

INTRODUCING PERFORMANCE-RELATED PAY IN THE LESOTHO CIVIL SERVICE: A STRATEGIC APPROACH

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By

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DECLARATION

I, Maseboloka Lintle Madiba, hereby declare that the content of this assignment is my own and original work and that all sources have been accurately reported and acknowledged. I also declare that this document has not previously in its entirety or in part been submitted to any university in order to obtain an academic qualification.

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ABSTRACT

A commitment to the market economy was easily extended to a widespread belief that money is the best motivator for work performance although there is no hard evidence to support that belief as a universal proposition (Armstrong & Murlis, 1994:263). Armstrong & Murlis (1994:263) contend that even if the effectiveness of money as a motivator can be questioned, most organisations strongly feel that it is fair to reward employees according to their contribution. The drive against incremental pay systems has taken place because management do not see why people should be paid for simply being there. Many people explicitly associate incremental pay systems with unmotivated performance. The argument being that if people are paid more flexibly according to their performance, they are more likely to be motivated than if they are sitting around waiting for the next automatic salary increment.

Performance-related pay (PRP) schemes became more popular in many organisations in the 1980s as an answer to motivating employees and developing performance-oriented cultures. According to Flannery, Hofrichter & Platter (1996:83), organisations have been slowly coming to the realisation that compensation programmes have in many cases become a barrier to the growth and success of the organisations. Consequently, many employers devised new compensation systems that would likely support their emphasis on values such as quality, customer service, teamwork and productivity.

Research shows that PRP systems can work for the organisation, but the first wave of enthusiasm revealed some weaknesses in their application. In this study project, the origins and underlying forces around PRP are discussed. The nature of PRP in the Lesotho Civil Service is addressed. PRP as part of the performance management system (PMS) in the Lesotho Public Service is introduced as a substitute for the current 'automatic' incremental pay system.

Lastly, a model for introducing PRP in the Lesotho Civil Service is designed as a step-by-step guide for the people who are working on the PRP scheme.

OPSOMMING

'n Verbintenis tot die markeconomie het maklik aanleiding gegee tot 'n wydverspreide geloof dat geld die beste motiveerder is vir werkprestasie, hoewel daar geen vasstaande bewys is vir ondersteuning van die geloof as 'n universele proposisie nie (Armstrong & Murlis, 1994:263). Armstrong & Murlis (1994:263) beweer dat selfs al kan die effektiwiteit van geld as 'n motiveerder bevraagteken word, die meeste organisasies sterk voel oor die regverdigheid daarvan dat personeel volgens bydrae vergoed word. Die beweegrede vir afsien van die inkrementele vergoedingstelsel is te vinde in die bestuur se siening dat personeel nie noodwendig vir blote teenwoordigheid vergoed hoef te word nie. Baie mense assosieer die inkrementele vergoedingstelsel direk met ongemotiveerde werkverrigting en die argument word dan ook gehuldig dat as personeel met groter buigsaamheid volgens prestasie vergoed word, hulle waarskynlik meer gemotiveerd sal wees as wanneer hulle maar net wag vir die volgende outomatiese salarisverhoging.

Prestasie-verwante vergoedingstelsels is gedurende die 1980's toenemend deur organisasies ingevoer as 'n meganisme vir die motivering van personeel en die vestiging van prestasie-georiënteerde kulture. Volgens Flannery, Hofrichter & Platter (1996:83), het organisasies stadigaan begin besef dat vergoedingsprogramme in baie gevalle belemmerend was vir hul groei en sukses. Gevolglik het baie werkgewers nuwe vergoedingstelsels ontwerp met waarskynlike steun vir hul beklemtoning van waardes soos kwaliteit, kliëntediens, spanwerk en produktiwiteit.

Navorsing het getoon dat prestasie-verwante vergoedingstelsels gewenste resultate in 'n organisasie kan lewer, maar die aanvanklike geesdrif is gedemp deur swakhede wat in die toepassing daarvan na vore gekom het. In hierdie studie word die oorsprong van en onderliggende stukrag agter prestasie-verwante vergoeding bespreek. Die aard van prestasie-verwante vergoeding in

die Lesotho Staatsdiens word aangespreek asook hoe dit as deel van die prestasiebestuurstelsel in die Staatsdiens ingevoer kan word as plaasvervangend vir die bestaande outomatiese inkrementele vergoedingstelsel. Ten slotte word daar 'n model ontwerp vir die instelling van prestasie-verwante vergoeding in die Lesotho Staatsdiens as 'n stap-vir-stap gids vir diegene gemoeid daarmee.

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CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

The new performance management system (PMS) in the Lesotho Civil Service became effective in January 2000 as stipulated in the Public Service Regulations (Amendment) 21 of 2000. Jorm, Hunt & Manning (1996:26) indicate that, at the end of 1995, a Commonwealth Secretariat consultant worked with a Lesotho Civil Service Team of eight members over a period of five weeks to develop a PMS. Over this period, consultation across Government was held; system forms and guidance notes, training and evaluation plans and negotiations for pilot implementation in three sites were all completed. This project was seen to accomplish a major step forward in a very short space of time, most importantly due to the wide spread dissatisfaction with the then closed appraisal system (Jorm *et al*, 1996:26), referred to as confidential reporting.

It is argued (Lesotho, Report of the Staff Appraisal Committee, 1975:26; see also Dzimba, 2000:2) that under the confidential reporting system, an employee's performance could be assessed without him or her knowing the results. Denying the employee access to his or her evaluation defeats entirely the positive benefits of appraisal and creates suspicion and hostility. Since no feedback was given, the confidential reporting system was not a developmental tool for the Lesotho Civil Service. The confidential reporting system had inadequate information to help assess and improve both the individual and organisation's performance. The appraisal form used was lacking in almost all respects, but particularly so in its emphasis on personal traits. In addition, the confidential reporting system among other things promoted personal bias, nepotism, favouritism and corruption, which contributed greatly to poor supervisor-subordinate relations (Lesotho, Report of the Staff Appraisal Committee, 1975:26-27). Last but not least, the system lacked the link between pay and productivity (Dzimba, 2000:2).

The new PMS in Lesotho Civil Service was therefore introduced to replace the confidential reporting system. Although the plan was to have a full implementation of the PMS in 1997, after the pilot studies were completed in 1996, the PMS only became operational in 2000. The PMS emanated from an Integrated Civil Service People Management Programme, a component of a broader civil service reform programme launched in the early 1990s. The PMS links the tasks of each employee to the overall objectives of their organisation (that is, ministries, departments or programmes) as clearly defined in the strategic plans. The PMS aims to achieve enhanced efficiency, increased responsiveness and cost reductions in the civil service delivery system. The PMS draws on modern management principles while taking into account particular conditions that may be found in individual ministries (Lesotho, Ministry of the Public Service, Performance Management Guidelines for the Lesotho Civil Service, 1995:3).

As part of the new PMS, the Government of Lesotho through the Ministry of the Public Service is currently in the process of introducing performance-related pay (PRP) for all civil servants. Presently, the incremental pay system is utilised, where an employee's salary increases from one notch to another in a pay grade every year until he or she reaches the limit of a salary range or bracket, after which no salary increment is given. However, this increment as provided by Section 425 of Public Service Regulations 16 of 1969 is offered to the holder of a post if he or she has discharged his or her duties in all respects in accordance with the standards of conduct of public officers. The introduction of PRP has been confirmed in the budget speech for the 2002/2003 fiscal year by the Minister of Finance (2002:12), who stated that in future, all salary increases other than those related to inflation adjustments, will be performance related.

1.2 Research Problem and Objectives

It is argued (Grobler, Wörnich, Carrell, Elbert & Hatfield, 2002:399) that employers today are increasingly considering changing from utilising a time-based pay system to a performance-based pay system. An incentive or performance-based pay system aims to relate employees' pay directly to their performance. The logic behind relating pay to performance is straightforward; if pay is related to performance, then employee motivation to achieve high performance is increased (Seltz & Heneman, 1999:30). This being the case, the Lesotho Civil Service is also in the process of adopting the PRP system. The above background raises the research question: **“Which model is likely to ensure effective introduction of performance-related pay in the Lesotho Civil Service”**. The study therefore, aims at achieving the following objectives:

- Defining and tracing the origins of PRP;
- Examining PRP in the context of performance management;
- Examining the nature of PRP in the Lesotho Civil Service;
- Designing a model for introducing PRP in the Lesotho Civil Service; and
- Making recommendations on the effective implementation of the PRP system in the Lesotho Civil Service.

1.3 Research Design and Methodology

The study took the format of a case study approach in addressing issues of PRP. According to Welman & Kruger, (2001:182) “case study pertains to the fact that a limited number of units of analysis (often only one)... are studied intensively”. Case study research is intended to understand the “uniqueness and idiosyncrasy” of a certain case (Welman & Kruger, 2001: 21). A case study approach is suitable for individual researchers because it allows for one aspect of a problem to be studied in some depth (Bell, 1993:8). Case studies are often qualitative in nature and since one aspect of a problem is dealt with

in some detail, (Mouton, 2001:149) the researcher is permitted to put much attention on a specific situation. According to Harkim, (2000:59) case studies take as their subject one or more selected examples of a social entity such as communities, social groups, organisations, families, events, roles and work teams, that are studied using data collection techniques. The Lesotho Civil Service was therefore selected as a case in this study.

A model-building approach was also used by the researcher. Mouton (2001:177) defines a model as “a set of statements that aims to represent a phenomenon or set of phenomena as accurately as possible”. Hence, model-building studies are aimed at developing new models to explain particular phenomena (Mouton (2001:176). A model-building approach is therefore very appropriate to this study, since the main purpose of the study is to design a model for introducing PRP in the Lesotho Civil Service. As Mouton (2001:177) has pointed out, science cannot make progress without models. Through the construction of models people attempt to explain phenomena in the world, hence the researcher will be able to explain how PRP should be addressed in the context of the Lesotho Civil Service. Good models permit one to make predictions under certain conditions, bring conceptual coherence to the field of science, and simplify people’s understanding of the world.

Purposive sampling was employed to solicit comments on the model for introducing PRP, developed by the researcher for the Lesotho Civil Service. Sampling consists of experts in the field of human resource management and people working in the Ministry of the Public Service. People from the Ministry of the Public Service are chosen because PRP for the Lesotho Civil Service is conceived by the Ministry of the Public Service. Purposive sampling is one of the non-probabilistic types of sampling. This sampling method is based on the judgement by the researcher regarding the characteristics of a representative sample. A sample was chosen on the basis of what the researcher regarded as typical units of analysis (Bless & Higson-Smith, 2000:92). Units of analysis in this case were the human resource management specialists and the top management of the Ministry of the Public Service. The sample size consisted of two human resource management specialists and three people from the top

management of the Ministry of the Public Service; the Principal Secretary, the Director of Remuneration and Benefits Department and the Director of Management Services Department.

Sources of data were derived from documentary information. From the preliminary review of the literature, the researcher found there is an array of selected information which will assist the researcher in attempting to address the salient issues on PRP. Documentary sources which include text books and/or research papers, magazine articles, information available on the internet, survey reports, business plans, and other reports were collected, compared and integrated to deal with PRP. According to Ferman & Levin (1975:58), documentary information proves to be a valuable source of information since it will give the researcher an opportunity to work with aggregate data, data which the unit of analysis is a group of individuals, rather than an individual *per se*. Documentary information saves time and costs because of the use of existing data.

Another source of information was obtained from the comments solicited from human resources management specialists and the management of the Ministry of the Public Service on the designed model for bringing PRP into operation for the first time in the Lesotho Civil Service.

1.4 Conceptualisation

The notion of defining terms is to avoid misconceptions and ambiguity in the use of the words. The terms are explained in the human resource management context.

Base or Basic Salary is the level of pay (the fixed salary or wage) that makes the rate for the job. Base pay may be expressed as an annual, weekly or hourly rate and it may be adjusted to reflect increases in the cost of living or market rates by the organisation unilaterally or by agreement with a trade union (Armstrong, 1996:5).

Incentive Pay or Variable Pay is compensation other than the basic salary that rises and falls according to the employee's accomplishment of some performance standard (Martocchio, 1998:104).

Motivation is a force that energises behaviour and enables persistence even in the face of one or more obstacles (Grobler *et al*, 2002:104). There are two types of motivation, namely intrinsic and extrinsic motivation. According to Armstrong, (1996:40) intrinsic motivation refers to the self-generated factors, which influence people to behave in a particular way or to move to a particular direction whilst extrinsic motivation implies what is done to or for people to motivate them. Reward such as increased pay and punishment such as withholding pay are examples of extrinsic motivation.

Paying for Performance is the process of providing a financial or financially measurable reward to an individual which is linked directly to individual, group or organisational performance. The main types of pay-for-performance are PRP, individual and team incentive and bonus schemes, organisation-wide profit or added value related plans, skill-based schemes and competence-based schemes (Armstrong & Murlis, 1994:247).

Performance Appraisal as defined by the University of California, San Diego (UCSD), (2000:1) is the process of assessing, summarising and developing the work performance of an employee.

Performance Management means more than evaluating and managing employees' performance, but utilises a number of related tasks; monitoring, coaching, giving feedback, gathering information and assessing an employee's work (Swanepoel, 2000:410).

Performance-Related Pay is a link of financial rewards to the individual/group/company performance. The logic is to spread wages according to performance linked to the objectives of the organisation (<http://www.ecommerce-now.com/images/ecommerce-now/PRP.htm>). PRP

provides for an increase in basic salary or wage, which is determined by a rating against such criteria as performance and contribution outputs.

1.5 Scope of the Study

There are various types of pay-for-performance schemes. These include performance-related pay (PRP), individual, and group or organisation-wide incentives schemes. However, the scope of the study will be limited to performance-related pay, although the review of the literature will discuss how PRP differs from other performance pay schemes and how these other schemes operate.

1.6 Overview of Chapters

The study comprises of six chapters. Chapter one consists of the following;

- An Introduction.
- Research Problem and Objectives.
- Research Design and Methodology.
- Conceptualisation.
- Scope of the Study.
- Organisation of the Study.

Chapter two includes the review of the relevant and related literature on PRP. In this section, the origins and underlying forces around PRP, which has currently become a feature of most organisations, are discussed. This chapter also shows the distinction between PRP and other types of pay-for-performance, and lastly considers PRP in the context of performance management.

Chapter three deals with the nature of PRP in the Lesotho Civil Service. Since PRP is a component of the PMS in the Lesotho Civil Service, this section highlights the whole performance management process in the Lesotho Civil Service.

Chapter four involves the design of a model for introducing PRP in the Lesotho Civil Service. The grounds for the development of this model are from various but related models which are discussed in chapter two, though specific issues to the Lesotho Civil Service are addressed.

Chapter five analyses the findings from the testing of a model and discusses the proposed model for introducing PRP in the Lesotho Civil Service and makes recommendations for implementation.

Chapter six is the conclusion, which provides a summation of central observations as well as recommendations.

1.6 Summary

The Government of Lesotho through the Ministry of the Public Service is currently working towards introducing PRP in the Lesotho Civil Service, as a substitute to the existing incremental pay system. PRP is part of the new PMS in the Lesotho Civil Service which started operation in 2000 to replace the closed appraisal system referred to as confidential reporting.

The main purpose of this study as depicted in the research problem is to design and propose a model that is likely to ensure effective introduction of PRP in the Lesotho Civil Service. The study employed a case study approach in addressing issues of PRP and the Lesotho Civil Service was chosen as a case in the study. The case study approach was supplemented by the use of a model-building approach because as indicated above the study aims to design a model on how to bring PRP into operation in the Lesotho Civil Service. To solicit comments on the designed model, the researcher utilised purposive sampling, whereby experts in the fields of human resources management and the top management of the Lesotho Ministry of the Public Service were regarded as typical units of analysis. Sources of data were derived from documentary information and comments obtained from human resources management specialists and the top management of the Ministry of the Public Service, on the designed model.

The succeeding chapter deals with the origins and underlying forces surrounding PRP as discovered from various sources of literature.

CHAPTER TWO

2. PERFORMANCE-RELATED PAY: ORIGINS AND UNDERLYING FORCES

2.1 Introduction

Tomlinson, (1992:1) defines PRP (sometimes referred to as performance-related base salary progression or merit pay) as an “individualised system of payment linking all or part of the reward of each individual employee to his or her performance, though compromises relating to group or organisations are an occasional extension”. According to Armstrong & Murlis, (1994:262) PRP links pay progression to a performance and/or competence rating. The rating could be done during a performance review, or it could be carried out separately for the purposes of PRP. PRP is associated with graded pay structures, individual job range structures and pay curves. As a result of increasing attention by organisations to developing good teamwork, individual PRP schemes are paying more attention to performance criteria related to teamwork. The team pay is usually through some form of group bonus scheme. The recognition of the importance of teamwork, coordination and collective effort, as well as problems associated with individual incentive systems, has led to the increased utilisation of team and organisational incentive plans (Grobler *et al*, 2002:404-406).

The rationale for PRP is to improve the performance of the organisation through motivating employees to improve their individual performance (Lawson, 2000:304). It is argued (Seltz & Heneman, 1999:30) that if pay is related to performance, then employee motivation to achieve high performance is increased. For instance, five surveys of over 47 000 companies in the USA revealed that after shifting from time-based pay to performance-related pay systems, organisations reported average productivity increases of 26 – 63% (Vough, 1979 as cited in Grobler *et al*, 2002:400). With PRP, wages are spread according to performance linked to the objectives of the business. Orens & Elliott, (1997:26) argue that organisations have found

that a variable pay plan that pays for improved results translates into more customers, higher profitability and a motivated workforce.

The previous chapter provided the background to the study highlighting the origin of performance-related pay (PRP) as a component of the Performance Management System (PMS) in the Lesotho Civil Service, research problem and objectives, research design and methodology, conceptualisation, scope of the study, and organisation of the study. This chapter reviews the relevant literature on issues surrounding PRP. The following sub-topics are dealt with in the chapter:

- PRP in the 1980s, dealing with the origin of PRP, how it operates, its objectives, its benefits, problems associated with PRP and models for successful PRP schemes.
- PRP and other types of pay-for-performance.
- PRP in the context of performance management.

2.2 Performance-Related Pay in the 1980s

PRP schemes grew rapidly in the 1980s as the answer to motivating people and developing performance-oriented cultures. It was seen as a major lever of organisational change (Kessler, 1995; Armstrong & Murlis, 1994; Armstrong, 1996). In traditional functional organisations prior to 1980s, people were paid primarily in base salaries (Flannery, Hofrichter & Platten, 1996:83). Organisations have been slowly coming to the realisation that compensation programs have in many cases become a barrier to their growth and success. Consequently, many employers have started seeking new compensation solutions that they hope would assist drive and support their emphasis on values such as quality, customer service, teamwork, and productivity. The shift has generally been towards performance-based variable pay strategies. In essence individual's pay rises or falls depending on how he or she performs, how well their team performs and how well the organisation as a whole performs (Flannery *et al*, 1996:85). Flannery (*et al*, 1996:104) further

argue that skill and competency-based pay systems alone may not make the last most crucial connection that drives the organisation forward, that is, the connection that links the individual and his or her performance to the performance and ultimate success of the organisation.

Initially PRP was mainly confined to managers (Tomlinson, 1992:1). Members of sales staff, though they are usually excluded in the PRP scheme, also had incentive schemes (Armstrong, 1996:242). Beyond these groups, however, incentives were regarded as having little value (Flannery *et al*, 1996:105). According to Flannery *et al*, (1996:105) the traditional business theory said employees were merely cogs in a large organisational machine. There was no need to concern them with the bigger performance picture. In early 1980s, the theory began to change. Struggling to stay ahead of competitors, many organisations realised that they needed cogs who not only were reliable to do their jobs, but also best performers who looked beyond their specific jobs. Flannery *et al* (1996:105-106) further argue that organisations found that by moving incentive programmes beyond executive suites and sales departments, they could start turning their entitled cogs into empowered people who had a stake in the company. By allowing them a share in the organisation's risks and rewards, these employees not only enhanced their performance, but took on more responsibility.

In addition, there have been quite legitimate financial, political and legislative pressures which led to value-for-money and market-forces arguments becoming more powerful (Tomlinson, 1992:1). According to Armstrong & Murlis, (1994:263) a commitment to the market economy was easily extended to a widespread belief that money is the best motivator although there is no hard evidence to support that belief as a universal proposition. However, most organisations strongly feel that, even if the effectiveness of money as a motivator can be questioned, it is fair to reward people according to their contribution. The drive against incremental systems has taken place because managements do not see why people should be paid more simply for being there. Many people explicitly associate incremental systems with unmotivated performance. It is further argued (Armstrong & Murlis, 1994:263) that if people

are paid more flexibly according to their performance they are more likely to be motivated than if they are sitting around waiting for the next automatic increment. The climate has changed to the one centred on quality, excellence, accountability and performance.

In the U.K., for example, the pressure for application of PRP has not only come from management but also from employees. Many employees in the 1980s resented pay systems based on fixed increments which meant that they were paid the same amount for being in the same job or grade for the same amount of time as their peers regardless of contribution (Murlis, 1992:58). The fact that basic salary increments are often provided on an annual basis makes employees perceive such rewards as not directly linked to their performance. Incentive compensation schemes are therefore devised more importantly as an attempt to relate rewards to superior performance in a direct and prompt manner (Swanepoel, 1998:538).

Over the last decade, taking South Africa as an example in Southern Africa, South African compensation specialists have consistently reported a trend towards relating rewards to performance by South African organisations (Stacey, 1991; Gathecole, 1992; Bussin, 1992 as cited in Swanepoel, 1998:538). The trend towards relating rewards to performance in South Africa has been confirmed by recent survey of South African compensation practices (FSA-Contact, 1993; 1995 as cited in Swanepoel, 1998:538). Surveys reveal that South African organisations are designing reward systems that reduce the guaranteed component of pay packages and the portion of pay at risk by means of the introduction of incentives systems. For instance, the implementation of merit-based increase at the University of Cape Town (UCT) has not been motivated by a need to save money, but rather to distribute salary increases in accordance with the agreed strategic plan, that is, to reward excellence (UCT, Monday Paper, 1999, March 22-29).

In the South African Public Service, it is argued (Jorm *et al*, 1996:41) that the following performance-based compensation systems have been introduced and are currently used to give special recognition to employees who have

distinguished themselves from others through sustained above average work performance. The expectation is that these systems would stimulate the initiative of employees and encourage them to be more efficient and effective. Components are:

- **Merit award system** – applies to all public servants. A cash amount, calculated at either 18% or 10% of basic annual salary, depending on the evaluation of results, can be made to an individual.
- **Special recognition** by way of either cash payments or commendations can be granted to employees for suggestions, inventions improvements, etc.
- **Departmental-specific award system** where awards, bonuses or allowances may be given to persons of exceptional ability, or those who possess special qualifications utilised to the benefit of the employer and those who have rendered sustained meritorious service over a long period.

Introducing PRP is without doubt an act of believing that employees will perform more effectively if offered the financial incentive to do so. PRP emphasises personal accountability, rather than merely status or seniority (Tomlinson, 1992:2). For this reason, the implementation of PRP would inevitably have a positive motivational impact. Ulrich as cited in Burton, (2001:16) maintains that compensation is one of the key factors that increases resources aimed at motivating employees. According to him “almost no one is totally altruistic; we want to touch, see and feel the rewards for what we do”. Seltz & Heneman (1999:3) argue that the key to merit pay is founded in three motivational theories; Reinforcement, Expectancy, and Equity theory.

- **Reinforcement theory** - Thorndike's law of effect (1911, as cited in Anthony, Perrewé & Kacmar, 1996:410) forms the basis for many contemporary models of reinforcement and explains how an individual's actions in a situation interact with the environment to influence future reactions in that environment. This law provides that

behaviour that is positively reinforced (rewarded) tends to be repeated in that situation and behaviour that is punished tends not to be repeated in similar situations. Anthony *et al*, (1996:410) are therefore of the view that rewards are positive reinforcers that enhance the relationship between the situation and behaviour. Rewards that are linked to a particular behaviour encourage that behaviour to be repeated. Reinforcement theory as Seltz & Heneman (1999:3) have pointed out, indicates that pay for performance should motivate improved performance because the financial consequences of good performance are revealed, that is, the better one person performs, the greater the pay he or she will get.

- **Expectancy theory** was developed by Porter and Lawler in 1968 into a model which follows Vroom's ideas by suggesting that employee motivation to perform effectively is determined by two factors. The first is contained in the concept of an effort-reward probability. This is the individual's subjective probability that reward depends on effort (Gruneberg, 1976; Armstrong, 1996). The theory states that pay for performance should motivate improved performance because performance is instrumental in getting a pay increase, that is, improved effort to perform results in increased pay (Seltz & Heneman, 1999:3). According to this theory, people will put forth the greatest effort if they expect the effort to lead to performance and the performance to lead to a reward (DuBrin, 1994:317).

The second variable is in the concept of reward value or valence. This refers to the individual's perception of the value of the reward or outcome that might be obtained by performing effectively, that is, the value of reward to individual in so far as they satisfy the Maslow's suggested needs of security, social esteem, self-esteem and self-actualisation (Gruneberg, 1976; Armstrong, 1996).

