

**Employees Perceived Effectiveness of the
Performance Management System at Fraser
Alexander**

GHRM529

Group Assignment

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1 EXECUTIVE SUMMARY

A thought-provoking statement made by Ralph Marston sets the wheels in motion for this study. "Do not lower your expectations to meet your performance. Raise your level of performance to meet your expectations" (ConantLeadership, 2017).

Performance in any organisation is of utmost importance to ensure organisational success. To expect quality performance from employees, organisations need to ensure that the effectiveness of the performance management systems is of the highest calibre.

In a study done at Fraser Alexander, to determine how employees perceived their Performance management system (PMS), surveys were sent to employees. The data from the surveys were used to determine how accurate and fair the employees perceived the PMS to be. It also indicated to what extent the behaviour of managers influenced the PMS.

According to Modipane *et al.*, (2019), the theory is that two factors, namely accuracy, and fairness, measure the effectiveness of performance management systems.

The overall results of the surveys were very high, indicating that the employees at Fraser Alexander perceive their PMS to be mostly fair and accurate. They are exceptionally content with the behaviour of their line managers during the PMS.

The lowest scores received were for the perceived accuracy, indicating that Fraser Alexander must work on the accuracy of their PMS to improve the performance review process.

In particular, the lowest scores were received for outcomes accuracy, showing that employees were not happy with the final results of their performance reviews and also felt that they were not accurately compensated or rewarded from the results of their performance reviews.

The company will have to work on improving the rewards system and ensuring that employees' performance review results are accurate and that they are rewarded accordingly.

2 INTRODUCTION

A performance appraisal can be described as a review of an employee's performance at work where it is documented and evaluated.

Successful and proper performance appraisals are essential to improve employees' performance in a company and highlighting the accomplishments of the business (Babagana *et al.*, 2019:724). Performance appraisals are dependent on the support of top management to be effective. According to Babagana *et al.* (2019:724), top management needs to signify commitment and translate the goals and objectives of the company into understandable, practical, and clear goals for the employees. Unclear goals can lead to employee dissatisfaction and decreased productivity (Babagana *et al.*, 2019:725).

Babagana *et al.*, (2019:724) describe performance management systems as the activity that measures employees' accomplishments and shortages, which can be used to determine if employees need more training or deserve a promotion. Therefore, performance management systems are processes used to evaluate and grow employees' potential (Babagana *et al.*, 2019:725).

According to Govender *et al.*, (2015:567), organisations in the 21st century depend on the organisational climate for survival and states that performance management could assist in creating the ideal climate and environment.

Employees are intrinsically motivated by promotion opportunities (Güngör, 2011:1511). These promotion opportunities can be identified by using performance management systems. The effectiveness of performance management systems in organisations impacts employee morale and productivity. Therefore, the perceived effectiveness of the performance management system by the employees is an integral part of the business as the employees' morale and productivity drive the organisational climate.

3 BACKGROUND AND PROBLEM STATEMENT

The performance management system (PMS) mainly consists of performance appraisals, which are formal evaluations done once or twice a year. The purpose of these performance appraisals is to rate an employee's performance in certain key performance areas (KPA's) and provide feedback. The results are used to create a performance record, consisting of the employee's strengths and weaknesses in performance, and are used to make decisions regarding promotions, salary increases, and legal challenges (Larsen, 2019).

Competent management, having a good background in organisational psychology and Human Resources (HR) management, will be able to conduct the PMS effectively. PMS consists of performance goals, career development, training and development programs, performance appraisals, performance ratings, feedback and coaching, and rewards (Mone *et al.*, 2018).

The performance management system (PMS) is dependent on many factors that can influence its effectiveness in the workplace. In this study, we will focus on three factors influencing the PMS. The first factor is the accuracy of the PMS, determining whether the PMS is an accurate reflection of employees' work performance. The second factor is the fairness of the PMS, determining if the PMS is based on organisational justice principles. The third factor is the performance management behaviour of supervisors/line managers.

HR managers need to consider these factors and find ways to solve the deficiencies in the PMS to ensure that it is conducted effectively with the desired outcomes. Motivated, well equipped, and trained employees who perform optimally characterize an effective PMS.

In this study, we sent out surveys to the employees of Fraser Alexander to find out how they perceive the PMS. We will analyse the results and identify the perceived shortcomings to find ways to ensure the effectiveness of the PMS at Fraser Alexander.

4 RESEARCH QUESTIONS

The purpose of this paper is to explore three research questions:

RQ1. Is the performance management system an accurate reflection of the work performance of individuals?

RQ2. Is the performance management system fairly based on organisational justice principles?

RQ3. Is the effectiveness of performance management systems also determined by the performance management behaviour of supervisors and line managers?

5 RESEARCH OBJECTIVES

Our work builds on the knowledge that most organisations in South Africa make use of a form of a performance management system to evaluate employee performance, identify competency gaps and develop individual development plans to close these competency gaps. This paper aims to evaluate employees' perceived effectiveness of the performance management system in Fraser Alexander.

The objectives will be:

- To determine if the performance management system is an accurate reflection of the work performance of individuals.
- To determine if the performance management system is fairly based on organisational justice principles.
- To determine if the effectiveness of performance management systems is also determined by the performance management behaviour of supervisors and line managers.

