

# Perceived Factors of Performance Management and Development Systems in a South African State-Owned Company

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*Continuous performance management helps managers track employees' progress against goals and personal development and make informed decisions about additional compensation. Knowledge of performance management and development system (PMDS) factors within South African state-owned companies may assist managers in successfully implementing the PMDS to improve employee performance. The study explores the perceived PMDS factors by using an open-ended research approach. The study had an exploratory research design and a qualitative research method within interpretivism as the research philosophy, with semi-structured face-to-face interviews conducted to collect data. A purposive sampling technique was used to include the relevant participants. Thematic analysis with deductive and inductive coding was used. The themes that were identified were: favouritism, working in silos, insufficient capacity building, ineffective performance management, incompetent and unethical managers, complicated scorecard template, misconception of the performance management process, financial constraints and a lack of strategic plans. Knowledge of the PMDS factors would allow management to proactively identify potential areas for improvement. Poor decisions could lead to failure to achieve organisational goals and ultimately to high staff turnover. The study found that the PMDS should be aligned with the company's mandate and that management should have a better understanding of employee perceptions; it recommends ways of improving the effective implementation of the PMDS.*

**Keywords:** employees, perceptions, South Africa, state-owned company

## Introduction

This research was carried out at a South African state-owned company. State-owned companies have played a huge role in many economies, particularly in the emergence of transformation in nations, because the ultimate purpose of state-owned entities is to maximise the value of society through an efficient allocation of resources. In the current dynamic and rapidly changing environment, state-owned companies must design, implement and effectively manage their employees' performance (Sulistyo et al. 2020). Mayne and Goni (2017) emphasise that supervisors in state-owned enterprises are responsible for reinforcing the connection between employee performance and organisational goals because effective service

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delivery in state-owned enterprises is not possible in the absence of a sound performance management and development system (PMDS).

### **Research Problem and Objective**

State-owned companies are important in the South African economy. In key sectors such as electricity, transport (air, rail, freight and pipelines) and telecommunications, such companies play a lead role, often defined by law, although limited competition is allowed in some sectors such as telecommunications and air. Continuous performance management helps managers who work at state-owned companies to track employees' progress against goals and personal development and make informed decisions about additional compensation. A performance management and development system (PMDS) is a key strategic issue for state-owned companies in South Africa. It is not clear what the PMDS factors in South African state-owned companies are. Knowledge of such factors may assist managers in successfully implementing the PMDS at state-owned companies to improve employee performance.

The study explored the perceived PMDS factors at a selected South African state-owned company by using an open-ended research approach.

### **Literature Review**

Armstrong (2015, p. 9) views performance management as an ongoing process of enhancing performance through setting individual and team goals that are in line with the strategic objectives of the organisation; planning performance to attain the goals; reviewing and assessing progress, skills, and abilities; and developing the knowledge and understanding of employees. Jain and Gautam (2016, p. 236) also believe that the PMDS is an ongoing process of identifying goals and objectives and aligning individual goals and objectives to an organisation's strategic goals by providing meaningful and accurate feedback. Semi (2022, p. 3) defines PMDS as a planned and integrated approach that helps companies attain long-term goals by enhancing employees' performance and expanding their capacity.

According to Atmala et al. (202, p. 1), PMDS has the following goals: 1. assist employees in identifying the knowledge and skills needed to do their jobs efficiently and encourage them to do the right tasks in the right way; 2. boost employee performance by encouraging employee empowerment, motivation and implementation of effective reward mechanisms; 3. improve the two-way communication system between supervisors or company managers and employees to clarify company expectations regarding employee roles and accountability in carrying out work, communicate functional and organisational goals and provide regular and transparent feedback to enhance employee performance and continuous development; 4. identify barriers to more effective performance and resolve these barriers through monitoring, coaching and development; 5. create the basis for administrative decisions on strategic planning, succession planning, promotion, compensation and

performance- based remuneration; and 6. promote employees' self-development and advancement in their careers by helping them to acquire the desired knowledge and skills. To achieve these goals, state-owned companies need to know the PMDS factors. The Collins Dictionary (n.d.) defines a factor as one of the things that affects an event, decision, or situation.