- **Equity theory** states that people will be better motivated if they are treated equitably and demotivated if they are treated inequitably (Adams, 1965 as cited in Armstrong, 1996:45). The theory is linked to the 'felt fair' principle as defined by Jaques (1961 as cited in Armstrong, 1996:45) which indicates in effect that pay systems will be fair if they are felt to be fair. His assumptions are that:
 1. There is an unrecognised standard of fair payment for any level of work;
 2. Unconscious knowledge of standard is shared among the population at work;
 3. To be equitable, pay must be felt to match the level of work and the capacity of the individual to do it;
 4. People should not receive less pay than they deserve by comparison with their fellow workers.

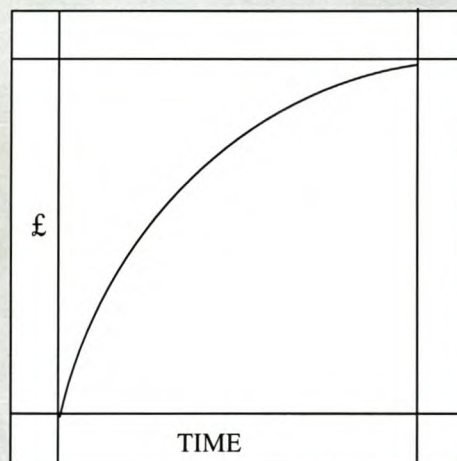
According to equity theory, pay for performance should lead to improved performance because a pay increase is perceived as a fair outcome for one's performance input, that is, the more one contributes to the organisation, the greater the pay increase (Seltz & Heneman, 1999:3). Gibson, Ivancevich & Donnelly (1991:152; see also Anthony *et al*, 1996) argue that the essence of equity theory is that employees compare their efforts and rewards with those of others in similar work situations. It is based on the assumption that individuals, who work in exchange for rewards from the organisation, are motivated by a desire to be equitably treated at work. Equity exists when employees perceive that the ratio of their input (efforts) to their outcomes (rewards) is equivalent to the ratios of other employees.

2.2.1 The Operation of Performance-Related Pay

Armstrong (1996:240-42) maintains that the basic model of operating PRP systems varies considerably but its typical features are as follows:

- **Pay structure** is designed to provide the scope of pay progression within pay brackets (points or notches within a pay grade) linked to job brackets.
- **Pay progression and performance.** The rate and limits of progression through the pay brackets are determined by performance ratings.
- **Decelerated progression.** Pay progression is planned to decelerate through the grade because it is argued, in line with learning curve theory (see figure 2.2.1-1 below), that pay increases should be higher during the earlier period in a job when learning is at its highest rate.

Figure 2.2.1-1 Variable progression related to the learning curve



Pay progression is often planned to follow the pattern of the learning curve as shown above. This means that increases are related to the rate at which people are likely to learn the job and thus become fully competent. Learning is assumed to decelerate, that is, people learn most quickly when they start the job, and the pace of learning decreases as the necessary skills and competences are acquired.

Source: Armstrong, M. 1996. **Employee Reward**. London: Institute of Personnel and Development. Pp 212-213.

- **Performance-related pay increases** may be added cumulatively to basic pay (i.e. consolidated) until either the maximum rate of pay for the grade or a limit within the grade defined in terms of a level of performance is reached.

There are refinements and variations of the basic model. In a fixed increment payment system, PRP may give one or two additional increments or may withhold an increment, depending on performance ratings. Performance-related payments may also take the form of cash bonuses for particular achievements or sustained levels of high performance. Individuals are entitled to such bonuses when they have reached the top of the pay bracket for their grade, or when they are assessed as being fully competent, having completed their learning curve. The pay rate of someone who reaches the required level of competence can be aligned with market rates according to the organisation's pay policy.

According to Armstrong, (1996:242) not all organisations apply PRP to all employees. Some want to maximise what is called 'leverage' by restricting it to people who are taken to be the 'drivers' of performance that is, senior management. Manual workers and sales staff are often excluded because they have their own incentive or commission schemes (as shown in section 2.3), or because it is felt that PRP would be inappropriate. There may be different schemes for different levels of employees.

2.2.2 Objectives of Performance-Related Pay

The overall objective of PRP is to provide incentives and rewards which will improve individual performance so that the collective effort will improve the overall performance of the organisation (Denton, 2002:61). Hence the objectives are to:

- Motivate all staff, not only the high performers, but also the core on whom the organisation depends;

- Specify to all employees the objectives and targets of the organisation;
- Focus attention and endeavour on the key performance issues;
- Differentiate rewards to people consistently and equitably according to their contribution and competence;
- Help to change cultures where they need to become more performance-and results-orientated or where the development of other key values such as quality and customer service needs to be encouraged;
- Reinforce existing cultures and values which foster high levels of performance, innovation, quality and teamwork;
- Supporting a performance oriented culture by paying for results;
- Emphasise individual performance or teamwork through various schemes;
- Set objectives and performance standards for employees to meet;
- Flex pay costs in line with organisational performance and rewarding those whose performance is high; and
- Improve the recruitment and retention of high quality employees who will expect PRP as part of a well-managed working environment.

(Adapted from Armstrong & Murlis, 1994; Lawson, 2000; Denton, 2002; <http://www.ecommerce-now.com/images/ecommerce-now/PRP.htm>).

2.2.3 Benefits of Performance-Related Pay

It is right and equitable to reward people according to their contribution. If effectively implemented, PRP provides a tangible means of recognising employee accomplishments and is a way of ensuring that everyone understands the performance imperatives of the organisation (Armstrong, 1993:417). Individuals can identify closely with their employer's goals and this can increase productivity and encourage quality, flexibility and teamwork (Armstrong & Murlis, 1991; Wright, 1991). If the above objectives are successfully achieved, then managers would be able to use PRP to work to their advantage. Not only will the extra pay concept help motivate the workforce to work harder, but it will also help them to become more aware of

organisation's objectives (<http://www.ecommerce-now.com/images/ecommerce-now/PRP.htm>).

Customer satisfaction can be enhanced through having competent employees. Bevan (1999:4) argues that the only way employee performance can be reinforced is through PRP. Hence the primary argument in favour of PRP is that it acts as a motivator through both providing incentives in form of monetary rewards and by recognising achievements (Kelly & Monks, 1996:2). Benefits of PRP are therefore summarised below:

- Pays the right people the right amounts.
- Weeds out lazy workers.
- Clearly defines the objectives of the organisation.
- Retains skills. Employees are attracted and retained as the organisation recognises achievement through the pay system.
- Increased efficiency through improved company performance.
- Focuses efforts of employees where the business needs it.
- Improves individual/ team performance.
- Provides warning criteria. Employers make clear performance criteria they require. Employees seek to achieve these criteria in order to be rewarded with higher pay.
- It is a way of enhancing corporate performance in a competitive environment.
- It is an efficient way to controlling pay bill growth and targeting variable pay on those who have been contributing more (see Armstrong, 1993; Bevan, 1999; <http://www.ecommerce-now.com/images/ecommerce-now/PRP.htm>).

2.2.4 Problems associated with Performance-Related Pay

Despite the widespread support for performance-related pay systems, studies show that more often than not they fail to provide the expected positive results (Horwitz & Frost, 1992 and Spangenberg, 1993 as cited in Swanepoel, 1998;

Armstrong & Murlis, 1994; OECD, 1993b, Gaertner & Gaertner, 1985 and Perry & Pearce, 1985 as cited in Pollitt & Bouckaert, 2000). The available research shows that PRP has not been successful as a reward strategy and there seem to be many problems associated with its operation (Kelly & Monks, 1996:4). At the top the problems faced by PRP systems is union resistance to the system and change in general (Swanepoel, 1998:539). For instance, in the U.K., the survey conducted to support a new Business Intelligence report *Pay, Performance and Career Development: the Emerging Corporate Crisis*, analysed the resistance of trade unions on a scale 1 (no resistance) to 5 (severe resistance). The survey found that it is perhaps trade unions which appear to be causing the greatest problems, with 42.2 % of respondents claiming a 4 or 5 degree of resistance. However, almost the same numbers of respondents (40.6 %) stated a resistance level of 1 or 2 (Creelman, 1995:6-7).

The idea that performance becomes the only or at least the dominant criterion for tenure and advancement, carrying more weight than seniority, loyalty, qualifications and other factors is not supported by employees at the lower ranks. Part of the problem is that performance-related pay systems can be divisive (Pollitt & Bouckaert, 2000:119). It is common for employees to feel that such arrangements are unfair, too crude to register real differences in performance, or even open to some manipulation.

Appelbaum & Mackenzie (1996:37) provide that from the surveys conducted in 2000 large US companies in 1993, some respondents stated that rewards such as incentive compensation typically undermine the very processes that they are intended to enhance. One of the points maintained by this view is that pay is not a motivator, citing Herzberg's argument that just because little money can irritate and demotivate does not mean that more money will ensure increased satisfaction. Rewards punish and discourage risk taking, as managers are creating an environment in which people feel controlled, not an environment conducive to exploration, learning and progress.

A study conducted by Kovach (1987 as cited in Kelly & Monks, 1996:2) indicated differing views between management and employees regarding what motivates each of them. While managers attributed high financial needs to employees, staff cited pay fifth on a list of ten factors, and the first four were concerned with intrinsic rewards. Kessler & Pursell; Pfeffer, (as cited in <http://www.cpsu.org/dfat/dfat211099.htm>) state that intrinsic rewards include being involved in decision-making, having some control over work tasks and undertaking work that is considered interesting and challenging.

PRP also necessitates conflicts between employees as they compete with each other for rewards. Bevan (1999:13) argues that if you talk about PRP to individual employees, they will indicate that individual PRP erodes and works against collaborative teamwork, that makes people compete with each other. Armstrong (1996:250) states that several of the organisations surveyed in the Institute of Personnel Management (IPM) and the National Economic Development Office (NEDO) study admitted that PRP can have a negative effect on teamwork by over-emphasising incentives for the individual.

Cardona (http://www.ipaei.government.bg/ipaei/events_english/11.rtf) has pointed out that PRP and other incentive plans in the public service tend to produce an escalation of performance ratings and payments and consequently increases in personnel costs, even if there are set formal payment ceilings. Effectively, under pressure to retain staff or to recruit extra staff required to overcome internal bottlenecks, managers tend to award better ratings and better pay to staff sometimes in an indiscriminate way. This leads staff and their unions to see PRP as a negotiable part of the salary, with effort being withheld unless PRP is awarded. Cardona (http://www.ipaei.government.bg/ipaei/events_english/11.rtf) further states that it is theoretically arguable that increases in salary costs created by pay-per-performance schemes could be funded or even offset by increased productivity, as is the case in some industries in the private sector. However, the measurement of productivity in the public service poses many problems. Not all activities in the public service are measurable.

In addition, research conducted by Bevan and Thompson (1991 as cited in Armstrong & Murlis, 1994:251) of the Institute of Manpower Studies found no link between improved company performance and PRP. It indicated that companies whose financial performance was poor were as likely as good performers to have performance-related pay. Furthermore, problems of performance appraisals can generally be said to represent many of the underlying obstacles in effectively relating pay to performance. The lack of objective, quantitative performance measures for many jobs and the resulting reliance on subjective performance ratings is one of the problems responsible for the failure of PRP systems (Swanepoel, 1998:539). Hence, there is perceived unfairness of the PRP systems. The perceived unfairness exists also if the PRP schemes do not involve employees in a set of procedures designed to administer such schemes (Kelly & Monks, 1996:3).

Swanepoel (1998:539) asserts that aspects of performance that are rewarded are not related to the overall strategic performance objectives, thus encouraging unacceptable behaviour. For example, a production bonus scheme that pays according to the levels of output could encourage employees to take short cuts with quality assurance procedures. Inadequate communications about the objectives, procedures, and benefits of the schemes is also ascribed to the failure of the PRP systems.

Armstrong (1993:416) argues that PRP is more likely to work as a motivator if:

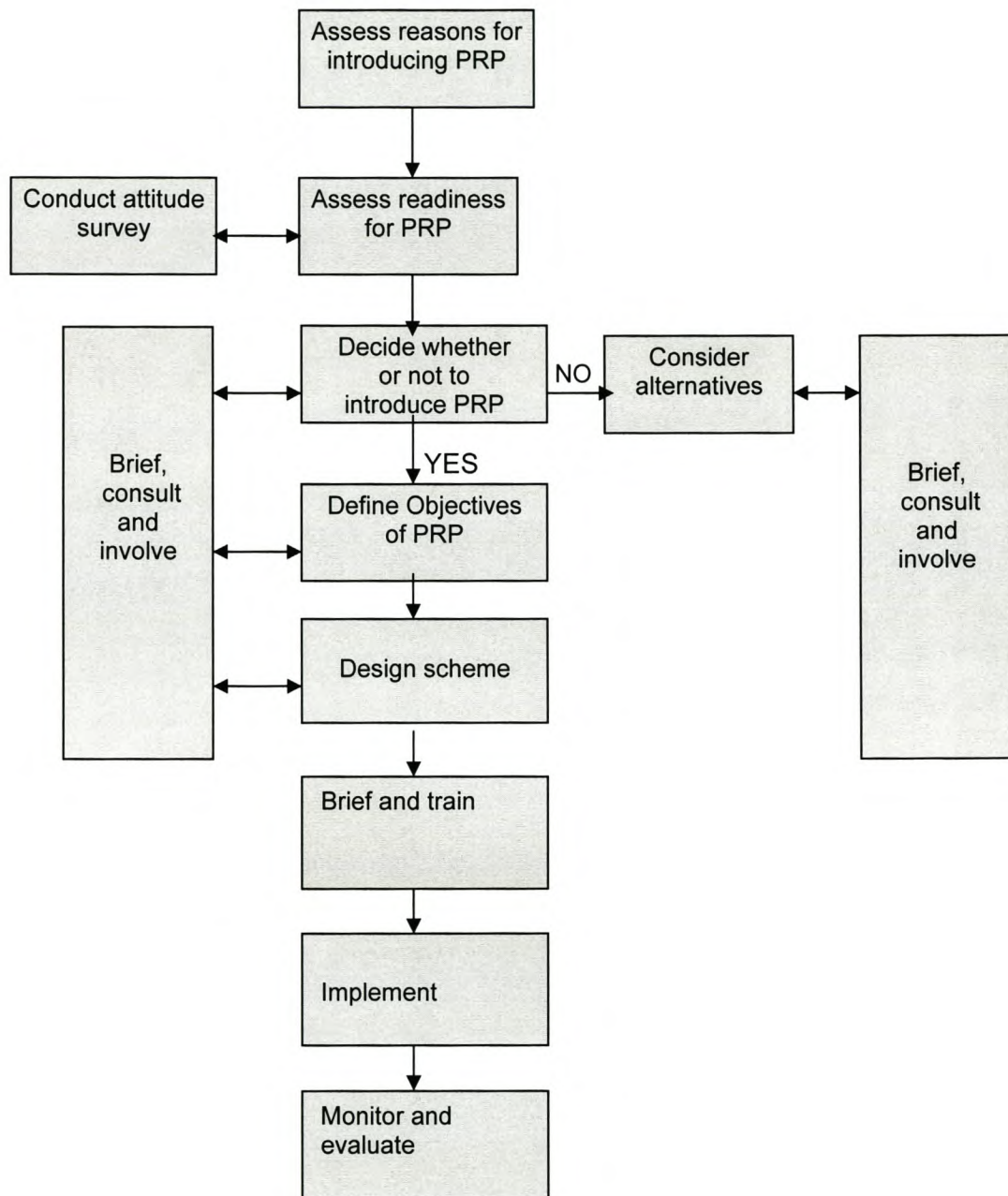
- It is appropriate to the type of work carried out by the people employed on it and fits the culture of the organisation;
- The reward is clearly and closely linked to the effort of the individual or team;
- The reward follows as closely as possible the accomplishment which generates it;
- Employees are in a position to influence their performance by changing their behaviour;

- They are clear about the targets and standards of performance required;
- They can track their performance against these targets and standards;
- Fair and consistent means are available for measuring performance;
- The reward is clearly and closely linked and proportionate to the effort of the individual or team;
- Employees expect that effective performance (or specific behaviour) will certainly lead to worthwhile rewards;
- The performance-related pay scheme operates by means of a defined and easily understood formula;
- Provisions are made in the scheme for amending the formula in specified circumstances;
- Constraints are built into the scheme which ensure that employees cannot receive inflated rewards which are not related to their own performance;
- The scheme is properly designed, installed and maintained; and
- Employees are covered by the scheme in its development and operation.

2.2.5 Models for Successful Performance-Related Pay Schemes

Regardless of the problems of PRP schemes discussed in the previous section, organisations continue implementing these schemes. Hence, four different but interrelated models for successful PRP schemes are considered in this section. The first model as shown in figure 2.2.5-1 has been adapted from Armstrong & Murlis (1994:271-277). According to Armstrong & Murlis, (1994:274) PRP schemes require careful implementation over a period of time to achieve maximum effectiveness and acceptability. PRP should therefore be characterised by a set of activities or stages as illustrated in figure 2.2.5-1.

Figure 2.2.5-1 Armstrong & Murlis (1994:275) Model for Introducing Performance Related Pay



The above stages as provided by Armstrong & Murlis (1994:271-277) are discussed below.

The first stage involves assessing reasons for having PRP. Before launching the PRP system it is imperative that objectives for introducing the system are quite clear to help guide the development process and to give the basis for

evaluating the system. Once a decision has been made to introduce PRP, the extent to which the organisation is ready for PRP should be assessed. The readiness for PRP should be assessed under five main headings, namely, culture, process, attitudes, skills and resources, and impact. The questions to be answered under these headings are summarised below:

- Is PRP right for our culture, and is our culture right for PRP?
- Do we have effective process of performance management and other processes in place needed for successful PRP?
- Are attitudes of management and other employees in favour of PRP? This involves conducting attitude surveys to establish opinions.
- Have the people concerned with managing PRP the required skills and resources?
- Is PRP likely to make a significant enough impact on performance to justify the costs of developing, introducing and operating the scheme?

The answers to these questions will provide a general indication of the feasibility of introducing PRP and suggest areas to which particular attention should be placed, such as communications to managers and employees, and skills training. From this assessment, the organisation should decide whether or not to introduce PRP and this comprises the third stage. If the organisation decides that PRP is right for them, it should define objectives of PRP, under the following headings:

- Improving performance.
- Conveying messages on performance expectations.
- Focussing attention on key issues.
- Helping to achieve cultural change.
- Maintaining a competitive pay position.

If the organisation feels PRP is not right for them, it should consider the alternatives. There are many of them including, organisation-wide profit sharing, the use of bonus schemes, focussing more on the motivational

aspects of performance management, job re-designs to increase motivation, performance-related training, more intensive management coaching and training to develop leadership abilities and process re-engineering to improve organisational performance and productivity.

The next stage involves deciding on the briefing, consultation and involvement processes. A decision is required at this stage on how employees should be informed of the organisation's objectives and intentions concerning the introduction of PRP. Ownership and acceptance of PRP are much more likely if maximum degree of involvement of all concerned is built into each stage of PRP scheme. The actual design of the PRP scheme then follows from here. A number of questions need to be answered when designing the scheme:

- What criteria should we use for determining PRP awards? Consider the use of appropriate mix of:
 - input criteria related to the skills and knowledge brought to bear on fulfilling role responsibilities;
 - process criteria related to the behavioural competencies used successfully in achieving results;
 - output performance indicators related to the achievement of objectives and meeting performance requirements as set out in statements of principal accountabilities or main tasks;
 - outcome contribution indicators which measure how outputs contribute to the achievement of team, departmental and organisational objectives and how the behaviour of individuals supports corporate values.
- To what extent will it be possible to define the criteria in the key jobs for which PRP will operate?
- Are performance measures available for these criteria which will enable fair and consistent assessments to be made?
- What form of rating system should be used?
- How are we going to ensure that ratings are fair and consistent?

- What are our policies to be on the size of payments in relation to performance, contribution, skill and competence?
- What should our policies be on the rate of progression and any limits to progression within pay ranges?
- Do we want to make provision for performance-related lump sum bonus for special achievement or sustained high-level performance at the top of the range?
- Should PRP reviews be separated in time from performance reviews conducted as part of the performance management process?
- What rating, pay increase and budget guidelines are we going to issue to managers implementing PRP in their departments?
- Should we use performance matrices? If so, how should they be constructed?
- How are we going to monitor PRP and evaluate its effectiveness?
- How are we going to control the cost of PRP?
- What is the programme for developing and introducing PRP?

The brief and train stage entails asking questions of how to brief and train line managers on the PRP scheme and how to brief employees in general on PRP in a way which ensures as far as possible that they understand how it will work and how they will benefit. This stage is followed by the implementation of PRP. Since some unforeseeable problems will inevitably arise regardless of how well the scheme has been planned, it is advisable to begin with a pilot scheme, probably at management level so they understand the principles, benefits and problems before applying PRP to the people for whom they are responsible. It is important to keep closely in touch with how things are going, so that problems can be anticipated and dealt with promptly as they arise. At the final stage, it is necessary to monitor and evaluate the acceptability and cost-effectiveness of PRP.

The second model which is characterised by three factors; readiness, the system, and support and maintenance, has been adapted from Bussin (2002:10-11). Bussin (2002:10) argues that strengthening the link between

performance and pay is a world trend. However, some organisations got it wrong; hence the above factors are critical to the success of PRP. In all the three factors, there a number of questions which have to be answered in order to ensure a successful PRP scheme.

Readiness

- Will it (PRP) fit our culture and support the organisation?
- Are the top executives and especially the CEO driving it?
- Has enough time been allocated for thorough communication and training on the new system?
- Are employees receptive to the process?
- Will managers own the process?
- Will line managers own the process?
- Are there enough resources (human resources or consultants) to implement and to do training?

The System

- Do we have a robust system with good measures?
- Does our system support and drive our business strategy?
- Has the link to pay been clearly explained?
- Is the system easily administered?
- Does the system allow flexibility, especially in the link to reward?

Support and Maintenance

- Is there someone who will co-ordinate the implementation and drive it?
- Can the system be institutionalised, allowing for continuous improvements to be made to the system from year to year?

The third model is found in <http://www.ecommerce-now.com/images/ecommerce-now/PRP.htm>). It is argued that PRP should not

be treated as a quick fix leading to a cheaper wage bill; instead, for PRP to be implemented, certain requirements must exist. These are summarised as follows:

Step 1: Employee Acceptance.

A comprehensive employee attitude survey should be conducted and a consultation process should occur for views of employees on PRP. Proceed with PRP if you have commitment from everyone in the business.

Step 2: Piloting prior to implementation.

Step 3: Training of personnel assessors.

Step 4: Agreement with trade unions.

Step 5: Organisational objectives should be translated into measurable performance criteria and performance to be rewarded must be defined.

Step 6: Job definitions must be clarified.

Step 7: Ensure that PRP offers differential levels on performance rating, so that high, medium and low performance levels are adequately rewarded.

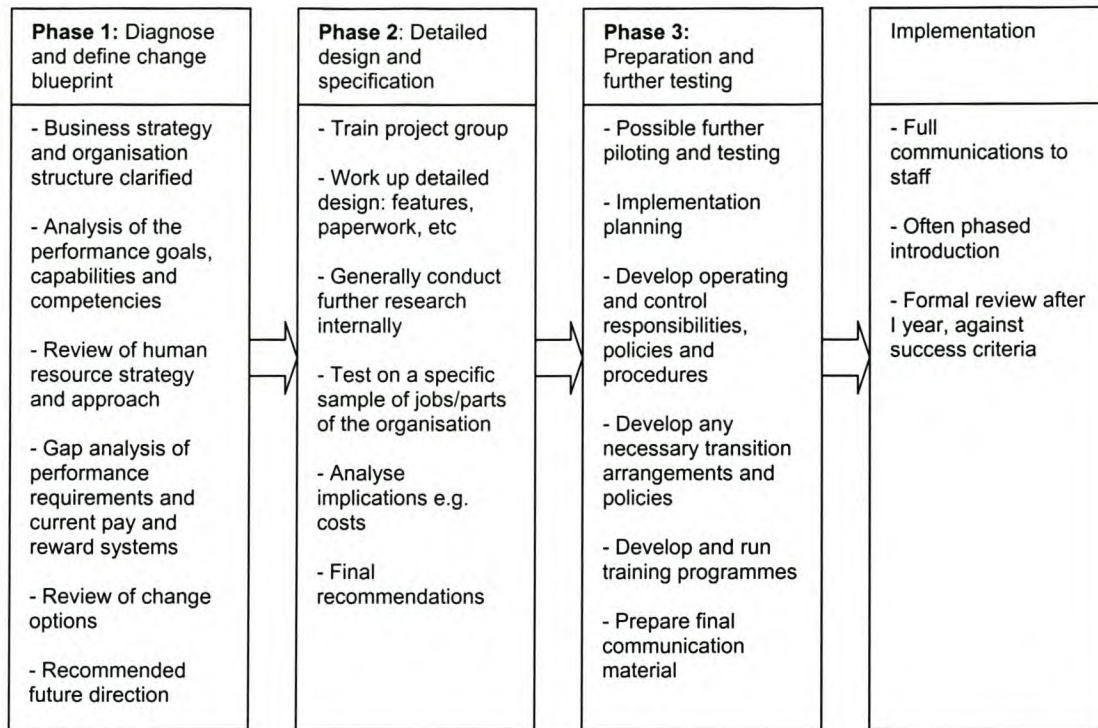
Step 8: The new PRP must be communicated to all employees with clear justification of its introduction.

