by everyone involved.

2.4 The Purpose of Performance Management

Buchholtz (2007) states that the most important purpose of any Performance Management System is to improve the performance of the employees and the organization. Armstrong and Baron (2005) agree with this and add that the delivery of high performance helps people achieve their full potential to the benefit of themselves and the organisation. It is concerned with under-performers, but in a positive way by providing a means for people to improve their performance or make better use of their abilities. Campbell (2003) implies that there is increasing

evidence that links organizational success and human capital and that companies should do all they can to tap into this asset. All agree that Performance Management encompasses all those aspects of human resources management that are designed to improve the efficiency and effectiveness of both the individual and the organization. Brown & Armstrong (1999) imply that performance management can be anything that an organization does to improve its total performance. Schein (1970) in his description of the psychological contract made reference to how performance management systems provide the basis for managing the expectations of both the organisation and employees. It also aims to provide a framework which facilitates the integration of corporate and individual objectives, beginning with the communication and integration of the organizations core values (Schein 1970). Performance management systems aim to motivate towards established and clearly communicated expectations, and also, to provide a developmental process for the organization by setting guidelines that assist in establishing future needs and outcomes (Stuart-Kotze 2006).

Brewster et al (2003) states that a performance management system typically involves "the setting of performance objectives, the measurement of performance against these objectives, the identification of developmental support and a review process to develop performance and subsequent objectives". The performance management system is a way of providing a measurement of the performance of the organization, the team and the individual through a variety of performance measurement techniques (Price, 2000).

2.4.1 Current Thinking of PMS

The main reason for having a performance management system in operation in an

organization is proposed by Armstrong & Baron (1998) as being that people perform best when they know what is expected of them and have helped in setting the expectations. People are better able to perform and realize expectations that are set within their capability levels, and within a supportive organizational structure (CIPD 2005). A performance management system provides a communication channel that can motivate staff and improve their attainment of objectives through the use of reward-based systems. These systems, if implemented in a well-designed and fair manner, can be empowerers and enablers, making the difference between an average organization and an excellent one, through the use of the all important asset, its people (IBEC 2007).

2.5 Models of Performance Management

Over the period of the last two decades a number of frameworks have been presented that are aimed at assisting organizations to develop and implement performance management systems within their organizations. In the following section, selected relevant frameworks are considered, each representing different ways of perceiving a performance management system. This will ultimately affect the development and design of the performance management system to suit a particular organization.

2.5.1. Performance Appraisal

Groate (1996) states that performance appraisal is such a commonplace in organizational life, that every company has an appraisal system. Gunnigle and Flood (1990) describe it as been a systematic approach to evaluating employee

performance, with a view to assisting decisions in a wide range of areas such as promotion, employee development and pay. Weightman (2001) describes it as a well established way of providing milestones, feedback, guidance and monitoring of staff. Organizations are increasingly undertaking active steps to which performance management is adding real value (Gunnigle et al 2006). Lawler (2003) notes that virtually every organization has a performance management system that is expected to accomplish a number of important objectives with respect to human capital management. These include building a performance culture, helping individuals develop their skills, motivating performance, determining who should be promoted and the bringing to the fore, poor performers. Lawler goes on to state that although this system can make a positive contribution to a company, it is less clear what makes performance management systems effective. Providing feedback to employees on their performance is a central element of effective approaches to performance management.

2.5.2. Management by Objectives

Rogers and Hunter, (1992) describe management by objectives (MBO) systems as having proved to be quite effective due to their emphasis on goal setting, participative decision making, and objective feedback. Armstrong & Baron (2005) state that managing by objectives has a philosophy that involves clarifying with managers the key results and performance standards that must be achieved and use the performance reviews to measure and discuss progress towards results by referencing to the objectives. The term performance monitoring system, as described by Swiss (1991), is sometimes used to refer to less individualized management systems that set targets for programs, which use performance

measures that are monitored to evaluate performance. This theory was put forward initially by Drucker (1961), and is a "technique aimed at tying performance ratings to unambiguous, measurable and relevant personal objectives" (Price, 2000). What occurs in these types of systems is that realistic goals are set, plans are laid out to show how the goals will be achieved, and with employees participating actively in both the goal-setting and action-planning stages. There is then a regular review of individual progress towards the goal.

2.5.3. 360 Degree Feedback

Another assessment method is the 360-degree feedback. Shipper et al (2007) imply that the use of the 360-degree feedback model is effective as a management or pedagogical development intervention. Feedback must be given within the context of a broader objective, that is, to reveal areas where further skill improvements are needed and provide a mechanism and support structure to effect the changes. McCarthy and Pearson (2001) define it as the practice of collecting perceptions of an employee's performance from sources such as subordinates, customers and superiors. Ward (1997) define it as 'the systematic collection and feedback of performance data on an individual or group derived from a number of stakeholders'. Torrington and Hall (2005) have identified commitment and involvement, as been commonly identified performance variables and state that the extent of learning must be greater or equal to the extent or chance that a company faces.

2.5.4 Balanced Scorecard Model

One of the best known models is the Balanced Scorecard. This is a multi-dimensional approach to PM planning, control and decision-making process that is linked specifically to organisational strategy. The technique was developed by Kaplan and Norton at the Harvard Business School since the early 1990's. The BSA is used to indicate a technique which has addressed one or two questions in some detail, but which has also neglected other important questions.

The Balanced Scorecard (BS) shown in Figure 1 below is potentially a powerful tool by which senior managers can be encouraged to address the fundamental issue of effectively deploying an organization's strategic intent (Kaplan and Norton, 1992, 1996). The BS literature also indicates that it is as much the process of establishing a scorecard that yields benefit as the resultant measurement schema. Kloot and Martin (1998) argue that in practice, PMS require the four dimensions of the balanced scorecard i.e. financial, community/customer, internal business processes; and growth/innovation and learning. The balanced scorecard is designed to be at the centre of an organization's PM planning and control mechanisms to effectively deploy strategy, to link operational practices with strategic intent, and facilitate objective performance measurement.

Figure 1 The Performance Scorecard Cycle
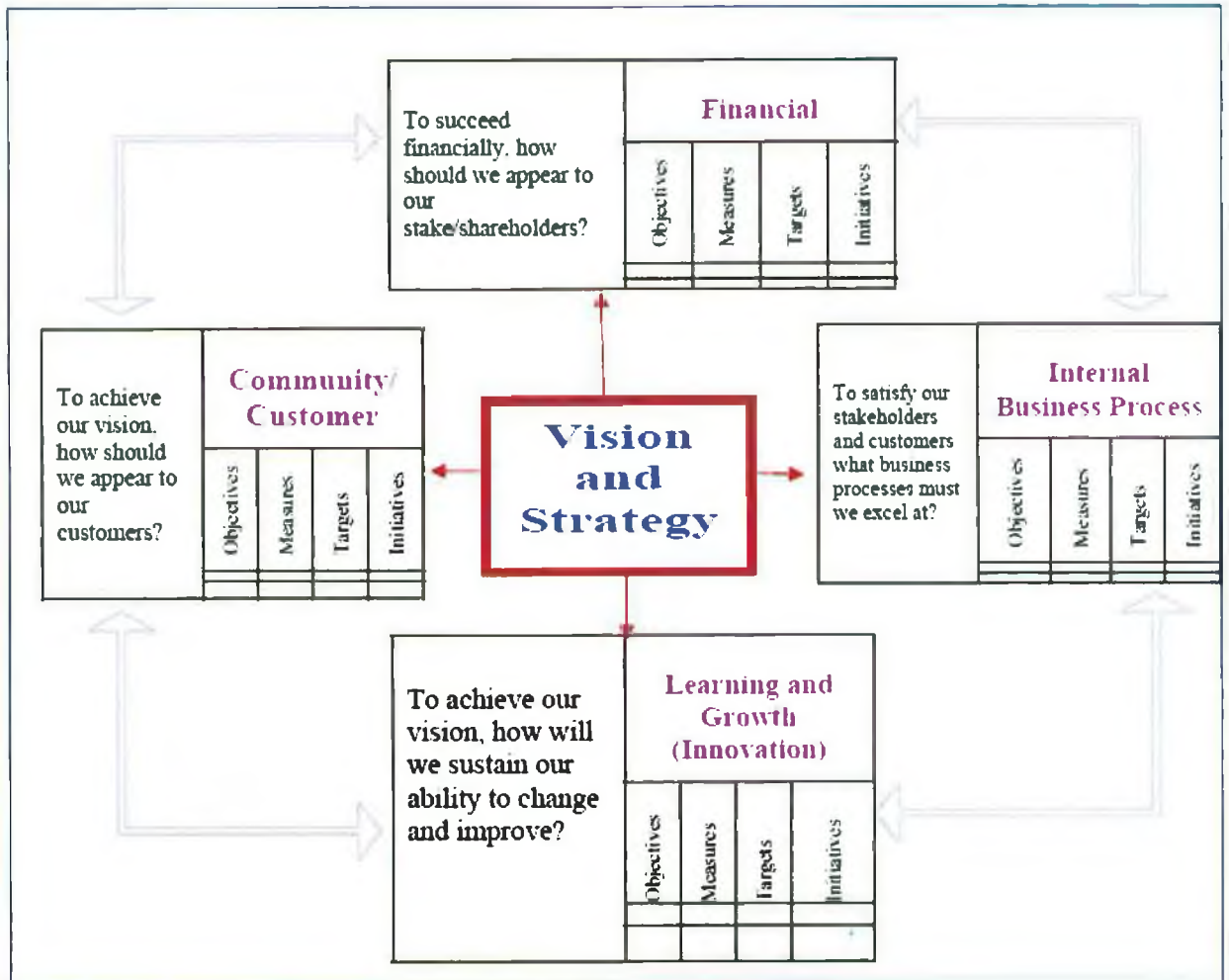
Source: *Kaplan, R.S. and Norton, D.P. (1996)*

2.6 Criticisms of Performance Management

There is a need for companies to look much more closely at their performance management and appraisal systems, since many are not only useless, but can actually harm productivity and the relationships between employees and managers (Newton & Finlay 1996)). Ibec (2007) imply that performance management systems need to be continuously re-aligned and re-invigorated. If this does not happen, then difficulties such as lack of commitment from both senior and line managers leads to decisions around ratings and reward been non transparent.

