



***The Strategy Deployment Paradox:
Linking strategy, performance measurement systems to
appraisals***

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Abstract

The thesis starts by examining how organisations deploy strategy and performance measurement systems and reviews how well they link to the employee appraisal process. Many organisations are still failing to provide the linkage that employees require to fully exploit their potential. Whilst companies have processes for strategy and appraisal construction, objective setting and support structures, including communications the research found that these lacked the effectiveness necessary to motivate employees. For strategy to become truly meaningful to employees, personal goals and objectives must be aligned with the organisational objectives.

The methodology design detailed in this thesis assisted the research in determining that none of the current strategy and performance measurement models or frameworks was able to combine strategy and appraisal processes into an integrated system that was effective. A strategy deployment process was developed which creates this link to the employee's appraisal system, ensuring that the actions of the individual are inline with the company goals. Four process requirements were identified in the model construction. The strategy deployment process is a new business model to integrate strategy and performance measurement systems to the appraisal process. This provides a greater understanding of the competencies required by management and the employees of the organisation.

All businesses need to align their strategies, operations, competencies and resources in order to achieve the organisational objectives but to gain the maximum from these the culture of the company has to be flexible and encouraging to achieve this. To ensure that cultural flexibility is sustained the research found that organisations should have: strategy aligned communication links, effective leadership and a coaching environment. From the beginning of the research, criteria for the evaluation of the quality of the research were developed. The thesis concludes with the evaluation of the research against these criteria. The results obtained demonstrate that the research has satisfactorily fulfilled academic requirements and has reached the standards outlined in the methodology.

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Chapter 1

Why the need for change?

1.0 Introduction

1.1 Background

The emphasis by academics and writers on the importance of developing strategy and linking performance measurement systems within the organisation has over the years resulted in a greater understanding of how the business should operate (Bititci *et al* 1997; Porter 1996; Prahalad *et al* 1990). It is the relationship between the company strategy, performance measurement systems and the employee, which often appears to be at odds. Whilst academia espouse, the need to link strategies and employees appraisals, this is often not the case in practice. It is this apparent gap that this thesis will highlight and from this develop new and modified theory.

Kaplan and Norton (2001) estimated that 70 percent of strategy failures was not bad strategy, or indeed no strategy, but bad execution. They also stated that execution is more important than a vision. Many writers and academics, including Kaplan and Norton (2001), Neely *et al* (2000), Gratton *et al* (1999) have highlighted the importance of deploying strategy through the organisation using performance measurement systems.

The problem that the writer is unravelling is how can the successful deployment of strategy to the lowest level employee in the organisation be transposed into achieving high performance by the individual. Thus ensuring the strategic direction of the organisation is maintained or advanced.

Because of the author's knowledge and experience over many years in industry the use of these attributes could be utilised to advance the project. Gummesson's (2000) concept of preunderstanding has been used to enable the authors experience and knowledge to be developed; Chapter 3 will expand the use of this methodology.

The following case highlights the problem that interests the researcher. The case study illustrates the author's management experiences of working with people who wanted to be successful but in many cases found that the organisation failed to provide the structure and direction to enable this. Can this apparent lack of coordination between strategy, performance measures and personal objectives result in individuals not reaching their full potential or indeed the organisations. The direction of this thesis is based initially on the researcher's personal knowledge and work experience.

1.2 Introduction – preunderstanding the problem

In order to start the project it is important to gain some insight into the background of both the area of research and who the researcher is. The researcher is employed in IBM's Global Services Division, which is located in Greenock, Scotland and the role of the division is to provide customer solutions in the Information Technology Business sector. Also within the Greenock campus is the PC manufacturing facility where production of laptop PC's, Servers and PC options are carried out.

The researcher's current position is the e-Business Operations Manager and leader of a small group of employees (17), who have the responsibility of facilitating and managing the high availability of the IBM Internet services which is critical for providing an efficient shopping experience for the Company's customers when buying products and services. The researcher has been a people manager in a number of roles within manufacturing for over 13 years and has executed strategy and implemented and assessed many appraisals during this time.

The problem that the writer has experienced is the Company's (IBM) apparent lack of effort to link the strategic direction of the organisation to the personal objectives of the individual. This did not seem a problem when the Company was experiencing a relatively successful period during the 80's and early 90's where it was implementing significant transformational change. At that time it made little difference to the fact that, there were many instances where it was difficult to see the relevance of what the company was trying to achieve overall. The primary objective of the individual was as long as the company was profitable and the infrastructure supported the individual this apparent lack of coordination did not matter.

Why was this the case? Each year the company would cascade the results of the previous years strategy and then communicate the future direction for the following year. The annual cascade was to all the employees by the Senior Management team and was always very positive despite the fact that in later years, it transpired the Corporation was experiencing major difficulties. The subsequent messages to the employees were to focus on “winning the battle” on costs, competition and implementing change with a broad outline of how this could be achieved through a number of initiatives.

However, despite this tactic the strategy messages contained little or no performance measures to guide the organisation and were difficult to develop into personal targets for the majority of employees. During this early period mid 80s – early 90s the Company vision statement was always a broad statement, which in the writer’s opinion failed to provide sufficient direction for the employees, Kaplan and Norton (2001) had previously suggested this was a common problem in many organisations. When a new CEO joined the Company (IBM) in 1993, he decided that no vision statement or strategy definition was necessary from the top and subsequently dropped the practice (Carr 2000). The company at that time was in such a perilous state there was only one way to go, ‘UP’.

Despite these difficulties, the Company continued to intimate that all employee appraisals should be linked to the Company’s strategy. However, this was very difficult since the strategy messages (such as they were) were targeted at a very high management level. It is the authors opinion that the absence of linking the goals of the Company to the employee’s job objectives was a contributing factor in IBM failing to implement its earlier strategy quickly and at a sustainable cost, IBM had lost \$9bn over three years in the early 1990s (Carr 2000).

IBM has reinvented itself in many ways over last 10 years but could the Company in today’s environment still be severely affected by similar problems of the past despite its successful transformation? Therefore, could IBM and its employee’s benefit more by having a structured and linked strategy to the employee appraisal process? The Company still does not use strategy to formulate its employee job objectives but prefers ranking employees to encourage development.

Does linking strategy, performance measurement and individual achievement matter or indeed work? Is IBM alone in not providing a link from strategy to personal performance or is this a problem for many other organisations. Therefore, in order to answer this, the problem and issues became important aspects of this research.

1.3 Research aim, objectives and research questions

The main issue that the story has unfolded so far is that deployment of company strategy and performance measures that are deemed essential to every employee and in many cases fail to be deployed throughout the organisation for the employee to utilise in his/her daily responsibilities. Companies realise that a strategy is enormously important but as this short case study indicates, senior management can miss the opportunity to capitalise on creating an integrated process for the employees to perform to the highest level of their training and ability with regard to the company direction.

Therefore, the aim of the company problem described above, which utilised the researchers preunderstanding of the problems, was to analyse why the linkage from strategy to personal performance was failing by focussing on the analysis of the interdisciplinary and dynamic environments.

The company illustration has been used to determine the initial research problem, objectives and questions that can now be used to create the point of departure for this research.

1.3.1 Tentative research problem

It is the author's considered opinion that companies while creating strategy for success are failing to utilise the strength that this technique brings by not deploying the messages effectively enough throughout the organisation. Therefore, are managers failing to understand how to use and deploy strategy and is there a gap in knowledge that leads to this failure? In addition, do all employees understand the motivational aspects that can be gained from an effective deployment system? Alternatively, do

management assume that employees will understand strategy and performance measures as they perform their job role?

1.3.2 Tentative research objectives

1. Identify the gaps in the processes of linking strategy, performance measurement and appraisals systems that can lead to increasing the effectiveness of employee performance.
2. To provide an analysis of current frameworks used to provide the links between strategy, performance measurement and employee performance systems.
3. To develop a model that will be used as an instrument during the research to aid the findings and implement experiments for testing the validity and applicability of the deployment processes identified.

1.3.3 Tentative research questions

1. Why are companies failing to develop a deployment process for strategy?
2. If by linking strategy, performance measurement and employee appraisal systems will this lead to employees being more effective?
3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?
4. What other factors influence employee appraisal processes?

1.4 Scope of the thesis

From a methodological perspective, this thesis falls into 2 main parts i.e. theory building and theory testing. Theory building represents an important part of this research followed by the practical validation of the theory and as a result, the literature review is distributed throughout the thesis. The literature on strategy, performance management and appraisal systems are as old as human endeavour across many centuries. The last 25 years have popularised and indeed created an evolution in all these fields *e.g.* Porter (1980); Mintzberg (1987a); Kaplan (1984) Neely *et al* (1994) and Gratton (1999) where new theories have been adapted and applied to many industrial environments during this time. This has been due to the

rapidly changing and complex world we now live in. Therefore, the literature reviewed in this thesis has mainly focused on the recent past within the last twenty years, because of the complexities of the area of research. Theory relevant to the research domain on different areas is taken into account to support this study.

Although this research involves the study of different interdisciplinary areas, such as strategy, performance management, performance appraisal and leadership among others, the research adopts a performance management position. The research does not pretend to evolve a new strategy but to enhance performance management theory that changes the value of an organisation or culture. It also studies why the interaction between these models fail to provide a reliable and sustainable linkage. Moreover, it analyses the propositions adopted by analysing the interdisciplinary activities that contribute to failure and where the gaps in knowledge exist.

1.5 Structure of the thesis

The research undertaken is described in this thesis using the structure in Figure 1.1 below, which describes the chapter flow highlighting the important issues and how these relate to each other. The research phases are detailed showing the communication interface among the thesis structure and research design presented in Chapter 3 (figure 3.4).

In Chapter 1, the author introduces the background of the research, the motivation behind the study, point of departure and the research issues are discussed. The problems that are introduced provide a broader understanding of the problem domain by highlighting where the current problems in practice and theory are. The author's personal experience and knowledge was a major factor in building this understanding. Hence, the initial aims and objectives are proposed. Finally, the chapter concludes by stating what the scope of the thesis is, which was narrowed to the areas of the study.

Chapter 2 begins by capturing and stating relevant theory related to the research domain. It analyses the relationship and development of strategy management in general, strategy and performance measurement frameworks, and business processes and how it relates to each other. The most popular frameworks are analysed, which

highlighted gaps leading the researcher to identify specific problems in this research domain. Consequently, a review of the initial four research questions was undertaken and a revised set of five research questions formulated. This chapter is concerned with first of these - RQ1 Why are companies failing to deploy a deployment process for strategy? RQ2 If by linking strategy, performance measurement and employee appraisal systems will this lead to employees being more effective? However, this analysis led the researcher to identify that the research domain required to be increased and an additional area of research was necessary, which is described in Chapter 4.

Having identified the research problem and objectives of this research, the next step was to study the scientific paradigms, research strategies and methods to formalise the research. Therefore, the object of Chapter 3 is to position and describe the research within the basic principle of the methodologies, which could be used in this research. The chapter also defines the paradigm and the strategies used, as well as the research questions introducing the initial criteria to evaluate the quality of the research, reliability, validity, etc. Finally, the research methods are selected.

Chapter 4 is split into two sections: the first extends the research domain identified in chapter 2 by capturing and stating the relevant theory relating to it. The analysis evaluates strategy in relation to the various design elements of appraisal systems and looks at why the appraisal design should incorporate strategy and performance measures. Consequently, the research questions 1 and 2 are now fully formulated. The second section starts to build theory highlighting that a model is necessary and it is in this section that the main model 'construct' is built. Each section of the model is described. Research questions 3 and 4 are formulated.

Chapter 5 is dedicated to test theory by fully answering research questions 1 and 2. The chapter is split into three sections: the first stage is to apply a case study to gain feedback from management of eleven case studies undertaken and to determine if the companies were experiencing the same issues as literature suggests. The second stage focuses on the analysis of the evidence provided by the testing methods to validate the model.

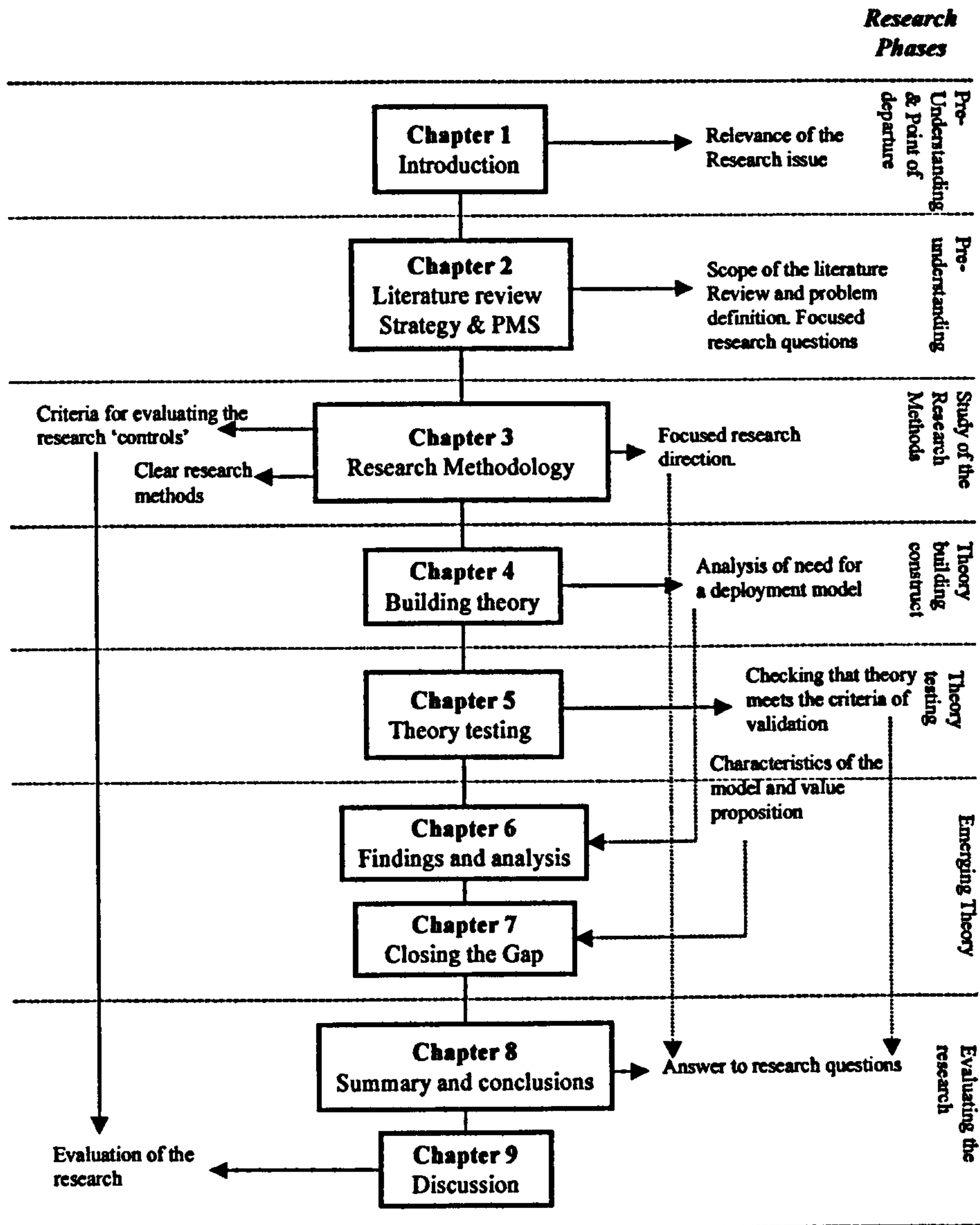


Figure 1.1 Structure of Thesis

Chapter 6 in this chapter an analysis of the work completed thus far is discussed with an overview of the first two research questions and to fully answering research questions 3 and 4. In addition, an analysis of the how well the research questions have been answered and what direction the research should take.

Chapter 7 is focused on developing the model and in particular the application of the model in an industrial situation. This chapter raises interesting controversy in the form of theory versus fact based on practice. The chapter discusses the various elements that contribute to the model and how these are applied in practice. Finally, the chapter concludes by answering question 5

Chapter 8 summarises and concludes the content and structure of the model, and discusses the contribution the research makes to knowledge and practice as well as answering the research questions. The chapter also discusses the strengths and limitations of the research and key lessons learned. The chapter concludes with a discussion on the potential issues for future research.

Chapter 9 discusses the validation of the model results and compares these against the controls established in the methodology chapter 3. The results reveal that the model ‘construct’ is valid, through demonstrating the validity and reliability of the research. Finally, the chapter closes with a critical retrospective analysis of this investigation.

1.6 Conclusions of the chapter

Having now reached the point of departure in the research through an exploratory analysis of strategy and appraisal practices within a company where gaps revealed that weaknesses from applying theory and from practice were established. Based on these findings, the research issue was identified, i.e. the strategy deployment paradox of linking performance management and the individual’s achievement. The initial aims and objectives were established from the exploratory investigation into a performance management problem highlighted in section 1.2 and these were:

- Identify the gaps in the processes of linking strategy, performance measurement and appraisals systems that can lead to increasing the effectiveness of employee performance.
- To provide an analysis of current frameworks used to provide the links between strategy, performance measurement and employee performance systems.
- To develop a model that will be used an instrument during the research to aid the findings and implement experiments for testing the validity and applicability of the processes identified.

The scope of this research classifies this thesis in the theory building and theory-testing environment and contains literature from strategy, performance measurement, management and appraisal processes from the last two decades. The chapter concludes with a brief introduction to the thesis structure and recognition that seven research phases are predominant.

Chapter 2

Building an understanding of deploying strategy

2.0 Reviewing Strategy & PMS Literature

2.1 Introduction

There has been a profound shift in thinking regarding the role that people play in the success of the business. With this is the growing view that the development and management of people is a key organisational capability and one that should be integrated with the aims of the business (Gratton *et al* 1999; Wilson *et al* 2000).

The complexities of the organisation and the development of people within these structures have meant that the balance between the strategy of the company and the actions of the individual are important to the continuing success of the organisation (Neely *et al* 1994).

There are several theories, approaches and perspectives on strategy, strategy management and the actions performed by the employee of the organisation (Schuler and Jackson 1987; Senge 1992; Kaplan and Norton 2001). The subject that this chapter is concerned with is vast, diverse, and highly complex and as such cannot be narrowed down to any one school of thought. However, the variety of perspectives analysed enables a better understanding and insights into the issues.

To create a solid understanding of the research issue the chapter starts by defining the scope of the literature review. A review of key elements i.e. creating a vision and strategy and what can go wrong is discussed. Strategy & performance measurement systems are also discussed and finally an analysis of several prominent frameworks is conducted. The chapter finishes by drawing conclusions on the value of the current practices and the identification of the research question.

2.2 Defining the aim and scope of the literature review

Strategy deployment and the linkage to appraisals has been a growing problem for many organisations and employees since the inception of the performance appraisal process was introduced in many companies as a formal process. Kaplan and Norton (2001) highlighted that, in a recent US survey (Bain's 2001 survey), two of the most popular senior management tools were.

- Strategic planning: used by 76%
- Mission and Vision statements: used by 70%

But,

“Less than 10% of strategies effectively formulated are effectively executed”

⇒ *“The problem is that our age's mistaken belief that developing the right strategy will enable a company to rocket past competitors. In reality, strategy is less than half the battle. ..In the majority of cases – we estimate 70% - the real problem isn't (bad strategy)... It's bad execution.”* (Fortune Magazine 1999)

Chapter 1 started with an exploratory case study based on the authors experience to get familiar with the research domain and identify the research issue i.e. “Linking strategy, PMS to appraisals”. To create a solid understanding of the research issue, chapter 2 starts by defining the scope of the literature review and is mainly focused on strategy and performance management, although the scope of the literature covers fields that surround this environment.

The aim of the following sections is to undertake a comprehensive review of the different perspectives of linking strategy and employee performance. The review starts by identifying what causes the deployment of strategy to fail and concludes by analysing the effectiveness of the deployment practices in the current performance measurement frameworks and how they relate to the individual. The field that this research covers is mainly aimed at the manufacturing and service sector. However, any field that employs strategy and performance measurement systems would benefit from this research.

2.3 Building a vision

Before we get on to the main research area of investigating if there is a gap between strategy deployment and the effect that this has on an employee's effectiveness we must look at what starts the process. For many organisations, it is the vision of a company and those ideas that survive experimentation and testing eventually become the building blocks of the manager's vision for the company (Isenberg 1987).

Isenberg (1987:93) also suggests that while much has been written about how a leader's vision inspires and motivates workers throughout the organisation, what is equally important or just as important, the vision also helps top managers organise their own thoughts and actions i.e.

"All of the managers actions are pieces of the same pattern. You can see that plan woven through everything. The manager is trying to get the threads to interweave, to make sure that things are followed roughly in the same pattern".

A manager's vision differs from a formal strategy plan. A strategy lists goals, which are usually objective, measurable and time-bound. By contrast, a manager's vision of the company's future direction is often general, qualitative, difficult to articulate – it might entail such things as becoming the "best" at a given function etc. Cowley *et al* (1997) stated that a vision is a statement, or a picture, of an ideal state of being or existence in the future that is inspiring and empowering for the stakeholders of the organisation. You must translate the vision from words to pictures with a vivid description of what it will be like to achieve you goal (Collins and Porras, 1996).

The process of developing a vision is in itself a team-spirit enhancing activity. The individual can also create a vision, for his/her own future. The vision inspires, "A task without a vision is drudgery." The characteristics of a good vision should meet several tests. (Cowley *et al*, 1997).

- It should be grounded in the reality of the organisation's present situation; that is, it should recognise challenges that the organisation now faces as having somehow been addressed in the ideal future.
- The vision ought to create some problems for the organisation.

- The stakeholders of the organisation must be able to see themselves or their interests represented in the vision.
- The vision should be the result of the integrated thinking of the management team, rather than a collection of individual visions, this can be called a shared vision.
- The vision should invite and inspire people to want to bring it to fruition.

Organisations intent on building shared visions continually encourage members to develop their personal visions. If people do not have their own vision, all they can do is “sign up” for someone else’s. The result is compliance, never commitment (Senge 1990). However, employees with a strong sense of personal direction can join together to create a powerful synergy toward what they truly want. Little and Mendibil (2001) found this was particularly strong in the many companies they visited in the Basque Country of Spain, where companies emphasised this as a major tool for success.

A well-conceived vision consists of two major components: *core ideology* and *envisioned future*. Core ideology, the Yin in our scheme, defines what we stand for and why we exist. Yin is the unchanging and compliments Yang, the envisioned future. The envisioned future is what we aspire to become, to achieve, to create something that will require significant change and progress to attain (Collins and Porras 1996). Core ideology provides the glue that holds an organisation together as it grows, decentralises, diversifies, expands globally, and develops workplace diversity.

Any effective vision must embody the core ideology of the organisation, which in turn consists of two distinct parts; core values, a system of guiding principles and tenants; and core purpose, the organisation’s most fundamental reason for existing. Employees need a clear sense of an organisation’s core values to form an allegiance to them (Goleman, 1998).

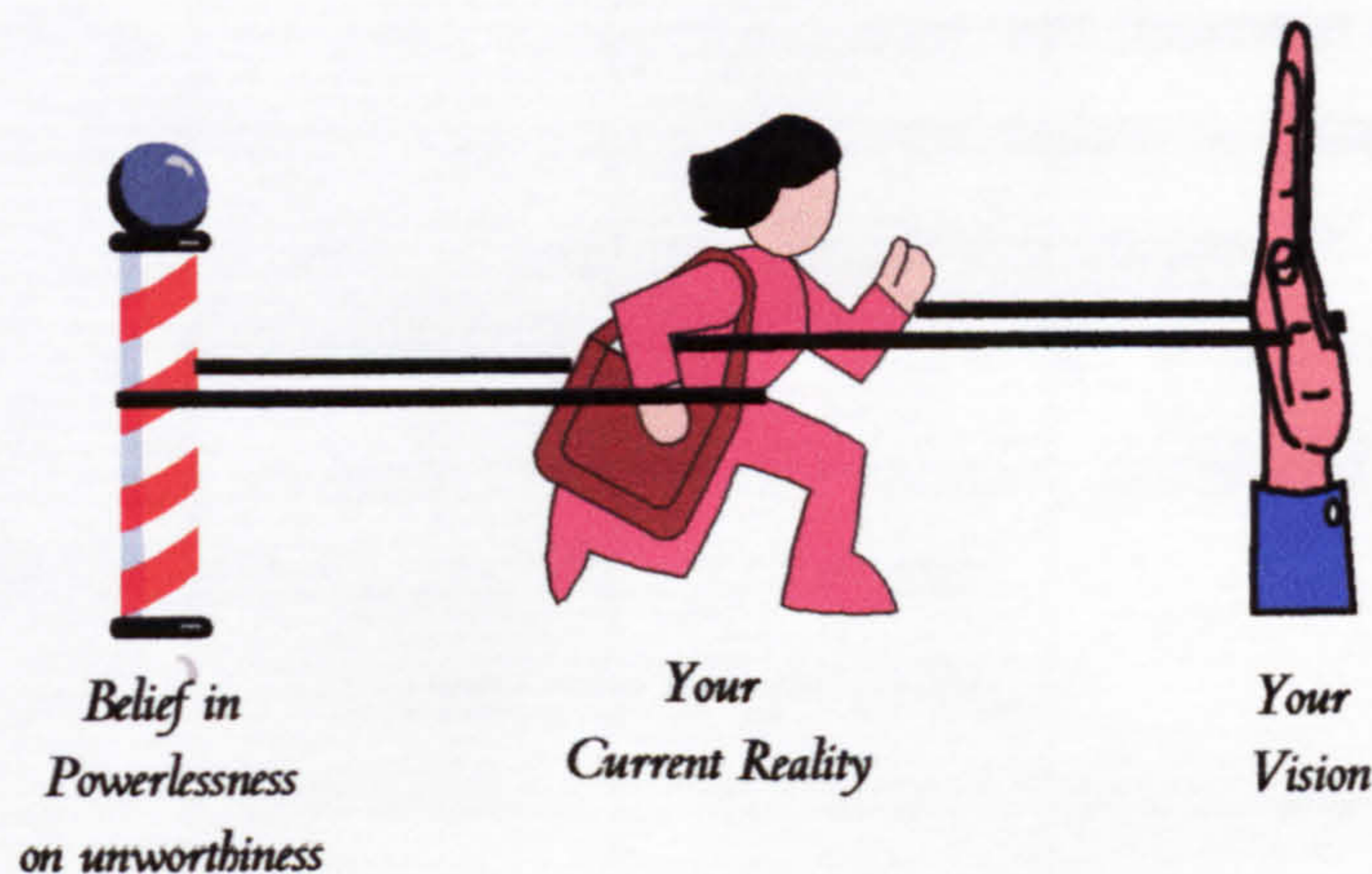
2.3.1 “Structural conflict”

To further examine this phenomenon of building a vision by individuals, Senge (1990) highlighted that most of us hold one of two contradictory beliefs that limit our ability to create what we really want. These beliefs consist of two areas, the more

common is belief in our powerlessness-our inability to bring into being all the things we really care about. The other belief is unworthiness that we do not deserve to have what we truly desire.

Senge (1990) used a metaphor, which was developed from Robert Fritz who had worked with thousands of people to develop their creative abilities, and this is highlighted in figure 2.1 below. The metaphor centres on a person being pulled by a rubber band towards his/her powerlessness and unworthiness and a second rubber band pulling you towards the goal. This is what Senge called creative tension, pulling you in your intended direction but the tension anchoring us to our underlying beliefs.

This “structural conflict” is caused by a structure of conflicting forces: pulling us simultaneously toward and away from what we want. Thus, the closer we get to our vision the more the second rubber band pulls us back.



Adapted from: Senge (1990)

Figure 2.1 Fritz's Belief system

A number of forces can manifest itself causing this negative tension, which if we are to succeed need to be overcome, (Senge 1990):

- we may lose our energy – questioning whether we want a vision in the first place,
- “finishing the job” might be increasingly difficult,
- unexpected obstacles develop in our path,
- people let us down and
- unawareness – deep beliefs of which we are largely unaware.

To overcome the problems that creative tension causes Senge suggests that there is nothing more important to an individual committed to his or her own growth than a supportive environment. An organisation committed to personal development and support can provide that environment by encouraging personal vision.

2.3.2 Vision-culture Gap

Having reviewed why the vision of the organisation and the individual is important, we need to understand the reasons why failures can occur and the reasons for this. Misalignment develops when senior management moves the company in a strategic direction that employees do not understand or support. The gap usually emerges when senior management establishes a vision that is too ambitious for the organisation to implement.

The main symptom is normally a breach between rhetoric and reality. Disappointed managers often blame employees for resisting change and frustrated employees react with cynicism and suspicion. Such scape-goating and distrust is extremely dangerous for companies. Very much like a cancer, they eat away at the core of the organisation. To uncover possible gaps between the vision and culture, managers should ask the following questions of both themselves and the employees: (Hatch and Schultz, 2001)

- does your company practice the values it promotes?
- does your company's vision inspire all its subcultures?
- are your vision and culture sufficiently different from those of your competitors?

Corporate vision and culture are themselves powerful tools. However, if the organisation and employees do not have a clear sense of direction and support, then developing the vision and culture into a strategy will prove fruitless. The vision can now be expressed into a strategy and the tools to measure these can now be evaluated. The next section will review the strategy creation and gaps.

2.4 Strategy the art of changing a business

Business challenges today are becoming increasingly numerous, more threatening and increasingly more urgent. This is true whether they come in the form of industry reorganisations, global competition, or internet-driven upheaval; it is imperative that companies respond (Fuchs *et al* 2000; Porter 1996; Roberts 1994). Fuchs *et al* (2000) further elaborates this by stating that the problem with companies is not that they have made mistakes or that the issues to the responses are inappropriate but the problems usually arise as a result of the responses are not or cannot be integrated into a cohesive strategy. They do not take into account how the company direction and its execution capabilities should fit together. In today's environment, capabilities are generally accepted to be the backbone of sustainable competitive advantage; integration is one key capability that remains under-explored (Fuchs *et al* 2000).

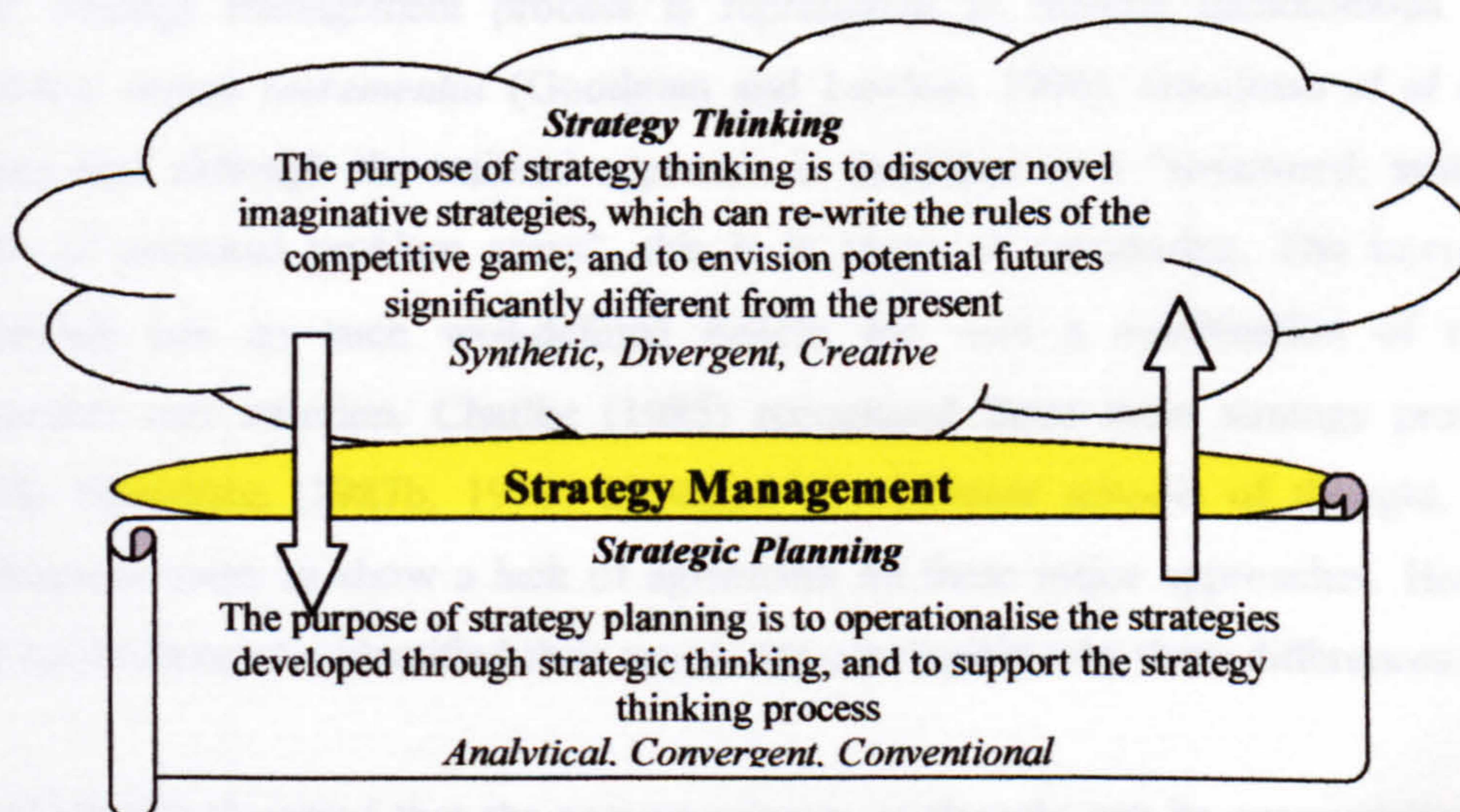
Strategies are both plans for the future and patterns from the past (Mintzberg 1987a). If you ask anyone what strategy is, they will usually define it as a plan of some sort, an explicit guide to behaviour. Then ask them what strategy a competitor, government or indeed themselves have actually pursued. The chances are they will describe consistencies in *past* behaviour, a pattern in action over time. Mintzberg (1987a) explained this by describing strategy's formal definition and its Greek military origins do much to explain past actions as to describe intended behaviour. After all if strategies can be planned and intended, they can also be pursued and realised, or not as the case may be.

Teare *et al* (1998) highlights strategy by defining it as a pattern or plan that integrates a company's major goals, policies and actions into a cohesive whole. He then referenced a study where this concept was defined by the writer, (Webster 1994) as the building block of strategic management and notes that a secure foundation, strategy, is needed if the process, strategy management, is to function properly. Strategy provides the link between where the organisation is at the present and would like to be in the future. Mintzberg (1994) defines strategy as a plan – a direction, a guide or a course of action for the future – and as a pattern, that is, consistency in behaviour over time.

Porter (1996) describes the foundation of strategy as the activities in which an organisation elects to excel: “Ultimately, all differences between companies in cost or price derive from the hundreds of activities required to create, produce, sell, and deliver their products or services... Similarly differentiation arises from both choice of activities and how they are performed”.

The essence of strategy is choosing to perform activities differently from competitors so as to provide a unique value proposition. Porter maintains that a *sustainable* strategic position comes from a system of activities, each of which reinforces the others. Kaplan *et al* (1996) espoused a similar theme when his balanced scorecard framework looked to link activities of the organisation both internally and externally. However, strategy is only as good as the process that the company choose to make it and how it is executed and communicated to the organisation. The object of a good strategy is to give the company an advantage over the competition and this is what many of the writers have been expressing for many years (Porter 1994, 1996, 2000; Kaplan and Norton 2001; Fuchs *et al* 2000).

The variety of words and phrases that come from literature and researchers on strategy definition appear to be unable to agree on a standard terminology. Heracleous (1998) summarised ‘Strategy Management’ as the process of integrating strategy thinking and planning, illustrated in figure 2.2.



Adapted from: Heracleous (1998)

Figure 2.2 Strategy – thinking & planning

From this definition, we can conclude that, strategy is a management discipline and can

- form the unique positioning of a company for different markets
- enable key decision makers at all levels of an organisation to develop formulation and implementation processes by considering their practical experience, business, market and environmental requirements
- be long and short term
- provide the basis for trading-off and selecting options e.g. equipment, people, resource allocation etc.