Step 9: PRP should be regularly reviewed to;

- reinforce its value; and
- ensure its appropriateness to the needs of the organisation.

The fourth model of PRP is provided by Brown & Armstrong. Brown & Armstrong (1999:47) realised that problems of PRP caused majority of organisations to revise their performance pay schemes and they define these newer approaches as paying for contribution, characterised by: clearer and broader, more strategic performance objectives and awareness; by greater variety and flexibility of design; reward for the 'hows' as well as the 'whats' of performance; and much greater concentration to the processes of communication and performance management. Brown & Armstrong (1999:366-400) have therefore developed a three-phased approach of introducing pay for contribution. Figure 2.2.5-2 illustrates the major steps in each of the phases.

Figure 2.2.5-2 Brown & Armstrong (1999:371) Three-Phased Approach for Contribution-Related Pay Project



The first phase has to provide researched and well-founded answers to a number of questions for your organisation depicted in appendix 1. It involves the diagnosis of the organisation and agreeing on the outline approach, understanding the current human resource strategy and reward situation, and identifying key issues and problems. The project team then devises a series of change options to address these issues and recommends the most appropriate future approach. Workshops with senior management, group discussions with staff, attitude surveys as well as benchmarking of external practice, provide important information for this purpose and most importantly secure senior management agreement on the recommended, future approach and implementation plan. At the end of this phase, one would be able to decide whether or not any particular form of PRP is appropriate or whether or not the time is right to have one.

The second phase, which is unfortunately where most organisations start, is the detailed design of the components of the agreed approach in phase one, often using a project team, and part of the organisation or cross section of

jobs within it for the development and initial testing work. This is done basically to ensure its applicability and relevance, as well as to evaluate its likely impact. The outline plan in this phase varies considerably, depending on the approach and the changes agreed upon completion of the first phase. Final recommendations will then have to be made and senior management should agree on the outcomes, system design and implications prior to progressing further.

The third phase prior to the implementation, entails the final testing of the amended pay systems or any new operating procedures, making preparations to implement the new system, setting up appropriate operating procedures and responsibilities, planning and costing the transition from existing to new system, training relevant managers and staff, and preparing for the final communications of the changes to staff. Adequate resources should therefore be devoted to training and communication since they are key aspects of making rewards changes effective.

Two crucial stages often missing at this phase are piloting and setting appropriate review criteria and procedures. Piloting allows for further testing of the pay for contribution system on a sample beyond the initial benchmark jobs. It confirms on a more reliable and representative manner that the system will work in practice and achieve its objectives. Piloting also provides ideas for slight modifications to the approach to improve its operation, and appearance and how best to market the scheme affected by it. A formal review after 6-12 months should be conducted in order to assess how well the system is working. This usually results in some minor changes, but if these are not dealt with early on, then major problems can develop.

2.3 Performance-Related Pay and Other types of Pay-for-Performance Incentive Schemes

Whilst PRP is associated with graded pay structures, and based on ratings carried out by managers, other types of pay-for-performance pay out lump sums or commission on the basis of the accomplishment of the predetermined targets, often controlled by a formula (Armstrong & Murlis, 1994:262). Types of pay-for-performance are usually categorised according to whether the system is applied on an individual, group or organisation wide level. Individual-based incentive systems provide pay incentive to each worker based on his or her own level of productivity, while group or organisation-based incentive systems provide rewards on total organisational performance (Milkovich & Wigdor, 1991; Grobler, *et al*, 2002). The common individual incentive approaches include; piece-rate plans, standard hour plans, commission plans and individual bonuses. For group or organisation-wide schemes; gain-sharing and profit-sharing schemes, employee share ownership plans (ESOPs), and suggestions systems are popular (Grobler *et al*, 2002; Swanepoel, 1998).

2.3.1 Individual Incentive Plans

According to Martocchio (1998:108) “individual incentive plans reward employees for meeting work-related performance standards such as quality, productivity, customer satisfaction, safety, or attendance”. Based on individual performance assessment, the individual incentive plans pay for performance exceeding job standards (Appelbaum & Mackenzie, 1996:33). Common types of individual incentive plans as shown above are discussed below.

2.3.1.1 Piece-rate Plans

Under the piece-rate systems each employee's pay is directly proportional to the number of units produced (Beach, 1985:499; see also Werther & Davis, 1989 and Anthony *et al*, 1996). Jobs in which piece-rate plan can be used are found in manufacturing industries. Swanepoel (1998:543) identifies two types

of piece-rate plans, namely, straight piece-rate plans and differential piece-rate plans. Straight piece-rate plans usually pay the worker a fixed wage for an expected minimum standard. Differential piece-rate plans are common variation, according to which the employer pays a smaller piece-rate up to the standard and a higher piece-rate for output above standard. In other words, more than one rate of pay is set for the same job (Schuler & Jackson, 1996:484).

Grobler *et al* (2002:403) are of the opinion that piece-rate systems are easy to understand, simple to calculate and effective motivational tools. However, they are not implemented as often as one might expect. This is due to the fact that firstly, most jobs do not have output that can be objectively measured. Secondly, more and more jobs are becoming more interrelated, which means that one person's output is dependent on the output of others. If one person does not want to put more effort, that will destroy whatever motivational force piece-rate systems might have encouraged.

2.3.1.2 Standard Hour Plans

Standard hour plans are similar to the straight piecework plans except that the standard is set in time units (Fisher, Schoenfeldt & Shaw, 1993:580). As Schuler & Jackson (1996:484) have indicated, tasks are divided by the amount of time it takes to complete them. Employees who complete such tasks in less than the standard time qualify for incentive payments on the basis of time saved (Swanepoel, 1998:543).

2.3.1.3 Commission Plans

Commission plans, which are widely used in sales positions, allow employees to receive a percentage of sales. Commission plans are easily worked out and justified because there is no subjective element, and rewards are purely a function of performance (Fisher *et al*, 1993:580). Common types of commission plans are straight commission and salary-plus-commission (Grobler *et al*, 2002:404). Straight commission plan is determined by the

commission formula, whilst salary-plus-commission plan combines a monthly salary base with a commission incentive. Salary-plus-plan has the advantage of a guaranteed minimum pay for employees to pay for their living expenses, and provides stability against factors beyond the control of the employee that can affect sales, such as seasonal swings, increased competition and inventory shortages.

2.3.1.4 Individual Bonuses

Employees may be given an additional one-time lump-sum payment for achieving a performance goal referred to as bonus (Fisher *et al*, 1993:581). A bonus is a discretionary payment in the sense that it is not guaranteed and it does not become part of the employee's basic salary (Swanepoel, 1998:544).

2.3.2 Group and Organisation-wide Incentive Plans

Group or team-based incentive plans pays employees for their collective performance rather than each worker's individual performance. They are most effective when all group members have some impact on attaining the goal, although individual contributions might not be same (Martocchio, 1998:113). Swanepoel (1998:545) believes that such schemes are most applicable where;

- Jobs are interdependent, like in the assembly line;
- Cooperation is required to complete a task or project; and
- The measurement of individual output is difficult.

In most cases individually based schemes such as piecework, bonuses and commission plans can also be utilised to pay groups of individuals (Ivancevich, 1992 as cited in Swanepoel, 1998:545).

Organisation-wide incentive schemes are generally aimed at involving workers in a common effort to achieve overall organisational effectiveness. The common organisation-wide schemes are dealt with below.

2.3.2.1 Gain Sharing

Gain sharing plans may be defined as a “pact of sharing entered into between an employer and a group of employees” (Bussin & Thomson, 1995:23). These plans are organisational systems through which the benefits (gains) of cost reductions or improved productivity and quality are shared in the form of cash awards (Swanepoel, 1998:547).

It is argued (Cascio, 1995; Martocchio, 1998) that gain sharing comprises of three components:

- Management philosophy, referring to a cooperative organisational climate that fosters high levels of trust, open communication, participation, and harmonious industrial relations.
- Employee involvement system, which refers to the structure and process for improving organisational effectiveness. It typically uses a broadly based suggestion system implemented by an employee-staffed committee structure that often reaches all areas of the organisation.
- The bonus, which is awarded to employees when the company's actual productivity exceeds its targeted productivity level. This is allocated according to some formula.

Bussin & Thomson (1995:23) argue that one of the great strengths of gain sharing is its implicit simplicity. It is easy to negotiate, explain and implement. This is because it is based on the productivity gains – output divided by input. In financial terms, this means turnover divided by costs. Any measured gains are shared equally between the employee group and the shareholder group. Gain sharing has been found to work equally well in manufacturing and

service industries. However, Lawler (1987; 1988 as cited in Appelbaum & Mackenzie, 1996:34) argues that with gain sharing there is less direct link between individual performance and rewards.

2.3.2.2 Profit Sharing

Profit sharing is the payment of a share of company's profits to employees in addition to their normal salaries or wages. Profit sharing plans divide a set percentage of net profit among employees (Milkovich & Boudreau, 1988:759). Milkovich & Boudreau (1988:759) further state that the underlying assumption for such plans is that they increase commitment and identification with the organisation and its profit goal and, consequently lead to increased productivity and cost savings.

Appelbaum & Mackenzie (1996:34) argue that profit sharing will be more effective in cases where profits are generated and determined by employees, not factors beyond their control. It will also work only where increased employee concern with profits and increased commitment to produce profits can actually affect the level of profit ability. It is therefore unlikely that this system will be effective in capital-intensive industries. Additionally, Milkovich & Boudreau (1988:759) maintain that profit sharing is probably more successful in smaller firms where employees can easily see the connection between individual effort and company profits.

2.3.2.3 Employee Stock Ownership Plans (ESOPs)

Employee stock ownership plan permits employees to borrow against corporate assets to buy stock. In some cases, employees accept wage concessions in return for stock (Anthony *et al*, 1996; Grobler *et al*, 2002). It is suggested (Grobler *et al*, 2002:407) that employees who have an ownership interest in a company will be more concerned about the efficiency and profitability of the company than employees who do not share in the ownership. This also implies that the more profits the company earns, the greater the chance that participants get a significant amount of wealth.

2.3.2.4 Suggestion Plans

A suggestion system is an incentive scheme under which employees receive rewards (usually cash) for useful ideas on reducing costs, improving safety or product quality or generally increasing organisational effectiveness. Such systems use forms on which employees can write out their suggestions and deposit them in conveniently placed boxes for submission and evaluation by management or a special committee (Swanepoel, 1998:549).

Swanepoel (1998:542) asserts that the choice between individual or group-based incentive plans depends on whether performance is a function of individualised or collective effort and whether individual versus group performance can readily be evaluated. However, one may find the same employee or group of employees covered by various types of incentive schemes at any given time.

2.4 Performance-Related Pay in the Context of Performance Management

One of the major lessons emanating from the implementation of PRP is the need for effective performance management to underpin the pay systems (Murlis, 1992:65) and communication strategies to support them (Flannery *et al*, 1996:107). If for instance, you are going to link pay to performance, you need to have in place effective tools for assessing that performance (Flannery *et al*, 1996:107). According to Mabey & Salaman, (1995:211) “performance-related pay is a means by which organisations attempt to achieve a set of goals by communicating performance objectives to employees, monitoring the achievement of these objectives, and rewarding successful achievements to the end of shaping behaviours to be consistent with those thought to be conducive to the attainment of the organisation’s wider objectives. As such, performance-related pay is both an application of the performance management approach, and offers an analogy for it”.

Armstrong, (2000:1) defines performance management as a strategic and integrated process that provides sustained success to organisations by improving the performance of their employees and by developing the capabilities of individual contributors and teams. Performance management should be distinguished from performance appraisal. It is argued (Armstrong, 2000:11) that performance appraisal is a formal assessment and rating of individuals by their supervisors, usually at an annual review, whilst performance management is a broader, more comprehensive and more natural process of management seeking to clarify mutual expectations and emphasising the support role of managers, who are expected to act as coaches rather than judges.

2.4.1 Purposes of Performance Management and Performance Appraisal

Most organisations realise that the performance management process is critical to an organisation's ability to be successful in an increasingly competitive and changing environment. As Griffith & Orgera, (1997:97) have put it: "An effective performance management process enables an organisation to identify and articulate its mission, as well as a set of performance objectives and goals that are focussed, integrated, and meaningful throughout the organisation". According to Bennett and Minty, (1999:60) the primary purpose of performance management should be perceived as both a process for implementing the business strategy and as a driver for changing or creating the desired culture. Through this, the status of performance management is elevated to that of a key business or management process.

According to Philpott & Sheppard (1992, as cited in Armstrong, 2000:6), the primary goal of performance management is to establish a culture in which individuals and groups take responsibility for the continuous improvement of business processes and for their own skills and contributions. Human resource purposes of performance management should come secondary (Bennett and Minty, 1999:60). These purposes are reflected as purposes of performance appraisal and are generally grouped into evaluative and

developmental purposes. Evaluative purposes concern the assessment of past performance in enabling human resource decision-making including;

- human resource planning among others things, in compiling skills inventories, getting information on new positions to create, and doing succession plans;
- compensation which include merit increases, employee bonuses and other increases in pay;
- staffing decisions such as promotions, demotions, dismissals and retrenchments; and
- personnel research which enables for instance, evaluation of recruitment and selection procedures and effectiveness of training programmes (Carrell, Elbert & Hatfield, 1995; Grobler *et al*, 2002 ; Swanepoel, 2000; see also Werther & Davis, 1989).

Developmental purposes involve providing feedback on good behaviours that need to be sustained and areas that need improvement, assisting employees to identify more effective ways to accomplish important tasks, and identifying areas where training and development intervention is required to improve performance as well as determining career progression goals of employees (Fisher *et al*, 1993:472-474). However, supervisors should distinguish between performance deficiencies resulting from inadequate critical skill and those caused by low morale or some form of job dissatisfaction (Grobler *et al*, 2002:266).

Armstrong, (1996:265) indicates that PRP rewards are usually determined by ratings. These ratings can be agreed separately from the performance management review on the grounds that developmental nature of the review will not then be prejudiced because both parties are concerned about the pay outcomes than identifying performance improvement and training needs. However, the performance evaluated for pay purposes is not different from that assessed for developmental purposes. Separating them in time may take the heat out of pay elements of the review but does not change the fact that

PRP decisions are being taken as a result of some form of performance assessment.

Armstrong (2000:170) is of the opinion that if one wants PRP to be fair, equitable, consistent and transparent, then pay decisions cannot be taken on any evidence whatsoever. Individuals and teams should know how the assessment has been made and how it has been converted into a pay increase. It is therefore impossible to avoid some sort of assessment or rating in the performance review meeting. Rating could indeed enhance the developmental aspect of the review meeting if it clearly establishes what people have to do or learn to improve their ratings.

2.4.2 The Performance Management Process

To link pay with performance, there must be some understanding of what is expected of both individuals and their organisations (Bowen, 2000:185). Performance management as shown in Appendix 2 make that connection. This model of performance management shows the activities that should be carried out in the process. The effective management of employees' performance is a crucial requirement for attainment of organisational goals. In other words, performance management system should "ensure that the focus remains firmly fixed on continually aligning both team and individual performance on the current strategy and goals of the business" (Renton, 2000:41). As plans are prepared at the beginning of a performance period, goals are identified against which performance can be measured. Smart managers work with their people throughout the period to ensure that they have the resources and support they need to be successful (Bowen, 2000:185).

An effective PMS can be achieved by ensuring that line management own and drive the process and this has to begin at the top of the organisation. Managers have to be convinced that the system is relevant and operational (Berman, Bowman, West & Van Wart, 2001:274). The PMS does not seem to have won the support of line managers. Problems that were identified in a

survey of nine leading South African organisations undertaken by the University of Stellenbosch Business School are *inter alia*; changes in corporate strategy did not result in corresponding behaviour change; and inadequate line management support for performance management (Grobler *et al*, 2002:260). Managers argue that performance review is very demanding and consumes a lot of time. Thus, they tend to devote a little time on the process. Most often than not, managers and employees ask why have performance appraisals. One would agree with Watling (2000:1-2) that this question is always asked sarcastically and not to get a sensible answer, but to emphasise their opinion that any measurement of performance is a waste of time.

In order for the line management to own the process, Renton (2000:43) argues that the PMS must be;

- clearly defined by experienced management professionals;
- understood by all (managers, employees and support staff);
- welcomed as practical, helpful and cost effective;
- adopted by top management as the way they want to run their organisation; and
- skilfully utilised by managers who are committed to making the system work for them, not them working for the system.

Arumugam (2001:24) argues that creating a shared understanding of performance management amongst all managers and staff through systematic outcomes-based performance management and systematic skills training programmes abolishes among other things, lack of understanding on the system and resistance of managers to conduct performance reviews. Mission and value statements are useless if they are not owned and respected within the organisation, communicated to all concerned and maintained as living principles which guide the manner in which organisations go about their business (Armstrong & Murlis, 1994:226).

The current thinking in the area of performance management states that it should be practiced by the integrated operation of four processes; planning for performance, managing performance, appraising performance, and rewarding performance (Murlis, 1992:65).

2.4.2.1 Planning

Planning for performance is the first step in performance management. Planning for performance as Murlis (1992:65; see also Armstrong, 2000:23-24) described it, involves matching individual accountabilities in each job or role against organisational or departmental plans, reaching agreement about what an individual has to achieve in the form of objectives and the way work is to be done, and identifying the knowledge and skills required to achieve the standards needed. This stage also defines how performance will be measured and the evidence that will be utilised to establish levels of competence. It is imperative that these measures and evidence requirements should be identified and fully agreed early on, because they will be used jointly by supervisors and individual employees, also collectively by teams, to monitor progress and indicate achievements (Armstrong, 2000:24). There should be a performance contract or agreement out of this.

2.4.2.2 Managing Performance

Performance management is a continuous process referring not only to assessing an employee's performance at regular intervals, instead it combines a number of related tasks: coaching, giving feedback, gathering information and indeed evaluating an employee performance (Swan, 1991 as cited in Swanepoel, 1998:406). Of equal, if not greater, prominence is the performance agreement and the continuous process of performance management. Armstrong (2000:63) says that the continuous process of performance management is based on the philosophy that emphasises;

- The achievement of sustained improvements of performance;

- The continuous development of skills and capabilities; and
- That the organisation is a 'learning organisation' in the sense that it is constantly developing and applying the learning gained from experience and analysis of the factors that have produced high levels of performance.

Murlis (1992:67) maintains that performance management is a joint process in which individual employees and their managers maintain a dialogue about progress and what needs to be done either individually or in terms of the interdependencies between jobs to make it more likely that organisational targets will be accomplished or exceeded.

2.4.2.3 Appraising

This stage represents the formal process of evaluating and rating whole job performance and progress against the performance agreement. It should be a combination of a series of discussions throughout the year so that there are no surprises for the jobholder or manager in the performance review meeting (Murlis, 1992:67).

2.4.2.5 Rewarding

This involves recognition on the performance achieved. It may be through the PRP systems or other forms of recognition such as training, career progression, mentoring, broadening assignments and other measures. Thus pay comes at the end of the performance management framework (as illustrated in Appendix 2), realising the reality that pay systems do not manage the people or performance; only managers can attain this (Murlis, 1992:67).

Murlis (1992:67) argues that traditional appraisal systems all too often failed because the above principles were ignored during the implementation. In addition, Murlis (1992:67-68) identified the following main causes of failure of performance management;

- Ownership of the system by human resources departments rather than line management.
- Perception that the system is just another piece of bureaucracy, a chore to be added to an already overlooked schedule.
- Inadequate or non-existent training of managers and staff in the objectives of the system, particularly in the skills involved in operating an effective performance management process of planning, managing and reviewing performance, which many managers initially find very difficult and for which they demand continuing support to get right.
- Use of performance-rating systems which are either ill defined or which use language of scoring or systems which tend to demotivate, often because they use language redolent of school reports such as 'satisfactory', or 'B+'.
- Over-complexity of documentation, trying to do too much in one system and failing to make the paper-work user-friendly.
- Ugly, unappealing supporting literature and appraisal forms; failure to deliver to employees the same quality of writing and design as is given, as a matter of course, to customers.
- Failure of top management to become personally involved with and drive the process; performance management is just as important at board level as lower down gaps in this area quickly affect credibility and ultimate sustainability of the system.
- Failure to understand just how much new systems need to be supported and nurtured after the first phases of implementation; systems need to have their successes communicated and built upon.

Although many performance experts are disregarding an appraisal process, they recognise that the need for feedback and performance improvement, staff development, fair promotion and remuneration is more critical than ever. It is imperative to adopt a performance management approach that encourages new mind-sets and participative culture, that is, one where people take responsibility for their performance and development and where

management is only one of the number of possible feedback sources. In this kind of approach, remuneration systems focus on market-related adjustments, special skill acquisition and special increases for those who are indeed exceptional performers (Minty & Bennett, 2001:22). In Appendix 3 and 4, the critical success factors of performance management and 20 requirements for an effective PMS respectively, are identified.

2.4.3 Problems Related to Rating of Performance

Swanepoel (1998:539) views performance appraisal as very problematic in nature and that it needs to be carefully designed, implemented and monitored. The often subjective nature of performance assessment and the difficulty in ending the resulting inconsistencies, create the risk of pay differences that cannot be justified. As indicated above, the problems of performance appraisal can generally be said to represent many of the impediments in effectively relating pay to performance.

Performance appraisal requires the supervisor to observe and judge behaviour as objectively as possible. The fact that these processes are conducted by humans, the appraisal process is necessarily prone to distortions and biases which prevent any attempts at total objectivity (Beach, 1985; Swanepoel, 2000). For instance, one of the questions posed by the library staff of the University of Cape Town (UCT) regarding performance appraisal and merit-based pay was that: "Given that most people perceive the Performance Appraisal system to be flawed, and very prone to perceptual bias, how can it be justified to only give (salary) increases to those staff designated as 'High Achievers'?" Although the response by the Employee Relations Manager, Mr Paul Abrams, showed that the plan is to give increases based on some form of sliding scale, and not only to give increases to staff evaluated as high achievers, (UCT Monday Paper, 1999, March 22-29) the bottom line is that most employees seem to regard performance appraisal as highly susceptible to judgemental biases.

The common rater errors are supervisory bias, halo effect, central tendency, leniency, strictness, recency, and overall ratings (Grobler *et al*, 2002:291-92).

2.4.3.1 Supervisory Bias

Supervisory bias may be conscious or unconscious. These kind of biases are not related to job performance and may emanate from personal characteristics such as age, sex, disability or race or from organisation-related characteristics such as seniority, membership of another organisation's team or friendship with top administrators (Grobler *et al*, 2002:291). How the supervisor feels about each of the subordinates has a tremendous effect upon ratings of employee's performance (Beach, 1985:216). For example, a supervisor may give high rating to a subordinate with the same race as his or hers or who has established friendship with top management.

2.4.3.2 Halo Effect

This refers to a tendency to allow one particular dimension of an employee's performance to influence the evaluation of other aspects of performance (Beach, 1985:216). For example, the supervisor who is impressed about the interpersonal skills of a particular employee may cause the supervisor to give all high ratings, even in areas such as quality of work or job knowledge. This implies that there may also be a negative halo or 'devil's horns' effect whereby an employee is given all low ratings if his or her interpersonal skills are bad.

2.4.3.3 Central Tendency

This is a tendency to evaluate all employees as average (Werther & Davis, 1989:309). Managers may find it difficult and unpleasant to rate some employees' performance higher or lower than others, even if performance may reflect a real difference (Grobler *et al*, 2002:291). Lack of knowledge of the behaviour of the persons being evaluated can also cause the manager to assign average evaluations to all employees (Beach, 1985:216).

2.4.3.4 Leniency or Strictness

This is a tendency of some evaluators to give either most favourable scores or very low ratings in all employees (Wether & Davis, 1989:309). According to Grobler *et al*, (2002:292) this is very unfair to best performers because those who work hard receive no more credit than fellow employees who are not. Where everyone is given high rating, best performers receive modest pay increases because virtually everyone received a high assessment. Lack of accurate appraisal can lead to turnover among the best employees, who go to organisations that can evaluate performance accurately and give them recognition they deserve.

2.4.3.5 The Recency Effect

Recency error occurs when supervisors allocate ratings on the basis of employee's most recent performance. Recency error most likely results when appraisals are done only after long periods (Cascio, 1995:296). It is human nature for supervisors to remember recent events more clearly than events in the distant past. Hence, best performers who may have slacked towards the end of the review period may therefore be punished unfairly.