Hussain and Zafar (2017, p. 3) state that PMDS factors that affect employee performance in state-owned companies are good leadership, organisational culture, training and development, rewards and incentives and a balanced scorecard:

- Hidiroglu (2021, p. 113) concurs with Hussain and Zafar (2017, p. 3) in the sense that good leadership encourages employees to perform optimally.
- Since organisational culture is directly linked with HR practices, it also positively impacts employee performance and adaptability, helping employees overcome corporate challenges and situations and directing them towards achieving a common goal or objective (Zafar et al. 2017, p. 3).
- According to Engetou (2017, p. 5), training programmes aim to maintain and improve recent job performance while developing skills for future jobs.
- Noorazen, Sabri and Nazir (2021, p. 41) argue that the reward system is the main concern of human resource management performance and service compensation management.
- The balanced scorecard (BSC) is considered the most common tool used to improve the performance of employees in both the public sector and state-owned companies because it incorporates the strategic objectives of the business into a distinct and balanced framework (Jugmohun 2018, p. 52).

More PMDS factors were found in the literature:

- Favouritism: Egwuonwu (2023, p. 62) found that favouritism could have negative effects when the underlying causes were unrelated to employee performance and when other employees felt disadvantaged.
- Working in silos: De Waal et al. (2019, p. 14) found that organisations and their leaders could benefit from effective silo-busting and thus better internal collaboration. In turn, this improved collaboration would boost the performance levels of organisations.
- Insufficient capacity building: According to Saldanha (2006, p. 35), capacity building is influenced by a multitude of variables. One of these variables is financing. Through proper strategic planning, such financing must be made available for the organisation and employees to grow and contribute to their own performance and that of the organisation.
- Ineffective performance management: Weis and Hartle (2023, p. 9) state that a performance management process must reflect measurable results and demonstrate the “right stuff” that leads to individual and organisational success. It can thus be deduced that not managing the performance management process efficiently will lead to ineffective performance management.

- Incompetent and unethical managers: Shi, Wang and McGinley (2023, p. 1) found that abusive supervisors might experience embarrassment and thus be more likely to use impression management tactics, such as an apology. The study revealed the boundary conditions related to managers' unethical and abusive behaviours.
- Complicated scorecard template: Three evidence-based recommendations to improve the likelihood of successful balanced scorecard (BSC) implementation were researched. First, a strategy map should be developed in conjunction with BSC adoption. This critical but often ignored step helps ensure that BSC measures are causally linked to strategic goals. Second, top management team (TMT) commitment to BSC adoption is critical, as it increases the likelihood of sufficient resource allocation and positively influences organisational commitment and coordination. Finally, broad participation in the BSC development process and frequent communication about the BSC deployment help to engage key stakeholders. All three of these managerial actions improve organisational competency, commitment and coordination, the three foundational requirements of effective strategy implementation (Tawse & Tabesh 2023, p. 132).
- Misconception of the performance management process: A study by Berdicchia, Bracci and Masino (2023, p. 1) revealed that perceived PMS accuracy was positively associated with both intrinsic and extrinsic motivation, and participation in decision-making and task uncertainty both positively moderated the relationship between perceived PMS accuracy and extrinsic motivation.
- Financial constraints: Many companies have a typical merit-based pay scheme where the outcome of an individual performance appraisal is used to drive the increase in base salary through the performance management system (Weiss & Hartle 2023, p. 94). This will not be possible if the company does not budget for it.
- A lack of strategic plans: Strategic planning, which consists of three dimensions – the desires of external stakeholders, a company's internal encouragement and a company's database – significantly influences the competitive advantage of companies (Mulyaningsih et al. 2023, p. 1).

As mentioned before, knowledge of the PMDS factors may assist managers in successfully implementing the PMDS at state-owned companies to improve employee performance. Next, the research method will be discussed.

## **Research Method**

### *Research Design*

In this study the researchers used the interpretivism paradigm (Rehman & Alharthi 2018, p. 51) with an ontological stance: PMDS practices were studied by exploring the perceived factors of the PMDS in a South African state-owned

company. An exploratory research design and a qualitative research method within interpretivism as the research philosophy was adopted. This method was selected as it enables in-depth data collection which is directly related to personal feelings and emotions and its application is exploratory (Rahi 2017, p. 2); it also generates more understanding of a phenomenon in a natural setting (Austin 2014, p. 10). The data of this study were collected using face-to-face interviews.

### *Sample*

The sampling technique used for this study was purposive sampling because the researcher had to draw a sample and select participants who had in-depth knowledge of the PMDS processes (i.e., contracting, evaluation and outcomes) at the state-owned company (NECSA). The purposive sampling technique is the deliberate choice of participants due to the qualities the participants possess. According to Etikan, Musa and Alkassim (2015, p. 2), purposive sampling is a non-random technique that does not require underlying theories and a total number of participants; the researcher decides what needs to be known and sets standards to find available participants willing to offer working experience information. Therefore this study used purposive sampling – the population needed for the study was known.