2.4.1 Strategy classifications

Strategy has been the basis of many empirical studies and has led to the development on many models in order to describe and understand this phenomenon. A variety of researchers have proposed different generic strategies that are mostly based on previously work of luminaries such as Porter's generic strategies (1980). This process offered many organisations a fixed strategic proposition or classification according to their competitive advantage. However, there were other bespoke strategies that organisations could use instead of the generic one. Examples of these strategy are Hayes and Wheelwright (1984); Richardson *et al* (1985).

The strategy management process is represented in broadly dichotomous terms, *rational versus incremental* (Goodman and Lawless 1994). Goodman *et al* (1994) states that although the rational approach is described as a "structured, systematic view of potential problem areas", this is in terms of monitoring. The incremental approach has no such well-defined system but uses a combination of rational measures and intuition. Chaffee (1985) recognised three main strategy processes, while Mintzberg (1987b, 1999) identified ten different schools of thought. These differences seem to show a lack of agreement on these major approaches. However, the researchers who identified their categories can explain why these differences exist.

Acur (2002) identified that the various schools of thought can be grouped into three fundamental approaches to strategy management and deployment, see table 2.1. While this thesis is not about to analyse these approaches or the researchers who developed

the 23 strategy models discussed by Acur. The inclusion at this point is to broadly acknowledge the variations that exist for the strategist to consider and if relevant to an organisation to choose an appropriate model for the environment they operate in.

Within the three approaches highlighted in table 2.1 is a list of those researchers who developed Strategy Management Models. However, this analysis is again only to provide the reader an opportunity to see the wide and distinct variation in the strategy management schemes that are evident. A number of these SMM will be subject of an analysis later in this chapter to provide an aid in determining what type of deployment process if any is built into those reviewed.

	Scope	Strategy Levels	Focus Area	Strategy Mgt.
1	Business wide	Corporate Business or Business unit	Mission, purpose, business units, survival	Andrews (1987) Ansoff (1965, 1990) Pearson & Robinson (1988) Digman (1990) Thomson & Strickland (1990) Wheelen & Hunger (1990) Goodman & Lawless (1994) STRATEGEM Hughes (1996) Focus (2000)
2	Functional / Operational	Corporate Business or Business unit Operations/manufacturing	Functional and operational business unit support	Skinner (1969) Fine & Hax (1985) Schroeder <i>et al</i> (1986) Horte <i>et al</i> (1987) Leong <i>et al</i> (1990) Anderson <i>et al</i> (1991) Hill (1993, 1999) Platts & Gregory (1996, 1999) Hull & Wu (1997)
3	Business process	Corporate Business or Business unit Business processes	Process and business unit support	Edwards & Peppard (1994) Freurer <i>et al</i> (1995) Talwar (1997) Kaplan & Norton (2001)

Adapted from: Acur (2002)

Table 2.1 Strategy Management Deployment Approaches

2.4.2 Strategy defining the rules

Hamel and Prahalad (1993; 1994) commented in a series of articles, which reviewed strategy from the mid 1980s to the mid 1990s, where the development of the traditional concept of strategy in terms of showing the importance of strategy intent and of leverage by stretching core competencies to provide competitive advantage were discussed.

Wheelwright (1984) and Mintzberg (1999) delved into the semantic minefield by showing in practice that the word “strategy” has been used in many different ways and implicitly accepting any number of definitions. This has resulted in the tendency to reserve only one for formal purposes. Different strategy definitions from many researchers can be attributed against the Mintzberg (1987a) concept of his 5 P’s, which have been illustrated in *table 2.2 Comparison of strategy definitions*, but is not exhaustive.

Mintzberg (1987)	Ansoff (1990)	Hamel & Prahalad (1980-1990)	Wheelwright (1984)
Strategy as a..	Strategy management is a systematic approach for managing strategic change	Strategy is..	Strategy is..
Plan: looking ahead – a direction, a guide or course of action into the future, a path to get from current situation to long-term result		Consistency of direction over the long-term point of view about industry evolution and how to shape it	Describes lengthen horizons to accomplish such activities and observing their impact in the time being
Pattern: looking at past behaviour			Provides a pattern of decisions across a variety of sub areas
Position: location of a particular product in particular markets	Positioning of the firm through strategy and capability planning	Resource leverage Competition as encirclement	Comprises of not only resource allocation processes but also day-to-day operations at all levels of the organisation
Ploy: competitive moves or manoeuvres aimed at reducing the probability of competitor retaliation or in some way changing competitive bargaining power	Real-time strategy response through issues management	Stretching the business beyond its apparent capacity	
Perspective: organisational fundamental way of doing things that reflects corporate personality, culture, ideology or driving force and so on.	Systematic management of resistance during strategic implementation	Risk taking – a stretching aspiration that is de-risked through the resource leverage Big bugs – & intellectual and emotional commitment that ensures consistency and constancy	Provides a discipline for managers to take a careful look at the impact, looking ahead periodically instead of looking back when time has elapsed

Adapted from: Acur (2002)

Table 2.2 Comparisons of Strategy Definitions

Like all effective strategies, strategy should be easy to understand as highlighted previously. If employees within the organisation are to achieve the objectives of the company then understanding the strategy is paramount, as is the communication methods used to cascade them throughout the organisation. Kaplan and Norton (2001) stated that strategy-focused organisation want employees to align their day-to-day

activities to accomplish the objectives and to find new and innovative ways of contributing to the organisational objectives.

2.4.3 Strategy as simple rules

Strategies can be grossly complex and as a result difficult to communicate but if they can be simplified and incorporated into simple rules. Simple rules are about being different. The difference does not arise from tightly linked activity systems or leveraged core competencies, as traditional strategies. It arises from focusing of key strategic processes and developing simple rules that shape those processes. When a pattern emerges from the process.... the result can be a long-term competitive advantage (Eisenhardt and Sull 2001).

Organisation that use this approach in simplifying strategy recognise the need for a few key strategic processes and a few simple rules to guide them through the chaos. Most managers quickly grasp the concept of focusing on these key strategic processes that will position their companies to where the opportunities are most likely to be. But the problem some have is equating processes with detail routines; they can often miss the notion of simple rules.

Yet, simple rules are essential. They poise the company on what is termed complexity theory “The edge of chaos,” providing just enough structure to allow it to capture the best opportunities. Many companies have used this strategy to enable them to make fleeting opportunities arise and successful company examples that Eisenhardt and Sull (2001) used are AOL and Enron. See table 2.3 *Simple Rules Summarised*.

Type	Purpose
How-to-rules	They spell out key features of how a process is executed – “What makes our process unique?”
Boundary Rules	They focus managers on which opportunities can be pursued and which are outside the pale.
Priority Rules	They help managers rank the accepted opportunities.
Timing Rules	They synchronise managers with the pace of emerging opportunities and other parts of the company.
Exit Rules	They help managers decide when to pull out of yesterday’s opportunities.

Source: Eisenhardt & Sull (2001)

Table 2.3 Simple Rules Summarised

The effect that this can have on all the employees means a greater opportunity to be able to focus closer on the real issues and set objectives that they can contribute to, effectively.

2.4.4 What can go wrong with strategy?

We have seen that a company vision is desirable even essential and a strategy if one is pursued should be understandable to the employees of the company and it should be constructed with simple rules to aid this. But what is wrong with strategy and what can kill this key process resulting in a potentially rudderless company.

The most common management tool is the strategic plan but few executives are satisfied with it (Campbell and Alexander 1997; Beer and Eisenhardt 2000). Many planning sessions result in no new actions and the plans can end up in the bottom drawer never to be realised. So what is wrong with strategy or is it the way we develop it. Three explanations have been developed by Campbell *et al* (1997) to answer these. The first is we misuse objectives. Companies fail to distinguish between *purpose*, what an organisation exists to do, and *constraints*, what an organisation must do in order to survive. This results in a directionless strategy (Mintzberg 1994).

The second problem identified is company managers are confounded by process. Objectives are intertwined with strategy and with implementation in a way that makes it difficult for organisations to decide where to start. Should managers set the objectives and develop strategies to achieve them? Or should they look for a winning strategy and then carve objectives out of their understanding of what is achievable? If this confusion exists in an organisation then it is no wonder planning paralysis can result (Porter 1996, 2001).

Thirdly many organisations expect that planning processes will lead to new and improved strategies. However, the basic ingredient of a good strategy – insight into how to create value – rarely emerges at planning meetings. Strategy usually comes from hard-to-control ways; these are more to do with implementation than about strategy development. Managers who focus on a planning process often create flat-footed plans.

It is easier for a company to come up with a plan if they know what they are trying to achieve. Clear objectives are a necessary part of good planning but what objectives should a company have? The advice to managers is often confusing they are encouraged to develop visions, missions, strategic intent, shareholder value objectives and customer focus. However, we often hear of managers complaining that company objectives are not clear and “why don’t corporate tell us what they want, then we can figure out how to do it.”

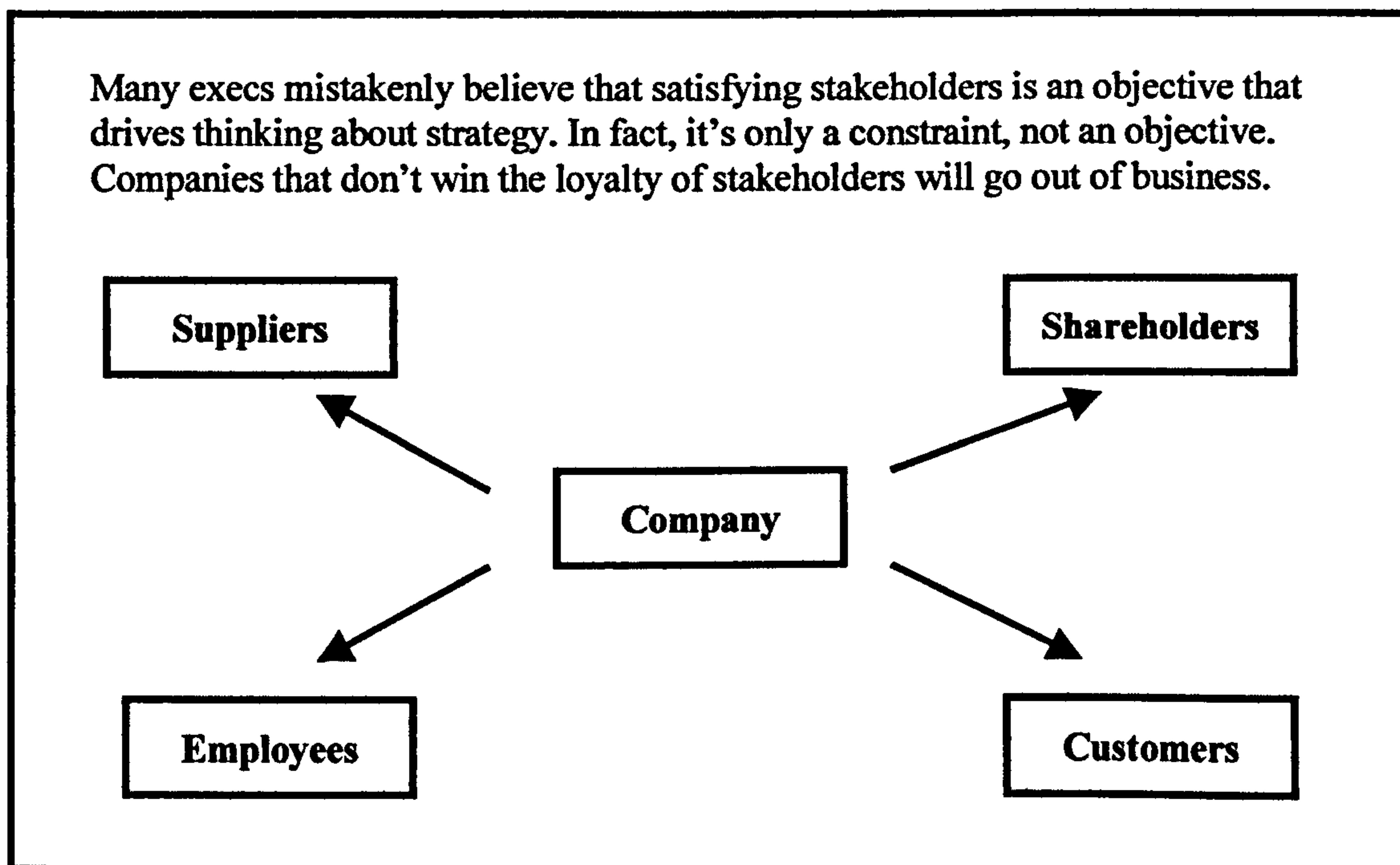
A second area of problem is at corporate level where the issue of having unclear objectives is usually addressed “*our objective is to provide a superior return to our shareholders*” and this can be seen in many annual reports. Other companies have stakeholder statements that encapsulate superior returns... better value... better salaries and career opportunities etc. Campbell *et al* (1997) states that stakeholder objectives are unsatisfactory in that they merely restates the rules of the economic game that companies play. But provide no help to strategists or employees, as they are just a different way of defining the universal objective of all companies: to develop and sustain competitive advantage.

The answer to developing a good strategy is not new planning processes or better-designed plans but the benefit of having a well-articulated, stable purpose, and the importance of discovering, understanding, documenting, and exploiting insights about how to create more value than other companies do. If managers and employees understand the two fundamental points above then strategies will evolve (Teare *et al* 1998).

One of the most difficult aspects of defining and implementing strategy is in its execution; many CEO’s and organisations have failed. Either the CEO has been fired and or the organisation has been taken over as a result of failure. In the Fortune Magazine (1999) article previously quoted, the main cause of failure was determined to be the execution of strategy. An example was provided when the new CEO of IBM Lou Gerstner was parachuted into fix the previous incumbent’s shortcomings he focused on execution, decisiveness, simplifying the organisation for speed, and breaking the gridlock.

The same article reported that Jack Welch of GE created the right people for the right job. The motto of the successful CEO is “people first, strategy second” but as Bartlett (1994) expressed capturing employees’ attention and interest is crucial to the continued success of the organisation. By defining a company’s objectives so that they have a personal meaning for employees is hard. Most statements are too vague to be useful to line managers, and often they are too out of touch with reality even to be credible.

The stakeholder model, figure 2.3 below, is helpful in explaining the rules of the economic game and the link between stakeholder value and competitive advantage. Companies must win and retain loyalty from each of their active stakeholders and without this support they cannot function. This is particularly true with the employees of the organisation, especially those who deal with the customers and suppliers involved with the company.



Source: Campbell & Alexander (1997)

Figure 2.3 The Role of Stakeholders in Strategy

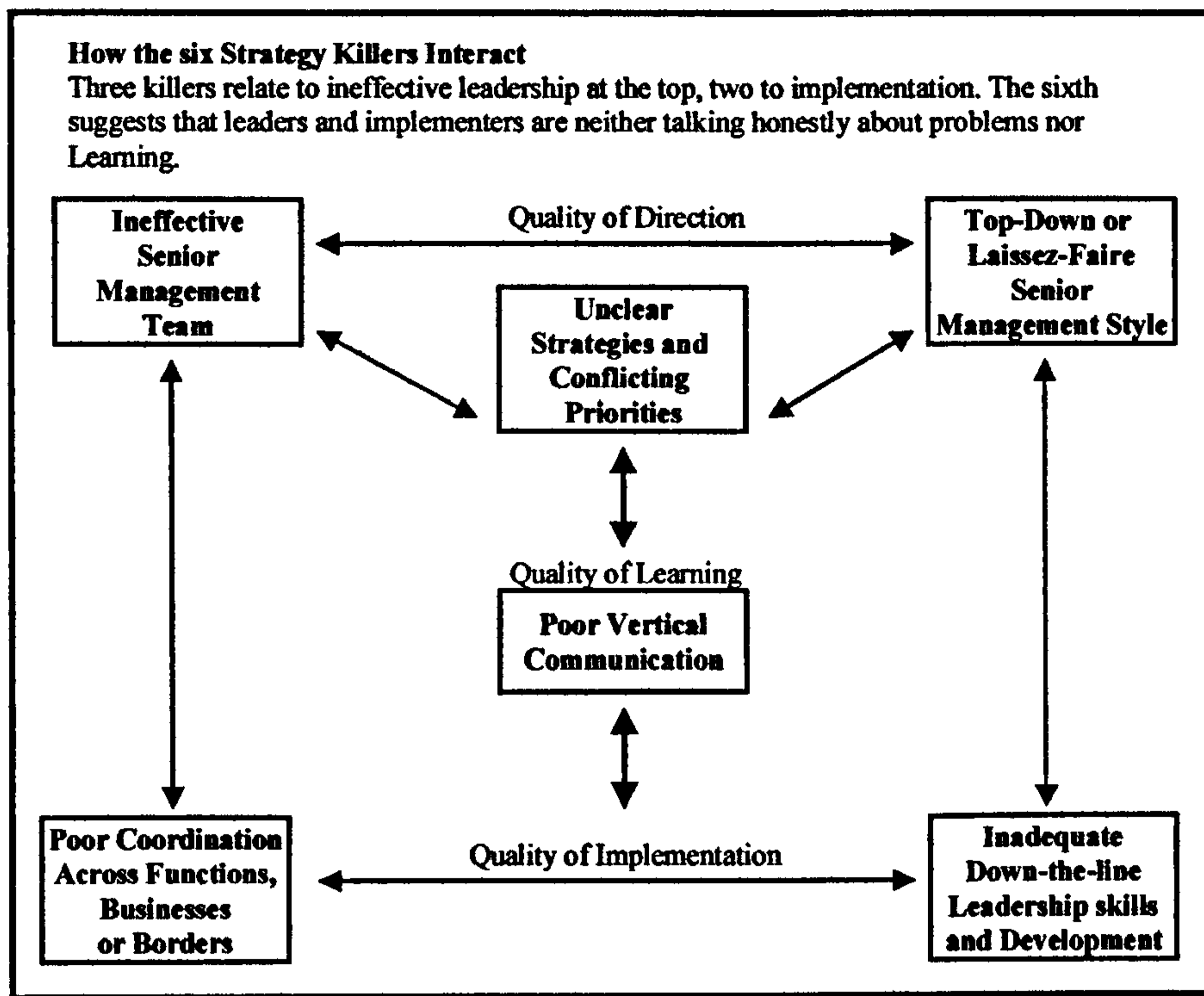
2.4.5 How to kill strategy?

Having seen what can go wrong with strategy from an organisational structure view of point we will now look at the human areas that can kill strategy implementation. Beer and Eisenstat (2000) in comparing strategy to cholesterol by explaining that cholesterol is a “silent killer” because it blocks arteries with no outward signs. They stated that companies have silent killers also working below the surface. What are the barriers that were identified and how do they interact within the organisation. The following points highlight the 6 main areas.

- Top-down or laissez-faire senior management style,
- Unclear strategy and conflicting priorities,
- An ineffective senior management team,
- Poor vertical communication,
- Poor coordination across functions, businesses or borders *and*
- Inadequate down-the-line leadership skills and development.

In their study Beer *et al* (2000) found that employees saw the overall problem rooted in fundamental issues of leadership, teamwork and strategic direction, not the commitment of people or their functional competence. Telleria *et al* (2002) found similar themes in developing a teamwork model. Beer’s model was created to show how the barriers interact within the organisational structure and this is represented in figure 2.4 below.

As we have discussed in the preceding sections strategy evolves as decisions and courses of action are pursued. It is the deployment issues of Beer and Eisenstat model that this thesis is attempting to understand. In the proceeding sections the tools that are being used to cascade both strategy and performance measures throughout the organisation will be analysed.



Source: Beer and Eisenstat (2000)

Figure 2.4 Six Strategy Killers

If as Kaplan and Norton (2001) identified many prominent CEO failures concluded that the emphasis placed on strategy and vision created a mistaken belief that the right strategy was all that was needed to succeed. “In the majority of cases – we estimated that 70% the real problem isn’t bad strategy but ... bad execution,” Fortune Magazine (1999). They concluded that with the failure rates reported in the 70 – 90% range, “we could appreciate why sophisticated investors have come to realise that execution is more important than good vision”.

Therefore in the following sections some of the main strategy and performance measurement tools will be analysed and reviewed to determine if they overcome the apparent problems that have been identified in the previous sections or whether they suffer from the same malaise.

2.5 Strategy and performance measurement frameworks

The business environment has changed dramatically since the 1980s. Traditional performance measurement systems that were developed in the mid-20s are less

relevant to the new dynamic environment now required. New performance measurement systems have been the subject of extensive research (Kaplan 1983; Gregory 1993; Eccles 1991) as a result.

The development and application of the new performance measurement systems have increased significantly during the 1990s and much has been published to reflect this. Researchers with different backgrounds have used different approaches to designing the new performance measurement systems. Some researchers use corporate vision and strategy as starting points, others use stakeholders' requirements, while yet others use strategic objectives of product groups.

Research has produced significant results, but there are still many problems with the performance measurement systems, which affects organisations that use them and in particular the people who are the recipients and in some cases the designers of the performance metrics. These problems are areas that are being addressed by many researchers but the one area that this research is concerned with is that of deployment and the effect on the employee.

One group of researchers led by Neely *et al* (1992, 1993, 1994, 1995, 1997, 1999, 2000) have contributed significantly to the performance measurement approach and design and much of this group's work will be reflected within this research.

The current performance measurement systems have reshaped the concept of performance management. This can be seen from the numerous frameworks and models contained in the many performance measurement systems that have been developed to date (Bititci *et al* 1997; Neely *et al* 1995; Kaplan and Norton 1996; Fitzgerald *et al* 1991; Dixon *et al* 1990 and others). The more popular ones will be discussed and analysed in the following sections.

2.5.1 Definition of Performance Measurement Systems

The implementation of performance measurement systems in various organisations has revealed that people, employees often misunderstand what the statements performance measure, performance measurement and performance measurement

system, are. To describe what performance measures mean you have to refer to the previous section, where strategy formulation requires the availability of knowledge for defining objectives and in determining cause-effect relationships between objectives and actions (Feurer and Chaharbaghi 1995). This has resulted from the increased competition and globalisation of markets, which has led to organisations to strive to differentiate themselves from their competition. This has required senior management to communicate the organisation strategy and direction across a wider base; one way of achieving this is by using appropriate performance measures (McAdam and Bailie 2002).

Performance measures provide a feedback mechanism and are considered extremely important as they can suggest the effect of actions before they are fully implemented. Before we progress with analysing the frameworks that contribute to the performance measurement structure the following statements are some definitions relating to performance measurement systems.

Performance Measures

- can be defined as a metric used to quantify the efficiency and/or effectiveness of an action (Neely *et al* 1995)
- are the numerical or quantitative indicators that show how well each objective are being met (Pritchard *et al* 1991).
- are the vital signs of the organisation, which quantify how well the activities within a process, or the outputs of a process achieve a specified goal (Hronec 1993).
- are indicators of quantified data, which measure the efficiency of an activity or a set of activities of a function in the process to reach the objectives (Doumeingts 1995).

Performance Measurement

- can be defined as the process of quantifying the efficiency and effectiveness of action (Neely 1995).
- is the process of determining how successful organisations or individuals have been in attaining their objectives (Evangelidis 1992).

- is the systematic assignment of numbers to entities (Zairi 1994).

Some authors do not define performance measurement explicitly. However, they underline that performance measurement is a process (De Toni and Tonchia, 1996).

Performance Measurement Systems

- can be defined as the set of metrics used to quantify both efficiency and effectiveness of actions (Neely 1995).
- are a systematic way of evaluating the inputs, outputs, transformation and productivity in a manufacturing or non-manufacturing operation (Globerson 1985).
- is a tool for balancing multiple measures (cost, quality and times) across multiple levels (organisation, processes and people) (Hronec 1993).

2.5.2 Why the need for Performance Measurement Systems

Revolutions begin long before they are officially declared, stated Eccles (1991). Companies have long realised that new strategies and competitive realities demand new management systems. Different businesses with different strategies require different information for decision-making and performance measurement. This should not obscure the obviously fact that every company needs to have at least a few critical terms in common. Many large companies still do not and this and this has resulted from, as Eccles (1991) highlighted, years of acquisitions and divestitures, technological limitations, and at times a lack of management discipline leaving most big organisations with a complicated hodgepodge of definitions and variables with the bottom line their only common denominator. Kaplan (1993), Gregory (1993) also supported this notion.

Many organisations are looking to integrate their strategy and performance measurement systems. Performance measurement systems are intended to motivate and provide guidance for either individuals and or groups when performing tasks in an organisation. In many Companies the linking of strategy to performance measurement systems is not always achieved. Carrie and Macintosh (1992) identified the need for effective deployment of business objectives to be cascaded through the organisation

and the subsequent measurement of performance in critical areas as key elements of sustainable competitive advantage.

This failure can have a severe impact on and in particular human resource management, training and development of the organisation. If the efforts of the organisation are not focussed on achieving the goals of the company then not only will the company fail to take advantage of the market it operates in but also the individuals within the structure will not realise their full potential (Neely *et al* 1994; Bititci *et al* 1999; Gratton *et al* 1999).

Measuring performance is a common process that all companies of any size do, whether it is purely measuring financial or production metrics or HR related measures. They may do this systematically and thoroughly, or on an ad hoc basis – but it is done. Why do organisations measure performance? Parker (2000) suggested that there are several kinds of reasons why an organisation uses measures usually they are to:

- identify success,
- identify whether they are meeting customer requirements: unless they measure, how do they know that they are providing the services/products that their customers require?
- help them understand their processes: to confirm what they know or reveal what they do not know,
- identify where problem bottlenecks, waste, etc., exists and where improvements are necessary,
- ensure decisions are based on fact, not on supposition, emotion or faith or intuition,
- show if improvements planned, actually happen.

Neely *et al* (1994) espoused similar themes when proclaiming that performance measures influence behaviour. However, they have all determined that there is a gap in the link between organisational behaviour, control and strategy. Bevan and Thompson (1991) for example, suggested that any organisation with a performance measurement system should,

- have a shared vision of its objectives, or a mission statement, which it communicates to all employees;
- set individual performance management targets which relate to operating unit and wider organisational objectives;
- conduct regular, formal review of progress towards these targets;
- use the review process to identify training, development, and reward outcomes;
- evaluate the effectiveness of the whole process and its contribution to overall organisational performance to allow changes and improvements to be made.

2.5.3 Shaping the culture & environment for PMS

Hanna, Burns and Backhouse (2000) described early research results that looked at work place behaviour. Where misaligned and mismatched variables cause groups of people to work in a way that can have a detrimental effect on the organisation. They proposed a consequence chart to help organise and assess a cross section of variables that can be evident in almost all companies. The object was to identify where these variables are mismatched modify their state and present a consistent message. Their research assumed that if a consistent message was portrayed within the organisation then achievement of the targets should support the strategy and subsequent achievement of the company goals.

The assumption from the research was the highest levels of performance are achieved when the work environment presents a uniform message to the individual. It is important when reviewing strategy and performance measures when tying this to individual performance appraisals that, if employees are to put out extraordinary efforts to realise company targets, they must be able to identify with them (Bartlett *et al* 1994).

Hanna, Burns and Backhouse (2000) also commented from their research that the achievement of targets should support the organisation's strategy and achievement of the company goals. They stated that it seems obvious that this should be so, but surprisingly, there appears to be a frequent mismatch, which leads employees to work in ways that seem bizarre when an outsider looks into a company.

However, not all systems create the most appropriate environment as performance measures and mis-aligned strategies cause a great deal of cynicism and scepticism over why and how they are deployed and eventually used (Parker 2000). However, in practice as presented by many writers who state that performance measures are crucial to the business and the continuing success of the organisation (Kaplan & Norton 2001, Neely *et al* 1995; Hudson *et al* 2001, McAdam and Bailie 2001; Dixon *et al* 1990). Then the importance of providing a sound and structure for performance measures creation and its creditability is highly important.

Ghalayini and Noble (1996) stated that performance measures are used to compare the performance of different organisations, plants, departments, teams and individuals. The success of any process and structure depends on individuals and teams performing to the highest level that will ensure sustained success and can be stated as working in a 'high performance culture'.

2.6 Performance Measurement Systems and their limitations

Given that the "basic management techniques" have been in existence for a long time and that business performance measurement is undoubtedly one of these techniques, then surely most organisation should have a well developed performance measurement system in place by now.

Neely *et al* (1999) states that even the most cursory examination of academic and practitioner literature would confirm that this is not the case. Numerous authors have discussed the problems with the performance measures used by organisations. Traditional performance measurement systems are criticised because they have been primarily based on the management accounting system. Consequently, traditional performance measures have focused on financial data such as cost variance, productivity, return on investment, return on sales, sales per employee, profit per unit production and other financial ratios (Ghalayini and Noble 1996; Johnson and Kaplan 1987; Dixon *et al* 1990; Neely *et al* 1995).

2.6.1 Traditional PMS limitations

The failure of traditional performance measurement systems to provide relevant, comprehensive and timely information was recognised a long time ago. Eccles (1991) described an example of the early problems with PMS. He described the problem that General Electric had and how they realised that good performance on product cost and company profitability was not enough to guarantee long-term survival. A high-level task force was set up to identify key corporate performance measures.

What they came up with was a list of key performance indicators, which not only consisted of cost and profitability measures, but also included market share, productivity, employee attitudes, public responsibility and a balance between short and long-term goals. However, dissatisfaction with traditional performance measurement systems were not realised worldwide until the late of 1980s when the business environment was changing enormously.

Many researchers on what is called the new performance measurement systems have pointed out the limitations of traditional performance measurement systems (Kaplan 1984; Johnson and Kaplan 1987; Maskell 1992; Zairi 1994; Dixon *et al* 1990; Cross and Lynch, 1988-1989). Practitioners have also observed the same limitations. It is claimed that traditional performance measurement systems are insufficient for use in the current dynamic business environment and the problems associated with them can be classified into two categories (Ghalayini and Noble 1996).

1. general limitations
2. specific measures limitations

The following are the seven most commonly cited limitations.

a) Failure to take into account the customer perspective

Zairi (1994) pointed out that the biggest shortcoming of traditional performance measurement system is the failure to take into account the customer perspective, whether internal or external. Neely *et al* (1995) also supported this position.

b) Lack of relevance

Maskell (1991) pointed out that traditional performance measurement financially based reports are:

- not directly related to strategy,
- not meaningful for the control of production and distribution,
- not relevant and misleading for pricing decisions.

To be relevant performance measurement systems should also use non-financial reports in addition to financial reports, a balanced perspective (Kaplan and Norton 1996; Neely *et al* 1995 pp106).

c) Lagging metrics

Cost variance reports usually are reported monthly, while profitability reports are reported, at most, quarterly and during those periods many things may happen. Managers may be supplied with the results of past decisions, the information being too late to be useful (Johnson and Kaplan, 1987).

d) Short-termism

A performance measurement system is not only used to assess a company's performance, but also managers' performances. Measuring managers' performances using quarterly or annual profitability reports has encouraged managers to pursue short-term performance to the sacrifice of long-term performance (Maskell 1991; Johnson and Kaplan, 1987; Neely *et al* 1995 pp106).

e) Inflexibility

Traditional performance measurement reports are inflexible in that they have a predetermined format that can be used across all departments and business units. However, departments within the same company have their own characteristics and priorities and the format of performance reports is unlikely to be the same (Maskell 1991).

f) Does not foster improvement

Fisher (1992) argued that setting standards for performance measures conflicts with continuous improvement principles, in that workers may hesitate to perform to their maximum potential if they realise that the current standard may be revised upward if current results are too good. Neely *et al* (1995 pp106) also supported this position.

g) Cost distortion

The internal and external environments of companies have changed dramatically and the patterns of cost elements have significantly changed in recent years. Indirect cost, rather than direct labour cost, is now the major part of production cost. Calculating overhead absorption based on the percentage of direct labour cost will distort product cost (Johnson and Kaplan, 1987).

So far, the research has shown in the previous sections that strategy can have a number of negative issues when attempting to link people together. The performance measurement systems also have problems in particular these older processes where organisations had traditionally monitored lagging measures. The effect both have on the employees of the company is to alienate them from the direction of the organisation. Therefore, would the new performance measurement systems that incorporate strategy and a balance of measures that try to ensure that people are involved.

2.6.2 New PMS limitations & summary

The researchers (Bititci *et al* 1997; Neely *et al* 1995 amongst others) who were constructing and developing the new performance measurement systems also found problems and difficulties with the later systems. The business performance literature suggests that if alignment between performance measures and business strategy is to be meaningful and effective, then there must be “consistency of both decision making and action”. This consistency, and hence alignment, can only be achieved in rapidly changing and complex environments by developing a more comprehensive range of performance measures. These measures must include dimensions such as financial, non-financial, tangible, intangible, balanced, mechanistic and organic.

Therefore, if we are to support a wider range of performance measures to achieve alignment with strategy then intangibles such as “management performance, quality of strategy, customer satisfaction and employee retention” must be addressed. Especially if measurement, monitoring and control of these aspects helps to “pinpoint problems, improve processes and achieve company goals” (McAdam and Bailie 2002).

However, the problem that has consistently been referred to throughout the literature has been implementation. Once a performance measurement system has been developed it has to be implemented. Neely (1999) determined that there were two questions to be answered when he looked at the PMS revolution – why is business performance measurement on the agenda and he determined that there were seven reasons: the changing nature of work; increasing competition; specific improvement activities; national and international awards; changing organisational roles; changing external demands; and power of information technology. The second question – what further research is required in the field? Nine topics were identified.

1. What are the determinants of business performance?
2. Can the relationship between different dimensions of business performance be mapped?
3. Can predictive performance measures, or leading indicators, be identified?
4. What are the strengths and weaknesses of the various performance measures proposed in the academic and practitioners literature?
5. How valid is each of these measures?
6. Does the appropriateness and validity of the measures vary according to the country and cultural setting?
7. How can measurement systems be implemented?
8. How can measurement systems be used to manage business performance?
9. How can the revolution of measurement systems be managed over the long term?

It is this question of implementation or more appropriately the deployment of the process that creates the gap in knowledge between expectant theory of developing strategy and the link to individual or teams performance. The real challenges for managers come once they have developed their robust measurement system, for then they must implement the measures. Neely *et al* (2000) determined that as soon as

mangers seek to implement their PMS they encounter fear, politics, and subversion. Individuals begin to worry that the measures might expose their shortcomings. Different people seek to undermine the creditability of the measures in different ways. Others will seek to game the system, and the most concerning is others will seek to prevent it ever being implemented. Neely *et al* (2000) determined in order to resolve and move businesses forward the questions highlighted above need to be answered.

2.7 Strategy and performance measurement systems: analysis & comparison

In this section, we will analyse and compare the most popular frameworks found in literature. The definition of popular frameworks is not an easy subject to cater for and many that could fall into this category have been omitted. The research was based on those frameworks that were well referenced in literature, and was solely targeted to those frameworks that were general in concept or business wide as opposed to those frameworks that were popular for a manufacturing company (Acur 2002).

In the past decade, academic and practitioner communities have shown great interest in performance measurement, particularly in the last few years. Ever since people realised that traditional performance measures were out of date and no longer appropriate in today's competitive environment, numerous performance measurement frameworks have been developed. There is a vast amount of literature on performance measures and performance measurement frameworks out there, in the form of articles, books, conference papers, research papers, postgraduate dissertations & thesis' and academic & practitioner journals.

This thesis will follow the same theme but rather than describe the framework in detail the research will provide a brief outline and concentrate only on those attributes that are directly relevant to the direction of the researchers theory.

The frameworks analysed are: See Appendix 1 for in depth analysis of each.

1. Balanced Scorecard
2. Cambridge Model (Strategy & Performance Measures)
3. Determinants & Results Framework
4. Dixon's Performance Measurement Questionnaires

5. EFQM Business Excellence Model
6. Hoshin Kanri
7. Investors in People (IIP)
8. Integrated Performance Measurement System (IPMS) Model
9. Malcolm Baldrige National Quality Award (US)
10. Performance Prism
11. SMART System

2.7.1 Integrating the performance measurement systems

Kaplan and Norton (1996) stated that “managers realised that focusing on individual performance measures such as cost, quality, time and flexibility will lead to local optimisation”. Performance measures must be treated as an integrated system to support a company’s strategy. However, according to Kaplan and Norton (2001), Neely (2000) and Gratton (1999) the need to deploy strategy and the performance measurement through the organisation is paramount to the success of the framework employed and for the acceptance of the concept of measuring and managing performance of both the process and the individual’s that work within the systems.