2.4.3.6 Overall Ratings

Compensation decisions are often determined by the employee's overall rating. It is difficult for supervisors to combine all the separate performance dimensions such as outstanding, average, making progress or unsatisfactory into one accurate overall rating. According to Grobler *et al*, (2002:292) behavioural research indicates that the raters are not consistent when making overall ratings. Thus, two employees who receive similar evaluations on every specific performance area could nevertheless receive entirely different overall ratings. Furthermore, some raters may weigh all areas as equally important, whereas others may only consider certain items important in determining an overall rating.

Rater errors can be eliminated through training. Training programmes should be restructured in such a way that they will be able to eliminate misunderstandings by the appraisers. According to Kirkpatrick, 1986 (cited in Grobler *et al*, 2002:299) rater training must give the knowledge, teach the skills used, and create the attitudes necessary for an effective performance appraisal system. Modern approaches should be used in conjunction with traditional approaches of; presenting information to raters, workbooks, videotapes, and discussions between raters, because they can provide additional insight. These are practical exercises, cases and role-playing.

Proper training will lessen rater errors and biases, by providing better observational skills amongst raters and improving interpersonal and communication skills during the appraisal interviews. Smither, (1998:405) argues that “rater training is a symbol of organisational commitment to a fair process”. Formal rater training reinforces day-to-day nature of monitoring performance and giving feedback (Smither, 1998:437) and thus enables avoidance of any issues of law and liability. Werther & Davis, (1989:310-311) maintain that rater training should involve three steps:

- Firstly, biases and their causes should be explained.
- Secondly, the role of performance appraisals in employee decisions should be clearly defined to stress the need for impartiality and objectivity.
- Lastly, raters should be permitted to apply subjective performance measures as part of their training. For example, classroom exercises may require evaluation of the trainer or of videotapes showing workers and various working situations. Mistakes uncovered during simulated evaluations then can be corrected through additional training or counselling.

According to Grobler *et al* (2002:300), the periodic evaluation of performance appraisal system also helps identify and rectify rater errors. The evaluation may include interviews regarding the strengths and weaknesses of the

present system, an examination of randomly selected sample of performance appraisal forms to spot rater errors, and review by top management of the appraisals conducted by lower level managers. Because managers are aware that their performance as appraisers will be evaluated, there is a tendency to reduce errors of for example, leniency, strictness and central tendency.

2.5 Summary

Mabey & Salaman, (1995:211) defines performance-related pay as “a means by which organisations attempt to achieve a set of goals by communicating performance objectives to employees, monitoring the achievement of these objectives, and rewarding successful achievements to the end of shaping behaviours to be consistent with those thought to be conducive to the attainment of the organisation’s wider objectives...” Initially, PRP was only an individualised pay system. However, due to an increasing attention by organisations to developing good teamwork, individual PRP schemes are focusing more to performance criteria related to teamwork. Unlike other types of pay-for-performance, PRP is associated with graded pay structures, and based on ratings carried out by managers (Armstrong & Murlis, 1994:262).

PRP schemes grew rapidly in the 1980s as the answer to motivating people and developing performance-oriented cultures. Because many people explicitly associate incremental systems with unmotivated performance, it is argued (Armstrong & Murlis, 1994:263) that if people are paid more flexibly according to their performance, they are more likely to be motivated than if they are sitting there waiting for the next automatic increment. Studies (including Seltz & Heneman, 1999; Tomlinson, 1992; Armstrong & Murlis, 1994; Armstrong, 1996; Grobler, *et al* 2002; Swanepoel, 1998) have shown that if pay is related to performance, then employee motivation to achieve high performance is increased.

Armstrong & Murlis (1994:263) assert that even if the effectiveness of money as a motivator can be questioned, most organisations strongly feel that it is fair to reward people according to their contribution. If effectively

implemented, PRP provides a tangible means of recognising employee accomplishments and is a way of ensuring that everyone understands performance imperatives of the organisation. Despite the widespread support for performance-related pay systems, studies show that most often than not they fail to provide the expected positive results (Horwitz & Frost, 1992 and Spangenberg, 1993 as cited in Swanepoel, 1998; Armstrong & Murlis, 1994; OECD, 1993b, Gaertner & Gaertner, 1985 and Perry & Pearce, 1985 as cited in Pollitt & Bouckaert, 2000). Different but related models for successful PRP schemes have been considered in the chapter.

One of the major lessons emanating from the implementation of PRP is the need for effective performance management to underpin the pay system (Murlis, 1992:65) and communication strategies to support them (Flannery *et al*, 1996:107). The current thinking in the area of performance management states that it should be practiced by the integrated operation of four processes; planning for performance, managing performance, appraising performance, and rewarding performance (Murlis, 1992:65). Swanepoel, (1998:539) argues that performance appraisal is very problematic in nature and needs to be carefully designed, implemented and monitored. The often subjective nature of performance assessment and the difficulty in ending the resulting inconsistencies, create the risk of pay differences that cannot be justified. The problems of performance appraisal can generally be said to represent many of the impediments in effectively relating pay to performance.

Performance appraisal requires the supervisor to observe and judge behaviour as objectively as possible. The fact that these processes are conducted by humans, the appraisal process is necessarily prone to distortions and biases which prevent any attempts at total objectivity (Beach, 1985; Swanepoel, 2000). Rater errors can most importantly be eliminated through proper training. Proper training lessens misunderstandings by appraisers, provides better observational skills amongst appraisers and improves interpersonal and communication skills during the appraisal interviews.

The next chapter discusses the nature of PRP in the Lesotho Civil Service. This is dealt with by considering the whole context of the PMS in the Lesotho Civil Service.

CHAPTER THREE

3. THE NATURE OF PERFORMANCE-RELATED PAY IN THE LESOTHO CIVIL SERVICE

3.1 Introduction

As indicated in Chapter one, on the background, the new Performance Management System (PMS) in the Lesotho Civil Service was introduced in January, 2000 (as provided in the Public Service Regulations (Amendment) 21 of 2000), to replace the closed appraisal system, referred to as confidential reporting system. It has been argued (Anthony *et al*, 1996:357) that with the closed reporting method of performance appraisal, an employee has very little input into the discussion. Hence, the main weakness of confidential reporting was its secretiveness (Dzimba, 2000:2). Employees were denied access to their evaluations.

The previous chapter covered in general the origin of and underlying forces surrounding PRP. This chapter, in a more specific manner, aims to explore the nature of PRP in the Lesotho Civil Service. This is addressed by first highlighting the weaknesses of the confidential reporting system, and then discussing in broader terms, the new PMS in the Lesotho Civil Service.

3.2 Weaknesses of the Confidential Reporting System

Although it took some time for the Government of Lesotho to develop the PMS, the problems of the confidential reporting system were identified as far back as 1975 by the Staff Appraisal Committee. The Staff Appraisal Committee was appointed in October, 1974 (Lesotho, Report of the Staff Appraisal Committee, 1975:1) by the Permanent Secretary of Cabinet Personnel to review and make recommendations on the staff appraisal systems in the Lesotho Civil Service.

The Committee discovered widespread dissatisfaction with the confidential reporting system at all levels of management and a strong desire for an effective programme of employee appraisal. Problems identified by the Staff Appraisal Committee in their report (1975:26-27) included:

- Information generated did not reflect a person's competence, nor did it provide a means of improving performance.
- There was considerable doubt as to the true objective of the confidential reporting system.
- Reporting officers were hampered by inadequate statements of duties as criteria for evaluating performance.
- Reporting officers were too often not qualified to write reports, either because of lack of training or lack of knowledge about the subordinate.
- The form was inadequate in almost all respects, but particularly so in its emphasis on personal traits (see Appendix 5 for the confidential reporting form).
- Since the system denied the employee access to his or her assessments, this defeated entirely the positive benefits of appraisal and creates suspicion and hostility. The Report (1975:22-23) provides that in all most all cases, respondents of the questionnaire survey by the Committee did not know what was said about them on their appraisal reports. Most importantly reporting officers were unable to discuss a subordinate's weaknesses with him or her because the system did not allow for this. Hence, there was no input in the assessment by the employee.
- The information generated was not often used effectively in normal personnel administration.
- Personal bias, favouritism and vindictiveness are common complaints about the confidential reporting system.
- Existing practices and procedures are not clearly spelled out, and as a result, supervisors do not know what is expected of them.
- The system contributes greatly to poor supervisor-subordinate relations.

- Managers and reporting officers approach the job of employee evaluation and the submission of confidential reports with little enthusiasm and even less thoroughness.
- Employees have few, if any, avenues of redress against unfair evaluations.

Dzimba (2000:2) also adds that the confidential reporting lacked the link between pay and productivity. From the Report of the Staff Appraisal Committee (1975), it is obvious that the above problems of the confidential reporting system contributed to widespread dissatisfaction with the system.

3.3 The New Performance Management System in the Lesotho Civil Service

The PMS as defined in the Lesotho Civil Service, (Lesotho, Performance Management Guidelines for the Lesotho Civil Service, 1995:3) is an integrated planning and employee appraisal process that:

- (i) links division and individual work planning to Ministry goals;
- (ii) creates an ongoing annual process of
 - planning of work tasks,
 - agreement on the quality levels of work to be done,
 - provision of appropriate skill development for each task,
 - coaching and feedback during the review year,
 - review of performance at the end of the review year in the discussion between the supervisor and each employee;
- (iii) makes provision for outstanding performance to be recognised and unsatisfactory performance to be resolved.

The PMS for the Lesotho Civil Service has been developed to meet the performance improvement needs of the Civil Service. Hence, objectives of the

PMS as set out in the Performance Management Guidelines for the Lesotho Civil Service (1995:2) are:

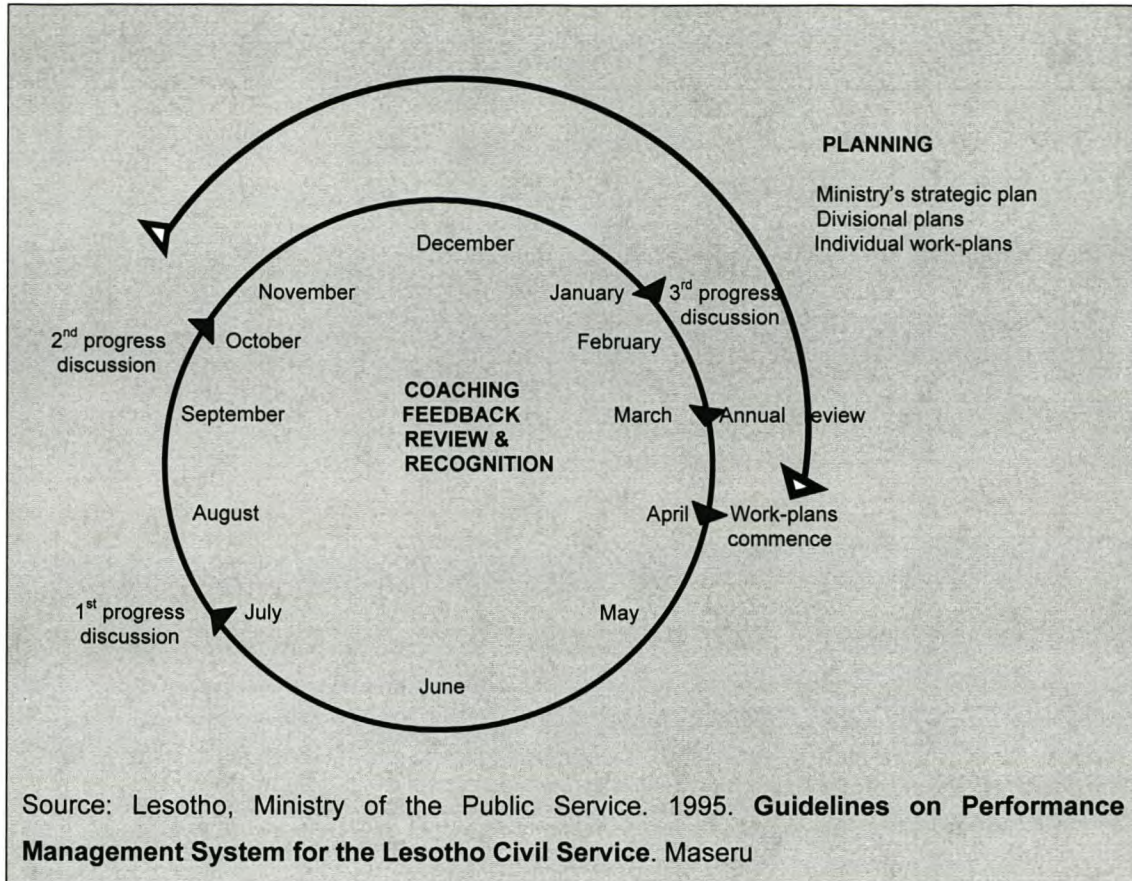
- To develop clearly stated goals and a better understanding of roles of each ministry.
- To encourage employees to participate in planning of work and work processes.
- To promote harmonious supervisor/employee relations through regular discussion and feedback.
- To ensure that the appraisal of civil servants is carried out in a fair and objective way.
- To encourage a climate of continuous improvement and ongoing focus on improving skills and processes.
- To help organisations design more structured and focussed training programmes based on actual needs of the organisations and the personal development needs of individuals.
- To improve people management through provision of a user-friendly appraisal system.

3.3.1 The Performance Management Cycle in the Lesotho Civil Service

The Government of Lesotho adopted the cycle in figure 3.3.1-1 below for their budgetary, corporate and division planning and individual work planning activities.

Performance management in the Lesotho Civil Service is divided into four phases as shown in the figure 3.3.1-1, namely, planning, coaching and feedback, annual performance review, and recognising performance.

Figure 3.3.1-1 The Performance Management Cycle in the Lesotho Civil Service



3.3.1.1 Planning

Performance management links individual plans to the overall goals and objectives of each ministry of the Lesotho Civil Service. The planning phase consists of (Lesotho, Performance Management Guidelines for the Lesotho Civil Service, 1995:5-6):

- Developing ministerial operational plans, in line with budgetary planning, between November and February.
- Developing divisional or group plans. During March supervisors bring their work team together to develop plans for the group to meet the goal and priorities of the ministry.
- Developing the individual work plans, once the above plans are completed. During the work plan meeting between the supervisor and the employee, both parties consider and prioritise key tasks for

the employee over the coming twelve months, develop performance indicators to show how performance in carrying out each task will be measured and performance standards or targets to indicate the level or quality of performance that will be expected. The supervisor and the employee then consider the skills and experiences that the employee may require to complete their key tasks successfully. Appropriate training and other learning experiences are identified. When the supervisor and the employee are in agreement, they each sign the annual work plan section of the performance review form (see Appendix 6 for the form). This then completes the planning phase.

Public Service Regulations (Amendment) 21 of 2000 recognise the above activities. Section 280 (1) stipulates that a Government Ministry or Department shall prepare an annual operational plan which shall, among others, set out objectives and activities of that Ministry or Department in accordance with objectives stipulated in the national plan as prepared by the Ministry of Development Planning and section 280 (2) provides that between the months of November and February in each financial year, a Government Ministry or Department shall, in line with budgetary planning, develop its objectives and priorities for the next financial year.

Section 281 (1) further provides that every public officer shall prepare an individual work plan for each financial year based on the job description of the officer and linked to the overall goals and objectives of the Ministry or Department.

3.3.1.2 Coaching and Feedback

The PMS for the Lesotho Civil Service formalises the process of coaching and feedback each three months (Lesotho, Performance Management Guidelines for the Lesotho Civil Service, 1995:8). Coaching and feedback involves regular monitoring of work processes and products and provision of assistance and feedback to employees as needed. In July, October and

January, as reflected in figure 3.3.3-1, the supervisor arranges to meet each employee to discuss progress in relation to the work plan. During the meeting the supervisor and the employee discuss priorities, progress and any changes that have to be made in support and/or resources and training required ensure satisfactory progress. Any changes in the work plan and other comments (they wish to make) are noted on the performance review form and each signs the form.

3.3.1.3 Annual Performance review

The annual performance review is conducted in March each year (Lesotho, Performance Management Guidelines for the Lesotho Civil Service, 1995:9). During the meeting the supervisor and the employee consider each of the key tasks on the employee's work plan and discuss how well the employee has met the performance standards for each key task and then consider areas that need improvement. Section 283 (3) of the Public Service Regulations (Amendment) 21 of 2000 also stipulates that appraisal or performance expectations shall be based-

- (a) on the officer's duties and responsibilities entailed in the job description; and
- (b) on the officer's individual work plan.

Once the discussion on the performance of the employee has been done, the supervisor then states to the employee how well he or she considers the employee has performed and what the overall rating for the year is considered appropriate. Section 283 (5) provides that a copy of completed performance appraisal form shall be submitted by the head of the department or section, as the case may be, within two (2) weeks after the expiry of the performance appraisal session to –

- (a) the Ministry of the Public Service; and
- (b) the relevant Department.

Throughout the above processes the performance review forms are kept by the supervisor in a secure place and at the end of the annual performance

review period, the completed form is placed on the employee's confidential file. One copy remains at head office, the second copy is submitted to the relevant department, the third and fourth is held by the Ministry of the Public Service and the employee respectively.

3.3.1.4 Recognising Performance

The Performance Management Guidelines for the Lesotho Civil Service (1995:11) state that after the annual performance reviews are completed, supervisors should devise strategies to ensure that outstanding performance is recognised and that appropriate interventions are made on unsatisfactory performance. To deal with unsatisfactory performance, the planning, coaching and feedback, and review processes of the PMS are aimed at ensuring that employees have clear understanding of what is expected of them on the job. Through these processes, problems are identified at an early stage and the necessary coaching and training to turn around unsatisfactory performance is provided. If at the end of the annual review cycle the employee receives an unsatisfactory performance rating, the immediate supervisor should consult with the next level supervisor to prepare a performance improvement plan for the employee. A variety of possible strategies, both financial and non-financial rewards, for performance recognition are provided by the Performance Management Guidelines for the Lesotho Civil Service (1995:11).

3.3.1.4.1 Performance-Related Pay

As part of financial rewards in the Lesotho Civil Service, the Ministry of the Public Service as the ministry responsible for initiating, formulating and coordinating human resource policies, rules and regulations in the Lesotho Public Service, is working towards introducing the PRP system as part of the PMS and as a substitute to the current incremental pay system. With the incremental pay system, an employee's salary increases from one notch to another in a pay grade every year until he or she reaches the limit of a salary range or bracket, after which no salary increment is given. The salary structure for civil servants composes of twelve (12) grades, from grade A

(which is the lowest) to grade L. The salary range or bracket for each grade consists of points or notches as follows:

- Grade A – six points
- Grade B – twelve points
- Grade C – twelve points
- Grade D – twelve points
- Grade E – twelve points
- Grade F – twelve points
- Grade G – eight points
- Grade H – eight points
- Grade I – twelve points
- Grade J - thirteen points
- Grade K – thirteen points
- Grade L – thirteen points

PRP as a substitute to the current incremental pay system is one way of recognising outstanding performance. Development of the PRP scheme is one of the activities of the Lesotho Public Sector Improvement and Reform Programme, whose main purpose is to improve the quality and efficiency of the delivery of public services to all the people of Lesotho, and other clients as appropriate (“The Public Sector Improvement”, 1996). PRP as part of the performance management and remuneration systems in the Lesotho Civil Service is intended to enhance productivity through performance improvement and payment of financial rewards in accordance with contribution (Matela, personal communication, December 16, 2002).

3.3.2 Conflict Resolution

Jorm *et al* (1996:49) says that, although the purpose of open, consultative nature of performance is consensus-building and striving for shared organisational goals and work rewards, it is inevitable that performance assessment outcomes will at times be contested. Mechanisms therefore should be built into the administrative policies and rules of the PMS. Hence,

the Government of Lesotho, as part of the development of its PMS, decided to establish general grievance mechanisms in every ministry (Jorm *et al*, 1996:49). These mechanisms would not only affect the performance appraisal process, but also the day-to-day problems that occur at the workplace among employees, and between employees and supervisors, that affect normal performance of duties. However, the mechanisms and procedures have presently not been officially documented and implemented.

3.4 Summary

PRP, which is going to be introduced in the Lesotho Civil Service, is part of the PMS. The new PMS became effective in January, 2000 as a substitute to the closed appraisal system referred to as confidential reporting. With the confidential reporting system, employees had little or no input into the whole appraisal process. Problems of the confidential reporting system contributed to widespread dissatisfaction with the system, hence the introduction of the PMS. The PMS for the Lesotho Civil Service has been developed to meet the performance improvement needs of the public service. The Government of Lesotho adopted the cycle as illustrated in figure 3.3.1-1 for their budgetary, corporate and division planning and individual work planning activities. The performance review is characterised by a quarterly progress review from the beginning of the financial year (April) and annual performance review at the end of the financial year (March)

Performance management in the Lesotho Civil Service is divided into four phases, namely, planning, coaching and feedback, annual performance review, and recognising performance. PRP is one way of recognising outstanding performance. PRP therefore aims at enhancing productivity through performance improvement and payment of financial rewards in accordance with contribution. Hence, PRP will replace the currently used 'automatic' incremental pay system. Given that the performance assessment outcomes are sometimes challenged by the employees, the Government of Lesotho, as part of the development of its PMS, decided to establish general

grievance mechanisms in every ministry. However, this has not yet been put into place.

The chapter that follows designs a model for introducing PRP in the Lesotho Civil Service. A model describes how PRP should be addressed in the context of the Lesotho Civil Service. Opinions on the model, which will be analysed in chapter five, will be obtained from human resource management specialists and the top management of the Ministry of the Public Service.

CHAPTER FOUR

4. A STRATEGIC INTRODUCTION OF PERFORMANCE-RELATED PAY IN THE LESOTHO CIVIL SERVICE

4.1 Introduction

The previous chapter addressed the nature of performance-related pay (PRP) in the Lesotho Civil Service. According to Bussin (2002:3), research conducted by several major international organisations indicates that those organisations that have well-developed PRP and Performance Management Systems (PMSs), outperform their competitors on almost every measure. Since PRP is one of the activities of the Lesotho Public Sector Improvement and Reform Programme, whose main purpose, as shown in the previous chapter, is to improve the quality and efficiency of the delivery of public services to all the people of Lesotho and other clients, there is a need for a model that will ensure effective introduction of the system into the Lesotho Civil Service. This chapter therefore aims to develop such a model, which after being tested through human resource experts and management of the Ministry of the Public Service will be proposed to the Lesotho Civil Service.

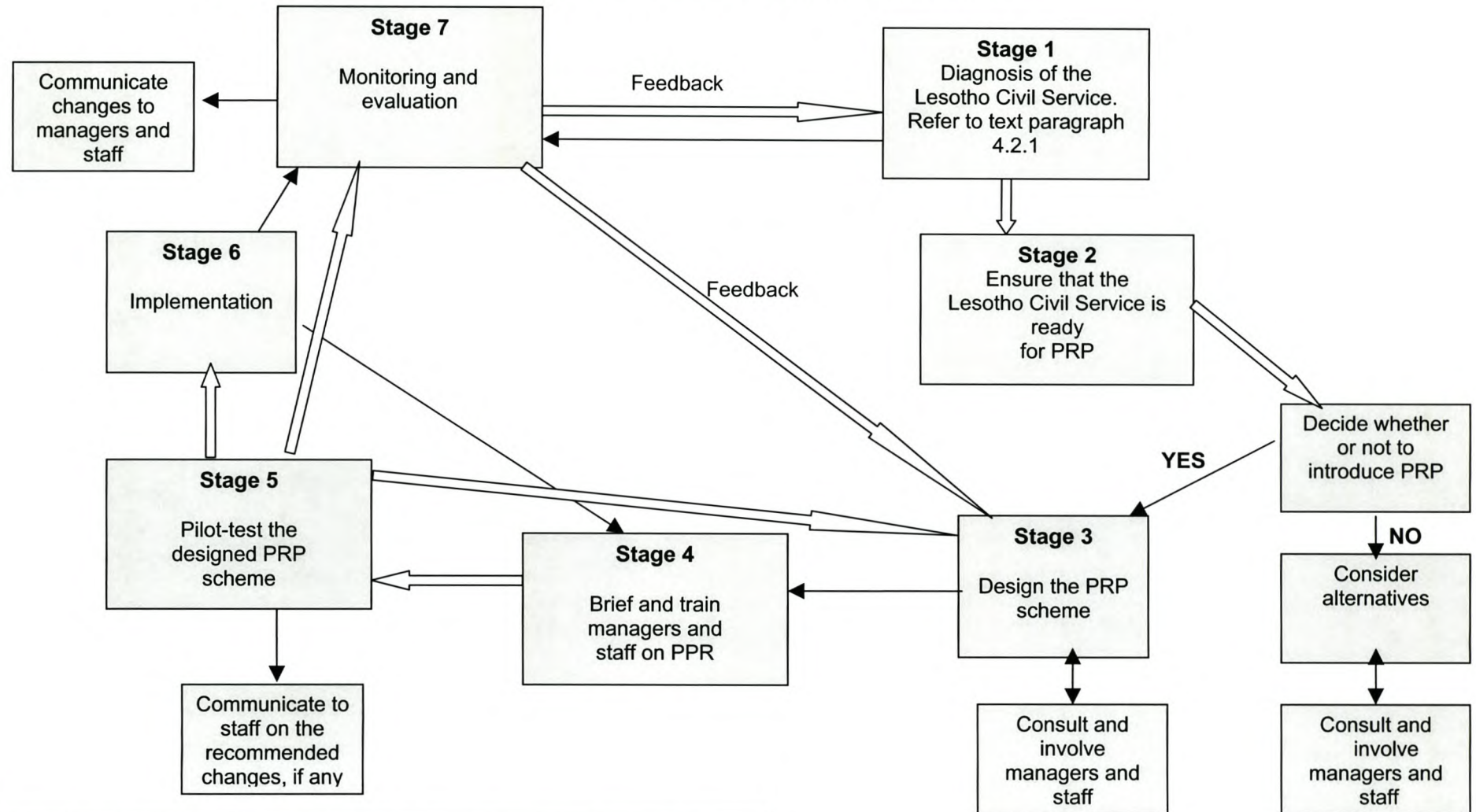
4.2 A Model for Introducing Performance-Related Pay in the Lesotho Civil Service

Various models of introducing PRP in the organisation have been explored in chapter two. As a result, the trends and issues recommended in these models will be employed to design the effective model for bringing PRP into operation in the Lesotho Civil Service. Most important aspects from these models are: linking PRP to organisation's mission, vision, culture and goals; communication and involvement of all concerned to ensure employee acceptance and ownership; training managers and staff on the PRP system; piloting and testing of the PRP system before implementation; and monitoring and evaluating the PRP system to identify areas where remedial action should

be taken and to provide feedback for the next year's PRP process. However, specific issues for the Lesotho Civil Service will be taken into account.