The inclusion criteria for selecting participants were as follows:

- Participants were permanent NECSA employees based in Pelindaba.
- Participants were NECSA employees with a minimum of three years of working experience.
- Participants were willing and available to participate in the study.

The sample size of this study was twelve participants representing diverse professions. The sample had six HR business partners from different divisions within the company, one lead auditor, one EAP practitioner, one safety manager and three scientists. Furthermore, the sample was selected using purposive sampling because purposive sampling is a non-random technique that does not require underlying theories and a total number of participants (Etikan et al. 2015, p. 2).

### *Measuring Instrument*

The data of this study were collected using semi-structured interviews; the advantage of using interviews is that they provide in-depth information. This involved direct personal contact with all respondents who were asked a set of questions about PMDS practices. The interviews were face-to-face and interview questionnaires were used for all participants. The duration of the interviews was 30 minutes. Before data collection, the researcher conducted a pilot study since the data were rich, involving three NECSA employees from different divisions who met the inclusion criteria. Doody and Doody (2016, p. 2) opine that a “pilot study is a small-scale version of planned research conducted with a small group of participants similar to those recruited later in the larger-scale study”. Pilot studies are carried out

to enable researchers to practise and test the effectiveness of planned data collection and method analysis. The saturation of data was taken into consideration.

### *Data Collection*

Semi-structured face-to-face interviews were conducted. The researcher collected the data by interviewing 12 employees who were knowledgeable about the PMDS and who were prepared and willing to participate in the study. A recording device was used to record the data and thereafter the data were transcribed as the interview response.

### *Data Analysis*

A thematic analysis method was used to analyse the collected data from the participants. Thematic analysis involves the meaning and interpretation of data: researchers allocate codes and assign themes to the collected data (Neuendorf 2019, p. 211). According to Guest et al. (2011, p. 15), thematic analysis is regarded as a rigorous and inductive predictable process designed to identify and examine themes from word-based data in a transparent and dependable way. Following the thematic analysis technique the audio recordings were transcribed, after which the data were organised, coded and grouped and themes were constructed, refined and finalised. Deductive (codes) derived from the literature review and inductive (new codes) coding were used.

### *Trustworthiness*

The trustworthiness criteria suggested by Maxwell (2013, pp. 125–136) were met as set out below.

**Credibility:** The credibility of this study was enhanced by collecting rich data using an interview and asking open-ended questions. The data were recorded using a recording device. The researcher then transcribed the recorded data. The researcher used quasi-statistics because qualitative study functions as quasi-statistic. The researcher did not conduct member checking due to the busy schedules and many commitments of participants. Candela (2019, p. 621) describes member checking as “the process in which the researcher asks one or more participants in the study to check the accuracy of the account”. This check entails returning the findings to the participants and asking them (in writing or an interview) to check the accuracy.

**Transferability:** The researcher achieved this by providing a thick description of the individuals and the research process to allow the reader to test whether the findings were generalised to the theoretical setting. Generalising a theoretical proposition is known as an analytical generalisation (Korstjens & Moser 2018, p. 122).

**Dependability:** The researcher explained the steps followed in the research methodology in detail so that other researchers wishing to duplicate this study would have similar findings and achieve the same results. Therefore, the researcher gave all records of how this study was conducted to the supervisors for audit purposes.

They were stored on a compact disk and were kept safe in the researcher's locked cabinet at home.

**Confirmability:** An audit trail is a qualitative strategy that establishes the confirmability of a research study's findings, whereas confirmability involves findings that are based on participants' responses instead of the researcher's preconceptions and biases (Wolf & Robinson 2015, p. 1). An audit trail was achieved by giving the supervisors the audio recordings so that they could verify that the researcher had not fabricated the data. In addition, the researcher achieved confirmability by objectively reporting the data, also known as bracketing.

The main themes were identified, which led to the conclusions and recommendations.

As set out in Table 1, the majority of participants were male (8), with 4 females. There were 10 black and 2 white participants in the sample. Only 2 out of 10 were scientists; there was 1 safety manager and the rest were HR professionals.