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Mankins & Steele (2005) claim that companies rarely track performance against long term plans. This leads to a disconnect between results and forecasts in future investment decisions. Mueller and Purcell (1992) claim that it is very rare that a single initiative, no matter how well designed it may be will generate significant or lasting benefits. This might be that results rather than behavior are the preferred option. Weightman (2001) points out that performance measurement inevitably involves judging people in some way. Despite efforts to try this judgement in an appropriate manner, there is always going to be a point where someone is judging another.

2.6.1. Barrier Setting

Bacal (1998) states that performance management assumes that if you focus on results, then you are much more likely to succeed. This makes sense – you set goals, reach goals, and you get what is desired. The problem is that a sole focus on results neglects organizational and system issues that need to be in place for the results to happen. Bacal goes on to state that organizations set up barriers for the people to do their work. This happens because of a focus on short term, immediate results. The argument portrayed by Bacal is that performance management systems cause problems for organizations. He states that traditional performance management systems can foster a lack of collective responsibility for the achievement of organizational goals, encourage competition rather than co-operation, and impede the development of effective teamwork. It is designed to enhance the responsibility of individuals. But at the same time, by focusing on this responsibility reduces an employee's responsibility to the organization and to activities that are not "his or her job".

2.6.2. Critics of Performance Appraisal

Performance appraisals, as part of the performance management system, can be seen to be time-wasting and having no value as the information received during the appraisals is just filed afterwards and not utilized fully (Alfred & Potter, 1995; Rademan & Vos, 2001) – that is, the theory behind the system might be relevant but in practice it does not work effectively. Hunt (1992) argues that there are many potential problems with appraisal systems. They are often poorly designed, over-ambitious, inadequately resourced, or any combination of these factors. They consist simply of unstructured routines and neither party seems to be aware of the purpose of the encounter (Furnham 1996).

2.6.3. Ethical Principles for PMS

There is a need for Performance management systems to be developed along ethical lines (Brown & Armstrong, 1999; Rademan & Vos, 2001). Brown & Armstrong (1999) propose an ethical framework that should be considered in the designing of a performance management system. Items such as "(1) respect for the individual, (2) mutual respect, (3) transparency of decision-making and (4) procedural fairness" (Brown & Armstrong, 1999, Armstrong & Baron 2006) need to be adhered to. The ethical component is very important, particularly given the reliance on the judgement of the appraiser, and the relationship between the appraisee and appraiser. It is an issue that the appraiser comes with their own set of biases, and judgement systems, which affects the outcome of the appraisal. In fact, higher than average ratings can be attributed to factors such as preserving morale, avoiding confrontation, and the perceived image of the management of an underrated department (Price, 2000). Alfred & Potter (1995) and Rademan & Vos

(2001) similarly noted that a person's appraisal could be subjective (i.e. based on the relationship between the person interviewing and the person being interviewed). According to Pettinger (2002) issues also "arise when the appraiser-appraisee relationship is not honest, or if the scheme is known, believed or perceived to be a bureaucratic or punitive exercise".

2.6.4. Expectations of PMS

Because performance management systems are implemented for many reasons they are often overburdened with expectations. If the reason for the performance management system is to reward individuals, then staff will expect their pay to be linked to their performance. Senior staff might be told that the performance management system will enable them to identify and make provision for achievers and underperformers. They will expect that the system is able to assist them in making these identifications. Directors might feel that the performance management system will improve organizational effectiveness, and will then expect it to do so.

2.6.5. Many purposes for PMS

Whilst a performance management system can do all of these things, the main purpose of the system must be clearly stated and communicated within the organization. Links to pay, succession planning, organizational strategy and performance and many others as implied by Furnham, (2004), must be made clear, but users of these systems must be wary of relying on performance management

systems to do everything as systems can become overloaded and then expectations can not always be met (Murphy and Cleveland, 1995; Pettinger, 2002).

Despite the fact that these performance managements systems are utilised almost universally (Furnham, 2004), there are many and varied criticisms of these systems.

To give a performance management system a fair chance of success there must be management buy in and support from the top management. The system in place must be developed ethically, implemented fairly and accurately and its expectations must be effectively communicated to all concerned. It is both necessary and essential to use the information collected and to feedback to staff. The data from these systems can primarily be used for two main purposes – either to develop people through training or to evaluate people's performance (Fischer, 1997). The performance management system must clearly reward behaviours and achievements that actually contribute to the improved efficiency and effectiveness of the organization, thus playing both an evaluative and developmental role. Systems must be 'living documents' i.e. they must be adaptable,

particularly in our turbulent rapidly changing environment and with the advent of the knowledge worker (Tobin, 1998).

2.7. The Components of an Effective Performance Management System

Whatever approach is utilized by an organization in the development and implementation of a performance management system, their overall aim is in achieving a common goal.

Each approach requires the same generic components in order for it to function properly. These have been set out based on the model of performance management systems considered by Bevan & Thompson and English (Price, 2000), presented below in Figure 2, and will be considered in more detail thereafter. The implementation of a performance management system focuses rather more narrowly on the actual procedures used to ensure individual performance is achieved. To illustrate this more clearly the next section will include an example from Indaver Ireland.

Figure 2 Components of an Effective Performance Management System
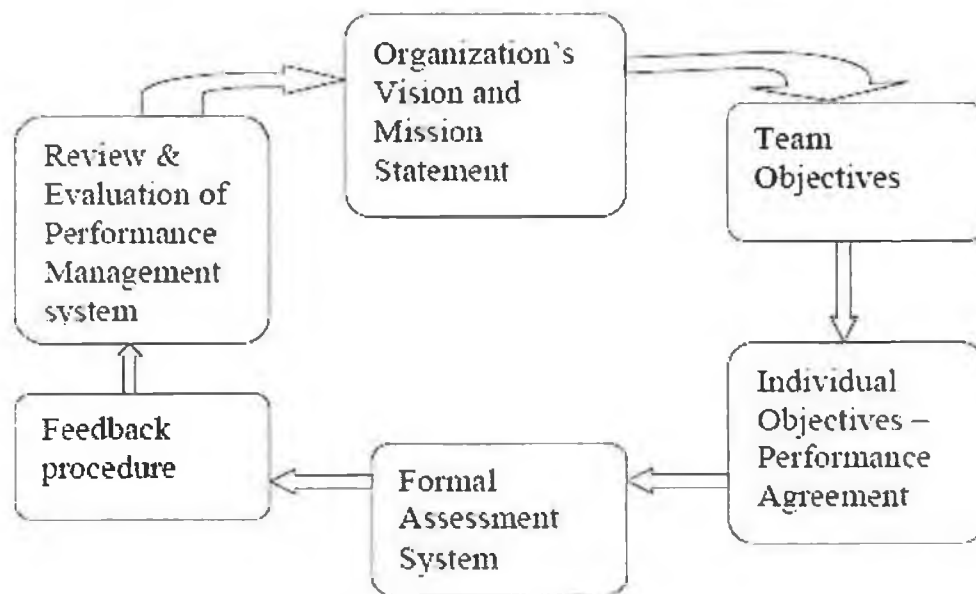
2.7.1 Vision and Mission Statement

An organization's vision should encompass the organization's reason for its existence. It should show a clear purpose and overarching sense of what the organization is about. Collins & Porras (1996) consider that "a well-conceived vision consists of two major components: *core ideology* and *envisioned future*". They further break this down to show that core ideology is made up both of the core values and core purpose of an organization. The mission statement should follow on from an organization's vision. It should be a concise document that reflects the way in which an organization intends to achieve its vision. Although the development of the vision and mission need to be included and considered in the development section of the performance management system, they are also part of the implementation process. Its implementation starts with the process of defining the vision and mission and translating these into actionable goals and objectives for the organization.

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2.7.2 Team Objectives

Once an organization's vision and mission statement have been clearly identified and communicated to the employees, the various teams in the organization can begin to work on the goals that they need to reach in order to achieve the organizational objectives laid out in the mission statement. The team-based systems work by focusing the individual's attention on the attainment of common goals (Price 2000). As employees realize that in order to achieve their common objectives they need to work together, team goals foster communication and interdependence. This prevents one of the criticisms that is aimed at performance management systems that are solely based on individual performance, occurring (Armstrong & Baron 2005). This criticism is that, on occasions individuals might aim to achieve their targets at all costs, which can hinder the overall efficiency of the organization. By combining both team and individual objectives into the performance management system, a more rounded, holistic approach to organizational effectiveness is achieved.

2.7.3 Individual Objectives – Performance Agreement

Following on from team objectives, we set individual objectives. These are laid out in a document known as a performance agreement or performance contract (Viedge, 2003). This is a top down approach which allows an employee the security of knowing that their individual goals are in alignment with team goals and with the organizations strategic objectives. This can be a motivating factor in individual performance. Another valuable aspect of individual performance assessment is that an individual can be benchmarked against a pre-determined set of standards. By comparing the individual's performance against the standards,

shortfalls can be addressed. A performance agreement is an agreement between an employee and their line supervisor clearly setting out the performance targets that need to be attained in a specific time period. It is a two-way process which empowers the employee to take ownership of the tasks set out. At the end of a predetermined period, both the line supervisor and employee will meet to discuss the achievements that have been met according to the targets set on the performance agreement. Other measures of an individual's performance can be included in this performance assessment. Peiperl, (2001) in a description of 360-degree feedback states that it has, arguably, "revolutionized performance management for the better".

This method of assessment relies on the views of others. The 360-degree feedback system is designed to get a bigger picture of the employee at work (Shipper et al 2007). Although difficult to implement, the rewards of a 360-degree feedback system can be a commitment to the type of continuous improvement that would be seen in a learning organization. According to Armstrong & Baron (2005) this can be controversial when used for performance related pay.

2.7.4 Formal Assessment – Performance Appraisal

There are numerous ways of ensuring that a performance management system runs smoothly. It must be aligned with the organizations' Human Resources policies which in turn are aligned with the organizations strategies (IBEC 2007). This starts initially with the recruitment and selection policies, and can equally be seen in the time allocated for individual performance assessments. A performance assessment cycle could include a number of short meetings at the beginning of a six-month

assessment period, in order to set targets and sign a performance agreement (Weightman 2001). This could be followed up by monthly informal meetings between the employee and their line supervisor in which any general problems could be discussed and targets adjusted in line with unexpected activities that might have occurred. At the end of the six-month period, a formal assessment meeting should be held (Hunt 1992). At the end of the meeting the employee should understand and agree to the review of how well they performed over the last 6 months, areas for training and development should be identified, and an early discussion about the next 6-monthly agreement should have been started. (Gunnigle et al 2006).

