

Effect of Implementing Performance Management on the Productivity, Efficiency and Effectiveness of the Chabahar Municipal Employees

¹Homayounizadpanah and ²Baqerkord

¹Department of Business Administration, University of Sunderland

²Management Department, University of Sistan and Baluchestan, Zahedan, Iran

Abstract: This study analyzes the relationship between performance management, productivity and efficiency for organizations working at Chabahar Municipality. In order to achieve the above objectives, research questions were developed. Two hypotheses were developed for the study. Survey and Interview were used as main tools data collection of primary data. Respondents were selected using simple random sampling technique. The responses were entered and analyzed by using SPSS. The findings of this study indicates that majority of respondents (38%) agree that performance management system determines productivity level at their organization and majority of the respondents (40%) agree that they believe that performance management system determines efficiency level at their organization. The major finding from the correlation analysis was that there is a strong positive relationship between performance management and productivity. Furthermore, the analysis also showed that performance management and efficiency have strong positive relationship. These findings led to acceptance of two alternative hypotheses and rejection of the null hypotheses.

Key words: Chabahar, effectiveness, efficiency, performance management, productivity

INTRODUCTION

Performance management comprises all activities that guarantee that organizational objectives are constantly being attained in an efficient and effective manner. Normally, performance management focuses on the organizational performance, employees, departments and to some extent the processes that are usually employed to build a service or product, as well as other key areas of an organization. Performance management is actually a broad term that was initially used in the 1970s to depict a technology-science entrenched in application methods basically intended to assist the institutional managements to manage both results and behavior, which are the two vital aspects of what is commonly identified as performance.

Mostly, performance management is employed in the place of work, but this does not mean it cannot be used in other places. Some other places that have in the past been identified with performance management are: schools, community meetings, churches, sports teams and to some extent in political environments or in short anyplace in the world where human beings can intermingle with their settings to generate the effects that are desired. Baron and Armstrong define performance management as an integrated and a strategic approach towards enhancing the organizational effectiveness by bettering the performance of employees as well as through developing the individuals and teams capabilities (Baron and Armstrong, 2007). This study therefore discusses the effect of

implementing performance management on the productivity, efficiency and effectiveness of the Chabahar municipal employees.

From organizational point of view, this research will help all the companies in assessing the performance management. It will give them insights from a current research which is up to date, as employee preferences tend to change over time. Therefore, management can design their performance management system based on the implications from this study. This study will help the managers in designing better performance management system for their company in light of recommendations given in this report. The findings of the thesis can be taken as a reference point by corporate managers working at different municipalities in Iran for increasing the productivity and efficiency. This thesis will serve as baseline for designing their performance management system. Extensive research on performance management has been conducted in the past, but in this research relationship between performance management, productivity and efficiency will be made; which will be a value addition to the existing literature available on this topic. To add with, most of the researches on this topic are outdated as they were conducted in past. This particular study will incorporate the responses of the current employees of Chabahar Municipality working in 2011 which will be more relevant.

In addition to this employee behavior is subject to change over time. Most of the studies were carried out in the 1990s. Since then there have been important changes

in organizational structure, technology and processes. The concept of outsourcing has added new dynamics to the organizational operations. Off-shore production units and offices further complicate the organizational management process. Moreover, information technology has created opportunity for better communication, supervision and clarity in decision making. New software is available that enables organizations to manage their processes.

The main objective of this study is to identify the relationship between performance management and high levels of efficiency, effectiveness and productivity in organizations found with Chabahar municipality.

LITERATURE REVIEW

The focus on performance management is increasing and several authors have given this topic some attention (Caligiuri, 2006; Cascio and Bailey, 1995; Wright and Nishii, 2004; Briscoe and Schuler, 2004; Engle *et al.*, 2008). According to Cascio and Bailey (1995), performance management is:

“The terrain of global performance management systems is largely uncharted.”

Neely *et al.* (2000) cited a definition for performance management: “the process of quantifying the efficiency and effectiveness of past actions through acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data”. Performance management has mostly been used in the context of human resources. The term was first used in the 1970s however, it only gained recognition in the late 1980s (Armstrong and Barron, 1998). Performance management has continued to evolve ever since. Earlier the concept involved ratings based on merit and later developed into more transparent systems including rating scales, performance based payment schemes and management by objectives (Martinez, 2001). He found that earlier performance tools worked in isolation; however, modern performance management included an integrated approach to the system. Martinez (2001) found staff appraisal to be the most commonly used form for performance management in the public sector.

According to Martinez (2001) performance management is: “Essentially about measuring, monitoring and enhancing the performance of staff, as a contributor to overall organizational performance”. Bach and Sisson (2000) declare that the variables involved in performance management are complex and often influenced by factors that researchers are unable to control. Bretz *et al.* (1992) and Levy and Williams (2004) discuss the literature on appraisals in detail. Authors such as Callahan *et al.* (2003), Poon (2004) and Kuvaas (2006) analyse the influence of performance appraisals on job satisfaction among employees, job turnover and performance of the

employee. There is almost no research work as to the determinants of performance appraisal except a few. Brown and Heywood (2005) found that among these determinants was firm size and unions.

Efficiency refers to reduction in waste and improving use of resources such that the same amount of inputs produce more output. Economists define efficiency to be of three types-technical, productive and a locative efficiency (Palmer and Torgerson, 1999; Varian, 1992). Technical efficiency is the relationship between ‘physical’ inputs and outputs. Technical efficiency means producing maximum output given a set of inputs (Cromwell *et al.*, 2011). Productive efficiency is defined as the maximization of output given a particular cost or simply cost minimization (Cromwell *et al.*, 2011). On the other hand, a locative efficiency incorporates productive efficiency as well as welfare of the community (Cromwell *et al.*, 2011).

Performance management and efficiency have a very straightforward relationship. The very purpose of performance management is improvement in use of resources which leads to efficiency. Performance measurement enables and organization to assess and compare performance against benchmarks and review how strategies and practices can be improved to increase efficiency in the organization.

RESEARCH METHODOLOGY

Performance management entails monitoring vital performance aspects that are aimed at checking if an organization is achieving its overarching strategies and objectives. Since employees are an integral part of an organization, hence performance management is seen as the method that can be used to tap the full capabilities of employees. The basis of the study is to look into details the aspects of performance management that are not being utilized and recommend to senior management of organizations within Chabahar for adoption or further research.

Research objectives: The main objective of this study is to identify the relationship between performance management and high levels of efficiency, effectiveness and productivity in organizations found with Chabahar municipality.

The focus is given to following specific areas:

- Identify the relationship between best practice in Human Resource Management practices and employee performance
- Evaluate the quality of human resource management practice in a number of organizations which fall within Chabahar municipality in Iran
- Identify areas of potential improvement and recommended enhanced practices to senior management

Research questions: The Research questions that are covered by the present research are as follows:

“What is the effect of implementing performance management on the productivity and efficiency of the Chabahar municipal employees?”

Time and place scope of the project: The place selected for this research is Chabahar Municipality. This municipality has a strategic location in Iran and is important to the Iranian people.

According to the available online literature, Chabahar city seems not to be having a long history. In fact, modern Chabahar city just dates back to approximately forty years, from the time it made into a municipality. With this, multi projects started coming up both local and international especially those from United States. The 1979 revolution in Iran made some of this multinational companies to wind up their projects a situation that forced the Iranian government to take over in addition to turning several of this companies into state corporations. Besides, the Iran-Iraq war turned the city into a strategic and logistical significance.

After the war the government of Iran developed some scheme that aimed to employ the geographical position of the city as a development tool in the region to encourage economic growth especially in the Iranian eastern provinces. This establishment not only has been encouraging development in the region but also has been behind the mass immigration into the city. The large skilled population into the city has been adding value in the faster development of Chabahar (Issham, 2010). However, due to the Islamic laws coupled with the extreme culture that is highly entrenched in Islam some companies and organizations have no good practices that foster employee performances at work place. Hence this study will majorly focus on the performance management problems in the Iranian Chabahar municipality.