The model which is designed in figure 4.2-1 below involves the following steps: the diagnosis of the Lesotho Civil Service; ensuring readiness for the PRP system; designing the PRP scheme; briefing and training; pilot-testing the designed PRP scheme; implementing PRP; and monitoring and evaluating PRP. Since PRP is going to cut across the whole Lesotho Public Service, the project team that is representative of top management of all government ministries and departments should be formed to carry out this activity. The external consultant should also be considered to assist in the process of introducing PRP and to provide all the necessary expertise on PRP to the project team. The team should be led by the Remuneration and Benefits Department of the Ministry of the Public Service, as the department charged with the responsibility of developing and implementing the PRP scheme for the Lesotho Public Service, and the Organisational Development Department of the Ministry of the Public Service.

Figure 4.2.1 A Model for Introducing PRP in the Lesotho Civil Service



Note: Size of text boxes and arrows signify the degree of importance of stages and relationships

4.2.1 Diagnosis of the Lesotho Civil Service

Diagnosing the entire Lesotho Civil Service is the first and fundamental stage in the model. It involves analysing the whole Lesotho Civil Service, in terms of its mission, vision, values, performance goals, capabilities and competences, its human resource strategy or systems including the performance management system and training and development provisions, and its reward system, as well as identifying key issues and problems. Appendix one lists a number of questions that must be answered in this phase. Interviews with senior management, namely Principal Secretaries, Directors and/or Heads of Departments; review of strategic plans and performance reports; group discussions with samples of employees and attitude surveys on the current situation; as well as benchmarking of external practice, provide important information required in answering these questions.

The project team should devise a series of change options to address the issues and problems identified, and should recommend the most appropriate future approach to PRP. Consultation with management, staff and analysis of the external practice also provides valuable information for this purpose. The diagnosis also entails assessing the reasons for introducing PRP. Findings on this phase and agreed changes should be communicated to all public servants.

4.2.2 Ensuring Readiness for Introducing PRP

To ensure readiness for PRP the culture of the Lesotho Civil Service should be changed to suit the new PRP system. According to Denton (2002) culture can be changed by:

- Creating an atmosphere of perceived “crisis” in the organisation. Without dissatisfaction with the current state, there is little incentive for managers to change familiar patterns of behaviour.
- Developing or clarifying a vision of which changes are needed.
- Communicating the vision widely and repeatedly.

- Modelling, through own actions, the kinds of values and practices they want infused into their firms.
- Empowering other people.
- Looking for some quick but sustainable successes.
- Demonstrating patience and persistence.

In order to proceed with PRP, managers and staff should accept, own and be committed to the system. Involving all the people concerned through continuous consultations is likely to ensure ownership, acceptance of and commitment to PRP. The PRP process has to be driven by top executives namely, the government secretary, principal secretaries, deputy principal secretaries and directors. Attitude surveys for civil servants at all levels; top, middle and lower levels of the Lesotho Civil Service, both at central and district levels, should be conducted to establish opinions about PRP. Attitude surveys should have introductory remarks that clearly describe the reasons for PRP and what is to be achieved from having such a system. Surveys may be in the form of interviews with top management and questionnaires for samples of public servants.

Prior to the introduction of PRP, the project team must make certain that the overall organisational system is in a healthy state with clear job definitions and good performance measures. To be an effective management tool, PRP has to be based on effective performance management process. The performance management process should be integrated with the Lesotho Government mission and strategy. This is supported by section 280 (1) of Public Service Regulations (Amendment) 21 of 2000, which requires all ministers/departments to prepare annual operational plans and individual plans in accordance with the national plan.

To be effective, the appraisal process in the Lesotho Public Service should conform to the PMS cycle in figure 3.3.3-1 as provided by 'Performance Management Guidelines for the Lesotho Civil Service', which is made up of four phases; planning, coaching and feedback, annual performance review,

and rewarding performance. Minimal rater errors also indicate well-managed appraisal system. PRP can therefore be introduced only when convinced that the appraisal process is well administered. Other processes such as grievance resolution mechanisms are required to be instituted to ensure proper operation of performance appraisal and PRP as components of performance management.

In order to continue with PRP, it must be ensured that there are enough human and financial resources to implement PRP. People concerned with managing PRP, in particular the project team, should have the required skills. The project team should be well trained so that they will impart skills and guide all human resource people and managers in all ministries and departments of the Lesotho Civil Service.

This stage enables the project team to decide whether or not PRP is appropriate or whether or not the time is right to have it. If the Lesotho Civil Service is ready, the objectives of introducing PRP should well be defined prior to the design of the scheme. This is to ensure the guided development process and provide the basis for evaluating the system.

Thompson (1992 as cited in Brown & Armstrong, 1999:372) contends that too many organisations attempt to use pay as a direct business strategy and performance reinforcer, when in some situations a 'neutralise/reduce problems' approach may be the most appropriate. Hence, if the Lesotho Public Civil is not ready for PRP, the project team needs to consider other alternatives for rewarding good performance. Armstrong and Murlis (1994:276) have provided alternatives as indicated in chapter two and these include:

- The use of bonus schemes.
- Focussing more on the motivational aspects of performance management.
- Job re-designs to increase motivation.

- Performance-related training.
- More intensive management coaching and training to develop leadership abilities.
- Process re-engineering to improve organisational performance and productivity.

4.2.3 Designing the PRP scheme

This stage entails a detailed design of the components of the agreed approach in the diagnosis stage. First of all, a budget for the transition from the existing incremental pay system to the PRP system should be prepared. Adequate human and financial resources should be devoted to training and communication since these are key aspects of making reward changes effective. A separate fund for PRP should be established in all the ministries/departments in the Lesotho Civil Service.

When structuring the PRP scheme and defining critical success factors and performance indicators, emphasis should be on teamwork. Armstrong & Murlis (1994:273) contend that poor PRP schemes can produce a lot of single-minded individualists. Individuals should know that attaining their targets at the expense of others is not considered competent performance.

The project team should set criteria for determining PRP awards and these criteria should be applied uniformly across the whole Lesotho Civil Service, in order to avoid ministries/departments taking varying approaches for paying for performance. In setting criteria, the team must ensure that PRP gives different ratings, so that outstanding, very good, good, satisfactory, and unsatisfactory performance (as shown in page 4 of the performance review form of the Lesotho Civil Service, in appendix 6), is adequately rewarded. A mechanism for ensuring that ratings are fair and consistent should be devised. In addition to rater training, one method, which is relatively easy and inexpensive, is the supervisor's checks of the appraisal process. In this case, supervisors review appraisals conducted by lower-level managers. One would agree with Grobler

et al (2002:300) that, since managers are aware that their performance as appraisers will be assessed, there is a tendency to reduce rater errors.

The PRP system should allow flexibility, especially in the link to reward. For example, there may be situations, when it would be more appropriate to pay a lump sum achievement bonus rather than to increase the basic rate of pay. There is a need for a provision for performance-related lump sum bonus for special achievement or sustained high-level performance at the top of the pay range, as part of the PRP scheme. Whether or not PRP reviews should be separated in time from performance reviews conducted as part of the performance management process is also taken into consideration at this stage.

The project team should prepare rating, pay increase and budget guidelines for managers engaged with PRP in the ministries/departments of the Lesotho Civil Service. Appropriate operating procedures and responsibilities should also be set. These include definitions of performance to be rewarded, individual responsibilities for future operations, authorisations, and payroll management. Any other necessary transition arrangements, policies and required changes in the legislation governing salary increments need to be made. In particular, Chapter 4, Part C of the Public Service Regulations 16 of 1969, covering the administration of annual increments must be amended to replace the current incremental pay system with PRP. The issue being that salary increases other than those related to inflationary adjustments will be based on an employee's performance as appraised and rated by his or her supervisor.

The project team should consult with existing staff associations in the whole Lesotho Civil Service and have a written agreement on how PRP will work, particularly how pay increments are to be calculated. The project team will work with the Employee Relations Department in the Ministry of the Public Service in this respect. Last but not least, the project team should develop success criteria and measures for the new PRP scheme. There should be at least formal annual review of new pay arrangements.

4.2.4 Briefing and training

This stage is very crucial in ensuring commitment and hence, effective introduction of the new PRP scheme. Communication on the new system to all managers and staff with clear justification of introducing PRP should be undertaken. Training relevant managers and staff on the new PRP scheme is also very important. Line managers need to be equipped with skills to effectively operate, for example, performance appraisal and to do ratings for PRP decisions. How subjective or improper performance ratings affect pay decisions should be clearly spelt out. Both managers and staff should be briefed and trained in such a way that they will be able to understand how the PRP scheme will work and how they will benefit. Training programmes on PRP can be developed and run by the project team together with the Lesotho Institute of Public Administration and Management (LIPAM), which is currently facilitating training on the new PMS in the Lesotho Civil Service.

4.2.5 Piloting

Pilot-testing is one of the critical stages, therefore, the project team must consider testing the designed PRP on part of the public service and/or cross section of jobs, in order to ensure its applicability, relevance and to evaluate its possible impact. In particular, cost implications of PRP scheme should be analysed and ways of controlling the costs have to be considered. Regardless of how well the scheme has been designed, some unforeseeable problems will inevitably arise.

It is advisable to start a pilot scheme at management level so that they understand the principles, benefits and problems before applying PRP to the people for whom they are responsible, and then extend it down the lower levels. Piloting provides ideas for slight modifications of the PRP scheme to improve its operations. Recommended changes will then have to be made before implementing the scheme and communicate to staff as accordingly.

4.2.6 Implementation

The first thing to do at this phase is to finalise the implementation plan. The project team will be responsible for driving PRP and coordinating its implementation. Further training and full communications to staff on the PRP system should be carried out. It is advisable to break the implementation of PRP into phases depending on position levels or grades in the Lesotho Civil Service. It can be divided into three phases: the first phase may cover top five levels, from grade H to L, the second phase may be from grade E to G and the last phase may be from grade A to D. PRP at top five levels as shown above, may be linked to the notion of performance contracts, in a three or five year period. This is to ensure commitment of top officials to performance goals of the Lesotho Government.

4.2.7 Monitoring and evaluation

It is imperative to closely monitor and evaluate how things are going so that problems can be anticipated and attended to promptly as they arise. Monitoring and evaluation link to stages one, three, five and six as illustrated in the model. Diagnosis of the Lesotho Civil Service involves evaluation of the whole system. When pilot-testing the scheme, the whole process should be monitored and evaluated to enable effective implementation. Implementation of the PRP system should also be closely monitored and evaluated to assess how well the PRP system is working. This provides feedback on the required changes particularly to the design of the scheme and any other investigations (diagnosis) that have to be made in the public service, concerning PRP and other related systems and processes.

Formal evaluation of the PRP system and the new arrangements should be conducted at least annually. Regular review of the system helps to reinforce its value, acceptability, and ensure its appropriateness to the requirements of the Lesotho Public Service. Some minor changes may have to be made. If these are not instituted on time, then major problems can develop, which will

complicate the implementation of PRP. Any changes made have to be communicated to staff.

4.2.8 Employee Involvement

Employee involvement is often overlooked in most of the change programmes. However, ownership and acceptance of, as well as commitment to PRP are much more likely if maximum degree of involvement of all affected is ensured from its development, implementation and maintenance. Various ways of soliciting staff views and communicating PRP may be used including; workshops with senior management, group discussions, a circular covering all aspects of the new PRP scheme and soliciting comments, not only from management but also from all public servants and/or a special publication on PRP. Since circulars in the Lesotho Civil Service are addressed to management, it must be clearly stated that the addressees are expected to do internal briefs for all staff under their supervision. New technologies such as e-mail make the communication process much easier and cheaper. All these ensure that queries and concerns of staff are addressed.

4.3 Summary

The designed model for introducing PRP in the Lesotho Civil Service revolves around the following stages:

Stage 1: Diagnosis of the Lesotho Civil Service in terms of its mission, vision, values, performance goals, capabilities and competences, its human resource strategy or systems including the performance management system and training and development provisions, and its reward system, as well as identifying key issues and problems

Stage 2: Readiness for PRP. This stage ensures that PRP can fit into the Lesotho Civil Service, given *inter alia*, its culture, mission, vision, systems and processes.

Stage 3: Design of the PRP scheme.

Stage 4: Briefing and training of managers and staff on the new PRP scheme.

Stage 5: Piloting the PRP scheme in order to ensure its applicability, relevance and to evaluate its possible impact

Step 6: Implementation.

Stage 7: Monitoring and evaluation. This provides feedback on the investigations and changes that need to be made regarding the scheme.

Employee involvement, an activity that is often overlooked in most change programmes, is very critical since it increases the likelihood of acceptance and ownership, and hence commitment to PRP.

The next chapter will test this model by soliciting comments from experts in the field of human resource management, and the top management of the Ministry of the Public Service in the Lesotho Civil Service. Findings will then be analysed accordingly.

CHAPTER FIVE

5. AN ANALYSIS OF THE COMMENTS ON THE DESIGNED MODEL FOR INTRODUCING PRP IN THE LESOTHO CIVIL SERVICE

5.1 Introduction

Chapter four designed a model for introducing PRP in the Lesotho Civil Service. This model has been tested by gathering comments from five people; two human resources management experts and three people from the management of the Ministry of the Public Service in Lesotho. The purpose of testing the model was to gain insights from experts and the people (senior management) who are to be involved in the introduction of PRP in the Lesotho Civil Service. By so doing, the researcher believes a final model would have more weight and value as a model to be proposed to the Lesotho Civil Service.

This chapter therefore analyses comments on the model solicited from the following five interviewees:

1. Professor Erwin Schwella.
2. Mr Mario Denton.
3. Mr Semano Sekatle.
4. Ms Itumeleng Matela.
5. Mrs Pulane Ramaqele.

Professor Erwin Schwella - Director of the School of Public Planning and Management (University of Stellenbosch)

Professor Schwella has been chosen for his expertise in the field of human resources management, particularly in the public sector. He is involved in many national and international matters concerning public and development management. Amongst others, he is continuously involved in senior leadership education and training at all levels of South Africa governance and

administration. His current research interests include leadership in governance, institutional capacity building through organisation development, transformation, transformation and change management in complex and dynamic societies, strategic thinking and new forms of accountability in service delivery models.

Mr Mario Denton - Senior lecturer in People and Change Management at the Graduate School of Business (University of Stellenbosch)

Mr Denton has also been chosen for his expertise in the field of human resources management. He has 20 years experience in human resources management. Amongst others, he is a sought-after speaker, educator and a widely experienced facilitator in senior executive strategic thinking processes, team building, and implementing change management initiatives. He has also researched executive burnout, managerial degeneration, management of change, organisational renewal, high-performance managers, team effectiveness and succession planning.

Mr Semano Sekatle - Principal Secretary of the Ministry of the Public Service

Mr Sekatle works as the chief executive of the Ministry of the Public Service. The Ministry of the Public Service as the leading ministry in the Lesotho Civil Service is charged with the responsibility of initiating, formulating and coordinating human resource policies, rules and regulations. Hence, PRP as part of the PMS is conceived by the Ministry of the Public Service.

Besides being the Principal Secretary, Mr Sekatle has experience in human resources management in both the public and the private sector. In the private sector, he started as a Personnel Officer (Industrial Relations) at the Consolidated Cotton Corporation (South Africa) and ended up as an External Relations Manager at Mondi Paper Company (South Africa).

Ms Itumelemg Matela – Acting Director of the Remuneration and Benefits in the Ministry of the Public Service

Ms Matela has 10 years experience in the Lesotho Civil Service. She began as a Personnel Officer in the Ministry of the Public Service. She has been promoted through all levels to become the Remuneration and Benefits Manager in the Ministry of the Public Service. Amongst others, Ms Matela is a member of the Assessment Team which is identifying potential candidates for the newly established human resources cadre throughout the whole civil service.

Being the acting Director of the Remuneration and Benefits Department, Ms Matela is in charge with developing and introducing the PRP system in the Lesotho Civil Service, hence the reason she was chosen.

Mrs Pulane Ramaqele- Director of Management Services in the Ministry of the Public Service

Mrs Pulane Ramaqele has 24 years experience in the public administration profession. Amongst others, she is in charge of the exercise of developing the strategic plan of the Ministry of the Public Service. She is also in charge with a team assisting other ministries/departments to develop their strategic plans. Most importantly, she is responsible for coordinating the implementation of the PMS in the Lesotho Civil Service. Therefore, she would be able to identify problems encountered while introducing the PMS and come up with a constructive way of introducing PRP.

5.2 Comments on the Model by the Interviewees

Focus points were developed to gather comments on the model for introducing PRP and they are reflected in Appendix 7. Comments are categorised as follows:

- **Concurrences and useful improvements on the model**

This section discusses comments by interviewees who support the model and have made crucial suggestions on areas that need improvement. However, on the overall, most of the interviewees approve the model.

- **Criticisms on the model**

This section deals with comments which mainly disapprove the model or some parts of the model. Only two interviewees have clearly shown some disagreements with the model and/or some areas of the model.

5.2.1 Concurrences and Useful Improvements on the Model

Professor Schwella

Prof. Schwella concurred that the model is appropriate for introducing PRP. He however indicated that there may be some issues that are unique to the Lesotho Civil Service that might need some adjustments to be made on the model. But generally he maintained that the model seems to be suitable for all organisations.

Mr Sekatle

Mr Sekatle accepted that the model is easy to follow and understand. To avoid having a model being perceived differently by different people, he advised that a model that determines readiness for PRP be established. He again stated that a model provided sufficient detail. He further emphasises that stage 3 (designing the PRP scheme) is one of the very important stages and this should be shown by its relation to other sections.

Additionally, Mr Sekatle stated that monitoring and evaluation is crucial, but it is not easy for people to do that, since there is no strategy for monitoring and evaluation. He therefore requested that a model should also show how monitoring and evaluation will be conducted.

Ms Matela

Ms Matela was of the opinion that theoretically the model satisfies all the requirements for introducing PRP as a new system. However, practically, it is not easy to influence change in the Lesotho Civil Service. According to her,

ministries work so independently that it becomes difficult for the Ministry of the Public Service to change culture public service wide. This argument is therefore similar to Richard Heygate's (as cited in Strydom, 2002:42) argument that "most corporations are like giant jellies. Unless you can fundamentally reform the culture that holds them together, they will swiftly wobble back to their old form".

Ms Matela identified stages 1 (diagnosis of the Lesotho Civil Service) and 2 (ensuring readiness) as very crucial stages that have unfortunately been overlooked when the idea of PRP was conceived. She pointed out that the decision has been made to introduce PRP and this is depicted in the Minister of Finance budget speech for the financial year 2002/2003 that the Government is introducing PRP. Ms Matela particularly mentioned that the decision has been made without prior research as to whether the public service is ready for PRP given the effectiveness of the PMS. Ms Matela firmly showed that they actually started in the middle, that is, the design of the scheme in the sense that they began with the formulation of the PRP policy, which is now about to be finalised.

However, on the section of the diagnosis of the Lesotho Civil Service, Ms Matela indicated that analysing the Lesotho Civil Service may have problems given the fact that some ministries do not as yet have strategic plans in place.

Mrs Ramaqele

Mrs Ramaqele indicated that a model is well structured and encompasses all the necessary requirements for introducing PRP. However, she raised the point that effectiveness of a model is possible if there is effective political support and commitment. She also contended that job descriptions are currently not clear and performance standards are not well understood.

She further pointed out that even though Public Service Regulations (Amendment) 21 of 2000 gives effect to the operation of the PMS, the PMS policy that is well understood should be formulated and marketed accordingly. She believes that the policy would make the introduction of the PRP much

easier as public servants would be conversant with the contents of the policy. Hence, the PRP policy should be linked to the PMS policy.

Regarding pilot-testing, Mrs Ramaqele acknowledged that it is very useful if properly administered and managed. She showed that they never had good results with the pilot-testing undertaken for the PMS. The problem being that it was not properly monitored and coordinated. This therefore coupled with people's resistance made the situation worse.

Mrs Ramaqele was of the same opinion with Mr Sekatle that monitoring and evaluation is very important. She emphasised that this is the area where most people encounter problems. As a result, she advised that a monitoring and evaluation system be developed as part of the model.

In relation to the practicality of the model, Mrs Ramaqele was of the same opinion with Ms Matela about the issue of culture. She stated that it seems very difficult for the culture of the Lesotho Civil Service to suit the new PMS initiative. She is convinced that even if the model is effective, the inability to reform the culture that holds people together, in this case being the automatic incremental system, would impede proper implementation of PRP. From her experience as the leader of the PMS team, she believes that the Ministry of the Public Service has not been effective enough in changing the culture of the Lesotho Civil Service to suite the new PMS initiative.

In conclusion, Mrs Ramaqele was of the view that the ground is not yet prepared for the take off of both the PMS and PRP. She believes that until the new human resources structures in the Lesotho Civil Service are effectively implemented, the PMS and PRP would not be effectively implemented.

5.2.2 Criticisms on the Model

Mr Denton

Mr Denton was of the view that the model looks easy theoretically, but according to him, to introduce and implement both performance appraisal and

PRP is not practical. He stated that both systems must be abolished because they are not working and are not going to work. He sees performance appraisal and PRP as outdated systems for measuring and rewarding performance because they tend to focus on the individual instead of the total picture.

With regard to performance appraisal Mr Denton pointed out that during the past four years MBA students of the module of People Management at the University of Stellenbosch have regularly been asked to consider this phrase “performance appraisal – a blessing or a curse?”. The comments of approximately 1000 students were very similar and it is evident in their answers that:

- Performance appraisal has declined;
- It is not being applied as well as in the past and becomes more political the higher you move up in the organisation;
- It is more of pain than a pleasure and that many people have been harmed by it;
- It is unilateral and could easily become a farce;
- Is incredibly paper-driven. Numerous forms have to be completed because the Human Resources Department requires the information;
- It tends to be an event rather than a process;
- It is confrontational and very subjective, and
- It is regarded as arrogance if you do not accept the outcome.

As with performance appraisal, Mr Denton therefore agrees with studies (as discussed by Horwitz & Frost, 1992 and Spangenberg, 1993 as cited in Swanepoel, 1998; Armstrong & Murlis, 1994; OECD, 1993b, Gaertner & Gaertner, 1985 and Perry & Pearce, 1985 as cited in Pollitt & Bouckaert, 2000; Kelly & Monks, 1996) which show that most often than not PRP systems fail to offer the expected positive results.

Mr Denton proposed the use of a business excellence model as a substitute to performance appraisal and PRP. He based his argument on a mini-study

project of Strydom, titled, “Business Excellence: An Integrated Approach” in pages 56-76 which deal with the South African Business Excellence Model. Strydom (2002:56) asserts that going for organisational excellence is the best way to gain competitive advantage and the golden rule for excellence – “being the best” – applies to all organisations, both in the public and private sector.

Throughout the world models of excellence are based on the performance criteria established through public-private partnerships. They are all based on the concept that an organisation will achieve better results by involving all the people in the organisation in the continuous improvement of their processes. As a response to the challenge facing South Africa to find a way to measure organisational excellence that is both understood and accepted by major trading partners, the South African Business Excellence Model was developed by the South African Excellence Foundation (SAEF) in 1997. The model is called SAEF model. The model builds on the experience of the Malcolm Baldrige Quality Award of the USA and the European Foundation for Quality Management. Strydom (2002:59) asserts that SAEF model is a truly model for Africa in the sense that it provides a set of criteria that can be adapted to any industry using its language (i.e. hospitals and health care, mining and financial services. It can be applied to all levels of Government and is rapidly being adopted by countries in the Southern African Development Community (SADC) region. The SAEF model has got 11 criteria as enablers and results, with different weighting, hence the different segment sizes (Appendix 8 provides more detail on the criteria of the SAEF model for performance excellence).