**Table 1. Demographics of the Respondents**

PARTICIPANT no.:	AGE	GENDER	QUALIFICATION	JOB GRADING	RACE
P1	37	Female	Degree in Internal Audit	D2	Black
P2	39	Female	Honours degree in Industrial Psychology	D1	Black
P3	38	Female	B.Com degree in Human Resource Management	C3	Black
P4	36	Female	One-year certificate in Human Resource Management	C3	White
P5	29	Male	National Diploma in Human Resource Management	C2	Black
P6	55	Male	Diploma in Education, Training, Development	D1	White
P7	62	Male	PhD in Science	D3	Black
P8	37	Male	Honours degree in HRM	D1	Black
P9	51	Male	Degree in Safety Management	D2	Black
P10	38	Male	PhD in Chemistry	D3	Black
P11	52	Male	Doctorate Degree in Science	D2	Black
P12	39	Male	Master's Degree in Psychology	C4	Black

## Ethical Considerations

This study followed ethical considerations that were suitable and acceptable, as recommended by Greenberg and Baron (2008, p. 736). These involved steps to ensure that participants were not affected during the study and that no financial bribes or other benefits were offered to participants. To ensure confidentiality, the participants were not identified in the study and the researcher recorded only what was discussed during the interviews. Sensitive or private information relating to a research participant's private sphere was respected and considered confidential and therefore did not have to be disclosed. Participants completed the TUT informed-consent form which defined the nature of the study. The researcher read, explained and interpreted the TUT ethical guide to all the participants before the face-to-face interviews started to ensure that participants understood their rights and the purpose of the research. To set participants at ease, the informed consent forms stipulated

freedom of choice to participate or not. Permission to conduct this research was obtained from the Group CEO, Mr Don Robertson.

## Findings

The following themes were identified in this study: Favouritism, working in silos, insufficient capacity building, ineffective performance management, incompetent and unethical managers, complicated scorecard template, misconception of the performance management process, financial constraints and a lack of strategic plans.

### *Theme 1: Favouritism*

Several of the participants had experienced favouritism during the performance measurement process. For example, Participant 1 stated:

*"Some of the management are biased, and PMDS is not used effectively because there's a lot of favouritism and people are not genuine and honest when they score. It is like they look on the faces of people and they say that because I favour him/her I will rate him/her like this, and because this one I don't like them I won't rate them".*

Participants 4 and 5 had similar sentiments:

*"Another factor is that PMDS goes with favouritism because if your manager favours you he/she will score you higher, and you find that there are also those employees who are performing at their level best, but because the manager is not in good relation with certain employees he won't score them. To me, that is very much unfair". (Participant 4)*

*"The factor that negatively influences PMDS is favouritism, and it demotivates employees to complete their scorecard most of the time because they know that even if an employee scores him/herself higher, the manager will reduce the scores because of favouritism. Favouritism plays a huge role to PMDS here". (Participant 5)*

While some of the participants broadly highlighted the prevalence of favouritism within the employee performance management processes at their organisation, one participant noted more aggressive forms of discrimination such as racism. For example, Participant 10 asserted:

*"South Africa has a race problem. And that's another issue which maybe it's bringing us down because now if you've got different groupings and want to advance their people, it might be another factor. That's it is on the table".*

Some participants made recommendations for putting an end to favouritism. For example, Participant 5 suggested:

*"When the appraisal is done, they should be a middleman because favouritism plays a huge role during the appraisal period, but if there can be someone during that period,*



*the favouritism will be eliminated. Unlike [when] it is between the employee and the manager because if your manager does not favour you, they can reduce the scores so that you don't benefit from pay progression while you are performing and doing your best".*

### *Theme 2: Working in Silos*

Some of the participants highlighted that working in silos was a factor impeding the successful implementation of the PMDS. For example, Participant 10 stated:

*"If you look at us, we're working in silos. Meaning that if we work in silos, we give ourselves individual projects. We don't have projects. But, as it is presently, it's like people have individual progress projects".*

In a similar vein, Participant 4 asserted:

*"What I can say is that we are not informed of PMDS in the forms of roadshows or workshops. So, I find it working as an isolated system where it is not integrated with talent management and succession planning. I don't know what NECSA goals are and whether they are achievable or not".*

To give some context to why people worked in silos at NECSA, Participant 1 situated this organisational behaviour in a historical context. Participant 1 stated:

*"Maybe one of the challenges that come through is the history because historically there were ten people, and they were just doing their things".*

Some of the participants pointed out the adverse effects of working in silos. For example, Participant 10 asserted:

*"They take longer than they're supposed to be taking because the individual is working in silos. And there's too much repetition. You'll notice that there's another department doing this, and there's another one doing that; it's the same thing. Whereas if we were working as a team, we would know that okay, no, this is what we are doing. In the end, targets are so difficult to achieve".*

### *Theme 3: Insufficient Capacity Building*

Several participants cited a lack of training among managers as an impeding factor in the successful implementation of the PMDS, particularly capacity building. For example, Participant 4 stated:

*"The line managers don't know the process very well because they are not trained, and they don't have enough knowledge and understanding when it comes to PMDS".*

In support of the statement above, Participant 12 said:

*"I think very few managers try to do it as objectively as possible, but for the majority of them, it is not an objective process; they also don't have the know-how nitty-gritty of how the performance reviews are redone".*

Some participants alleged that financial constraints hindered the successful implementation of the capacity-building aspect of the PMDS and added that there was a preferential distribution of funds for capacity-building. For example, Participant 12 stated:

*"There are some people who attend courses, but most of the time, they will tell you that you cannot go and attend the courses because there's no money in the company".*

Similarly, Participant 3 insinuated that there might be personal reasons for the skills gap, a factor hampering the successful implementation of the PMDS. Participant 3 stated:

*"Close gaps such as skills gaps because sometimes non-performance issues, is not all of the poor performance but you will find that personal issues are also contributing".*

Besides insinuations of foul play by other participants, Participant 1 pointed out that capacity building was not encouraged. Participant 1 asserted:

*"...in my view, is not a performance-based organisation where they encourage people to perform at their level best. In terms of development as well, to continue further their studies, it is like you are on your own".*

To substantiate the assertion above, Participant 1 added:

*"The issue of career ladder helps... the norms and the standards also help, but I am not sure if they are fully implemented, because there are a lot of grievances. When you look at, whether you go to school or not, it will be your initiative because most of the managers won't push and encourage you to further your studies".*

#### *Theme 4: Ineffective Performance Management*

Ineffective performance management was cited as an impeding factor in the successful implementation of the PMDS at NECSA. To put this assertion in perspective, participants focused on why they undertook performance management at NECSA and highlighted the limitations of implementing the PMDS. For example, Participant 8 pointed out:

*"The reason we do performance management is to see whether the employees are performing or not. I don't think there are enough follow-ups after performance management and appraisal. What is going to be done for those who are not performing after the appraisal? Are the managers drafting performance improvement plans to address the poor performance?"*

Participant 4 echoed this sentiment, noting that transparency was an added concern:

*"After the final performance reviews, there's a moderation process. However, how the moderation process is handled is not transparent to us; we only know that the performance will be moderated, but we are not informed of the people involved in the moderation process. I find it to be odd because it is not communicated to the employees".*

In line with the assertion made above regarding insufficient follow-up, Participant 9 pointed out that the implementation of the PMDS sometimes did not draw on the outcomes emerging from the performance management system. Participant 9 stated:

*"If you got a system where the results are not being properly analysed and implemented, that to me is the same as not having that system because it doesn't work for you. The Performance Management system is well-drafted, but the results are not implemented as per system requirements. Staff morale is going down because we got a system, and it is all right, but you don't even use those results".*

Several participants expressed similar concerns to those mentioned by Participant 9 regarding the adverse effects of ineffective performance management on staff morale. For example, Participant 10 highlighted issues around the rewards system at NECSA and the impact on people:

*"I haven't heard anyone being rewarded for good performance. Since the first year I arrived here, I've seen some people performing very well, but they don't get any reward. Performance is not rewarded and as a result, that de-motivates a person who wants to work".*

Participant 2, whose views differed from those of some other participants regarding the rewards system and performance management, referred to the absence of a nuanced understanding of rewards and performance management. Participant 2 stated:

*"We are not advanced, if I may put it like that. We are still lacking a lot in performance management; there's a lack of understanding because performance management is always associated with payments, and people lose the big picture of why we have to do performance management in the first place".*

Amid the contrasting perspectives highlighted above, Participant 7 pointed out that the PMDS was experienced differently depending on where employees were situated in the organisational structure. Participant 7 clarified why people experienced the PMDS differently:

*"The system works for a certain level of employees, and to others, it doesn't work. It works for top management; upwards, and it works perfectly there. But the moment you move down the ranks, it doesn't work properly because the way you assess in terms of*