Tools available for collection of primary and secondary data: For data collection, there are many tools available. Data can be obtained from both primary and secondary sources. Primary data refer to information obtained first hand by researcher on the variables of interest for specific purpose of the study. Whereas; secondary data refer to information gathered from sources already existing (Sekaran, 2009).

There are five main sources of primary data collection:

- Questionnaire
- Interview
- Focus groups
- Panels
- Unobtrusive methods

Sources for secondary data collection are listed below:

- Internet
- Company records

- Government publications
- Industry analysis
- Media

Selection of data collection tool: In this study, questionnaire and interview have been selected as the main tool for collection of primary data. Internet and company records have been consulted for collection of secondary data.

Justification for using questionnaire: For collection of primary data, there are various methods of data collection available; like questionnaire, interview and focus group. But in this study “questionnaire” will be used for primary data collection which will be distributed among the employees working at Chabahar Municipality. The reasons of using this approach is that personally administered questionnaires offers many advantages. Research can motivate the respondent to fill the questionnaire. Any doubts in mind of respondents can be clarified. Then a higher response rate can be ensured by using self-administered questionnaires. Anonymity of respondent is also high. Therefore it is best suited for this study where behaviour of the respondents can be easily measured.

Justification for using interviews: The use of interviews was also made in this study for a detailed understanding of the situation. Interviews are one of the most commonly used primary research methods. This research method enables the researcher to obtain relevant information for a highly targeted audience. Interviews also provide the respondent with the opportunity to express their feelings and opinions freely. Furthermore, face-to-face or telephonic interviews also provide the researcher to make underlying inferences about responses through observing body language, voice and expressions. Sensitive topics are best handled using this interview technique as it allows the researcher to control the situation better.

Despite its advantages, interviews is a time consuming process. This research method requires good interviewing skills and complete command over the research study. Interviews use a lot of valuable time and resources. Also if this technique is being used, the researcher needs to interview a number of people in order to make comparisons. Interviews from one or two people cannot be generalized to others.

In this study the target audience for interviews was the top level management. These are the people that create strategic goals for the organization and plan activities for lower hierarchical levels to follow. The senior management is responsible for satisfying all stakeholders such as investors, board of directors, employees and customer's. Hence, it is the senior management that would be responsible for a company's performance in any industry. This study includes interviews from senior managers and higher authorities in the municipalities. These people would be directing the

implementation of performance management systems. As mentioned earlier, top management support is a critical success factor for effective performance management systems. Therefore, the interviews were used to give them opportunity to express their opinions as well as observe their commitment to the performance management system. The interviews designed are semi-structured including a mixture of closed and open-ended questions.

Research population: The target population in this study was limited to employees working at Chabaha Municipality. The research population for this study includes all the employees of working in Chabaha Municipality.

Time horizon: The time horizon for research study will be cross sectional as data is gathered just once in order to answer the research questions. Cross sectional study is used because of limited resources and time constraints.

Sampling method: The sampling technique used in the research is, 'non probability convenient sampling' in which questionnaires were distributed among employees of Chabaha Municipality according to convenience.

Convenience sampling refers to the collection of information from members of population who are conveniently available to provide the information. This sampling method is most often used during the exploratory phase of research project and is the best way of collecting basic information quickly and efficiently (Sekaran, 2009).

Therefore, in this research, questionnaires will be distributed to the participants based on convenience, who are easily available and willing to participate in survey.

Research hypothesis development: In order to analyze the relationship between performance management, productivity and efficiency, following hypothesis have been proposed.

H01 (Null hypothesis): There is no relationship between performance management and productivity level of employees.

H1 (Alternate hypothesis): There is a relationship between performance management and productivity level of employees.

H02 (Null hypothesis): There is no relationship between performance management and efficiency level of employees.

H2 (Alternate hypothesis): There is a relationship between performance management and efficiency level of employees.

EMPIRICAL RESULTS

A total of 60 questionnaires were distributed among the employees of Chabaha Municipality; out of which 50 were properly filled and returned. This gives a response rate of 83.3%. The filled questionnaires were then checked for errors, missing data and biasness. All the responses were then decoded. After the data entry into SPSS, results were then analyzed.

Major research findings: Major Findings of the research are shown in Fig. 1 and 2.

Gender: Figure 1 shows that the total respondents were 50, out of which 34 were males and 16 were females. Therefore the male comprises 68% and female comprises 32% of the total value. This graph depicts that the gender of majority of the respondents (68%) was male.

Job status: Figure 2 shows that the total respondents were 50, out of which 16(32%) were temporary employed, 13(26%) were part-time employed and 21(42%) were full-time employed. This graph depicts that the majority of the respondents (42%) were full-time employed.

Employment period: Figure 3 shows that the total respondents were 50, out of which 7(14%) were employed for "Less than 12 months", 17(34%) were employed for "1-3 years", 8 (16%) were employed for "4-6 years", 13(26%) were employed for "7-9 years" and 5(10%) were employed for "more than 10 years". This graph depicts that the majority of the respondents (34%) were employed for 1-3 years.

Position: Figure 4 shows that the total respondents were 50, out of which 6(12%) were at "senior/executive level" position, 8(16%) were at "senior manager" position, 14(28%) were at "Middle manager" position, 13(26%) were at "Supervisor" position and 9(18%) were at "Individual contributor" position. This graph depicts that the majority of the respondents (28%) were at "Middle manager" position.

PM theme: Figure 5 shows that the total respondents were 50, out of which 26(52%) said that "We have been investing in Performance Management for some time now", 22(44%) said that "We recently started to invest in Performance Management", 2(4%) said that "We are planning to invest in Performance Management" and

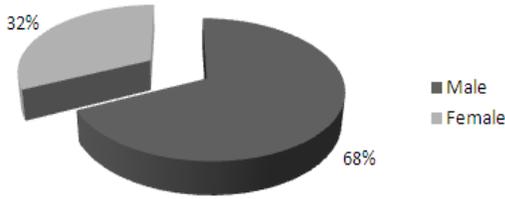


Fig. 1: Gender

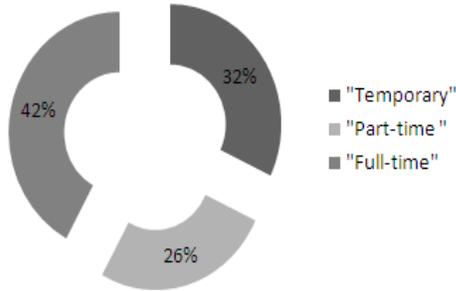


Fig. 2: Job status

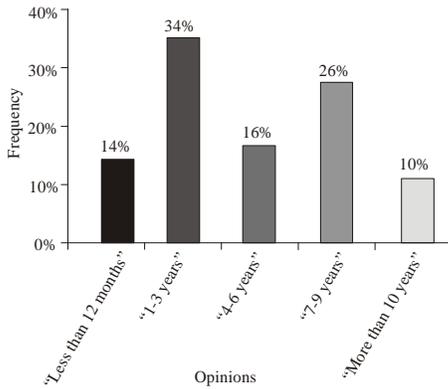


Fig. 3: Employment period

nobody said that "We are not interested in Performance Management". This graph depicts that the majority of the respondents (52%) that "We have been investing in Performance Management for some time now".

Functional areas: Figure 6 shows that the total respondents were 50, out of which 8(16%) said that "strategy" department was giving top priority to performance management, 1(2%) said "sales", 3(6%) said "Products & Services development", 14(28%) said "Operations", 11(22%) said "Human Resources", 1(2%) said "Information Systems and Technology" and 12 (24%) said "Marketing". This graph depicts that the majority of the respondents (28%) said "operations" department was giving top priority to performance management.