6 LITERATURE REVIEW

In this literature review, the critical factors affecting the effectiveness of the performance management systems will be discussed.

6.1 Performance Management Systems and the accurate reflection of the work performance of individuals.

Is the performance management system an accurate reflection of the work performance of individuals?

For decades, the accuracy of performance evaluations has been a focus of research. Despite this, managers complain that they hesitate to use performance ratings for staff decisions because of doubts about whether the ratings accurately reflect actual performance.

Likewise, staff distrust the performance ratings and believe that their ratings are not indicative of their efforts and accomplishments. Because of these inaccuracies, the performance management system (PMS) is seen as the 'Achilles' heel' of management, and research on performance evaluations have been focusing on improving the accuracy of performance ratings (Larsen, 2019).

In a study at the North-West provincial government regarding employees' perceived effectiveness of the Performance management system (PMS), it was found that employees perceive the PMS as effective and accurate and are mostly content with how the PMS is implemented. However, most employees perceived the PMS as unfair and identified shortcomings, such as a lack of coaching provided and managers who do not comply with the procedural justice principles (Modipane *et al.*, 2019).

Out of this study, it is evident that employees felt that they were treated unfairly during the PMS and these negative feelings negatively influenced employees' performance and morale. Training relating to the PMS was identified as being imperative to ensure a more effective PMS (Modipane *et al.*, 2019).

An essential characteristic of effective PMS is improved performance and morale. Poor performance and low morale indicate deficiencies in the PMS that need to be addressed (Gerrish, 2016).

One of the biggest problems relating to the PMS is managers' tendency to be too lenient in their performance appraisals. This rater-bias effect of leniency can negatively impact the accuracy of the PMS and undermine its validity. The underlying cause of this rater-bias leniency is usually the personality of the rater, driven by the desire to avoid discomfort. Personality traits such as agreeableness, lack of assertiveness, and conscientiousness, together with a lack of competency of a manager, tend to cause inaccuracies in the PMS (Bernardin *et al.*, 2016).

This leniency was also highlighted in a Harvard Business Review article (Cappelli & Tavis, 2016), where it was found that managers were reluctant to distinguish between good and bad performers. The study showed that 98% of federal government employees received satisfactory ratings, while only 2% received outstanding or unsatisfactory ratings.

Employees who despise the forced ranking system of numerical numbers tend to loathe the appraisal process. Employees prefer being ranked as "average" than to be given a number ranking. Iwan Barankay from Wharton demonstrated in a field setting that employees' performance declined when they were rated relative to other employees. The ratings were also not accurate and depended more on who the rater was than on the actual performance (Cappelli & Tavis, 2016).

Training managers to improve their performance management competency can improve the effectiveness and accuracy of the PMS. Managers must also learn to overcome the personality deficiencies causing them to be biased and too lenient in performance appraisals.

Another solution to the inaccuracy problem would be to hold managers, conducting the ratings more accountable. This can be done by closely monitoring the rating data and holding managers accountable if any discrepancies occur (Bernardin *et al.*, 2016).

6.2 Performance Management Systems and organisational justice principles.

Are Performance management systems fairly based on organisational justice principles?

In 1987 Greenberg first claimed the term organisational justice, which refers to the perception that employees have of their organisation's conduct, choices, actions, and fairness in the work environment and how these attributes impact employees' attitudes and behaviours at the workplace. Therefore, organisational justice is vital in organisations because it impacts employees' attitudes and, consequently, their performance in the organisation and is central to understanding employees' perceptions and reactions to the performance management process (Govender *et al.*, 2015:568).

Organisational justice was initially rooted in two theories, the equity theory, and the social exchange theory. The equity theory refers to employees comparing their perceived work outcomes (rewards like a promotion) to their work inputs (time and effort) and how that influences their work behaviour. It is essential for employees that these ratios are in balance to maintain work satisfaction and fair treatment (Pan *et al.*, 2018). The social exchange theory comprises the exchange of resources between two or more parties, like an employee doing work and the employer paying the salary. Therefore, the work-relationship can be seen as a form of transaction (Pan *et al.*, 2018).

Idowu (2017:36) suggests that performance appraisal systems be developed in such a manner that they instill perceptions of fair treatment relative to other employees and their expectations. This is a significant determinant of employees' motivational level and, consequently, their work performance (Idowu, 2017:36).

Unfair judgement on work performance done in appraisals justifies a holistic approach towards ensuring the practice of an effective performance appraisal system (Babagana *et al.*, 2019:724). Modipane *et al.*, (2019:4) states that the fair treatment of employees is likely to cultivate loyalty. If employees perceive the performance management system as unfair, it demotivates employees and directly affects their work performance (Babagana *et al.*, 2019:724).

According to Babagana *et al.*, (2019:725), three types of organisational fairness have been established, which are distributive, procedural, and interactional fairness. Govender *et al.*, (2015:569) agrees with these types and that they relate to employees' perceptions. Modipane *et al.*, (2019:3) also include a four-factor model, namely distributive, procedural, interpersonal, and informational justice. There is a high correlation between the three and four-factor models.

Distributive fairness: Extent to which outcomes of appraisal are allocated fairly (Babagana *et al.*, 2019:725) and the justice of the outcomes of a decision process (Govender *et al.*, 2015:569).

