

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

EVALUATION OF A PAY-FOR-PERFORMANCE SYSTEM AT A SOUTH
AFRICAN UNIVERSITY

KATHARINE EMMETT
(EMMKAT002)

A dissertation submitted in partial fulfilment of the requirements for the award of the
Degree of Master of Commerce in Organisational Psychology

Faculty of Humanities

University of Cape Town

2009

COMPULSORY DECLARATION:

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works of other people has been attributed, cited and referenced.

Signature: .

Signed by candidate

Date: 27/03/09

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS	i
ABSTRACT	ii
CHAPTER 1: INTRODUCTION	
Effectiveness of PFP systems	1
Elements of PFP systems	2
Standard requirements for the implementation of PFP systems	5
PFP systems and non-managerial employees	7
Trade unions and PFP systems	7
Introduction of a PFP system at the University of Cape Town	9
Elements of the university's PFP system	10
Evaluation questions	15
CHAPTER 2: METHOD	
Participants	18
Measuring Instrument/ Records	18
Procedure	20
CHAPTER 3: RESULTS	
Reliability test of the scale	21
Factor analysis	22
Cooperative Objective Setting	26
Existing Development Plan	28
CHAPTER 4: DISCUSSION	
I receive guidance from my line manager in setting my performance objectives	30
I receive guidance from my HR Advisor on how to set my performance objectives relevant to my job	32
I receive regular informal advice from my line manager on how to improve my job performance	34
There are adequate training opportunities within my department to enable me to achieve my objectives	36
HR's additional role in a PFP system	37
Contribution to programme evaluation	38
Conclusion	38
REFERENCES	39
APPENDIX A	42

ACKNOWLEDGEMENTS

My sincerest thanks to Professor Joha Louw-Potgieter, as this thesis would not have been possible without her guidance and patient supervision. I would also like to acknowledge Lindsey Joseph who provided me with the necessary data for this project, and Dave Van Eeden for allowing me to work on this project at the University of Cape Town. Thank you to everyone in the Department of Management Studies, especially Associate Professor Burger van Lill and Doctor Anton Schlechter for their additional support.

University of Cape Town

ABSTRACT

This study evaluates a pay-for-performance (PFP) system implemented at the University of Cape Town (UCT). Joseph and Louw-Potgieter (2007) did a previous evaluation that found the PFP system at UCT worked partially for some Professional, Administrative and Support Staff (PASS). Thus, this study asked the following evaluation questions:

Why did the PFP system at UCT work for some PASS employees and not for others?
Are there interventions/variables which can predict for whom the system would work?

It was assumed that the PFP would work effectively if Cooperative Objective Setting with line managers were to take place, and if a PASS employee could show the output of this cooperation, namely an Existing Development Plan. It was however not known what variables would predict the occurrence of these two components.

In order to answer these questions data from Joseph and Louw-Potgieter's study (2007) was collected and used as secondary data for this evaluation. The data collected was based on a questionnaire from Dowling and Richardson (1997) which was customised by Joseph and Louw-Potgieter. Two hundred and sixty-two (262) PASS employees responded to the questionnaire.

A reliability analysis was done on the data collected. It was found that the questionnaire had a high internal reliability as Cronbach's Alpha was .914. A factor analysis using principle component analysis reduced the data into three coherent factors: Guidance, Support and Training; Employees' Understanding; and Employees' Motivation to Work Harder. These three factors were used in a linear regression analysis to see whether they predicted the variable Cooperative Objective Setting. A stepwise discriminant analysis was performed to investigate whether the same three factors predicted the variable Existing Development Plan. It was found that Guidance, Support and Training predicted both dependent variables. Thus, the PFP system at UCT worked for PASS employees who received Guidance, Support and Training.

The variable Guidance, Support and Training consisted of five items. Each item was discussed individually with the relevant literature. As a result specific recommendations were made for the PFP system at UCT. These recommendations focused on the implementation of the system's process. Hence, suggestions were based on the interaction between PASS employees, their line managers and HR. Further discussion around the controversial relationship between HR and line managers was also presented, as it was concluded that a supportive relationship is vital for the system to function successfully.

University of Cape Town

CHAPTER 1: INTRODUCTION

The pay-for-performance (PFP) system was first introduced in the 1980s. It is one of the most popular remuneration systems used in organisations, as it enables managerial flexibility concerning remuneration (Hume, 1995). It also allows managers to modify the traditional concept of annual salary increases based on the rate of inflation. Currently PFP systems are most commonly used in the health care sector (Doran, 2008).

The purpose of PFP systems, as stated by Armstrong (2003), is to motivate employees by means of monetary reward so that they may improve their work performance. Thus, high performing employees will be motivated to perform well over time due to the satisfaction of their monetary needs. In contrast, under-performing employees who are not rewarded, will be motivated to improve their performance in order to receive future rewards.

Effectiveness of PFP systems

Several studies have focused on the effectiveness of PFP systems in the workplace (Armstrong, 2003). The effectiveness of these systems can be measured by comparing the overall workplace performance before and after their introduction to the organisation.

According to Armstrong (2003), there is negative and positive evidence suggesting that PFP systems reinforce individual and organisational performance. The variation in these research findings could be attributed to the fact that the effectiveness of this system is influenced by the context of the organisation (Armstrong; Belcher, 1996; Gomez-Mejia, Wiseman & Dykes, 2005). According to Bruns (1996), PFP systems are most effective when implemented in organisations which foster trust between management and employees, do not have strong trade unions which oppose PFP systems and have an entrepreneurial or performance culture.

There is abundant research indicating that PFP systems are less effective in reinforcing team performance (Armstrong, 2006; Belcher, 1996; Bruns, 1996; Reilly, 2003; Wright,

2004). PFP measurement is individualised, and therefore it is difficult to determine individual performance fairly from a single team output. The internal validity of these previously mentioned studies is questionable (Schwab & Olson, 1990). It is difficult to measure the causal link between pay and performance, as extraneous variables are not easily isolated from this relationship. Thus, the change in performance may not be entirely attributed to the newly implemented pay system. In addition, it is often difficult to do accurate PFP system evaluations, as organisations rarely have clearly defined criteria to measure the effectiveness of this system against. It can therefore be suggested that in order to investigate the effectiveness of PFP systems properly, a thorough evaluation should take place (Armstrong, 2003; Schwab & Olson).

Elements of PFP systems

According to Ulrich and Brockbank (2005), PFP systems are based on two elements, measurement and pay. Measurement consists of formal assessment and rating by the manager. Performance appraisal is often used as a measurement instrument for PFP systems. It is used to identify and document employee contributions, efforts and work behaviours (Henderson, 2006). The main functional requirements for the measurement element of a PFP system are: distinguishing good from bad performance and separating past from future performance. Past performance is determined by means of records from the past appraisal process, whereas future performance is defined by an employee's development plan (Armstrong, 2003).

According to Armstrong (2003), the measurement element of a PFP system needs to be perceived as fair by the recipients of the system. Fairness plays a role in the functioning of this system because it is closely linked to the motivational aspect of the pay allocated (Edwards, Scott & Raju, 2003). Thus, employees who view the system as unfair due to inaccurate performance appraisal will be less motivated to perform well within the organisation (Gomez-Mejia et al., 2005). The performance appraisal process is often recognised by employees as unfair, as management has more authority over the process than the employees do. Management is involved in jointly setting objectives with

employees, rating employee performance, giving feedback and aiding in employee development. Employees however, only have control in creating their performance objectives in collaboration with their managers (Hume, 1995). Not only does the perception of unfair performance measurement negatively affect employee's motivation to perform, but it can also decrease employee trust and morale. Thus, standard requirements are needed to ensure that the process is perceived as fair by employees.

The first requirement of the appraisal process is that the objectives being set should be SMART (Specific, Measurable, Attainable, Realistic, and Timeous (Eichinger, Lombardo & Ulrich, 2004). For measurement purposes, these objectives need to be observable and therefore they should be based on behavioural, task, or target-related characteristics (Armstrong, 2003). This will ensure that no trait-like or personality-based characteristics are part of the performance measure. This is important as studies have found that it is unfair to measure performance based on the criteria of inherent characteristics (Harper, 2003). Lastly, the set objectives need to be defined in task and behavioural terms by both the manager and the employee. Defining tasks and behaviours will enable managers to monitor and rate their employees fairly, as they will be made explicitly aware of what to assess their employees on. More importantly, employees will also be aware of what behaviour and tasks they are expected to execute in order to achieve their set objectives and therefore improve their performance (Eichinger, et al.).