This analysis will concentrate of the deployment and communication elements of the framework but will also review general aspects as recommended by researchers such as Neely *et al* (1997, 2001) and Bititci *et al* (1996).

Most researchers have mentioned the need for a ‘good’ performance measurement system. However, not many provide a complete description of the requirements or characteristics of a ‘good’ performance measurement system. Only two researchers have tried to describe these requirements, Neely *et al* (1997, 2000) on performance measures and Bititci *et al* (1996) on performance measurement systems.

After reviewing extensively the literature available on performance measurement systems, Neely *et al* (1997) provided recommendations for designing performance measures see table 2.4. The recommendations are intended for designing performance measures, not for designing performance measurement systems, which Bititci *et al* (1996) described in table 2.5.

The recommendations in table 2.4 describe what a performance measure should be, even though some of them are common sense. Since performance measures are the output of designing a performance measurement system, the proposed recommendations are not very helpful for designing a PM system. For example, the need for aligning performance measures with external factors (competitor, market and stakeholder) is not strongly expressed in the recommendations and neither is the communication and deployment of those systems.

No	Recommendation
1	Performance measures should be derived from strategy
2	Performance measures should be simple to understand
3	Performance measures should provide timely and accurate feedback
4	Performance measures should be based on quantity that can be influenced, or controlled.
5	Performance measures should reflect the 'business process'
6	Performance measures should relate to specific goals (targets)
7	Performance measures should be relevant
8	Performance measures should be part of a closed management loop
9	Performance measures should be clearly defined
10	Performance measures should have visual impact
11	Performance measures should be focused on improvement
12	Performance measures should be consistent
13	Performance measures should provide fast feedback
14	Performance measures should have an explicit purpose
15	Performance measures should be based on an explicitly defined formula and source of data
16	Performance measures should employ ratios rather than absolute number
17	Performance measures should use data which are automatically collected
18	Performance measures should be reported in a simple consistent format
19	Performance measures should be reported on trends rather than snapshots
20	Performance measures should provide information
21	Performance measures should be precise - be exact about what is being measured
22	Performance measures should be objective - not based on opinion

Source: Neely *et al* (1997)

Table 2.4 Recommendations for designing performance measures

Bititci *et al* (1996) on the other hand provided the requirements for an effective and efficient performance measurement system and the elements are formulated in Table 2.5 below.

No	Requirement
1	Reflect stakeholders requirement
2	Reflect external/competitive position of an organisation
3	Reflect competitive criteria of the organisation markets
4	Differentiate between control and improvement measures
5	Facilitate strategy development
6	Deploy strategic objectives through a logical path to business processes and activities
7	Focus on critical areas of the business
8	Be expressed in a locally meaningful terminology
9	Facilitate resource bargaining
10	Facilitate performance planning
11	Promote proactive management by focusing on leading measures
12	Accommodate both quantitative and qualitative measures
13	Measure organisational capability and learning where appropriate
14	Use measures at correct levels
15	Promote understanding of the relationship between various measures
16	Facilitate simple reporting – demonstrating trends where possible

Source: Bititci *et al* (1996)

Table 2.5 Requirements for an effective performance measurement system

These requirements are intended for designing performance measurement systems. Broader aspects of performance measurement have been covered, including: the requirement to consider external factors, resource bargaining, interaction between factors, objective deployment, characteristics of performance measures, strategy development and criticality of performance measures. Consequently, this requirement is very helpful for designing a performance measurement system.

In order to develop a strategic performance measurement system, it is critically important to identify the properties of an effective development process. Without this, there can be little value for the business from the concept of strategic PM. As there is a shortage of appropriate analysis in literature in addressing these issues, a review is now undertaken to look at the process methodologies.

Hudson *et al* (2001) critically analysed the theory and the practical elements of a number of strategic PM systems and found that much of the analysis conducted had failed to address the features of PM development processes that enhance the likelihood of successful implementation. He highlighted a number of deficiencies in the information on PM systems over the last decade and the number of different proposals and guidelines that attempted to explain the characteristics of strategic PM.

Two examples of this have been depicted in tables 2.4 & 2.5. The research highlighted in the 22 areas defined in table 2.4, recommendations for designing a PMS. However, there were many characteristics duplicated but the problem was addressed by the identification of a number of features that were then developed into three categories forming the typology for evaluating the PM approaches that have emerged from literature. The three categories are,

- Development process requirements
- Characteristics of performance measures
- Dimensions of performance

The theoretical model proposed by Hudson *et al* (2001), table 2.7 offers an analysis of what is required to develop a theoretically sound and improved strategy performance measurement process and this analysis will build on the theory developed by Hudson.

Of the ten frameworks highlighted by Hudson *et al* (2001) six will be reviewed as being the most appropriate for the analysis under consideration. The remaining four was considered not to provide enough strength either in structure or relevance for the analysis. Hudson explained that the analysis that the researchers conducted was with Small, Medium Enterprises (SMEs) and that the significant differences in the structure and philosophy of SMEs as opposed to large enterprises result in a more taxing process for those smaller organisations to implement a strategy performance measurement system. However, many large organisations suffer from similar problems of implementation and sustainability with their performance measurement systems, admittedly on a larger and more complex scale.

Therefore, the analysis presented here is not only to review those attributes relevant to SMEs but also extend this to the larger organisations. A further five frameworks will be included, Hoshin Kanri, Performance Prism, EFQM, Baldrige NQF and Investors-in-People. The Hoshin Kanri model is a strategy performance measurement frameworks mainly used in larger organisation but is not as well known as others. The performance prism is a new model, which is currently being developed as an improvement to many of the other similar constructs.

The latter three models in the list of five above are not Strategy Performance Measurement frameworks in their own right but they facilitate an analysis of the tools and techniques that organisations use to develop operational excellence and therefore, are structured frameworks (Sadler 2000). The EFQM and Baldrige framework will be analysed together with the main emphasis on EFQM. Appendix 1 provides the reader with an overview of each of the eleven frameworks analysed in this thesis.

2.8 Identifying the gaps in deploying strategy & PMS

Using the typology in table 2.6 as the basis for analysis of the frameworks, the objective was to identify their completeness within the areas that would influence the deployment of strategy and performance measures as they relate to the individual.

This research will concentrate on the deployment process of a performance measurement process and how this can be effectively achieved in particular to the lowest levels of the organisation. The object of this review/analysis is to identify the gaps in the process in the deployment processes. To achieve this a number key characteristics are highlighted from the Hudson's model that are significant for the dissemination to the individual, the level at which the success of the process is inevitably approved and operated.

Having reviewed the completeness of the requirements of an effective development process, a further element was added to the analysis and that was stakeholder requirements. This was necessary as both the IPMS and Performance Prism frameworks included these areas as key developmental attributes. However, as the research is designed to analyse the frameworks for a robust deployment process that

cascades the performance measurement outcomes to the lowest employee level of the organisations and not just the developmental aspects of PMS as described by Hudson.

The analysis provided by Hudson *et al* showed by using defined theoretical attributes for developing performance measurement systems, which they found from their research, could be used to develop and implement performance measurement systems in organisations. His analysis, comprehensive as it is did not address the deployment problem, identified in chapter 1, that this researcher was looking for and new theoretical attributes had to be found that completed this.

The attributes that the author deemed necessary for good deployment practices in addition to those described by Hudson was found in Kennerley and Neely's (2002) research, which looked at the gap in literature, that described the forces that shape the evolution of the measurement system. This research was based on an analysis of company practices that affected the evolution of PMS and highlighted areas that facilitated positive practices and barriers to evolution.

The key outcomes that this analysis provided were.

- Integrating the PMS into the strategy and review process was essential.
- Both strategy and PMS must evolve with the business requirements.
- If people do not think measures are relevant they will not use them, the deployment process will fail, and the process will not evolve.
- Developing an open and honest culture in which measurements are used to support rather than a tool to punish is crucial for evolution.

A number of the facilitators used in the PMS evolution were used in conjunction with the analysis of PM development process and the author's preunderstanding, described in chapter 1 section 1.2. This provided the basis of the analysis of those attributes that determined if any or all of the frameworks had the construction elements to fulfil the requirements that enable a strategy deployment process throughout an organisation. Table 2.6 below outlines the analysis of both the facilitators and barriers to evolving a performance measurement system and those elements taken from table 2.6 (highlighted in *bold* and in yellow) were incorporated into the framework analysis in table 2.7.

	Facilitators of Evolution	Barriers to Evolution
Process	<p>Integration of measurement with strategy development & review. Integration of measurement with business process review. PM “function” the focal point of measurement activity. Forum to discuss appropriateness of measures. Implementation of common definitions / metrics. Consistent approach to measurement across all areas of the business. Away day to measures. Involvement of external bodies. User involvement in measures.</p>	<p>Lack of proactive review process Inconsistent approach to measurement</p> <ul style="list-style-type: none"> ▪ Over time ▪ Between location/business units ▪ No integrated measurement function <p>Insufficient time to review measures</p> <ul style="list-style-type: none"> ▪ Lack of management time ▪ Too much data reported <p>The need to trend measures limits ability change Lack of data analysis</p>
People	<p>Maintain PM capability. Dedicated PM resource.</p> <ul style="list-style-type: none"> ▪ Facilitation of use of measures ▪ Ensure action is taken ▪ Prompt review of measures ▪ Credible sponsor ▪ IT and operational responsibilities <p>Skills succession planning. Involvement of those being measured/local ownership of measures. Community of users of measures.</p>	<p>Lack of appropriate skills.</p> <ul style="list-style-type: none"> ▪ To identify appropriate measures ▪ To design measures/quantify performance ▪ To collect accurate data ▪ To analyse data <p>High staff turnover. Lack of management time. Ownership of cross-functional.</p>
Systems	<p>Develop in-house/customise IT systems.</p> <ul style="list-style-type: none"> ▪ Flexible ▪ Web-based ▪ Electronic reporting ▪ Hierarchy of measures ▪ Linked to strategy development / business process review <p>Maintain internal systems development capabilities. Integration of operations & IT (budgets, responsibility, etc.)</p>	<p>Inflexible legacy systems.</p> <ul style="list-style-type: none"> ▪ Data collection ▪ Reporting <p>Inflexible ERP systems – loss of functionality. Inappropriate “off the shelf” systems.</p>
Culture	<p>The need for evolution considered to be important. Communication:</p> <ul style="list-style-type: none"> ▪ Use accepted medium ▪ Feedback of actions ▪ Engage all employees <p>Measurement integrity is encouraged.</p> <ul style="list-style-type: none"> ▪ Open & honest discussion of performance ▪ No blame culture ▪ Discourage “gaming behaviour” <p>Ongoing senior management support/champion for measurement.</p> <ul style="list-style-type: none"> ▪ Continued focus on measurement ▪ Identify & remove barriers to use / change measures <p>Establish common understanding of objectives. Integration/alignment of reward systems. Measurement not owned by finance. Alignment of measures and rewards.</p>	<p>Senior management inertia. Individual inertia/resistance to measurement. <i>Ad hoc</i> approach to measurement. Lack of alignment of actions with measures. In appropriate use of measures/measures not used to manage the business. Rigid remuneration and union system.</p>

Source: Kennerley & Neely (2002)

Table 2.6 Facilitators & Barriers of PMS Evolution

With this additional analysis, further rows were added to the PMS development table (table 2.7), which highlighted those attributes that the research found desirable in order to facilitate an efficient deployment process that would effectively increase the acceptance of the performance measurement and strategy process from an employee viewpoint. The remainder of the analysis of the eleven PM development approaches as described in the available literature concentrated on the completeness of the approaches with regard to the derived framework table 2.7 illustrates the outcomes of this activity.

The outcome of the analysis showed that of the ten frameworks, all had more than 55% of the dimensions of performance that were necessary for a sound deployment process but only half exhibited many of the people properties necessary and when the additional attributes from table 2.6 were added, highlighted in *Blue*. The analysis showed that while many of the frameworks were competent in deriving a performance measurement system linked to strategy they all failed to provide implicit deployment guidance for employees to link to.

Of the new frameworks that were analysed the Performance Prism (PP) (Neely and Adams 2001) was relatively new to this type of analysis. As little active research has been published on the use and acceptance of this framework to date the researcher has made an assessment based on his experience of similar models. However, according to the literature available and the excellent reputation of the researchers it was concluded that the majority of the attributes would be included in this framework. Therefore, from a deployment perspective, this model can be rated moderately, no more than 75% of the deployment criteria included, but this requires a more subjective in-depth research analysis by practitioners and academics to verify.

Hoshin Kanri (Cowley and Domb 1997) while not a new framework has been used in a limited number of Western companies compared to the quite wide use in Japanese companies over the last twenty years (Witcher and Butterworth 1999). However, a number of publications are available and this review was conducted using these. From both a development and deployment view, this framework covers both aspects with a degree of depth and can be rated as the performance prism in the assessment but is complex to implement.

Theoretical Model	BSC	SMART	R&DM	Dixon	IPMS	CPMP	PP	HK	EFQM	IIP
A strategic PM development process should:										
Evaluate existing PM system		✓		✓	✓	✓	✓			
Enable strategic objective identification - Establish common understanding of objectives	✓		✓	✓	✓	✓	✓	✓		
Enable performance measure development - Develop hierarchy of measures	✓		✓	✓	✓	✓	✓	✓		
Provide a maintenance structure				✓	✓	✓	✓			
Involve key users		✓			✓	✓	✓	✓		
- Have employees involved in ownership of measures										
Have top management support	✓		✓		✓	✓	✓	✓	✓	✓
- Ongoing Senior Mgt/Champion										
- Continued focus on measurement										
Have full employee support	✓		✓		✓	✓	✓	✓		
- User involvement in measures										
Have clear and explicit objectives	✓		✓		✓	✓	✓	✓		
- Consistent approach to measures in all areas										
Have set time scales	✓				✓	✓	✓	✓	✓	✓
The measures in a strategic PM system should be:										
Derived from strategic goals	✓		✓	✓	✓	✓	✓	✓	✓	✓
- Derived from stakeholder requirements										
Link operations to strategic goals		✓	✓	✓	✓	✓	✓	✓	✓	✓
- Link to strategy development/business process										
Stimulate continuous improvement	✓		✓	✓	✓	✓	✓	✓		
- No blame culture										
- Open & honest discussion of performance										
- Discouraging "gaming behaviour"										
- Continued focus on measurement										
Provide fast, accurate feedback				✓	✓	✓	✓	✓	✓	✓
- Use accepted communication medium										
- Engage all employees										
Clearly defined/explicit purpose	✓		✓	✓	✓	✓	✓	✓	✓	✓
Relevant and easy to maintain				✓	✓	✓	✓	✓	✓	✓
Simple to understand and use	✓		✓	✓	✓	✓	✓	✓	✓	✓
- Identify & remove barriers to use/change measures										
A strategic PM system should measure:										
Quality	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Flexibility	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Time	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Finance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Customer satisfaction	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Human Resources	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Adapted from: Hudson et al (2001)

Table 2.7 Deployment gap analysis of selected performance measurement approaches

The last frameworks analysed were IiP and the EFQM and Baldrige models, while the later two were separated when compiling a list of frameworks to be included in this analysis both were combined for the analysis, as they are similar in their objectives. The object of including all three frameworks was to review those audit frameworks that provide guidance and assessment for those organisations that are pursuing quality excellence in their company. If a company is using a combination of the IiP and EFQM frameworks then they are more likely to have a structured system for strategy, performance management and people policy.

While the remaining frameworks did not have as many of the attributes that were considered essential to a deployment and people linkage process one process has recognised that these attributes are necessary and this is the Balanced Scorecard. Kaplan and Norton (2001) have attempted to close the gaps from their original concept. They realised that the original Balanced Scorecard concept was they thought about measurement, not about strategy. Therefore, to correct this shortfall the creation of a “Strategy-Focused” direction was developed and a key element of this was a cascade process of performance measures from the top to bottom of the organisation. The balanced Scorecard process is by far the most popular concept used in business today and this is further confirmed by the case study research in chapter 6.

2.9 Conclusions of the chapter

The literature review has presented a wide critical view of strategy and performance measurements systems, deployment processes and their linkage to the individual. The focus of this chapter concentrated on.

- What is strategy?
- Strategy classifications.
- Developing the rules of strategy and what can go wrong with it?
- How strategy can be killed?
- Analysis of frameworks with emphasis on deployment.

The literature review also raised some questions on the interaction of strategy, performance measurement systems, deployment and linkage to the individual, i.e. why are companies not implementing their strategies effectively to all employees and

why do they not realise the importance of deployment and the advantages that this can bring.

The success that a deployment process can bring to an organisation is two fold. The first is to bring all the employees closer together through understanding strategy and performance measures set out by senior management and secondly, by providing a direction that each employee requires to assist in aligning job objectives with company direction. This is particularly relevant in the industrial companies.

The chapter partially answered these issues by introducing and addressing the problem that current strategy and PMS models are failing to implement an intrinsic process that enables a deployment process to link strategy and performance measurement systems to the individual. The models are consequently failing to link these key elements effectively leading to the reduction in efficiency of the individual.

From this review, the research found there are many elements that can contribute to the failure of organisations to successfully implement strategy (section 2.4). The research started out by looking at strategy and performance measurement systems and reviewed how these processes are failing to deploy to the lowest level of the organisation. In addition, Kaplan and Norton (2001) highlighted that strategy formulation and implementation were only successful in less than 10% of companies.

It became evident as a result of the literature review that the initial research questions identified in chapter one lacked sufficient width and depth to be able to answer the strategy, performance measurement systems and individual issues. Therefore, this chapter re-evaluated the research questions. The initial research problem and objectives remain unchanged see section 1.3.1 & 1.3.2.

The revised research questions have been changed in order to reflect the research findings thus far.

1. Why are companies failing to effectively deploy strategy down to the individual?
2. How can the research identify the gaps in the process and what are these?
3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?

4. By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?
5. If by linking strategy, PMS and appraisal processes will this lead to increasing employee effectiveness?

The chapter also highlighted that further research is necessary into how to link appraisals to strategy deployment. This was found to be evident, as the literature reviewed thus far did not concentrate on this area of research. Chapter four will discuss further the gaps in deployment processes in particular within appraisal design and formulation.

The research conducted on frameworks also concluded that there is no model available that enables a deployment process to be wholly effective either within an evolutionary or developmental concept. Therefore, the construction of a model that provides the linkages from strategy formation to appraisal construction would be necessary and this will be discussed in the second section of chapter four.

The differences found through empirical analysis of strategy and performance measurement systems, table 2.7 further emphasises, that no model structure is evident from literature that guides and enables a sound deployment process. The chapters aim was to demonstrate that the different approaches are not mutually exclusive, but rather as providing an integral solution to provide a better understanding by which strategy and performance measurement can improve the effectiveness of the individual. The following proposition determined from the literature review started to provide an answer to the research question 1 and 2.

For strategy to become truly meaningful to employees, personal goals and objectives must be aligned with the organizational objectives (Kaplan and Norton 2002).

The chapter concludes with the first set of research questions, which have been formulated from this chapter.

1. Why are companies failing to effectively deploy strategy down to the individual?
2. How can the research identify the gaps in the process and are these valid?

Chapter four further addresses the literature research question raised above and starts to build theory by designing a model that will aid the research direction. Therefore, questions 3 and 4 have also been formulated in this chapter.

3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?
4. By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?

Chapter 5 fully addresses these issues. However, before the research can address these questions, the methodological direction must now be determined to ensure the correct path is taken for the research and chapter 3 enables this while chapter 4 will build on the theory and research questions.

Chapter 3

Research Methodology

3.0 Design

3.1 Introduction

The preponderance of literature in the field of research methodology is extremely wide and varied as can be seen from the references used throughout this chapter. This researcher will not attempt to delve into all aspects of the subject but explore the areas and elements that have allowed this research to be formulated and progressed to a conclusion.

Notable writers and academics on research methodology highlight that a wealth of information is available that may hamper the novice researcher (Buckley *et al* 1976). There is also a bewildering maze of terms, definitions and philosophical arguments, which confront the answers to the straightforward questions as follows.

1. What is research?
2. Who is a researcher?
3. Where do research problems originate?
4. How should the researcher go about solving the problem?
5. Where should he/she go for the information?
6. How does he/she know if the problem is solved?

While it is difficult to answer these questions to the satisfaction of all concerned within the research topic, what this chapter attempts to do is provide the path that this researcher took and the frameworks that assisted in the attempt to provide answer(s) to the problems and initial and final research questions discussed in chapters 1 and 2. This chapter is one of the most important of the thesis because it is here that the research paradigm, which governs the entire methodology, is selected. The selection is made based on the rationalisation of the research needs.

The exploratory analysis of the existing literature presented in chapter 2 shaped the focus of the research. However, chapter 1 provided the first route to defining the research strategy, where the author's preunderstanding of issues was used to determine the initial research problems and questions. Hence, chapter three starts discussing the use of preunderstanding in research, then evaluates the scientific paradigms and research strategies appropriate to the research, which includes a selection of the strategy used.

The chapter concludes by analysing the methods and techniques used for building and testing theory and includes the selection of criteria is selected for evaluating the research. Finally, figure 3.9 presents the research process map, which has been used to develop the research throughout the investigation period. The map outlines the various stages that the research completed showing the interaction between the steps and the outcomes, which evolved the research questions. This completes the chapter.

3.2 Preunderstanding the problem

Gummesson (2000) stated that qualitative methodology and case studies provide powerful tools for many areas of management research and it is in this context that this thesis has evolved. The case study described in chapter 1 was used to develop the initial research questions that would guide the researcher to develop new knowledge and theory.

However, in an attempt to highlight the thought process that has been used to formulate the emerging theory within this thesis the concept that was used and described by Gummesson, which is now discussed in this section, is the concept of preunderstanding (Gummesson 2000). This concept refers to things such as people's knowledge, insights, and experiences and it is the author's intention to show that the author's knowledge and experience was the driving force to develop the early formulation of his new and modified theory.

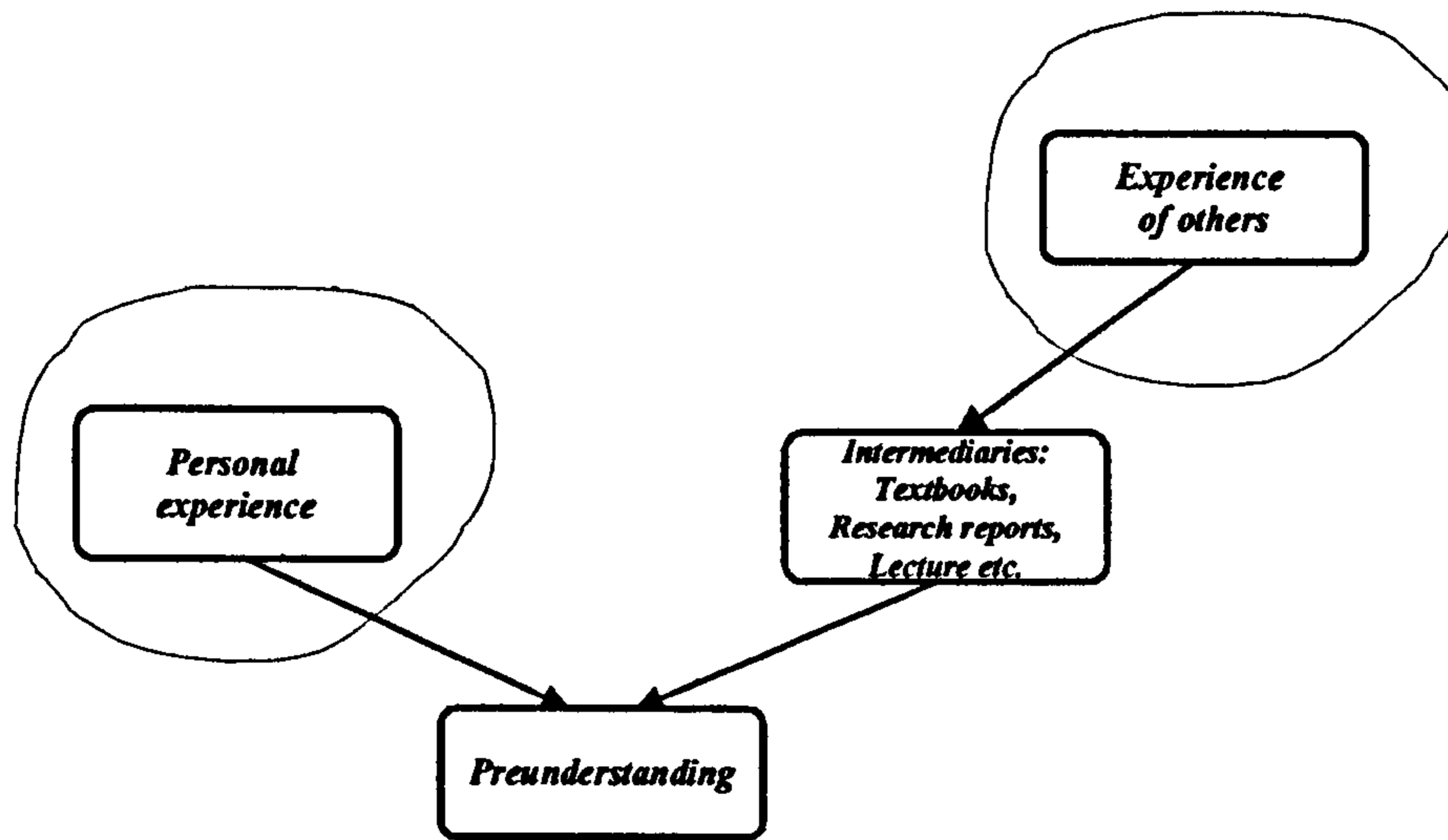
Gummesson describes his interest in the concept had derived from an essay written by a Swedish novelist and philosopher who wrote "Knowledge behind the Words", which included an encyclopaedia description on how to serve at tennis. The emphasis was that

the description of the act was faultless but the reality was that an average player trying to emulate this was in many cases impossible. But in order to know this you needed to play tennis and experience the difficulties in trying to emulate the experts.

The knowledge that underlies the ability to execute a perfect tennis serve is quite different from this encyclopaedia definition. Gummesson added that this is something that one simply allows to happen and there are no words that can adequately describe these actions. Life is full of this type of knowledge. The concept of preunderstanding enables the individual who has developed this to avoid having to bother with the interpretation of events that he or she has learned from everyday occurrences. This has been possible as; sense impressions, interpretation, understanding and language merge instantaneously, making it impossible to identify separate phases.

A lack of preunderstanding as stated by Gummesson will cause the researcher/consultant to spend a considerable time gathering the basic information (e.g., about the industry etc.) As most of the information, necessary to operate within a company can only be assessed by working in the environment and learning “how things work”. As the author has considerable experience and company knowledge, this concept allowed him to develop the initial theory and the next section will describe what was achieved and the subsequent research questions that arose from this activity.

However, this researcher was also aware as stated by (Gummesson 2000 p66) that it is essential that preunderstanding be subject to change and that the researcher in this case be aware of paradigm, selective perception, and personal defence mechanisms. Therefore, the need to be open, mature and honest in any investigation is paramount if the resultant theories are to be understood and successful.



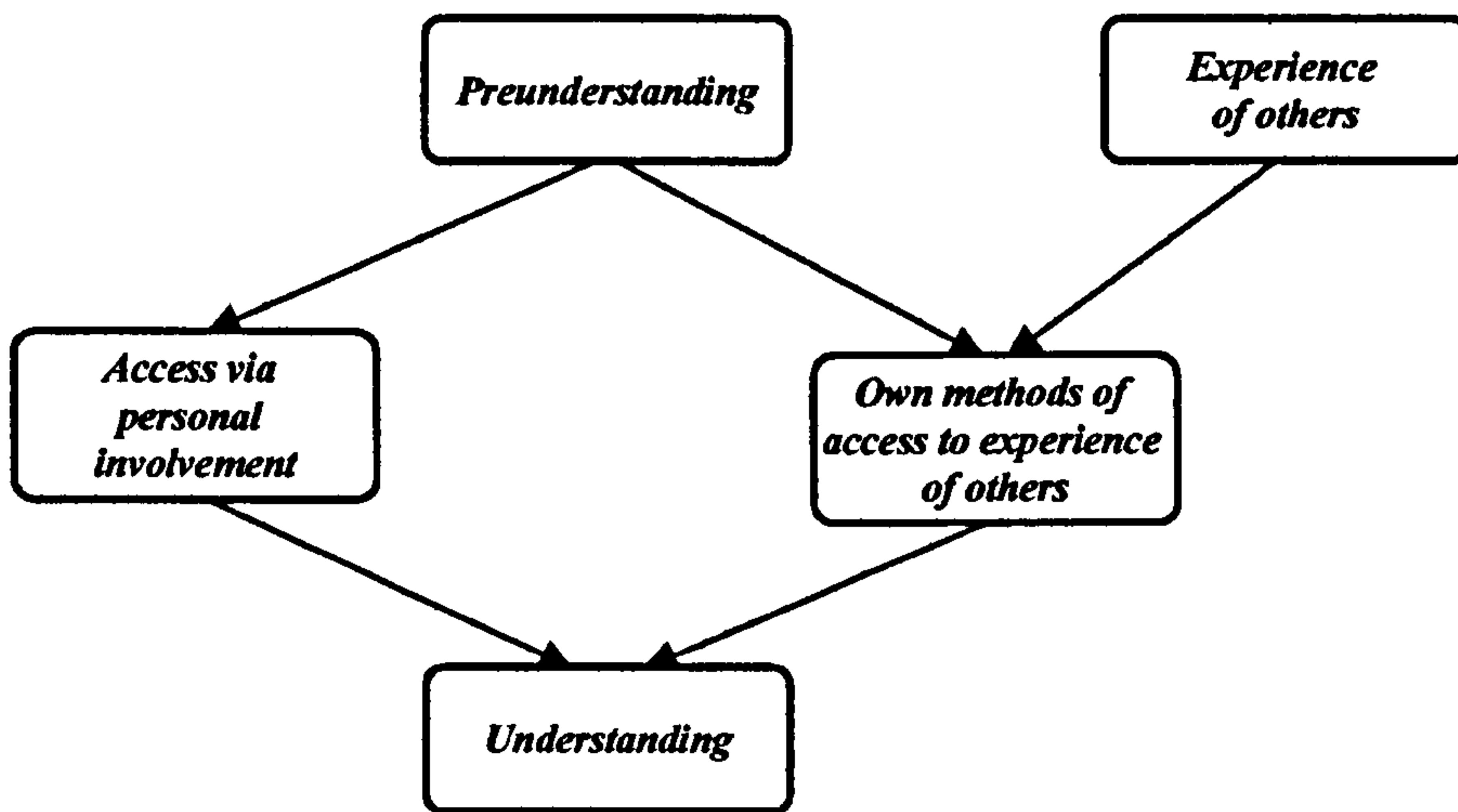
Source: Gummesson (2000)

Figure 3.1 Sources of Preunderstanding

Figure 3.1 shows the main areas (circled) that contribute to the growth of the authors preunderstanding. Personal experience both from life and work was in this case the main area that contributed to the development of the theory that was evolving. However, additional knowledge was obtained from the intermediaries shown circled on the right-hand side of the figure where a combination of academic research and discussions with friends and work colleagues combined with the authors personal knowledge enabled him to create a store of knowledge that represented the preunderstanding at the start of this research.

3.2.1 Creating the momentum for understanding

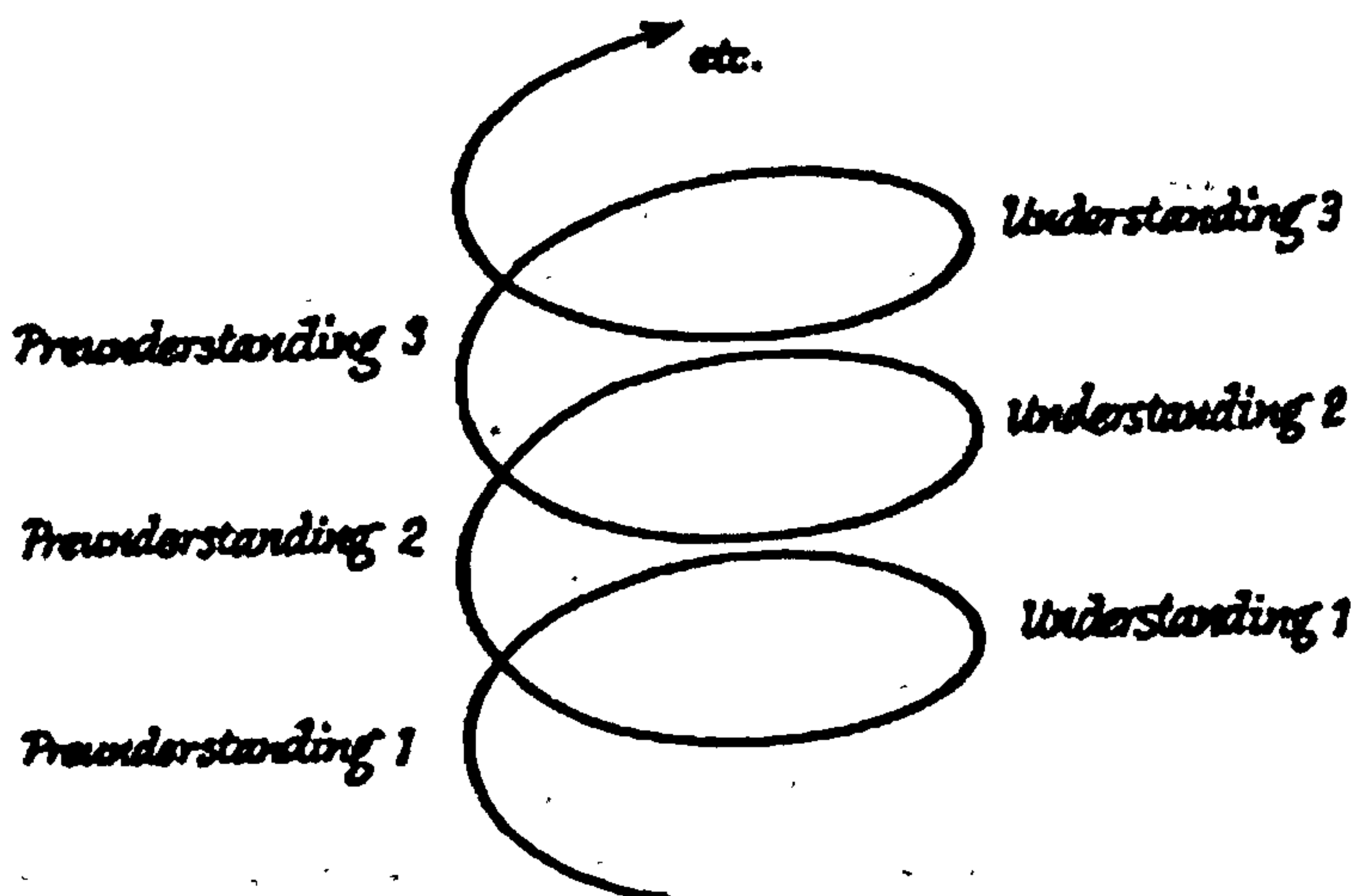
Having discussed what initiated the interest in this subject and the short story of how a company had problems of linking strategy to the employees. The emerging theory and conclusion was not a sudden realisation of an answer but is an evolution of research learning and experience. Gummesson illustrated this phenomena through his description of *understanding*, see figure 3.2, by stating that the researcher when approaching a project always has a certain amount of preunderstanding.



Source: Gummesson (2000)

Figure 3.2 Sources for Understanding

This knowledge is further enhanced by means of access, as participants in a process, such as the one discussed in chapter 1. Researchers are able to gain certain insights to add to their knowledge and as this writer highlighted in the case above, possess methods that allow analysis and interpretation of the experiences of others. Gummesson also stated that in scientific theory, reference is made to the *hermeneutic circle* and he illustrated this by the following statements “no understanding without preunderstanding” and “an understanding of the parts assumes an understanding of the whole”.