Procedural fairness: Comprises of the decisions about the procedure used to determine the outcomes, including the perceptions of the employees (Babagana *et al.*, 2019:725), thus referring to the justice of the process itself (Govender *et al.*, 2015:569).

Interactional fairness: Representation of the supervisor-subordinate relations and the extent to which employees are treated in the performance management process (Babagana *et al.*, 2019:725). Therefore, referring to the quality of treatment an employee receives from the supervisor of a procedure during their performance appraisal (Govender *et al.*, 2015:569).

Understanding the justice perceptions of performance management systems is vital for sustained business performance, and the justice perceptions impact organisational climate and employee morale directly (Govender *et al.*, 2015:569).

Aligning the performance management system of an organisation with its employees' perceptions of fair appraisals can lead to increased appraisal acceptance and success (Govender *et al.*, 2015:570). Giri & Jena (2016) further states that organisations need to ensure that the practice of organisational justice is done to create confidence and loyalty among the employees.

6.3 Performance Management behaviour of supervisors/line managers.

Is the effectiveness of performance management systems also determined by the performance management behaviour of supervisors and line managers?

Employee performance can be seen as the most significant factor influencing productivity, and performance management systems can be seen as one of the most critical factors influencing employee performance (Mollet-Eliphaz *et al.*, 2017). It is, therefore, a reasonable conclusion that the way employees experience the PMS process is influenced by the behaviour of the managers conducting PMS. The perception of the way employees experience the PMS will influence the success of PMS. The following supervisor/line manager's behaviour will influence the effectiveness of PMS.

Supervisor/line manager mindset.

PMS models are designed by managers with the organisational goals of the organisation in mind. The way these goals are understood and interpreted by managers will influence the design of the PMS and the interpretation of results (Ukko & Saunila, 2020). Different managers may interpret the same performance management system requirements in different ways and score employees that perform the same tasks differently. Different scores for the same tasks performed by employees will lead to mistrust in the PMS, less commitment by employees to perform well, and ultimately a less effective performance management system.

Employee perception of supervisor/line managers' motivation and support.

As part of the PMS line, managers and employees meet for one on one discussions to evaluate the employee's performance. An ideal opportunity for managers and supervisors to motivate employees and help them understand the function of performance management better. This will generate a feeling of support for employees by management. Studies have shown that employees that feel that management is supporting them, will better accept PMS and will aim to better their performance (Memon *et al.*, 2018:102).

Communication from supervisor/line manager to employees before and during PMS.

The effectiveness of PMS implementation and the system, in general, depends on the buy-in from employees. Performance management includes monitoring and sometimes the change in a person's behaviour. Employees will resist any change if it is not well communicated to them (Stanton, 2017:261). Employees require clear objectives based on the objectives of the organisation. Managers need to ensure that employees continuously get feedback on the evaluation process from them and can respond to the manager's recommendation. An agreement between all parties is a requirement for a successful evaluation. An agreement will make it easier for the employee to accept the change and be willing to make the required adjustments.

7 RESEARCH METHODOLOGY

The purpose of this research was to measure employees' perceived effectiveness of the performance management system in Fraser Alexander, using a theoretical foundation drawn from perceived accuracy and fairness of performance management systems and the behaviour of line managers. Examination of the research and recommended corrective actions and can be made to improve processes.

8 RESEARCH DESIGN

In this study, a cross-sectional quantitative survey design was used. The use of a quantitative approach makes the study more reliable because a fixed procedure is followed and can, therefore, be replicated (Govender *et al.*, 2015:572).

The participating organisation gave written consent to conduct the research. Employees could complete the questionnaires voluntarily. All the employees were issued with the questionnaire and requested to complete and send it back via e-mail.

The questionnaire guaranteed confidentiality of the information provides because it was an anonymous survey. The completed questionnaires were kept in a secure place. The data gathered from the survey was captured on Excel and converted to graphs to simplify interpretation.

9 SAMPLE

The questionnaires were sent out to 40 employees, and 30 employees responded with a completed survey. 30 out of 40 gives a response rate of 75%, which is regarded as sufficient to ensure reliable data from the research study (Govender et al., 2015:573).

10 MEASURING INSTRUMENT

In this study, a close-ended questionnaire was used. This is considered as suitable because it enables reliable and easy generation of data (Babagana et al., 2019:727).