In order to ensure fairness when managers monitor and assess employee performance, management training is needed. According to Armstrong (2003) management's ability to rate performance accurately is usually the weakest aspect of PFP systems. Thus, training aimed at competency in assessing employees' performance fairly should be made compulsory for management. Training should also cover the setting of objectives, feedback, consultation and career guidance skills for managers. It is also recommended that this training be provided regularly so that a positive and fair perception of the appraisal process can be sustained. (Armstrong).

In addition, it is required that line managers' assessment of employees should be adjusted for risks outside of the employees control. Often uncontrollable contextual events can affect employees' performance. Thus, to ensure fair assessment, these events need to be taken into account by line managers when appraising their employees (Doran, 2008). Lastly, it is important that the employee ratings allocated by management are independently moderated, so that employees will view management's rating decisions as less subjective and less discriminatory.

The pay element of a PFP system signifies what and who are valued in the organisation (Holbeche, 2004). In addition, this element is intended to reinforce positive employee behaviour, so that employees may achieve their own goals and improve their performance (Henderson, 2006).

The pay element of the PFP system is most effective when it is visibly linked to performance, when employees are given feedback soon after the achievement of the outstanding performance and when the pay is taken away if the receiver does not continue to perform (Eichinger et al., 2004; Rosenthal, Landon, Howitt, Song & Epstein, 2007). When dealing with the pay element of a PFP system, it is recommended that an adequate pay incentive should be provided (Doran, 2008; Rosenthal et al.) According to Henderson (2006) reward-related pay that is given in lump sums is more effective than percentage increases, as lump sums have a more positive effect on the employee's motivation and therefore on improved performance. In contrast, Armstrong (2003) states that pay percentage increases do have a positive effect on employees' motivation and performance, as long as the range increase is between 10 to 15 percent. Rosenthal et al. state however that the nature of the incentive used in PFP systems is not relevant; it is the size of the incentive that counts. The size of the incentive must be large enough to capture the receivers' attention. This is confirmed later by Armstrong, who states that the pay offered to the receiver must be valued by the receiver and those whose opinions the receiver values. The last requirement crucial to the functioning of the PFP system is that of strong cash flow and available resources in the organisation, as this is vital for the financial sustainability of the system (Armstrong; Rosenthal et al.).

The pay element of PFP systems is rarely explored in HR publications. This lack of literature may be attributed to the fact that the pay function in PFP systems is not exclusively controlled by HR. Thus, focus is placed on the measurement element of PFP systems, as HR is entirely responsible for this element.

Standard requirements for the implementation of PFP systems

The implementation process of the system is not specific to either its measurement or pay requirements. This process is more change-orientated in that it focuses on the successful introduction of a PFP system into an existing organisation, by gaining commitment, encouraging support, as well as reducing resistance of the stakeholders involved (Rosenthal et al., 2007). The additional standards recommended for successful implementation of PFP systems are outlined below.

It is beneficial when the existing culture of the organisation is suited to the PFP system (Armstrong, 2003; Belcher, 1996; Gomez-Mejia et al., 2005). As mentioned earlier these systems function best in high-involvement and entrepreneurial cultures. However, having an organisational culture that is suitable for this system is not a vital requirement for the system to work. If the existing organisational culture is not fitted to the system, then it is required that management is fully committed to the process in order to make the system work (Armstrong). This commitment from managers is often gained by ensuring that they understand why the PFP system is being implemented and its desired objectives. Informing managers about the system will also ensure that they direct the change positively and constructively (Brun, 1996).

Management and HR need to be focused on role-out of the implementation process more so than the design of it. They also need to ensure that this process is done quickly and that the implementation is kept simple (Armstrong, 2003). These requirements are vital in the implementation of the PFP system, as they make the change more efficient and effective.

It is necessary that key stakeholders are supportive of the implementation of the PFP system. Support from trade unions, programme financiers and management is especially important, as these parties make vital decisions regarding the implementation of the system (Armstrong, 2003; Brun, 1996).

In addition, it is important to ensure that all employees who are affected by the implementation of the PFP system are committed and not resistant to the changes brought about by the system (Armstrong, 2003). To achieve this it is required that information regarding the system is systematically communicated to these employees (Rosenthal et al., 2007). Multiple methods and mediums of communication should be used, as this will ensure that factual information about the new system is made clear and understandable to all employees. According to Carr (2008), the forces of misinformation are much stronger than those of factual information. Thus, regular and consistent communication of information is vital in gaining support and commitment to the new system. Furthermore, face to face interaction between line managers and their employees is also important, as it is not only necessary to give information, but also to listen to what employees have to say. Giving employees a voice in the process will enable management to understand employees' problems or recommendations.

Lastly, HR needs to communicate directly with the employees involved in the PFP system. This communication usually takes place in the training environment. Streib and Nigro (1993) emphasise the importance of process training for the effectiveness of performance reward systems, as process training guides employees in how to set clear and realistic performance objectives, as well as informs both employees and their managers about how they should be contributing and interacting in the objective setting process. In addition, process training also demonstrates to employees how pay and performance are linked in the system. This understanding is important, as the linkage of pay to performance is the main motivating mechanism for employees in the system. Thus, not only does this training facilitate the effective implementation of these processes but it also enables the smooth engagement of them (Streib & Nigro).

PFP systems and non-managerial employees

PFP systems are mainly used for management level employees (Armstrong, 2003; Belcher, 1996; Pennings, 1993; Reilly, 2003; Schwab & Olson, 1990; Wright, 2004). Administrative and support employees are seldom targeted for this type of pay system, as there is difficulty in measuring the performance of administrative and support employees (Belcher). Unlike management or sales employees, these groups do not produce distinct and homogeneous units of product or service. Furthermore, administrative groups produce outputs that are more quality than output orientated. Thus, their performance is not susceptible to traditional productivity measurement, as often there are no evidence-based targets from which to measure these employees (Doran, 2008). In addition these administrative groups usually produce outputs that are collectively generated. Consequently, the process of fairly measuring individual performance based on collective output becomes cumbersome (Belcher). Measurement of these administrative groups can also become complicated, as very few organisations have proper systems in place to monitor the satisfaction of the internal customers, who are often the beneficiaries of such groups' performance (Belcher).

The second reason could be that administrative and support employees are more likely to be unionised than managerial and executive employees (White & Druker, 2000; Wright, 2004). It has been noted in the literature that trade unions usually hinder the implementation of PFP systems for their unionised members (Reilly, 2003; White & Druker; Wright). Thus, it may be suggested that administrative and support employees who are usually unionised are protected from this type of pay system by their trade unions.

Trade unions and PFP systems

Trade unions are sceptical about the implementation of PFP systems, as these systems are sometimes punitive in design and reward employees individualistically for their efforts (Doran, 2008; Reilly, 2003; White & Druker, 2000; Wright, 2004). Trade unions prefer to

increase pay equally for all employees, so that they are all assured rewards. Thus, when trade unions do agree to the implementation of a PFP system, they resort to collective bargaining in order to compress the range of pay for performance (Wright).

A narrow pay range is detrimental to PFP systems, as it decreases the discretionary amount of pay that managers can use to reward employees for good or poor performance. Thus, little differentiation in reward for employees performing well and those performing poorly can lead to perceptions of an unfair system. In addition, it can also lead to a decrease in employee motivation, which is an important factor in improving employees' personal performance (Doran, 2008; Wright, 2004).

Trade unions not only influence the pay range of reward, but they also influence the level of rewards, the structure of rewards, the reward systems selected, and all procedures concerned with the management of rewards (White & Druker, 2000).

Trade unions usually influence the level of rewards in organisations in order to benefit their members. Thus, unions often ensure that all their members receive ample rewards. Ensuring that all employees receive high rewards in a PFP system is financially non-viable. In addition, under-performing employees who receive large rewards will not be motivated to improve their performance (Heery, 1997).

Unions can also influence reward structures (Heery, 1997). Reward structures determine the distribution of rewards. Unions reduce pay inequality by compressing reward structures so that unfair discrimination of employees is controlled for in the determination of employee reward. This is important, as female employees are often discriminated against and therefore paid unfairly (Heery).