2.7.5 Feedback Procedure – Ongoing Training and Development

It is vital that employees who fail to achieve as expected are not made to feel inadequate, particularly if there are extenuating circumstances. Any inadequacies should be discussed and support should be offered to the employee. It is also important to note that training and development are not necessarily the answers to performance related problems. Whetten & Cameron (1998) use the model of performance that states performance equals ability and motivation, where ability includes aptitude, training and resources, and motivation includes desire and commitment. Using this as a guideline, it becomes clear that if an employee lacks either of the motivational factors, or aptitude or resources, training might not have the expected impact in terms of closing the noted performance gap (Gunnigle et al 2006). There are other items such as increasing motivation, improving communication and offering support that can take their place in the cycle.

However, what the continuous feedback process enables management to do is to note areas where skills are lacking through doing a training needs assessment, and recommending training or other strategies for improved performance where necessary (IBEC 2007).

2.7.6 Review and Evaluation of the Performance Management System

A performance management system is not the type of system that can be drafted once and then utilized into the future. It is important to get feedback from all involved with the system. Because a performance management system is a process (Price, 2000), in order to be effective it needs to contain all of the components of an effective performance management system shown in Figure 2. It is important that the standards of above-average performance are clearly stated, and that the organization is intent on assisting employees to achieve superior performance by providing a supportive, empowering environment as well as other extrinsic motivators. Brown & Armstrong (1999) raise various issues relating to the evaluation of a performance management system. One important issue they note is that it's important that what is being managed can actually be measured in a consistent and accurate manner. One of the main reasons for undertaking continuous review and evaluation of a performance management system is to ensure that staff perceive the process to be fair (Rademan & Vos, 2001).

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2.8 The Implementation of an Organization's Performance Management System

The author considers the implementation of an organizations performance management system for the purpose of this research as it takes into account reaching business objectives and the enhancement of employee performance. The Indaver Ireland model will be presented as an overview of the successful implementation of a performance management system.

2.8.1 Indaver Ireland Performance Management System

Indaver Ireland is a waste management company operating in the specialist hazardous and non-hazardous waste market. They researched and developed a Performance Management Process (PMP) which it rolled out to its employees across Ireland. The main purpose of the process was to stimulate employee performance and direct it towards reaching business objectives.

Each employee was presented with a portfolio in which to keep all the information relevant to PMP. This included a job description, key results areas (KRAs), core competencies, and a personal development plan – these were all brought to the performance review, where the appraiser completed a separate form which was handed to the appraisee for their Portfolio upon completion of each performance review meeting. The Portfolio also included material on the core competencies and skills and knowledge, detailing how these had been ascertained during the development phase and how they would be measured during the implementation phase. In 2007, Indaver conducted an employee survey to evaluate the extent to

which employees understood the process. There was a high degree of understanding on what the business was about, and overall morale was high.

2.9 Summary

This chapter has presented information pertaining to the development and implementation of performance management systems. A definition, followed by a brief history of performance management was outlined, which then led on to its main purpose, and criticisms. Models of performance management approaches that could be utilised for the development of a performance management system were discussed – Attention was then drawn to the components of an effective performance management system. To illustrate the successful implementation of performance management systems, the Indaver Ireland Performance Management Process (PMP) model was then presented.

Chapter Three:

Research Methodology

RESEARCH METHODOLOGY

3.1. Introduction

The preceding two chapters have provided both the introduction of the research and literature review of performance management systems. This chapter describes the methodology undertaken for the research; it focuses on a case study approach and structured interviews, along with questionnaire design undertaken in this study.

3.2. Research Objectives

The main purpose of this research is to examine the effectiveness of a performance management system in a small to medium sized enterprise (SME) specifically Masonite in the North West of Ireland as outlined in Chapter 1.

The primary rationale behind this purpose was to explore whether the development and implementation of the performance management system had contributed in any way towards Masonite's overall performance, and to enable them to revise their current performance management system to further improve their overall objectives. In order to achieve this purpose, this study was broken down into more detailed objectives that would allow the purpose to be fulfilled. The objectives of the study are:

- Describe the development and implementation of the performance management system in Masonite Ireland.

- Analyse the development and implementation of the performance management system.

- Assess potential areas for future development of Masonites performance management system.

- Advise on areas for consideration in the development and implementation of PMS in SME's.

3.3 Case Study Approach

A case study in research is an entity, which is studied as a single unit and has clear boundaries; it is an investigation of a system, an event, a process or programme (Merriam, 1988). However, the term has changed its meaning over time (Platt, 1983). It is used for a variety of research approaches (Yin, 2002), both qualitative and quantitative, but in this study, it describes the qualitative study.

Case studies differ from other qualitative approaches because of their three key distinguishing features of *specificity*, *boundedness*, and *multiplicity* of evidential sources (Holloway, 1997; Yin, 2002). According to Yin a case study as an empirical inquiry is preferred when the subject to be investigated is a contemporary phenomenon with its real-life context; when boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.

In addition to this Holloway (1997) argues that case studies always have a specific focus of inquiry and concentrate on the examination of individual cases e.g. one, two or three organisations, each one of which stands as a case. The contemporary

phenomenon to be investigated in this study is the practice of the use of performance management systems in SME's. The study is bounded within Masonite Ireland. The use of the case study approach coupled with structured interview and questionnaire exhibit the multiplicity of evidential sources of data to justify the use of a case study approach.

3.4 Justification for the Case Study Approach

As in other qualitative research, a case study is a way of exploring the phenomenon in its context. A single case study may not be generalisable, but if it confirms the findings of previous studies, then it is a step towards generalization (Rudestam & Newton 2007). Researchers use a number of sources in their data collection, for example observation, documents and interviews, so that the case can be illuminated from all sides to achieve generalisability or internal and external validity (Merrian, 1998).

Observation and documentary research instruments are the most common strategies used in case study researches (Holloway, op. cit.). However, when the purpose of the study is to understand the context of a contemporary phenomenon and extract lessons, a case study research approach can be an invaluable exploratory device (Gill and Johnson, 1997). It can stand on its own right and involve intensive observation and in-depth interviews. According to Rudestam & Newton (2007),a case study is a complex research activity, which may combine a number of general research instruments, such as interviews, observations, discussions, questionnaires, focus groups etc.

The focus group format was also given consideration but due to time and travel constraints this approach was discarded since the participants in the study were from four different counties. Also the author was cognisant of the Asch experiments which showed an emerging group view may mean that a perfectly legitimate perspective held by one individual may be suppressed (Asch, 1951). The goal of the researcher was to ensure that each participant was afforded individual time and space to explore their own unique perspective of reflective practice, free from the distraction of the views of other participants. In relation to observation, management at Masonite felt that it was not appropriate under the present climate.

Of course, other approaches are frequently used in an academic research such as the laboratory experiment, the field experiment, and the surveys. The laboratory is relevant to all the major research subject groupings (with the possible exception of humanities) but is primarily used in physical science, life science and engineering research (Sharp & Howard, 1996:12), therefore unsuitable for this study.

In the context of research method a field experiment entails controlled investigation conducted in a non-laboratory condition (Domegan & Fleming 2007). There are some similarities between the survey and field experiment in that, techniques relevant to the latter may also be used in the former (Domegan & Fleming 2007).

However, whereas field experiment implies controls and need not necessarily involve people the survey is a method of extracting peoples' attitudes and opinions from a sizeable sample of respondents (Holloway, 1997). There are inherent

controls implied in a field experiment method, and there is a need for a large sample in a survey method. Therefore, all these three approaches to research were not considered suitable for this study due to the following reasons:

Firstly, the field experiment could be adopted in this study but it implies controls and conditionalities that are not applicable in this type of research agenda (Holloway 1997, Abrahamson, 1983).

Secondly, the survey approach is very common in most social science researches (Fowler, 1993). A fundamental feature of the survey approach is that it requires a relatively sizeable sample of respondents (Oppenheim, 1995) which requirement has not been met by this study due to the organisationl restructuring of which the researcher encountered.

Thirdly, some researchers claim that large sample size, far from being useful, prevents examination of meaning and context (Banister, 1994).

This at least justifies why the case study approach has appeared to be the most appropriate and suitable for this study despite its shortcomings.

3.5. Population and Sample Size

Currently Masonite has 200 staff, following a restructuring from 250 staff. This is a single-case study, where the entire organization constitutes the case study. The sample size from within the case consists of 5 senior Managers and one former member of staff (Former HR Manager). These Managers were chosen as they had all commenced their employment in Masonite before performance management

had been introduced. All participants were interviewed and asked to fill out a questionnaire which supplemented the interview.

3.6. Data Collection

Research is a process of solving a problem by finding information and investigating the unknown (Lancaster 2005) The Knowledge claims, the strategies and the method all contribute to a research approach that is qualitative, quantitative or mixed (Kent, 2007)The data for this case study was collected using "multiple sources and techniques" (Soy, 1992). For this case study the research was carried out through a process of document analysis and structured interviews which was supplemented by the use of a questionnaire.

3.6.1. Document Analysis

Document analysis plays an important role in providing a description of the development of the Masonite performance management system over time (Freeman 2006). The development and implementation of the performance management system have been well documented.

The following documents were accessed in order to describe the development and implementation of Masonite's performance management system.

- The Masonite 2008 Blueprint Document which incorporates the Vision, Mission and Values of the company.

- The Masonite Ireland Performance Management Booklet.

- The Masonite Ireland Submission for Fas Excellence through People Accreditation.

- The Masonite Ireland General Assessment Form.

- The Masonite Ireland General Assessment Guide-Line form.

- The Masonite Ireland Performance Review Form.

- The Masonite Ireland Performance Ratings Appeal Form.

- The Masonite Ireland Personal Objectives Form 2008.

All the above documents were reviewed in a chronological sequence, and analyzed in terms of the researcher's interpretation of their input to the development and implementation of the performance management system at Masonite.

3.6.2. Interviews

The researcher conducted five face to face interviews with senior managers in Masonite, and one face to face interview with a past manager. The interviews took place in October 2008. All six responses were usable which is a response rate of 100%.The aim of interviewing is to obtain in-depth evidence from a relatively small sample of informants (Remenyi et al. 1998). Interviews yield direct quotations from people about their experiences, opinions, feelings and knowledge (Kent, 2007; Patton, 2002). In this research, interviewing made it possible to gather the manager's perceptions of performance management systems and of their overall opinion on their effectiveness for organizations. The interviews were structured, in which there was a detailed interview guide on the topic to be covered.