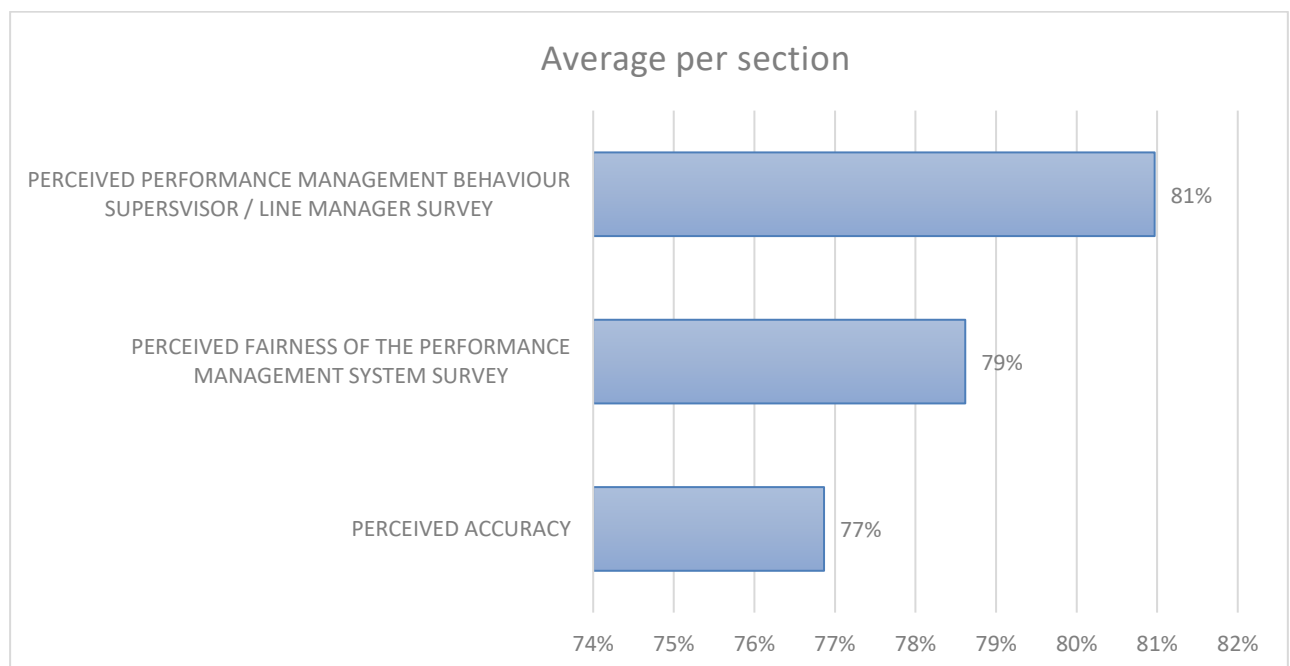
The items of the instrument, the questionnaire, were measured on seven-point and five-point Likert scales. The use of multiple scales helps to avoid common method bias and generate better results (Babagana et al., 2019:727).