Reward systems are the third strategic issue which is influenced by trade unions, as they have a role in the selection of the reward system used (White & Druker, 2000). There are two types of systems: input-based and output-based systems. Unions tend to support the use of output-based systems, as they link pay measures to employees' performance. Thus,

often performance is measured through the achievement of objectives or productivity (output), as opposed to employees' tasks, skills or competencies which are input-based (Heery, 1997).

Lastly, unions shape the procedures and processes through which rewards are managed (White & Druker, 2000). Hence, unions provide for employees' participation in determining rewards, establish due process mechanisms for the resolutions of disputes, formalise rewards procedures, and allow for transparency of reward practice through monitoring (Heery, 1997). The control that trade unions have over all these procedures negatively affects PFP systems, as it decreases managements' prerogative over the system processes, which is imperative in this type of pay system (White & Druker).

Due to this wide-ranging influence that trade unions have on PFP systems, it is suggested that these systems are not suited to unionised environments, as they inhibit the required functioning of the system (Reilly, 2003; White & Druker, 2000; Wright, 2004)

Introduction of a PFP system at the University of Cape Town

In 2001, the University of Cape Town (UCT) decided that their current pay system was ineffective. The pay system was based on fixed incremental rates where all the administrative employees were offered a set percentage increase regardless of how well they performed. Consequently, employees started to view the pay system as unreliable and unfair.

The system did not encourage development of employees in their jobs. According to an interview with the University's HR Executive Director the old system resulted in low work performance, inability to retain competent and high performing employees, lack of trust and low employee morale. In order to resolve these problems the Council agreed to a substantive agreement between the University's trade union and management. This agreement led to the discontinuation of the old pay system and development of the new PFP system, so that pay would be related to performance.

The new PFP system intended to target all Professional, Administrative and Support Staff (PASS) at the University. These employees are referred to as PASS employees, which is the term that will be used throughout this dissertation. As previously mentioned PASS employees were unionised by the University's trade union, better known as the University of Cape Town Educational Union (UCTEU).

According to the Performance Development Resource Guide (2006) provided by the University and interviews with key stakeholders, the new PFP system was aimed to improve these PASS employees' performance and help them gain role clarity. It also aimed to foster their skills, knowledge and competencies for growth and future performance.

Elements of the University's PFP system

The system would achieve the above-mentioned goals by means of a two-fold process. The first process, intended to assess employees' performance against agreed outcomes and thus reward employees for excellent performance. This process was identified as the performance management process. The second process, which was labelled the performance development process, intended to identify development opportunities so that employees' motivation and skills could be developed for future performance.

According to the University's Salary Assessment Resource Guide (2006), the performance development and performance management discussions were purposefully separated. This was to ensure that the performance development discussion was not clouded by concerns of assessment and pay of the performance management discussion.

Although dealt with separately, both processes were based on a single set of performance objectives, which were to be devised by each employee. These set objectives were the common link between the performance management and performance development

processes. The illustration of the common link between the two processes was taken from the Salary Assessment Resource Guide (2006) and is shown in Figure 1.

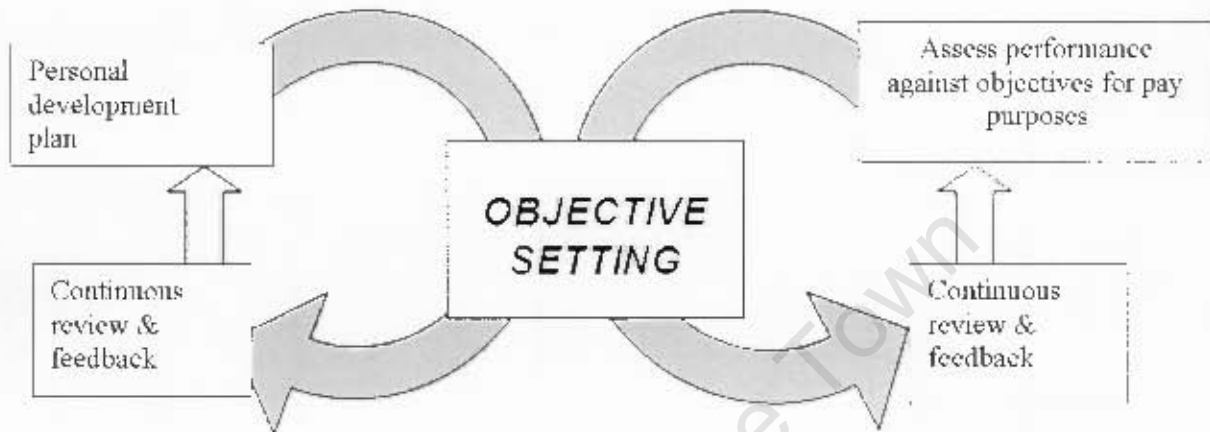


Figure 1. Single set of objectives shared by the performance management and performance development processes.

In addition, the Performance Development Resource Guide stated that these objectives were intended to be aligned with the University's strategic objectives. Thus, PASS employees' set objectives were meant to complement the greater strategic objectives of the University yet be specific to their particular job description. This is illustrated in Figure 2 below.

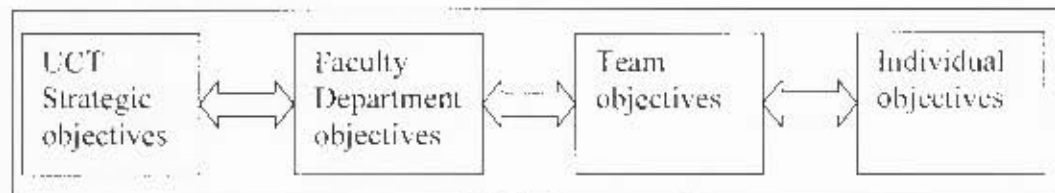


Figure 2. The alignment of PASS employees' set objectives with the University's strategic objectives.

Due to this commonality of set objectives in both the performance management and the performance development process, both processes form part of the performance development cycle. This cycle is illustrated in Figure 3.

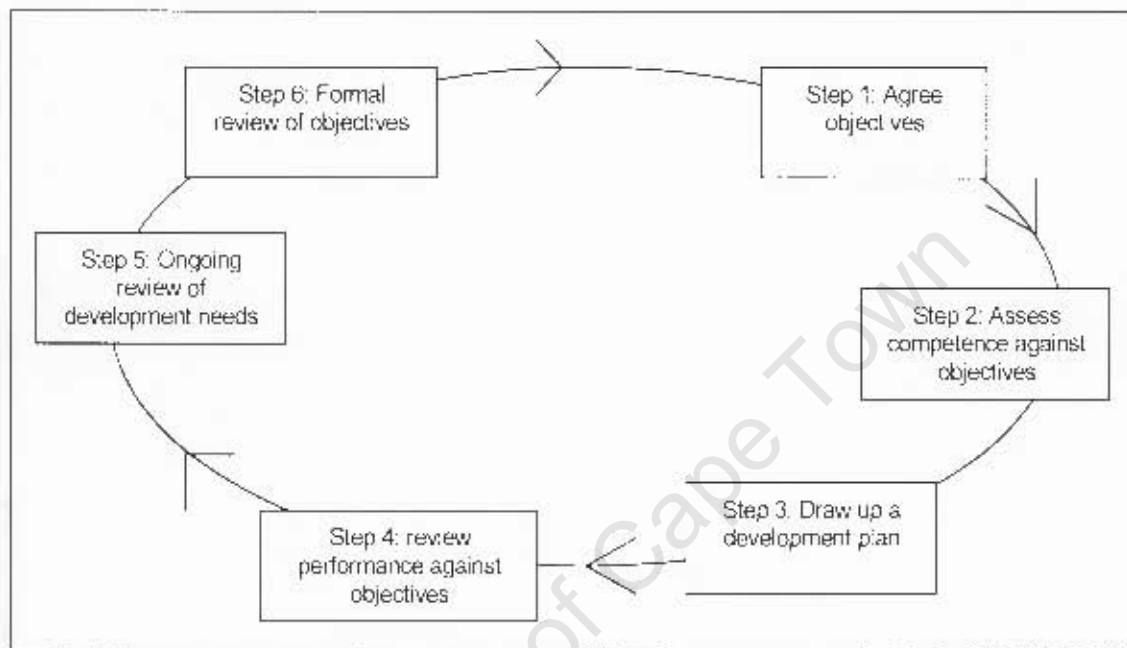


Figure 3. The six steps of the performance development cycle.