Source: Gummesson (2000)

Figure 3.3 The Hermeneutic Spiral

The hermeneutic circle or as Gummesson renamed it the hermeneutic spiral is an iterative process whereby each stage of the research provides us with knowledge and this is illustrated in figure 3.3 where we take a different level of preunderstanding to each level of the project (Gummesson 2000).

3.3 Potential research design

From the problem identified in chapter 1 and the literature reviewed in chapter 2 it became clear that the route to developing answers to the problems identified was through case study research. Voss *et al* (2002) stated that case research has consistently been one of the most powerful research methods in operations management, particularly in the development of new theory. Therefore, the use of this methodology in this research seemed to be most appropriate. Voss further emphasises that pure case research that is research based on the analysis of a limited number of cases to which, at best, only limited statistical analysis can be applied.

So why should this research point towards case research? Merideth (1998) detailed three outstanding strengths of case research put forward by Bebensat *et al* (1987):

1. The phenomenon can be studied in its natural setting and meaningful, relevant theory generated from the understanding gained through observing actual practice.
2. The case method allows the questions of why, what and how to be answered with a relatively full understanding of the nature and complexity of the complete phenomenon.
3. The case method lends itself to early, exploratory investigations where the variables are still unknown and the phenomenon not at all understood.

The problems highlighted in the introduction (section 1.2) indicated that the cascade of strategy and performance measures through the organisation becomes highly effective when built into the appraisal process and the employees understand the implications. Therefore, it is important to understand the theory and the current practice and determine if a gap exists. Case research provides a suitable vehicle to achieve this but first a review of the research problems and questions is necessary to ensure the eventual design is valid for the research paradigm.

3.4 Research Objectives and Questions

The research methods used in a research project depend on the nature of the research objectives and questions. Therefore, it is desirable before selecting the appropriate research method to outline these. After an exhaustive review process of the problem, the objectives and research questions were evolved. The initial objectives as stated initially in chapter 1 remain valid and are to:

1. Identify the gaps in the processes of linking strategy, performance measurement and appraisals systems that can lead to increasing the effectiveness of employee performance.
2. To provide an analysis of current frameworks used to provide the links between strategy, performance measurement and employee performance systems.
3. Implement experiments for testing the validity and applicability of the processes identified.

To achieve these objectives, the research questions were redefined:

1. Why are companies failing to effectively deploy strategy down to the individual?
2. How can the research identify the gaps in the process and are these valid?
3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?
4. By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?
5. If by linking strategy, PMS and appraisal processes will this lead to increasing employee effectiveness?

The aim of this research methodology is to outline the research strategy pertaining to the study of how companies deploy their strategy throughout the organisation and the effect this has on employee performance when linked to the appraisal process. By identifying the gaps in theory and practice, it is also hoped to identify an appropriate model that guides and measures the performance outcomes identified by the appraisal process. Specifically, the research objectives are derived from identifying gaps in the literature and the subsequent research design embraces both qualitative and quantitative methods.

The deficiency in understanding raised by these research problems has implications for research methods in this area. An appropriate research method for building a causal explanation of linking strategy and appraisal processes is now introduced.

3.5 Research Philosophy – selecting the theoretical paradigm

Like any human action, research is grounded on the philosophical perspectives, implicitly or explicitly. Ignoring philosophical issues, though not necessarily fatal, can seriously affect the quality of the research in management science. Understanding the philosophical positioning of research is particularly useful in helping the researcher clarify alternative designs and methods for a particular research, and identifying which is more likely to work in practice (Easterby-Smith *et al* 1991).

(Easterby-Smith *et al* 1991) also argued that there are three reasons why an understanding of philosophical issues are important:

1. It can help clarify research designs.
2. Knowledge of philosophy can help the researcher to recognise, which research design may work and which may not.
3. Knowledge of philosophy can help the researcher identify, and even create, designs that may be outside his or her experience.

Before we examine the paradigm options that were analysed to identify what was the optimum route for this investigation a definition of what is meant by theoretical paradigm. Christie *et al* (2000) identified that a theoretical paradigm is the underlying basis that is used to construct a scientific investigation. It is a loose collection of logically held-together assumptions, concepts, and propositions that orients thinking and research. A paradigm can be defined as the basic belief system or world-view that guides the investigation/researcher.

Three distinct philosophical approaches to developing research have been investigated in order to locate case studies as a research methodology within one of them. However, there has been the subject of a long-standing debate in science, positivism and phenomenological (realism) paradigms. These two paradigms lie at the two extremes of a continuum (Easterby-Smith *et al* 1991) and while they have been researched widely,

this research will also look at a mixed approach (Amaratunga and Baldry 2001; Remenyi *et al* 1998).

3.5.1. Positivist Approach

The *positivist* approach, often designated as quantitative research, believes that the subject under analysis should be measured through objective methods rather than being inferred subjectively – through sensation, reflection or intuition (Remenyi *et al* 1998). Among the major implications of this approach are the need for independence of the observer from the subject being observed, and the need to formulate hypotheses for subsequent verification. Positivism searches for causal explanations and fundamental laws, and generally reduces the whole into its simplest possible elements in order to facilitate analysis (Easterby-Smith 1991; Remenyi *et al* 1998).

The primary mode of the research inquiry of positivism is theory testing based on deduction. The use of this hypothetico-deduction allows for statistical generalisation to be tested, with replaceable findings being true (Guba and Lincoln, 1994). Also the principle data collection techniques include experiments and sample surveys that are out-come oriented and assume the natural laws and mechanisms. The researcher carries out data collection for the positivism approach, as he/she is remote from the phenomena under investigation.

In contrast to the positivist paradigm, the following two paradigms, realism and constructivism are more suitable for exploring complex social phenomena that require working with people and real life experiences and where the researchers seek to understand the problem by reflecting, probing, understanding and revising meanings, structures and issues (Hirschman 1986; Orlikowski *et al* 1991). Not all research issues allow an entirely value-free, one-way mirror between phenomena and the researcher.

The building of a strategy focused appraisal system does not seek to identify causal relationships as you would in the positivistic paradigm but would consider the complex nature of the research problem by reflecting, probing etc of the issues of the deployment of strategy and the development of objectives in the appraisal process. To build an

entirely value-free, one-way mirror between phenomena and the researcher would not be possible in this form of research.

3.5.2. Constructivism Approach

This methodology investigates the beliefs of the individual rather than investigating an external reality, such as the tangible and comprehensible economic and technological dimensions of management. The constructivist paradigm, perception by itself is not reality but is a blend of perceptions and external reality. Perceptions are important for they assist in examining complex reality. Multiple realities cannot be the focus of constructivist research. Constructivism is interested in the values which are beneath the findings thus it uses inductive methods.

The inductive methods of constructivism require the researcher to be a 'passionate participant' (Guba and Lincoln 1994) during fieldwork. The constructivist approach means problem solving through the construction of models, diagrams, plans, organisations etc. This mode of research is widely used in technical sciences, mathematics, operations analysis and clinical medicine (Kasanen and Siitonen 1993). Christie *et al* (2000) stated that in contrast, any research that has to deal with multiple realities such as detailed in this thesis that has elements of both positivism and constructivism then that paradigm is realism.

3.5.3. Phenomenological (realism) Approach

The *realism* approach, also known as the interpretative or phenomenological approach, understands reality as holistic, and socially constructed, rather than objectively determined. (Susman and Evered 1978) talk of an "epistemological crisis" in management research which has arisen out of the application of the positivist model of science in the social sciences and hence realism, an approach which arose in the last half of the twentieth century.

According to this philosophy, the researcher should not gather facts or simply measure how often certain patterns occur, but rather appreciate the different constructions and meanings people place upon their own experiences and the reasons for these differences. The realism approach tries to understand and explain a phenomenon, rather

than search for external cause or fundamental laws (Easterby-Smith *et al* 1991; Remenyi 1998). Realism provides a worldview in which an actual social phenomenon can be ascertained even though it is imperfect.

The central premise of non-positivist research is that the researcher should be concerned with understanding the phenomena in depth and that the understanding should result from attempting to find tentative answers to questions such as ‘What?’ ‘Why?’ and ‘How?’ Phenomenology (realism) contends that such an understanding can result from using methods other than measurement, unlike the assumption positivism, which is ultimately concerned with answering the questions of ‘How many?’ or ‘How much?’ (Remenyi *et al* 1998)

For the realist the means to determine the reality of a social phenomenon is through the triangulation of cognition processes. A perception for realists is a window on to reality from which a picture of that reality can be triangulated with other perceptions (Christie *et al* 2000). Within this framework, the discovery of observable and non-observable structures and mechanism, independent of the events they generate, is the goal of this research methodology. Realism researchers observe the empirical domain to discover knowledge of the real world, by naming and describing the generative mechanisms that operate in the world and result in the events that may be observed. Given this complexity of the social science world, reality is considered real but fallible.

Therefore, this methodology appears to fit the problem described in this thesis of how to maximise human effort through performance management by linking strategy to performance appraisal systems. As the investigation is to discover through identifying, describing and analysing the variables of the structures and generative mechanisms of the strategy deployment processes and the relationship that is necessary to improve individual and team performance.

However, before the realism approach is concluded a further review of the three methodologies is required. The philosophical assumption that supports the three theoretical paradigms relate to ontology, epistemology and methodology and these are summarised below in table 3.1. Ontology is the essential assumption that is made

regarding the basic elements of reality. Epistemology examines the character and basis of knowledge or the characteristics of the relationship between reality and the researcher. Methodology is the procedure carried out by a researcher to explore that reality (Guba and Lincoln 1994).

As we have discussed the three approaches of research paradigm and indicated that the phenomenological (realism) approach favours this research of “linking strategy to performance appraisal systems” two of the main philosophical approaches to developing research, positivism and phenomenology have been subject to long-standing debate in management science. While the two approaches have been analysed above in relation to the research subject there is an argument that a pure approach can be unrealistic. Therefore, can a mixed approach can be considered an appropriate route (Amaratunga and Baldry 2001).

Item Paradigm	Positivism	Constructivism	Realism (Phenomenology)
Ontology	Naïve realism: Reality is real and apprehensible	Critical relativism: Multiple local and specific ‘constructed’ realities	Critical realism: Reality is ‘real’ but only imperfectly and probabilistically apprehensible and so triangulation from many sources is required to know it
Epistemology	Objectivist: Findings true	Subjectivist: Finding created	Modified objectivist: Findings probably true with awareness of values between them
Common methodologies	Experiments/surveys: Verification of hypothesis; chiefly quantitative methods	Hermeneutical/dialectical: Researcher is a ‘passionate participant’ with the world being investigated	Case studies/convergent interviewing: triangulation, interpretation of research issues by qualitative methods. (i.e. structural equation modelling)

Source: Guba & Lincoln 1994

Table 3.1 Basic belief systems of alternative inquiry paradigms

3.5.4. Mixed Approach

The *mixed* approach Remenyi (1998) argues that positivism and realism are not totally different in terms of their impact on research, and in the generalisation of findings. Both approaches need a convincing argument that the findings are valid before these findings are accepted as a valuable addition to the body of knowledge. Ultimately, it is more

useful to see these two approaches as complementary rather than as two opposite extremes (Remenyi *et al* 1998).

The philosophical approach underlying this research is a balance between positivism and realism. This shows in the way the research questions were formed. Objectives were formulated to identify empirical evidence to match theoretical propositions. Remenyi (1998) suggest that the world is essentially non-deterministic (in any absolute sense) and repeated positivist research will produce different results; a balanced approach is therefore more “realistic”. Furthermore, because an intention was to understand the holistic context of strategy and performance measurement frameworks and appraisal approaches, a “realism” approach would help to provide the means to interpret practice allowing a study of the various different practices that companies use within the theoretical framework.

A pure realism approach was not applied, as there was an expectation that, to a certain level, other researchers should be able to apply the same research methodology and obtain similar results. This assumption was incompatible with the basic fundamentals of a “pure” realism approach where establishing “different views” is one of the preferred research methods. (See Table 3.2, to illustrate the principles of the mixed approach applied to the research).

	Positivist paradigm	Phenomenological paradigm
Basic beliefs:	<ul style="list-style-type: none"> ➤ the world is external and objective ➤ observer is independent ➤ science is value-free 	<ul style="list-style-type: none"> ➤ the world is socially constructed and subjective ➤ observer is part of what is observed ➤ science is driven by human interests
Researcher should:	<ul style="list-style-type: none"> ➤ focus on facts ➤ look for causality and fundamental laws ➤ reduce phenomena to simplest elements ➤ formulate hypotheses and then test them 	<ul style="list-style-type: none"> ➤ focus on meaning ➤ try to understand what is happening ➤ look at the totality of each situation ➤ develop ideas through induction from data
Preferred methods include:	<ul style="list-style-type: none"> ➤ operationalising concepts so that they can be measured ➤ taking large samples 	<ul style="list-style-type: none"> ➤ using multiple methods to establish different views of phenomena ➤ small samples investigated in depth or over time

Source: Easterby-Smith *et al* 1991

Table 3.2. The characteristics of positivist and phenomenological paradigms

Before we discuss the route that this research methodology has taken, it is appropriate to point out there is no single research method or strategy that is ideal for all types of research (Easterby-Smith *et al* 1991). Consequently, the researcher must continually use judgement to select the most appropriate research strategy. In fact, acquiring the knowledge and skill to select the most appropriate research strategy is one of the most important outcomes of conducting management research (Buchanan, 1980).

However, frameworks have been developed which can be used as guidelines in selecting the appropriate research method. Buckley *et al* (1976) proposed a comprehensive framework of research methodology as depicted in figure 3.4. Using this methodology framework the issues the investigation can be examined and outlined.

3.5.5 Problem Definition

Research methodology can be divided into two wide areas - problem finding and problem solving. Research problems may be generated formally or informally. Formal problem finding implies that careful and methodical procedures are used to discover the research problems. Obviously, scientific research needs a formal approach to ascertain the research problems, while an informal approach uses a subjective and non-routine process of problem finding. Formal and informal methods are indicated as prescribed by Buckley (1976) in figure 3.4

Problem definition is an important aspect in conducting research. Many research projects have failed because of poor problem definition. An appropriate research problem is characterised by the following attributes (Buckley *et al* 1976):

1. The problem is defined properly. It is labelled and described accurately.
2. The problem is expressed in solvable terms.
3. The problem is connected logically to the environment from which it is drawn and the solution can be applied within such an environment.
4. The problem has been screened against the existing body of knowledge to assure its uniqueness, i.e. it has not been solved previously.
5. The solution to the problem must be viewed as making a potential contribution to the body of knowledge.

Buckley also emphasised that literature search is an important part of problem-definition. The intent is to see whether the problem has surfaced previously, to examine the environment from which it was drawn, and to evaluate proposed solutions to the problem. From the literature review conducted in this research, gaps in theory were identified from the literature review, which provide potential research areas.

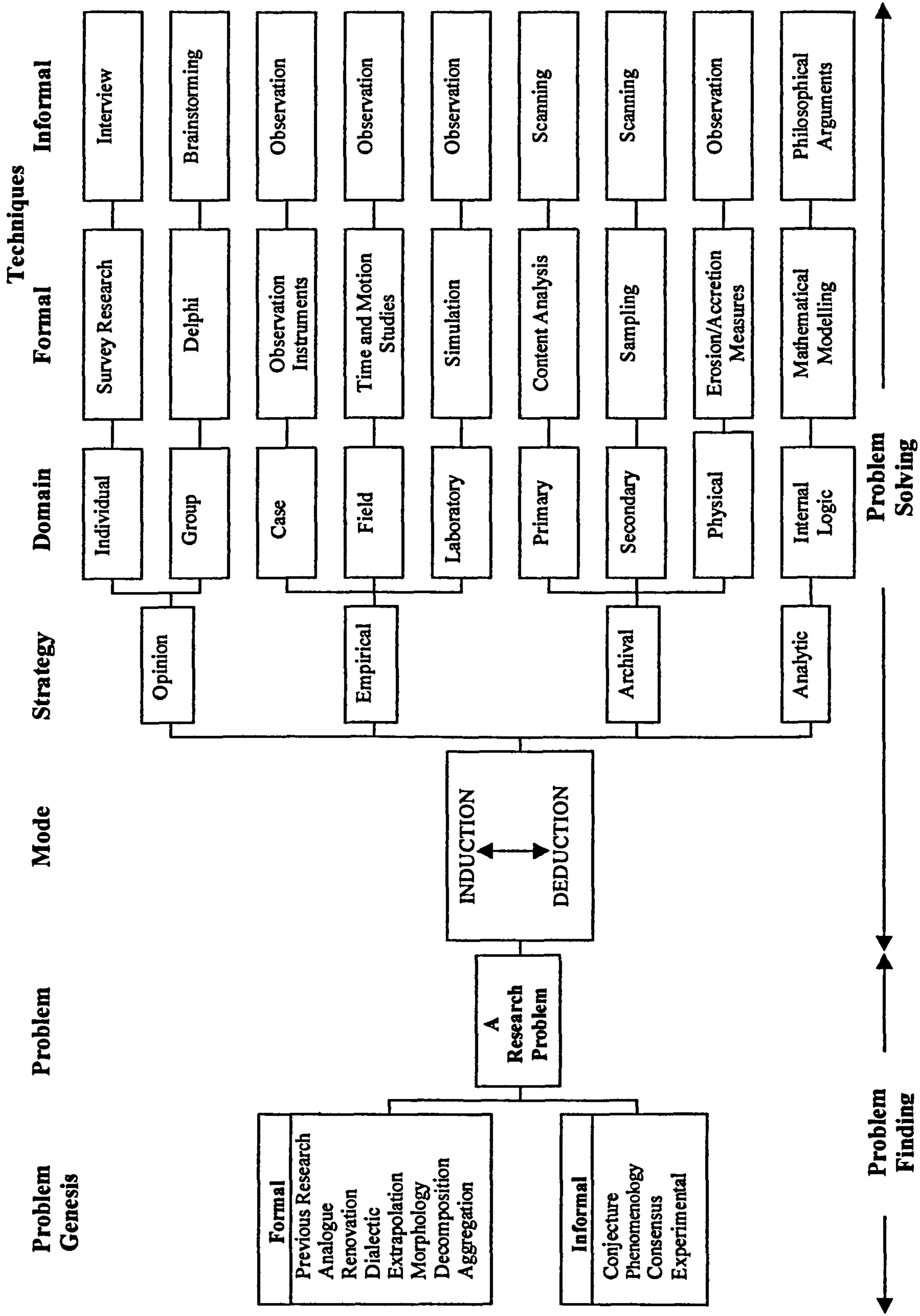


Figure 3.4. Framework of research methodology (Buckley et al 1976)

3.5.6 Research Mode

In Buckley’s framework for research methodology, he highlighted two modes of research, induction and deduction. The characteristics of induction and deduction modes are highlighted in table 3.3.

Research Mode	Objective	Hypothesis	Type of Question
Induction	Theory generating, fact finding	Priori	Which, where, who, why, whether, how and what
Deduction	Theory testing	A priori	Will, is, if, set-responses questions, task-responses questions.

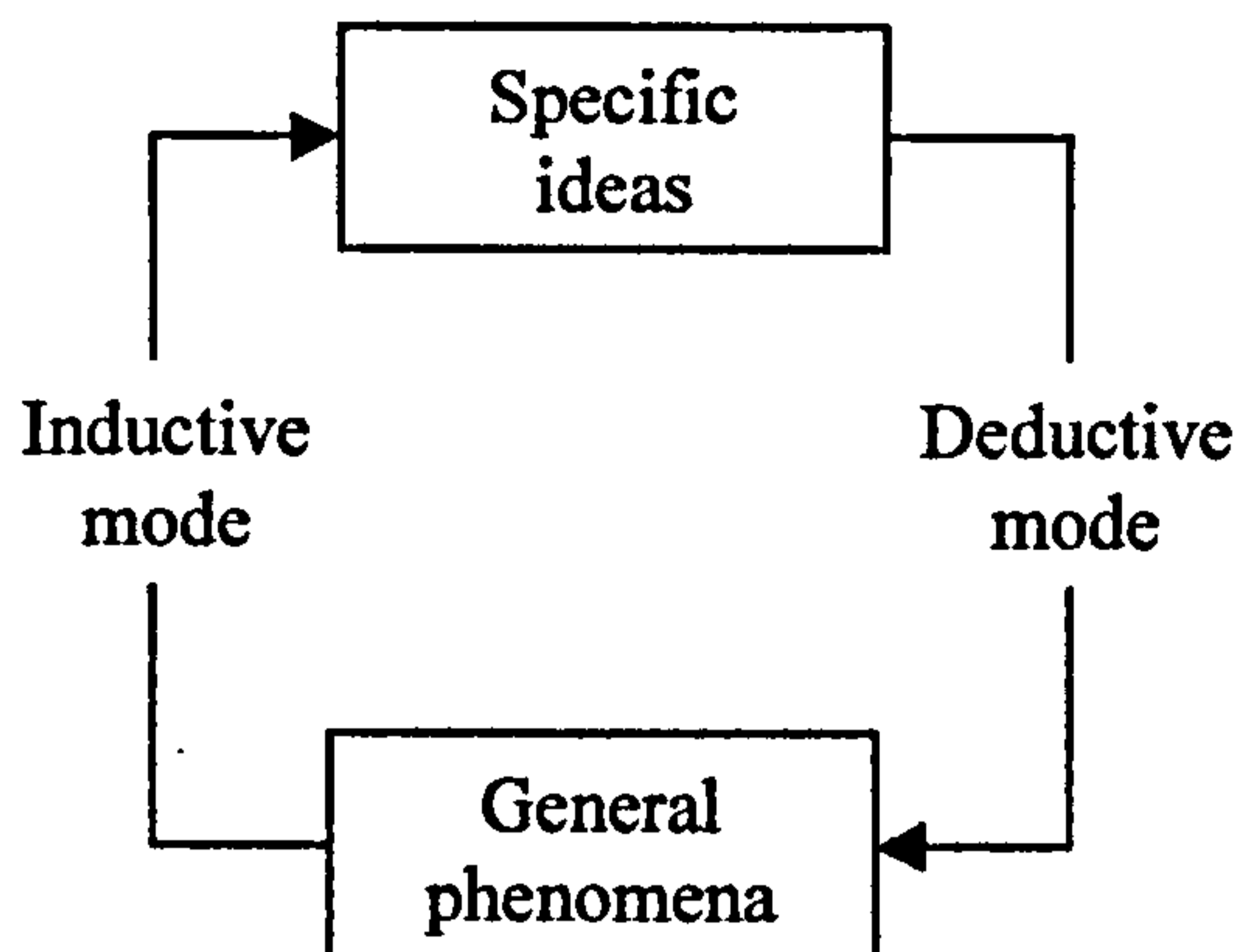
Developed for this research

Table 3.3 Characteristics of induction and deduction modes

Induction is the process by which theory is generated. Deduction is the process by which it is tested. If a researcher does not have an answer to a question and embarks on a fact-finding mission, he/she is engaged in inductive research. If the researcher has what he/she believes to be an answer to a research question, but wishes to confirm or apply it through further testing, he/she is engaged in deductive research (Buckley *et al* 1976).

3.5.6.1 Deductive Mode

In deductive research, theory is tested. This may be done by validating theory or testing its applicability to a given set of circumstances. Deductive research is guided by “A priory” hypotheses, which precede the research activity. The results of the research may prove or disprove the hypotheses. Deductive mode is used when a researcher adopts positivism paradigm. Easterby-Smith *et al* (1991) pointed out that one of the implications of positivism ideas is that science proceeds through a process of hypothesising fundamental laws and then deducing what kinds of observations will demonstrate the truth or falsity of these hypotheses. He also stated that positivism paradigm tries to generalise about regularities in social behaviour through investigating sufficient size of samples. Deductive research moves from specific ideas to general phenomena as indicated in figure 3.5 below.



Developed for this research

Figure 3.5 Inductive and deductive mode

Identification of whether research mode is induction or deduction is an important issue, since it affects the definition of problems, the researcher's attitudes and the selection of research methodology. A deductive research method entails the development of a conceptual and theoretical structure prior to its testing through empirical observation (Gill and Johnson 1997). The deductive theory-testing nomothetic research methods of positivism do not necessarily sufficiently capture the intricacy of social organisational settings (Kaplan 1986).

3.5.6.2 Inductive Mode

The aim of inductive research is to generate theory based on the fact-finding activities carried out in the research, that is when the researcher does not have an answer to a question on the research, or when the outcome of the research is not known in advance. In other words, there is no substantive "A priori" hypothesis. Researchers who adopt the phenomenological research philosophy use inductive mode. Easterby-Smith (1991) pointed out that one of key features of phenomenological paradigms is that the researcher develops ideas through induction from data. The research moves from general phenomena to a more specific idea as indicated in the figure 3.5 above.

Inductive approaches are intended to aid an understanding of meaning in complex data through the development of summarised themes or categories from raw data. Gill and Johnson (1997) states that in sharp contrast to the deductive tradition, in which a conceptual and theoretical structure is developed prior to empirical research, theory is the outcome of induction. However, the modern justification for taking the inductive

approach tends to revolve around two related arguments. First, is that explanation of social phenomena are relatively worthless unless they are grounded in observation and experience.

The most famous rendition of this view is provided by Glaser and Strauss (1967) in their book, *'The Discovery of Grounded Theory'*. The second argument arises from a critique of some of the philosophical assumption embraced by positivism. One of the main themes of positivisms and much of the deductive tradition is the conception of scientific method constructed from an approach in the natural sciences, particularly physics. This entails the construction of covering-laws that explain past and future observations, through causal analysis and hypothesis testing. The format of this explanation is; A causes B *or* variation in A causes variation in B *that is* stimulus A causes response B. Gill and Johnson (1997) commented on this critique of positivism that supporters of induction reject the causal model, illustrated by A; B above, because they considered that this kind of explanation is inappropriate.

3.5.7 Research Strategy

Buckley *et al* (1976) argued that research methodology consists of strategies, domains and techniques and he defined these as follows:

- Methodology is the particular set of strategies, domains and techniques employed in generating or testing theory.
- Strategy refers to the essential nature of the data and the process by which it is found and analysed.
- Domain refers to the data source and environment.
- Technique refers to the instrument that is used to find and analyse data.

Four strategies can be adopted to conduct research. These are opinion, empirical, archival and analytic research. The domains and techniques that can be used for each research strategy are indicated in figure 3.4. The characteristics of these strategies are indicated in table 3.4.

It is clear that no research methodology is perfect. The objective of this chapter is to select the best methodology from the options available.

Strategy	Objective/Application	Strengths	Deficiencies
Opinion	<ul style="list-style-type: none"> To seek the views, judgements, or appraisals of other persons It is best suited for research on attitudes, impressions, beliefs and future research 	<ul style="list-style-type: none"> The ability to capture people's impressions Simplicity The ability to sample large population The opportunity to analyse data through various statistical procedures 	<ul style="list-style-type: none"> The bias introduced in survey instruments Non-factual, unrealistic Unstable over time
Empirical	<ul style="list-style-type: none"> To observe and/or experience things for oneself rather than through mediation It is best suited to analyse actual behaviour, fact-finding and seeking reality 	<ul style="list-style-type: none"> The contact with reality Using laboratory studies, the most stringently controlled research can be carried out 	<ul style="list-style-type: none"> It is limited to present situation Sensory error Psychological interpretation Lack of precision of the instruments used Bias due to the investigator's prejudice
Archival	<ul style="list-style-type: none"> To examine recorded facts It is best suited to historical analysis, extrapolation of past trends into the future and gathering hard evidence 	<ul style="list-style-type: none"> The ability to access and manipulate a vast quantity of factual information 	<ul style="list-style-type: none"> Selective de-positioning Selective survival Selective retrieval Filling in the gaps Skill deficiencies
Analytical	<ul style="list-style-type: none"> By the use of internal logic to break down the problem into its component parts in order to discover its true nature and the causal relationships among variables It is best suited to cerebral activity and provides most scope for imagination and creativity 	<ul style="list-style-type: none"> The obviation of the need to search for additional data The requirement for mental power to be brought to the task 	<ul style="list-style-type: none"> Requires first-rate mental ability Unwillingness or inability to apply the scientific method of research Can only create theory - hard to be proved Logical error Problem semantics Temptation to focus on trivial and irrelevant problems

Source: Buckley *et al* (1976)

Table 3.4 Characteristic of research strategies

3.5.8 Selecting the Research Method

Having determined what the problem is and having reviewed the many research methodologies, a method must be selected that is best suited to the prevailing circumstances. The framework used in this thesis for selecting the research method is depicted in figure 3.4. As there is more than one method, which can be used in research, especially if multiple problems exist as in this research. Therefore, by analysing each problem identified the selection of an appropriate research methodology was achieved and the applied (Buckley *et al* 1976).

The selection of the method to address the research question 1 was carried out as follows:

Question 1

Why are companies failing to effectively deploy strategy down to the individual?

Research Mode

The first question is in the form of ‘why’ type mode, which is the type of question that must be solved using inductive research.

Research Strategy

The research intends to find a technique that will identify factors that influence linking strategy to appraisal performance by its nature in terms of the relationship and quantitative effects. In order to simplify the process it is also necessary to find a technique to break down one large problem into several smaller ones. This research is suited to the objectives and approach of Opinion research described as “*To seek the views, judgements, or appraisals of other persons*”.

Research Domain

Opinion research has two domains, i.e. individual/Group.

Research Technique

Any of the four formal and informal techniques may be used to solve question 1. However, for this research survey and interviews will be the main techniques used.

The same procedure is used to select the appropriate research methods to solve the other problems. A summary of the research methods selected to address each research problem is indicated in table 3.5 below.

Research Problem	Type of Question - Research Mode	Research Strategy	Research Domain	Research Techniques
Question 1	Why? – Inductive	Opinion	Individual Logic	Survey research and Interviews
Question 2	How? – Inductive	Opinion	Individual Logic	Survey research and Interviews
Question 3	Task-response? – Deductive	Empirical	Case Study	Goodness of fit and Observation
Question 3	Is? – Deductive	Empirical	Case Study	Goodness of fit and Observation
Question 5	If? – Deductive	Empirical	Field Study	Observation

Developed for this research

Table 3.5 Summary of the research methods selected

The nature of the research at this stage meant that intensive research methods were preferred and in order to achieve this the case study route was confirmed and selected. This was based on a well-defined methodology providing the means to scientifically answer the broader questions. Prior theory contributes in this investigation by creating the foundation and a means to refine the conceptual framework collection. Additionally, prior theory in this research focused both on preunderstanding and the literature review, which assisted in developing the issues and schedule, along with a suitable research design and system of data collection (Miles and Huberman 1984).

Yin (1994) also defines case study as “an empirical investigation into contemporary phenomenon operating in a real life context”. It is particularly valuable where the kind of control present in a laboratory is not feasible or ethically justified.

Having now reviewed the research paradigms and decided that a “mixed” approach is the most appropriate paradigm to use for this research. Buckley *et al* (1976) states, the research issue dictates the approach and methods to be used therefore, the paradigm decision was based on the rationalisation of the research needs, which led to the conclusion that the mixed paradigm could provide access to sufficient detail of the phenomena.

3.6 Building theory - case study design

This section provides a review of case study methodology but why does this research demand this? Having defined the best research design above to address the research problems identified from chapter 1. It found that as the research was attempting to generate new theory and with the research mode identified, which was based on *inductive* research. This type of research is based on fact-finding activities using 'Prior' theory, which revolves around two related arguments, observation and experience. Therefore, a most suitable route was to embrace case method research as the appropriate vehicle to answer our research questions.

The research methods are developed from the conclusions of the literature review in chapter 2 and as the research direction will now focus on case research, table 3.6 has been developed to highlight the various stages that the following section will now discuss.

Case research is widely used in management disciplines, notably organisational behaviour and strategy. Yin (1994) has described in great detail case study research design and Glaser and Strauss (1967) described the grounded theory method. Case research has its routes in the broader field of social sciences, in particular ethnographic studies and anthropology.

Eisenhardt (1989) also stated that case study is a methodology that focuses on understanding the dynamics present in a management situation. Yin (1994) also defines case study as "an empirical investigation into contemporary phenomenon operating in a real life context". He emphasised that this route was particularly valuable where the kind of control present in a laboratory is not feasible or ethically justified. Therefore, this route satisfies the research design structure.

Research Phase	Output
Stage 1: Literature review Pilot study	Research objectives: priori constructions and relationships. <ul style="list-style-type: none"> • research problem • research issues • research variables “Operationalibility” of research objectives; case study strategy. <ul style="list-style-type: none"> • conceptual framework • interview questions
Stage 2: Case study and evaluation Phase one analysis Questionnaire Survey and interview	In-depth and causal explanations of strategy deployment and linkage to appraisal systems <ul style="list-style-type: none"> • case analysis • cross-case analysis • confirmation of conceptual framework • peer evaluation Initial qualitative findings: strategy /performance measurement and appraisal tools which form the interview and postal questionnaires. Quantitative support for qualitative data
Stage 3: Building	In-depth analysis of qualitative and quantitative research and theory building and verification <ul style="list-style-type: none"> • theory construction • model for deployment of strategy in appraisal construction • future testing

Source: developed for this research

Table 3.6 Outline of the Research Strategy

3.6.1. Multiple versus single case studies

Case studies can be single or multiple-case designs. Multiple cases provide a more rigorous and complete approach than single research, thus increasing confidence in the robustness of the theory. This is due to the triangulation of evidence (Eisenhardt 1989; Stake 1994; Yin 1994). The use of multiple cases in this study underlines the complexity of the topic under investigation and develops the empirical evidence to support and sharpen the theory. The approach to the case studies involves theory building and verification rather than testing.

The evidence from multiple case studies, however, is often considered more compelling and is regarded as more robust. Whether a resulting theory is “generalisable” is related to the complexity of external validity, i.e. whether external conditions are thought to produce much variation in the phenomenon being studied. In the context of this research, perhaps the most critical aspect of the case study approach is that it provides a

limited basis for the traditional “scientific generalisation” (Yin 1994; Remenyi *et al* 1998).

As with all experimental observations, case study results can be generalised to theoretical propositions, analytical generalisation, but not to populations or universes, statistical generalisation. Thus, the aim of case studies cannot be to infer global findings from a sample to a population, but rather to understand and articulate patterns and linkages of theoretical importance. Amaratunga and Baldy (2001) stated that it is important to emphasise that case studies deal with unique situations and, because of that, it is not possible to elaborate detailed and direct comparisons of data.

According to Yin (1994), the quality of any given design can be judged according to the following four previously mentioned tests: construct validity, internal validity, external validity and reliability. The application of Case study methodology as a means of theory building in this research is illustrated in table 3.7. The validity and reliability tests were revisited as part of case study design. To further overcome limitations in case study research methods, some authors propose the use of combined or multiple methods, e.g. triangulation techniques.

Yin (1994) determined that any research study, for it to be valid, should conform to, and “pass” certain design tests with regard to various levels of research validity and he refers to four tests as the criteria for judging the quality of the research design as:

- **construct validity** – establishing correct operational measures for the concepts being studied;
- **internal validity** – establishing a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships;
- **external validity** – establishing the domain to which a study’s findings can be generalised;
- **reliability** – demonstrating that the operations of a study – such as the data collection procedures can be repeated with the same results.

The design tests, which along with those measures implemented to ensure design test acceptability. A number of key design checks have been incorporated within the

research, ensuring that it conforms to and repeats good academic practice as well as making sure it remains relevant to the research outcomes.

Tests	Case study tactic	Phase of research in which tactics occurs
Construct Validity:	Use of multiple sources of evidence Establish chain of evidence Have key informants review draft case study report	Data collection Data collection Composition
Internal Validity:	Do pattern matching Do explanation building Do time-services analysis	Data analysis Data analysis Data analysis
External Validity:	Use replication logic in multiple case studies	Research design
Reliability:	Use case study protocol Develop case study data base	Data collection Data collection

Source: Yin (1994)

Table 3.7. Validity and Reliability in Case Study Research

Tying an emergent theory to existing literature enhances the internal validity and the generalisation of case study research. After cross-case comparisons of the propositions, the emergent theory is compared with the theoretical framework identified at the literature review phase. While linking results to the literature is important in most research, it is particularly crucial in theory building research because the findings often rest on a very limited number of cases. In this situation, any further corroboration or internal validity or its generalisation is an important improvement.