11 DATA ANALYSIS

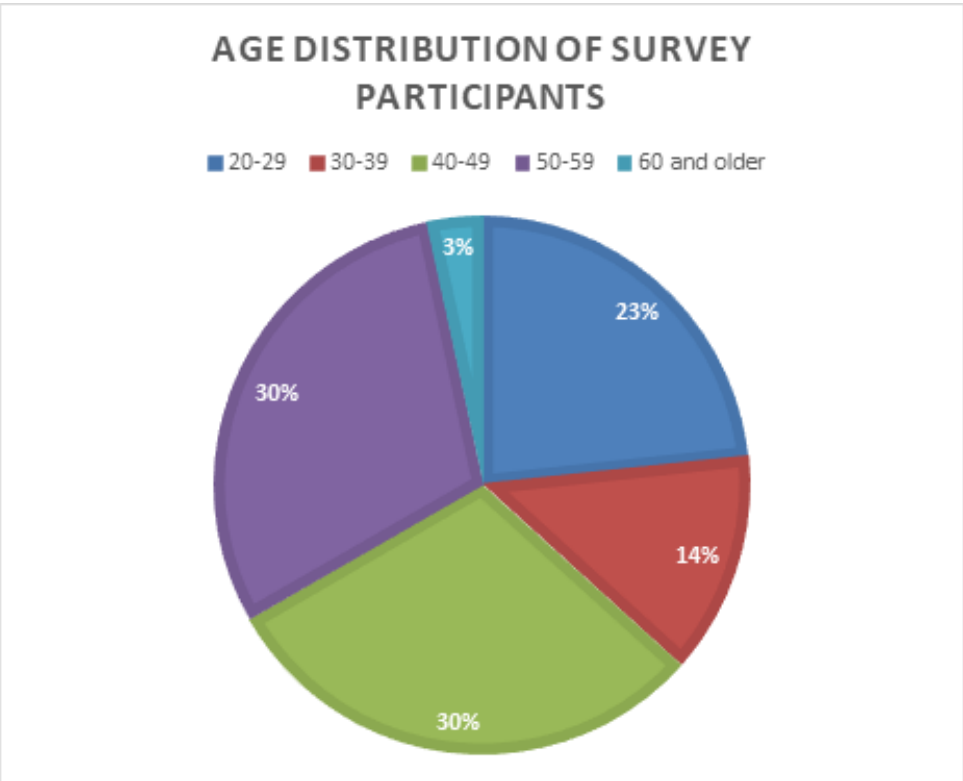
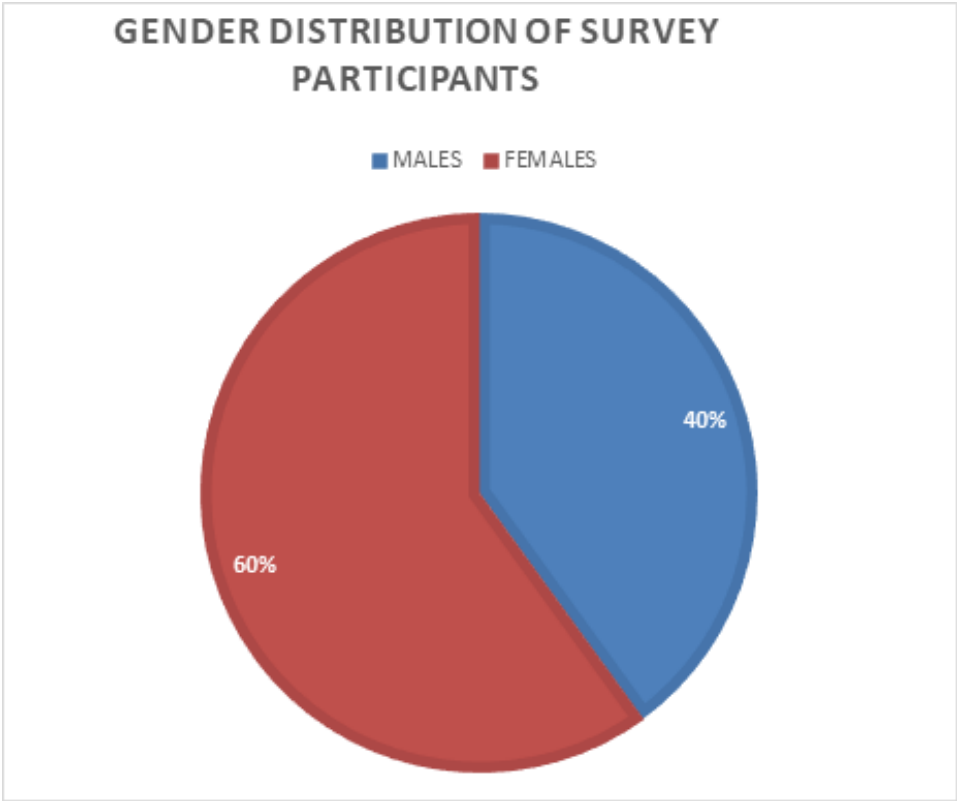
The statistical analysis was carried out using Microsoft Excel to collect the data and draw graphs to analyse and interpret the data.