The interview questions (Appendix 1) covered aspects of the performance management system, which included the developmental phases and the implementation of the system. The interviews lasted approximately 40 minutes each. The overall purpose of the interview schedule was to gain insight in to the development of the performance management system over time, and this in turn enabled the managers to provide feedback with regard to the administrative issues surrounding the performance management system. Mellon (1990:47) has described interviews as "*long, open-ended conversations in which the aim is to understand a particular situation, event or activity from the point of view of the person being interviewed.*"

Mason (2002) states that most qualitative researchers view knowledge as situational and the interview is just as much a social situation as any other interaction. In order to explore interviewee's experience of Performance management systems, knowledge and evidence are regarded as contextual, situational and interact ional. This approach provided a research strategy which emphasized words and experience enabling an exploration of the meaning and values underpinning a reflective approach to perform. Patton (1990) states that:

'*Qualitative methods are particularly orientated towards exploration, discovery and inductive logic.*'(Patton, 1990; p.44).

Field notes were written up after each interview which recorded the researcher's reflection on the session. These were compared to the actual answers provided by the interviewee's. Once the interview data was collated and the literature studied, a story began to emerge. Silverman (2000) states that when the literature is

interwoven with the findings, the story that is constructed is one that stands with merit. O'Leary (2004) states that analysis is not a discrete and final part of the research process as it runs parallel to the data collection.

3.6.3. Questionnaire

The questionnaire research method was used as this allowed primary data to be collected. This method was chosen as outlined in Kelley (1999) because it allows data to be collected quickly in a standard manner. The development of the questionnaire (Appendix 2) was based on the literature review. A literature search is important as pointed out by Hart (2001), as "a search of the literature is an essential part of every research project". A pilot survey was conducted, with the questionnaire been completed by five respondents on a face- to- face basis. The pilot questionnaire was distributed to the HR Manager in Masonite, inviting her to make any suggestions for anything she considered that should be included in the final version of the questionnaire. Questions were kept simple and used clear and concise language (Kent 2007). The questionnaire took approximately under 5 minutes to complete, after which followed the commencement of the interview. This ensured that all the sample population could be adequately targeted.

The questionnaire distributed to the current and former managers was designed to gauge an initial impression of each member's attitude towards the Performance Management System.

The information gathered from all managers is based on their attitudes and opinions, and allowed the researcher to gain a more detailed and in-depth understanding of the performance management system at Masonite, by providing a

'rich picture' (Braun & Clarke, 2006). The responses to the questions are detailed in Chapter 4.

3.7. Quality of Research Design

In order to reduce the possibility of incorrect answers the validity and reliability of the research must be assessed. Validity concerns the issue whether or not the findings can be shown to be valid for the problem that is being investigated (Saunders et al., 2003). Data collected must be relevant to the problem and the purpose of the dissertation, otherwise there will be low validity.

Davis (2000) suggested a four step method to measure the content validity of research. Firstly, previous studies must be reviewed to include all relevant dimensions for the questions in the survey. Secondly, experts in the research subject should be consulted for appropriate input. Thirdly the questionnaire should be pre-tested in a pilot study. Finally, all feedback should be reflected in the final draft.

Table No 1 : *Research Design*

Step One → Literature Review → Informal Discussion (July, 2008) →
Step Two → Written consent obtained from Masonite (September, 2008) →
Selection Criteria → Participant Panel (six participants) → Interview Guide Developed→
Step Three→ Interviews and questionnaire Piloted and Revised September 2008→
Step Four → Interviews (October, 2008) → Implement PMS Practice) → Findings

All these four steps were followed in this research to ensure content validity. In order to increase validity, the researcher used a structured questionnaire that was designed on the literature relating to the study and on information from six in-depth interviews with managers, both past and present within Masonite. The researcher pre-tested the questionnaire before it was administered. Irrelevant answers during interviews were ignored and the questions were designed with the interviewee in mind, questions been kept simple in terms of data. Finally, all feedback was incorporated into the completion of the final draft.

3.8. Ethical Considerations

There are ethical considerations to be considered in undertaking a research project. In undertaking this research at Masonite, it was imperative not to offend anybody involved in the research. To this end approval was sought and granted by the Human Resource Manager and specifically for the questionnaires to be distributed to Masonite management, both present and past. Each participant was made fully aware of the nature and purpose of the research and that their anonymity would be ensured. Undertakings were made to the Human Resource Manager that no information would be made public without her prior consent, after she had been provided with an opportunity to review the findings of the research. It was also made clear to participants that first and foremost that the short questionnaire and interviews was part of a research dissertation for the Institute of Technology, Sligo.

3.9. Limitations of the Research

The concern of this section is to pinpoint, the limitations of the study due to the research approach adopted. Also, initially the plan for this study was to include the total number of employees of Masonite, but unfortunately due to organizational restructuring the timing was not appropriate. The case study approach is not free from critics. It lacks academic rigor and external validity (Holloway, 1997). While the results of case studies may also tend to confirm or reject general ideas (Preece 1994), it is unlikely that sufficient information will be presented to enable generalisations to be made. The study was an examination of performance management in one particular organisation. Similar research in other organisations may yield different results because of differences in the cultural environment.

One of the noted limitations of descriptive case study research is the possibility that

the researcher simply describes everything. Yin (2002) cautions against this, and puts the onus onto the researcher to ensure that only selected focused items are considered.

Therefore the focus of this qualitative research is to draw any positive or negative lessons from the implementation and development of the performance management system in Masonite Ireland.

Although not all SME's have been studied, still generalisations can be made from a few units of analysis that have been selected. This is supported by Payne & Cuff (1982), whom argue that generalisations from a few cases are possible - just as a small group of statements can establish generalisations about an entire language, so individual cases can do the same for a subculture.

In this study considerable care has been taken in the collection, collating and analysis of all the evidential matter in order to minimise the impact of these shortcomings. In particular, specificity and boundedness of the research approach adopted has significantly reduced the generalisability deficit of the study by conducting this case study.

3.10. Conclusion

Upon reflection the researcher found the qualitative method particularly effective in exploring participants' perspectives and views of the topic under analysis. While it was difficult to interview each participant individually due to the repitiveness of the structured interview questions and the amount of time involved, the process was extremely worthwhile. Participants were generous in their feedback during the interviews, providing insightful and knowledgeable data in the area of the performance management system in Masonite. The author's own clear understanding of the performance management process grounded the study and directed the interviews in a fluid and natural manner.

The following chapter (Chapter 4) provides a detailed description of the development and implementation of Masonite's performance management system. It also provides insight into areas for future development of the system. Finally Chapter 5 will provide advice for other SME's who may already have or are considering the introduction of such a system into their workplace.

Chapter Four:

Findings and Discussion

FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains the main findings of the document analysis and interviews carried out for this study. The information generated from the literature review (Chapter Two) and from the findings and the discussion will focus on how this information relates to the objectives of the study. Firstly this chapter will begin by describing the development and implementation of the performance management system in Masonite. This is then followed by the main findings of the interviews which were carried out with five senior managers in Masonite and one former manager who helped in developing the system. This will be a response to the first two objectives of the research which is: to describe the development and implementation of the performance management system in Masonite Ireland, and to analyse the development and implementation of this system. From the information presented, an assessment of potential areas for future development of the system and advice on future areas of improvement to the system will be considered.

4.2 Findings

The findings and results of the study are presented in the context of the different stages of interview, along with a supplementary questionnaire and document analysis.

4.3 Masonite Ireland – Meeting the Challenge.

As outlined in Chapter 1 the acquisition of Masonite Corporation by Premdor in 2001 set new challenges for Masonite Ireland which involved total organisational restructuring. To meet these challenges Masonite identified strategies which included the introduction of a performance management system.

In 2002 the management board of Masonite Ireland, having identified their strategies to meet their new challenges set about with the implementation of the performance management system. The management had noted that employees were experiencing low morale and motivation, due in part to the restructuring. The goal then for the department managers was to focus employees on the strategic goals and objectives of the organisation. Employee engagement measures were introduced such as weekly staff meetings, where employees would set weekly schedules with their line managers. According to Viedge (2003), the inferences that improved motivation means improved performance is inavalid, as management meant a combination of motivating the staff and helping them to perform more effectively.

According to Armstrong & Baron (2005), whatever approach is utilised in a performance management system (360 degree feedback, Balanced Scorecard or KPI's) the setting of organisational goals should then cascade down to individual level (Torrington & Hall 2005). One core purpose of performance management

systems is the alignment of individual goals with organisational goals (Viedge, 2003). This alignment was encountering problems as employees were finding a lack of clarity to their individual objectives.

Towards the end of 2002 Masonite along with external consultants initiated a formal performance management policy. This involved the interviewing of staff individually and drafting job descriptions based on the outcome of the interviews. This in turn provided the performance management policy. This latter document covered the goals and objectives of the performance management system, as well as the process to be followed. It advocated a 1-year reward cycle, with four quarterly reviews in that period. Based on the kpi's (Drucker, 1961) principles the Policy outlined the importance of having an organizational strategy in place, which could be linked to an individuals' performance through the setting of specific objectives. Informal meetings were to be scheduled between senior management and the employee as and when required, with formal meetings being held monthly between supervisor and employee. Categories of performance were set down, and after appraisal these ratings were to be adhered to.

A noted criticism of performance management systems is the difference between the system on paper and its application within the organization (Armstrong & Baron 2005, Mueller & Purcell 1992, Brown & Armstrong 1999 Furnham, 2004). This occurred at Masonite. Although the logic of the policy was clear, and a performance culture was desired, many practicalities did not work in reality for Masonite. The policy met with some resistance. Employees felt that it was a tool of control, over their time, their methods and their goals. The HR department, after considering the theory, and realizing that for the system to be effective it needed to

have the full buy-in of the staff, proposed certain changes to the system. The first step, with the complete support of the Director was to reassure employees that the system was not designed to control them. It was designed to help them focus on the tasks at hand through their objective setting and personnel development plans which would enhance their current skills and knowledge. (Furnham 2004).

The critical role that the performance management system plays in the achievement of the business plan is reflected in the current performance system now in place at Masonite. Following includes improvements to the system since its inception.

4.4 Masonite Ireland Performance Management System 2008

This section concerns the current performance management system at Masonite in terms of management perception. The information gathered for this section was based on document analysis of the performance management system supplemented with a short questionnaire (Table 3)

Masonite has a documented business plan which sets out its measurable goals and objectives. The corporate direction is summarised in their corporate blueprint (Appendix 3) and this states how the business plans to transform itself. The Corporate blue print sets out the vision, mission and values of the company and along with their business plan provides the foundation on which their Annual operating plan (AOP) is built. They then set annual Key Performance Measures (KPM) for the business to achieve its AOP. These KPM's (Table 2) are based on the corporate blueprint. Progress against KPM's is monitored throughout the year and reviewed at monthly and quarterly meetings. Performance management

provides the mechanism by which objectives to support achievement of the business KPM's are set for all employees.