3.6.2 Triangulation

The need for triangulation (Stake 1995) arises from the ethical need to confirm the validity of the process. In case studies, triangulation can be achieved using multiple sources of data (Yin, 1994). The fundamental notion of the triangulation technique is that qualitative and quantitative methods should be viewed as complementary rather than as rival camps and is the combination of qualitative and quantitative methods in the study of the same phenomenon.

The effectiveness of triangulation rests on the premise that the weaknesses in each single method will be compensated by the counterbalancing strengths of another – it is assumed that multiple and independent measures do not share the same weaknesses or potential bias.

Triangulation (via multiple methods) was used in this research for two purposes: first, to use quantitative methods to support the findings of the qualitative research and secondly, to use the quantitative findings to uncover formal relationships between the constructs (derived from the qualitative research), thus providing extra impetus to the direction of the qualitative analysis. The specific methods and techniques used are described in the next section.

3.6.3 Forming and testing propositions

Yin (1994) states that a case study is a “bounded system” where all facts and measurements are interconnected with each other. Therefore, each individual case study consists of a “whole” study that has to be able to stand alone in its own right. In the cross-case analysis an explanation building approach is adopted this approach is complementary to the pattern matching approach, for the further formation of propositions but the aim is to analyse the data by building an explanation about the case.

The final phase of the theory building process as outlined in Eisenhardt (1989) is that of comparing those propositions developed for each case. During this stage, it is possible to identify the central case, which is the strongest in terms of developing theory around the subject areas of strategy deployment and appraisal design.

Pattern matching is improved in this research by using statistical quantitative indicators developed for a postal questionnaire survey. Searching for the typical behaviour and practical boundaries of quantitative indicators is the key strategy for increasing the accuracy of pattern matching and explanation building analysis. Non-structured discussions with practitioners and academics helped to refine further the interpretations of theory and practice. Such a “continuous learning process” enhances the “accuracy” of interpretations, hence increasing the construct validity of the study (Yin, 1994).

3.6.4 Case study construction

For this research, quantitative research supports the qualitative (case study) research. It indicates formal relationships between the constructs and as a result, the initial findings were used as a basis for the subsequent postal and interview questionnaires that were used to obtain the quantitative data. The objective of the qualitative research is to build

theory, while the aim of quantitative research is to provide further evidence to support the emergent theory. The findings from the quantitative research indicate relationships in the qualitative data that would otherwise have gone unnoticed. It is important to note that the quantitative research is aimed not at finding causality, but rather at finding associations amongst the variables, which support the findings in the qualitative data.

Having discussed the overall methodology in the previous sections where we highlighted that this research is based on multiple case evaluation and that we are using data collection methods and analysis, specifically to build new theory. However, before we discuss each of the case scenarios and the subsequent implications and analysis outputs, a research plan should be considered as an essential tool for guidance of the researcher.

3.6.5 Case Study Research Plan

The research plan for the case study process is the overall program of case research being undertaken, and involves the procedures this researcher carried out during the study. The case research plan provides procedural sign posts to direct and enable the researcher to focus on the desired direction.

The replication approach to multiple-case studies is illustrated in figure 3.6 (this approach was adapted from Yin, 1994) and the figure indicates that the initial steps in designing the study must consist of theory development and then the plan shows that case selection and the definition of specific measures are important steps in the design and data collection process.

Eisenhardt (1989) discusses methods and techniques, which can be used in the design of case research, including data collection and analysis, specifically to build theory. Eisenhardt develops a process for building theory from qualitative data, taking into account the problems of validity and reliability. These activities can be regarded as falling into the three categories highlighted in the figure 3.6 of data design, data collection and data analysis.

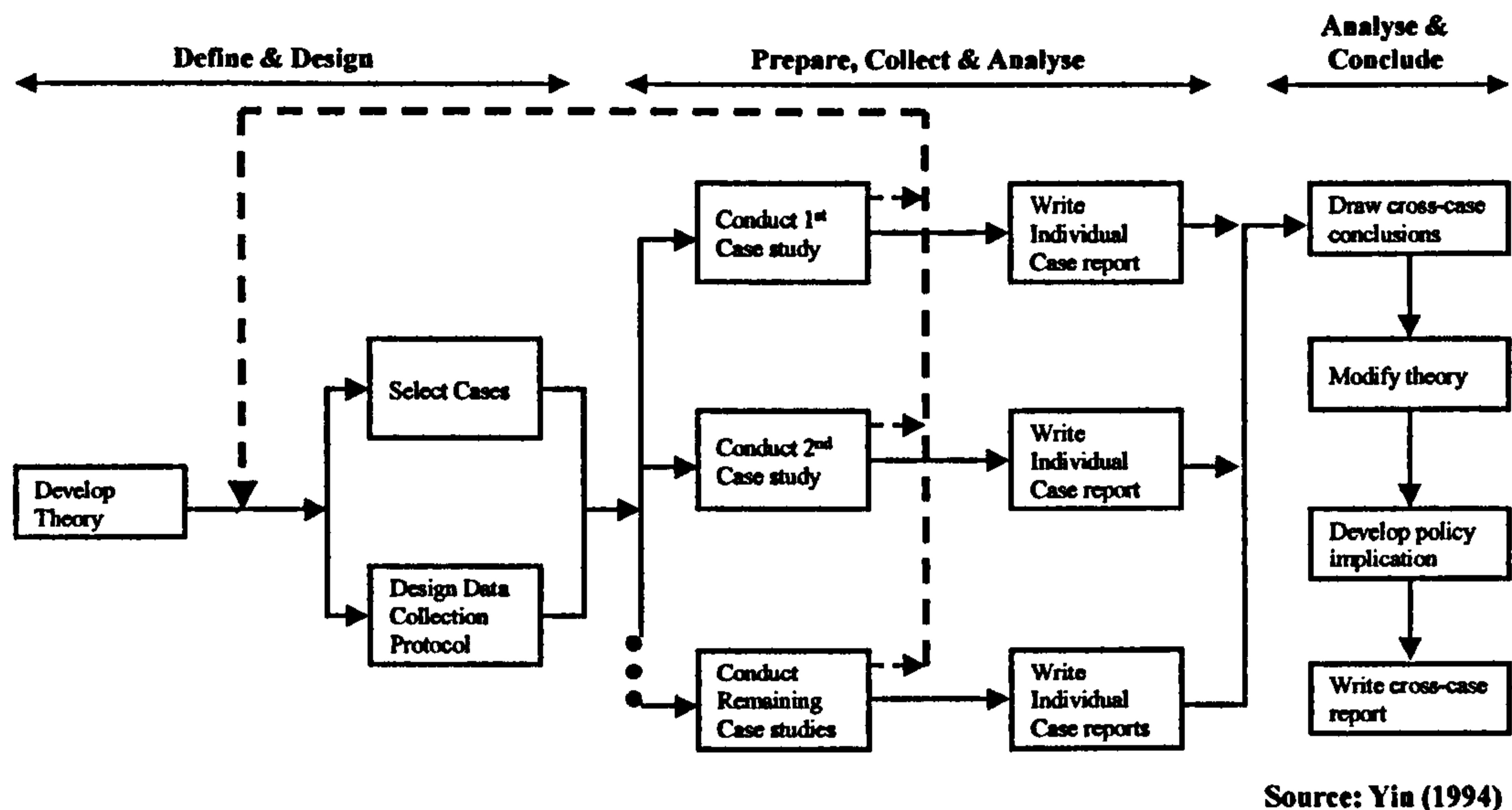


Figure 3.6. Case Study Method

- Analytical strategy** - the analysis of data forms the heart of the building of theory from case studies, but is the most difficult and least codified part of the process (Eisenhardt 1989). Appendix 3, 4 & 5 provide the statistical evidence compiled during the study.
- Within case analysis** - the analysis of multiple case studies is based on the comparison between empirical evidence and the theoretical propositions developed at the initial stages of the study and involved detailed case study write-ups for each case (these are not included in the thesis due to size). The aim is to become intimately familiar with each case as a stand-alone entity. This process allowed the unique patterns of each case to emerge before pushing towards generalise patterns across cases. This also provides an ability to develop a rich familiarity with each case, accelerating cross-case comparisons. Appendix 3 provides the analysis of the comparisons between cases.
- Cross-case patterns** - the tactics here are driven by the reality that people are poor processors of information (Eisenhardt 1989, Yin 1994). We tend to leap to conclusions based on limited data, ignore basic statistical properties and sometimes drop disconfirming evidence. Therefore, the key to good cross-case comparison is counteracting these tendencies by looking at the data in many different ways. The cross-case analysis used in this thesis uses the process that Yin (1994) calls replication logic, or pattern matching, similar to that used in multiple-experiments in science.

When a research is using the case study method then it is imperative that a case study protocol is employed. A protocol is more than an instrument for case research as it also contains procedures and general rules by which the case study activity should be followed. A protocol is essential if the research is using a multiple-case design and is a major tactic in increasing the reliability of case study research. The protocol is a list of activities from which a study should be tackled and should have a number of key sections, from determining the people to be interviewed, questions to be asked, description and analysis of case study reports and cross-case analysis.

3.6.5.1 Cross-case patterns of evaluation

The key to good cross-case comparison is counteracting the researchers tendency to be poor processors of information as outlined in point 'c' above and by looking at the data in many divergent ways such as using cross-case analysis will aid the reliability of the research.

Yin (1994) describes the process of replication logic as - the logic underlying the use of multiple-case studies is the same. Each case is carefully selected so that either:

- a) predicts similar results, a *literal replication*.
- b) produces contrasting results but for predictable reasons, a *theoretical replication*.

He also states that the ability to conduct six or ten case studies, arranged effectively within a multiple-case design, is analogous to the ability to conduct six to ten experiments on related topics. Two to three cases would be literal replications and four to six might be designed to pursue two different patterns of theoretical replications. If the six to ten cases turn out as predicted, in the aggregate the result would have provided a compelling support for the initial set of propositions (Yin 1994).

There is agreement in literature that a case study is a "bounded system" where all facts and measurements are interconnected with each other. Therefore, each individual case study consists of a "whole" study and that it has to be able to stand on its own right (Yin 1994).

The final phase of theory building process as outlined in Eisenhardt (1989) is that of comparing those propositions developed for each case. It was at this point the a central case study was identified, IBM, which is the strongest in terms of developing the new theory around the subject of strategy deployment and appraisal processes and the linkage of employee performance to company strategy. The other case studies are compared to the central case to identify which of the propositions are supported, whether through congruence or though improved or lesser performance of processes.

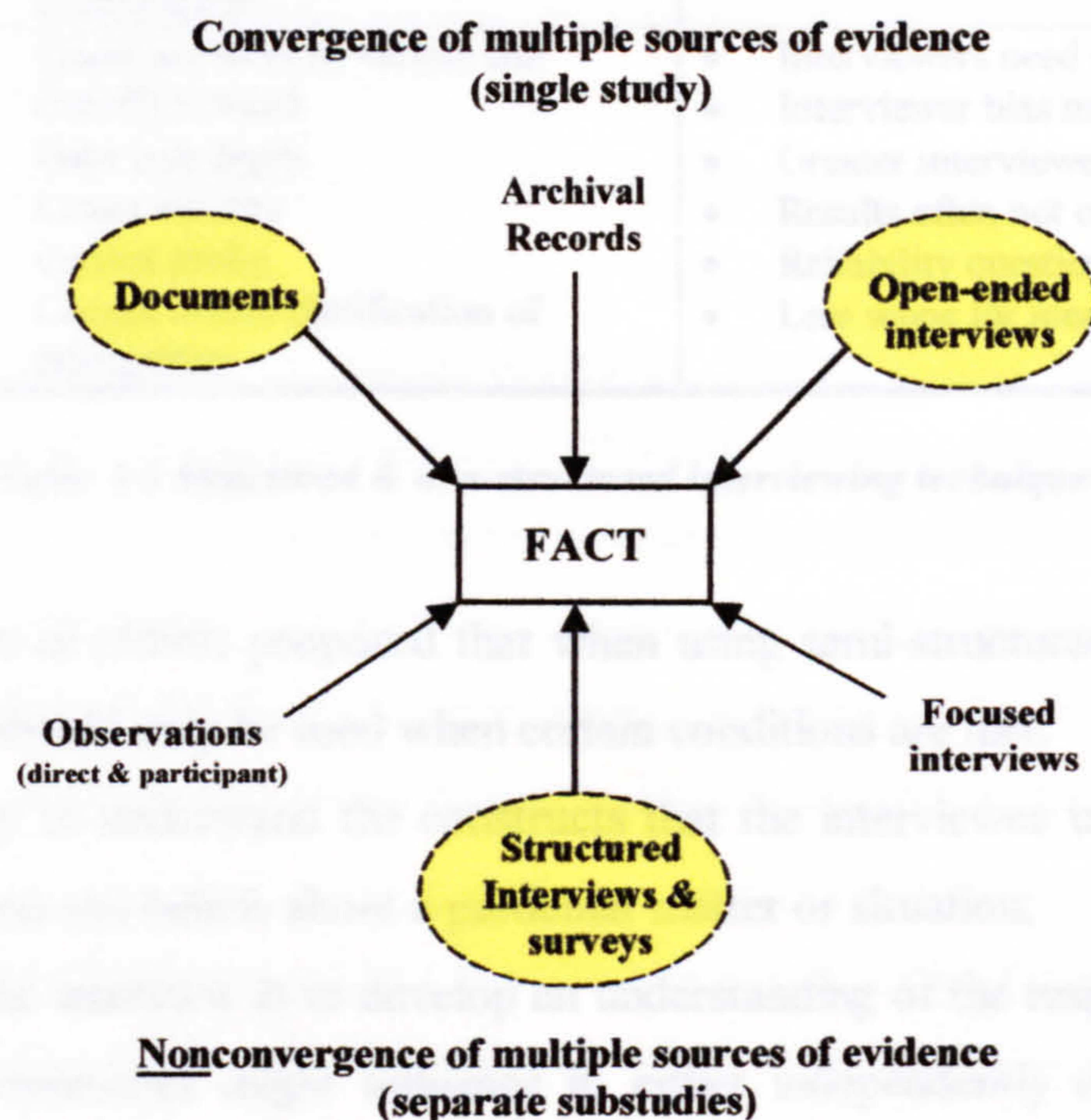
The overall quality of the pattern matching is improved in this research by using statistical quantitative indicators developed both for a postal questionnaire survey and a questionnaire survey taken prior to interviewing appraisal participants. The object of the questionnaires was to develop an understanding of the process of strategy deployment, communications, appraisal construction and linkage to strategy and performance measurement systems.

This is a key strategy for increasing the accuracy of pattern matching and explanation building analysis. Semi-structured interviews were conducted with management and non-management employees to help refine further the interpretations of theory and practice of the strategy and appraisal processes within each of the organisations. By combining these tools, the process enhances the “accuracy” of interpretations, hence increasing the construct validity of the research (Yin 1994).

The protocol step highlighted in figure 3.6, ‘define the design’ consists of a set of questions to be used in the interviews. The protocol also contains the procedures and general rules that should be used in using the instruments, and indicate who or from where different sets of information are to be sought. As briefly described above the questions outline the subjects to be covered during the interview, states the questions to be asked, and indicates the specific data required. The protocol serves both as a prompt for the interview and as a checklist to ensure that, all topics and elements have been covered. Voss *et al* (2002) comments that a well-designed protocol is particularly important in multi-case research. When developing the research protocol and instruments it is important to address triangulation (Yin 1994 and Easterby-Smith

1991). Case research data are not just collected by interview. Frequently questionnaires are used in collecting data within and across cases, as in this research.

Yin (1994) when describing triangulation sights 4 types but concentrates on the main area, which is data triangulation. This is where information is collected from multiple sources but is aimed at corroborating the same fact or phenomenon. In figure 3.7 below distinguishes between two conditions – when you have really triangulated (upper portion) and when you have multiple sources that address different facts (lower portion).



Source: Yin (1994)

Figure 3.7 Convergence & Nonconvergence of Multiple Sources of Evidence

3.6.6 Construction of the interview

Easterby-Smith *et al* (1999) argued that the interview is an appropriate research method. An interview can be described as an interaction involving the interviewer and the interviewee in the light of obtaining valid and reliable information. The technique has the benefit of gathering information quickly but can be complex and requires a high degree of skill to ensure reliability. Hart (1987) compared the two approaches,

structured and non-structured interviewing techniques see table 3.8 and described each of these as essential techniques for investigation.

	Standardised or structured interviews	In Deep, focused or unstructured interviews
Advantages	<ul style="list-style-type: none"> • Interviewer briefing and training simplified • Less scope for interviewer bias • Less interviewer variation • Classifying, coding and analysis simpler • Results comparable • Greater opportunity for measurement 	<ul style="list-style-type: none"> • Questions can be deep searching • Data rich and full • High degree of validity • Probing possible • Can obtain clarification of ambiguities
Disadvantages	<ul style="list-style-type: none"> • Questions must be simple and (usually) closed • Data lack depth • Lower validity • Cannot probe • Cannot obtain clarification of ambiguities 	<ul style="list-style-type: none"> • Interviewers need skill and training • Interviewer bias may increase • Greater interviewer variability • Results often not comparable • Reliability questionable • Less scope for measurement

Source: Hart (1987)

Table 3.8 Structured & non-structured interviewing techniques

Easterby-Smith *et al* (1999) proposed that when using semi-structured or unstructured interviews these should only be used when certain conditions are met.

- It is necessary to understand the constructs that the interviewee uses as a basis for his/her opinions and beliefs about a particular matter or situation;
- One aim of the interview is to develop an understanding of the respondent's 'world' so that the researcher might influence it, either independently or collaborate, as might be the case with action research.

In addition, they are useful when:

- The step-by-step logic of a situation is not clear;
- The subject matter is highly confidential or commercially sensitive;
- The interviewee may be reluctant to be truthful about this issue other than confidentially in a one-to-one situation.

The interviews carried out during the research concentrated on two areas. The first was to develop an understanding of the formal structure of each company within the study and a senior member of each organisation; typically a senior company manager was

approached and an unstructured format was deemed appropriate. A simple questionnaire format was devised and used during the interview to ensure that direction and relevance was maintained. The questionnaire was not provided to the interviewee prior to conducting the interview. However, an initial telephone call with follow-up calls to explain the research direction and where appropriate e-Mails were sent detailing the outline purpose of the research was provided.

The second interview, which was arranged via the manager initially interviewed, was set-up to determine what the company espoused was in fact the reality of the situation. Again, a semi-structured interview format was adopted and the participants ranged from managers to staff workers. However, each of the employees interviewed received ongoing appraisals and were recipients of the company cascade on company strategy.

This purpose of the interview was to determine if any linkages there was between deployed strategy and appraisals and how effective this was. The use of a pictorial representation of the strategy, performance measures and appraisal process was used see appendix 2. This enabled the respondents to fully appreciate what the interviewer was looking for during the interview. A questionnaire was sent to the participants prior to the interview and this was used as the interview discussion structure to be followed.

No tape recordings were taken during the interviews as this was felt to be too intrusive by this researcher and as a result, copious notes were taken on preformatted work sheets to enable the notes to be taken speedily and reliably. The reason for adopting this approach was to ensure that a degree of confidentiality and trust was built up between the interviewee and the interviewer. This was further enhanced as the interviewer (was an experienced manager) had previously been trained in interviewing and a number of years experience.

3.6.7 Construction and use of the questionnaire

The main purpose of questionnaire research is to obtain information that cannot be easily observed or is not readily available in written form (Remenyi *et al* 1998). Three questionnaires were used during this research. The first questionnaire was to be used to aid the initial interview structure with the senior managers that participated in the

research. The second questionnaire distributed, was a postal survey to elicit information on the respondent's status in their organisation. The objective was to elicit an insight into what employees thought of the company practices in relation to strategy, performance measurement and appraisals. The third questionnaire was used to determine attitudes and knowledge from employees who participate in the appraisal process. It was hoped that surveys would determine if the company rhetoric as determined from the interviews with the senior managers who participated in the initial interviews was in fact practiced.

The questionnaires were sent to the company with a covering letter detailing that these were to be distributed throughout the organisation at different levels of seniority to enable as wide cross section of respondents as possible to ensure a variable range of interpretations of the systems practiced. The pre-testing of the questionnaires was achieved initially by discussions with work colleagues, fellow PhD students, academics and company representatives. An initial pilot study was undertaken in the University of Strathclyde involving the Personnel department and members of the DMEM faculty. From this modified structure and clarity of instructions and questions was developed. Remenyi *et al* (1998) recommends this form of pre-testing.

The questionnaires were constructed to provide information on the processes that the companies used and to try and solicit an opinion from the respondents on their agreement or otherwise. Both open and close-ended questions were used. The open-ended questions were used in the first questionnaire but not used extensively in the subsequent questionnaires as they were designed to ensure as many recipients complete the questionnaire as possible. One major drawback with open-ended questions is thinking of an answer and then being articulate. However, the format was used. Examples of open-ended questions were, "are performance frameworks used and why" and "what three areas do you think would improve the appraisal process".

The majority of the questions in the survey were of the closed-end type. The use of nominal scales for such areas as what "area of the company do you work for", what "types of measures do you use in appraisal setting" and "do you participate in an appraisal review". One of the most common forms in closed-ended questions is known

as a Likert scale in this research questionnaire design a 5 point Likert scale was used. The respondents were asked to ring one answer category indicating the strength of agreement or disagreement with the initial statement.

Questionnaires usually comprise of sections. The initial section provide information through asking questions involving background information i.e. occupation, age, area of business you work for, appraisal rating etc. The next sections provided the attitudinal questions, which provide information on the strength of feeling or opinion about in this research strategy, performance measures and appraisal systems. The use of single-item scale was used with a 5 point rating scale. Other questionnaire sections, in this case found in the third survey, used a series of funnel questions to provide a sequence of answers to the involvement of the employee and his/her leader in strategy, and the attitude of the employees' manager to strategy. Overall, the structure and format of the questionnaires followed recommendations highlighted by Remenyi *et al* (1998) and Easterby-Smith *et al* (1991).

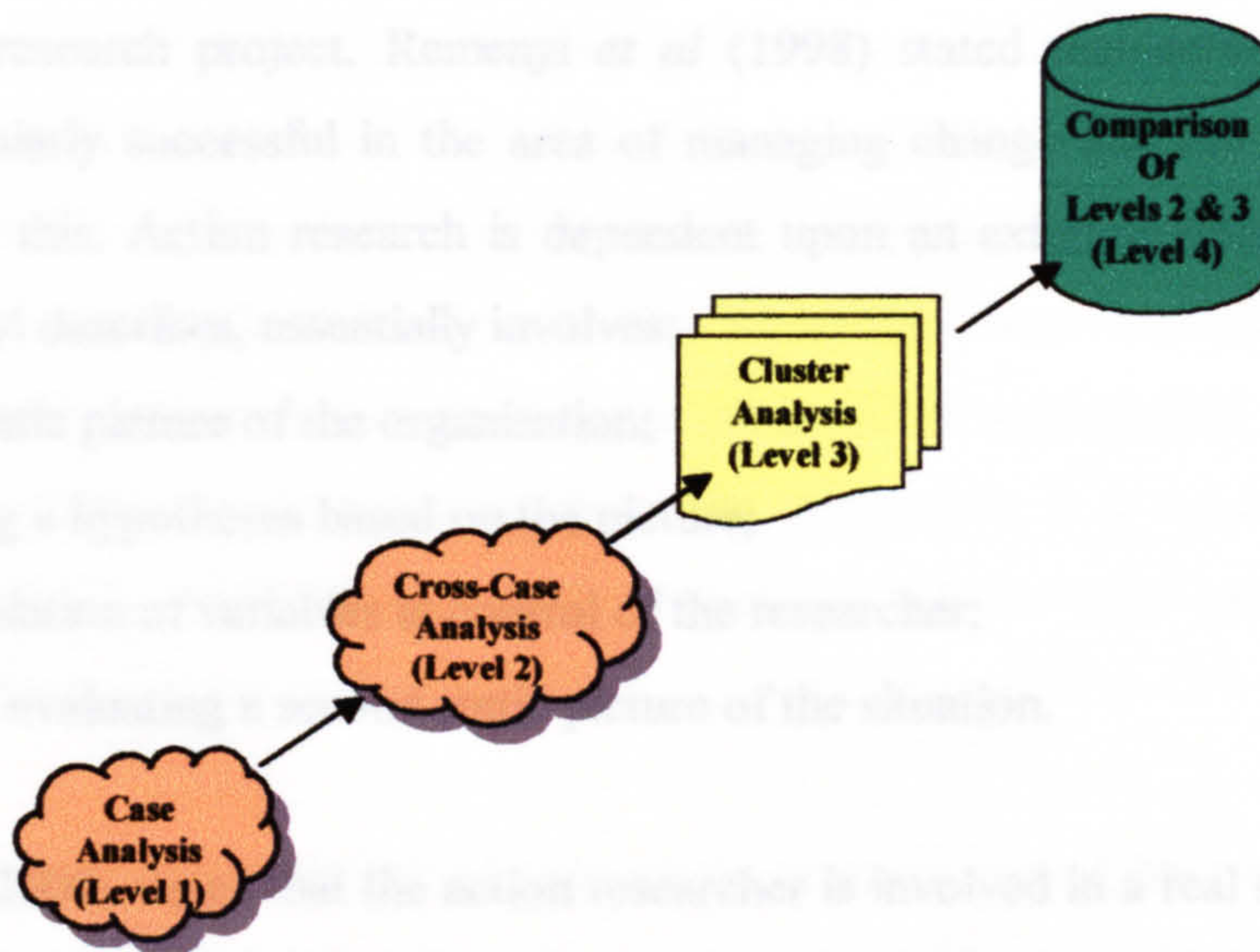
3.6.8 Analysis of the data

Analysis of the initial managers and employee interview data commenced after the interview notes were fully transcribed. A cross data matrix was created to highlight the various sections were formulated to aid GAP determination. These attributes of the current process are shown in appendix 4 and 5. A further review of the initial interview transcripts/data revealed an additional 11 areas, classified A-K in the analysis, which represented significant features in many of the organisations but were thought not to influence the research direction but were found to aid development of a potential solution. Data was totalled to provide a statistical frequency of results see appendix 3.

The postal survey and the pre-interview questionnaire were analysed by tabular and graphical methods both by individual organisation and by summation of respondents' Likert scales were totalled to provide a representation of frequency of events. In the analysis of the data, interviewee's ratings were triangulated with other data collected to provide a final result. Bias has been dealt with through the triangulation of respondents' comments with other data sources see appendix 4 & 5.

The raw data was examined qualitatively for meaning. The data matrices constructed assisted in presenting the reduced data in a methodical way and assisted to centre and establish the data harmoniously. This process is prescribed by Miles & Huberman (1994). The matrices are presented graphically and in tabular form in order to organise ideas and methodically investigate relations in the data, as well as communicating the results, Neuman (1994) supported this structure.

Because of this, four levels of analysis were carried out to identify patterns within the data. This is graphically represented in figure 3.8.



Source: developed for this research

Figure 3.8 Process for the analysis of case data

Each level was designed to analyse the data through comparison and the following bullets explain how this was achieved.

- Level 1 and 2 is a cross-case analysis in which the cases from level one were compared for similarities and differences. The activities of questions within specific interview questions across all cases were compared for patterns and represented on a data matrix.
- Level 3 is a summation of all level 2 results for all cases. All scores were totalled for the interview questions and questionnaire results and an average was determined.
- Level 4 was an analysis of the comparison of level 3 and level 2 and the differences were examined to explain these.

3.6.9 Action Research

This chapter started by discussing the importance of preunderstanding (Gummesson 2000) through the author's experience in the industrial environment. Therefore, to conclude the research through analysing the effects of this research via an industrial case study would ensure that the theories espoused from this research had a degree of external validity.

To achieve this an industrial case study was conducted within the author's company to facilitate validating that the linkage of strategy, performance measurement systems and appraisal processes do create increased efficiency. The resulting process was a short in depth action research project. Remenyi *et al* (1998) stated that action research has proved particularly successful in the area of managing change and the study involved was to enable this. Action research is dependent upon an external view of a situation and as Remenyi describes, essentially involves:

- taking a static picture of the organisation;
- formulating a hypotheses based on the picture;
- the manipulation of variables in control of the researcher;
- taking and evaluating a second static picture of the situation.

Gummesson (2000) states that the action researcher is involved in a real situation within the organisation where there is an expectation that a 'contribution to knowledge' should be made, but also that the knowledge is usable and can be applied and validated in action. Action research as well as case study, uses different data collection techniques such as observation, questionnaires, etc.

3.7 Chapter Conclusions

The chapter concludes with an epistemological discussion described in section 3.5 *Research Philosophy – Selecting the Theoretical Paradigm*, concluded that this research does not adhere to any specific philosophical doctrine, and is a combination of positivism and realism in its aims and objectives, characterised by theory building and theory verification rather than a hypothesis testing process. It also incorporated triangulation by combining qualitative and quantitative research.

A systematic approach for conducting case research was developed and although these steps have been set out in a sequential pattern, any researcher who has conducted case research will know that they are both parallel and iterative. The research questions were revisited during the case analysis and constructs refined and redefined during the investigation and analysis period. It is important to recognise this, while concluding the research. Although qualitative research has sometimes been viewed as somehow inferior to quantitative research, at least in terms of methodological rigour, but as exemplified by this case method, can be totally appropriate in a number of research situations and can be used with rigorous attention to methodological integrity as it was in this research.

The importance of careful design of case study research cannot be overstated. More specifically, steps were taken to ensure construct validity, conformability, internal validity and creditability, external validity and transferability, and reliability and dependability were all achieved. Chapter 6 reviews the eleven case studies that were undertaken during this research using the structure highlighted in this chapter.

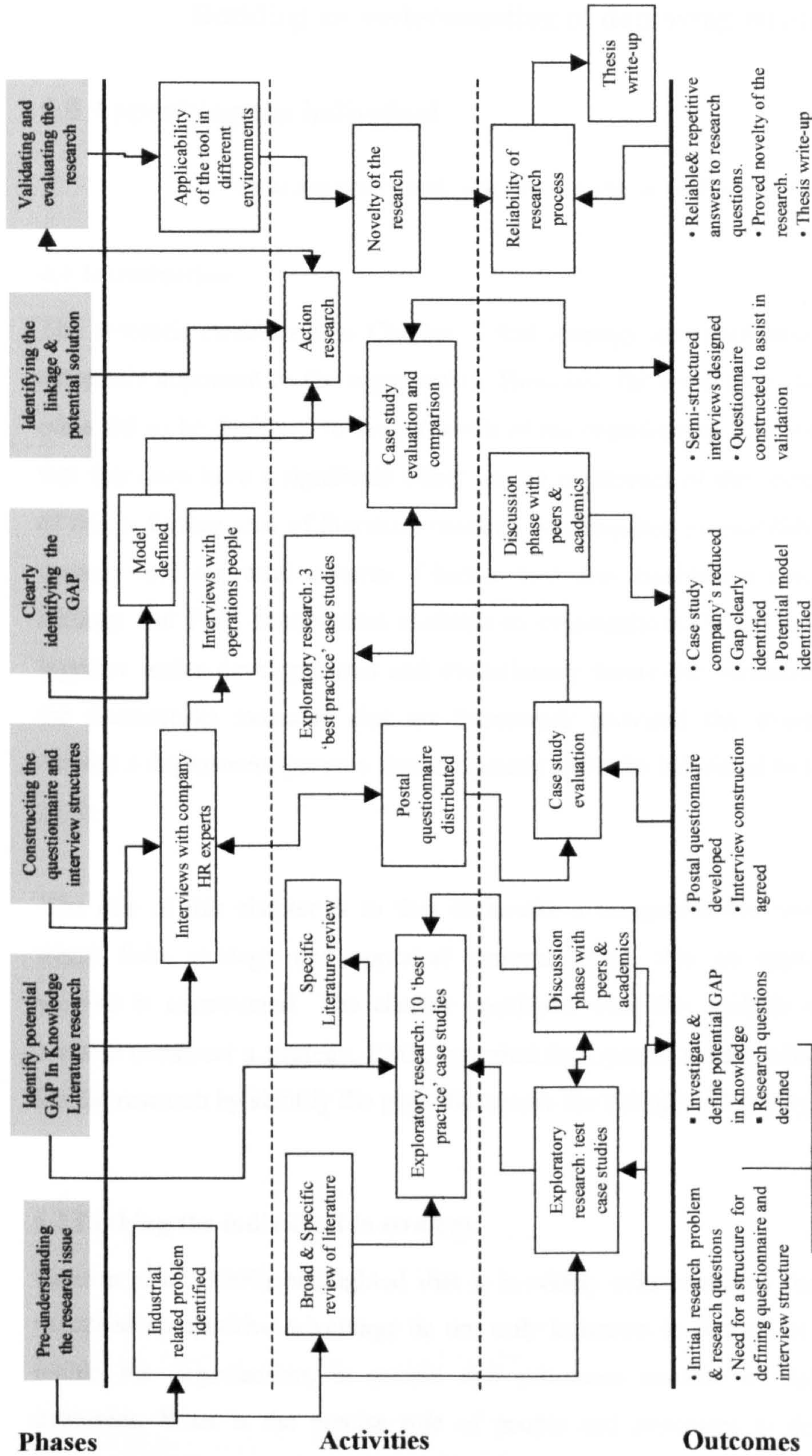
The selection of the methods and techniques has been made based on the research questions and research paradigm previously outlined. These have been summarised in table 3.9 and are applied throughout the research. The selection of the research methods and techniques has been focused on the rationalisation of the research needs as well as on the construction of validity and reliability of the tools used in this research.

Research Methods & Techniques	Selection criteria	Research Quality
Theory Building		
Decomposition:	To find a different and coherent explanation. To bring new insight to the research.	By ensuring a systematic process by decomposition, composing & interpreting to increase <i>reliability & internal validity</i>
Interpretation:	To find explanations.	By following a logical process to increase <i>reliability & internal validity</i>
Theoretical replication logic:	To start building validity on the model design by comparing existing models and company practices.	By building <i>external validity</i>
Triangulation of data:	To confirm data & lead to reliable results.	By building <i>construct validity</i>
Theory Testing		
Qualitative research:	To bring in-depth & detailed data to maintain vigorous interpretation during data gathering.	By using triangulation of data & methods., which brings insights to the research
Mixed research approach:	To provide additional guidelines to the methodology, thus building credibility.	By providing additional controls such as contribution to practice, linking existing theory with theoretical novelty, thus increasing <i>construct validity</i>
Case study:	To gain a better understanding of the problem.	By adopting a formal research design that is rigorous & accurate increases <i>reliability</i>
Interviews:	To collect description from real experiences to support the case studies.	By providing additional source of evidence that supports <i>construct validity</i>
Questionnaires	To support interviews and gather opinion.	By providing additional source of data that supports <i>reliability</i>
Documents:	To increase multiple sources of data.	By providing additional source of evidence, that supports the case study. Also provides a potential source of data triangulation increasing <i>construct validity</i>
Research Design		
Selection of multiple data collection techniques:	To ensure the quality of data.	By maximising <i>construct validity</i>
Methodological triangulation:	To triangulate data especially on the development of the model process	By increasing the <i>internal validity</i>

Source: developed for this research

Table 3.9 Selected methods & techniques

Figure 3.9 below illustrates the interconnected process that was followed while carrying out this research work. Several phases were established and a series of activities designed to facilitate the research direction. These started off with determining what the problem was and how this related to the researcher's experience. The final phase concluded by validating the research work carried out through literature, case study analysis and action research. At all stages of the research outcomes were the objective, to ensure the research was on track and relevant to the overall process and these concluded by leading to the final write-up as a PhD thesis. The research map provided the researcher with a structure that enabled the timely conclusion of research project. Although no time frame was added to the chart, the process was held to a strict timetable.



1. Why are companies failing to effectively deploy strategy down to the individual?
2. How can the research identify the gaps in the process and are these valid?
3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?
4. By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?
5. If by linking strategy, PMS and appraisal processes will this lead to increasing employee effectiveness?