Mr Sekatle

As a criticism to the model Mr Sekatle pointed out that the model does not encompass all the necessary requirements for the effective introduction of PRP because it does not link to the Lesotho Civil Service problem areas, such as resistance to change and inadequately coordinated change programmes. Mr Sekatle believes that an analysis of the Lesotho’s situation in relation to the model and problems encountered when introducing other change programmes in particular the PMS in the chapter that addresses the nature of

PRP in the Lesotho Civil Service would give the model more value as it would serve as a solution to the situation and problems. Hence, he believes that the model would be practical if it is linked to Lesotho's situation and problem areas.

Mr Sekatle also specifically agrees that pilot-testing is useful but he argued that it does not always see the light of the day because of the amount of resistance around and inadequate coordination. According to him, a once off introduction of a change programme sometimes makes it difficult for people to revert back to the old form and problems are dealt with as you go on. He indicated that when the PMS was pilot-tested, the exercise was not effectively coordinated and was subject to great resistance. He said that with pilot-testing people knew that they still had chance to return to the old confidential reporting system.

5.3 Analysis of Comments

In analysing comments, it is crucial to note that Mr Denton's comments have not been considered in this chapter since they do not improve on the model but suggest an alternative to PRP, something that will be dealt with in the concluding remarks of this paper. Likewise, Mr Sekatle's concern of indicating the Lesotho problem areas in relation to a model, in the chapter that addresses the nature of PRP, will not be dealt with in that manner. It is fortunate that those problem areas have been raised by other interviewees, namely Ms Matela and Mrs Ramaqele. For instance, Ms Matela indicated the problem that they started with the design of the PRP system without prior assessment of the reasons for introducing PRP and without ensuring that the public service is ready for PRP given the performance of systems and processes such as the PMS and performance appraisal.

Although pilot-testing as stated by both Mr Sekatle and Mrs Ramaqele, failed when introducing the PMS, that does not mean that it has to be thrown away. Instead, as supported by Mrs Ramaqele, it still has to be tried, but bearing in mind that it has to be effectively monitored and coordinated. The problem of

resistance should also be addressed by understanding why change or new initiatives are resisted and ensuring that those shortcomings are dealt with.

Blanche (2002) contends that change is resisted because of:

- **Lack of clarity** - if people do not understand the reasons for the changes.
- **Distortion of information** - information about the changes may be incorrectly interpreted or distorted.
- **Levels of participation** - the less the people are involved in the decisions surrounding the changes, the greater the resistance.
- **Pace of change** - the quicker the change process the greater the resistance.

Blanche (2002) therefore argues that resistance can be overcome by:

- Education and communication.
- Participation and involvement.
- Facilitation and support.
- Negotiation and agreement.
- Manipulation and co-operation.
- Explicit and implicit coercion.

Communication, particularly open communication is the fundamental approach to overcoming resistance because it prevents rumours, anxiety and mistakes. Through communication people understand specific reasons for change. Hence, they should be given accurate information, an opportunity and encouragement to ask questions and express their feelings and personal reassurance that they would benefit.

Regarding the question of developing a sub-model that determines readiness for PRP as requested by Mr Sekatle, this will unfortunately not be dealt with here because it does not fall within the scope of this research assignment. It is regarded as an issue to be dealt with in future research. However, the

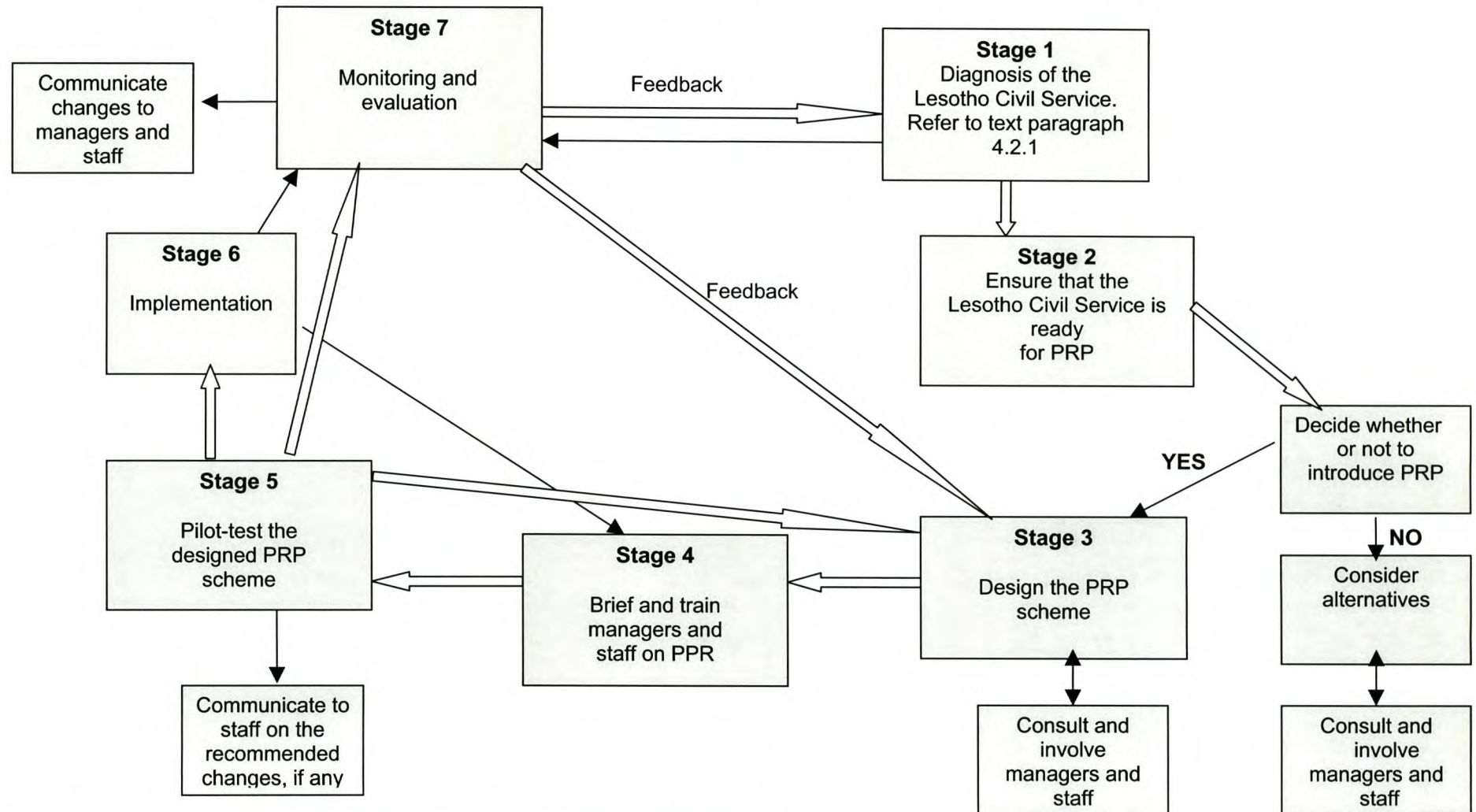
understanding of the researcher is that areas which have to be taken into consideration when assessing readiness have been clearly identified.

After a careful analysis of comments, the researcher has identified important suggestions on the areas of the model that need improvements, as follows:

- The issue of considering stage 3 (design of PRP) as one of the very crucial stages of the model and this should be indicated by its connection to stage 4. Hence, the text box for stage 3 and the arrow that joins it to stage 4 would be bigger.
- The question of showing how monitoring and evaluation can be conducted. This is addressed by summarising the steps that should be taken to develop a monitoring and evaluation system. The details of a monitoring and evaluation system cannot be provided in this study project because they are beyond the defined scope of this research study.

The adapted model for introducing PRP in the Lesotho Civil Service will appear in figure 5.3-1 as follows.

Figure 5.3-1 An Adapted Model for Introducing PRP in the Lesotho Civil Service



Note: Size of text boxes and arrows signify the degree of importance of stages and relationships

5.3.1 Monitoring and Evaluation

Although monitoring and evaluation as shown in the model above has not changed, the text paragraph from the previous chapter is improved by making additions on how a monitoring and evaluation system can be developed.

The discussion of the steps involved in setting up the monitoring and evaluation system is mostly based on the chapter found in <http://www.maxwell.syr.edu/intlevel/Sessions/sevalchapter2.htm>. Designing a monitoring and evaluation system requires a close consultation between designers and users.

Step 1: Preparing a logical programme framework

Before any opinion can be formed on how PRP scheme should be monitored and evaluated, it is essential to know what the scheme is intended to do and how it is expected to operate. A careful description of the scheme, its objectives and work plan, must therefore be the first step in designing the procedures for monitoring and evaluation. If this description is made methodically, it will result in a logical programme framework. Preparing such a framework of the programme design requires undertaking three main tasks:

- Definition of programme objectives in measurable terms;
- Clarification of the premises underlying the programme plan of operation;
- Selection of indicators of programme inputs, activities and outcomes.

Purposes of the PRP scheme may be stated in terms for which either quantitative or qualitative measures (indicators) could be established. It is essential, however, that in either case clear and unambiguous formulations are made which do not allow any uncertainties to exist about the programme purpose.

After the objectives have been specified, the next task in the preparation of a logical framework is the clarification of the assumptions on which the programme plan is based. Hypotheses should be formulated.

Step 2: Specifying information requirements - what to measure

For the reasons of cost as well as keeping the monitoring and evaluation system to a manageable size, a general rule is to collect those data which are absolutely necessary for rational decision making on the PRP scheme. Delineation of the crucial topics of monitoring and evaluation requires that, on the basis of the logical programme framework, three questions be clarified in consultation with the appropriate decision-makers:

- What exactly do the decision-makers want to know about the scheme?
- For what purpose do they want that information?
- When do they need it?

In discussing information requirements with decision-makers, they must be given at least a preliminary indication of the proposed time frame for the implementation of the PRP system.

Step 3: Identifying the sources of information - where to measure data

The next step is to discuss with monitoring and evaluation system designers and other knowledgeable persons, the variables on the master list one by one, in order to determine where each of them could be observed and measured. The main purpose of this exercise is to reduce the amount of data to be collected from primary sources, i.e., through specially organised research activities, by identifying secondary sources of information that already exist and are easily accessible. For instance, relevant reports, a review of a reasonably representative sample of completed performance review forms and scrutiny of written communication processes for clarity and emphasis provide the required information regarding the performance of both performance appraisal and PRP.

Step 4: Deciding on the research design - how to collect and analyse data

The issues relating to this step need to be determined only in principle at the time of designing a monitoring and evaluation system. Their details may be worked out later,

when the system is implemented. Nevertheless, three crucial questions must be clarified at this time:

- How should progress in achieving stated PRP scheme objectives be measured?
- Would complex details or sample selection be preferable?
- What should be the principal methods for measuring and analysing data?

Both data collection and analysis need to be accomplished, as quickly and efficiently as possible, since for the purpose of decision making there is as little value in outdated as in incomplete data. In addition, prompt analysis of the information collected reduces the amount of staff time that must be devoted to the tasks of monitoring and evaluation.

It is crucial to note that all research methods have their strengths and weaknesses and a study, which relies only on one, will give a limited and biased view. Research methods include; in depth interviews, standardised questionnaire interviews, direct observation, participant observation, group discussion, record keeping by the respondents themselves, and physical measurements. Which of these methods proves to be the most appropriate in a given research context depends mainly on two factors: (a) the research unit(s) and (b) the research topics.

Ways of analysing data depends on the kind of data collected, whether qualitative or quantitative. Quantitative data are nowadays analysed using a computer programme.

Armstrong and Murlis (1994:277) provide that to evaluate the acceptability and cost-effectiveness of PRP the following questions must be answered:

- To what extent have the defined objectives of PRP been achieved?
- How much have we paid out under the scheme?
- What measurable benefits had PRP produced in the shape of improved organisational, team and individual performance?
- How do managers regard PRP? Do they, for example, believe that it is cost-effective and actually helps them to achieve their objectives?
- How do staff regard PRP? Do they, for example believe that it is operating fairly?

- To what extent have rewards been linked to key measurable areas of performance?
- Do performance management processes provide adequate support for PRP?
- Are rewards meeting people's expectations?
- Are there any modifications needed to the scheme?
- Do we want to retain PRP in its present form? If not, what are the alternatives?

Step 5: Timing of research - when and how often to collect data

As indicated above, in order to produce relevant, timely and. accurate data, monitoring and. evaluation activities must be designed as a continuous process of data collection, analysis and judgement. In essence, this step involves returning to previously studied sampling units, periodically collecting data that relate to principal programme conversion factors and results, comparing these data with base line findings, assessing differences between various sets of measurements, deriving conclusions from them about progress made in programme implementation, and achieving stated objectives.

There are two different aspects to the timing of repeat studies; determining the length of research intervals and setting dates for data collection. The research interval is the time between two measurements or, in other words, the reporting period covered by a restudy.

Step 6: Communicating monitoring and evaluation results - how to report findings

The evaluators' task is not completed until the findings of monitoring and evaluation research have been communicated to the relevant decision-makers. Reporting of results is one of the most crucial phases in the monitoring and evaluation process, since it is here that the link between research and decision-making on the PRP scheme must be established. The pre-condition of successful feedback of information is threefold. First, the monitoring and evaluation report must be capable of attracting the decision-makers' attention. Secondly, decision-makers must have

confidence in the accuracy of the data presented to them. Thirdly, the findings and conclusions derived from them must clearly show the possible alternatives for future action.

Finally, whether and to what extent monitoring and evaluation actually serve as a tool for rationalising decision-making, as they are intended to do, depends largely upon how their findings are reported back to the decision-makers. To avoid having reports which are too long and published late, management must thoroughly review what type of information are needed based on the logical framework and must insist on timely reports.

Step 7. Assigning responsibilities - who is to perform the monitoring and evaluation tasks

It is important for staff responsible for PRP scheme to conduct monitoring and evaluation. However, it may be argued that staff might not always be completely impartial in their assessments, nor might they have the necessary technical competence to execute effectively all aspects of the systematic monitoring and evaluation process. In such cases, it may be useful to have outside experts in methods and procedures for monitoring and evaluation to train staff, as well as to participate in special technical activities.

However, the continual presence of outside experts as a normal monitoring and evaluation procedure could, in fact, prove to be detrimental to overall PRP scheme operations. In the first place, outside personnel do not have the same knowledge of the local conditions and populace as do staff.

With respect to the design and execution of a monitoring and evaluation system, there are certain instances in which outside assistance may be of great advantage. These would include formulation and execution of the monitoring and evaluation strategy. In all such instances the role of the outside expert should be that of an adviser. He should work with the staff, rather than replace their mandated responsibilities.

There is a second aspect to the question of who is to perform the monitoring and evaluation tasks. It relates to the problem of who should make evaluative judgements. Should the evaluators' role, besides collecting, analysing and reporting data, also include the function of passing judgements about programme performance and achievements? Or should this be left to the decision-makers? There are good reasons for and against each of the two strategies. Whichever is selected, clarification of mutual expectations is absolutely necessary in order to avoid friction in the role relationship between evaluators and decision-makers.

In conclusion, Armstrong & Murlis (1994:245) argue that for the credibility and acceptability to all parties (management, employee and employee associations) the evaluation should be conducted by a working group of people of integrity from within the organisation, assisted if need be by a reputable independent body – either consultants or academics with a practical as well as theoretical understanding of performance management and rewards.

5.4 Summary

Five people were interviewed to evaluate the designed model for introducing PRP in the Lesotho Civil Service. Two people are human resources management experts and the rest are from the management of the Ministry of the Public Service. On the overall most of the interviewees seemed to concur with the model, except for one who totally disregards PRP and recommends the use of business excellence model. An analysis of comments has therefore resulted in changes in stage 4 of the model. A section on monitoring and evaluation has also been improved by providing a brief step-by-step guide on how to develop the monitoring and evaluation system, as requested by two interviewees.

The next and final chapter of this study project provides a summation of central observations and recommendations for the successful implementation of PRP in the Lesotho Civil Service.

CHAPTER SIX

6. CONCLUSION AND RECOMMENDATIONS

6.1 Summary and Concluding Remarks

Performance-related pay (PRP) schemes grew rapidly in the 1980s as an answer to motivating people and developing performance-oriented cultures. It was regarded as a major lever of organisational change (Kessler, 1995; Armstrong & Murlis, 1994; Armstrong, 1996). Hence, the rationale behind PRP is that individual employees are likely to work harder where their pay is linked to their performance or contribution. PRP therefore emphasises the central importance of developing a clear link between individual effort and reward.

Seltz & Heneman (1999:3) believe that the notion of linking pay to performance is founded in three motivational theories; reinforcement, expectancy and equity theory. Reinforcement theory indicates that rewards that are linked to a particular behaviour encourage that behaviour to be repeated (Anthony *et al*, 1996:410). According to the expectancy theory, people will put forth the greatest effort if they expect the effort to lead to performance and performance to lead to a reward (DuBrin, 1994:317). Equity theory says that pay for performance should lead to improved performance because a pay increase is perceived as a fair outcome for one's performance input (Seltz & Heneman, 1999:3).

Armstrong & Murlis (1994:263) are of the view that even if the effectiveness of money as a motivator can be questioned, most organisations strongly feel that it is fair to reward people according to their contribution. If effectively implemented, PRP provides a tangible means of recognising employee performance and is a way of ensuring that everyone understands performance imperatives of the organisation.

Despite the widespread support for PRP systems, research shows that most often than not they fail to provide the expected positive results. As argued by Blackwell (1999 in <http://www.cpsu.org.dfat/dfat211099.htm>), it is overly simplistic to believe that individuals can be motivated to work harder by linking pay to work performance.

Employee motivation is more closely related to intrinsic rewards that employees get from their work rather than merely their levels of pay. Such intrinsic rewards include being involved in decision-making, having some control over work tasks and undertaking work that is regarded as interesting and challenging.

Additionally, one of the major lessons emanating from the implementation of PRP is the need for effective performance management to underpin the pay systems (Murlis, 1992:65). Hence, problems of performance appraisals can generally be said to represent many of the underlying obstacles in effectively relating pay to performance. The lack of objective, quantitative performance measures for many jobs and the resulting reliance on subjective performance is responsible for the failure of PRP systems (Swanepoel, 1998:539).

Bussin (2002:3) however, maintains that research conducted by several major international organisations indicates that those organisations that have well-developed PRP and performance management systems out perform their competitors on almost every measure. This being the case, the Lesotho Government through the Ministry of the Public Service is in the process of introducing PRP as part of the new PMS in the Lesotho Civil Service. The PMS in the Lesotho Civil Service is divided into four phases, namely, planning, coaching and feedback, annual performance review, and recognising performance. PRP is one way of recognising outstanding performance. PRP therefore aims at enhancing productivity through performance improvement and payment of financial rewards in accordance with contribution.

However, the researcher has come to the following conclusions:

- Commitment by the top and line management as well as employee acceptance of PRP is likely to ensure effective implementation of the PRP system.
- PRP fails to provide the expected results in organisations where PRP schemes are poorly designed, implemented and managed.
- PRP systems that are not supported by effective performance management and the appraisal system can never be successful since the whole idea behind PRP

is to achieve organisational goals by communicating performance objectives, monitoring the achievement of these objectives and fairly rewarding successful achievements.

- PRP can work, but not equally well in every organisation or for every category of employee.
- Over-emphasising incentives for the individual can have a negative effect on collaborative teamwork because people tend to compete with each other.

6.2 Recommendations

Performance-related pay can never be successful if it is introduced at the pace that is not appropriate to the culture of the organisation. PRP should also be supported by a well-designed, accurate performance appraisal system that is held in high regard by most employees. This would also mean that there should be systematic and regular training for managers in performance review and feedback in an endeavour to minimise the chances of rater errors and to ensure effective planning and management of performance.

Successful and sustainable PRP schemes can also be ensured by meeting the following requirements:

- Full senior management commitment to the scheme;
- A top-down introduction rather than bottom-up;
- Employee involvement in the design and implementation of the PRP scheme;
- Existence of a competitive salary structure; and
- A valid job evaluation system.

One would agree with the literature as cited in Lawson (2002:314-315) that recommend that PRP should not be introduced:

- Where the level of trust between managers and employees is low;
- When individual performance is difficult to measure;
- When performance must be measured subjectively;
- When inclusive measures of performance that cover all the activities of the job cannot be developed; and

- When large pay awards cannot be given to good performers.

As with the Lesotho Civil Service, the greatest concern shown in the study is changing the organisational culture to suite the new PMS and PRP systems. In order for these two systems to be effective, organisational culture must be conducive to principles of individual merit and performance. PRP requires performance appraisal system that is regarded as meaningful and equitable by both management and employees. It is clear from the interviews that the new PMS in the Lesotho Civil Service still faces great resistance from both senior management and employees. This being the case, it is recommended that the link between the PMS and the pay system should not be established until such time that management and employees have developed the trust needed to conduct participative performance discussions.

Employee acceptance of PRP is very crucial and may show a change of culture. Employee acceptance can be fostered by effectively communicating the benefits of the PRP scheme and involving public servants and their representatives (employee associations) in the design and administration of the scheme. Hence, public servants should understand the importance of increasing their performance and must perceive the size of the reward, as compared to the current automatic annual increments, as sufficient to warrant increased effort. Effective communication may enable public servants to have a felt need of such a change. A two-way communication is encouraged and may be done through, but not limited to;

- Public Service circulars.
- Internal memos and newsletters.
- Open public servants gatherings in all the ten districts.
- Meetings with representatives of public servants, that is, employee associations.
- Ministerial/departmental workshops for all public servants including the lowest paid such as those in Grades A, B and C.
- Letters addressed to all public servants. They may be attached to pay slips at one particular month. These letters should allow for comments and questions. An assurance must be made that comments and questions will be attended to and by whom.

To ensure effective administration of the PRP system, the Remuneration and Benefits Department of the Ministry of the Public Service in collaboration with the Employee Relations Department should establish effective ongoing communication and procedures for addressing questions and complaints. A team representative of all government ministries/departments, which deals specifically with these issues, should be created. This team would be complementing the project team, which would be engaged with the design, implementation and management of the PRP scheme.

From the researcher's experience, there is a tendency in the civil service to respond very slowly or sometimes not at all to changes in the business environment. The PRP scheme should therefore be sufficiently flexible to allow for adjustments that may be called for by changes in the business environment.

If the environment based on all the above arguments does not allow for the introduction of PRP, the development of the Lesotho Business Excellence model is recommended. Business excellence is an integrated approach, yet adaptable, which combines various performance measurement frameworks. There are various performance measurement frameworks available, each addressing a different perspective on performance, but it is not always clear how one framework maps into another. Strydom (2002:57) argues that business excellence models developed in other places in world; Japan, USA, Australia, Europe and UK provide a framework for assessing the excellence of an organisation. They are based on the concept that an organisation will achieve better results by involving all the people in the organisation in the continuous improvement of their processes. Hence, the Lesotho Business Excellence Model that is based on performance criteria created through public-private partnerships may build from the South African Excellence Foundation (SAEF) model. The SAEF model has been adopted throughout the SADC countries. The SAEF model has got 11 criteria (see Appendix 8 for details), with different weighting, hence the different segment sizes. These criteria are; leadership, policy an strategy, customer and market focus, people management, resources and information management, and processes as enablers; and impact on society, customer satisfaction people satisfaction, supplier and partnership performance, and business results as results.

6.3 Final Conclusion

The study was conducted to design a model that is likely to ensure effective introduction of PRP as part of the new PMS in the Lesotho Civil Service. The new PMS as indicated earlier was instituted in 2000 to replace the closed appraisal system referred to as confidential reporting.

The objectives of this study were:

- Defining and tracing the origins of PRP;
- Examining PRP in the context of performance management;
- Examining the nature of PRP in the Lesotho Civil Service;
- Designing a model for introducing PRP in the Lesotho Civil Service; and
- Making recommendations on the effective implementation of the PRP system in the Lesotho Civil Service.

To achieve the above objectives, the study employed a case study approach and the Lesotho Civil Service was selected as a case in the study. The case study approach was complemented by the use of a model-building approach because as shown above the main purpose of this study was to design a model for introducing PRP in the Lesotho Civil Service. To gather opinions on the designed model, the researcher used purposive sampling, whereby experts in the field of human resources management and the top management of the Ministry of the Public Service were considered as typical units of analysis. Sources of data were derived from documentary information and comments solicited from subject matter experts as indicated above.

The fact that the researcher had to go to Lesotho for collection of data posed some problems in the sense that target dates set by the researcher were not met. The reason being that some of the appointments made for the interviews were postponed for about two to three weeks due to other work commitments by the interviewees.