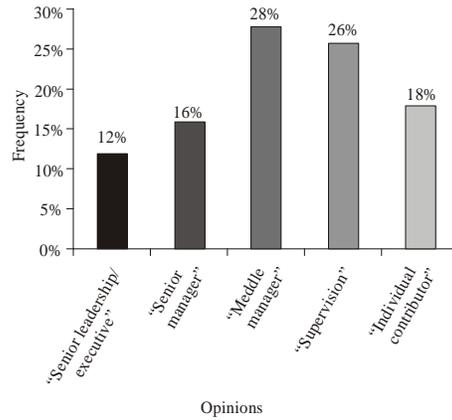


Fig. 4: Position

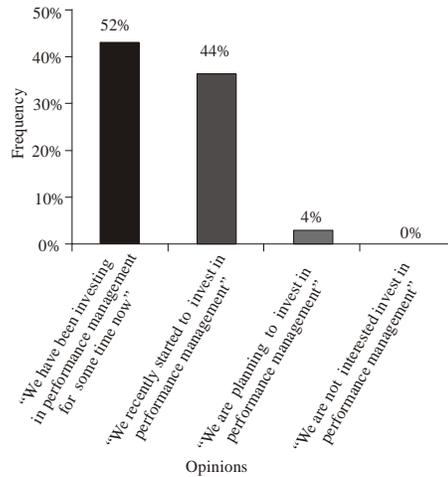


Fig. 5: PM theme

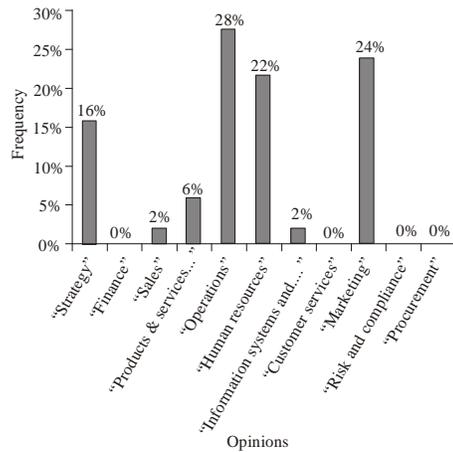


Fig. 6: Functional areas

Executive managers: Figure 7 shows that the total respondents were 50, out of which 9(18%) said "CEO" are driving performance management efforts, 17(34%)

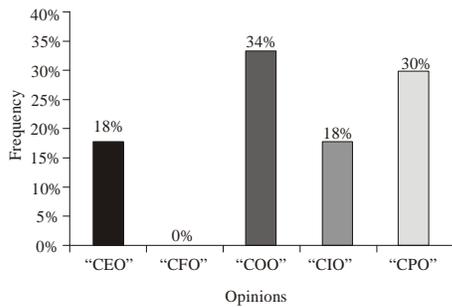


Fig. 7: Executive managers

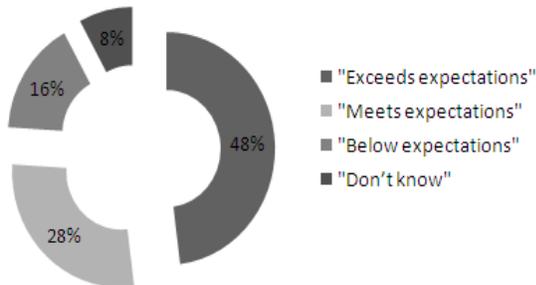


Fig. 8: On basis of evidence

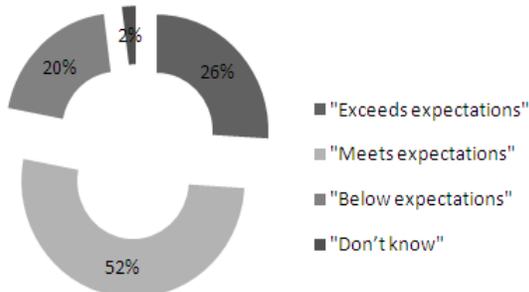


Fig. 9: On basis of performance indicators

said "COO", 9(18%) said "CIO" and 15(30%) said "CPO". This graph depicts that the majority of the respondents (34%) said "Chief Operating Officers" are driving performance management efforts.

On basis of evidence: Figure 8 shows that the total respondents were 50, out of which 24(48%) said management on basis of evidence "exceeds expectations", 14(28%) said it "meets expectations", 8(16) said it is "below expectation" and 4(8%) said they "don't know". This graph depicts that the majority of the respondents (48%) said that management on basis of evidence "exceeds expectations".

On basis of performance indicators: Figure 9 shows that the total respondents were 50, out of which 13(26%) said management on basis of performance indicators "exceeds expectations", 26(52%) said it "meets

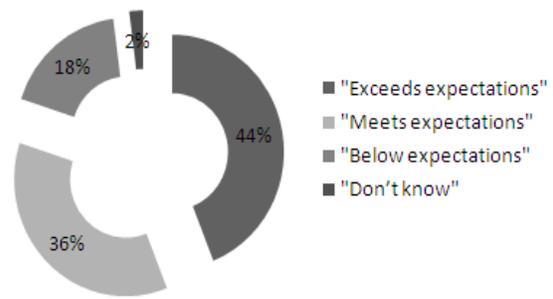


Fig. 10: On basis of integration of business processes

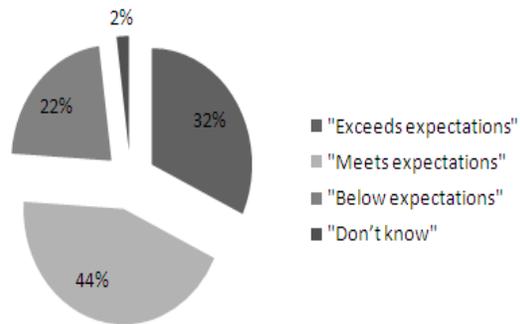


Fig. 11: On basis of agility in steering

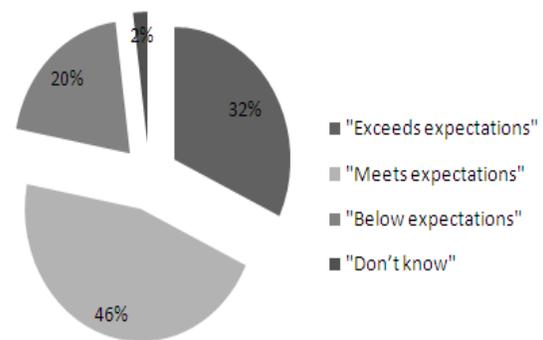


Fig. 12: On basis of alignment

expectations", 10(20) said it is "below expectation" and 1(2%) said they "don't know". This graph depicts that the majority of the respondents (52%) said that management on basis of performance indicators "meets expectations".

On integration of business processes: Figure 10 shows that the total respondents were 50, out of which 22(44%) said management on basis of integration of business processes "exceeds expectations", 18(36%) said it "meets expectations", 9(18) said it is "below expectation" and 1(2%) said they "don't know". This graph depicts that the majority of the respondents (44%) said that management on basis of integration of business processes "exceeds expectations".