Table 2 *Business KPMs*

Level of KPM	Purpose	Relates to:	Responsibility for identifying KPMs:
Business KPMs	to deliver strategic goals from Corporate *Blueprint*	Business	Business Team
Functional KPMs	to support Business KPMs	Operations Technical Environmental Controller Group Human Resources	Functional Managers
Departmental KPMs	to support Functional KPMs	Primary; Cut Coat; Maintenance Technical; Quality Compliance Environmental Purchasing; Stores; Finance IT; Planning; Customer Services; Shipping HR	Departmental Managers
Team KPMs	to support Departmental KPMs	Primary A; B; C; D; Cut Coat E; F; G; H; Maintenance Teams; etc.	Advisor/Managers

4.4.1 Main Purpose of Masonite's Performance Management System

The performance management system of Masonite was initiated primarily as a business need for the organisation. Improved business results are one of many reasons cited for instituting a performance management system (Brown &

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Armstrong 1999). It gave the organisation a more formal structure and clarity around role expectations. All participants agreed with this, with two of the participants adding that it improved competitiveness and profitability. Another manager cited the perception of his staff with a lack of understanding to its main aim. Some of his staff just viewed it as rewarding performance. According to Armstrong and Baron (2005) one of the main purposes of performance management systems is to improve on individual performance by the setting and measuring of the achievement of goals. This lack of focus had to be addressed. Clarity from managers to staff on the aim provided more focus of what was expected from them at work. Furnham (2004) observed many reasons why a performance management system should not be burdened with too many aims. The psychological contract appears to have had an effect between some employees and the organisation as to the exact agreement and expectations of the system. All managers were unanimous in their understanding of what is expected from the system.

The process of implementing and maintaining an effective performance system is categorised by Brown and Armstrong (1999), as dynamic, because it changes the needs of both the organisation and individual. Masonite acknowledges the vital role of employee involvement in meeting business challenges. Consequently they encourage co-operation and the exchanging of ideas. This became apparent from the managers answers to suggestions on any improvement they thought could be made to the system. There was some discussion around the changing environment in which the system is set. This happened in Masonite in terms of increased pressure from competitors. Authors such as Mueller & Purcell (1992) criticise

performance management systems as they state that results rather than behaviour to these circumstances are the preferred option.

Another suggestion to the improvement of the system was in relation to the peer evaluation system. One manager suggested that staff be evaluated by each other and considered the 360-degree feedback. Shipper et al (2007) considers this approach as an effective development intervention tool, while Mc Carthy & Pearson (2001) view it as been useful in providing a more holistic picture of an employee. This was also the consent of the Manager who was deeply involved in the original set up of the system as he stated *"allow an element of self-appraisal"*.

Overall the Managers felt that the system assisted them in focusing on the task at hand, but that adapt ion to change was imperative.

4.4.2. Strategic Links

Many authors cite the alignment of individual goals and organisational goals as been a very important aspect in the consideration of a performance management system   (Ibec Report 2006, Armstrong & Baron 2005). From a strategic point of view, one manager noted how it took time for his team to align their objectives to the job in hand. Mention was also made of the individual goals been dependant on another individual's goals, as well as the organisation's goals. This sometimes provoked animosity between team members.

4.4.3 Time Burden

All managers noted that the time and administrative burden of setting up the system and keeping it operational was very time consuming. The keeping of the

administrative system up to date was extremely important and looking back on it now, the role of the system has freed up more time. Only one manager remarked how the administration and time commitment was necessary to ensure the system became part of the company culture. All agreed that you will get value in it.

Rademan & Vos (2001) made reference that individuals view performance management systems as time wasting and administratively onerous, and while all managers agreed with this, not one of them begrudged giving it their time and energy. This involved the drafting of the performance review, setting of objectives and identification of the key performance measures and the completion of the necessary paperwork. The current and former HR Manager found that time burden to be most onerous as they were responsible for its development and implementation. It is still the responsibility of the HR manager and she ensures all relevant documentation is ready for the reviews.

Table 3 Questions, Section A: Masonite Managers.

QUESTIONS	YES	MAYBE	NO
1. Are you clear on what constitutes good/above average performance for all job profiles within your department?	6		
2. Do you ensure that staff have the right materials and equipment (resources) to do their work efficiently and effectively?	6		
3. Are sufficient training and development opportunities offered and supported by Masonite?	6		
4. Do you feel that all staff at Masonite are fairly remunerated given their levels of responsibility?	4	2	
5. Do you believe that above average performance is adequately rewarded through bonuses via the performance management system?	2	3	1
6. Do you believe that your associates (colleagues/ subordinated) are committed to doing quality work?	6		

4.4.4. Staff Learning and Development

From the analysis of the results from the brief questionnaire (Table 3) it is clear that all managers feel that Masonite is an employer of choice in terms of the support given and opportunities presented by the performance management system. All of the participants are committed to working for Masonite for the immediate future. Staff learning and development opportunities offered by Masonite were viewed to be most sufficient. Again staff learning and development is addressed in the business plan with the key performance measures (KPM's) for 2008 including 100% completion of the training plan and 100% implementation of the performance management which includes development objectives. Fischer (1997) makes mention that a performance management system can be used as a development tool. The development of management skills is in line with the business plan, and is facilitated by the Learning, Training and Development Process. Management development needs identified by this process have prompted interventions such as a B.Sc. in Manufacturing Management 2005-2007 and an Effective people Management Development Programme 2006. All current and future managers are provided with an opportunity to gain a management qualification. Masonite work closely with Sligo Institute of Technology and in September of 2008 they commenced a partnership with Waterford Institute of Technology.

4.4.5 Communication

The communications policy and communications mechanisms at Masonite are designed to keep people informed on a regular basis and support an open and inclusive culture. The company are committed to communicating broadly and systematically by ensuring that communications are open, honest and directed throughout the organisation. The communication policy is reinforced by the

blueprint, which has a strong emphasis on employee engagement. The organisation can show

That groups of employees are kept informed in an effective manner, e.g. departmental groups, teams, staff representative committees and trade unions. This is maintained at all levels of the organisation.

This helped alleviate a concern which was raised by one manager at the introduction of the performance management system. It was felt that information was not filtered down to all staff, but by incorporating a communication policy into the performance management system, everyone was now notified of developments which may arise. Viedge (2003) and Baeur (2004) noted the importance a communication policy has in the cascading of strategic objectives into individual and organisational objectives.

4.4.6 Core Values

The core values of Masonite are well defined and integrate well between the organisation and individual and performance management (Brown & Armstrong 1999). The Masonite core values which are set out on the company's blueprint are integrity, customer commitment, continuous improvement, innovation, teamwork and accountability and leadership. These underpin how employees do their job and form part of the performance review. All the participants agreed that the core values are an integral part of organisational life at Masonite and that the performance management system it did reflect commitment to these values. One manager referred to an instance of an employee's perception of continuous improvement as ongoing training, and as such viewed it with suspicion. Some people do have poor skills, but do not recognise training as helping them. They need to recognise that this does not reflect poorly on their performance, but will

have an impact on their working relationship. The proposal of the 360 degree feedback by one manager would have been advantageous if introduced at the time (Shipper et al 2007).

4.4.7 Performance Review

The performance review is the formal assessment that takes place in June and December between the employee and line manager. Initially this occurred four times a year but the process of continuous improvement adopted a twice yearly review. These one-to-one feedback meetings provide both parties with an opportunity to review objectives and the respective performance against these objectives. A written summary of both formal performance reviews is recorded on the employee's Performance Review Form (Appendix 4) .This section of the process is designed to add value by improving the performance of the employee, team and organisation. At the end of these meetings the review form records comments from both parties with the scoring system is discussed. This is based upon a maximum of 100 points, whereby a mandatory element consists of 75 points and the remaining 25 points are allocated against a general assessment (Appendix 5)

The following scoring matrix explains the proposed system in greater detail:

Table No.4: *Performance Scoring Matrix*

Measure	Score	Outstanding Performance	Superior Performance	Good Performance	NI
Build Capabilities & Develop Talent	25	18 +	14 – 17.9	10 – 13.9	0 – 9.9
Create Customer Excitement	25	18 +	14 – 17.9	10 – 13.9	0 – 9.9
Drive Exceptional Improvement in Manufacturing	25	18 +	14 – 17.9	10 – 13.9	0 – 9.9
General Assessment	25	18 +	14 – 17.9	10 – 13.9	0 – 9.9
Total	100	90 +	75 – 89	50- 74.5	0 -49

4.4.8 Performance Related Pay

The development and implementation of the performance management system at Masonite has been reinforced by performance related pay to acknowledge and reward employees input to business success. This demonstrates to employees that Masonite values them as individuals. The achievement of specified targets which are set out between line managers and staff determine the amount of performance related pay each employee receives. Objectives are set to support the achievement of these targets. See Table 5 below:

Table No.5 *Objectives and targets*

Level Of Objective	Purpose:	Relates to:	Responsibility for Setting Objectives
Set Business Objectives	To support Business KPMs	Business	Business Team
Set Functional Objectives	To support Functional KPMs	Operations Technical Environmental Controller Group Human Resources	Functional Managers
Set Departmental Objectives	To support Departmental KPMs	Primary; Cut Coat; Maintenance Technical; Quality Compliance Environmental Purchasing; Stores; Finance IT; Planning; Customer Services; Shipping HR	Departmental Managers
Set Team and/or Individual Objectives	To support Team KPMs	Primary A; B; C; D; Cut Coat E; F; G; H; Maintenance Teams; etc.	Advisor/Managers

A good objective is a S-M-A-R-T objective, specific, measurable, attainable, relevant, and time-bound. The link between the system and reward structure, according to the answers from the questionnaire appear to be confusing to the managers and need to be improved. If rewards are to work as a motivating factor, linkage has to be precise (Hellriegel et al 2001, Ibec 2007).

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4.4.9 Fairness and Bias.

Many authors (Price 2000, Pettinger 2002) note that issues of fairness and bias can cause problems for the organisation in terms of the performance management system. The fact that Masonite has an appeals mechanism (Appendix 6) incorporated to the performance management system eliminates most of the issues that could occur if this was not in place. Managers and supervisors need to be better trained in the use of objective measurement of performance (IBEC 2007). All managers agreed that there should be nothing at a performance review that comes as a surprise to either the employee or line manager. According to authors such as Armstrong & Baron (2005) the development of a performance management system should be based on ethical principles, and from information supplied by the managers the Masonite system has an ethical framework.