Figure 3.9 Research process map

Chapter 4

Building an understanding of deploying strategy

4.0 Appraising the individual

“Without measurement, you are aiming at nothing and will surely hit it!”

Source unknown.

4.1 Introduction

The research established in Chapter 2 that strategy and performance measures are extremely important to the organisation. However, the researcher also identified these often fail to be deployed to lowest levels of the organisation. The research also found that this does have a significant effect on the employees of the company and because of this, a further area of literature research was required to establish the link between strategy and appraisal systems. Chapter two also established that there are many strategy and PMS frameworks available to organisations. When these were analysed together under developmental and evolutionary facets the variations found between the frameworks indicated that no framework provided the overall structure that enables a deployment process that adequately links the individual to the organisational goals.

The aim of this chapter is to first undertake a comprehensive review of literature, which links strategy and appraisal systems. From this an appraisal deployment analysis is constructed. The chapter continues with this analysis and develops the areas to construct a strategy, PMS, appraisal deployment model, which will be used to aid the research by identify the gaps that create the linkage and deployment failures.

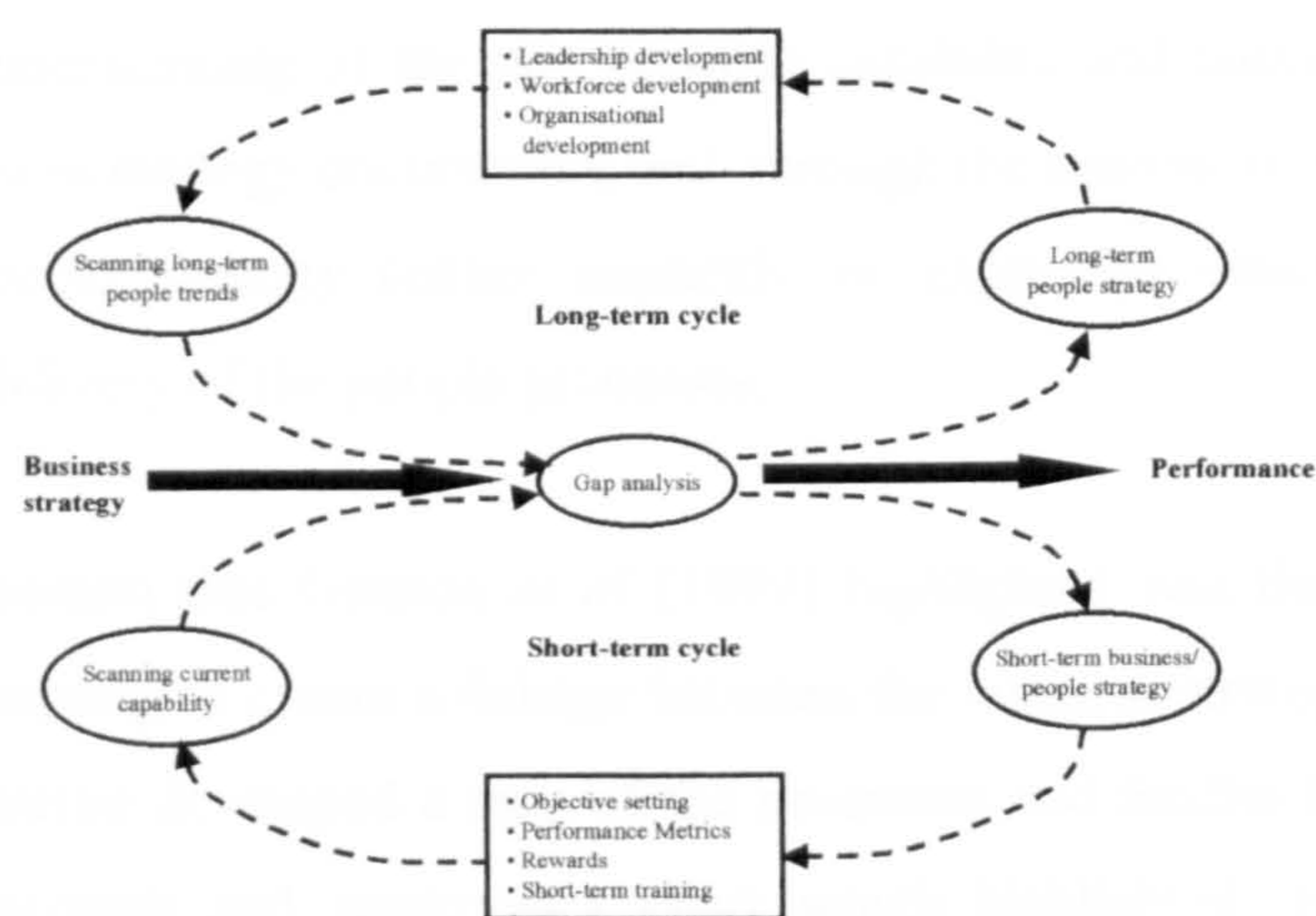
4.2 Linking the individual to strategy

Gratton *et al* (1999) highlighted that it is widely acknowledged that the sources of sustained competitive advantage lie not only in access to finance or capital, but also within the organisation, in people and processes capable of delivering business strategies. What is the precise role of people and processes in delivering business strategy? Gratton *et al* developed from their research that there was indeed a link

between business strategy and the performance of everybody in the organisation. Schuler and Jackson (1987, 1999) also supported this.

A number of propositions were developed and the first of these was the concept of several dimensions of linkage. The first, *vertical* linkage expresses the most visible of these in that linking of a business goal to an individual objective setting, to the measurement and rewarding of that business goal. The second of these was *horizontal* linkage is more complex as it ensures key people processes have cohesion and coherence and is likely to create synergistic benefits and the company's strategic plans are more likely to be implemented as a result. However, these types of linkage are essentially static, expressing immediacy. The researchers created a third linkage *temporal*, which describes the linkage between the capability of the present and the aspiration of the future.

The second proposition described by Gratton *et al* focused on the relationships between the core people processes which are primarily performance management processes, which link with the future primarily the transformational processes. This was expressed as a model in figure 4.1 which showed the more complex iterative relationships highlighted in the ovals.



Source: Schuler and Jackson (1999)

Figure 4.1 The People Process Model: embedding transformational change

Essentially the model is divided between short-term and long-term goals. Gratton *et al* (1999) added that to deliver the short-term goals the organisation needs the ability to

1. set objectives which are clearly and consistently linked to the business strategy. Kaplan and Norton (2001) also supported this;
2. create performance metrics capable of measuring and reporting on those behaviours and performance outcomes which reflect the business goals. These were supported by (Zigon 1998; Boice and Kleiner 1997, Neely *et al* 1995 & 1996);
3. reward performance inline with business goals;
4. provide short-term training capable of supporting the delivery of the short-term business goals.

To develop the long-term goals depicted in the above figure, Gratton found that if creating a leadership cadre capable of delivering strategy over a long period of time then transforming the basic skills and aspirations of the workforce to prepare for the longer term was essential. This could be achieved by creating an organisational structure and value set which would underpin long-term success.

In order to develop the long-term transformation continual adjustment of the processes was essential although this is not always achieved in organisations but where it is the following three elements are necessary and these are, the ability to

1. scan and diagnose people capability;
2. create an understanding of the gap between capability and business requirements (as expressed in strategy documents); and, through the analysis of this gap;
3. create a people strategy (either implicitly or explicitly) which influences the design and delivery of the people processes.

The third proposition that Gratton *et al* (1999) highlighted was the strength of the process. In attempting to create a linkage between the business strategy and individual performance Gratton developed a map of the processes and feedback elements which resulted in a strength and weaknesses chart which highlighted this in relation to individual and team objective linkage to business goals. The stronger the linkage in the model the better equipped the company is to succeed and this has been supported by many authors such as Neely *et al* (1994, 1996, 2001); Bititci *et al* (1994, 1995, 1997); Cowley and Domb (1997); Kaplan and Norton (1996, 2001). Table 4.1 summarises the findings that were developed from the cases investigated by Gratton

et al. Level 1 developed in the table 4.1 below provides the goal that this thesis attempts to emulate as the tools, models are developed.

Strong linkage	
Level 1	The business objectives of the overall strategy plan are clearly articulated to the individual and are transformed into clear objectives , which are discussed and agreed on an annual or bi-annual basis. Processes exist, which ensure that individual objectives are realigned to take account of annual changes in business strategy. The quality of the objective-setting process is monitored and changes are made to ensure it remains an effective process.
Level 2	The business objectives of the overall strategic plan are clearly articulated to the individual. There is some linkage between these business plans and individual objectives , and some reshaping of individual objectives as business objectives change.
Level 3	There is some articulation of the business strategy to the individual. Managers meet with their team at least annually to discuss the objectives for the coming year. These objectives are recorded and kept to be revised on an annual basis. However, there are no clear processes in place capable of clearly linking objectives to the business strategy, flexing these objectives as the business strategy is aligned.
Level 4	There is no clear articulation of the business strategy to the individual. A proportion of managers meet annually with team members to talk about performance and set expectations for the coming years. These expectations relate to the individual and their managers, they do not have any clear link through to the business strategy and key imperatives.
Level 5	There is no clear articulation of the business strategy to the individual . Whilst individuals and their managers talk about performance , these discussions are infrequent, vague, ad hoc and unrecorded. There are no mechanisms in place to link these discussions with the business.
Weak linkage	

Adapted from: Schuler and Jackson (1999)

Table 4.1 Individual & team objectives linked to business goals

4.2.1 Appraisal why the need?

It is an innate part of human nature to appraise. Whether we do it consciously or unconsciously, we constantly appraise. We appraise behaviour, appearance, personality, status and intelligence. Organisational appraisal systems are simply a formalised version of these actions, designed to benefit both the individual and the organisation (Torrington and Hall 1991).

Therefore, the overall purpose of performance appraisals is to increase organisational effectiveness and productivity. However, the most important single purpose served by performance appraisals is to let the employee know where they stand. Humans have a natural dislike for uncertainty and prefer bad news about their positions and destinies

in their organisation instead of not knowing what those positions and destinies are (Spinks *et al* 1999; Boice and Kleiner 1997). Appraisals aim to improve performance through a mutual understanding of current performance, future objectives and how to achieve them, they also set out objectives for each individual and team and agree on a timescale for these to be achieved.

Edmonstone (1996) sought to place performance appraisal within the broader context of performance management. The reason for doing so was to identify the purposes of performance appraisal and to identify the issues that can come from it. This thesis has identified some of the reasons for doing appraisals and the subject of the difficulties associated with them will be reviewed later in this chapter. Edmonstone (1996) also suggested that performance appraisal is no panacea or “single bullet solution” to the problems of companies trying to link strategy and individual achievement.

One current problem which performance appraisal faces is that the term is often used synonymously with that of “performance management”. Yet performance management is more than a new name for performance appraisal – Fletcher (1992) & Fletcher and Williams (1996:170) define performance management as:

“an approach to creating a shared vision of the purpose and aims of the organisation, helping each individual employee understand and recognise their part in contributing to them, and in so doing manage and enhance the performance of both individuals and the organisation”

Fletcher *et al* (1992, 1996) suggested that the minimum building blocks of such an approach as performance management include:

- Development of the organisation’s mission statement and objectives;
- Enhancing communications within the organisation so that employees are not only aware of the objectives and the business plan, but can contribute to their formulation;
- Clarifying individual responsibilities and accountabilities;
- Defining and measuring individual performance;
- Implementing appropriate reward strategies;

- Developing staff to improve performance, and their career progression, further in the future.

Zigon (1998) determined that most people interested in measuring performance do so for one of the following reasons.

- *You can't manage what you can't measure.* Managers, as well as self-managing professionals and teams, can define what's expected, give feedback and provide recognition without performance measures.
- *You can't improve what you can't measure.* It's easy to say, "Let's try this new program" but without data before and after, you cannot see if performance is actually improving.
- *High performance teams and individuals require clear goals.* Creating high performance requires a definition so you'll know it when you see it. In addition, all high performers get there because they have a clear picture of where they are going.
- *Pay for performance requires metrics.* If you want to pay based on performance, you need to have some way of knowing when the payout has been earned.

Measurement and appraisal of performance becomes vital in organisations where responsibility is placed on individuals and teams. This measurement serves as the basis for management control, and therefore, serves as a means by which contribution of the business unit to the organisation can be recognised. An essential aspect of performance management is the process that cascades business objectives into the objectives and responsibilities of individuals and teams.

Gratton *et al* (1999) also suggested that this is increasingly important as many organisations are more and more decentralising, giving managers and employees more authority and responsibility for delivering the business objectives. By pushing down accountability could yield reduced costs to the organisation and create increased efficiency. This aspect of management involvement and communication is a critical element of the objective setting processes, which when linked to the business strategy creates a strong bond.

Recent studies in strategic human resource management have highlighted that the relationship between business strategy and people processes is variable where those organisations that have a strong relationship, these companies are capable of realignment and adaptation to change. On the other end of the spectrum those organisations that have weak relationships have an inability to adapt and realign their people processes as strategy changes (Gratton *et al* (1999)).

It is clear that within any organisation there are individuals and groups who can add positively to the organisation but having skills and or motivations, which are unique, or knowledge, or networks of contacts that cannot be imitated by the competition are extremely crucial to the organisation. While those individuals and groups are important, Gratton *et al* states that their skills and motivations are, in part, the result of a whole portfolio of people policies and processes, which enable training, development and enable retention. However, they themselves do not create a sustained competitive advantage and are not capable of doing so.

They do in effect play an important role in the development of the human capital pool. The net of this is the systematic leverage of people policies and processes combined with the right practices can provide the vehicle for competitive advantage. Therefore, where a strong linkage is enabled between business strategy and human resource processes and policies there is a greater probability of a lead to greater competitiveness and organisational effectiveness.

Performance appraisals can be useful in two main areas. Baruch (1996) suggested that the first, as a source for information for management and this could be used as feedback instrument for individuals employed in the organisation. Also in this area all information could be used to make decisions about promotions, training, salaries and many other areas. In this first area performance appraisals can enhance the development process and provide the impetus for the evaluation instrument. The second area is where feedback is the primary goal; the fundamental purpose is to provide employees with sufficient information that will improve personal performance.

Having defined what performance management is and how it affects and complements performance of the individual why has so much attention been placed on this technique and process. It has long been established that performance has been appraised in almost all areas of human endeavour but has it relevance in today's modern business environment. It would be unnecessary to continue this thesis if this phenomena were not widely used or at least recognised as an important tool for both the individual and the organisation as much academic writing has lead us to believe.

A recent survey conducted by the Chartered Management Institute of 289 managers in large and small organisations revealed that in the UK two thirds of small businesses and three quarters of large organisations hold staff appraisals as well as training needs in almost all cases. So the conclusion that we can take from this survey is that company appraisal processes are deemed extremely important to a large section of the business community (Maybe and Thomson 2000).

4.3 Performance appraisals - evolution

Though not called performance appraisals, the evaluation of performance can be traced back in history to as early as the Han Dynasty, 206 BC-220 AD, where merit exams were used to aid decisions in selection and promotion (Wren 1994). However, it was not until the 1800's that performance appraisals were first used in industry. In the cotton mills of New Lanark, Scotland, Robert Owen used "silent monitors" to assess the performance of his workers. These silent monitors were small blocks of wood with different colours painted on four sides, which hung beside each employee's workstation. Each colour represented a rating of the employee's performance and at the end of each day the block was turned so that a particular colour was facing the aisle for everyone to see. In addition, the performance was noted in the "Book of Character" as a record of overall performance (New Lanark Conservation Trust 2000)

In the late nineteenth and early twentieth century, performance appraisals were restricted to large organisations such as the military and government. They were used where a complex hierarchical structure existed, when the workforce was equally skilled and well qualified, when long-term employment was the norm and where there

was a necessity to promote the top performers to higher organisational levels (Murphy and Cleveland 1995). It is not until recently, in the last thirty years or so, that performance appraisal has achieved wider recognition. The spread of usage is due to the growing flexibility and constantly changing nature of organisations. To survive in the turbulent social and political environments, organisations are becoming increasingly dynamic.

It was during the 1980s that many organisations became more ‘performance-orientated’. There was an increased focus on defining the outputs of jobs, and on linking job performance to the objectives of the organisation. This was the era of ‘management by objectives’. Performance management began to grow out of its ‘appraisal’ box and there was now an element of planning for performance. Reward systems also changed as an element of performance-related pay, usually in the form of bonuses were linked.

Today, organisations have become more decentralised and complex levels of hierarchy are disappearing. Armstrong and Baron (1998) have neatly summarised some of the trends in the evolution of performance appraisal management, table 4.2 highlights performance management evolution.

1991 From	1998 To
System	Process
Appraisal	Joint Review
Outputs	Inputs
PRP (performance related pay)	Development driven
Ratings common	Ratings less common
Top down	360-degree feedback
Directive	Supportive
Monolithic	Flexible
Owned by HR	Owned by Users

Source: Armstrong and Baron (1998)

Table 4.2 Evolution Of Performance Management

Gone is the homogenous workforce and in its place stands the job-specific employee, who is capable of changing jobs, even companies and certainly careers during his/her work life (Wiese and Buckley 1998). This is further enhanced due to the flatter

organisations, creating an ever-increasing number of lateral transfers, which means that there is a greater need for performance appraisals.

Performance appraisals are no longer focussed on selecting and promoting the best employee in the organisation, but are used to identify the strengths and weaknesses of an individual and to develop their skills to benefit the individual and the organisation. Instead of just pushing employees up the ranks, performance appraisals can be used to help employees assess their current performance and make personal decisions about their future development (Wiese and Buckley 1998). Performance appraisals are now recognised as an integral function in most organisations (Maybe and Thomson 2000).

While the core purpose of performance appraisal is to monitor and evaluate an employee's behaviour and accomplishments over a specific period of time, performance appraisals are used to satisfy many other organisational objectives (DeVries *et al* 1981; Latham *et al* 1993). Performance appraisals are frequently linked to reward schemes and are used to determine the amount of salary increase, bonus or promotion (Murphy and Cleveland, 1995). They are often incorporated into human resource functions to obtain information regarding the effectiveness of the organisation's selection and placement programs, as well as identifying gaps in training and development (Dubinsky *et al* 1989).

In recent years there have been extraordinary changes that have crept up on the business world without most of us paying much attention to them, states Peter Drucker (2002). The first of these is a staggering number of people who work for organisations are no longer traditional employees of these organisations. And the second is the growing number of businesses that have outsourced employee relations; they no longer manage major aspects of their relationships with the people who are their formal employees.

Drucker (2002) emphasises that the trend in this new phenomena is unlikely to stop in fact it is likely to accelerate as businesses attempt to become more flexible and to achieve this temporary workers give employers this type of flexibility. IBM has used this tactic for many years. A more plausible and likely explanation is those organisations that now employ companies termed PEOs or *professional employee*

organisations are in fact the employee's employer. This legally makes "nonemployees" out of people who work for a business.

The reason for this new phase in business is said to be the increasing costs and burden of rules and regulations for employers. Drucker (2002) goes on to explain that employers are increasingly looking for knowledge workers to provide them with this flexibility that is necessary today. To overcome the increasing problems associated with this new phase in employee relation is the increasing participation of the PEO to become the eventual co employer for those that work for the companies suppliers, distributors, joint ventures and alliances. Performance measurement processes including the appraisal system will play a major part of the HR suite of tools used by PEOs and temp organisation as they attempt to sell their employees to potential partners.

There are a myriad of other benefits such as: disciplining; counselling; raising morale; improving communication; reinforcing management control; improving perceptions of organisation goals; and selecting people for promotion and redundancy (Wilson and Western, 2000). It is evident that performance appraisals in general can bring about numerous organisational benefits; however, the specific benefits depend on the appraisal scheme chosen.

4.4 Appraisal design characteristics

As the environment becomes more competitive, the necessity for employees to perform at ever-greater levels of efficiency is an imperative. Much has been written about the design of appraisal systems and the process by which management and the employee can participate (Boice *et al* 1997; Wynne 1997; Moon 1997; Fisher 1994). Many problems can be experienced with the misuse of such processes where inexperience and poor preparation of the fundamental issues leading to both the appraiser and the appraisee being at odds with what is required from either of the participants. Wilson *et al* (2000) suggested that organisational appraisal systems are an attempt to formalise these activities for the benefit of individuals and the organisation.

However, poorly or disparate performance measures linked to strategies that do not present a vision for the future are also an area that creates an environment that cause desirable and undesirable behaviour. All of which leads to poor communication and mistrust and at best an ineffective appraisal and measurement process. And it is this linkage of an appropriate measurable appraisal system, which will increase high performance activity in the individual.

When we appraise something we rate its worth, usefulness and degree to which it displays various qualities. We also appraise ourselves as well as other people and included in this is behaviour, personality and systems. Everyone has been appraised at some point in his or her life sometimes with good results and at other times with bad outcomes. Most people have been evaluated at work and if you ask anyone who has been involved in this type of activity the experience is rather uncomfortable. Weise *et al* (1998) suggest that employees who have been evaluated find the whole process an uncomfortable unproductive experience by both appraisee and appraiser, then why do we do it. The primary reason is that these systems are fundamental to a number of other important organisational decisions such as pay, promotion, job retention etc. The next question is “why do these formal performance appraisal systems exist?”

Weise *et al* (1998) expressed that the performance appraisal process allows an organisation to measure and evaluate an individual employee's behaviour and results over a predetermined period of time. This is especially important as organisations evolve in the global market and evolve with larger organisation structures and professional management. It therefore, requires a more formal performance appraisal system, which, will act as an agent and asset on evaluation of individuals when decisions are required on employment status. A properly administered system will be an asset to any organisation only if the tools and goals of the performance appraisal process are in line with that of the organisations goals i.e. strategy and performance measures. Where this is not the case the appraisal system may, in fact, be detrimental to the effectiveness of the organisation, as stated by Barrett (1967).

Not all performance appraisal systems are the same. The appraisal evolution has followed the same evolution as the strategy and performance measurement systems frameworks in that there are many variations, each serving the different elements of

an organisation, from design, reflection and audit. Moon (1997) stated that there was no 'right' system only the one that fits the organisation, culture and its people. He also indicated that this principle of 'the best fit' is known as 'the contingency theory of management': which means that the system or process is contingent on the situation or operation dependencies within the organisation. Weightman (1996) suggested that in the "health sector" performance management process could have six steps, from creating job descriptions to an annual assessment that affects rewards.

Appraisal systems are never static processes. Small changes may gradually be introduced, altering the process significantly and appraisers may not recognise this. All of which can and do result in possible differences of interpretation and these are never realised by the process designers. However, performance appraisals are part of the larger performance management system. The process can be described as a cyclical process for determining performance expectations; supporting performance expectations; reviewing and appraising performance and managing performance standards.

Moon (1997) & Wynne (1997) advocate using the mnemonic 'SMART' process to assist with setting the performance characteristics of the appraisal system. SMART stands for 'Specific, Measurable, Agreed, Realistic, and Timed and is used to help those involved in the process to think about making the objectives "Smarter"? In addition effective objectives should be challenging - if they fail to stretch they will fail to motivate the individual to achieve them.

4.4.1 Management appraisals versus Self-appraisal

The maxim "*What gets measured gets done*" is certainly true in many cases, but who does the measuring, and what affect the measures have on the individual and organisation is a primary importance. We have discussed the need for goals to be created from a vision and strategy with performance measures linked to these and the need for a deployment methodology that enables the employee to relate to company goals via the appraisal system.

So why consider this route as part of our model. The appraisal process carried out in many companies is fast becoming an anachronism. While companies are, encouraging greater ownership and responsibility, the appraisal process must be one of the most disempowering tasks managers and subordinates endure. Bell (1994) highlighted an article in the *Harvard Business Review* article “Managing Management Time: Who’s Got the Monkey?” many organisational managers suffer from this as their staff fail to take on appropriate responsibilities, which are then passed to the boss.

The annual appraisal is one of these great monkeys. In theory, the idea is great. In practice, the comments of the one-to-one interviews detailed in chapter 5, which was undertaken in this research, it is hard to create an environment which does not put the manager in the role of judge and jury thus creating a lot of anxiety for both manager and subordinate.

Therefore, the only way to develop responsibility in people is to give it to them. Antonacopoulou (2000) describes how many organisations are starting to incorporate employee development through self-development in light of the continuing changing needs of the individual and organisations self-development is promoted in recent times as a promising strategy for developing employees and managers (Pedler 1988, Megginson and Whitaker 1998).

However, it is not only the development of the individual that is important to the company it is the process of enabling the individual to take more control over his/her contribution to the organisation and how the assessment of that contribution can be measured. A central characteristic of self-development is choice on the part of the individual. Unlike conventional processes, which treat individuals as passive recipients, self-development places the individual at the forefront of the development process. The underlying argument is that development is not a matter of expertise, but a matter of personal willingness and determination to commit oneself to a process that the individual values and believes in. The individual is therefore, free to choose the goals, decide how to achieve them, initiating action for achieving them and evaluating success (Pedler *et al* 1986, Megginson and Whitaker 1998).

The current practice and much development (and research), is concerned with the feedback process between subordinate and manager and in many companies, this management appraisal system is only one-way. It further emphasises the traditional tendency of vertical, downward information flow in organisations. This information flow needs to be improved if employees need to strive towards a higher performance. There have been quite a number of academic sources on performance evaluation methods but the most neglected of these has been the self-appraisal system. Baruch (1996) stated that this area of research, which has been referred to in a number of studies indicated positive results when used.

The main process detractors for a more common use of this system has been rating variation between the employee's own evaluation and the more traditional method of evaluation. The mismatch between self and other performance appraisal systems has been reported in past papers and overrating errors was the main problem, which Nelsen *et al* (1993) also highlighted. This problem could be due to different appraisal methods, lack of objective measures, linking pay and performance and the concern that this can pose for employees. The rating problems that can result from self-appraisal i.e. under or over evaluating one's ability and achievement can be off putting to the organisation and this may well be the issue with its potential for wider use.

Metcalf (1996) conducted two research studies, which looked at self-appraisal and found that women were asked to rate their own performance, they tended to be much more self-critical than their male colleagues and that men had a tendency to overrate their own performance. Lindeman *et al* (1995) support this assertion when they conducted research in a Finnish company looked at self-assessment accuracy and found that two-thirds of men studied overestimated themselves whereas, among women, an equal proportion underestimated, overestimated or were accurate about their contribution. However, research indicates, that self-appraisal systems will be more valid and reliable if the employees have accurate knowledge of the performance appraisal system, this was supported by Williams and Levy (1992).

Questions that are raised by many organisations who when realising a self-assessment process can have a beneficial effect, is, who monitors and corrects the anomalies that

inevitably transpire when the process is in use, and who does the training and guiding of the employees if they are to gain the expertise and knowledge of the process.

The advantage of a self-assessment appraisal system is to allow employees to take more accountability for their careers, by developing knowledge and contribution to the organisation and to create a two-way communications path. This has resulted from the old fashioned, multi-tiered hierarchical organisation, such as IBM, which was described in chapter 1, and has made the direct managers performance appraisal process an erroneous task, in some cases of becoming more and more difficult for the manager to handle in an objective and productive way. A simple example of this is where organisations have reduced the levels of management and those who are left have more employees reporting to them. This creates the problem of increased time necessary to create the appraisals and then deliver the feedback and counselling that the old processes necessitated.

Under the self-appraisal system (SAS) the role of the manager would be as counsellor, motivator, mentor and finally arbiter when the final assessment is made. Table 4.3 highlights the areas that are essential to the self-assessment appraisal process compared with the direct manager assessment system (DMAS).

No. #	Attribute	Description	SAS	DMAS
1	Appraisal Setting	Who sets the objectives for the appraise	Employee	Manager
2	Appraisal Assessment	Who assesses the results of achievement	Employee/Mgr	Manager
3	Feedback	Who performs the appraisal feedback	Employee/Mgr	Manager
4	Feedback frequency	What feedback frequency is required	Quarterly	Yearly
5	Feedback Techniques	Who decides the what technique is employed	360-degree	Manager
6	Mentoring	Do senior members perform this process	Various/Mgr	Senior levels
7	Coaching	Do senior members perform this process	Various/Mgr	Senior levels
8	Counselling	Does the immediate manager perform this task	Manager	Manager
9	Strategy/Direction	Who establishes the organisations goals	Manager	Functional
10	Arbitration process	Who performs this process	HR/Funct Mgt	HR/Funct Mgt
11	Environment	Openness, Trust & Communications fundamental	Yes - Inbuilt	Yes - Limited
12	Training	Are the participants trained in all aspects of appraisals	Yes	No

Source: adapted from Baruch (1996)

Table 4.3 Management Appraisal Systems Comparisons Criteria

4.4.2 Appraisal timing

The term “performance appraisal” has generally meant the annual review interview that in most instances takes place between the employee and his/her manager to discuss the individuals job performance during the last 12 months. Moon (1997)

succinctly defined appraisal “.... as a formal documented system for the periodic review of an individual’s performance”. However, he does not state exactly how long a period should be. There is no standard rate for appraisal, but according to Wilson and Western (2000) many organisations tend to carry out performance appraisals every six months or annually. Despite this, an annual appraisal is insufficient for monitoring, improving performance or for achieving effective training and development. Sahl (1990) argues, “no matter how clearly goals are presented and administered, if the review is an annual event that employees and managers don’t think about until a week or two before evaluation time, the process isn’t achieving its purpose”. Therefore, performance appraisals should be an ongoing and systematic process.

If performance appraisals are carried out as often as they should, then there should be no surprises at the annual appraisal. Any problems should be identified immediately and not left until appraisal time. The longer a problem is allowed to continue, the more difficult it is to take corrective action. If there is a surprise, the feedback obtained throughout the year is flawed and an investigation should be conducted to discover the cause (Boice and Kleiner 1997). The other reason for performing frequent appraisals is due to the selective memory of the appraiser and appraisee.

Most people are inclined to remember events that occurred within the last month and highly significant ones. Thus, by conducting frequent appraisals the effects of selective memory would be avoided (Boice and Kleiner 1997). In these instances, monthly or quarterly reviews would be beneficial. Though it may not be necessary to have formal meetings at these times, the more frequent the appraisals are held, the more informed these employees are and the better equipped they are to perform their job. It should also be noted that no matter what appraisal frequency chosen, the appraisal should be conducted as close as possible to its due date. Any delays may suggest a low importance of the employee, which would be detrimental to further appraisals and future development (Schweiger and Sumners, 1994).

4.4.3 Measuring performance - the issues

Wilson *et al* (2000) stated that of 74 respondents in a questionnaire and interview session where he described and highlighted a number of issues that do cause the performance appraisal process to less than perfect. His conclusion from this study was that the performance appraisal system was here to stay, as there is no real alternative to the current system designs. Therefore, it would appear that the “curse/panacea” of performance appraisal is likely to remain for the foreseeable future, although he did recommend 20 activities that may be applied to support the appraisal process. These are not discussed.

So, why do appraisal systems fail to provide the panacea that it appears to offer? Longenecker (1997) explored the reasons and identified causes of ineffective appraisals in a qualitative research program. Table 4.4 below highlights the 10 findings that were found from the study. Managers in the research clearly stated that performance is destined to fail without having clearly established performance criteria and at the same time, an appropriate method by which the appraisal can be measured. The other areas highlighted in table 4.4 have a significant effect on any appraisal system but this initial area of setting objectives and being able to measure them effectively is crucial to the process.

No	Top ten causes of ineffective managerial appraisals	%
1	Unclear performance criteria/ineffective rating instrument	83
2	Poor working relationship with your boss	79
3	Superior lacks information on actual performance	75
4	Lack of ongoing performance feedback	67
5	Overtly negative/second guessing review	63
6	Perceived political reviews	54
7	Lack of focus on management development/improvement	42
8	An ineffective link to reward systems	50
9	Superior lacks rating skills/motivation	33
10	Review process lacks structure/consistency	29

Adapted from: Longenecker (1997)

Table 4.4 Top Ten causes on ineffective appraisals

Longenecker (1997) when analysing the results for his research found that managers made it perfectly clear that appraising managerial performance as was in this case

destined to fail without have a clear established performance criteria by which to judge their performance. If ambiguity surrounds the job description, goals, traits and/or the behaviours that will be the basis for the evaluation the process is doomed to fail from the start. Effective two-way communications must be part of the process from planning to evaluation. At the same time, an appropriate rating instrument must support the appraisal process.

The rating instrument should be tailored to capture the critical desired behaviour and outcomes with corresponding meaningful performance standards and metrics. This problem is a frequent area for complaint and failure for the appraisee and appraiser (Longenecker 1997; Zigon 1998; Moon 1997; Wynne 1997).

4.4.4 Appraisers training

A key aspect for delivering an effective performance appraisal system is the training of appraisers. Employees that will be directly involved in implementing the appraisal system should be trained first, usually high-level management. Training should begin with people management skills, as these will be necessary when managing, assessing and motivating employees. Training should also provide other essential skills including: conflict resolution; setting adequate performance objectives and performance standards; providing adequate and timely feedback; avoiding bias and other failures; and linking the system to reward schemes, if applicable (Evans 1991).

As self-appraisals are becoming increasingly common, this technique is the preferred method for this research, see chapter 8, training should be provided to all employees. This training should include appropriate skills for setting objectives, performing comprehensive self-assessments and charting progress and development. After an appraiser has completed the training procedure, refresher courses will be necessary to assist the appraiser in conducting optimal performance appraisals. Their skills can also be evaluated, which will ensure that each appraisal is conducted to a satisfactory and consistent standard (Boice and Kleiner 1997).

4.4.5 Appraisee feedback

“Feedback about performance is an integral component of any organisational control system” (Larson 1984). One of the main purposes of performance appraisal is employee development and feedback. If meaningful feedback is given, then it can produce significant improvements in performance. It is especially useful for development if the feedback identifies problems in specific behaviour and allows decisions to be made regarding corrective actions (Cleveland *et al* 1989).

Some organisations extend the types of appraisers to include peers, subordinates and even customers and suppliers. This allows multi-rater (360 degree) feedback to be provided in which all aspects of the job is considered, consequently development can be achieved in all areas. Feedback should be given as soon as possible after the appraisal, because most of its value is lost if it is not given in a timely manner. (Boice and Kleiner 1997)

4.4.6 Performance appraisal errors - Bias

Performance appraisals are subject to numerous errors. A large percentage of these errors are due to appraiser bias (Cook 1995). These prejudices can stem from a variety of sources:

- Age
- Gender
- Ethnicity
- Physical Appearance
- Personal Like/Dislike
- Impression Management

Various studies have shown that certain characteristics can have a serious effect on the results of a performance appraisal. For instance, Waldman and Avolio (1986) have found that older employees receive lower performance ratings than their colleagues. Gender is also a factor that can result in false assessments. It has been shown that sometimes women with masculine qualities are considered more promotable, especially in managerial circles.

Despite the new laws on ethnic discrimination, racial prejudice is still prevalent in some organisations. Appraisals can suffer from “own race” bias, where whites favour whites and blacks favour blacks, etc. (Cook, 1995). A subtler type of bias exists in the form of physical beauty. Although, this aspect should not affect performance appraisals, two separate studies have revealed compelling evidence indicating that attractiveness is linked to levels of salary (Frieze *et al* 1991; Roszell *et al* 1989). Both these studies conclude that the salary difference between the most and least attractive employees could be as great as £9,000.

Another aspect that can affect the appraisal results is the appraiser’s attitude of the employee. Longenecker (1997) suggests that a majority of appraisers artificially increase performance ratings for those they like and decrease ratings for those they dislike. Employees who help their managers to feel proud of being a good manager receive better appraisals. This is one example of impression management: a situation where managers are influenced by frivolous details, which bear no relation to job performance. Other types of impression management include using the right mannerisms, wearing the right clothes or using the right jargon (Cook 1995).

Ingratiation is another method that is sometimes adopted in order to achieve better appraisals. Job-focused ingratiation is where the employee claims credit for his work, or for the work of others, or arrives early and leaves late to impress the manager. Supervisor-focused ingratiation is where the employee compliments the manager, takes an interest in their private life or does favours for the manager. Examples of Self-focused ingratiation could be presenting oneself as a polite and friendly person or habitually informing the manager that one is working hard (Wayne and Ferris 1990).