The first stage of the development cycle involved the employees setting their own objectives. These objectives were supposed to be SMART. Furthermore, they needed to address both current and future developmental needs of the employee. These objectives were then agreed on by the employee's line manager. The line manager then ensured that the employees understood the level of performance expected from these set objectives.

The second stage involved line management's assessment of the employee's competencies in relation to achieving these objectives. In order to establish the employee's competencies, the following information was used by line management: examination of past performance records, monitoring of performance, rating and assessment of performance and feedback from stakeholders.

The development plan was then collaboratively drafted by the line manager and their employee in the third stage of the process. It provided detailed information on the time frames, accountability, priorities and training interventions recommended for the employees to achieve the agreed objectives and anticipated future needs. This information was then captured onto an Excel spreadsheet to be sent to HR advisors for quality control.

In the fourth stage, the employee's performance was reviewed against their objectives by their line manager. In this stage, the employee was provided performance feedback by their manager.

The fifth stage of the development cycle involved an on-going assessment of the employee's developmental needs. As new job needs developed, new objectives needed to be set.

The last stage of the cycle involved a formal review of the objectives. The employee's performance was appraised and rated by their line manager, so that their performance would be fairly related to their pay.

The employees were then placed in a specific performance category by their line managers. These ratings were subsequently moderated by the Central Committee of Deans and Executive Directors. The category rating for each employee was then directly linked to a pay increase determined by a matrix system. This pay increase was limited to the range of the employee's pay class. Table 1 illustrates the guidelines for managers to determine salaries against performance as stated in UCT's Salary Assessment Resource Guide (2006).

Table 1

Guidelines provided for managers to determine salaries against performance

Performance Category	Criteria for positioning within each performance category
Significantly exceeds job requirements	Performs significantly and consistently above the standard job requirements.
Meets job requirements	Meets & frequently exceeds all the required job standards (a top performer in the “meets job requirements” category).
	Meets & occasionally exceeds all the required job standards.
	Meets all job standards at the required standard. The staff member is meeting the full job requirements .
	Meets most job requirements at the required standard, the remainder at a lower standard.
	Meets some job requirements at the required standard, the remainder at a lower standard or not at all.
Does not meet job requirements	<p>Performs consistently and significantly below standard job requirements.</p> <p style="text-align: center;">Or</p> <p>An individual is on a formal performance management plan (and who would not be eligible for a pay review).</p> <p style="text-align: center;">Or</p> <p>An incumbent new in the position and without the necessary experience and/or skills yet.</p>

The PFP system was implemented in 2004, and all the PASS employees in the bargaining unit were affected by it. Both PASS employees and line managers were offered the opportunity to attend a half-day workshop, presented over a three month time frame. However, attendance at these workshops was voluntary. Consequently, not all line managers and PASS staff attended these workshops. HR advisors offered the workshops to each department, which were held on the University's premises and were therefore easily accessible. Performance Development Resource Guides were provided to all employees who attended the workshops.

PASS employees and line management attended different workshops. The PASS employees' workshop was focused on how the PFP system was going to affect them and how their performance levels would be related to their pay. They were also trained to set objectives. Line managers were trained in carrying out the performance development process with their employees', reviewing their employees' performance, providing constructive feedback and rating and categorising employees' performance from the provided criteria.

Evaluation question

The PFP system implemented at UCT has already undergone a formative evaluation. This programme was evaluated by Joseph and Louw-Potgieter in 2007. The aim of the evaluation was to provide guidelines for improvement of the system implemented.

The study by Joseph and Louw-Potgieter (2007) found that PASS employees did not think that the PFP system was very effective. They viewed the system as unfair, not encouraging them to want to work harder, the rewards not reflecting individual performance, not giving credit or recognition for their performance, and not giving sufficient incentives to increase their motivation or help them attain their objectives. In addition, it was found that 40 percent of these PASS employees did not attend training.

Line managers on the other hand believed that the system had benefits apart from certain short-comings. These short-comings included: the perception of inconsistency of system

implementation which posed a threat to the credibility of the system, and the belief that the performance management process was a lengthy and time consuming administrative task with little pay-off (Joseph & Louw-Potgieter, 2007).

Despite negative opinions of PASS employees regarding some aspects of the system, it was concluded that the PFP system was working to an extent (Joseph & Louw-Potgieter, 2007). Line-management perceived themselves as having high commitment to employee development and they were confident of their understanding and skills to implement the PFP system in their departments. They also believed that after training they could clarify the range of performance criteria, the link between these criteria and pay to PASS employees. Even though the system was working partially, it was found that the system was not working equally for all PASS employees.

Following from Joseph & Louw-Potgieter's (2007) conclusion that the PFP worked partially and the literature review, it was assumed that the PFP would work effectively if Cooperative Objective Setting with line managers were to take place, and if a PASS employee could show the output of this cooperation, namely an Existing Development Plan. The assumption is presented in Figure 4.

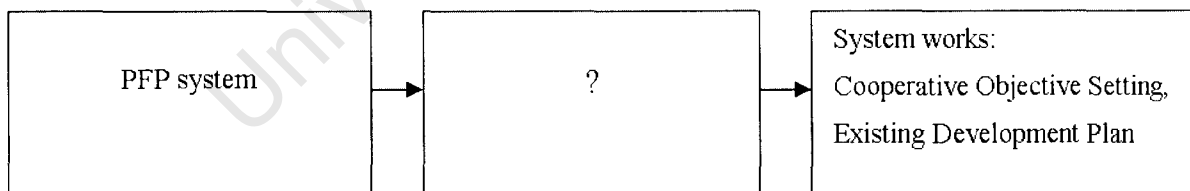


Figure 4. Suggested relationship as to why the PFP system works for some PASS employees.

At this stage however it is not known what variables would predict that cooperation takes place and that a development plan exists, therefore the evaluations question are:

Why did the PFP system at UCT work for some PASS employees and not for others?

Are there interventions/variables which can predict for whom the system would work?

University of Cape Town

CHAPTER 2: METHOD

Participants

In the Joseph and Louw-Potgieter study (2007) three hundred and ninety-one (391) University staff members responded to the questionnaire. Two hundred and sixty-two (262) of these participants were PASS employees. In total there were one thousand seven-hundred and sixty-nine (1769) PASS employees at the University in 2007. Thus, the sample constituted 15% of all PASS employees. Only PASS employees' responses will be used for this evaluation.

Measuring Instrument

Joseph and Louw-Potgieter (2007) used the questionnaire in Table 2 to collect data from the PASS employees.

Table 2

Questionnaire used to collect data from PASS employees

	Items	Scoring
1	Please indicate in which department/faculty you are located	24 options
2	I had a performance development plan for 2005	Yes/No
3	I had a performance development plan for 2006	Yes/No
4	I received training on how the performance development system works	Yes/No
5	I was aware of the training workshops offered by the Human Resources department but did not attend because	4 options
6	Please indicate the extent to which you are skilled in setting performance Objectives	5 Point Likert Scale
7	I have a clear understanding of what the primary goals of the PFP system are	5 Point Likert Scale
8	I understand how the PFP system works	5 Point Likert Scale
9	I understand how the performance assessment links to the PFP system	5 Point Likert Scale
10	I understand how my performance is measured	5 Point Likert Scale
11	I believe the way in which my performance is measured is fair	5 Point Likert Scale
12	I participate with my line manager in setting my performance objectives	5 Point Likert Scale
13	I receive guidance from my line manager in setting my performance objectives	5 Point Likert Scale
14	I receive guidance from my HR Advisor on how to set my performance objectives relevant to my job	5 Point Likert Scale
15	The objectives in my performance development plan are clear enough for me to understand what I am supposed to achieve	5 Point Likert Scale
16	I agree clear deadlines with my line manager for the achievement of my objectives	5 Point Likert Scale
17	I receive regular informal advice from my line manager on how to improve my job performance	5 Point Likert Scale
18	There are adequate training opportunities within my department to enable me to achieve my objectives	5 Point Likert Scale
19	I consciously work harder because of the PFP system	5 Point Likert Scale
20	The financial rewards I receive reflect my individual contributions	5 Point Likert Scale
21	The PFP system contributes significantly to receiving credit and recognition I deserve	5 Point Likert Scale
22	The financial incentive of the PFP system increases my determination to achieve my objectives	5 Point Likert Scale
23	How often do you receive feedback from your line manager about performance	5 Options

This questionnaire was adopted from Dowling and Richardson (1997) and customised by Joseph and Louw-Potgieter for the specific University environment. The full version of the questionnaire can be seen in Appendix A.