4.5 Interviews

Participants were interviewed on an individual basis. The interviews of 5 managers took place in Masonite. Two managers were interviewed on October17th, with one interview on the 21st of October and the final two interviews taking place on the 24th of October. The interview with the former Manager took place in the Institute of Technology, Sligo. All Managers were asked the same questions, with time given at the end of each interview for other comments and recommendations. In order to maximise anonymity participants were referred to as $M_1 - M_6$.

4.5.1 Profile of participants

The interviews began by stating the objectives to each participant and recording their relevant employment history and current work experience. All participants had begun their employment with the company prior to the introduction of the performance management system. The gender of all six participants was four male and 2 female.

4.5.2 Business Need to deploy PMS

All six participants stated that there was a business need to deploy a performance management system (M_1, M_2, M_3, M_4, M_5, M_6) Five out of Six said that this was in order to improve competitiveness and profitability(M_1, M_2, M_4, M_5, M_6). Half of the participants said that a proper structure needed to be put in place (M_2, M_3, M_6). Only one participant said that the company needed something to work towards (M_2).

The following comments were made in relation to the participants understanding of the business need. '...*accelerate cost savings*'(M_5). *'needed to measure what was going on'*(M_3).

4.5.3 Objectives of the PMS

Participants were asked what were the objectives of the performance management system. Three participants said it was to improve business performance (M_1 ,M_3, M_4).

All participants agreed that it was to measure the performance of the individual and the organisation (M_1, M_2, M_3, M_4, M_5, M_6). Two participants said it was to focus people (M_2&M_4). A number of other descriptions suggested in terms of objectives are shown in Table 6 below:

Table No.6: *Objectives Descriptors of PMS*

Number of Participants	Description – Word or Phrase used
2	Empower, continuous Improvement, employee engagement, improved training & development
1	Costs, savings, structure and focus, planning, tools to measure.

4.5.4 Rate of deployment process

Participants were asked to rate the deployment process of the performance management system. All participants acknowledged that it was a struggle at the beginning. However one participant considered it a partial success, but needed more training and preparation (M_1).Two participants said that it was hard for managers to buy into it and they felt uncomfortable with it (M_2 & M_4). Both M_3 and M_5 said that perseverance brought them through it.

4.5.5 Benefits of the PMS

The participants were asked what they thought were the main benefits of having a performance management system. Five of the participants mention how employee engagement was the main benefit (M_1, M_3, M_4, M_5, M_6). Two managers mentioned how it provided opportunities for training and development (M_1&M_5). One participant said that it provided an opportunity for managers to sit down with the employee on a formal basis (M_4).

4.5.6 Improvement of PMS

The managers were asked how they would improve the system. The most common answer was to allow an element of self appraisal, and allow more training for managers (M_1, M_2, M_3, M_5, M_6). One manager said that the paperwork aspect needed to be removed and take away the scoring system (M_2).

4.5.7 Culture of Masonite.

All managers were asked to describe the culture of Masonite. All managers described the culture as been relaxed and friendly and very much team based (M_1, M_2, M_3, M_4, M_5, M_6). Two managers said the culture was one of continuous improvement (M_1 & M_5). One participant said how the culture followed on from the company Blueprint (M_2).

4.5.8 Core Values

Participants were asked if the core values of Masonite were both supportive of the culture and an integral part of organisational life at Masonite. All participants gave a resounding yes to this question. (M_1, M_2, M_3, M_4, M_5, M_6). Two of the participants added that the core values were aligned to performance management and that there is a consistent reinforcement of the Masonite values (M_1 & M_4).

4.5.9 Performance review meetings.

Performance review meetings were part of the performance management system and the main goal of this question was to find out if the frequency of these

meetings were sufficient. All participants stated that the review meetings occurred twice yearly (M_1, M_2, M_3, M_4, M_5, M_6). Two managers said that it was not sufficient and would rather have them on a quarterly basis (M_2) or have three meetings a year (M_1).

4.5.10 Results and recommendations from appraisal

Participants were asked did they feel that the results and recommendations from the appraisals were fair and unbiased. All participants agreed that it was fair so long as it met its objectives (M_1, M_2, M_3, M_4, M_5, M_6). Three managers said how the fact that there is an appeals mechanism helps in terms of their bias towards the results (M_2, M_4, M_5). One manager remarked that the results tend to inflate and are therefore biased (M_1). Another manager said although the feedback is fair, the result can sometimes come into question as there is a financial element to the process, especially from a team based objective (M_5).

4.5.11 Achievement of Management targets

The discussion regarding the achievement of the manager's targets through the implementation of the system brought another resounding yes by all managers (M_1, M_2, M_3 ,M_4, M_5, M_6). One manager stated that it was on the list of goals as HR manager to introduce performance management (M_1). Two of the managers made reference to the fact that it got their teams involved in each department objectives (M_2 & M_3). One notable response was that although it helped in the achievement of the managers targets, that when you are so dependant on people there is flaws with any system (M_4).

4.5.12 Administrative and Time Commitment

All participants were asked about their experience of the time and administrative commitment necessary for the performance management system. All participants

agreed that it was very time consuming (M_1, M_2, M_3, M_4, M_5, M_6,). Two of the managers said that administration and time commitment is necessary to ensure the system becomes part of the company culture (M_1 & M_6). In order to keep the system up to date it is necessary to spend time on it (M_4).Another manager said that in order to be fair to your employees, sufficient time needed to be devoted to the system (M_5).

4.5.13. Recommendations for other Companies.

All six managers would recommend the use of a performance management system to other SME's. ' *yes I would definitely recommend it... it becomes part of the culture.*'

All participants reported that they believed that a performance management system was a useful tool. Four of the managers said that you need to prepare well and that it takes time (M_1, M_3, M_5, M_6). Other recommendations made by managers were to learn from others mistakes, develop your own system and make sure that there is buy in from senior management (M_1). It was very important for both managers and employees and that it provides a challenge for both (M_2). Another manager advised that the delivery of it to your people was critical in its effectiveness for the company (M_5).

Finally the experience of the performance management system for the managers was very positive and not only helped their employees in identifying training needs, but helped in identifying their own training needs , which in turn manifested into career progression in Masonite for the participants.

4.6 Future Considerations for Masonite's Performance Management System

One important characteristic of a performance management system is that it should be reviewed and evaluated on a continuous basis (Cipd 2008). The Employee Feedback council provide beneficial advice for any improvements that need to be made to the system. Improvements that have been made to the system over the past two years include the setting of team rather than individual objectives where appropriate, along with the inclusion of a performance related payment to include both 'superior' and 'good' performers in 2006. Other improvements to the performance management system will be discussed below.

4.6.1 Emotional Intelligence

The Masonite performance management system incorporates the setting of objectives, the time frame for these results and the key performance measures that will result in targets been achieved, as been to the core of the system. Gilmore (2004) recommends that emotional competencies need to be developed for targets to be achieved. However she believes that the pay related link is still important to achieving the objectives. In the workplace, emotional intelligence has been shown to be related to job satisfaction and job performance. This is an area which can enhance job performance in the workplace through an increased effectiveness of the performance management system.

4.6.2 Coaching

Coaching is an important tool in learning and development. Although there is an element of coaching during the performance review in Masonite, not all Managers are comfortable with it. The development of a person's skills and knowledge to

enhance their job performance can lead to the achievement of organisational objectives. It is recognised that coaching plays an important part in performance management. For some managers coaching comes naturally, but for others training is needed to improve their skills.

4.7 Conclusion

This chapter has analysed the data gathered from documents and interviews conducted with six managers. Both the document analysis and interviews provided insight to the implementation and development of the performance management system in Masonite Ireland.

Overall the main findings indicate that participants expressed positive feedback regarding their experience of implementing the system. The Managers understanding of performance management systems was based on their practical application of its use in their organisation.

This Chapter provided the answers to the first three research objectives presented by the author in Chapters One and Three.

Chapter Five:

Conclusion and Recommendations

CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The aim of this study was to examine the effectiveness of a performance management system in a small to medium sized enterprise in the North West of Ireland. This chapter represents the conclusion and recommendations of this case study.

Firstly, a summary of the Masonite case study is presented. This is followed by recommendations in terms of further research that could be done into this area of study, as well as some advice for other Small and Medium Enterprises (SME's) that are intending to develop and implement performance management systems.

5.2 Summary of the Masonite Case Study

This research consisted of a case study on the performance management system at an SME in the North West of Ireland, specifically Masonite. The main purpose of the case study was to look at the effectiveness of a PMS in an SME by describing and analyzing the development and implementation of a performance management system at Masonite.

This was done in detail in Chapter 4, which included a thorough review of documentary evidence, structured interviews and to provide a detailed description and analysis of the development and implementation of the performance management system from its inception. This was followed by an assessment of

potential areas for future development of the Masonite performance management system.

After much consideration of the Masonite case study the researcher concludes that the introduction of the performance management system to Masonite, has, on the whole, been a success. The system did result in an improvement in the achievement of Masonite's objectives and had a significant positive impact on the overall improved focus and learning of the organization. In fact Masonite Corporation was so impressed with the performance management process in Masonite Ireland that they decided to incorporate it on a global basis to the other plants.

Currently the performance management system in operation at Masonite is based on a combination of the Balanced Scorecard and the Key Performance Indicator models. Because of the ambiguous nature of the targets, and the difficulty in setting 'quantifiable measures' the balanced scorecard model was not the preferred choice among some of the managers of Masonite. As indicated in the literature review and interview analysis other approaches such as the 360 degree feedback could be utilised. However, further study into the changes that this approach would effect on the current system needs to be done.

The main findings that came out of this case study are that the development and implementation of a performance management system takes time and commitment especially from an administrative point of view. Effective communication and a culture of trust are vital. Participants agreed that the performance management process requires time, expert guidance and support in order for it to be effective in the context of the organizations goals.