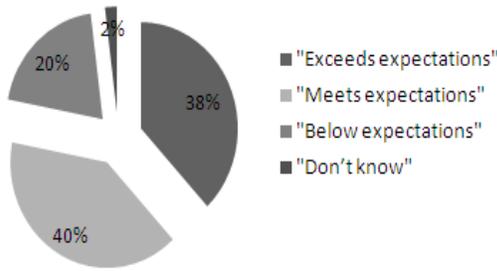


Fig. 13: On basis of learning organization

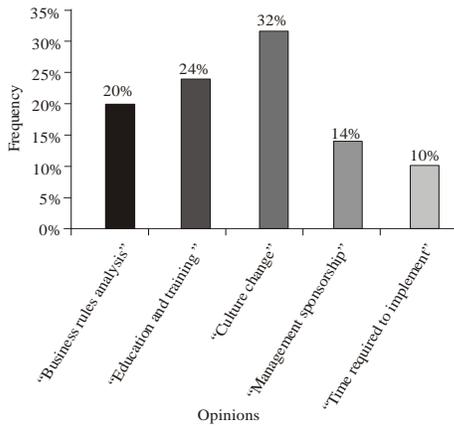


Fig. 14: Challenges in performance management success

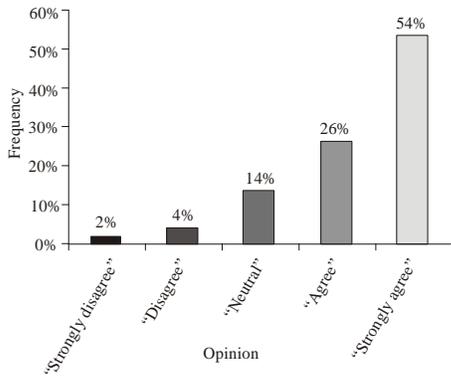


Fig. 15: Cross functional teams

On basis of agility in steering: Figure 11 shows that the total respondents were 50, out of which 16(32%) said management on basis of agility in steering “exceeds expectations”, 22(44%) said it “meets expectations”, 11(22%) said it is “below expectation” and 1(2%) said they “don’t know”. This graph depicts that the majority of the respondents (44%) said that management on basis of agility in steering “meets expectations”.

On basis of alignment: Figure 12 shows that the total respondents were 50, out of which 16(32%) said management on basis of alignment “exceeds

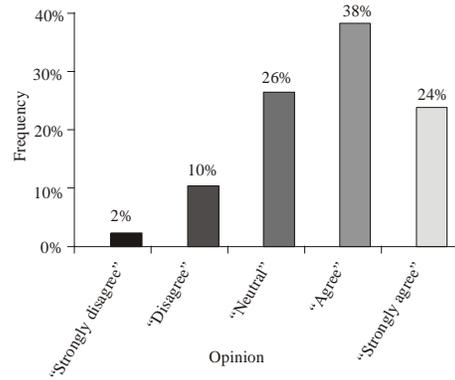


Fig. 16: Meeting performance target

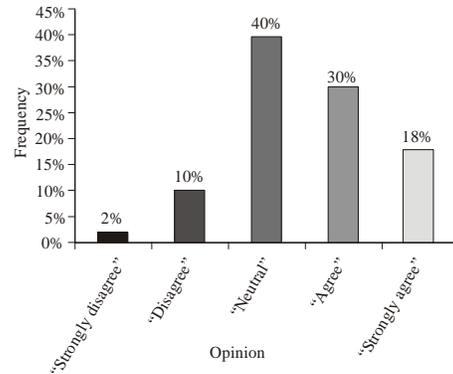


Fig. 17: Milestones on time

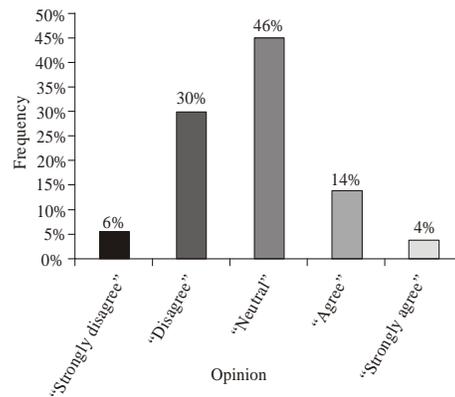


Fig. 18: Higher actual cost

expectations”, 23(46%) said it “meets expectations”, 10(20%) said it is “below expectation” and (2%) said they “don’t know”. This graph depicts that the majority of the respondents (46%) said that management on basis of alignment “meets expectations”.

On basis of learning organization: Figure 13 shows that the total respondents were 50, out of which 19(38%) said management on basis of learning organization “exceeds

expectations”, 20(40%) said it “meets expectations”, 10(20%) said it is “below expectation” and 1(2%) said they “don’t know”. This graph depicts that the majority of the respondents (40%) said that management on basis of learning organization “meets expectations”.

Challenges to achieving performance management success:

Figure 14 shows that the total respondents were 50, out of which 10(20%) said "Business rules analysis" was the major challenge in achieving performance management success, 12(24%) said "Education & training", 16(32%) said "Culture change", 7(14%) said "Management sponsorship" and 5(10%) said "Time required to implement". This graph depicts that the majority of the respondents (32%) said that "Culture change" was the major challenge in achieving performance management success.

Cross functional teams:

Figure 15 shows that the total respondents were 50, out of which 1(2%) “Strongly disagreed” that there should be a cross-functional team for promoting the effectiveness of performance management, 2(4%) “Disagreed”, 7(14%) were “neutral”, 13(26%) “Agreed” and 27(54%) “Strongly agreed” with the statement. The graph depicts that majority of the respondents (54%) strongly agreed that their organization should have a cross functional team for promoting the effectiveness of performance management.

Meeting performance target:

Figure 16 shows that the total respondents were 50, out of which 1(2%) “Strongly disagreed” that their organization is meeting the expected performance target, 5(10%) “Disagreed”, 13(26%) were “neutral”, 19(38%) “Agreed” and 12(24%) “Strongly agreed” with the statement. The graph depicts that majority of the respondents (38%) agreed that their organization is meeting the expected performance target.

Milestones on time:

Figure 17 shows that the total respondents were 50, out of which 1(2%) “Strongly disagreed” that their organization is achieving the milestones on time, 5(10%) “Disagreed”, 20(40%) were “neutral”, 15(30%) “Agreed” and 9(18%) “Strongly agreed” with the statement. The graph depicts that majority of the respondents (40%) were neutral that their organization is achieving the milestones on time. However, it may be noted that that percentage of agreed group (30%) was higher than the disagreed group (10%).

Higher actual cost:

Figure 18 shows that the total respondents were 50, out of which 3(6%) “Strongly disagreed” that their actual cost for projects is always higher than the budgeted cost, 15(30%) “Disagreed”, 23(46%) were “neutral”, 7(14%) “Agreed” and 2(4%)

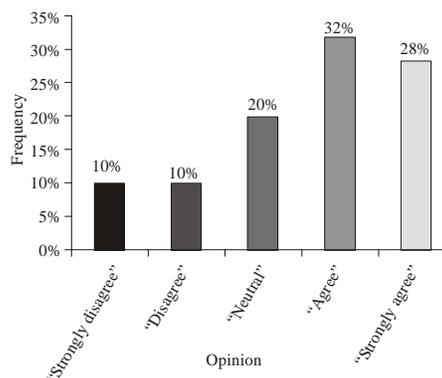


Fig. 19: Satisfaction with performance management system

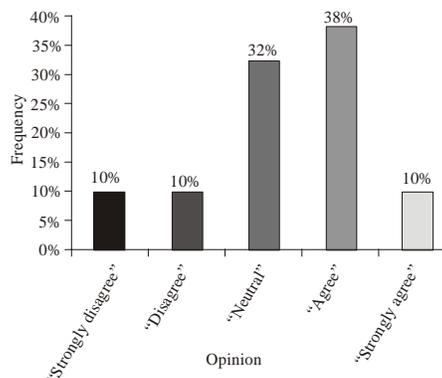


Fig. 20: Productivity level

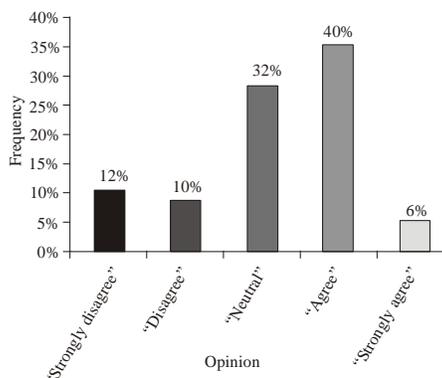


Fig. 21: Efficiency level

“Strongly agreed” with the statement. The graph depicts that majority of the respondents (46%) were neutral that their actual cost for projects is always higher than the budgeted cost. However, it may be noted that that percentage of disagreed group (30%) was higher than the agreed group (14%).