However, the origins of PRP were discussed, PRP in the context of performance management was addressed, the nature of PRP in the Lesotho Civil Service was dealt with, and a model that is likely to ensure effective introduction of PRP in the Lesotho Civil Service was designed. The designed model involves the following steps: the diagnosis of the Lesotho Civil Service; ensuring readiness for the PRP system; designing the PRP scheme; briefing and training; pilot-testing the designed PRP scheme; implementing PRP; and monitoring and evaluating PRP. Recommendations for effectively implementing the PRP system in the Lesotho Civil Service have also been made accordingly.

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Appendix 1

Diagnosis of the Organisation

A list of questions that ought to be answered in the diagnosis phase:

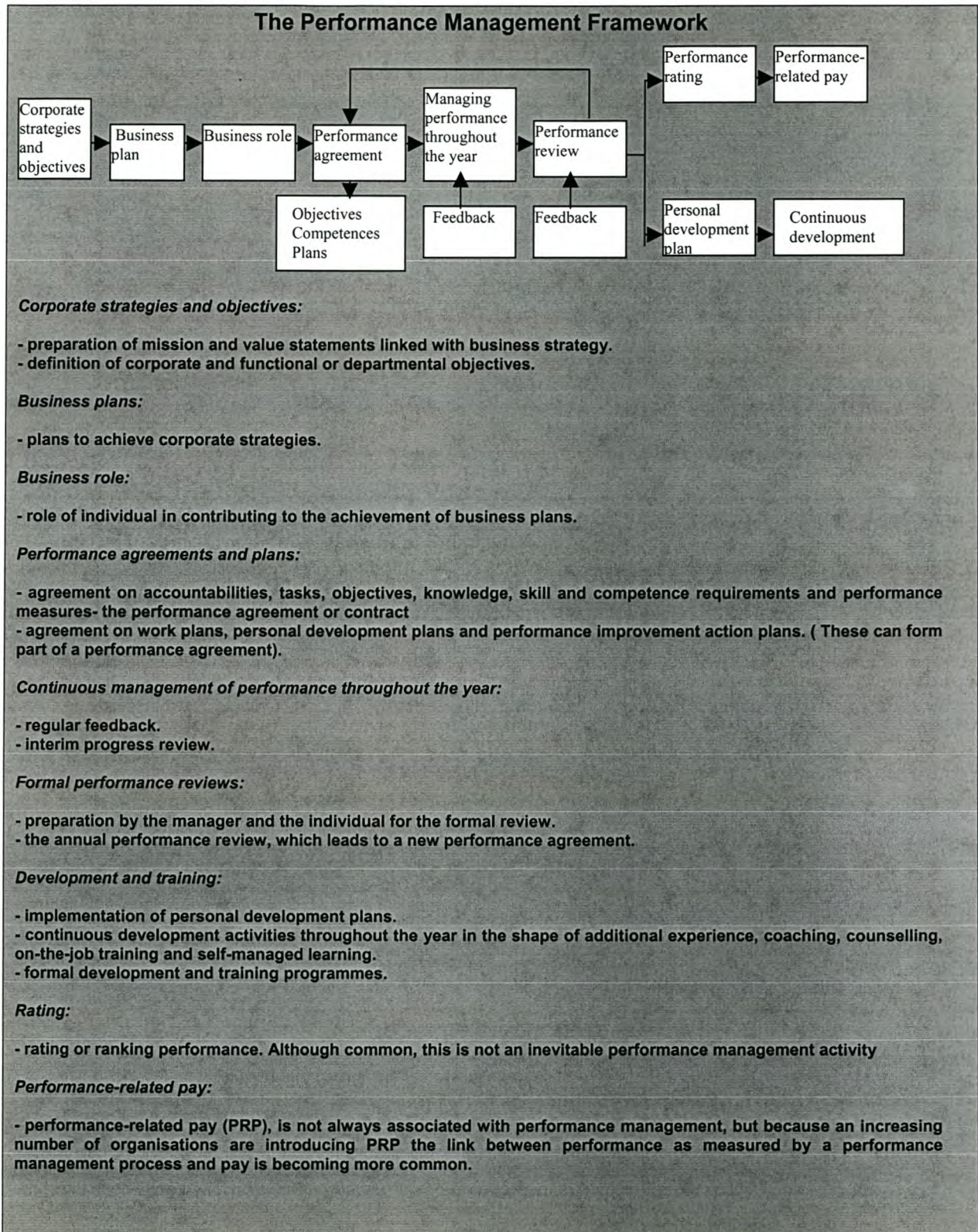
- Do we/why do we want to link performance and contribution directly to rewards?
- What does performance mean in the organisation? What are our strategic goals? How and how well do we measure it and manage it? What is the relative importance of results compared to how these results are achieved, and of short-term versus long-term performance? Where are the main performance leverage points in the organisation?
- What is the basis of our human resource strategy? How do employees contribute to the strategic success of our business? Does competitive success depend on customer service quality and innovation, or low-cost leadership? What is our human resource philosophy: value, commitment or cost-based? What is the nature of our employment relationship?
- How well do our current pay and reward systems encourage and reinforce the achievement of essential business results, and the display and development of those essential skills and behaviours of our people which are critical for future success? How do the answers vary for different functions/groups/levels in the organisation?
- What do line managers and staff think of the current pay situation and any changes required?
- What is the state of development of competencies in the organisation? Do we have an existing competency framework and do we/how do we use it?
- How well do our performance management processes work?
- What are the realistic options for introducing or improving paying for contribution? What are their likely strengths and weaknesses and how do they compare with our current systems?
- What, if any, future approach to relating pay to contribution do we recommend is adopted? What is the business rationale and how will it complement our

broader human resource and reward strategy? How do we maximise the potential benefits and minimise the potential problems?

- How are we going to develop, detail and implement the recommended approach? Who will need to be involved, what resources will be required?
- What are the success criteria we will use to judge the new/improved approach against? (Brown & Armstrong, 1999:370-372)

Appendix 2

A Model of the Performance Management Framework



Source: Armstrong, M. 1996. Employee Reward. London: Institute of Personnel and Development. Pp 263-65.

Appendix 3

The Critical Success Factors of Performance Management

FOCUS - the core service mission, vision, strategic objectives and values of the organisation must be sound and understood by every employee. The employee's role in the mission and objectives must be discernable, in other words, every worker must know what she or he must contribute to ensure that the strategic intent is realised. Every job must have a clear mission and set of objectives, targets and measures;

BALANCE - performance must be planned and measured to ensure balanced performance. Focus must be internal and external results as well as financial and non-financial results. The client portfolio and satisfaction is a key consideration in performance planning and measurement;

STRETCH - easy goals and targets are sure to close the individual energy taps sooner than intended. It is critical to induce individuals to set demanding objectives and targets that require more ordinary effort;

MOBILISATION - people are mobilised through challenges; such as found in objectives, targets and standards. Momentum is sustained by continuously reviewing personal results to be achieved. Stagnation and the death of performance management is induced by using a single set of factors that apply to all;

LATITUDE - space for self-direction and prioritisation in the context of the overall mission of business is essential as more value will be realised by the individual;

CONTRATING - individuals must enter into contracts with their supervisors to access resources and compensation;

MOTIVATION - people need a continuous stream of recognition and support to stay inspired and content within the job;

MEASUREMENT- a popular saying based on the business wisdom contained in, "What gets measured gets done," holds true no matter what level or in which job an employee has to perform. The more specific and accurate the targets and measures the better the value contributions;

APPRAISAL - it is essential to put a score or value to the achievement of the individual and to be sure that it is contextually ranked and objective. Latest indications are that a four point scale has the most impact on behaviour and performance results;

FEEDBACK - is the oxygen of excellent performance. Feedback induces behaviour change irrespective of whether it is positive or negative feedback. Embargoes must be placed on personal attacks that hurt the ego or self-concept of individuals as emotional disengagement is guaranteed if not done;

MONEY - is in the final analysis the tangible proof that individual's contribution was appreciated. Make sure that incentives for performance are differentiated from the basic remuneration. Paying for performance is the hallmark of excellence; and

CARING - is the invisible compensation for loyalty and commitment. And these factors are critical but neglected in the hurry and compensation structures of business. Caring is shown through birthday cards, flowers, kindness and small gestures towards the family of the employee.

Source: Joubert, D. & Noah, G. **Blueprint for Performance Management: A Key to a Better Life for All**. In People dynamics 18 no. 2. February, 2000. Pp 17-20.

Appendix 4

Twenty Key Requirements for an Effective Performance Management System

- The performance management system is owned by line management and driven from the top of the organisation.
- Managers understand and accept the need to measure performance at all levels in a consistent way.
- Managers accept that the performance management processes that have been defined are needed in their business.
- Managers have the knowledge and skills needed and are committed to manage their subordinates (and be managed) this way.
- The way consequences and rewards are managed in the organisation reinforces this process in a consistent and positive way.
- There are no other management processes in place that conflict with the performance management processes.
- The whole process is transparent and can be openly challenged and defended.
- Position guides clearly define the role of the team leader and their team members in output terms without any gaps or overlaps.
- Each team develops measurable unit targets for the current planning period that reflect their contribution to implementing the short and long term strategy of the business.
- All the performance targets that are set add significant value to the business and are stretching, yet achievable.
- Managers allocate all their unit targets between themselves and their team members, appropriately to the jobs they are doing.
- Managers negotiate with each of their team members specific, measurable and stretching performance targets to which they are both committed.
- Every team member sees that targets they personally accepted as contributing to their unit's performance targets equitably with other team members.
- Managers and their team members accept that their rewards should reflect their achievement of the targets they accepted.
- Managers regularly review both unit and individual performance with those concerned and take appropriate action to ensure that targets are reached or exceeded.
- Managers, jointly with their team members, assess each other's performance for the full period under review.
- Both manager and subordinate accept and sign off the subordinate's performance assessment as valid, balanced and fair.
- Recorded performance assessments for each unit clearly discriminate between the more effective and less effective performers.
- Consequences and rewards for each individual are accepted as fairly reflecting their unit results and their own individual performance.
- The effectiveness of the performance management system is formally evaluated at least once a year and appropriate improvements are made for the next cycle

Source: Renton, M. 2000. **Increase Productivity through Effective Performance Management**. In *People Dynamics* 18, no. 11, November/December, 2000. p. 44.

Appendix 5

The Confidential Reporting Form



LESOTHO

FOR ALL STAFF
(excluding those on Scale E
and temporary terms)

Personal File No.

CONFIDENTIAL REPORT

—PERSONAL PARTICULARS AND RECORD OF EMPLOYMENT—(To be completed by the Officer)

Full Name _____

Report for period from _____ to _____

Ministry/Department	Date of: 1. Birth	Day	Month	Year	Married/Single
Division and/or Branch					Period of Service under present Reporting Officer
Substantive Post/Grade	2. Entry to (a) Public Service				Years
	(b) Substantive Post/Grade				Months
Salary Scale and Salary					

Details of Duties (with dates) during period covered by Report

Courses of Instruction taken during period covered by Report

Date _____ Signature of Officer _____

—CLASSIFICATION OF DUTIES—(To be completed by Reporting Officer for Professional/Technical Officer only)

This Officer's work for the period of the report is classified

Tick Appropriate Box

Primarily Professional/Technical* — — — — 1. ☐

Primarily Administrative/Executive* — — — — 2. ☐

A general combination of Professional/Technical* and Administrative/Executive* — — — — 3. ☐

(*Delete as appropriate)

Notes:

1. The Reporting officer should check Part A and amend and initial if necessary.

C—REPORT ON QUALITIES AND PERFORMANCE OF DUTIES

Stellenbosch University <http://scholar.sun.ac.za>

(The Item marked* will only be completed for an officer when they are applicable)

CHARACTER AND PERSONALITY

Tick one Box under each of Headings 1-8 as appropriate

REMARKS
(if necessary to complete picture and amplify Ticks in Boxes)

1. Responsibility:

- | | | | |
|--|-----------|----|--------------------------|
| Seeks and accepts responsibility at all times | — — — — — | 1. | <input type="checkbox"/> |
| Very willing to accept responsibility | — — — — — | 2. | <input type="checkbox"/> |
| Accepts responsibility as it comes | — — — — — | 3. | <input type="checkbox"/> |
| Inclined to refer up matters he could himself decide | — — — — — | 4. | <input type="checkbox"/> |
| Avoids taking responsibility | — — — — — | 5. | <input type="checkbox"/> |

2. Relations with colleagues:

- | | | | |
|--|-----------|----|--------------------------|
| Wins and retains the highest regard of all | — — — — — | 1. | <input type="checkbox"/> |
| Is generally liked and respected | — — — — — | 2. | <input type="checkbox"/> |
| Gets on reasonably well with most people | — — — — — | 3. | <input type="checkbox"/> |
| Not very easy in his relationships | — — — — — | 4. | <input type="checkbox"/> |
| A very difficult colleague | — — — — — | 5. | <input type="checkbox"/> |

*3. Contacts with Public:

- | | | | |
|---|-----------|----|--------------------------|
| Outstandingly effective, helpful and courteous in dealing with them | — — — — — | 1. | <input type="checkbox"/> |
| Considerate and firm as required | — — — — — | 2. | <input type="checkbox"/> |
| Handles them quite well | — — — — — | 3. | <input type="checkbox"/> |
| His manner tends to be unfortunate | — — — — — | 4. | <input type="checkbox"/> |
| Poor at dealing with them | — — — — — | 5. | <input type="checkbox"/> |

CAPACITY

4. Perception:

- | | | | |
|--|-----------|----|--------------------------|
| Is very resourceful and has marked creative ability. | — — — — — | 1. | <input type="checkbox"/> |
| Can generally be relied on to cope with any problem | — — — — — | 2. | <input type="checkbox"/> |
| Usually grasps a point correctly | — — — — — | 3. | <input type="checkbox"/> |
| Not very quick in the uptake | — — — — — | 4. | <input type="checkbox"/> |
| Often misses the point | — — — — — | 5. | <input type="checkbox"/> |

5. Initiative and Constructive Power:

- | | | | |
|--|-----------|----|--------------------------|
| Can be relied on always to use initiative and produce a solution | — — — — — | 1. | <input type="checkbox"/> |
| Generally uses initiative and contributes to a solution | — — — — — | 2. | <input type="checkbox"/> |
| Normally adequate without using a great deal of initiative | — — — — — | 3. | <input type="checkbox"/> |
| Seldom uses initiative or takes any constructive action | — — — — — | 4. | <input type="checkbox"/> |
| Fails to respond to a new situation | — — — — — | 5. | <input type="checkbox"/> |

6. Judgment:

- | | | | |
|---|-----------|----|--------------------------|
| Judgment consistently sound and well thought out | — — — — — | 1. | <input type="checkbox"/> |
| His view on a matter is nearly always constructive and sensible | — — — — — | 2. | <input type="checkbox"/> |
| His judgment is reasonably satisfactory on most matters | — — — — — | 3. | <input type="checkbox"/> |
| His judgment tends to be erratic | — — — — — | 4. | <input type="checkbox"/> |
| His judgment cannot be relied on | — — — — — | 5. | <input type="checkbox"/> |

KNOWLEDGE AND PERFORMANCE OF DUTIES

7. Knowledge of work:

(This relates to an officer's immediate range of duties and other work having a bearing on them)

- | | | | |
|---|-----------|----|--------------------------|
| Outstanding knowledge of detail and background | — — — — — | 1. | <input type="checkbox"/> |
| Good working knowledge and tries to acquire more | — — — — — | 2. | <input type="checkbox"/> |
| Adequate for normal requirements | — — — — — | 3. | <input type="checkbox"/> |
| Has only a limited knowledge | — — — — — | 4. | <input type="checkbox"/> |
| Knowledge inadequate and makes no effort to improve | — — — — — | 5. | <input type="checkbox"/> |

8. Output:

- | | | | |
|---|-----------|----|--------------------------|
| Outstanding in the amount of work he does | — — — — — | 1. | <input type="checkbox"/> |
| Gets through a great deal of work | — — — — — | 2. | <input type="checkbox"/> |
| Output satisfactory | — — — — — | 3. | <input type="checkbox"/> |
| Does rather less than expected | — — — — — | 4. | <input type="checkbox"/> |
| Output regularly insufficient | — — — — — | 5. | <input type="checkbox"/> |

9. Quality:Tick one Box under each of
Headings 9-14 as appropriate**REMARKS**
(If necessary to complete picture and
amplify Tick in Boxes)

- | | | | |
|--|-----------|----|--------------------------|
| Distinguished for accurate and thorough work | — — — — — | 1. | <input type="checkbox"/> |
| Maintains a high standard | — — — — — | 2. | <input type="checkbox"/> |
| His work is generally of good quality | — — — — — | 3. | <input type="checkbox"/> |
| His performance is erratic | — — — — — | 4. | <input type="checkbox"/> |
| Inaccurate and slovenly in his work | — — — — — | 5. | <input type="checkbox"/> |

10. Expression on Paper:

- | | | | |
|--|-----------|----|--------------------------|
| Exceptionally good at all written work | — — — — — | 1. | <input type="checkbox"/> |
| Written work always clear, cogent and well set out | — — — — — | 2. | <input type="checkbox"/> |
| Generally expresses himself clearly and concisely | — — — — — | 3. | <input type="checkbox"/> |
| Written work just good enough to get by | — — — — — | 4. | <input type="checkbox"/> |
| Cannot express himself clearly on paper | — — — — — | 5. | <input type="checkbox"/> |

11. Oral Expression:

- | | | | |
|-------------------------------------|-----------|----|--------------------------|
| Extremely effective | — — — — — | 1. | <input type="checkbox"/> |
| Puts his points across convincingly | — — — — — | 2. | <input type="checkbox"/> |
| Expresses himself adequately | — — — — — | 3. | <input type="checkbox"/> |
| Does not put his points across well | — — — — — | 4. | <input type="checkbox"/> |
| Ineffective | — — — — — | 5. | <input type="checkbox"/> |

***12. Figurework:**

- | | | | |
|--|-----------|----|--------------------------|
| Exceptionally good at all kinds of figurework | — — — — — | 1. | <input type="checkbox"/> |
| Handles and interprets figures very well | — — — — — | 2. | <input type="checkbox"/> |
| Competent at figurework | — — — — — | 3. | <input type="checkbox"/> |
| Has no aptitude for figures but just manages to get by | — — — — — | 4. | <input type="checkbox"/> |
| Poor at figures | — — — — — | 5. | <input type="checkbox"/> |

***13. Leadership and Management of Staff:**

- | | | | |
|--|-----------|----|--------------------------|
| Always inspires them to give of their best | — — — — — | 1. | <input type="checkbox"/> |
| Manages them very well | — — — — — | 2. | <input type="checkbox"/> |
| Manages them adequately | — — — — — | 3. | <input type="checkbox"/> |
| Does not control them very skilfully | — — — — — | 4. | <input type="checkbox"/> |
| Handles them badly | — — — — — | 5. | <input type="checkbox"/> |

***14. Organisation of Work:**

- | | | | |
|--|-----------|----|--------------------------|
| An exceptionally effective organiser | — — — — — | 1. | <input type="checkbox"/> |
| Shows considerable organising skill | — — — — — | 2. | <input type="checkbox"/> |
| Plans and controls work satisfactorily | — — — — — | 3. | <input type="checkbox"/> |
| An indifferent organiser | — — — — — | 4. | <input type="checkbox"/> |
| Cannot organise | — — — — — | 5. | <input type="checkbox"/> |

Headings 15-17 will only be completed where appropriate and where the markings and remarks under the previous items have not fully covered all of the officer's qualities and performance of duties.

15. Professional or Technical Ability:**16. Administrative/Executive Ability—For Professional/Technical Officer only:*****17. Special Attributes, Aptitudes or Experience:**

(Date)

Appendix 6

The Performance Review Form (29a)

MINISTRY	DEPARTMENT	SECTION

Period of review From.....to

GENERAL GUIDANCE

1. This Form is part of the Performance Management System for the Civil Service of Lesotho. The basic purpose is to assess, as objectively as possible the employees performance in the present job. The assessment will facilitate an objective and consistent basis for management decisions affecting advancements and employee development programmes.
2. For the appraisal to be objective, it is essential that the reporting officer:
 - (a) clearly understands the contents of the appraisees job description and job specifications;
 - (b) properly knows the officer being appraised through work supervision of at least three months.
3. Before working on this Form, supervisors or appraiser and appraisees should be familiar with the document Performance Management System for the Civil Service of Lesotho Guidelines.

PERSONAL INFORMATION

1.	NAME OF OFFICER	EMPLOYEE NO:.....
	POSITION	<u>DAY</u> <u>MONTH</u> <u>YEAR</u>
	FIRST APPOINTMENT APPOINTMENT TO PRESENT POST	
	COURSES ATTENDED DURING PERIOD OF APPRAISAL	
	PERIOD WORKING WITH THE PRESENT APPRAISER	
2.	NAME OF APPRAISER	
	POSITION	<u>DAY</u> <u>MONTH</u> <u>YEAR</u>
	FIRST APPOINTMENT APPOINTMENT TO PRESENT POST	

This Form is confidential and is held by the Supervisor during the review year. The appraisee should hold a copy. When completed the Form is held in the appraisees confidential file. It is available to Senior Management and Appraiser only. Three to four (3-4) copies should be completed and distributed as follows:-

1. One copy to remain at Headquarters
2. The Other one goes to the Department
3. The third and fourth to be held by the MPS and the Employee respectively.

ANNUAL WORKPLAN

NAME:

POST-TITLE MINISTRY /DEPARTMENTPERIOD
FROM:.....TO:.....

KEY TASKS/OBJECTIVES	TASKS (Activities further broken down)	PERFORMANCE INDICATORS (How results will be shown)	PERFORMANCE STANDARDS/TARGETS (An agreed minimum level of performance)	REMARKS/ASSUMPTIONS

Appraiser's Signature
Date:

Appraisee's Signature
Date:

Period of Review: From To

Development Planning (this portion of the Appraisal Form will be copied and forwarded to the Training Section and used as the basis for the following year's training needs analysis).	
Name:	Personal No:
Designation:	Grade:
Ministry:	Department/Section
DEVELOPMENT NEEDS	DEVELOPMENT SUGGESTIONS
(a) Technical (Specify)	
(b) Managerial/Supervisory (Specify)	
(c) Organisational, e.g. Job Rotation, Internal Exposure, transfer to another job	
Other	

Appraiser's Signature.....Appraisee's Signature

Date..... Date.....

QUARTERLY PROGRESS REVIEW

To be completed every three months during the review year. Progress and any required adjustments to the Workplan are noted. If additional space required add an extra page.

Progress for the quarter from to	Workplan Adjustments if required Appraiser's Comment on Progress made to date SignatureDate	Appraisee's Comment SignDate
Progress for the quarter from to	Workplan Adjustments if required Appraiser's Comment on Progress made to date SignatureDate	Appraisee's Comment SignDate
Progress for the quarter from to	Workplan Adjustments if required Appraiser's Comment on Progress made to date SignatureDate	Appraisee's Comment SignDate
Progress for the quarter from to	Workplan Adjustments if required Appraiser's Comment on Progress made to date SignatureDate	Appraisee's Comment SignDate

RATINGS ON ANNUAL WORKPLAN

NAME:

POST-TITLE.....MINISTRY/DEPARTMENT.....PERIOD
FROM:.....TO:.....

KEY TASKS/OBJECTIVES/ACTIVITIES	PERFORMANCE INDICATORS	PERFORMANCE STANDARDS/TARGETS	LEVEL OF ACHIEVEMENT RATING			COMMENTS ON ACHIEVEMENTS /CONSTRAINTS/ASSUMPTIONS
Areas of the job that are most important. Key Performance Areas should be based on the job and agreed objectives	State performance indicators which verify performance	An agreed minimum level of performance	How has the employee performed in the Key Tasks			
			Appraisee <u>Rating</u>	Appraiser <u>Rating</u>	Joint <u>Rating</u>	

RATINGS ON ANNUAL WORKPLAN

NAME:

POST-TITLEMINISTRY/DEPARTMENT.....PERIOD
FROM:.....TO.....