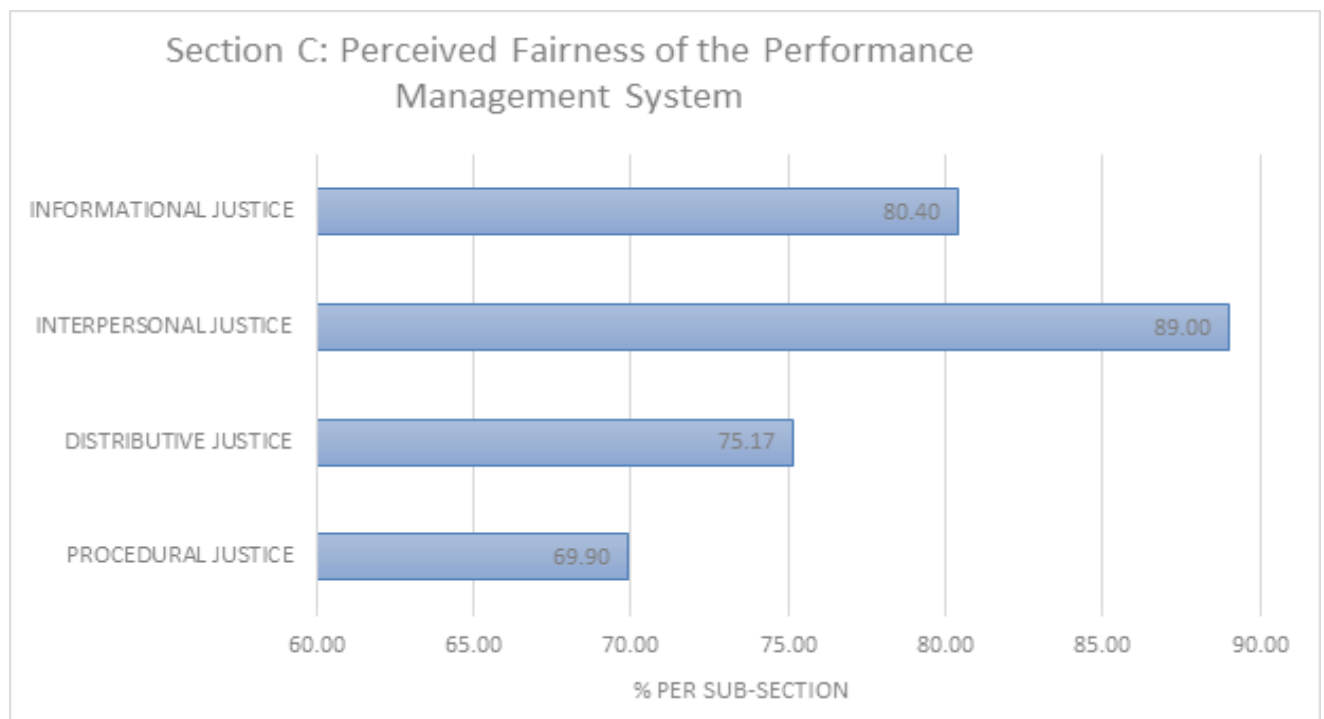
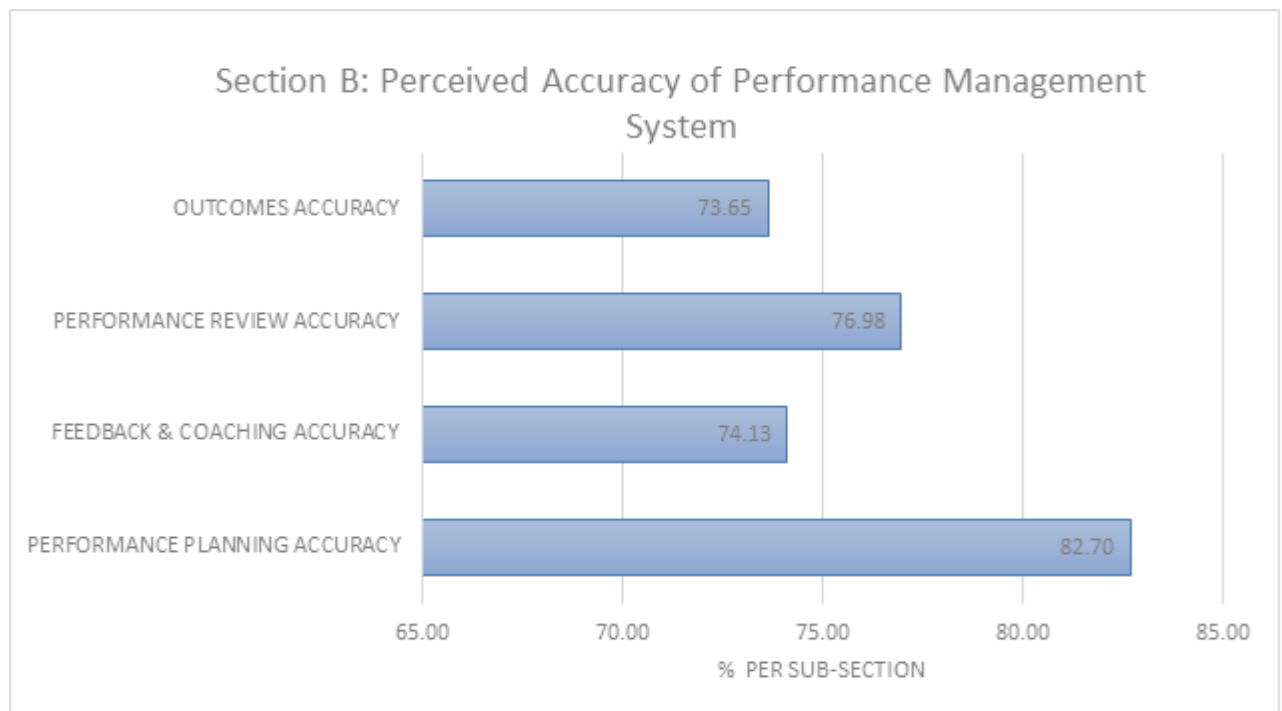
12 RESULTS