Satisfaction with performance management system:

Figure 19 shows that the total respondents were 50, out of

which 5 (10%) “Strongly disagreed” that they are satisfied with the current performance management system, 5(10%) “Disagreed”, 10(20%) were “neutral”, 16(32%) “Agreed” and 14(28%) “Strongly agreed” with the statement. The graph depicts that majority of the respondents (32%) agreed that they are satisfied with the current performance management system.

Productivity level: Figure 20 shows that the total respondents were 50, out of which 5(10%) “Strongly disagreed” that they believe that performance management system determines productivity level at their organization, 5(10%) “Disagreed”, 16(32%) were “neutral”, 19(38%) “Agreed” and 5(10%) “Strongly agreed” with the statement. The graph depicts that majority of the respondents (38%) agreed that they believe that performance management system determines productivity level at their organization.

Efficiency level: Figure 21 shows that the total respondents were 50, out of which 6(12%) “Strongly disagreed” that they believe that performance management system determines efficiency level at their organization, 5(10%) “Disagreed”, 16(32%) were “neutral”, 20(40%) “Agreed” and 3(6%) “Strongly agreed” with the statement. The graph depicts that majority of the respondents (40%) agreed that they believe that performance management system determines efficiency level at their organization.

Analysis of questionnaire: In this study, various statistical methods were used for measurement of identified variables; mainly including descriptive statistics. In descriptive statistics; mean, standard deviation and correlation were the main tests used. (Whitley and Ball, 2002)

Descriptive statistics: The Table 1 the mean and standard deviation of all dimensions of questionnaire.

Deducing from Table 1; the value for mean of variables ranges from 1.32 to 5.48. In case of all variable dimensions, “Q6” has the maximum mean value of 5.48 whereas; “Q1: Gender” had the minimum mean value of 1.32. It means that the functional areas in various organizations are giving top priority to performance management as it has the highest mean value.

The value of standard deviation for the variables ranges from 0.47 to 2.59. “Q6” had the maximum standard deviation of 2.59; which shows that in “giving priority to performance management”, there is much variation in opinion of the respondents. “Gender” had the minimum standard deviation of 0.47; it means that there is not variation in opinion of the respondents for gender.

Correlation analysis: Correlation analysis performed in the study finds the interdependence of the variables. It

will tell whether each variable is positively or negatively associated with other variable. It guides towards acceptance or rejection of the hypothesis (Arsham, 1988). Generally the value of correlation coefficient ranges from +1 to -1, where +1 shows a perfect positive correlation and -1 show a perfect negative correlation (Whitley and Ball, 2002).

The correlation analysis of different variables under study is as follows:

Correlation between Performance Management and Productivity:

X₁ = Productivity

Y = Performance Management

Correlation Value ® = 0.776

According to correlation analysis, there is a “strong positive correlation” between performance management and productivity.

Conclusion: There is strong positive relationship between performance management and productivity. It implies that change in performance management will have positive impact on productivity. It suggests that with increase in performance management, productivity will also increase. With decrease in performance management, productivity will also decrease.

Correlation Between Performance Management and Efficiency

X₂ = Efficiency

Y = Performance Management

Correlation Value ® = 0.706

According to correlation analysis, there is a “strong positive correlation” between performance management and efficiency.

Conclusion: There is strong positive relationship between performance management and efficiency. It implies that change in performance management will have positive impact on efficiency. It suggests that with increase in performance management, efficiency will also increase. With decrease in performance management, efficiency will also decrease.

Hypotheses testing:

Testing of hypothesis 1:

H01 (Null hypothesis): There is no relationship between performance management and productivity level of employees.

H1 (Alternate hypothesis): There is a relationship between performance management and productivity level of employees.

Table 1: Descriptive statistics

	N		Maxm	Mean	S.D
Q1: Gender	50	1	2	1.32	0.471212
Q2: Job status	50	1	3	2.1	0.863075
Q3: Employment period	50	1	5	2.84	1.251285
Q4: Job position	50	1	5	3.22	1.266362
Q5: Theme of performance management	50	1	3	1.52	0.579937
Q6: Functional areas giving top priority to performance management	50	1	9	5.48	2.597016
Q7: Executive managers driving performance management efforts	50	1	5	3.42	1.40102
Q8: Organization satisfaction with performance management on the basis of evidence	50	1	4	1.84	0.976458
Q9: Organization satisfaction with performance management on comprehensive set of performance indicators	50	1	4	1.98	0.742033
Q10: Organization satisfaction with performance management on integration of business processes	50	1	4	1.78	0.815413
Q11: Organization satisfaction with performance management on agility in steering	50	1	4	1.94	0.793082
Q12: Organization satisfaction with performance management on alignment of strategy formulation and execution	50	1	4	1.92	0.778276
Q13: Organization satisfaction with performance management on learning organization	50	1	4	1.86	0.808375
Q14: Challenges to achieving performance management success	50	1	5	2.7	1.233048
Q15: Must have functional team with specific tasks, roles, responsibilities and processes	50	1	5	4.26	0.985818
Q16: Expected performance target	50	1	5	3.72	1.01096
Q17: Milestones achieved on time	50	1	5	3.52	0.973946
Q18: Actual cost higher than budgeted cost	50	1	5	2.8	0.903508
Q19: Satisfied with current performance management system	50	1	5	3.58	1.27919
Q20: Productivity level	50	1	5	3.28	1.107304
Q21: Efficiency level	50	1	5	3.18	1.100835

Result: As it is given in the correlation analysis above that there is strong positive relationship between performance management and productivity level of employees.

Therefore on basis of correlation analysis, null hypothesis is rejected and alternate hypothesis is accepted. In this specific research, there is a relationship between performance management and productivity level of employees and that relationship is strong positive. The result is evident from the correlation analysis presented above.

Testing of hypothesis 2: H02 (Null hypothesis): There is no relationship between performance management and efficiency level of employees.

H2 (Alternate hypothesis): There is a relationship between performance management and efficiency level of employees.

Result: As it is given in the correlation analysis above that there is strong positive relationship between performance management and efficiency level of employees.

Therefore on basis of correlation analysis, null hypothesis is rejected and alternate hypothesis is accepted. In this specific research, there is a relationship between performance management and efficiency level of

employees and that relationship is strong positive. The result is evident from the correlation analysis presented above.

Analysis of interviews: Interviews were conducted from 20 key individuals in the top management from different organizations with in the Chabaha Municipality. The interview designed was a mix of open and closed ended questions. The questionnaire used for interview purposes is attached at the end of this report. These interviews were administered with top level executives that are in charge of policy making. The interviewees' names have not been disclosed in order to ensure confidentiality.

The purpose of the interview was to get a more detailed picture of opinions and perceptions about performance management systems in place in different organizations. The sample included 10 senior managers, 2 Board of Directors and 7 C-level executives. In this context, C stands for 'Chief'. C-level executives are top level executives such as Chief Executive Officer, Chief Operating Officer and Chief Financial Officer etc.

Descriptive statistics: The interviewees were asked about their work experience. A longer work experience provides a better opportunity to realize the benefits of performance management systems. As a result, care was taken that the interviewees had a minimum of 5 years of work experience (Fig. 22).