Procedure

Joseph and Louw-Potgieter distributed the questionnaire electronically to line managers and PASS employees during October to November 2007.

The researcher and the HR Executive Director decided that requesting PASS employees to complete another questionnaire in 2008 would not be feasible due to survey fatigue. In addition to this it was felt that the data from Joseph and Louw-Potgieter's study still had significant value and that its data not been exhaustively analysed. Thus, permission was obtained from the HR Executive Director, Joseph and Louw-Potgieter to use the 2007 data as secondary data.

CHAPTER 3: RESULTS

In order to answer the evaluation question, why did the PFP system at UCT work for some PASS employees and not for others, three analyses were performed. Firstly, all items relating to employees' perceptions of the PFP system were subjected to a reliability analysis. Secondly, these items were reduced by means of factor analysis to three factors. Thirdly, a linear regression and a stepwise discriminant analysis were performed to ascertain for which PASS employees the PFP system worked. Each one of these steps is discussed below.

Reliability test of the scale

Cronbach's Alpha was used to identify the internal consistency of interval items 6 to 22 in the PASS employee questionnaire. Cronbach's Alpha was .914 which suggests a high internal consistency reliability of the 17 item scale (Pallant, 2007). Item total statistics were also used to indicate the correlation of each item with the overall interval scale. There were no items with an item-total correlation below .3. Thus, items 6 to 22 were all measuring the same construct (employees' perceptions of the PFP system), and none of the items needed to be deleted (Pallant). This is shown in Table 3.

Table 3

Item-total reliability statistics of questionnaire items 6 to 22

Item	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
6	43.73	160.911	.308	.162	.916
7	44.34	151.856	.604	.654	.909
8	44.43	151.909	.596	.701	.909
9	44.52	150.412	.612	.698	.909
10	44.67	148.184	.675	.528	.907
11	45.07	145.163	.725	.625	.905
12	44.19	149.994	.603	.649	.909
13	44.59	147.324	.670	.710	.907
14	45.66	155.396	.462	.274	.913
15	44.27	149.242	.627	.503	.908
16	44.53	146.595	.672	.579	.907
17	45.05	147.614	.664	.594	.907
18	44.90	149.081	.573	.436	.910
19	45.02	153.061	.427	.344	.915
20	45.51	148.458	.678	.659	.907
21	45.55	149.329	.664	.688	.907
22	45.50	152.925	.491	.481	.912

Factor analysis

In order to reduce the data of the interval scale items into separate independent variables, an Exploratory Factor Analysis (EFA) was conducted. Items 6 to 22 of the PASS employee questionnaire were used in the EFA, as the other items were not in an interval scale format and did not provide information about employee perceptions (Pallant, 2007).

Item 12 was however excluded from the analysis, as it would later be used as a dependent variable in the linear regression analysis.

A Principle Component Analysis with Direct Oblimin extraction method (as it was expected that independent variables would be correlated) was used to test the suitability of the data for factor analysis. Inspection of the correlation matrix revealed a sufficient presence of coefficients of .3 and above (Pallant, 2007). This can be seen in the Table 4.

Table 4
Intercorrelations between PASS employee perceptions items used in the questionnaire

		Item															
Correlation		6	7	8	9	13	14	16	17	18	19	20	21	22	10	11	15
6	1.000	.293	.335	.279	.217	.115	.231	.173	.159	.088	.158	.158	.120	.296	.235	.284	
7	.293	1.000	.730	.747	.295	.243	.361	.298	.330	.276	.419	.412	.301	.463	.411	.436	
8	.335	.730	1.000	.771	.341	.251	.374	.390	.285	.168	.384	.399	.198	.495	.380	.480	
9	.279	.747	.771	1.000	.308	.282	.367	.355	.276	.282	.414	.382	.299	.493	.392	.495	
13	.217	.295	.341	.308	1.000	.347	.665	.685	.497	.267	.425	.368	.253	.435	.489	.488	
14	.115	.243	.251	.282	.347	1.000	.340	.351	.301	.199	.378	.408	.237	.384	.446	.320	
16	.231	.361	.374	.367	.665	.340	1.000	.575	.456	.327	.417	.371	.247	.461	.481	.586	
17	.173	.298	.390	.355	.685	.351	.575	1.000	.582	.293	.434	.398	.264	.457	.514	.446	
18	.159	.330	.285	.276	.497	.301	.456	.582	1.000	.216	.456	.424	.290	.365	.492	.343	
19	.088	.276	.168	.282	.267	.199	.327	.293	.216	1.000	.333	.424	.486	.329	.320	.259	
20	.158	.419	.384	.414	.425	.378	.417	.434	.456	.333	1.000	.765	.566	.496	.609	.333	
21	.158	.412	.399	.382	.368	.408	.371	.398	.424	.424	.765	1.000	.597	.499	.622	.333	
22	.120	.301	.198	.299	.253	.237	.247	.264	.290	.486	.566	.597	1.000	.326	.472	.225	
10	.296	.463	.495	.493	.435	.384	.461	.457	.365	.329	.496	.499	.326	1.000	.642	.464	
11	.235	.411	.380	.392	.489	.446	.481	.514	.492	.320	.609	.622	.472	.642	1.000	.500	
15	.284	.436	.480	.495	.488	.320	.586	.446	.343	.259	.333	.333	.225	.464	.500	1.000	

The Kaiser-Meyer-Olkin value was .86, exceeding the recommended value of .6 and Bartlett's Test of Sphericity was statistically significant as its p value was 0.00 (<0.05) (Pallant, 2007). Thus, it was confirmed that it would be appropriate to conduct an EFA with the interval items from the PASS questionnaire scale.

The Principle Component Analysis revealed the presence of three components with Eigen values exceeding 1, which explained 62% of the cumulative variance. In addition to this, the pattern matrix confirmed that all the items had loaded on the three factors. It was found however that items 10, 11 and 15 were loading on more than one factor. In order to clean the data so that each item loaded exclusively on one of the factors, it was first examined whether the difference between these cross-loading items was smaller than .25 (Pallant, 2007). Item 10 yielded a difference of .06, item 11 a difference of .04, and item 15 a difference of .11. Thus, all three items needed to be deleted (Pallant).

After deleting items 10, 11 and 15 three distinctive and coherent factors were presented. This is shown in the pattern matrix in Table 5.

Table 5

Pattern matrix and communalities of the three factor solution of PASS employee perception scale items

Item	Pattern Coefficients			Communalities
	Component 1	Component 2	Component 3	
13	.903	-.021	-.059	.759
17	.860	.003	-.009	.736
16	.775	.091	-.019	.657
18	.700	-.030	.113	.549
14	.398	.022	.241	.309
8	.021	.900	.742	.828
9	-.066	.873	.145	.808
7	-.089	.861	.173	.791
6	.110	.511	-.156	.283
22	-.081	-.010	.885	.724
21	.118	.108	.769	.756
20	.211	.113	.674	.699
19	.041	-.017	.659	.451

Note. Major loadings for each item are bolded

The first factor consisted of items 13 (I receive guidance from my line manager in setting my performance objectives), 14 (I receive guidance from my HR Advisor on how to set my performance objectives relevant to my job), 16 (I agree clear deadlines with my line manager for the achievement of my objectives), 17 (I receive regular informal advice from my line manager on how to improve my job performance) and 18 (There are adequate training opportunities within my department to enable me to achieve my

objectives). These items indicate a robust support system to PASS employees regarding their own performance management. Thus, it was decided that this factor be labelled Guidance, Support and Training. This factor contributed 42 % variance of the scale.

The second factor which was labelled as Employees' Understanding (of the PFP system) consisted of items 6 (Extent to which I am skilled in setting performance objectives), 7 (I have a clear understanding of what the primary goals of the PFP system are), 8 (I understand how the PFP system works) and 9 (I understand how the performance assessment links to the PFP system). This factor contributed 12 % of the total variance of the scale.