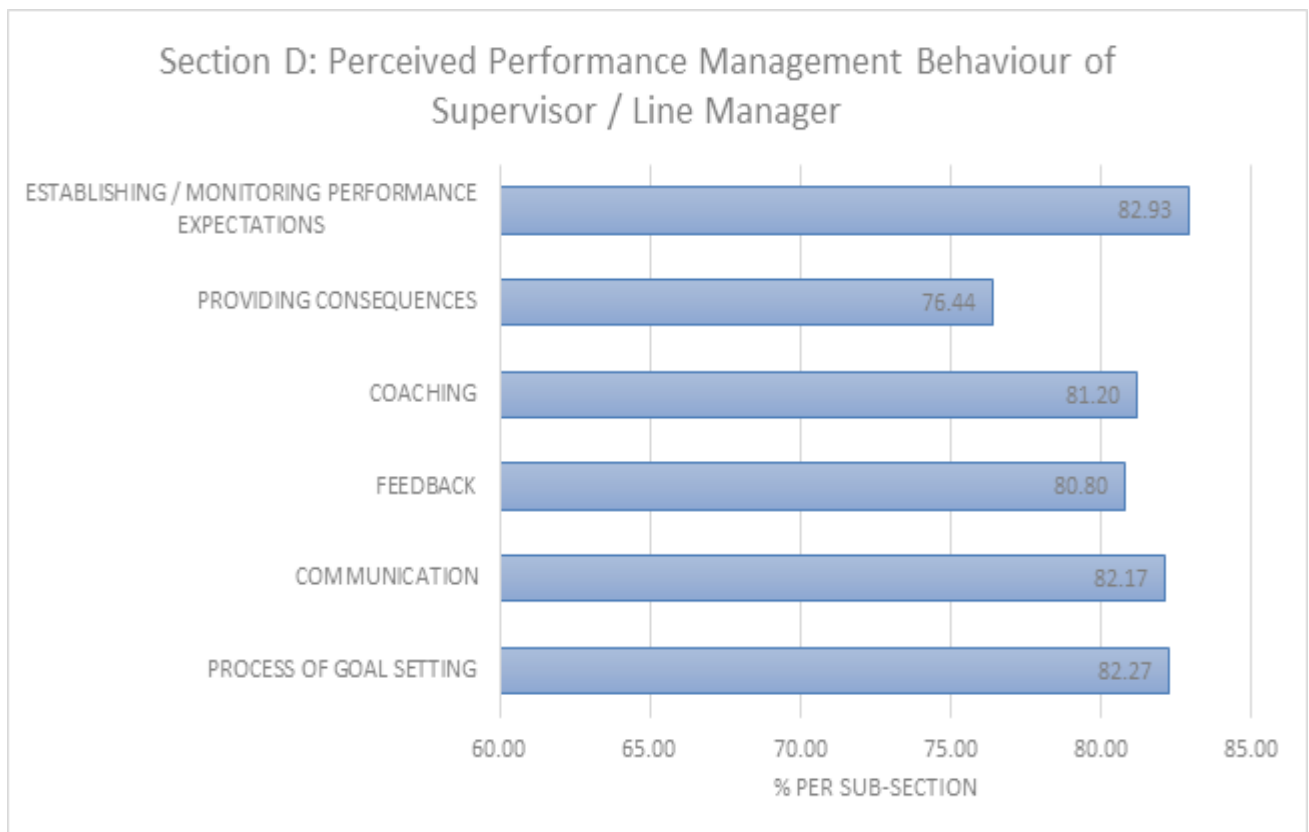
OVERALL RESULTS



SECTION A – DEMOGRAPHIC INFORMATION







13 DISCUSSION OF RESULTS

OVERALL RESULTS

Of the three sections, the accuracy of the PMS yielded the lowest score of 77%, followed by the fairness score of 79%. The highest score of 81% was for the behaviour of line managers. This is depicted in the graph named: "Average per section."

From the results mentioned above, it is clear that the accuracy of the PMS is the area that Fraser Alexander must look at to improve their PMS.

The overall scores were very high, indicating that the overall employee perception of the PMS is above average, and it seems as though employees are content with the accuracy and fairness of their PMS and with the behaviour of their line managers.

The highest score for the behaviour of line managers indicates that employees have an excellent relationship with their line managers, and communication during the PMS is overall satisfactory.

SECTION A – DEMOGRAPHIC INFORMATION

The gender distribution of survey participants were 60% Females and 40% Males. The age distribution of the survey participants ranged from 20 up to 60 years, with age group 40-49 and 50-59, covering 60% of the participating individuals.

The younger age groups 20-29 and 30-39 only represented 37% of the participating individuals, and the age group 60 years and older, only 3% of the entire group.

SECTION B: PERCEIVED ACCURACY OF THE PERFORMANCE MANAGEMENT SYSTEM

In researching whether the PMS at Fraser Alexander is an accurate reflection of employees' actual work performance, we sent out surveys to its employees. The completed surveys' data, in total, 30 surveys, were then captured and plotted on graphs. From the graphs, we could see what the overall perception was amongst the survey takers about the accuracy of their PMS.

The different areas of PMS accuracy that are investigated are the performance planning accuracy, feedback and coaching accuracy, performance review accuracy, and outcomes accuracy.

From the graph, it can be seen that the performance planning accuracy of the PMS was perceived as being most accurate with a result of 82.70%. This indicates that the employees perceive the performance plan as a helpful tool to meet their goals to meet the department goals. The employees also feel that the performance plan indicates what is expected of them and is frequently updated to adapt to changes in the organisation.

The performance review accuracy was perceived as the second most accurate, with a result of 76.98%, and indicates that employees perceive the feedback during their performance reviews as reasonably accurate and that their goals are accurately rated. The employees also see performance reviews as mostly objective.

The outcomes accuracy, with a result of 73.65%, was perceived as being the least accurate by the survey participants. This indicates that the employees feel that their

performance review rating results are not very accurate. The employees also perceive that the PMS outcomes, such as compensation, rewards, and promotions, are not accurately linked to their performance ratings.

The feedback and coaching accuracy, with a result of 74.13%, was perceived as being the second least accurate. This shows that employees feel that the ongoing feedback on how they are performing is not accurate enough and that their areas for improvement are not clearly communicated to them. Employees also feel that the coaching they receive to achieve their goals is not sufficient.

SECTION C: PERCEIVED FAIRNESS OF THE PERFORMANCE MANAGEMENT SYSTEM

In researching the perceived fairness of the performance management system at Fraser Alexander, the results came back with a total average of 78.62% score of perceived fairness by the employees.

The extent to which fairness was perceived concerning Procedural Justice averaged 69.90%, which is the lowest score of overall perceived fairness. The areas of most concern were that employees feel that they cannot express their views and feelings during the implementation of the performance management system and that they do not have the opportunity to appeal against the performance assessment arrived at by the performance management system.

Distributive justice averaged 75.17%, which indicates that employees feel that their performance assessment reflects the effort they put in and contributed to the department.

Informational Justice averaged 80.40%, which indicates that the employees perceive that the extent to which the line manager implemented the performance management system is justified and acceptable. Overall, communications from the line managers were perceived as very good.

Interpersonal Justice scored the highest at 89.00%. This refers to the interpersonal behaviour of the line manager who implements the performance management system

with the employees. To a greater extent, employees felt that they are treated politely, with dignity and respect.