Masonite has had a performance management policy in place since November of 2002 and improved results in terms of efficiency and effectiveness are unending since its inception. This was evidenced by the determined achievement of organizational goals including the launch and awarding of the Excellence Through People award in 2003, and the participation of the 'Great Place to Work' competition since 2005. They once again achieved the Excellence through People Gold standard award in 2006 making them the first company in County Leitrim to receive this status. It is likely that these achievements would not have been possible without the performance management system that facilitated the structuring of the projects and time frames into realizable objectives. Since then, the performance management system has become entrenched at Masonite and it has assisted in the achievement of far more objectives. Their employee relations index (ERI) is a recognized employee survey tool which is used to measure employee engagement on a yearly basis. Results from these surveys have brought the establishment of a business council, along with the provision of additional training and support for employee representatives. This would not have been possible without the communication levels, and performance culture that now underpins the work at Masonite.

However, perhaps more important in the long-run are the side effects from the learning that has taken place over time, which has had a substantial effect on organizational operations. For example, Masonite has created a pioneering partnership with two Institutes of Technology (Sligo & Waterford) to bring the campus to the plant and delivered several certified programmes on-site for groups of employees. This has provided benefits to both the organization and the employees. This has given Masonite an opportunity to upskill existing employees

with minimal impact on the business. More importantly it has encouraged employee retention and sends a clear message to current and future employees that Masonite invests in and develops people. For the employee it provides a work environment with the scope and support needed for their work and provides a unique opportunity to gain nationally recognized qualification whilst working. This has seen a change in the attitude of many managers and employees in terms of moving towards accepting responsibility and being held accountable for their actions. Masonite Ireland has a philosophy which is based upon a strong set of values based around dignity and respect, open and honest communication and leveraging the power of teamwork. This is very evident from the performance management system that recognizes that business performance is built on the input of the employees. The individual and team objectives align with the organizational objectives. The development and implementation of their performance management system has been reinforced by the introduction of performance related pay to acknowledge and reward employees' input to the business success.

In attempting to define the importance of the performance management system to Masonite, Managers were asked to comment on the assistance it provided in terms of the achievement of set goals and objectives. Most Managers felt that the performance management system provided them with a clear framework that enables them to achieve their goals and objectives. Some staff felt that a clearer job profile would contribute to the success of the system. It has had a great impact on staff, and has certainly highlighted areas that require attention and further improvements.

5.3. Research Recommendations

To conduct further research on performance managements systems in a private sector organization, a study on a larger scale whereby the employees take part in the research is needed. This would highlight a more integrated approach of performance management with the linking of various aspects of the business, people management along with individuals and teams.

Whilst it was noted that the considerations in the development of a performance management system presented in Chapter 2 were taken into account during the development of the performance management system at Masonite, from the number of central themes that emerged from the research it was clear that in this environment there are other factors that need to be considered. Human capital management focuses on identifying the people management practices and interventions that add value to an organisation's competitive advantage. Performance Management will provide a rich source of material for measuring human capital. This concept is now very much on the agenda of top management. Unless there is a performance system in place the management of human capital will become increasingly difficult. It is also evident that most of the criticisms aimed at performance management systems in general, did occur at Masonite. These criticisms then seem to have implications for the development and implementation of any performance management system. Further research into the field of the use of private sector management tools, specifically performance management systems, in other SME's in Ireland would greatly enhance the knowledge available in this area. As noted in the CIPD report (2008) performance

management is a positive process and good systems will create a culture in which success will be achieved.

5.4 Recommendations to other SME's

In the current economic climate where organizations are increasingly under pressure to achieve performance improvement and maximize the contribution of every employee the performance management system is a useful tool that can assist any organisation in the achievement of its targets. In today's very competitive markets, where SME's can be seen to be competing with one another for survival, the achievement of targets could be the difference between long term sustainability and the loss of financial support. Because performance management systems can be adapted to suit any organization, and based on the case study of Masonite Ireland, the researcher recommends the introduction of performance management systems into other SME's where feasible and offers the following advice:

- Manager and Employee consultation. Buy in from all stakeholders is a must. It has to be relevant to both managers and employees. Without commitment from them the system will not function properly. Make it a business owned and not a HR process. Communication is important to allay any fears of both parties. Employees need to understand how they and the organization can benefit from the system so from the beginning get them involved. Continually ask for their input and feedback.

- The development and implementation of a performance management system takes time but the rewards are long-term. Having developed and

implemented a performance management system with the main aim of achieving certain primary objectives, these might only be reached after the system has been in place for some time.

- Develop your own system. Goal setting is a critical element of a performance management system. Regular discussions with individuals will achieve objectives and help them focus in meeting their targets. Be prepared to make changes if the system does not work out as planned. De-couple from the wages for the first year or two.

- Determine the review cycle. The timing of the reviews should fit with the business planning cycle of the organization. Regular goal setting meetings allow for continuous re-alignment of objectives throughout the year. The appropriate documentation and performance ratings are of paramount importance to the review.

- Continuous support to line managers and employees is critical. Formal training to managers should consist of details of the process, goal setting and the link to reward. Also to add real value train managers in coaching techniques.

- The performance management system needs to be managed and monitored. Feedback from users needs to be ongoing in order to develop and align the process. A balance between what the business needs from the system and its ease of use is a critical task.

In conclusion, performance management systems can assist an organization to achieve synergistic results. It affects everyone in the organization, and helps the organization to achieve its desired results and maintain its desired culture.

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Chapter

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Appendices

APPENDICES

Appendix 1: Interview Questions

MBA RESEARCH INTERVIEW QUESTIONS: Masonite Ireland Managers
October 2008

SECTION B

Please answer all questions in Section B as fully as possible, in the space provided.

1. Why was there a business need to deploy a Performance Management System?

2. What were the objectives of the Performance Management System?

3. How would you rate the deployment process of the Performance Management System?

4. Did the Performance Management System deliver on it's objectives?

5. What do you consider are the top five benefits of having a PMS?

6. How would you improve the Performance Management System or it's deployment?

7. How would you describe the 'culture' of Masonite?

8. Do you think that the performance management system supports the type of culture you have identified in 7 above?

9. Are the core values of Masonite supportive of the above mentioned culture?

10. Do you feel that the core values are an integral part of organizational life at Masonite?

11. Does the performance management system reflect commitment to the above mentioned core values?

12. Do you have Performance review meetings? If so how often do you have performance review meetings? Please indicate whether in your opinion, this is sufficient, too many or too few.

13. Do you feel that the results and recommendations from the performance appraisals are fair and unbiased?   Yes/No

14. Do you feel that the implementation of the performance management system assisted you in the achievement of your agreed performance targets? How was it of assistance/not of assistance to you?

15. What is your experience of the administrative and time commitment necessary for the performance management system?

Any other Comments?

Recommendations for other Companies?

Appendix 2: Questions, Section A: Masonite Managers.

QUESTIONS	YES	MAYBE	NO
1. Are you clear on what constitutes good/above average performance for all job profiles within your department?			
2. Do you ensure that staff have the right materials and equipment (resources) to do their work efficiently and effectively?			
3. Are sufficient training and development opportunities offered and supported by Masonite?			
4. Do you feel that all staff at Masonite are fairly remunerated given their levels of responsibility?			
5. Do you believe that above average performance is adequately rewarded through bonuses via the performance management system?			
6. Do you believe that your associates (colleagues/ subordinated) are committed to doing quality work?			

Appendix 3 Letter of Permission to HR Manager

Jacinta Glover

HR Manager

Masonite Ireland

Carrick-on-Shannon

CO. Leitrim

Dear Jacinta

I am currently undertaking an MBA in Sligo IT. As part fulfilment of this course I have to complete a dissertation and my chosen topic is Performance Management Systems and their effectiveness in meeting business objectives in SME's. Like you I work in the private sector and part of my remit is HR.

I have spoken with Niall Mc Evoy and he has suggested Masonite as been a true success story on the use of such systems. As a former HR Manager with Masonite, he has spoken highly of the company and of the impact that performance management has had on the organisation. It is with this in mind that I hope you will permit me to use your company as a success story for my dissertation. I can assure you it will have low impact on you and the organisation, and that you will have full editorial control.

If you are agreeable to this, I will call to make an appointment to meet with you in the coming days.

Looking forward to hearing from you.

Marcus White

# *Appendix 4:*

Masonite Blueprint

Masonite 2008 Blueprint: Opening the Door to Profitable Growth

Integrity	Innovation
Customer Commitment	Teamwork & Accountability
Continuous Improvement	Leadership

Vision: We are the BEST provider of Door Products in the eyes of our customers, employees and competitors.

Mission: To deliver product, service and design innovations that enhance beauty and functionality, creating greater value to our customers throughout the world.

Values:

Integrity	Innovation
Customer Commitment	Teamwork & Accountability
Continuous Improvement	Leadership

SATISFIED CUSTOMERS

SATISFIED EMPLOYEES

SATISFIED OWNERS
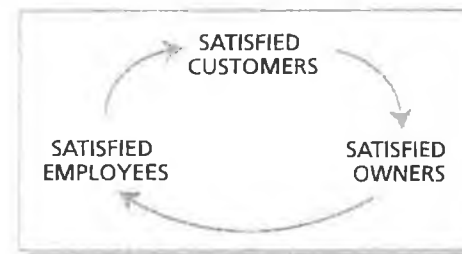
STRATEGIC GOALS

BUILD Capabilities & Develop Talent

- Extend use of Lean Sigma throughout Masonite
- Develop leadership & elevate performance through standardized Mprove process
- Upgrade First Line Supervisor skills through formal training & feedback
- Improve talent selection through new recruiting and hiring processes
- Upgrade operator skills through standard training & operating procedures
- Enhance communication; commit to quarterly "Town Hall" meetings at all sites and in all functions
- Recognize & reward top performers providing continued growth opportunities

CREATE Customer Excitement

- Exceed customer fill rate, lead time and quality expectations
- Significantly expand new product pipeline with industry-leading product and design innovations
- Introduce unique cross-product service innovations with glass and stile & rail doors
- Differentiate Masonite through use of robust customer information technologies including new website
- Create greater value for customers through implementation of "Get More" strategies
- Fully deploy new sales tools and metrics to exceed revenue and mix targets
- Develop an integrated product and service offering throughout Europe

DRIVE Exceptional Improvement in Manufacturing

- Achieve EHS goals and implement behavior based safety program
- Improve quality through achievement of COQ (Cost of Quality) reduction goals
- Improve profitability by achieving or exceeding targets for reducing controllable costs and inventory
- Improve service levels, reduce lead times and lower working capital through improved planning and processes
- Improve efficiencies through integration of operations into "one Masonite Operating System"
- Develop a strategic plan to establish a single Masonite Quality Assurance and Control process

Masonite

Appendix 5:

Performance Review Form

Performance Review Form

Employee Name:	Position:
Employee Number:	Team/Department:
Performance period covered: From: To:	Name of Advisor/Manager:

This form is designed to **RECORD a summary** of the following activities of the performance management process:

- **Interim Performance Review** (complete by 31ˢᵗ June);
- **Final Performance Review** (complete by 31ˢᵗ December)

It is to be used by Advisor/Managers and employees in conjunction with the **Objectives Form.**

- **Aim of Performance Management:**

Performance Management at Masonite is an on-going process that **aims to improve performance & development at all levels of the organisation.**

- **The Performance Management Process:**

The *Corporate Blueprint* provides the context, framework and direction for the performance management system at Masonite.