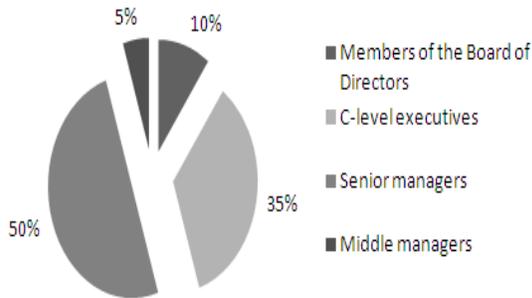


Fig. 22: Profile of interview respondents

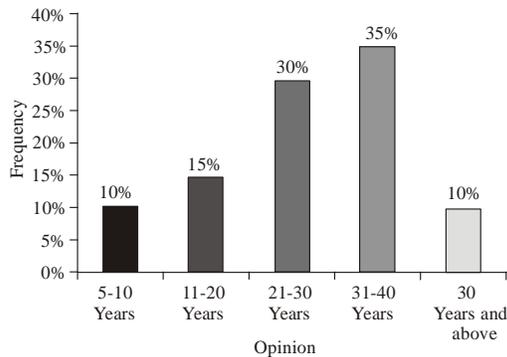


Fig. 23: Total work experience

It can be seen from Fig. 23 that only 2 respondents had a lesser work experience (8 and 9 years respectively). About 6 of the interviewees had a work experience in the range of 21-25 years and 7 have work experience nearing 30 years (Fig. 23). These indicators are important as they signal a wider scope among the respondents and increase the chances of witnessing positive impacts of performance management systems.

The respondents were asked a series of close-ended questions related to performance management systems. Figure 24 shows the organizational focus of 20 organizations in the Chabhar municipality. Human resources (25%) and strategic management (20%) were found to be more important than others (Fig. 27). Following these two areas was supply chain management (15%).

Next the respondents were asked to state what practices in performance management systems were implemented in their organizations. From Fig. 25 it can be seen that the performance management technologies most used include Scorecard tools (50%), data integration and warehousing (50%), end-user query and reporting tools (55%) and workflow and collaboration (45%). Among the lesser used tools were online application processing tools (40%), advanced analytics and data mining tools and standard reporting tools (55%).

The tools used most frequently provided in depth reports and performance appraisals in the selected

departments. Next the interviewees were asked about the future of these technologies as they perceive it. Since the respondents have implemented performance management systems in their organizations, they are well-aware of the issues, costs and benefits associated with the system. Therefore, they are ideal contenders to review the importance of different technologies.

The results were most pronounced for Scorecard tools (70%); data integration and warehousing (90%); and workflow and collaboration (85%). Other tools were also said to grow in importance; however the results are mixed.

Interviewees were asked to state the number of vendors that were currently in use for performance management systems. It was found that there were at least 2-3 vendors in majority of the organizations for different functions and departments. Only about 4 of the companies used a single vendor for all management needs (Fig. 26).

The use of several vendors for different functions increases expenses and lacks integrating capacity. It becomes time consuming and costly to manually put together information from different systems together to get an overall review of the organization. Therefore, most organizations (75%) were found to be planning to use only one vendor for the whole organization (Fig. 27).

The use of a single enterprise resource planner will allow organizations to reduce costs. In addition, the use of a single vendor allows easier and less time consuming process of accumulating the desired information and creating an integrated performance review. This fact has been realized by organizational management in the Chabhar municipality; therefore most top level executives foresee a change in the use of resource planning systems to increase efficiency.

Technology vendors are defined as the suppliers of resource planning and resource management solutions. These solutions can be specialized for a single department such as finance or human resources; or the solutions can be provided for the whole organization. According to the interview results, only 5 of the respondents favored a single focused vendor; while 4 top-level executives preferred multiple specialized vendors for their organization. When asked the reason for these preferences, most claimed that a single vendor presenting overall system was difficult in the current scenario. Different systems had different benefits and no one management system was providing an integrated benefits approach currently.

Next the senior management was asked to state the users of performance management systems. From Table management systems were middle level managers (75%), senior managers (55%) and supervisors (55%). Top level executives such as C-level executives and board members were hardly seen using performance management systems (Table 2).

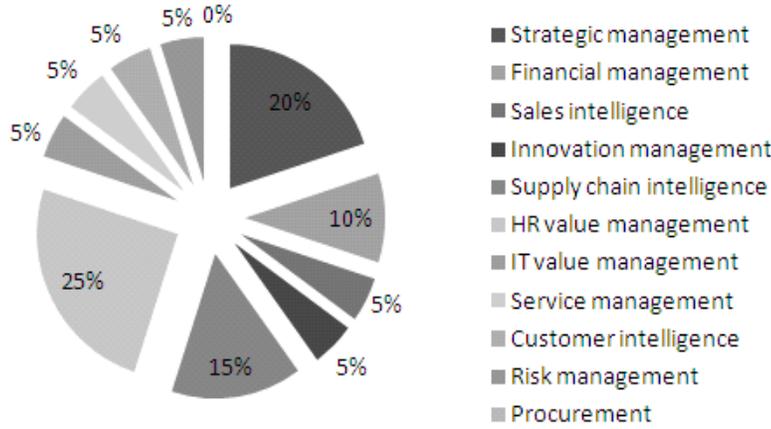


Fig. 24: Organizational focus

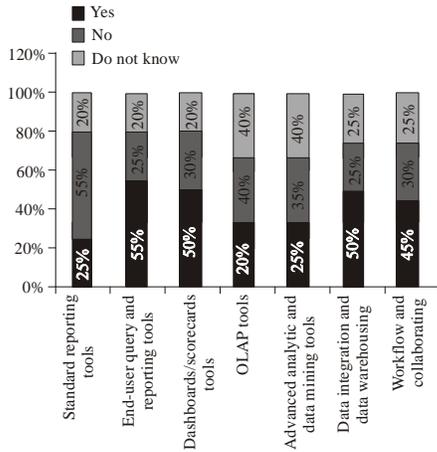


Fig. 25: Technologies implemented

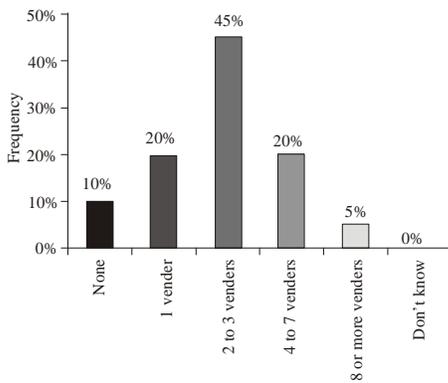


Fig. 26: Performance management system vendors in use

The usage of performance management systems was also low among frontline personnel. The reasons stated for the less use of performance management system

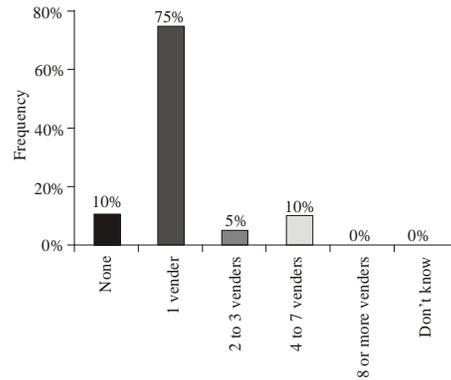


Fig. 27: Expected number of vendors in the next two years

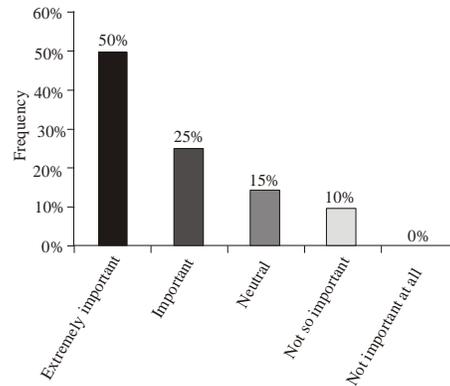


Fig. 28: Importance of performance management systems

among top level executives was that they are more concerned with reviewing progress. The system is used by senior and middle level managers who are responsible for reporting to the top management.