The last factor was identified as Employees' Motivation to Work Harder, which included items 19 (I consciously work harder because of the PFP system), 20 (The financial rewards I receive reflect my individual contributions), 21 (The PFP system contributes significantly to receiving credit and recognition I deserve) and 22 (The financial incentive of the PFP system increases my determination to achieve my objectives). This factor contributed 10% of the total variance of the scale. The cumulative variance of these three factors was 64%.

Cooperative Objective Setting

To measure the relationship between the three variables identified in the EFA, and item 12: I participate with my manager in setting my performance objectives; labelled Cooperative Objective Setting), a linear regression was used. A linear regression analysis was used, as it was not only found necessary to enquire if there was a significant relationship between the variables but also to determine the amount of unique variance in the dependent variable for each independent variable explained (Pallant, 2007).

Collinearity diagnostics were first used to assess whether there was a possibility of multicollinearity. The VIF and tolerance posed no problem of multicollinearity, as the VIF for all the scores was smaller than 10, and tolerance scores were larger than .10 (Pallant, 2007). This is shown in Table 6.

Table 6

Linear regression analysis for variables predicting Cooperative Objective Setting

Model	Standardized Coefficients		Correlations		Collinearity Statistics	
	Beta	Sig.	Part	Tolerance	VIF	
1						
(Constant)						
Guidance, Support and Training	.713	.000	.573	.646	1.548	
Employees' Understanding	.045	.383	.039	.738	1.354	
Employees' Motivation to Work Harder	-.062	.251	-.051	.667	1.499	

Note. Dependent Variable: Cooperative Objective Setting

All three of the independent variables namely Guidance, Support and Training, Employees' Understanding, and Employees' Motivation to Work Harder were entered into the regression model. Upon evaluating the regression model it was found that 49.3% of the variance of Cooperative Objective Setting was explained by the model. It was also found that this model reached statistical significance, as the ANOVA p value was 0.00 ($p < .005$) (Pallant, 2007).

Guidance, Support and Training made the strongest unique contribution to explaining Cooperative Objective Setting when all other variables in the model were controlled for. Not only did this variable have the highest beta value, but it also made a statistically significant unique contribution to the prediction of Cooperative Objective Setting. When scanning the part correlation coefficients it was found that Guidance, Support and Training uniquely explained 32.8% of the variance in the dependent variable. Both Employees' Understanding and Employees' Motivation had p values larger than 0.05 and

therefore they made no statistically significant contribution to explaining Cooperative Objective Setting (see Table 6).

Existing Performance Plan

A stepwise discriminant analysis was performed to investigate whether the three independent variables (Guidance, Support and Training, Employees' Understanding, and Employees' Motivation to Work Harder) could be predictors of the categorical dependent variable, Existing Development Plan (item 3: I had a performance development plan for 2006). Discriminant analysis was chosen as the preferred analysis due to the dichotomous nature of the dependant variable and the interval like nature of the independent variables (Pallant, 2007). There was no missing data in this analysis and therefore all cases were included. Two hundred and thirteen (213) of the two hundred and sixty-two (262) PASS employees had a performance development plan.

Table 7 shows the univariate ANOVAs of all three independent variables. There was a statically significant difference among all the grouping variable means, as the p values for all the variables were smaller than 0.05.

Table 7

Discriminant analysis for variables predicting Existing Development Plan

Independent variables	Wilks' Lambda	F	df1	df2	Sig.
Guidance, Support and Training	.930	19.433	1	260	.000
Employees' Understanding	.954	12.576	1	260	.000
Employees' Motivation to Work Harder	.972	7.412	1	260	.007

Only one step was identified in this analysis. The only variable entered was Guidance, Support and Training. This variable had the lowest Wilks' Lambda value of 0.93 and the highest F value of 19.43. The Tolerance value of this variable was 1.00 which suggests that this variable contributed strongly to the analysis (Pallant, 2007). It was found that step 1 accounted for 100 percent of the variance of whether employees had an existing performance development plan in 2006. In addition, this discriminant function was statistically significant as the p value was 0.00 ($p < 0.05$) (Pallant, 2007). A canonical correlation of 0.26 and an Eigen value of 0.75 were also evident.

Table 8 indicates which criterion groupings are most accurately classified when using the discriminant functions developed in the analysis. The analysis was more likely to classify accurately predicted group membership of employees who did not have an Existing Development Plan, as opposed to employees who did have an Existing Development Plan.

Table 8

Classification results determining the accuracy of predicted group membership

		Existing Development Plan	Predicted Group Membership		
			Yes	No	Total
Existing Development Plan	Count and (percentage)	Yes	129 (60.6 %)	84 (39.4%)	213 (100%)
		No	14 (28.6%)	35 (71.4%)	49 (100%)

Note. Accuracy of predicted group membership is bolded. 62.6% of original grouped cases were correctly classified.

CHAPTER 4: DISCUSSION

In the first chapter, Figure 4 was presented containing the outcome variables of a successful PFP system, namely Cooperative Objective Setting and Existing Development Plan. From the results section the diagram was completed as follows:

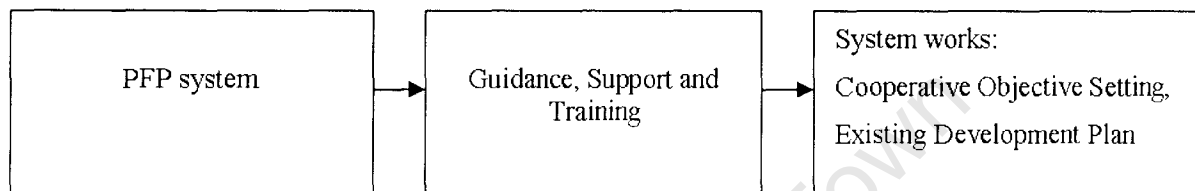


Figure 5. Relationship as to why the PFP system worked for some PASS employees.

This figure reveals that the system worked for PASS employees who had Guidance, Support and Training. This variable consisted of five items, each one will be discussed below:

I receive guidance from my line manager in setting my performance objectives

Guidance from line managers in setting performance objectives was one of the items which contributed to the functioning of the PFP system at UCT. According to the literature guidance from line managers in setting objectives is important, as they have access to much of the information that is needed to make sound decisions regarding their employees' performance (Brown & Purcell, 2007).

Managers guide their employees by ensuring that employees set measurable objectives, more importantly these objectives need to be observable and therefore they should be based on behavioural, task, or target-related characteristics (Armstrong, 2003). This will make sure that no trait-like or personality-based characteristics are part of the performance measure. This is important as the literature confirms that performance based

on the criteria of inherent characteristics can be perceived as unfair by employees and therefore it can negatively affect the working of the system (Eichinger, et al, 2004; Harper, 2003). When setting these objectives managers also provide guidance by clearly defining their employee's performance tasks and behaviours. Defining these tasks can increase employees' awareness as to what behaviours they are expected to execute in order to achieve their set objectives which will therefore lead to improved performance (Eichinger, et al.). In addition to this, defining these behaviours can also help managers to monitor and rate their employees fairly, as they will be made explicitly aware of what to assess their employees on. Thus, this type of guidance is crucial in the working of the PFP system (Armstrong, 2003).

The functioning of a PFP system also depends on line manager's guidance when setting objectives which identify employees' future needs (Purcell & Hutchinson, 2007). Although this topic was not explored in the literature review, the PFP system at UCT did emphasise the importance of this part of the process in the system (Performance Development Resource Guide, 2006). Research has shown that management's role is important in recognising employee's future performance needs, as the organisation's future needs are often communicated to management (Armstrong, 2006). Lawler (1990) confirms this, stating that line managers play a role in aligning employee objectives with the overall strategy of the organisation. In addition, explaining to employees how their job is significant in the greater strategy of the organisation can encourage employee commitment to the organisation (Purcell & Hutchinson).

The last aspect that is important for managers when guiding their employees in setting objectives is that of setting clear deadlines for the achievement of employees' objectives. This was evident as item 16 (I agree clear deadlines with my line manager for the achievement of my objectives) contributed to the working of the PFP system. This item was purposefully included under this heading, as agreeing on deadlines constitutes as part of line manager's guidance when setting objectives. Collaboratively agreeing on timeous deadlines for the achievement of an employee's objectives improves employees' perceptions of fairness of the appraisal process. Thus, the process of setting clear

deadlines for the achievement of objectives can improve the working of a PFP system (Eichinger et al., 2004).