*how to evaluate a person, it becomes difficult because most of the work is more routine than the target-orientated type of assessment".*

#### *Theme 5: Incompetent and Unethical Managers*

Participants in the study highlighted that the managers' incompetence and issues related to ethical codes at their organisation impeded the successful implementation of the PMDS. For instance, Participant 10 cited the insecurity of managers as a factor hindering employee performance:

*"So maybe it's insecurity because if you look at some of the managers, for example, if someone with a PhD degree comes and he doesn't have a PhD degree. Then he may go to become the boss and maybe over me. I think it's a fear as well, that maybe if the more I push this one in terms of a personal development plan, there might be a performance".*

Participant 10 elaborated on this:

*"I think it's a willingness from the management side to say, let's reward performance. People that are doing well let us reward and support them so that they can perform better. I think those are the negative factors. Maybe people fear that they'll be criticised. But you know, when you're at the management level, you just have to yes".*

This view was confirmed by Participant 1:

*"Jealousy and lack of confidence in the management [is a negative factor] because if you are confident and you know what you are doing, why would you deprive [other] people if they are performing at their level best".*

Several participants made suggestions. For example, Participant 7 proposed:

*"In terms of performance, I think the process itself must improve how PMDS is conducted, and biases must be removed from the process".*

#### *Theme 6: Complicated Scorecard Template*

Participants in the study highlighted that scorecards were used in the process of quantifying employee performance. For example, Participant 11 described the employee performance measurement tool as user-friendly:

*"Our balance scorecard uses a five-point scale. The template is not very difficult to use because most columns are locked, so you cannot change the formulas or anything; you just need to put the information and score yourself from one to five. I will say the template is very user-friendly".*

In a similar vein, Participant 10 asserted:

*"It's fine because I'm just an end-user of it, so I'm happy with it. Yes. It's working well for me".*

Contrary to the positive experiences described by a few participants, several participants lamented the use of a complicated scorecard template to measure employee performance. For example, Participant 1 complained:

*"The template always changes every year we have to get an understanding from HRBSs. What do we do we just get the HRBPs to assist us? So, the template is not user-friendly".*

Unlike Participant 1, who highlighted a lack of understanding of the complicated balanced scorecard, Participant 11 was not familiar with the scorecard template but cited incorrect application as a point of contention, stating:

*"I am quite familiar with the balanced scorecard system but here at NECSA is not applied correctly".*

Participant 5 shared this sentiment, emphasising the need for training to ensure the effective implementation of the scorecard:

*"It is easy to use provided that line managers are trained on how to use the template as they are responsible for scoring employees".*

Participant 5 alleged that scorecards were a contributing factor to the favouritism cited as an impediment to the successful implementation of the PMDS. For instance, in advocating the integration of new technology as a means to end favouritism, Participant 5 pointed out:

*"Manually, it is easy to cheat because your manager can change the scores at any time; there's a lot of favouritism in our company".*

#### *Theme 7: Misconception of the Performance Management Process*

While participants in the study were generally in agreement on the importance of performance management processes, Participant 2 clarified some misconceptions about what the process entailed. Participants 2 and 3 said:

*"When we speak of performance management, we are speaking of strategies that have been formulated as to how we have to execute those plans that are set for us and also deliver on what we have set for ourselves. That part I feel it is misunderstood here". (Participant 2)*

*"Most of the negative factors emanate from not understanding the system because if I didn't understand the system, I will then not comply. So, we need an understanding of the system". (Participant 3)*

To exemplify the misunderstanding referred to above, Participant 2 explained:

*"It is not all of the incentives, but to ensure that performance is embedded that we are performing as an organisation. As a state-owned organisation, we have a shareholder contract, and as an organisation, we must ensure that we fulfil all the expectations set by the government. But that part is deemed not to be understood by everyone in the organisation".*

Participant 3 affirmed the statement regarding misconceptions about performance management processes, stating:

*"The factors that can negatively influence PMDS, I think, is the lack of understanding of the system by all stakeholders such as management and the people who are implementing the system and the people who are supposed to conform to the system, which is employees. Without a proper understanding of the PMDS, the system won't be effective".*

To achieve the successful implementation of the PMDS, mainly as it related to a common understanding of performance management processes, Participant 3 recommended:

*"Proper communication of the system and rolling out of the policies to a point where management feels comfortable that everyone complies and understands how the system works".*

Participant 8 highlighted that the institutional culture of NECSA did not reflect that performance management was valued:

*"Performance management in my organisation has not been taken seriously as it should be. Employees are just doing it because somebody said they must do it. They don't understand that the salary they are getting talks to performance management. They are doing performance management because the organisation is paying them. So if the organisation's culture is not supporting it, the organisation won't go anywhere".*

#### *Theme 8: Financial Constraints*

Several participants said that the organisation's financial constraints were an impeding factor in the successful implementation of the PMDS. Participant 4 stated:

*"With the financial state of our company, I don't know what to say anything when it comes to performance recognition and rewards".*

While Participant 4 insinuated that there was a link between the financial state of the organisation and performance recognition and rewards, Participant 9 attributed the decline in personnel development to the organisation's financial constraints:

*"You see, in twelve months, you could have attended five training courses when I started in 2011. The development in terms of staff development is not the same as when*

*I started here, so there has been a decline in terms personnel development, it can be attributed to, but budget constraints is a major issue in terms of staff development".*

Participant 12 made similar associations:

*"There are some people who attend courses, but most of the time they will tell you that you cannot go and attend the courses because there is no money in the company".*

#### *Theme 9: A lack of Strategic Plans*

Strategic plans form an essential part of performance management. However, several participants pointed out that NECSA did not have a clear strategic plan. Participant 2 stressed this point:

*"Here at NECSA, we don't have a strategy in place because since I started here at NECSA, I have not seen any strategy in place, and the strategy that we have has been formulated a couple of years back before I even came here".*

Participant 2 elaborated on the effect on the PMDS of not having a business plan, stating:

*"Another factor is the lack of a business plan which negatively affects PMDS because when we do contract, we have to align it with the business plan, and in the absence of that people put anything they feel should be part of contracting which is not really in line with what we need to achieve as an organisation".*

While some participants believed that the lack of strategic plans was an impeding factor in the successful implementation of the PMDS, Participant 10 noted a strategy. Still, the challenge lay in the clarity of its directives. For example, Participant 10 stated:

*"has an overall policy which is just vague. It's a little bit difficult because we don't know where we need to focus. If we can set up priorities straight and focus on what we actually should be doing well, then I think we could achieve our targets. There is not a clear guideline on how to reward performance".*

Participant 12 expressed similar discontent:

*"I think doesn't have a good rewarding strategy for a long time; it has been battling to come up with a good strategy".*

## **Discussion**

### *Favouritism*

In this current study, many participants mentioned that management was biased and favoured certain employees. Favouritism can therefore negatively affect

performance management and also lead to demotivation. Egwuonwu (2023:62) found that favouritism could have negative effects when the underlying causes were unrelated to employee performance and when other employees felt disadvantaged and this finding concurs with the finding of the current study

#### *Working in Silos*

It was found in the current study that there was a lack of an integrated PMDS system and there was a lack of working as a team. Working in silos therefore negatively affects the PMDS. De Waal et al. (2019, p. 14) on the other hand found that organisations and their leaders could benefit from effective silo-busting and thus better internal collaboration. In turn, this improved collaboration would boost the performance levels of organisations. It is therefore essential that collaboration and teamwork be ensured at this state-owned company.

#### *Insufficient Capacity Building*

In the current study, it was clear that the lack of training on how to properly execute the PMDS had a negative impact on performance appraisal. Some of the managers used a lack of money in the budget as a reason for not obtaining the necessary PMDS training. Inefficient capacity building is therefore a factor that negatively affects the PMDS at the state-owned company. According to Saldanha (2006, p. 35), capacity building is influenced by a multitude of variables. One of these variables is financing. Through proper strategic planning, such financing must be made available for the organisation and employees to grow and contribute to their own performance and that of the organisation. This study of Saldanha (2006, p. 35) concurs with the findings of the current study.

#### *Ineffective Performance Management*

A lack of transparency in implementing the PMDS and insufficient follow-up were raised by some of the participants. It was also raised that ineffective performance management negatively affected the staff morale at the state-owned company. Some of the participants mentioned that the PMDS does not work for all levels of employees. Weis and Hartle (2023, p. 9) state that a performance management process must reflect measurable results and demonstrate the “right stuff” that leads to individual and organisational success. It can thus be deduced that not managing the performance management process efficiently will lead to ineffective performance management. The study of Weis and Hartle (2023, p. 9) concurs with the ineffective performance management factor of the current study.