SECTION D: PERCEIVED PERFORMANCE MANAGEMENT BEHAVIOUR OF SUPERVISOR / LINE MANAGERS

The frequency percentage of this section is outstanding, with an average score of 80,83%.

The highest recorded score was, establishing/monitoring performance expectations, with a score of 82.93%. This section consists of questions related to planning tasks, evaluation of completed tasks, and giving information regarding what the expected quality of work should be.

Providing consequences scored the lowest at 76.44%. The section is about recognition and rewards for good performance. The result does raise some red flags that will be discussed under the Managerial implications and recommendations topic.

14 MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

SECTION B: PERCEIVED ACCURACY OF THE PERFORMANCE MANAGEMENT SYSTEM

In interpreting the results of the survey regarding the accuracy of the PMS, two problem areas can be identified in the PMS at Fraser Alexander, namely outcomes accuracy and feedback & coaching accuracy.

Outcomes accuracy needs to be addressed, seeing as employees do not feel that their performance ratings are an accurate reflection of their actual performance and are not directly linked to rewards in the form of compensation or promotions. Employees have a strong need to be justly rewarded for achieving their performance goals.

One of the main goals of the PMS is to award employees according to their performance. The lack of rewards due to an inaccurate PMS can lead to demotivated staff, and management needs to address this issue if they want to maintain employee loyalty.

Recent developments in the PMS have moved away from a formal annual review system to a more informal performance review system where employees are not numerically rated, and discussions between managers and employees take place continually during the year, mainly when specific goals are achieved or projects are finished. These informal discussions then serve as the basis for performance reviews and rewards (Cappelli & Tavis, 2016). This could be a solution for Fraser Alexander and should be considered to ensure a more accurate PMS where employees are also content with the outcomes and rewards.

The lack of feedback and coaching indicates that there is a lack of communication between management and staff. An open-door policy, where employees have the boldness to approach their managers with problems and ask for advice and where managers are open and honest to employees about their shortcomings, should be followed.

Managers should also take time out of their busy schedules to coach employees or provide training opportunities to improve their skills. To invest in the development of employees will motivate them more and lead to better performance.

Coaching and mentoring inspire and empower employees, increase productivity, and creates loyalty and commitment. They are essential elements of the PMS, and management should focus on establishing coaching and mentoring practices. Coaching and mentoring enables employees to achieve their full potential, focusing on skills, performance, and personal coaching and mentoring (Serrat, 2017).

SECTION C: PERCEIVED FAIRNESS OF THE PERFORMANCE MANAGEMENT SYSTEM

Organisational justice affects employees' positive organisational behaviour and organisational performance (Pan *et al.*, 2018). Procedural and Distributive justice were the areas identified that need the most attention about employees' perceived fairness of the performance management system.

Procedural justice comprises of the individual/employee's perception of fairness of procedural elements and how resource allocation is regulated (Pan *et al.*, 2018). According to Pan *et al.*, (2018), the fairness of the procedure needs to meet specific criteria: suppressing bias and the extent thereof, allocations must be consistent, information relied on must be accurate, all recipients' concerns must be represented, and the criteria must be based on predominant moral and ethical standards (Pan *et al.*, 2018).

According to Modipane *et al.*,(2019:1), perception of an effective performance management system does not necessarily mean that employees perceive that they are being treated fairly, resulting in low morale and work performance.

Regarding Procedural justice, management has to focus more on the procedures used of how they arrive at the performance assessment results. This includes allowing employees to express their views and feelings during the implementation of the performance management system. Allowing employees to appeal against results if they disagree with the outcomes can improve the perceived fairness because the employees are included in the process.

With regards to Distributive justice, management can streamline and individualise employee's performance assessment according to the specific work that they do and the responsibilities they have. Therefore, the employees will feel that the assessment is an accurate representation and reflection of the work they do, the effort they put in, and the contribution they have made.

SECTION D: PERCEIVED PERFORMANCE MANAGEMENT BEHAVIOUR OF SUPERVISOR / LINE MANAGERS

Management scored very well in this section. Meaning the employees at Fraser Alexander perceive the behaviour of supervisors and line managers during the performance management process to be positive. The behaviour of management will motivate employees and contribute to the employee perceived effectiveness of the Performance Management system at Fraser Alexander.

One area of concern is questions 20 to 23 of the survey. The heading here is, Providing consequences. The low score of 76.44% indicates that employees feel that management lacks when it comes to recognition for exceptional work. They feel there is not a strong enough bond between recognition or rewards and performance.

Recognition can be a formal process where top performers get recognized for their work in front of colleagues or as simple as an e-mail from the manager, giving praise for a job well done. Recognition generates pride and leads to self-motivation.

Rewards are usually financial gain in the form of a quarterly production bonus or a yearly bonus. These bonuses are most often linked to a performance management system.

Both recognition and rewards are positive reinforcement for work well done. Managers should see which works best in their organisation and implement a strong system for rewarding employees for good work.

15 CONCLUSION

The employees at Fraser Alexander perceive the performance management system to be mostly fair and accurate yielding good results from the questionnaires that were sent out. The employees are satisfied with the behaviour of their line managers during the performance management process. Areas that require attention are the accuracy of the outcomes and including employees in the process of the performance management system.

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