Table 3 shows the perceived growth in the use of performance management systems. All levels of

Table 2: Future importance of different technologies in performance management systems

	Standard reporting tools (%)	End-user query and reporting tools (%)	Dashboards/ scorecards tools (%)	OLAP tools (%)	Advanced analytics and data mining tools (%)	Data integration and data warehousing (%)	Workflow and collaboration (%)
Yes	55	45	70	40	35	90	85
No	25	35	15	25	30	5	10
Do not know	20	20	15	35	35	5	5

Table 3: Technology vendor selection strategies

Vendor type	Percentage (%)
Single BI-focused vendor	25
Multiple best-of-class BI-vendors	20
Same vendor as infrastructure	15
Same vendor as enterprise application	15
Same vendor as enterprise application and infrastructure	15
No preference	10

management are expected to use the performance management systems more actively Table 4 and 5.

The interviewees were next asked to rate the importance of performance management systems. The results are relayed in Fig. 28. Most of the top level executives (75%) believed performance management systems to be quite important. Only 3 respondents were not very convinced about the benefits of performance management systems; whereas 2 did not see performance management system as important for improvement in organizational productivity.

The reason stated by respondents, who considered performance management systems to be not to important, was that if programs are managed properly and employees are satisfied, they will work towards organizational goals. In their view, performance management system was simply a ‘fancy name’ given to day to day business activities.

Furthermore, the respondents were asked whether it was worthwhile to have a cross-functional team (Fig. 29). Almost 60% of the respondents agreed that a cross-functional team to review performance would be beneficial in supporting and promoting a performance management system.

The above closed-ended questions present a favorable view of performance management systems and the top level management realizes the importance of performance management systems. Apart from these close-ended

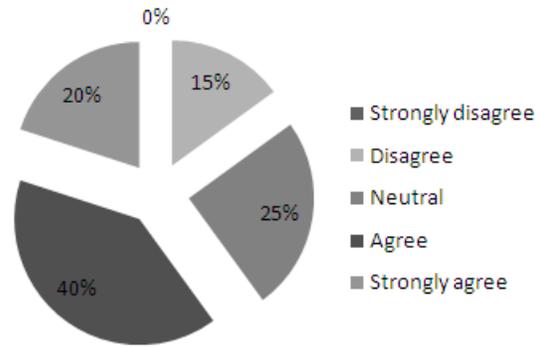


Fig. 29: Is a cross-functional team required?

questions, the top level executives were also asked a few open ended questions.

Do you believe there has been a change in the organization since the implementation of a performance management system? The respondents were asked whether they believed there has been a change in the organization since the implementation of a performance management system. The top level executives and senior managers were quite positive about the effectiveness of performance management systems. According to one senior manager, “performance management systems have increased motivation level in employees and they seem determined to improve performance”. The Chief financial officer of another. He believed: “the performance management system has instilled energy in to the organization, employees are working to reduce costs. The sales quantity and cash flows of the company have improved substantially as well. The success of performance management systems is reflected in the financial performance.”

Table 4: Users of performance management systems

	Members of the board of directors (%)	C-level executives (%)	Senior managers (%)	Middle managers (%)	Supervisor (%)	Frontline personnel (%)
Yes	20	20	55	75	55	30
No	55	40	30	5	30	50
Do not know	25	40	15	20	10	20

Table 5: Projected users of performance management systems

	Members of the board of directors (%)	C-level executives (%)	Senior managers (%)	Middle managers (%)	Supervisor (%)	Frontline personnel (%)
Yes	75	55	65	55	70	65
No	20	25	25	30	20	20
Do not know	5	20	10	15	10	15

Interviewee 2 was a middle level manager who was quite convinced of the effectiveness of performance management systems. Interviewee 2 considered “performance management system was a great success in our organization. The system improved communication and brought about a much needed cultural change. The employees are now more motivated since they are aware of performance appraisal measures and how performance is linked to pay. It certainly helps to know how your work will affect your future in the organization!”

The benefits of performance management systems were viewed to arise from better communication and accountability in the organization. Interviewee 13 found “performance management has improved production and increased output, while the costs remain the same. This improvement in productivity brought about more confidence in the system and the organizational commitment to the system was strengthened.”

Interviewee 17 was a member of the board of directors in a company and he viewed performance management systems as “the key to improving organizational efficiency as well as effectiveness.”

Therefore, judging by the reviews, it can be seen that most executives are confident about the importance of performance management systems. They have invested in performance management systems and successfully brought about the implementation of an effective system.

Apart from positive feedback, there were two executives who believed performance management system is a ‘hoax’ and a ‘fancy name’ given to day to day business activities. Interviewee 20 said “productivity of the organization is automatically improved if the organizational culture is supportive and communication channels are active”. Interviewee 11 also believed it was important to show trust and commitment to employees. He claimed: “if the employees are satisfied with their jobs and career development; if the culture of the organization allows leverage and learning; if management enables initiative and is concerned about employee welfare, there is no need for a special performance management system in place.” He also said: “people often forget the disadvantages of performance based systems. These systems breed hostility among fellow workers and might increase dissatisfaction if employees believe they are not treated fairly.”

How has your organization changed after the implementation of performance management system?

After the implementation of performance management systems, most organizations were found to have reaped positive benefits. About 65% of the respondents interviewed believed performance management systems led to increased output, efficiency and improved customer satisfaction rates. Interviewee 3 claims: “our customers and suppliers both have been appreciative of our recent

efforts to improve performance”. Furthermore, interviewee 7 added: “the financial situation of our company has improved considerable even since the performance management system was implemented 6 years ago. The sales are great, cash flows have improves and profitability is up”.

Other respondents claimed to have reaped substantial human resource advantage. The clear communication lines, improved customer service and increased employee initiative were all indicative of performance measurement reforms. Interviewee 14 (a senior level manager) reported increase in employee productivity, interpersonal relations and improvement in employee management. Furthermore, a C-level executive also believed performance management systems to have “inculcated a sense of belongingness and commitment among employees, or perhaps it is a result of improved communication and better documentation methods”.

Several respondents claimed a change in the culture of the organization. Interviewee 17 found a positive impact in the culture at his organization: “the whole organization seems to be united towards a common goal, inter-departmental politics was reduced considerably in the process of working as a collective team, differences have been set aside or resolved to improve individual as well as organizational performance.” Another respondent claimed: “the transparency brought about by performance management systems has redirected employee behavior from other domains to improving performance”.

What have you done to show approval of the performance management system?

Next the respondents were asked to state actions taken at the individual or hierarchical level to show support for the performance management systems. Most of them reported that positive steps had been taken by the top level management to show commitment to the system. One respondent said: “the implementation of the system was facilitated by opening communication lines between employees and management and employees were made a part of the decision making process.” Others maintained that they facilitated the change through inviting stakeholder feedback and reducing uncertainty.

Interviewee 1 claimed, the top management addressed their subordinates directly, informing about the changes that “shall be needed for effective implementation of performance management systems, described the nature of the changes and how these changes would affect their work and the work habits of their subordinates”. Employees were given seminars and training to smooth the transitional process and create awareness about the effectiveness of the program. Interviewee 6 stated: “it is utmost important to successfully sell an idea to internal stakeholders. If the internal stakeholders do not believe in the system, it is

doomed for failure from the beginning. Therefore, we took special care of employee reactions and conducted seminars to reduce uncertainty and hostility towards change.”

A C-level executive was found to be quite enthusiastic about the implementation of performance management systems in his organization: “I used to conduct weekly meetings with my subordinates to assess the situation after implementation of performance management systems. I personally held a meeting with all my department members and invited feedback and concerns from them. I tried to take active part in the process as I knew my confidence in the system would be reciprocated through positive attitudes and motivation.”

What benefits do you seek to gain from the system?