KEY TASKS/OBJECTIVES/ACTIVITIES	PERFORMANCE INDICATORS	PERFORMANCE STANDARDS/TARGETS	LEVEL OF ACHIEVEMENT RATING			COMMENTS ON ACHIEVEMENTS /CONSTRAINTS/ASSUMPTIONS
Areas of the job that are most important. Key Performance Areas should be based on the job and agreed objectives	State performance indicators which verify performance	An agreed minimum level of performance	How has the employee performed in the Key Tasks			
			Appraisee Rating	Appraiser Rating	Joint Rating	

Appraiser's Signature

Appraisee's signature

LEVEL OF ACHIEVEMENT RATINGS:

4= EXCEEDED EXPECTED TARGET
2= PARTLY MET TARGET

3= FULLY MET TARGET
1= DID NOT MEET TARGET

PERSONAL QUALITIES AND BEHAVIOURAL SCALE

	4	3	2	1	RATING			REMARKS
					Appraisee	Appraiser	Joint Rating	
1. KNOWLEDGE OF WORK How well the officer knows work objectives, procedure and practice of the job	Fully informed Knows the job very well	Knows the job well, has mastered some details of the job	Knows some parts of the job	Improving slowly				
2. OUTPUT: ACCURACY How accurate and reliable is work output	Highest possible	Very good	Satisfactory	Too many faults				
3. TIME MANAGEMENT Quality of Time Keeping, completion of assignments and level of absenteeism	Consistently meeting datelines, appointments, arrival and leaving workplace within agreed times	Meet deadlines, often keeps time for arrival and leaving the workplace	Occasionally meet datelines, often does not keep time for arrival and leaving the workplace, often late and absent every week/month	Does not meet datelines, often late or/absent from the workplace (late and absent every week/month)				
4. INITIATIVE How much initiative resulting in accomplishment is shown	Very high level of initiative	Much initiative	Adequate	Rarely shows any				
5. INTER PERSONAL RELATIONS Ability to get along with supervisors, supervisee, co-workers and the public	Exceptionally good	Very Good	Reasonably good	Somewhat lacking				
6. EXPRESSION Oral or Written	Exceptionally good at all times	Always clear and well set out	Generally clear and concise	Good enough to get by				
7. ORGANISATION OF WORK	Exceptionally effective organiser	Considerable Organising skills	Satisfactory	Indifferent Organiser				

Appraiser's Signature Appraisee's Signature

Date..... Date.....

ANNUAL PERFORMANCE REVIEW

To be completed at the end of the review period or when an employee leaves a position.

Details of additional contributions made to Section: by the Appraiser/Head of Department

Appraisee's Remarks

Other Management Comment: Head of Department/Principal Secretary (if required)

Date Signature

Rating Performance

Outstanding <input type="checkbox"/>	Very Good <input type="checkbox"/>	Good <input type="checkbox"/>	Satisfactory <input type="checkbox"/>	Unsatisfactory <input type="checkbox"/>
<i>exceptional performance</i>	<i>performance consistently at required level</i>	<i>performance at required level</i>	<i>performance usually meets required level</i>	<i>performance less than expected level</i>
Appraiser's Signature		Appraisee's Signature		
Date		Date		

Appendix 7

Focus Points for Comments on the Designed Model for Introducing PRP in the Lesotho Public Service

1. The clarity of the model:

- Is the process as suggested in the model easy to understand?
- If not, why?
- Are there any areas of confusion in the model and where are these?
- Can the model be perceived differently by different people?
- If so, how?
- Are there any ambiguous or difficult terms in the model?
- If so, where are these to be found?

2. The degree of comprehensiveness of the model:

- Does the model, in your opinion, encompass all the necessary requirements for the effective introduction of PRP in the Lesotho Public Service?
- If not, why, and how could it be improved?
- Does the model provide sufficient detail?
- If not, which particular areas could be expanded upon?

3. The effectiveness of the model:

- Do you think that by following this model, the Lesotho Public Service would be able to successfully introduce PRP?
- If not, why, and how could it be improved?
- Does the model provide enough guidance for introducing PRP?
- If not, why, and how could it be improved?

4. The practicality of the model:

- Is this model “user-friendly”/understandable to the people that would have to implement it?

- If not, why, and how could it be improved?
- Is this model practical in the organisation i.e. the current organisational context in the Lesotho Public Service?
- If not, why, and how could it be improved?

Appendix 8

The Criteria of the SAEF Model for Performance Excellence

APPENDIX 8

THE CRITERIA OF THE SAEF MODEL FOR PERFORMANCE EXCELLENCE

Criterion 1: Leadership How the behaviours and actions of the executive team and all other leaders inspire, support and promote a culture of Performance excellence		
Criterion	Points	Areas to address
How leaders visibly demonstrate their commitment to culture and performance excellence	20	How leaders <ul style="list-style-type: none"> • Set organizational direction and seek future opportunities for the organization • Develop and incorporate clear values and expectations for the organization • Act as role models for the organization's values and expectations, leading by example • Give and receive training to create a learning organization • Act as coaches and mentors • Make themselves accessible, listen and respond to the organization's people • Are active and personally involved in improvement activities • Review and improve the effectiveness of their own leadership
How leaders support improvement and involvement by providing appropriate resources and assistance	20	How leaders: <ul style="list-style-type: none"> • Define priorities • Fund continuous learning, facilitation and improvement activities • Enable people to participate in improvement activities • Use appraisal and promotion systems to support improvement and involvement • Foster and participate in networks
How leaders are involved with customers, partners and supplier chains	20	How leaders: <ul style="list-style-type: none"> • Meet, understand and respond to needs • Establish and participate in partnerships • Establish and participate in joint improvement activities
How leaders recognize and appreciate people's efforts and achievements	20	How leaders are involved in recognizing in a timely and appropriate way: <ul style="list-style-type: none"> • Individuals and teams at all levels within the organization • Individuals and teams outside the organization (e.g. customers, suppliers, education and research institutes)
How leaders (and employees) address public responsibilities and practice good citizenship	20	How leaders: <ul style="list-style-type: none"> • Address current and potential impacts on society of its products, services, facilities and operations • Promote and support performance excellence outside the organization • Address key practices, measures, and targets for regulatory, legal and ethical requirements and

		<p>for risk associated with managing organization operations</p> <ul style="list-style-type: none"> • Anticipate public concerns, assess potential impacts on society, and address these issues in a proactive manner with its employees • Support and strengthen the key communities of the organization • Strengthen local community services, education, and practices of business • Actively participate in professional bodies, conferences and seminars
Criterion 2: Policy and strategy		
How the organization formulates, deploys, reviews and turns policy into plans and actions		
Criterion	Points	Areas to address
How policy and strategy are based on information which is relevant and comprehensive	18	<p>How the organization uses information relating to :</p> <ul style="list-style-type: none"> • Customers and suppliers • The organization's people • Community and other external organizations • Shareholders and other stakeholders • Organization capabilities, for example performance indicators • Internal performance indicators • Benchmarking activities • Performance of competitors and "best-in-class" organizations • Social, environmental and legal issues • Economic and demographic indicators • New technologies • Market requirements and expectations • Risks, financial market, technological and societal • Supplier and partner capabilities
How policy and strategy are developed	18	<p>How the organization:</p> <ul style="list-style-type: none"> • Develops its values, mission and vision • Develops policy and strategy based on relevant information, maintaining consistency with values, mission and vision • Balances short and long term pressures and requirements • Balances the needs and expectations of its stakeholders • Identifies present and future competitive advantages • Reflects the principles and practices of Performance Excellence in its policy and strategy • Projects organisation's performance into the future • Develops trusts for revenue growth and cost reduction
How policy and strategy are communicated and implemented	18	How the organization:

		<ul style="list-style-type: none"> • Communicates policy and strategy • Cascades policy and strategy to all levels of the organization • Uses policy and strategy as the basis for planning of activities and setting of objectives throughout the organisation • Tests, evaluates, improves, aligns and prioritises action plans • Evaluates people's awareness of policy and strategy • Is structured to deliver policy and strategy
How policy and strategy are regularly reviewed, updated and improved	18	<p>How the organization:</p> <ul style="list-style-type: none"> • Evaluates the relevance and effectiveness of policy and strategy • Reviews, updates and improves policy and strategy • Reviews performance requirements, key performance measures and / or indicators or benchmarks • Tracks performance relative to plans
Criterion 3: Customer and market focus How the organization determines the needs, requirements and expectations; enhances relationships and determines satisfaction of customers and markets		
Criterion	Points	Areas to address
How customer and market intelligence is determined	15	<p>How the organization:</p> <ul style="list-style-type: none"> • Determines or selects customer groups and / or market segments • Determines and / or projects key product and service features and their relative importance / value to customers • Evaluates and improves its approach to listening to and learning from customers and markets • Keeps abreast with changing customer and market needs
How customer and market information is collected and used	15	<p>How the organization:</p> <ul style="list-style-type: none"> • Evaluates, processes and acts on information received • Reviews effectiveness of the system
How customer and market accessibility is maintained and complaints are managed	15	<p>How the organization:</p> <ul style="list-style-type: none"> • Determines customer contact requirements and deploys the requirements to all employees • Determines and reviews customer contact performance • Evaluates and improves customer contact performance • Resolves complaints effectively and promptly • Aggregates and analyses complaints received by all organization units and analyses for use throughout the organization • Reviews and updates the organization's complaint management process
How customer and market satisfaction is determined	15	<p>How the organization:</p> <ul style="list-style-type: none"> • Follows up with customers on products and services, and recent transactions to receive prompt

		and additional feedback <ul style="list-style-type: none"> • Determines and measures customer satisfaction • Obtains objectives and reliable information on customer satisfaction • Obtains objective and reliable information relating to its competitors
Criterion 4: People Management How the organization develops and releases the full potential of its people		
Criterion	Points	Areas to address
How people resources are planned and improved	15	How the organisation: <ul style="list-style-type: none"> • Aligns the people resources plan with policy, strategy and values • Develops people satisfaction surveys and uses the data • Uses fairness in terms of employment • Aligns its remuneration, redeployment, redundancy and other terms of employment with policy and strategy • Uses innovative work organisation strategies and methods to improve the way of working
How people capabilities are sustained and developed	15	How the organisation: <ul style="list-style-type: none"> • Identifies, classifies and matches people's competencies with its organisational needs • Manages recruitment and career development • Orientates new employees • Establishes and implements education and training plans • Reviews the effectiveness of education and training • Develops people through work experience • Develops team skills • Promotes continuous learning • Adopts an innovative approach to adult education and training
How people agree targets and continuously review performance	15	How the organisation: <ul style="list-style-type: none"> • Aligns individual and team objectives with its targets • Reviews and updates individual and team objectives • Appraises and helps people improve their performance
How people are involved, enabled, empowered and recognised	15	How the organisation: <ul style="list-style-type: none"> • Encourages and supports individuals and teams participating in improvement • Encourages people's involvement through in-house conferences and ceremonies • Empowers people to take action and evaluates effectiveness • Designs and applies innovative recognition systems to sustain involvement and empowerment • Encourages awareness that employees are stakeholders
How people and the organization have an effective dialogue	15	How the organisation:

		<ul style="list-style-type: none"> • Identifies communication needs • Shares information and has a dialogue with its people • Evaluates and improves communication effectiveness • Structures top down, bottom up and lateral communication • Addresses innovative communication methods in a multi-cultural environment • Promotes understanding of the reconciliation of multiple cultures
How people are cared for	15	<p>How the organisation:</p> <ul style="list-style-type: none"> • Promotes awareness and involvement in health, safety and environmental issues • Sets the level of benefits (for example pension plan, health care, child care) • Promotes community, social and cultural activities • Provides facilities and services (for example flexible hours, transport) • Includes well-being factors (for example, health, safety, ergonomics) in improvement activities • Relates employee well-being, satisfaction, and motivation results to key business results and / or objectives to identify improvement activities
Criterion 5: Resource and Information Management How the organization manages and uses resources and information effectively and efficiently		
Criterion	Points	Areas to address
How financial resources are managed	10	<p>How the organisation:</p> <ul style="list-style-type: none"> • Uses financial management to support policy and strategy • Reviews and improves financial strategies and practices • Improves financial parameters, such as cash flow, profitability, cost and margins, assets, working capital and shareholder value • Evaluates investments • Manages risk
How information resources are managed	10	<p>How the organisation:</p> <ul style="list-style-type: none"> • Selects and uses information and data • Selects and uses comparative information and data • Analysis and reviews organisational performance • Provides access to relevant information to support policy and strategy • Assures and improves information validity, integrity and security
How comparative information and data are selected and used	10	<p>How the organisation:</p> <ul style="list-style-type: none"> • Determines needs and priorities for comparative information • Seeks sources of appropriate comparative information and data from within and outside the organisation's industry and markets

		<ul style="list-style-type: none"> • Uses benchmarks, comparative information and data to set stretch targets and encourage performance breakthroughs • Evaluates and keeps current with changing business needs, using benchmarks, comparative information and data • Deploys benchmarks, comparative information and data throughout the organisation • Integrates benchmarks, comparative information and data with those from other areas of the organisation
How partnering and supplier relationships and materials are managed	10	<ul style="list-style-type: none"> • Develops partnering and supplier relationships in line with policy and strategy • Selects preferred suppliers and partners • Plans to enhance suppliers and partner knowledge of the organisation's needs and ability to respond to those needs • Maximize the added value of partnering and suppliers • Improves supply chain • Minimises costs associated with inspection, enhances performance audits • Optimises material inventories • Reduces consumption of utilities • Reduces and recycles waste • Conserves global non-renewable resources • Minimises any adverse global impact of its product and services
How buildings, equipment and other assets are managed	10	<p>How the organisation:</p> <ul style="list-style-type: none"> • Optimises assets in line with policy and strategy • Manages the maintenance and utilisation of assets to improve total asset life cycle performance • Considers the impact of its assets on the community and employees (including health and safety) • Manages the security of the assets
How technology and intellectual property are managed	10	<p>How the organisation:</p> <ul style="list-style-type: none"> • Exploits existing technology • Identifies and evaluates alternative and emerging technology in the light of policy and strategy and their impact on the business and on society • Harness technology in support of improvement in processes, information and other systems • Exploits and protects intellectual property
Criterion 6: Processes How the organization identifies, manages, reviews and improves its processes		
Criterion	Points	Areas to address
How processes (key to the success of the organization) are identified	20	<p>How the organisation:</p> <ul style="list-style-type: none"> • Conducts the identified key processes

		<ul style="list-style-type: none"> • Defines key processes, including design, production, marketing, distribution, suppliers and partnering • Evaluates the impact of key processes on the business • Incorporates changing customer requirements and technology into product and service design processes • Designs production and delivery processes to meet quality and operational performance requirements • Co-ordinates design and production / delivery processes to ensure trouble-free introduction and delivery of products and services • Evaluates the validity of the design of products and services.
How processes are systematically managed	20	<p>How the organisation:</p> <ul style="list-style-type: none"> • Establishes process ownership, process management, responsibility and accountability • Establishes and monitors standards of operation • Uses performance measurements in process management • Applies system standards, for example, quality systems such as ISO 9000, environmental systems such as ISO 14000, health and safety systems in process management • Resolves interface issues inside the organisation and with external partners • Maintains process integrity to ensure products and services will meet operational and customer requirements
How processes are reviewed and targets are set for improvement	20	<p>How the organisation:</p> <ul style="list-style-type: none"> • Identifies and prioritises methods of improvement, both incremental and breakthrough • Identifies and prioritises methods of improvement, both incremental and breakthrough • Uses information from employees, customers, suppliers, and other stakeholders, partners, competitors and community, and data from benchmarking in setting standards of operation, priorities and targets for improvement • Relates current performance measurements and targets for improvement to past achievements • Identifies and agrees challenging targets to support policy and strategy
How processes are improved using innovation and creativity	20	<p>How the organisation:</p> <ul style="list-style-type: none"> • Uses the creative talents of employees in incremental and breakthrough improvements • Discovers and uses new designs, technology and operating philosophies • Changes organisational structures to encourage innovation and creativity • Uses feedback from customers and suppliers, or other stakeholders and partners to stimulate innovation and creativity in process management
How processes are changed and the benefits evaluated	20	<p>How the organisation:</p> <ul style="list-style-type: none"> • Agrees to appropriate methods of implementing change

		<ul style="list-style-type: none"> • Pilots and controls the implementation of new or changed processes • Communicates process changes • Trains people prior to implementation • Reviews process changes to ensure predicted results are achieved
How support processes are designed, managed and improved	20	<p>How the organisation:</p> <ul style="list-style-type: none"> • Determines requirements which incorporate input from internal and external customers • Designs key support processes to meet overall performance requirements • Describes key support processes and their principle requirements • Manages processes in order to maintain process performance and to ensure results will meet operational and customer requirements. • Evaluates and improves processes to achieve better performance
<p>Criterion 7: Impact on society What the organisation is achieving in satisfying the needs and the expectations of the local, national and international community at large (as appropriate) This includes the perception of the organisation's approach to:</p> <ul style="list-style-type: none"> • Quality of life • Environment and the conservation of global resources • Organisation's own internal measures of effectiveness • Its relations with authorities and bodies which affect and regulate its business. <p>Self-assessment should demonstrate the performance of the organisation in satisfying the needs, requirements and expectations of local communities. This should be shown by presenting results, trends, targets and comparisons with competitors or "best-in-class" organisations. Information on the relevance of the measurement to local communities should also be presented.</p>		
Criterion	Points	Areas to address
Society's perception of the organisation	15	<p>The society's perception of the organisation's:</p> <ul style="list-style-type: none"> • Performance as a responsible citizen: <ul style="list-style-type: none"> ◦ Disclosure of information relevant to the community ◦ Equal opportunity practices ◦ Impact on local and national economies ◦ Relationship with relevant authorities • Involvement in the communities where it operates: <ul style="list-style-type: none"> ◦ Involvement in education and training ◦ Support for health, medical and welfare ◦ Support for sport and leisure ◦ Voluntary work and outreach initiatives • Activities to reduce and prevent nuisance and harm from its operations and / or within the life

		<ul style="list-style-type: none"> cycle of its products <ul style="list-style-type: none"> ○ Health risks and accidents ○ Noise, odour and electromagnetic influence ○ Pollution and toxic emissions into atmosphere, water and earth • Reporting an activities to assist in the conservation of resources and sustainability of the environment <ul style="list-style-type: none"> ○ Accolades and awards received ○ Choice of transport ○ Ecological impact ○ Optimisation of energy and water consumption ○ Reduce, recycle and re-use of waste materials including reduction of packaging ○ Response to public, community and other stakeholder concerns • Substitution of raw materials or other products
Additional measurements of the organisation's impact on society	45	<p>Measurements used by the organisation to understand, predict and improve the satisfaction of the society, such as:</p> <ul style="list-style-type: none"> • Handling of changes in employment levels • Dealing with authorities on issues such as: <ul style="list-style-type: none"> ○ certification ○ clearance ○ imports / exports ○ planning ○ product release • Use of formal management system approaches (for example, environmental management and auditing systems) • Integration of society's interest into business actions designed to improve customer, people and shareholder satisfaction • Social responsibility: <ul style="list-style-type: none"> ○ Creation of wealth through employment ○ Improving of quality of life through education, housing, health care, literacy ○ Promotion of a responsible life style

Criterion 8: Customer Satisfaction What the organisation is **achieving** in relation to the satisfaction of its external customers.

Self-assessment should demonstrate the performance of the organisation in satisfying the needs and expectations of its external customers. This should be shown by presenting results, trends, targets and comparisons with competitors or "best-in-class" organisations. Information on the relevance of the measurement to the customer should also be presented.

		<ul style="list-style-type: none"> o Ethical conduct o Involvement o Leadership o Opportunity to learn and achieve o Recognition and reward o Target setting and performance appraisal o The organisation's vision, mission, values, policy and strategy o Training and development o Work ethic • Satisfaction <ul style="list-style-type: none"> o Organisation administration o Employment conditions o Facilities and services o Health and safety conditions o Job security o Pay and benefits o Peer relationships o The management of change o The organisation's environmental policy and impact o The organisations role in the community and society o Working environment
Additional measures relating to people satisfaction	22	<p>Measurements used by the organisation to understand, predict and improve the satisfaction and involvement of its people relating to:</p> <ul style="list-style-type: none"> • Motivation and involvement <ul style="list-style-type: none"> o Involvement in improvement teams o Involvement in suggestion systems o Levels of training and development o Measurable benefits of teamwork o Recognition and appreciation of individuals and teams o Response rates to people surveys • Satisfaction and well being <ul style="list-style-type: none"> o Absenteeism and sickness o Accident levels o Grievances o Recruitment trends o Staff turnover

		<ul style="list-style-type: none"> ○ Strikes and disputes ○ Use of benefits ○ Use of facilities provided by the organisation (for example, recreation, crèche) • Services provided to the organisation's people <ul style="list-style-type: none"> ○ Accuracy of personnel administration ○ Communication effectiveness ○ Speed of response to enquiries ○ Training evaluation
Criterion 10: Supplier and partnership performance What the organisation is achieving in relation to the management of suppliers and partnering processes		
Criterion	Points	Areas to address
The organisation's perception of it's suppliers' and partners performance	23	The organisation's perception relating to: <ul style="list-style-type: none"> • Current levels and trends in key measures (particularly products and services) • Indicators of supplier and partner performance levels • Organisation cost and performance improvements • Partner and organisation's performance levels • Value of partner relationship • Continuous improvement in product and service quality • Integrity • Reliability • Speed of response to customer complaints • Stability of workforce and days lost to disputes • Contribution towards the environment and community development
Additional measurements relating to the performance of the organisation's suppliers and partners.	7	<ul style="list-style-type: none"> • Cost minimisation due to inspection and test • Cost reduction due to performance audit • Enhancement of suppliers and partner knowledge • Improvements related to supplier or partner's product or service quality • Ability to respond to organisational needs
Criterion 11: Business Results What the organisation is achieving in relation to its planned business objectives and in satisfying the needs and expectations of everyone with a financial interest or other stake in the organisation		
Self-assessment should demonstrate the performance of the as shown by results, trends, targets and comparisons with competitors or "best-in-class" organisations. Information on the relevance of these to those with a financial interest or other stake in the organisation should also be presented		

Criterion	Points	Areas to address
The customer's perception of the organisation's products, services and relationships.	128	<p>Customer's perceptions relating to:</p> <ul style="list-style-type: none"> Overall image <ul style="list-style-type: none"> accessibility communication ethics flexibility integrity level of customer satisfaction and dissatisfaction pro-active behaviour responsiveness Products and services: <ul style="list-style-type: none"> conformance quality delivery design environmental profile innovation price reliability Sales and after sales support <ul style="list-style-type: none"> Capabilities and behaviour of employees Customer literature and technical documentation Handling of complaints Product training Reliability against defined commitments Response time Technical support Warranty and guidance provisions Loyalty: <ul style="list-style-type: none"> Intention to repurchase Willingness to purchase other products and services from the organisation Willingness to recommend the organisation
Additional measurements relating to the satisfaction of the organisation's customers	42	<p>Measurements used by the organisation to understand, predict and improve the satisfaction and loyalty of the external customers:</p> <ul style="list-style-type: none"> Overall image: <ul style="list-style-type: none"> Number of awards and accolades received

		<ul style="list-style-type: none"> ○ Press coverage • Services and projects: <ul style="list-style-type: none"> ○ Competitiveness ○ Defect, error and rejection rates ○ Guarantee provisions and warranty provisions ○ Logistic indicators ○ Number and handling of complaints ○ Percentage of complaints resolved on first contact ○ Product life cycle ○ Time to market • Sales and after sales support: <ul style="list-style-type: none"> ○ Demand for training ○ Effective complaint resolution ○ Maintenance of service (duration) ○ Response rate ○ Success rate • Loyalty <ul style="list-style-type: none"> ○ Customer share ○ Duration of relationship ○ Effective recommendations ○ Frequency and value of orders ○ Life time value ○ New or lost business ○ Repeat business
<p>Criterion 9: People Satisfaction What the organisation is achieving in relation to the satisfaction of its people</p> <p>Self-assessment should demonstrate the performance of the organisation in satisfying the needs and expectations of its people. This should be shown by presenting results, trends, targets and comparisons with competitors or "best-in-class" organisations. Information on the relevance of the measurement to the organisation's people should also be presented</p>		
Criterion	Points	Areas to address
The peoples perception of the organisation	68	<p>People's perception relating to:</p> <ul style="list-style-type: none"> • Motivation <ul style="list-style-type: none"> ○ Career development ○ Communication ○ Empowerment ○ Equal opportunities

Criterion	Points	Areas to address
Financial measurements of the organisation's performance	75	<p>Information relating to:</p> <ul style="list-style-type: none"> • Profit and loss account items including <ul style="list-style-type: none"> ○ gross margin ○ net profit ○ sales • Balance sheet items including: <ul style="list-style-type: none"> ○ long term borrowing ○ shareholders funds ○ total assets ○ working capital (including inventory turnover) • Cash flow items including: <ul style="list-style-type: none"> ○ capital expenditure ○ financing cash flows ○ operating cash flow • Other relevant indicators including: <ul style="list-style-type: none"> ○ credit ratings ○ long-term shareholder fund (total shareholder returns) ○ return on funds ○ return on net assets ○ value added
Additional measurements to the organisation's performance	75	<p>Efficiency and effectiveness measurements of organisation's performance, especially those related to the key processes described in criteria 5 and 6.</p> <ul style="list-style-type: none"> • Overall performance: <ul style="list-style-type: none"> ○ market share ○ value added • Key processes <ul style="list-style-type: none"> ○ cycle time ○ defect rate ○ maturity ○ productivity ○ time to market • Information <ul style="list-style-type: none"> ○ accessibility ○ integrity ○ relevance

		<ul style="list-style-type: none">○ timelines• Suppliers and Materials:<ul style="list-style-type: none">○ defect rate○ general performance○ inventory turnover○ price○ response time○ utility consumption• Assets:<ul style="list-style-type: none">○ depreciation○ maintenance costs○ utilization• Technology<ul style="list-style-type: none">○ innovation rate○ patents○ royalties
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