From this literature on PFP systems and the information gained from the results thus far, it is suggested that line managers at UCT provide guidance to their employees when setting objectives. This is recommended in order to ensure that the PFP system works for as many PASS employees as possible. More specifically this guidance should be directed by line managers in the form of defining objectives in task and behavioural terms, developing observable objectives, and setting clear deadlines for the achievement of these objectives (Eichinger, et al, 2004; Harper, 2003). To ensure that line managers are fully competent in guiding their employees when setting objectives, they should not only be trained in how to set objectives, but also in how to guide their employees effectively in this exercise. In addition to this, it is recommended that this training focuses on guiding employees to set objectives that satisfy both the current and future needs of UCT (Eichinger et al.). Thus, it is proposed that HR educate line managers in how to translate UCT's strategic needs and objectives into the employee's unique objectives (Lawler, 1990).

I receive guidance from my HR Advisor on how to set my performance objectives relevant to my job

There is minimal research on the role of HR in supporting or guiding employees in PFP processes. The lack of this research is due to the fact that HR believes its role to be strictly strategic and not participative in these systems (Brown & Purcell, 2007). Furthermore, there is often the misconception that HR is only responsible for the design of reward programmes, and that line managers should be exclusively responsible for the implementation of this process. This misconception often places line managers in an uncompromising position, as they are loaded with an unrealistically large amount of responsibility. In addition to this, managers are frequently abandoned in this position without adequate time or financial resources to implement the PFP system effectively (Brown & Purcell). Thus, support and guidance from HR is vital for the implementation

of reward systems (Brown & Purcell). This research is consistent with the results produced by this study, as it was found that the PFP system worked for PASS employees who received guidance from their HR advisors on how to set their performance objectives relevant to their job. This relationship will be discussed further.

Guidance and support from HR is important in PFP system processes, as it is usually in the form of training and the quality control of these processes (Armstrong, 2006). UCT's Performance Development Resource Guide (2006) implied that the HR advisors at UCT were expected to help PASS employees set their objectives exclusively within the formal training sessions. Thus, the focus of the item "I receive guidance from my HR Advisor on how to set my performance objectives relevant to my job" is based on how effective HR's guidance was when teaching employees how to set their objectives in the training sessions. Streib and Nigro (1993) confirm the importance of this exercise, as it was stated that process training for employees is necessary for the effectiveness of any performance management system.

According to Streib and Nigro (1993) process training guides employees in how to set clear and realistic performance objectives, and it helps define the roles and responsibilities of both managers and employees when setting performance objectives (Purcell & Hutchinson 2007). Process training can also set clear guidelines as to how employees and their managers should be contributing and interacting in the objective setting process; which enables the smooth engagement and implementation of these processes (Streib & Nigro). Thus, in conjunction with the finding of this study the following recommendations are proposed:

For the system to work, HR advisors need to give PASS employees effective guidance in the training process. In order to ensure that employees receive effective guidance, it is recommended that HR advisors be fully trained in how to help PASS employees set their objectives relative to their job (Streib & Nigro, 1993). It is suggested that this HR's training include instruction on how to interactively guide PASS employees in the training workshops, especially when these employees practice setting their objectives. It is also

recommended that HR advisors be trained in how to give employees constructive advice regarding how the collaborative process of setting objectives should take place between employee and line manager. Thus, HR advisors should be thoroughly knowledgeable in being able to differentiate between the roles and responsibilities of line managers and their employees in this process.

The effectiveness of process training is not the only aspect that needs attention. Training coverage should also be addressed, as Joseph and Louw-Potgieter's study (2007) noted that only 40 % of PASS employees received process training. It is therefore suggested that PASS employees receive additional training from their HR advisors. Training needs to be made mandatory for PASS employees who have not yet participated in training, as mandatory training ensures that employees receive a consistent message throughout the implementation of the PFP system, and therefore they would thoroughly understand its processes (Nigro & Streib, 1993). It is lastly suggested that the scheduling of training workshops be clearly and explicitly communicated to PASS employees, as the main reason for non-attendance of training workshops was that the employees were not aware of when or where the training workshops were taking place (Joseph & Louw-Potgieter, 2007).

I receive regular informal advice from my line manager on how to improve my job performance

Receiving regular informal advice from line managers on how to improve performance was another one of the items which contributed to the successful working of the PFP system at UCT. According to Armstrong (2003) regular performance feedback is one of the most important aspects of a working PFP system, and therefore line managers are expected to support employees' achievement of their objectives by means of such feedback. In addition to this Carr (2008) confirms the importance of regular and consistent communication, as it encourages employees to commit to the newly implemented system.

Regular informal feedback from line management is necessary for the accomplishment of employees' objectives, as line managers have the authority to reinforce appropriate employee behaviours and attitudes which lead to improved performance (Rosenthal et al., 2007). It was also mentioned in the literature review that feedback has an impact on the pay element of PFP systems. Thus, feedback must be given to employees soon after the achievement of outstanding performance in order to ensure that the pay mechanism in the system works effectively (Eichinger et al., 2004).

From the literature and the finding previously presented, it is suggested that the line managers at UCT give their PASS employees informal advice regarding their job performance regularly, so that a positive and fair perception of the appraisal process can be sustained (Armstrong, 2003). In order to ensure that managers adopt this process effectively, a more comprehensive training course is suggested.

The existing training course provided for line managers at UCT only focuses on the importance of constructive feedback within the formal performance review process (Performance Development Resource Guide, 2006). The finding of this study however emphasised the importance of informal advice (which the current training course does not cover) as contributing to the working of the system. Thus, it is recommended that the training course provided to line managers provide additional instruction of how and when to give PASS employees appropriate feedback on their job performance. This instruction ought to include how to distinguish between good and bad performance, as well as how to give appropriate feedback according to the performance observed (Armstrong, 2003). In addition it is suggested there be more focus on the importance of giving PASS employees frequent performance advice in addition to that of the formal annual review process.

There are adequate training opportunities within my department to enable me to achieve my objectives

The last item that contributed to making the PFP system work for PASS employees at UCT was that of adequate training opportunities within the departments to enable employees to achieve their objectives. Adequate training opportunities need to be provided to employees in order to improve their performance and therefore facilitate the functioning of a PFP system (Armstrong, 2006). It is the responsibility of both HR and management to ensure that employees have access to adequate training opportunities. HR ought to ensure that the training provided is suited to the competency needs of employees. In addition to this, line managers are expected to guarantee that appropriate and suitable training opportunities are made available to their employees when developing their employee's performance development plan (Armstrong). From this, it is suggested that both management and HR commit to ensuring that all PASS employees have access to sufficient training opportunities.

The PFP system at UCT already includes a training component in the planning of an employee's performance development plan (Human Resource Performance Development Guide, 2006). However, Joseph and Louw-Potgieter (2007) found that only 34.7% of PASS employees agreed that there were adequate training opportunities for performance improvement. From this, it is assumed that there is possibly a lack of available or suitable competency training opportunities at UCT. Alternatively, it could be possible that line managers are not executing this component of the performance development plan properly. Thus, it is firstly recommended that HR do a needs analysis to identify the type of competency training that PASS employees need in order to achieve their objectives and therefore improve their performance. Possible problems associated with access and availability to competency training could also be explored further. Furthermore it is recommended that line managers not only be trained in how to create a performance development plan which includes competency training, but more specifically in how to guide employees so that they receive training that is suited to helping them achieve their objectives.

HR's additional role in a PFP system

It is evident that four of the five items that were previously found to be necessary in making the PFP system at UCT work were associated with line manager's support and guidance. However, it is necessary to mention that enabling this support from managers is not a simple transaction. Line managers often have complaints about how they are not able to engage in these processes due to conflicting priorities, heavy work loads, and lack of training and support (Brown & Purcell, 2007). Thus, in order to ensure that managers are supporting their employees properly, it is suggested that managers themselves receive support from UCT's HR department. HR's support for line managers should not only involve training as it does at UCT, but it is suggested that it also involve regular communication and involvement between the two parties, and ensure shared accountability for PFP process implementation (Brown & Purcell).