The senior managers and other top management individuals expected better planning and utilization of resources. In addition, they also expected better alignment of strategic goals and organizational direction. The performance management system was expected to help in achieving long-run goals. Interviewee 15 expected financial progress for his organization: “the implementation of performance management systems improved productivity of employees and therefore enhanced customer service. Improved customer service led to increase in business which in turn led to increase in sales and profitability.”

Moreover, a member of the board of director claimed: “Ever since the performance management system was implemented, we have been experiencing improvements in customer and supplier satisfaction as well as financial performance of the organization. The performance management system has streamlined business processes and improved workflow through the continuous process of assessing and improving strategies.”

“The continuous process of reviewing and assessing performance and suggesting improvement on the basis of these assessments, allows us to improve productivity and utilize resources more efficiently”, said one top level management executive. Others believe the system enables them to build a competitive edge in terms of human resources and customer service.

How do you visualize the future of performance management system in your organization?

The last question in the interview session asked for management feedback on the future of performance management systems. Most top level executives were satisfied with the performance management systems in place. They believed that in the future performance management systems are likely to improve further and provide an even more integrated system and sophisticated report generation tools.

Interviewee 8 believed: “performance management systems can only increase in importance.” Another middle level manager indicated: “there is definitely no going back, performance management system was a great success in our organization, it works well for both employees and management.”

Such positive feedback can only indicate the continued and increased use of performance management systems that provide easy data management and increase employee efficiency. “Performance management systems worked out very well for our organization and we intend to keep using them in the future”, said one senior manager. Interviewee 18 claimed: “the system has practically shown improvement in efficiency and performance, there is no reason to drop the program when it is so effective.”

The feedback received has been positive on the whole, organizations have reaped profits and productivity through the use of these systems and there is no way they would like to go back to the old system. The performance management systems have evolved to address various dimensions and processes in the organization.

CONCLUSION

A total of 50 employees from various organizations present at Chabahaar Municipality were surveyed with the help of questionnaire by following a random sampling method. The questionnaire was close ended having different dimensions for each of the variable. The responses were then analysis using various statistical tools.

It was deduced from the study that performance management plays an important role in many areas for every organization and its importance is increasing with the passage of time. The major finding from the analysis was that there is a strong positive relationship between performance management and productivity. Furthermore, the analysis also showed that performance management and efficiency have strong positive relationship. The major findings from the descriptive analysis are as below:

Respondents were asked about the demographic information in the start of questionnaire where it was found that the gender of majority of the respondents (68%) was male. The results depicts that the majority of the respondents (42%) were full-time employed. It showed that the majority of the respondents (34%) were employed for 1-3 years. It was also observed that the majority of the respondents (28%) were at "Middle manager" position.

From the findings it is observed that majority of the respondents (52%) that "We have been investing in Performance Management for some time now" and majority of the respondents (28%) said “operations” department was giving top priority to performance management. It was also observed that the majority of the

respondents (34%) said "Chief Operating Officers" are driving performance management efforts.

The research findings further depicts that the majority of the respondents (48%) said that management on basis of evidence "exceeds expectations" while majority of the respondents (52%) said that management on basis of performance indicators "meets expectations". It was seen that majority of the respondents (44%) said that management on basis of integration of business processes "exceeds expectations" and majority of the respondents (44%) said that management on basis of agility in steering "meets expectations". The findings revealed that the majority of the respondents (46%) said that management on basis of alignment "meets expectations" and majority of the respondents (40%) said that management on basis of learning organization "meets expectations".

According to research findings, it was indicated that the majority of the respondents (32%) said that "Culture change" was the major challenge in achieving performance management success. It was further observed majority of the respondents (54%) strongly agreed that their organization should have a cross functional team for promoting the effectiveness of performance management. Majority of the respondents (38%) agreed that their organization is meeting the expected performance target. The findings show that the majority of the respondents (40%) were neutral that their organization is achieving the milestones on time. However, it may be noted that that percentage of agreed group (30%) was higher than the disagreed group (10%).

The graph depicts that majority of the respondents (46%) were neutral that their actual cost for projects is always higher than the budgeted cost. However, it may be noted that that percentage of disagreed group (30%) was higher than the agreed group (14%).

The graph presented above showed that the majority of the respondents (32%) agreed that they are satisfied with the current performance management system. It also depicts that majority of the respondents (38%) agreed that they believe that performance management system determines productivity level at their organization. It was also observed through research findings that the majority of the respondents (40%) agreed that they believe that performance management system determines efficiency level at their organization.

Interviews: Top level management from 20 different organizations were interviewed. The interviewed was semi-structured and included both closed and open-ended questions. The interview technique helped in gaining additional information on the effectiveness of performance management systems and how committed is the organization to the implemented system. From the interview sessions with top level executives, the general feedback was positive. The interview respondents included members of the Board of Directors, C-level

executives, senior managers and middle managers. All the interview respondents were male and have a minimum of 8 years of experience. Extensive experience was kept as a bar so that a well-informed review could be taken from the respondents.

The respondents were asked about the organizational focus of the 20 organizations in the Chababhar municipality in Iran. It was found that significant focus was placed on human resources (25%); strategic management (20%) and supply chain management (15%). Among the performance management technologies at use, Scorecard tools (50%), data integration and warehousing (50%), end-user query and reporting tools (55%) and workflow and collaboration (45%) were found to be mostly used. Other tools such as online application processing tools (40%), advanced analytics and data mining tools and standard reporting tools (55%) were in use less often.

When asked about the future of these technologies, scorecard tools (70%); data integration and warehousing (90%); and workflow and collaboration (85%) were perceived to grow in importance in the future. Moreover, most organizations were found to be using 2-3 vendors that provided specialized resource planning systems for different departments within an organization. Only four organizations were using a single vendor for all their data processing needs. However, in the next two years, most interviewees believed the number of vendors would shrink. Reducing the number of vendors will allow the organization to reduce costs as well as improve integration of departmental resources and information to provide a holistic view of the organizational direction and progress. Almost 75% of the organizations are expected to reduce the number of vendors to one.

The most common users of performance management systems were found to be middle level managers (75%), senior managers (55%) and supervisors (55%). Top level executives such as C-level executives and board members were infrequent users of the system. Respondents said that they are more concerned with reviewing progress and it is not their responsibility to make reports. The system is used most commonly by senior and middle level managers who are responsible for reporting to the top management and use the system for performance appraisals.

Most of the top level executives (50%) believed performance management systems to be extremely important; whereas 5 respondents claimed performance management systems were important. A few (5) respondents were not satisfied with the importance placed on performance management systems. A few respondents did not believe in performance management systems. They claimed that the correct alignment of goals, clear communication and opportunity for growth automatically improve performance of the organization. Moreover, it was found that 60% of the interviewees believed in the effectiveness of having a cross-functional team.

Next the interview respondents were asked a few open ended questions. Most respondents provided positive feedback. Respondents had full confidence in the effectiveness of performance management systems and claimed to have realized substantial financial and efficiency gains. The interviewees exhibited commitment to the system and took steps to show commitment to the implementation and use of performance management systems. Most commonly stated benefits included the improvement in efficiency, better utilization of resources, improved financial situation of the organization and better employee management. Respondents claimed employees were more motivated under performance management systems. Employees were found to be motivated and committed to the organizational goals as a result of the implementation of this system. The interviewees claimed to realize benefits in the system in terms of increase in employee satisfaction and improved customer service. They believed customers and suppliers appreciated the use of performance management systems. The system also enabled innovation and initiative. Strategic goals were also found to be linked with organizational performance.

In order to show commitment to the system, the top management conducted change management, facilitated communication channels and successfully sold the idea to internal and external stakeholders. Others actively asked for feedback and communicated developments to their subordinates. They made attempts to reduce uncertainty associated with change by communicating the effects of certain changes and how they would have an impact on others.

The respondents claimed their organizations would continue to use the performance management systems and may invest more in the systems to improve integration. Some organizations plan on adopting a single system for overall organizational performance.

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