These types of underhanded motives only serve to undermine the appraisal process and distort the true performance of the organisation. Furthermore, this type of deceitful behaviour tends to be bad for morale, especially when other employees see ingratiating behaviour being rewarded with promotion or bonuses.

4.4.7 Politics

Unlike appraiser bias, which can be an unconscious decision, distorted appraisal results arising from politicking is very much intentional. Managers may have their own agenda, different to the objectives of the organisation. They may want to artificially enhance an employee's appraisal for the following reasons (Cook 1995; Wiese and Buckley 1998):

- To keep the employee satisfied
- To protect an employee whose poor performance is due to personal problems
- To prevent a loss in employee morale
- To avoid confrontation
- To continue a reputation of being a good manager

Then again, a manager may want to deliberately lower appraisal results. Some reasons for doing these are listed below (Cook 1995; Wiese and Buckley 1998):

- To shock an employee so that he/she improves performance
- To teach a disobedient employee who is in charge
- To inform an employee that they should consider leaving the organisation
- To document poor performance to speed up termination

Nevertheless, whether an appraiser increases or decreases performance ratings, the true performance of the organisation will not be reflected in the appraisal results.

4.4.8 Psychometric errors

Another source of unconscious errors comes from the psychological predisposition of the appraiser (Bohlander *et al* 2001; Schweiger and Sumners 1994). Common psychometric errors could be generated by:

- *Central Tendency* - Appraiser's tendency to allocate similar ratings to different employees regardless of their performance levels.
- *Leniency* - A higher or lower rating than warranted by actual performance.
- *Recency* - Appraisal is based on the employee's most recent behaviour instead of the behaviour throughout the appraisal period
- *Halo (Similar-to-me)* - Appraisee receives the same rating on logically unrelated performance criteria due to the appraiser's overall impression of the employee

- *Contrast* – An inappropriately high/low rating after a deserved low/high rating to the previous employee

At first it may seem that there are too many errors to possibly represent a true performance of the employee, however, there are a few methods to reduce error rate. Although performance appraisals cannot detect bias caused by appearance, attitudes, impression management or ingratiation, performance appraisals can be analysed to identify bias caused by age, gender and ethnic origin. Multiple appraisers can be used to eradicate bias and political agendas. Finally, documentation can also be used to validate extreme ratings (Cook 1995).

4.4.9 Legal Implications

Performance appraisals have a profound effect on employee selection, demotion or dismissal. This is particularly true in the US. The Civil Rights Act of 1964 and 1991, the 1966 and 1970 Equal Employment Opportunity Commission Guidelines for Regulation of Selection Procedures, where the legal system is taking a greater involvement in analysing the tools and procedures used in conducting performance appraisals (Murphy and Cleveland, 1995; US Equal Employment Opportunity Commission 2002).

Legislation in the UK does not pointedly reference appraisals although companies must ensure that the various legislative acts such as the Equal Opportunities Act which covers the Sex Discrimination Act 1975, Race Relations Act 1976, Disabilities Discrimination Act 1995 and the Human Rights Act 1998 are monitored for fairness in employee relations (UK Equal Opportunities Act 2002). Organisations need to ensure that their appraisal systems comply with these laws. Appraisals schemes in the past, which assessed employees on qualities and personality, had a considerable lack of job-related behaviour analysis in their evaluations and were primary targets for legal action.

4.5 Developing the strategy/PMS/appraisal deployment model

This chapter has so far critically reviewed the relationship of strategy and the effect that this has on the Human Resource structure of the organisation. The research findings from section 4.2 showed that the linking of business goals to the employee was essential if the organisation was to be successful. This linkage, if strong would ensure that the structure of the company was geared towards success.

A deployment process was therefore, a prerequisite to enable the business objectives to provide the direction the employee requires. By achieving this, it will be possible to create a deployment structure within the organisations that use performance appraisals. If this were linked to strategy and a performance measurement system then employees would have an environment to attain success.

However, where this linkage is not strong then the business will fail to articulate the strategy to the individual resulting in a hit or miss affair with regard to achieving the goals, if any, set by the organisation. The resulting appraisal system will therefore, fail to provide the appropriate objectives that all employees require to function with passion and direction.

Performance appraisals if designed correctly and implemented professionally and directly linked to strategy with the appropriate performance measures systems they are, undoubtedly, highly capable of helping an organisation to achieve its objectives while fulfilling the corporate strategy.

Effective performance appraisal systems can bring numerous benefits to the company and the previous sections highlighted a number of these,

- improvements in relationship between manager and employee;
- identification of gaps in training and development;
- creation of plans for employee training and development;
- assessment of employee performance;
- creation of plans to improve employee performance;
- support of human resource functions;
- support of reward schemes;

- powerful means of managerial control;
- objective setting and achievement;
- creation of a motivated and committed organisation.

“The very act of looking (conducting performance appraisals) starts to make everyone aware of the systematic alignment in the organisation. Without alignment, everyone will be working very hard yet pulling in different directions, so the harder they work, the more it pulls apart and the worse the business gets.”

Source: O'Connor and Semour (1994:240)

Having determined that a strategy and appraisal process is key to the business and individual success, this could be measured by determining how effective the employee understands strategy and performance measures and how well these are incorporated into their job role. The research found that there is a lack of practical application of how to develop the linkage from strategy, performance measures to appraisal process and how they should be effectively linked together. The strategy frameworks analysed in chapter 2 do not implicitly create a link to people or the techniques that are necessary, if this link were to be defined. It is of little surprise that these frameworks focus on setting the business goals but fail to support the human resource tools i.e. appraisal, when cascading the measurements to the business.

However, one of the major problems when researching the many strategy/performance measurement frameworks is the lack of sound deployment structures. Many of the frameworks have an element of people in their structure, the Balanced Scorecard is one of a few who have recognised this in later evolution but many others have not. Therefore, if deployment is an issue and the framework does not provide a clear structure to develop this then the chances of getting to the individual to action the requirements of the business is remote.

Appraisal processes have a similar problem in that they state that objectives should be measurable and derive from strategy and performance measures but fail to provide the tools and process structure for achieving this. In practice, this linkage may be more of a bother to the individual and his/her manager when attempting to provide a clear

linkage due to the difficulties of identifying what the strategy is and the metrics necessary for the individual to create a 'SMART' objective.

Therefore, if we are to create an effective deployment process then strategy and performance measures must be closely linked to the individual and reflected in employee's job objectives. Table 4.5 below outlines the requirements that have been found to be necessary when developing a deployment process from strategy to appraisal linkage. The analysis has been derived from the elements detailed in table 2.6, table 2.7, and the appraisal requirements found in section 4.5 of this chapter.

The following section will review the constructs that the research has found so far that will enable a deployment process to be defined. However, to test this model and answer the research questions 3 and 4 will only be achieved in chapter 6 when the interviews and surveys are completed.

- 3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?*
- 4. By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?*

	Model Requirements	Definition of requirements	Requirements reference
Strategy Processes	Development of mission statement and objectives.	By creating a shared vision of purpose & aims of the organisation, helping the individual employee understand & recognise their part in contributing to them. Avoid multiple strategies. Setting objectives in a hierarchical fashion is highly desirable.	Gratton <i>et al</i> (1999) Schuler and Jackson (1999) Kaplan and Norton (2000) Hanna <i>et al</i> (2000)
	Organisational goals, performance measures.	Agreeing individual targets, which meet the organisational objectives of the company & the alignment of these will focus individual employee behaviour.	Hanna <i>et al</i> (2000) Kennerley & Neely (2002) Edmonstone (1996)
People Systems	Enhancing communications practices.	By developing good communications within the organisation, the employee is not only aware of the objectives but can contribute to their formulation. Increase use of feedback loops necessary.	Edmonstone (1996) Hudson <i>et al</i> (2001)
	Clarifying individual responsibilities.	The clarity of the role is seen as extremely important especially when defining individual responsibilities and accountabilities.	Edmonstone (1996)
Appraisal Systems	Providing appropriate incentive scheme & organisational structures.	Clear framing of initiatives, thus avoiding ambiguity and the increasing saliency will affect absorption. A clearly articulated need will influence the degree of acceptance of the organisations initiatives.	Hanna <i>et al</i> (2000) Edmonstone (1996)
	Defining & measuring individual performance.	Clearly articulating the model to be used and by defining each level of performance will help the employee to understand the accuracy of the measurement system.	Boice and Kleiner (1997) Edmonstone (1996)
Organisational Culture	Leadership development.	By developing for each employee a clear range of activities that include training, coaching, self-improvement & provision for significant job experience.	Gratton <i>et al</i> (1999) Schuler and Jackson (1999)
	Changing the culture.	Creating organisational change by identifying areas of influence that can change the organisational identity, embedding performance management systems and the involvement of managers.	Gratton <i>et al</i> (1999) Schuler and Jackson (1999)

Source: developed for this research

Table 4.5 Key model requirements for a deployment process

4.5.1 Advantages of using a model structure

Magretta (2002) defines the word “model” as telling a good story – stories that explain how an enterprise works. A good business model for example answers Peter Drucker’s age-old questions: Who is the customer? Moreover, what does the customer value? Therefore, it is this concept that this research is aiming to incorporate. A good business model remains essential to every successful organisation. Nevertheless, before the organisation’s managers can apply the concept, they need simple working definition that clears up the fuzziness associated with the term. This becomes essential

as the buy in to a new concept depends on avoiding distortion and misuse of the model, which is the most common form of failure experienced by the company.

Magretta (2002) also highlighted what happens when models fail to derive the expected results, you re-examine your model – you start with a hypothesis, which you then test in action and revise when necessary. To this extent, the linkage of strategy to appraisal processes is being re-examined in this research. A business model's strength is as a planning tool that focuses attention on how all the elements of the system fit into a whole. Business models describe, as a system, how the pieces of a business process fit together.

Because a business model tells a positive story, it can be used to get everyone in the organisation aligned around the kind of value the company wants to create. Stories are easy to grasp and easy to remember. They help individuals to see their own jobs within the larger context of what the company is trying to do and to tailor their behaviour accordingly. Used in this way a good business model can become a powerful tool for improvement execution and it is this purpose that this research is using the model concept to assist in answering the research questions. When it comes to concepts that are so fundamental to performance, no organisation can afford unclear thinking.

4.5.2 Drivers of change

Before we start to design and develop the road map that will be used to build and create the links from strategy through to appraisal systems we should review those drivers that were found in the earlier chapters that supported the need for change and improvement. In Chapter 2 and chapter 4 thus far, we discovered that strategy was integral to the appraisal process and that those organisations that created a strategy for their company less than 10% effectively deployed this through their organisation (Kaplan and Norton 2001).

The research then analysed a number of strategy/performance measurement frameworks within a developmental and evolutionary structure to determine which framework had the most comprehensive suite of elements that aided this deployment

process. Again, the research found that none of the models had an inbuilt structure to enable a sound deployment process that linked the employee. See tables 2.6 and 2.7.

In this chapter, we further discovered that if the appraisal process was closely linked to strategy and performance measurements and had the process/model requirements that are set out in table 4.4 then a deployment process could be achieved throughout the organisation. However, a number of areas were identified that could cause this to fail. One cause identified was the use of a reliable rating instrument section 4.4 fully describes this. A further cause of ineffective appraisals was poor leadership and if this were allied to, a lack of sound and clear strategy direction, the results would be poor organisational performance.

The analysis provided by comparing the current strategy and PMS frameworks and the key requirements for appraisal design and application, resulted in developing the system requirements, see table 4.5, which enabled the research to determine the optimum deployment attributes. The eight requirements that make up the 4 themes; strategy processes, people systems appraisal systems organisational culture, were the key processes that would enable a deployment process to be constructed.

The following section is the elements that were used to design the road map that will aid the research to progress in answering each of the research questions. To facilitate this we will develop a model, describing each step of the process.

4.5.3 Designing the new Performance Measurement Paradigm – the 4 stages

The research has now determined the scope of the shortfalls that are evident from the current strategy deployment and appraisal practices in particular the deployment process and linkage to the individual. The research can now define the areas that are to be built into the model, which were determined from the model requirements in table 4.5. Figure 4.2 below graphically outlines the main stages of the model, which has been developed from the authors experience and the literature research in chapter 2 and 4. The legend in the figure represents the themes developed from table 4.5 and shows what part of the model they represent.

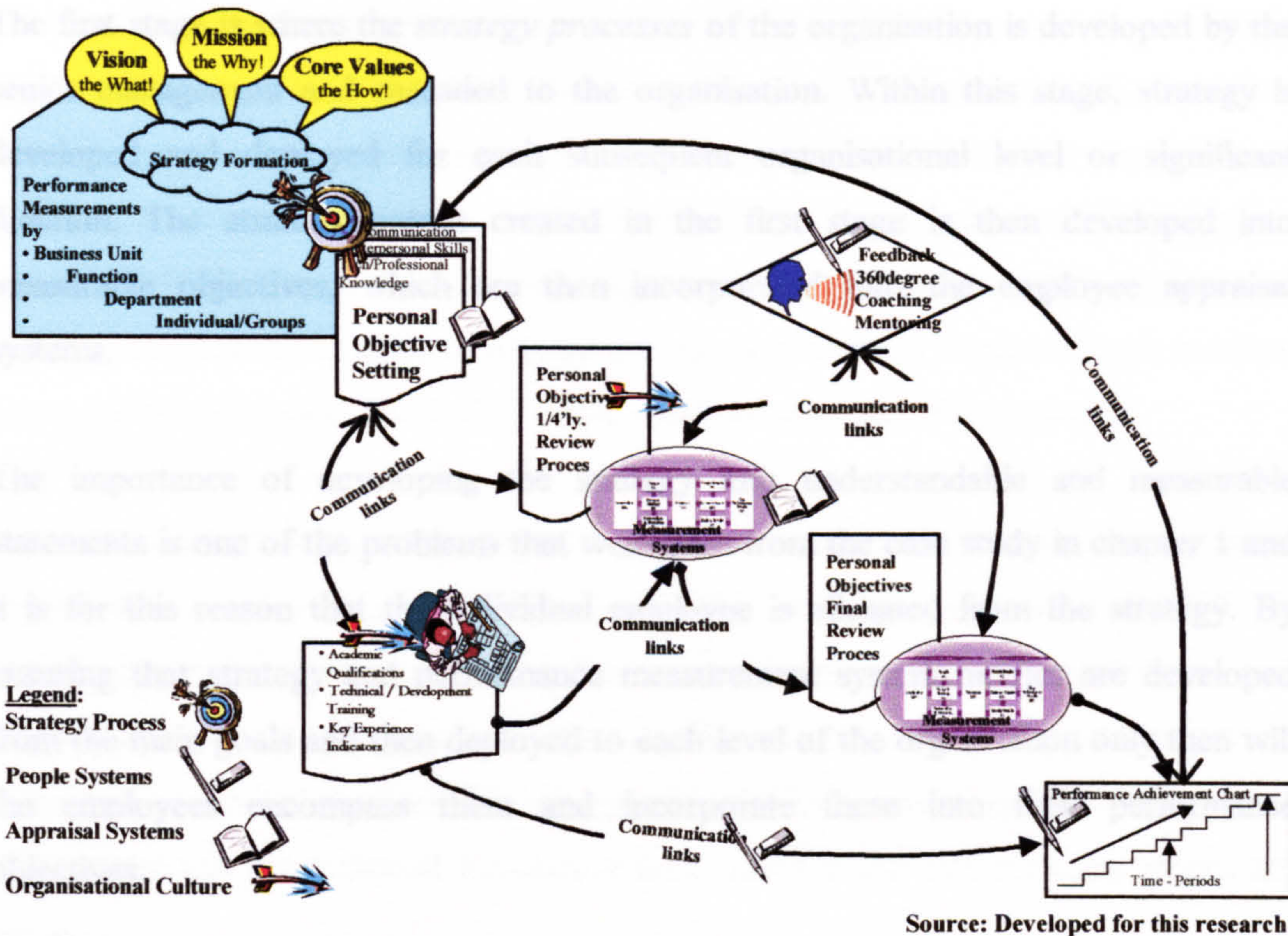


Figure 4.2 Linking Strategies to Performance Appraisals

Following this section is a detailed description and analysis of the model elements.

4.5.4 Strategy/Appraisal model outline description

The model offers the reader a guide through the significance of strategy and performance measurement systems, performance appraisal construction and evaluation. The model also provides an awareness of the stages involved highlighting the potential benefits, pitfalls and indeed critical factors involved. So, what does the model provide for the individual and the organisation? In many companies, a strategy is generated and this is usually cascaded to the senior management team Chapter 5 provides evidence of this from the case studies.

The model outlined in figure 4.2 pictorially describes the process developed from table 4.5. From the key model requirements, table 4.5 the research identified eight elements under 4 stages – Strategy processes, People processes, Appraisal systems and Organisational culture. These four stages are depicted in the legend in figure 4.2 to provide the reader with a flow structure of the model.

The first stage is where the *strategy processes* of the organisation is developed by the senior management and cascaded to the organisation. Within this stage, strategy is developed and deployed for each subsequent organisational level or significant function. The strategy output created in the first stage is then developed into measurable objectives, which are then incorporated into the employee appraisal systems.

The importance of developing the strategy into understandable and measurable statements is one of the problems that were seen from the case study in chapter 1 and it is for this reason that the individual employee is alienated from the strategy. By ensuring that strategy and performance measurement system metrics are developed from the main goals and then deployed to each level of the organisation only then will the employees encompass them and incorporate these into their performance objectives.

By creating a close link between strategy, PMS and appraisals the individual is actively participating in changing the business in line with its goals and if constructed correctly the individual can map his contribution directly to this Neely *et al* (2000); Gratton *et al* (1999); Kaplan and Norton (2000). A significant test for any manager and employee is to ask how and where their job objectives are changing/improving the business. If the strategy is understood and deployed effectively, this should be easily explained and understood by the individual.

In the second stage of the model, *people systems*, the employee is encouraged to participate in ensuring the practice of creating a linkage from strategy to appraisal processes by incorporating a balanced view of job and personal development. To achieve this a self-assessment approach is considered see section 4.4.1. The research found that if the individual/team can evaluate their own performance they were more likely to understand how their role fits into the organisation leading to a more meaningful objective setting process.

Therefore, the success of this model relies on the individual having knowledge of the goals of the company and how this links to their job and importantly enables a two-way dialogue with his or her manager, which the more traditional systems may not

provide. Therefore, the presence of a strong two-way communication vehicle is required for this part of the model. Peer to peer, upward and downward feedback is a necessity to provide a balanced view of attainment. Therefore, the use of sound feedback processes is necessary. Processes such as 360-degree become important areas to facilitate this and is especially significant where a self-assessment process is being considered as the need to balance the personal view of success criteria is offset or substantiated by an external view of the same success criteria is necessary.

With the strategy/appraisal model, the measure of the individual's contribution is paramount Wilson *et al* (2000). Traditional methods have concentrated on determining rating levels where the later developments have eliminated these and emphasised the person's strengths and weaknesses, Armstrong and Baron (1998). Therefore, the model must include an evaluation process that complements the whole process and not just a limited assessment area, which is the case for many traditional methods.

The third stage of the strategy/appraisal model, *appraisal systems*, is where appraisal construction is important when setting the employee performance objectives and quantifiable measures. These should offer a balanced view of the business and incorporate the individual's own personal and job development outlook within the appraisal construction. The strategy/appraisal model encourages the use of this format for both the organisation and individual to build their performance appraisal system. By achieving this, the individual will develop not only their job objectives to encompass a wider view of their role but also personal and educational development that aids their overall expertise and contribution.

The last stage of the strategy/appraisal model, *changing the culture*, is the glue that ensures that all the main elements work together. In a performance self-assessment environment like the one advocated in this thesis, coaching plays a greater role than in previous structures. Instead of the individual waiting to be managed, he or she is encouraged to actively participate on his or her own cognisance, resulting in the need for the manager to be less involved in directing the appraisal construction but in a more leading, encouraging and developing mode. This tool was found to be the most understated and under used technique in the companies researched see chapter 5.

Leadership therefore, takes on a much greater significance in this environment. From the research of the participating companies, those with a more successful strategy/appraisal process had a figurehead/leader that encouraged and supported all aspects of the organisation including employee performance.

4.6 Chapter conclusion

This chapter 4 has discussed the strategy linkage with the appraisal system reviewing the steps in the appraisal process, from linking strategy to constructing an employee appraisal. The research also demonstrated that to enable linkage to each other is fraught with various problems, which can result in the appraisal being divorced from the company strategy and therefore, failing to be executed. The review of the appraisal processes also revealed that there are numerous areas that can lead to the process failing.

The chapter has addressed the development of three pieces of theory, strategy, appraisal linkage and the deployment model.

The strategy and appraisal linkage is focused on the development and cascade of the strategy messages and appropriate performance measurement criteria. In operation, it was found that these are important to any organisation's effectiveness and future development. The global nature of business today has meant that positioning the company is vitally important and if the goals are to be met then the organisation must react in a positive way to achieve this.

Meanwhile, the appraisal process is focussed on enabling the employee of the organisation to hook into the company structure while enabling him or her an opportunity to develop and practice their expertise while working towards achieving the goals set out in the strategy by achieving the best ways of working, managing and operating the processes within their job confines.

The observations that were made from the case study in chapter 1 showed that the business environment is constantly changing and organisations have to adapt their

processes to meet these changing demands. Hence, the business not only requires product and services to make it successful but importantly their employees need the structures and direction to allow them to participate in the company's direction. Therefore, the research looks at resolving the gaps that are created through companies' failure to deploy and link strategy and performance measurement systems to appraisal processes.

The research found that there is no model, (table 2.7 provides this analysis), that specifically concentrates on a deployment process that enables a link between the strategy of the organisation and the employee appraisal construction and development.

The comparison of strategy and PMS frameworks against the requirements of a deployment and appraisal linkage process showed that there was no theory from business and human resource classifications that contradicts any stage of the strategy/appraisal model constructs.

On the contrary, the support for linking strategy, performance measurement systems, and strategy with appraisals is robust but little evidence has been found that provides an integrated solution in creating a deployment process and enabling this linkage from strategy to the appraisal process.

To sum up, the strategy, performance measurement and appraisal deployment process:

- Aligns the key operational elements that companies have to build to create this process flow.
- Provides an integrated approach to building a structure that was not previously evident.

To assist with exploring and developing the gaps in the strategy, performance measurement deployment and appraisal linkage, 4 themes (stages) were determined from the framework analysis and from these eight requirements were designed for the proposed model shown in figure 4.2.

As a result, of this research investigation into appraisals, section 4.2 and the development of a deployment model, section 4.5 designed to aid identifying the gaps. The following research questions have further strengthened:

- 1. Why are companies failing to effectively deploy strategy down to the individual?*
- 2. How can the research identify the gaps in the process and what are these?*

However, research questions 1 and 2 will not be fully answered until the case study research has been completed and this will be achieved in Chapter 5.

Concluding this chapter the remaining two research questions, which were highlighted in chapter 2 have been validated because of the strategy/appraisal model now identified in this chapter, and these are:

- 3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?*
- 4. By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?*

Chapter 6 will answer these research questions.

Chapter 5

Theory Testing

5.0 Dealing with the realities of linking strategy and performance

5.1 Introduction

Chapter 2 introduced insights into developing the paradigm that there is a gap in the theory or deploying company strategy directives and the resultant performance management indices to the individual. Chapter 4 supported these by looking at the wider perspective of strategy linked to appraisals. The research questions 1 and 2 emerged from chapter 2.

- 1. Why are companies failing to effectively deploy strategy down to the individual?*
- 2. How can the research identify the gaps in the process and what are these?*

This was further enhanced with question 3 and 4 in chapter 4.

- 3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?*
- 4. By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?*

The objective of this chapter is to provide evidence that will answer these four research questions.

The object of this chapter is to review whether companies are successfully deploying strategy to the individual and the process starts with a case study outline and continues discussing the application of the pilot case study and its implications. Following on from this the chapter concentrates on the eleven case studies that were involved in the research. The order in which they are presented is based on the timing of each interview i.e. FirstPlus was the first organisation interviewed in each of the stages. The chapter closes with some conclusions.

5.2 Structure and protocol of the case studies

Having determined in Chapter 3 that the case study method was the most appropriate for this research and as a result, would be utilised as the main data collection method to validate the gaps in strategy, PMS and appraisal processes. The use of questionnaires, interviews, observation and documentation techniques were all selected to ensure that a multiple source of evidence was used to increase the construct validity of the research. Yin (1984) did not define what data collection approach should be used in case study research. However, Miles and Huberman (1984) highlighted the conceptual framework and research questions, which determined the type of data to be collected.

The researcher used the strategy, PMS and the appraisal model created in chapter 4 (section 4.5) and the research questions 1 and 2 as guides to gather data. More over, the researcher realised it is not just the collection of the data that provides evidence to answer the research questions but it is the way, which the data is collected, and this research used grounded theory. Grounded theory provides a more open approach to data collection and analysis as it is derived from the concepts and categories used by social actors themselves to interpret and organise their worlds, (Easterby-Smith *et al* 1991). The content of the data is covered by the series of questionnaire and in-depth semi-structured interviews, which were split into three phases, as well as a collection of documentary evidence. Finally, the data collection process is guided by the case study protocol.

To increase the reliability of the validation of the research, a case study protocol was applied (Yin 1994:63). This process provided the rules and the procedure that guided this researcher throughout the investigation. The protocol's objective, which is described in chapter 3, section 3.6 was to ensure standard research policies provided the date to answer the research questions 1 & 2. To help achieve this, a case study method was also used see figure 3.6.

To achieve a rigorous case study design, the questionnaires and interviews were developed from three phases, as outlined in figure 5.1, which describes the structure followed during the research.

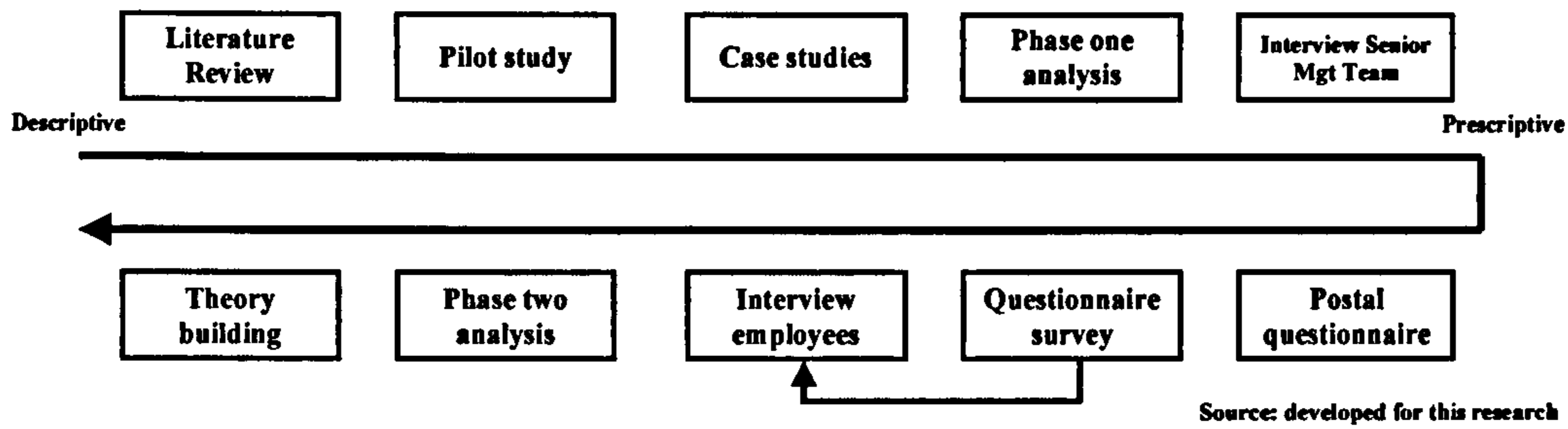


Figure 5.1 Research Strategy

The first phase involved interviewing senior management of each organisation and was directed at finding out about the company practices of the strategy formation and communications, performance measurement systems, appraisal processes and their linkage.

The second phase was directed at a cross section of the company hierarchy from shop floor to executive level personnel and was concerned with their opinion of the practices developed by the company and how that affected them in the role they performed. This phase checks the alignment of the strategy and appraisal direction studied in phase 1.

The third phase was concerned with narrowing the field of companies and performing an in-depth interview with a selection of employees to investigate their opinion of the strategy and appraisal practices within their organisation. An attitudinal and practice survey was conducted prior to the interview to further aid the data validity. This final phase further checks the alignment of the processes as studied in phase 1.

5.3 Pilot case study and interview and questionnaire process roll-out

As determined from the research methodology semi-structured in-depth interviews with senior managers and employees involved in the strategy and appraisal processes was the chosen path to complete the validation and quantification of the results found. This chapter reports on the interviews and the questionnaire results that contributed to the understanding of the current processes in use and the effect they have on the employees. Figure 5.1 shows the process direction taken.

As we have discussed the review of literature in previous chapters then the next stage highlighted in figure 5.1 was to pilot a case study and the University of Strathclyde was willing to accommodate this. This allowed the researcher to use his department as a test case for interview structure and question construction. The Assistant Head of the University's Personnel department in collaboration with the Universities HR expert in appraisal processes participated in these interviews. Thus enabling this researcher to determine if the interviewing and questioning techniques could stand the scrutiny of these experts and where any problems encountered would allow the researcher to rectify prior to a formal roll-out to those organisation who had agreed to participate.

5.4 Gaining access to the organisations

Compiling a list of companies who would contribute to the case study review was not straightforward. Of the 14 organisations contacted ten responded positively and a series of telephone calls to arrange the initial meetings. It was during this part of the process that an interview structure was suggested coupled with a request to each of the contacts that the researcher gain access to the strategy and appraisal documentation. It was during the visits that the main data collection was performed.

The first face-to-face interviews with the senior manager were conducted to determine the strategy structure and communication paths as well as the appraisal system used in each of the organisations. This series of interviews was to determine the formal status of the processes used by each company. During the interviews copies of strategy initiatives and appraisal documentation was provided.

5.5 Senior Management interview structure and analysis

Each interview started with the researcher providing the interviewee with some background to the research project, along with the aims of the study. To illustrate what the study aims were a pictorial diagram was used to aid the discussion direction and content and this can be reviewed in Appendix 2. This approach of using a pictorial flow diagram of the areas that the research was about proved useful in opening up the discussion. Having set the scene, the interviewer was now in a position

to start gathering information. The researcher was careful to try and strike a balance between sticking to the guide, whilst remaining flexible to discuss important issues that came up in discussion.

The agenda for the meetings was set down for the interviews and three main areas for discussion were identified: ‘Why?’ ‘How?’ ‘Problem Issues’ and ‘Success Factors’. There was also a topics guide to make sure the interview stayed on track. See Appendix 3 interview questionnaire & notes guide, interview results analysis and statistics analysis. In closing the interview the researcher always asked if there was any question that the interviewee wanted to raise. This gave both parties an opportunity to explore any related avenues of discussion. Each interview lasted between 80 –100 minutes.

5.6 Overview of processes in Companies & the interview results

The companies that had agreed to participate in this research had been chosen, as one would expect, as a result of using an appraisal scheme for either all employees or a major section of them. Each company, except FirstPlus, had at sometime worked with the researcher’s university department at Strathclyde University and the researcher knew a number of the organisations personally. This ensured that at least the initial investigations and interviews would take place allowing the researcher to see what type of process each company had in place and how it operated. Table 5.1 below highlights each organisation’s area of business and where appropriate location, product and again where appropriate activity and lastly the number of employees involved with the location involved in the study.

No	Participating Companies	Organizational/type	Area studied	Product activity	Total employee # in area studied
1	FirstPlus Financial Group PLC	UK/chain	Cardiff	Consumer financial services	340
2	Allied Distillers	UK/FMCG	Distilling (Processes)	Spirits & blended liquors	580
3	University of Strathclyde	Public sector	DMEM	Education & Research	2200
4	Litton Interconnect	US/TNC	Telecommunications	Planar manufacturing	120
5	BAE Systems Marine (YSL) Ltd	UK/Construction	Glasgow/manufacturing	Shipbuilders & Ship Repairers	3400
6	IBM	US/TNC	UK/PCPD & Global Services	Consumer Goods & IT Services	5500
7	Thales Optronics	French/TNC	UK/Optronics	Defence & Scientific equipment	670
8	NCR	US/TNC	Financial Solutions Division	Banking IT equipment	830
9	BP Exploration Services Ltd.	UK/TNC	Upstream Services	Exploration & Production	4400
10	Scottish Power Systems	UK/utility	Scottish headquarters	Distribution (Electricity, Gas)	3100
11	United Biscuits (UK) Ltd.	UK/FMCG	UB Headquarters	Biscuit manufacturing/distribution	1000

(TNC = transnational corporation)

Developed for this research

Table 5.1 Participating companies

Before we can review and analyse the drivers, barriers and success factors of the strategy, PMS and the linkage to appraisals, this section will provide a short overview of each organisations process bringing out pertinent points and at the conclusion a summary of the main attributes found.

5.6.1 FirstPlus Financial Services (Cardiff)

FirstPlus was introduced to the researcher as a result of a presentation he had made at a BAM conference in 2001. Contact was made with Claire Hurley the Business Excellence Manager who had responsibility for the appraisal process and she was pleased to be involved in this type of research.

Claire advised that company strategy played a key role in the appraisal process, where employees had to incorporate the strategy output into their objectives. She also stated that the main elements of FirstPlus' process are as follows.

- Monthly strategy awareness communications from Directors.
- Performance measurement systems were used extensively for front line sales.
- This company operates an appraisal system for all employees.
 - ⇒ Key focus was to develop the operational group to excel in sales and administration.
 - ⇒ 5 key elements are determined and each of these carries a different weight to influence behaviour especially for sales admin.
 - ⇒ A further 5-10 objectives are set that are more of the softer issues and these are at the employees/managers discretion.
- The professional areas i.e. those not on the front line have a similar process. but not as rigorous as the operational group.
- 360-degree feedback used at senior management level at present.
- Appraisal training is provided for both appraisee and appraiser.
- The appraisal process allows individuals to review their manager's objectives, as each person should align theirs to his/her superior.
- Appraisals construction is part of the employee/manager relationship.

Rewards are set monthly for the operational group and annually for others. Salaries are based on performance achievement and are set each January. A form of ranking is used to determine who are the top performers and who require close attention or separation if appropriate but this part was not used easily. The operations group each receive a monthly informal appraisal review of the 5 key areas. All other employees are given formal quarterly reviews with action plans to improve. The bedrock of the system was the EFQM model and the tenets were cascaded throughout the levels of the organisation. The appraisal process was a mixture of manual paperwork and software systems.

5.6.2 Allied Distillers (Glasgow)

Norman McInnes, Production Manager for the distilling plant agreed to be interviewed as he was involved in the development of the appraisal process from a management perspective and he felt he was qualified to discuss this with this researcher.

Company Strategy is created by the Board of Directors and is communicated every year to the senior management team who in turn cascade to their business unit employees. Strategy was updated every year with an outlook to the second year. The Business Unit (BU) Managers take their teams through the strategy process via workshops and present how well the company is doing against the strategy. This also includes the strength of each unit in the organisation, i.e. profitability etc., which creates a degree of competition. Performance measurements are encouraged and should be tied to the strategy. However, these were only available to staff and management grades as the shop floor operatives are members of Trade Unions and do not participate in the appraisal process.

The use of the SMART system to create objectives is encouraged when setting up the annual appraisal. When asked about including the Balanced Scorecard measurements only the senior management team was using this at present. Previously the appraisal system was a disparate collection of systems but this had now been consolidated to one process during 2001 and uses a Microsoft software based system. Norman stated

that performance measures are used reflecting mainly quantifiable targets for production i.e. quality, output and timeliness etc.

The performance appraisal process is based on achieving 5 key result areas (KRA) and a number of competencies which depending on job responsibility, vary in width and depth. The measurement process consists of a 3x3-matrix format, documentation was provided allowing greater in depth review. Also included in this is the development process where career choice is determined, agreed and strengths & weaknesses evaluated for training, job change and learning. Allied have a fast track process for moving people. This is usually for succession management. The appraisal process allows individuals to review their manager's objectives, as each person should align theirs to his superior. The manager is the appraiser in this system.