It would have been suggested that before implementing a reward system that HR and line managers collaboratively design the system so that it is tailored for realistic and easy application (Brown & Purcell, 2007). However, as the PFP system at UCT had already been designed and implemented, this option is not possible. Thus, it is suggested that HR ensure that line managers receive adequate financial and time resources for training so that they can perform their implementation responsibilities properly (Brown & Purcell). In addition, it is important for HR to understand that putting their managers into training programmes is not their only responsibility in the implementation process. Therefore it is recommended that HR also offer support by monitoring the processes that line managers engage in. In other words processes such as performance appraisal are to be monitored to ensure that the correct methods are used by managers. In addition to this it is suggested that HR provide line managers with advice when applicable (Brown & Purcell).

Contribution to programme evaluation

It can be said that this dissertation is not only making a contribution to the area of performance management but also to the field of programme evaluation. The findings and suggestions from this evaluation can be used as a reference for the improvement of similar future evaluations. There are also very few evaluation studies done on performance management systems, as evaluation in the private sector is still very scarce. Thus, it is understood that this study is contributing to a gap in the programme evaluation literature.

Conclusion

Both the literature and the findings of this study confirm that Guidance, Support and Training are vital for the working of the PFP system at UCT. The role that this factor plays in making the PFP system work shows that the implementation of a PFP system is often more important than the design of it. It was also mentioned how line managers and HR often disagree and deny their responsibility when implementing such a system and as a result the implementation of PFP systems usually suffers. The human dynamics of such a system are often ignored and therefore most of the recommendations made in this study relate to issues of interaction and communication between PASS employees, line managers and HR. Although frequently neglected, this study has shown the importance of these recommendations and therefore it is anticipated that they will be acted on.

REFERENCES

- Armstrong, M. (2003). *Employee reward*. London: Chartered Institute of Personnel and Development.
- Armstrong, M. (2006). *A handbook of human resource management practice*. London: Kogan Page.
- Belcher, J.G. (1996). *How to design and implement a results-orientated variable pay system*. New York: AMACOM.
- Brown, D., & Purcell, J. (2007, May). Reward management: On the line. *Compensation and Benefits Review*, 28-34.
- Bruns, W.J. (1996). *Performance measurement, evaluation, and incentives*. Boston: Harvard Business School Press.
- Carr, N. (2008, February). The pay-for-performance pitfall. *American School Board Journal*, 38-39.
- Doran, T. (2008). Lessons from early experience with pay for performance. *Journal of Disease Management & Health Outcomes*, 16, 2, 69-78.
- Dowling, B., & Richardson, R. (1997). Evaluating performance-related-pay for managers in the National Health Service. *International Journal of Human Resource Management*, 8, 3, 348-366.
- Edwards, J. E., Scott, J. C., & Raju, N. (2003). *The human resources program-evaluation handbook*. Thousand Oaks: Sage Publications.
- Eichinger, R.W., Lombardo, M.M., & Ulrich, D. (2004). *100 things you need to know: Best people practices for managers and HR*. Minneapolis: Lominger Limited.
- Gomez-Mejia, L., Wiseman, L. M., & Dykes, B. J. (2005). Agency problems in diverse contexts: A global perspective. *Journal of Management Studies* 42, 7, 1507-1517.
- Harper, C. S. (2003). Adding purpose to performance reviews. *Journal of Training and Development*, 53-55.
- Helm, C., Holladay, C.L., & Tortorella, F.R. (2007). The performance management system: Applying and evaluating a pay-for-performance initiative. *Journal of Healthcare Management*, 52, 1, 49-62.

- Henderson, I. R. (2006). *Compensation management in a knowledge-based world (10th ed.)*. New Jersey: Pearson Education.
- Herry, E. (1997). Performance-related pay and trade union de-recognition. *Journal of Employee Relations*, 19, 3, 208-221.
- Holbeche, L. (2004). *Aligning human resources and business strategy*. Amsterdam: Elsevier
- Hume, D. A. (1995). *Reward management: Employee performance, motivation and pay*. Oxford: Blackwell Publishers.
- Joseph, L., & Louw-Potgieter, J. (2007). *A formative evaluation for a pay for performance system*. Unpublished manuscript, University of Cape Town.
- Lawler, E. E. (1990). *Strategic pay: Aligning organizational strategy and pay systems*. San Francisco: Jossey-Bass.
- Pallant, J. (2007). *SPSS: Survival Manual (3rd ed.)*. New York: Mc Graw Hill.
- Pennings, J. M. (1993). Executive reward systems: A cross-national comparison. *Journal of Management studies*, 30, 2, 261-280
- Purcell, J., & Hutchinson, S. (2007). Front-line managers as agents in the HRM-performance causal chain: Theory, analysis and evidence. *Human Resource Management Journal*, 17, 1, 3-20.
- Reilly, P. (2003). New approaches in reward: Their relevance to the public sector. *Journal of management studies*, 30, 2, 245-253.
- Rosenthal, M. B., Landon, B.E., Howitt, K., Song, H. R., & Epstein, A.M. (2007). Climbing up the pay-for-performance learning curve: Where are the early adopters now? *Journal of Health Affairs*, 26, 6, 1674-1682.
- Schwab, D. L., & Olson, C. A. (1990). Merit pay practices: Implications for pay-performance relationships. *Industrial and Labor Relations Review*, 43, 237-253.
- Streib, G., & Nigro, L. G. (1993). Pay for performance in local governments: Programmatic differences and perceived utility. *Public Productivity & Management Review*, 17, 2, 145-159.
- Ulrich, D., & Brockbank, W. (2005). *The HR value proposition*. Boston: Harvard Business School Press.

White, G., & Druker, J. (2000). *Rewards management: A critical text*. London: Routledge.

Wright, A. (2004). *Reward management in context*. London: Chartered Institute of Personnel and Development.

University of Cape Town

APPENDIX: A

PASS

The following set of questions relates to your experiences as a recipient of the Pay-for-Performance (PFP) system. When answering the questions, think about your experiences of your performance assessment.

SECTION A

1. Please indicate in which department/faculty you are located:

Baxter Theatre
CHED
Communication and Development
Faculty of Commerce
Faculty Engineering and the Built Environment
Faculty of Health Sciences
Faculty of Humanities
Faculty of Law
Faculty of Science
Finance
GSB
Human Resources
IAPO
ICTS
Institutional Planning
Office of the Registrar
Office of the Vice-Chancellor
Properties and Services
Research Office
Student Development and Services
University Libraries
Postgraduate Funding Office
Student and Res Life
UCT Innovation

2. I had a performance development plan for 2005

YES NO

3. I had a performance development plan for 2006

YES NO

4. I received training on how the performance development system works
YES NO
5. I was aware of the training workshops offered by the Human Resources department but did not attend because:
a) I did not have the time
b) I did not feel it would be useful
c) Not applicable, because I was not aware of any training workshops offered
d) Not applicable, as I attended the training workshops

Please indicate the extent to which you are skilled in setting performance objectives:

Highly skilled	Somewhat skilled	Unsure	Somewhat unskilled	Highly unskilled
----------------	------------------	--------	--------------------	------------------

Please indicate your level of agreement or disagreement with each of the following statements:

Strongly disagree	Disagree	In between	Agree	Strongly Agree
-------------------	----------	------------	-------	----------------

7. I have a clear understanding of what the primary goals of the PFP system are
8. I understand how the PFP system works
9. I understand how performance assessment links to the PFP system
10. I understand how my performance is measured
11. I believe the way in which my performance is measured is fair
12. I participate with my line manager in setting my performance objectives
13. I receive guidance from my line manager on how to set objectives relevant to my job
14. I receive guidance from my HR Advisor on how to set objectives relevant to my job
15. The objectives in my performance development plan are clear enough for me to understand what I am supposed to achieve

16. I agree clear deadlines with my line manager for the achievement of my objectives
17. I receive regular informal advice from my line manager on how to improve my job performance
18. There are adequate training opportunities within my department to enable me to achieve my objectives
19. I consciously work harder because of the PFP system
20. The financial rewards I receive reflect my individual contributions
21. The PFP system contributes significantly to receiving the credit and recognition I deserve
22. The financial incentives of the PFP system increase my determination to achieve my objectives
23. How often do you receive feedback from your line manager about your performance? Please select one of the following options.
 - a) once a year
 - b) twice a year
 - c) three to four times a year
 - d) you receive informal feedback on a regular basis
 - e) you have never received feedback about your performance