#### *Incompetent and Unethical Managers*

Some of the participants said that insecure and jealous managers use the PMDS in an unethical manner. Fear of criticism also negatively affected the competent use of the PMDS. Shi et al. (2023, p. 1) found that abusive supervisors might experience



embarrassment and thus be more likely to use impression management tactics, such as an apology. The study revealed the boundary conditions related to managers' unethical and abusive behaviours. This study's findings concur with the findings of this current study in the sense that incompetent and unethical managers negatively affect the correct use of the PMDS.

#### *Complicated Scorecard Template*

In the current study, it was found that a complicated scorecard template did not allow effective and proper performance evaluation. This PMDS factor had a perceived negative effect on the overall performance management in the state-owned company. According to Tawse and Tabesh (2023, p. 132), a strategy map, top management team (TMT) commitment to BSC adoption, broad participation in the BSC development process and frequent communication about the BSC deployment help to engage key stakeholders are essential elements in scorecard implementation. All three of these managerial actions improve organisational competency, commitment and coordination, the three foundational requirements of effective strategy implementation (It is clear from the findings of this current study that these three elements were not part of the PMDS at the state-owned company.

#### *Misconception of the Performance Management Process*

In the current study, it was found that a lack of understanding of the PMDS greatly affected the execution of the PMDS in a negative sense. It was also clear that the necessary seriousness of using the PMDS in a proper way was not evident. A study by Berdicchia et al. (2023, p. 1) revealed that perceived PMDS accuracy was positively associated with both intrinsic and extrinsic motivation, and participation in decision-making and task uncertainty both positively moderated the relationship between perceived PMS accuracy and extrinsic motivation. It was clear from the findings of the current study that the motivation levels of the participants were negatively affected due to the misconception of the PMDS.

#### *Financial Constraints*

Due to perceived financial constraints at the state-owned company, the participants raised the fact that there was no link between performance and rewards. There was also no money to attend certain courses as part of staff development. Many companies have a typical merit-based pay scheme where the outcome of an individual performance appraisal is used to drive the increase in base salary through the performance management system (Weiss & Hartle 2023, p. 94). Unfortunately, this was not the case at the state-owned company.

#### *A Lack of Strategic Plans*

Mulyaningsih et al. (2023, p. 1) found that strategic planning, which consists of three dimensions – the desires of external stakeholders, a company's internal

encouragement and a company's database – significantly influences the competitive advantage of companies is extremely important for any company to survive and to be competitive. In the findings of the current study, it was, however, clear that there was a lack of strategic plans. This negatively affected the PMDS in the sense that there was no clear alignment between the company's mission and performance execution.

### **Practical/Managerial Implications**

The management cadre of the selected state-owned company can utilise this study's findings to improve the implementation of the PMDS. Knowledge of the PMDS factors will also allow management to proactively identify potential areas for improvement. If the management of this South African state-owned company does not consider the identified PMDS factors, the implication may be that poor decisions could lead to a failure to achieve organisational goals and ultimately to increased staff turnover.

### **Limitations and Recommendations**

A limitation of this study was that it had a small population size and was restricted to employees at NECSA, based in Brits, South Africa, where the researcher was an employee and a contracted PMDS candidate. Further limitations were that only 12 NECSA employees participated in the study and that it used a qualitative design, which afforded a once-only view of the PMDS at NECSA. Despite this limitation, the results can be generalised to theoretical propositions; according to Yin (2014, p. 257), this is called analytical generalisation.

Similar research should be conducted in other state-owned, government and private-sector organisations in the future because the PMDS is a broad topic with many interesting aspects to focus on. It is also recommended that to generalise the results, a larger sample should be used by other researchers when testing the relationships between variables in this study. Based on the literature and the study findings, the PMDS at NECSA will be effective and perceived positively by employees should NECSA's management implement the following recommendations:

- Train managers to link the performance indicators with the organisational strategy.
- Raise awareness of how the balanced scorecard is implemented.
- Link performance appraisal to rewards and career development.

### **Conclusion**

What are the employees' perceptions of the PMDS factors at the SA state-owned company? The study findings aligned with the question. Amongst others,

the perceptions were: favouritism, unachievable targets, not being involved in the contracting process, lack of training in the PMDS, complicated balanced scorecard template, the PMDS not being linked to rewards, and an electronic system for the PMDS not being in place at NECSA. The primary research objective was to determine employee perceptions of PMDS factors within SA state-owned companies and these were found to be negative. In conclusion, top management would find it challenging to improve the PMDS if the recommendations discussed in this study were not adequately implemented.

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