KEY PERFORMANCE MEASURES (KPMs) specify what must be achieved in the coming year.
The business KPMs are spread across the following 3 corporate strategic goals in 2007:

Strategic Goals 2008 (from Corporate *Blueprint*):
• **Build Capabilities & Develop Talent** *(Mandatory)*
• **Create Customer Excitement** *(Mandatory)*
• **Drive Exceptional Improvement in Manufacturing** *(Mandatory)*

OBJECTIVES specify **how** KPMs are going to be achieved. They express the means by which individuals, teams, departments and/or functions agree to contribute to the achievement of KPMs. Objectives provide the framework for discussion & review of performance and development throughout the year. Once agreed, an employee's objectives are recorded on their *Objectives Form.*

- *Mandatory element:* All employees must have at least <u>one</u> objective for each of the 3 'mandatory' strategic goals.

PERFORMANCE REVIEWS provide the opportunity for Advisor/Managers and employees to discuss & review performance during the year. At the end of these meetings, this form is used to record comments from both parties and the Advisor/Manager's projected rating of employee's performance to date based on the following rating options:

Outstanding Performance (OP)	Your performance is outstanding and clearly surpasses standards. Using your initiative in a well-thought out and business focused manner, you contribute to the company's success in an extraordinary way. You consistently achieve all objectives and exceed the normal scope of the job.
Superior Performance (SP)	Your performance is very good indeed, and you go beyond acceptable standards. You use your initiative and make a positive contribution to the team and ultimately the company. You achieve all objectives and can exceed the normal scope of the job in some significant areas.
Good Performance (GP)	Your performance is on target and you meet the tough standards set. Your performance is supportive of the needs of Masonite and you are a valued team member.
Needs Improvement (NI)	Your performance on many aspects of the job is below expectations and you consistently perform some aspects of the job below expectations. You have failed to meet some objectives

Performance Review Form

OBJECTIVES	'INTERIM' PERFORMANCE REVIEW (June):	Projected Rating
OBJECTIVES To support achievement of KPMs & strategic goals. See *Objectives Form* for details & amend below as required.	**Summary of Comments:**	
Mandatory: ▪ **Build Capabilities & Develop Talent**	Comments by Advisor/Manager: Comments by Employee:	☐OP ☐SP ☐GP ☐NI
Mandatory: ▪ **Create Customer Excitement**	Comments by Advisor/Manager: Comments by Employee:	☐OP ☐SP ☐GP ☐NI
Mandatory: ▪ **Drive Exceptional Improvement in Manufacturing**	Comments by Advisor/Manager: Comments by Employee:	☐OP ☐SP ☐GP ☐NI

Discretionary:
▪ *GENERAL ASSESSMENT:*
  o Team work
  o Flexibility
  o Additional Contribution
  o Problem solving
  o Quality of work
	Comments by Advisor/Manager:
	
	Comments by Employee:
		☐OP
		☐SP
		☐GP
		☐NI

Discuss Personal Development objectives & plan Yes No		

OBJECTIVES To support achievement of KPMs & strategic goals. See *Objectives Form* for details & amend below as required.	'FINAL' PERFORMANCE REVIEW (Decemeber): **Summary of Comments:**	Projected Rating
Mandatory: ▪ **Build Capabilities & Develop Talent**	Comments by Advisor/Manager: Comments by Employee:	☐OP ☐SP ☐GP ☐NI
Mandatory: ▪ **Create Customer Excitement**	Comments by Advisor/Manager: Comments by Employee:	☐OP ☐SP ☐GP ☐NI
Mandatory: ▪ **Drive Exceptional Improvement in Manufacturing**	Comments by Advisor/Manager: Comments by Employee:	☐OP ☐SP ☐GP ☐NI

Discretionary:
▪ *GENERAL ASSESSMENT:*
  o **Team work**
  o **Flexibility**
  o **Additional Contribution**
  o **Problem solving**
  o Quality of work
	Comments by Advisor/Manager:
	
	Comments by Employee:
		☐OP
		☐SP
		☐GP
		☐NI

Discuss Personal Development objectives & plan Yes No o o **Overall Comments (Final Review):**		

Performance Review Form

Strategic Goals See Objectives Form for details & Amend as appropriate	Score (Max)	Rating & Value Score				Score (Actual)
Mandatory: **Build Capabilities & Develop Talent**	25	OP ☐ 22.5+	SP ☐ 17.5 -22.4	GP ☐ 12.5 –17.4	NI ☐ 0-12.4	
Mandatory: **Create Customer Excitement**	25	OP ☐ 22.5+	SP ☐ 17.5 -22.4	GP ☐ 12.5 –17.4	NI ☐ 0-12.4	
Mandatory: **Drive Exceptional Improvement in Manufacturing**	25	OP ☐ 22.5+	SP ☐ 17.5 -22.4	GP ☐ 12.5 –17.4	NI ☐ 0-12.4	
General Assessment	25	OP ☐ 22.5+	SP ☐ 17.5 -22.4	GP ☐ 12.5 –17.4	NI ☒ -12.4	
Totals	100					
Overall Rating	100	OP ☐ 90+	SP ☐ 70-90	GP ☐ 50-70	NI ☐ < 50%	

Comments by Managers:

Comments by Employee:

Signatures:

Advisor/Manager: _____   Date: _____

Employee: _____   Date: _____

Department Manager: _____   Date: _____

Function Manager: _____   Date: _____

Received by HR _____   Date: _____

	OP	SP	GP	NI
Rating approved by Benchmarking Group	☐	☐	☐	☐

Appendix 6:

General Assessment Form

Masonite Ireland General Assessment Form Jan - June 2004

Name of Employee:	Position:
Employee Number:	Team/Department:
Date of Assessment:	Name of Line Manager:

The general assessment process in 2004 covers the period Jan – June inclusive. All Team Leaders/Advisors/Managers should conduct a one-to-one performance review meeting with their immediate direct reports and rate their performance for this period.

The relevant line manager should **assess** the performance of their immediate direct reports against the following performance criteria:
- Environmental Health & Safety
- Output
- Quality & Customer Satisfaction
- People Development
- Team Work

[PLEASE FOLLOW GUIDELINES (overleaf) WHEN COMPLETING ASSESSMENT]
and **rate** the performance of immediate direct reports as either:

- **Outstanding Performance (OP):** Your performance is outstanding and clearly surpasses standards. Using your initiative in a well-thought out and business focused manner, you contribute to the company's success in an extraordinary way. You consistently achieve all objectives and exceed the normal scope of the job.

- **Superior Performance (SP):** Your performance is very god indeed, and you go beyond acceptable standards. You use your initiative and make a positive contribution to the team and ultimately the company. You achieve all objectives and can exceed the normal scope of the job in some significant areas.

- **Good Performance (GP):** Your performance is on target and you meet the tough standards set and you perform major aspects of the job fully & satisfactorily. Your performance is supportive of the needs of Masonite and you are a valued team member.

- **Needs Improvement (NI):** Your performance on many aspects of the job is below expectations and you consistently perform some aspects of the job below expectations. You have failed to meet some objective's.

Performance Criteria	Measure	Score	Rating & Value	Score
Environmental Health & Safety	Individual	.15	OP ☐ 90+ SP ☐ 75 – 89.9 GP ☐ 50 –74.9 NI ☐ 0-49.9	
Output	Team	.25	OP ☐ 90+ SP ☐ 75 – 89.9 GP ☐ 50 –74.9 NI ☐ 0-49.9	
Quality & Customer Satisfaction	Team	.25	OP ☐ 90+ SP ☐ 75 – 89.9 GP ☐ 50 –74.9 NI ☐ 0-49.9	
People Development	Individual	.15	OP ☐ 90+ SP ☐ 75 – 89.9 GP ☐ 50 –74.9 NI ☐ 0-49.9	
Team Work	Individual	.20	OP ☐ 90+ SP ☐ 75 – 89.9 GP ☐ 50 –74.9 NI ☐ 0-49.9	
Totals		100		
Overall Rating			OP ☐ 90+ SP ☐ 75-89.9 GP ☐ 50-74.9 NI ☐ >49.9%	

Line Manager's Comment:		

Employee's Comment:		

Signed by Line Manager:	Date:
Signed by Employee:	Date:

Appendix 7:

Appeals Form

Performance Rating Appeal Form

Name: _____   Employee No:_____

Position: _____   Department: _____

I _____ wish to appeal the final performance rating
_____ that was awarded to me under the Masonite Ireland
Performance Management System directly to the Managing Director Jim Hoey.

I believe that my performance rating should have been _____
Please state the Performance Area(s) that you believe you were incorrectly assessed
against:

_____

For the Performance Area(s) that you believe you were incorrectly assessed against
clearly state the basis on which you wish to make your appeal:

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

Signed: _____   Date:_____

Appendix 8:

Letter of Consent

Masonite®

20 August 2008

Re: Performance Management Dissertation

Dear Marcus

I refer to the above and your request to undertake research on Performance Management Systems as part of your MBA studies at Sligo IT.

You have expressed an interest in basing some of your research on our company - Masonite Ireland. As an organisation, which implemented a PMS over eight year ago, we would be pleased to support you on this undertaking.

Feel free to contact me directly 53 71 96 59537 to organise a meeting with a view to discussing our PMS here at Masonite Ireland.

Yours Sincerely

Jacinta Glover
HR Manager

Appendix 9:

Interview Schedule

Masonite®

22 September 2008

Re: Performance Management Dissertation

Dear Marcus

I hope you found our meeting earlier in the month useful. Following on from same I have arranged the following face-to-face interviews with managers and participants of PMS at Masonite;

Brian Mallon – Environmental Manager
Brendan Dee – Purchasing Manager
Jimmy Kelly – Utilities Manager
Aisling McTiernan – Customer Services Manager
Jacinta Glover – HR Manager

Please contact me directly to agree times for same.

Kind Regards

Yours Sincerely

Jacinta Glover
HR Manager