The shop floor have a skills-based assessment process but as the Unions are dominant in this area the company feel they cannot impose the same system as the staff and management team. 360-degree feedback is used in this process and up to 10 respondents is requested, and feedback is anonymous. The appraisals are annual but 'job reviews' can occur 3-6 times during the year and cannot be refused by management.

Rewards are linked to the appraisal result such as annual bonuses and salaries. Other forms of reward exist but this is usually restricted to energy and waste management initiatives. Promotion and advancement are linked to the development cycle but achievement in this area can only really be achieved with a combination of ability, personal attributes, performance success and support from the leadership. The use of the EFQM model was not considered within the organisation but this may change through time. The company had successfully achieved IiP.

5.6.3 University of Strathclyde - Pilot study (Glasgow)

Norman Bell, HR Depute Director and Graeme Whyte, Senior Personnel Officer participated in this review. Norman stated that in line with many other institutions there is a strategic mission for the university. This is published in a booklet form, which is distributed to all Heads of Department to use and instruct the other members

of staff. From this the objectives for the group should be derived. Goals and mission statements are produced in the booklet Policies and General Guidelines, which is available to all and is on the Intranet. Credit Card format of Strategic Imperatives is provided to all employees.

The appraisal system is geared to development issues and the process of defining objectives is based on this. There was no evidence of performance measures. The appraisal process had been updated this year and is currently being further updated to further enhance the IiP requirements, (to include the researcher community). The process has been in operation for 12 years.

Two processes exist, the first is geared exclusively for the academic and related staff, researchers etc. and the second is for the support staff, technicians and clerical. The academic and related staff appraisals use a self-assessment approach where the appraisee assesses his or her own achievements and development needs. The appraiser and appraisee detail the content of the review, which is then used for discussion. This enables a comparison using the same appraisal form. This appraisal output details strengths and weakness evaluation, whilst a numerical assessment of what the individual has achieved is completed the final assessment is about describing the achievement. The resultant output is used by Personnel to ensure the development of the individual is catered for. The Technical and Clerical staff appraisals are conducted slightly differently as this group use a skill-based format.

A number of the employees in both the academic and support staff are Trade Union members and as a result this has limited the appraisal system to only the academic side of the university. Politics also play an important role in the processes as the funding for the University is Government appropriated this appears to limit development of the appraisal system.

Appraisals are conducted every two years for academic and every year for other staff but intermediate assessments can be conducted. New employees have 6 monthly and yearly appraisals. All intermediate reviews are for internal department use only. Training is provided for appraiser and employees on the process. Mentoring is also evident but only for academic staff. 360-degree feedback is not used in any area.

Appraisals are not geared to rewards systems. All promotion reviews especially for academic staff are related to skills, papers, books, etc. and is a form of performance measurement. The individual development plan (IDP) and review is conducted every two years and advancement has a high emphasis on the “leaders for tomorrow” process. This is seen as a major initiative for developing the academic leaders of the university. The appraisal process is a manual documentation process and does not use technology.

The University does not use the EFQM framework. This was looked at recently, 2001 but considered to complex for current operations structure to be considered. However, Investors-in-People has been awarded and this is used to provide the guidance for the universities employee development.

5.6.4 Litton Interconnect Technologies (Glenrothes, Fife)

This was the smallest of the companies involved in the study, 120 employees and Val McGhee the HR and Training manager outlined the process in use at Litton, which is a new appraisal system that was developed to support the groups efficiency and development and is part of the main company’s global system. Strategy is a key area and the head of the unit the ‘business leader’ reviews the strategy from the corporation and creates the Litton version based on the company’s order book and customer base. This is presented to the employees at the start of each year and reviewed regularly to update the employee population of what progress has been made.

The business leader actively encourages upward feedback to ensure there is an understanding of the strategy and to see if there are opportunities spotted by the employees that the management may have missed. Performance measures are used but they are standard metrics i.e. financial, labour related etc., and are loosely connected to the strategy.

One of the interesting management aspects of this company is the lack of use of traditional names for senior personnel. This is evident where the traditional manager name designation has been dropped and replaced by the “leader”. The company

believed that this would encourage a greater team-working environment, which was certainly evident during the research interviews.

The appraisal system is a new system created in conjunction with a consultancy organisation Thomas International, who also specialise in psychometric testing techniques as well as appraisal setting. The process is based on setting key results and competencies for evaluation. All employees are required to participate. Competencies are divided into two groups; staff and leaders, all participate in the core competencies while the leaders have a series of leadership objectives. The company has created job descriptions for the majority of roles in manufacturing with role expectations. Support areas do not have these yet.

The leader evaluates appraisals annually but an interim review is set, further reviews can be also conducted if required. Setting of objectives is normally a joint effort between the leader and employee. At present the appraisal system output is rated from *A; almost always* to *D; Seldom* meets objectives but the prime aim of the process is to identify gaps in skill and knowledge. The company use psychometric tests to identify people attributes in order to place them in the best role required by the company. This concept is also used to evaluate new employees.

The linking of rewards and career progression to the appraisal process is not part of the process. The size of the organisation approximately 120 people is considered too small for upward progression but job enrichment is the key to progression at Litton and it is in this area the employees are encourage to develop.

Salary is linked to business success and not to performance rating; this may change at a later date. 360-degree feedback is not used in the appraisal process. Performance measurement systems are employed across the range of business activities mainly in manufacturing metrics. However, training challenges are set for employees who want to participate. The appraisal process is currently a manual process; reference documents are held on the Litton Intranet system and are then printed off. The use of the EFQM model has not been considered at Litton, but they are active in the IiP process.

5.6.5 BAE Systems Marine (YSL) Ltd (Glasgow)

Judith Young, HR Expert explained that BAE systems operate three processes to evaluate their people. The older 'Marconi' manual system is used for employees below senior managers and Director level and the newer web enabled 'people manager process' system used for the senior staff. The people manager process is the latest web based system and this system includes 360-degree feedback. This system also includes the strategy formulating process that each section head would input and cascade to lower staff levels to be included in their appraisals. Strategy is not an ongoing communication process, except when customer survey feedback is fed back to all employees, only then does the company include strategy messages. Surveys are conducted twice per year.

The new appraisal process was brought into practice during 2001 and the measurement process is based on 5 key competencies and 40 behaviours. This system also uses the 360-degree feedback process to ensure peer and customer evaluation. Documentation of the process was provided.

The shop-floor system is a paper based process (no copies were provided as a separate organisation held the paperwork) and is the older 'Marconi' manual system. This process has a skills and personal development plan associated with it but no measures. This is due to the Trade Union rules on appraisals for shop-floor personnel. The shop-floor system relies on assessing training and skills gap analysis and provides for training plans to rectify the process also assesses competencies. Supervisor conducts appraisal with those employees.

Career development was mostly described for senior management. Where the 'spectrum code' system was created to highlight leadership competency. This system was used to evaluate progression and movement within the organisation and was part of the Performance Centred Leadership process. Job application process was the norm for the majority of job changes. Performance measurement systems were used and these were mainly financially and project management based led metrics. However, details of these were not provided.

Only performance incentive used was an annual bonus for senior personnel and was based on achievement. Other notable areas were the use of surveys. An employee survey was completed every 2 years and a customer survey was conducted monthly to enable feedback to employees. Coaching and mentoring was not a high objective for the management team and did not create good results when used, apparently.

All but the shop-floor process is web enabled and looked to be a comprehensive and fairly easy system to use, printouts were provided of the core processes. The EFQM model was not used for the organisation but a leadership element had been devised and in use to determine the competencies required for senior management. The IiP model was in use for training purposes.

5.6.6 IBM UK Ltd – Principal case study (Greenock)

IBM is the largest company participating in this research with over 5,500 employees in the Greenock location and 18,000 in the UK. It was also the researcher's employer. Therefore, in accordance with case methodology, this is the principle case and will be the key, from which all the others will be compared against. However, to ensure as much impartiality as possible an interview was agreed with Des Gallagher, the Senior HR Account Manager for the Greenock Site to provide the information of the processes used in the UK.

Des advised that the Strategy process kicks off with a series of “imperatives”, which are created at the European Corporate level, and these are transformed into business unit strategies. The strategic messages are presented at the start of each year at formal presentation meetings and involve all employees. These top-level initiatives include performance targets but are very top level in their construction. It is the first line manager's responsibility to develop with the employee the appropriate performance measures that should link to the strategy of the business unit (BU).

The appraisal process was originally a top down system developed from the 1970's and has had two major revisions since. The current appraisal system is a collaborative system where the employee and the manager will create the objectives and the

evaluation. Normally the evaluation review periods are set annually but evaluations are encouraged at half yearly intervals but these are not always completed.

The construction of the appraisal is to create objectives in three areas –

- Win, where the objectives set define how the employee will change the business
- Execute, how the objectives set can be attained. Performance measurements should be clearly demonstrated in this section.
- Team, who the participating employee will work with to achieve the objectives set.

These headings try to ensure a balanced view for the employee to participate within the business and should be linked to the Corporate Strategy. Coupled to this is the development process or IDP (individual development plan) it is this process that assists the person to look at training and course work that will help with career and skill development. IBM provides a series of developmental databases, which are available for the employee to review courses, career structures and skill competencies necessary to achieve the Company goals. From this the development plan can be constructed. The process is web-based.

The company does have succession planning at the higher level and does highlight future potential leadership and this is partially dependent on the appraisal process. The appraisal system is linked to the reward system and the final assessment determines the year-end bonus percentage. Any increases in salary level are also linked to appraisals but a second element is used and that is ranking.

A ranking process is used to highlight the top performers and this allows the company not only to pay those exceptional employees the top increases but also determine promotional/development opportunities. Ranking results are withheld from the employee. Des commented that this process could have a detrimental effect on teamwork as it is purely an individual assessment process but is seen as a way to focus success. All career planning is achieved via the individual development process (IDP). Grade banding is used to differentiate job levels.

Training for appraisals is provided for new managers. Employees can receive instruction from the HR group and their first line manager. Appraisal measurement is based on 4 levels of assessment 1 - 4 where 1 is an outstanding achievement. 360-degree feedback is voluntary. The EFQM model is used but is not a process that is well known throughout the company. IiP has been the main framework within the organisation. Lastly, as a result of matrix management, these tools are deemed to be essential as task and people management are often separated.

5.6.7 Thales Optronics (Glasgow)

Liz Bell the HR Director and her senior staff officer Jim Finlayson agreed to allow the researcher to review the company processes. This was encouraging as the company was involved in design and manufacturing within the armaments industry and as a result was traditionally difficult to allow access to an outsider. However, the researcher was provided a tour of the site, which was not afforded at BAE Systems.

Jim advised that Thales strategy is created for the whole organisation and this is cascaded to each market segment of which the Glasgow group is part of one. Each market segment creates their own strategies from the global one and the strategy process is set for 3-10 years and usually covers a number of key areas some of which are; use of facilities, skills (reviewed annually), headcount etc. Every 6 months a review of the “state of the nation” i.e. how well the company is progressing with its performance is presented to the employees. Strategy is updated annually and published in a presentation format but this is not provided to the employees.

Strategy is traditionally in the form of financial objectives and it is these that are the basis for the employee’s objectives. The executives of the organisation have their mission and objectives set out in a departmental control book, book of master data that sets out what is to be achieved and by whom. The researcher was allowed to see this but not to take notes of the content. This shows the organisation structure of the senior management team with each person’s objectives. Each executive will hold monthly reviews, briefings detailing where the successes and failures have occurred and what needs to be done to realign.

A formal appraisal process is in place for both the shop floor and professional staff levels. The staff system, ADR (Accom development Review) incorporates 3-5 key objectives, which each manager will set out with the employee. Performance measurements will be developed that include; dates, quality, cost etc., are all incorporated in the appraisal. The employee writes own objectives after the management discussions.

Objectives set, are in the form of KPI's (key performance indicators) or milestones plus behavioural competencies and these are reviewed twice per year prior to the final appraisal evaluation. The company has job responsibility and behavioural charts that set out routes for employees to improve or sustain performance. The employee's immediate manager encourages coaching.

The technical levels have 11 job families plus competencies plus skill levels, 10-16 depending on job family. This system concentrates on skills for the shop floor. The company could not create a common system as a result of Trade Unions but are trying to incorporate behavioural elements as with the staff/management system.

The appraisal rating at the year-end uses a reflection methodology where an overall rating of 1 exceptional – 5 partially achieved plus a narrative of success is used. Ratings are checked to ensure a consistency exists and that all ratings are justified, a form of ranking.

The appraisal year is reviewed in January and if no ADR completed then a salary increase is not paid. The reward system is based on salary scales i.e. the lower in the scale with a satisfactory rating the higher the increase. Career moves are based on job vacancy plus relevant experience and knowledge. Grade increases require the applicant to demonstrated evidence of capability and competence at the level of the new grade. This is then reviewed at career board. Senior grades attend a competency interview before they can be appointed.

For staff and senior levels two career reviews are held each year and a new change is being implemented termed the "people review" element, which looks at the leadership competency of the individual. For senior personnel, succession planning is being

developed and the company is looking at mobility to other sites. Deemed as a development attribute in order to create greater ‘rounding’ of the individual. Where training is required to allow mobility to occur for senior people a new development/succession action plan is set enabling the release of the individual and an ongoing commitment from the releasing organisation. The use of frameworks is limited to IiP.

5.6.8 NCR Financial Solutions Division (Dundee)

NCR’s Director of Organisational Development, Michael Cusack explained the strategy formation process, which starts out as a corporate vision, is then cascaded to each Division who in turn cascade to each Business Unit (BU). The BU sets its own strategy and performance targets, which are then cascaded to the employees via formal presentations from the top management team at the start of the year. These kick-off meetings are designed to bring the whole team together. Further updated presentations can follow but not all employees attend these.

NCR set their performance measurement system from the functional global strategy team (GST). This is then cascaded to the various parts of the organisation via the management teams and deployed into the performance appraisal systems. The use of frameworks and models is evident in NCR and the main ones are IiP for training & learning, and a software package CMMI that was developed to aid their strategy formation process.

NCR as a global company are a matrix-managed organisation, where the more senior roles where setting the appraisal is not influenced by your immediate boss but by your career manager. This process is similar to IBM. 360-degree feedback is an integrated part of the appraisal evaluation. Performance measurement systems are influenced by financial considerations, which are uppermost in the individual’s performance objectives.

Michael did add however, add value is another key element of objective setting. Also “thinking out of the box” is encouraged in all areas and these are built into the appraisal process. The formal appraisal process is only used in Dundee for staff and

management. The shop-floor operatives do not participate in the process, as a result of Trade Union involvement. The appraisal system uses up to 5 key objectives and a number of competencies/development areas, and the system is an online intranet site.

Objectives and the review process are jointly achieved with the manager and the discussion on the performance outcome is based on both completing the process satisfactorily. The employee is encouraged to self-assess his performance before the formal appraisal process with the manager. The company encourages mentoring and coaching in between appraisal periods to ensure the maximum is achieved from all participants. The main elements of the appraisal process are potential of person, performance achieved and competencies.

The shop floor work on a grading system, which in recent years has been reduced from 4 to 3 grades and progression from the shop floor, is based on education, competency and skills. Reward systems are given only if the performance has reached the minimum level or higher. Ranking is used to determine salary levels and relative position charts are used to determine this, normally results are withheld from the employee. Career development includes a 'talent management' scheme, which is used in conjunction with the three areas assessed in the appraisal process. Managers are trained in appraisal processes and they then coach their employees on the elements of the system.

5.6.9 BP Exploration (Aberdeen)

Ron Mudie, HR Manager at the Aberdeen office explained that the strategy formation is determined at the board level and is cascaded to the various business units who then re-interpret these to develop their own strategy initiatives. This is further cascaded to the unit's team leader, who is the senior manager for the business unit to determine his/her unit's strategy and performance measures. Communication of the strategy and performance measures is normally cascaded via the senior management in team reviews. Strategy initiatives and challenges are available on the company intranet site, which is accessible by all employees.

BP employs a formal appraisal system and this is accessible within BP's web/intranet. Ron did provide the researcher access to intranet site to allow a hands on approach to the system. All aspects are based on 'people soft' databases within a Microsoft environment. The appraisal process is for all employees except contractors, the company does not differentiate between operations (oil rig staff) and professional grades. The process is geared on core objectives and developmental areas. 360-degree feedback loops are used for Business Unit leaders only and developmental competencies are also reviewed.

The appraisal process is set by the manager and agreed with the employee. Individual performance measurement objectives are derived from a performance 'contract' established from the strategy. Ron stated that an earlier discussion was made sometime ago on the objectives following a balanced scorecard theme but this was not formally adopted. The appraisal process uses SMART objectives.

The appraisal format and use of forms changed in 2000 to accommodate the various mergers BP acquired. The appraisal process is now seeking to develop a broader discussion format – "of the whole person" and as a result is looking for a process that will encourage greater people involvement.

An appraisal review is encouraged every 6 months before a final annual assessment is made. Ratings are from 1-5 with 5 exceeding expectations. From this the employees will be banded into three areas top 15% middle 35% and bottom 50%. Salary increases are linked to this performance. However, there are no ratings used to facilitate this.

Variable pay is determined by achieving the company and business unit goals where each success can contribute a 10% bonus thereby giving an overall 20% total bonus payment. Developmental issues are normally held separately from the appraisal process but are linked. Appraisal training is provided to employees with people responsibility for appraisals and development areas.

Formal frameworks are operated such as BSI and IiP is used as the training model, but the EFQM model is not.

5.6.10 Scottish Power Systems (Glasgow)

Jim Fingland, HR Manager had presented his company's HR development process at a local IEE meeting in October 2001 and once contacted by this researcher agreed to participate in this study. Jim commented that the parent group of the company cascades to all member divisions the strategy from a top down perspective. The main objective of this is to exceed last years plan. The strategy forms the operating plan and this annual cycle is then interpreted by "Power Systems" and once each department head has created their own focused direction this forms the strategy and performance criteria for the employees of the group. Each Business Unit (senior manager) is required to sign-off on the operating plan objectives and measures after which this is then presented to all the employees.

Two formal appraisal systems are in operation within the company. The first is the management system, which includes all the elements of the operating plan measures. Objectives are set for each employee in this category also linked to this is leadership competencies. Salary and bonuses are linked to appraisal elements and a bonus is made up of 25% from operating plan success. The remaining 75% made up from leadership competencies.

The second system is the staff appraisal, which is also based on the operating plan and competency framework. As with the management system, salary is based on appraisal achievement and the bonus is paid on achieving 60% on objectives and 40% on competencies. The rating scales used are 1–5 (5 being the highest achievement) for both systems. The shop floor does not have an appraisal system due to Trade Unionism.

The appraisal frequency is annual with an intermediary appraisal used for counselling and mentoring. The objective setting is initiated by the manager and usually involves the employee. The appraisal system is a purely manual system and can be time and people intensive. Jim advised that 360-degree feedback is only used for developmental purposes and not linked to salary. Nevertheless, the company was considering using this with their reward systems in the future but the current industrial climate at the time of the interview was deemed inappropriate.

Career development was based on the objective attainment and competency reviews. The process used is “population of interest” scheme where those with the correct attributes are highlighted for talent and succession potential. The employees selected are interviewed on a one-to-one basis and are mentored by senior management but promoted positions are withheld from the candidate until they are ready to be promoted.

Psychometric testing conducted on all graduate hires to ensure ‘right for the job’ placement. Appraisal training is completed with 2-3 day courses supplemented with e-learning packages. The use of frameworks is limited to the IiP framework and Jim Fingland expressed his opinion that IiP was similar to the EFQM due to changes in the frameworks structure. Jim was also an IiP assessor.

5.6.11 United Biscuits (Glasgow)

Steve Martin, Production Manager agreed that this study could prove interesting to his company as the history of McVities Biscuits in Tollcross is that of a traditional manufacturing site of command and control attributes. The current management team were trying to change this and become more people and customer focussed. The company were not a public listed organisation due to takeovers but had a strategy to become sufficiently profitable, which would result in being sold a public organisation after being owned by an investment group.

Therefore, as a result of the unusual nature of this organisation the strategy formation process is to do with changing the organisations characteristics and the performance measures that relate to the financial and operating processes. Steve advised that only the management team is informed of these and the staff and shop floor may be informed if their manager tells them directly. The strategy and performance management cascade is given to the management team off-site. This is published and provided to management, some documentation was provided but not the strategy publication. The business targets use a balanced scorecard approach.

The structure of the company organisation is split into ‘zones’. Each zone is a management category i.e. zone 1 is director level, zone 2 is senior management –

factory manager, zone 3 is split into two sections the upper section is manufacturing manager grade with the lower level plant manager level the last grade is zone 4, team leaders. The appraisal process is a new format to compliment the company structure and this was developed last year to assist with the changing environment. The shop floor operators are not involved in any appraisal process as they are involved with a Trade Union.

Operational staff has the same appraisal structure as management. However, the objectives are a subset of the managers but there was no evidence that strategy and performance measures and objectives were closely linked. Each employee writes up his/her own appraisal based on his/her manager's objectives. This is then sent to the manager for approval, changed if necessary and then implemented. The measurement process is a non-numeric format and the criteria is as follows; DP=developing performance, used for new employees or a new job; MP=marginal performance; EP=effective performance; VE=very effective performance; OE=outstanding effective performance.

The use of role profiling, technical skills, job competencies and requirements are all used to guide the employee in their career. Also used in people assessment is personal development planning. Psychometric testing is used to match the job to the person. Succession planning is used to develop the future company leaders. The system is a Lotus Notes database process and is linked to the company's intranet site. The use of EFQM and IiP frameworks is not used in the organisation but the intent is to move to a TQM environment, which may lead to participating and obtaining these accreditations.

5.7 Company interview summary

All the respondents involved in the studies advised that the company practices discussed in this chapter were not perfect and that change was necessary periodically to ensure that the best practices are identified and implemented. Further discussion revealed that there were several drivers that contributed to the evolution and development of their strategy, PMS and appraisal processes and this emanated from:

- Increased competition – all organisations needed to ensure they employed the best practices in all parts of their processes and employees were the key to this.
- Financial pressures – all companies were under increased pressure to reduce costs and increase efficiencies and strategies had to reflect this, and be implemented.
- Customer satisfaction – greater emphasis has been on creating the correct environment for customers to repeat the buying process and this means the company must develop the correct structures to enable this.
- Employee development – companies had to review what they expected of their employees and create an environment that enabled them to attain the skills and abilities necessary to perform the job.
- Strategy should develop the performance measurements necessary for driving the business and this should also be linked to the employee appraisal process. However, this was dependent on the manager and employee relationship plus both having an understanding of the company direction. This was evident from the interviews with the managers of the more traditional hierarchical organisations, where a number indicated that the company rhetoric was supportive of a link but in reality this was more to do with the employee/manager relationship and strategy understanding.

Potential problems were also discussed and the main areas identified were:

- One issue that was observed with deploying strategy through the organisation and subsequently creating a link to the appraisal process is the dependency of the manager and employee relationship plus both having an understanding of the company direction. This is evident from the interviews with the managers of the more traditional organisations, where a number indicated that the company rhetoric was supportive of a link but in reality this was more to do with the employee/manager relationship and strategy understanding.

- The need to link strategies, performance measurement and job objectives were necessary but only three of the organisations, FirstPlus, Litton and NCR could provide tangible evidence to support this. The first two companies interviewed were the smallest in the group and operated as SME's. This enabled the Director in charge to directly influence the employees and lead the way forward. NCR had evolved their own software structure for strategy cascade, which assisted in the deployment of strategy and PMS to the managers/employees. This appeared to create a greater than average chance of employees creating a linkage to the company strategy in their job objectives.
- When discussing performance measures with each company these were aimed at quantity, cost, timeliness, developmental and quality. However, were these directly related to the top strategies of the organisation? No procedural evidence was found during the interviews or seen from the copies of the processes provided that led the researcher to believe a strong process was in practice.
- Leadership - this was seen as paramount to the success of any organisation especially where strategy formation and communications were concerned. The success that many had was down to the CEO/MD cascading the future of the organisation at the top level. However, only two companies had the MD lead the way directly to the workforce. Six others relied on the strength of their CEO sending out an inspiring message with the divisional heads cascading the goals throughout the organisation. The last three organisations relied on the manager/employee relationship and understanding to develop this.
- Static structures - almost all the organisation fought against allowing this to happen. Processes such as the appraisal system had changed significantly over a period of time. Some stated that they recognised the need for further change initiatives to become more imaginative. This was evident in FirstPlus, BP and NCR.

- **Politics and Bureaucracy** – again this was seen as an area that necessitated a great deal of vigilance by both the management and employees to avoid what a number of organisations call “a tick in the box mentality”. 50% of the organisations unfortunately felt that this was the norm rather than the exception. The principal case, IBM was particularly prone to this issue, in the author’s opinion.

A number of success factors were identified from the interviews:

- In almost all cases support and re-enforcement of the processes from the management team were seen as essential for the successful continuation and development of the processes. All companies stated that their executive management were the principle drivers and this was supported by the lower level teams.
- **Communications** – all organisations stated that repeating the communications messages was necessary and it was essential to repeat these during the year.
- **Appraisal construction** - All organisations stated that the processes they operated were essential to the success of the company and the development of their employees and the linking of strategy to appraisal objectives was highly desirable but only one organisation could provide tangible evidence of this, FirstPlus.

5.7.1 Discussion on interviews and conclusions

All organisations involved in the research stated that the use of appraisal systems was paramount for not only for guiding employees but to enable the organisation to achieve its goals. The importance of the appraisal process was stressed but what was not so convincing was the effect that the strategy communications had on the employee’s job objectives or how they conducted their personal development.

Each of the interviewees stated that strategy and performance measures were fundamental to the success of the company. In the case of FirstPlus, direct selling enabled a close relationship between the financial strategy, performance metrics and linkage to the appraisal process was highly visible. FirstPlus was particularly proud of the people management policies, they had used the EFQM framework to design the

company structures to gain good operation results, and people buy in. Their appraisals and strategy processes appeared to be interlinked and a constant review and cascade was achieved to ensure the employees' direction was highly focussed. This company appeared to have a set of processes that many of the others lacked.

Two of the companies, Litton and United Biscuits, had just introduced a new appraisal process and this was taking its time to establish this linkage but both agreed that linking strategy and performance metrics was important, but could not offer a structured process for doing so. However, Litton took the time to ensure that the employees understood what the strategy is by directly presenting this at communications meetings.

Many of the companies provided the same structure but it was not clear if their messages and performance metrics were included in the employee's job objectives. United on the other hand aimed their process primarily at management as the company is striving for public ownership but recognise the need for the systems to be cascaded throughout the organisation.

The larger organisation such as NCR, IBM, BP and Scottish Power all had long term established programmes and were involved in continually seeking to improve them. These organisations had a well-defined process for cascading the company strategies and the associated targets throughout the year, certainly at a top level but depended on their management teams to understand them and encourage their employees to create the link to the objectives necessary for their appraisal.

This was not evident from the interviews how successful this was as the stock answer from these companies was the managers who managed people needed to make this work. BP was the only organisation who felt they needed to try and reinvent the appraisal process in a radical way and were willing to look at any opportunity that may give them a people and business advantage.

Overall, strategy formation and its cascade, performance measures and appraisal systems were evident in all companies. History of process development was basically similar in design and construction. However, there was no clear evidence that the

processes each organisation demonstrated was a panacea or that a direct link from strategy to job and development objectives necessary for a balanced performance appraisal system was clearly visible from these interviews.

Case study is defined as a study of events within a real-life context and results in important implications for data collection. In this case, a structured questionnaire, appendix 3, was used in conjunction with the interviews detailed above. Data reduction, table 5.2, the first stage of case analysis, was completed at this stage of the research and provided a link to the research questions. An analysis was made of these and the key attributes that were extracted from the interviews and questionnaire to enable a comparison of processes and practices.

Q #	Process Attributes	01	02	03	04	05	06	07	08	09	10	11
1	Coy Strategy	Ops/Prof/Mgt	Ops/Prof/Mgt	Prof/Mgt	Ops/Prof/Mgt	Ops/Prof/Mgt	Ops/Prof/Mgt	Ops/Prof/Mgt	Ops/Prof/Mgt	Ops/Prof/Mgt	Ops/Prof/Mgt	Ops/Prof/Mgt
2	Performance Measures	All Emp	Prof/Mgt	No	All Emp	Prof/Mgt	All Emp	Prof/Mgt	Prof/Mgt	All Emp	Prof/Mgt	Prof/Mgt
3	PM & Strategy linked	Closely	Closely	No	Loosely	Closely	Closely	Closely	Closely	Closely	Closely	Loosely
4	PM & Strategy cascaded to all employees	Yes	Individuals	Individuals	Yes	Mgt	Yes	Mgt	Yes	Yes	Yes	Mgt
5	Is EFQM/IIP Etc used and cascaded to ALL?	EFQM/IIP - All	IIP- Ind	IIP- No	IIP	*EFQM/IIP	*EFQM/IIP	IIP	IIP+*	IIP*	IIP	None
6	Appraisal Process	Yes-All	Yes-Prof/Mgt	Yes-All	Yes-All	Yes-All	Yes-All	Yes	Yes-Prof/Mgt	Yes	Yes-Prof/Mgt	Yes-Prof/Mgt
7	Is the appraisal process well established?	Yes	Yes-Prof/Mgt	Yes-All	New	Yes	Yes	Yes	Yes	Yes	Yes	New
8	Who is appraised?	All Emp	Prof/Mgt	All Emp	All Emp	All Emp	All Emp	All Emp	Prof/Mgt	All Emp	Yes	Prof/Mgt
9	Who sets Objectives & Competencies	Mgt/Emp	Mgt/Emp	Mgt/Emp	Mgt/Emp	Mgt	Mgt/Emp	Mgt/Emp	Mgt/Emp	Mgt/Emp	Mgt	Mgt/Emp
10	Appraising individuals	Mgt	Mgt	Mgt	Mgt	Mgt	Mgt	Mgt	Mgt	Mgt	Mgt	Mgt
11	Frequency of appraisal	Qtrly	Annual	1 & 2 yrs	1/2 Yrly/Yrly	1/2 Yrly/Yrly	Annual	Annual	Qtrly	Qtrly	2x-Annual	2x-Annual
12	360 degree feedback	Yes	Yes	No	No	Yes-Mgrs	*Yes	No	Yes-Prof/Mgt	Yes	*Yes	No
13	Linked to Career	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes-Prof/Mgt	Yes	Yes	Yes
14	Linked to Rewards	Yes-Bonus	Salary/Bonus	**No	No	Yes	Yes-Bonus	Yes-Prof/Mgt	Yes-Prof/Mgt	Yes-S&B	*Bonus	P/Mgt-S&B
15	Appraisal / Career Training	Yes	Yes	Yes	Yes	Yes	Yes-Mgr	Yes-Mgr	Yes-Mgr	Yes	Yes-Mgr	No*
Other Areas												
A	Trade Unions	N/A	Shopfloor	Staff/Academic	N/A	Shopfloor	N/A	Shopfloor	Shopfloor	N/A	Shopfloor	shopfloor
B	Skills based competency rating	N/A	Shopfloor	Staff	Shopfloor	Shopfloor	N/A	Shopfloor	Shopfloor	N/A	Shopfloor	Staff/Mgt
C	Ranking used for salary	Yes	No	No	No	No	Yes	Yes	Yes	Yes	No	No
D	Collective Bargaining in use	N/A	Shopfloor	All Emp	N/A	Shopfloor	N/A	Shopfloor	No	No	Shopfloor	Shopfloor
E	Measurement Process	Score graded	3x3 matrix	1-4/Summary	A - D	1 - 5	1 - 5	5 - 1	3-1 & 1-5	5 - 1/Banded	5 - 1/Matrix	1 - 5
F	Employee Surveys employed	No	No	No	No	Yes	Yes	No	?	Yes	No	Yes
G	Psychometric Testing used	No	No	No	Yes	No	No	No	No	No	Yes	Yes
H	Mentoring/Coaching used as a development tool	Yes	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No
I	Use of SMART Objectives	Yes	Yes	No	No	Yes	Yes	No	Yes	Yes	No	Yes
J	Process Computerised	Partial	Yes	No	No	Yes	Yes	No	Yes	Yes	No	Yes
K	Matrix Management Employed	No	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No
Notes:												
**Compensation reliant on Government Bodies												
*EFQM - Only Leadership element used												
*EFQM/IIP not cascaded to all employees												
*360 degree feedback only voluntary												
*360 degree planned to be implemented												
*360 degree used for Competencies only												
*CMMI software process used for organisational development												
IIP Process used for external recognition												
*Bonus only for Managers (new scheme)												
Legend:												
Ops = Operations												
Prof = Professional												
Mgt = Management												
Emp = Employee												
EFQM = European Foundation for Quality Management												
IIP = Investors-in-People												
SMART = Specific; Measurable; Actionable; Realistic & Time Bound												

Table 5.2 Interview results from Senior Management

From the results a summary of the key metrics and observations were made.

- 10 of the 11 companies stated that company strategy is cascaded to all employees
- 73% of companies stated that strategy and PMS were closely linked to individuals
- 73% of companies cascade strategy and PMS to all employees
- 55% of companies stated that the appraisal process affected all employees while the remainder stated it only affected staff and management.
- All employees are appraised by their immediate boss
- Only 45% of all employee used 360-degree feedback

Other notable observations from the analysis, see table 5.2 were,

- 64% of companies had a Trade Union present in some part of their infrastructure. This in effect stopped the appraisal process from cascading to this group of employees. However, skills and educational development was used to create an assessment process for these employees. It is important to note that unless this category of employee buy into the processes then difficulties will inevitably result in achieving company goals (Gratton *et al* (1999).
- 36% of companies used some form of employee ranking for reward purposes. This type of assessment was used in conjunction with the formal appraisal process and allows an organisation to make an assessment of those employees contribution to the company and allocate suitable rewards. Ranking results are usually hidden from the employee making this process uncomfortable for those on the borderline. Ranking was used in five of the organisations interviewed.
- Employee surveys were used in 55% of companies. Half the organisation's participating used some form of survey to feed back to the employees. Three, IBM, BP and NCR used employee surveys, while all six, used customer survey feed back.
- Psychometric testing was used in a quarter of companies. United and Scottish Power used this form of assessment for recruiting graduate hires. While Litton

used testing to not only to hire new employees but also to create a strong team-working environment.

- 64% of companies used some form of mentoring and coaching to support employees who wanted or needed this.
- Matrix management structures used in 55% of participating companies

Therefore, to conclude this section the evidence developed from the interviews with the management team has started to clarify that companies are not effectively deploying their strategy and performance measures to link with the objectives in the appraisal process.

Therefore, the research question 1 and 2 has started to be answered.

1. *Why are companies failing to effectively deploy strategy down to the individual?*
2. *How can this research identify the gaps in the process and what are these?*

However, further triangulated evidence is necessary as this is the first phase of a three-part investigation.

The next section analyses the employee postal survey and will start to look closer at the practices experienced by the employees of strategy deployment throughout the organisation and the linkages to the appraisal systems to determining how well these work. This section will further answer the research questions 1 & 2 and introduce research questions 3 and 4, as determined by the research map.

5.8 Postal questionnaire - introduction

Having interviewed and analysed the responses from managers of the eleven organisations and found that there is increasing evidence that a gap does exist between the deployment of strategy and a direct link to the appraisal processes. However, to fully address the research questions 1 and 2 further analysis is necessary to achieve a comprehensive answer.

By looking back, to figure 5.1 the research strategy we are now at the stage where the research is ready to seek the opinion of the employees and this has been

achieved by implementing a postal questionnaire. The postal questionnaire provides a larger population of opinion and fact and will further aid *construct* and *internal* validation. However, as every questionnaire is different, rules can only be applied in very general terms and a common-sense approach must be taken. Most questionnaires start with a series of simple dichotomous questions about the individual. This type of questioning is useful to prepare the ground for a more in-depth set of questions and by getting the respondent into the swing of the process.

An important aspect of questionnaire design is to group questions that are similar in subject order in this design to find out what the individual understands of the construction and importance of his/her strategy and appraisal processes. This is necessary to provide the questionnaire with a rational flow. Appendix 4 includes the letter requesting participation, Survey design and the results that will be discussed in the later sections.

5.8.1 Response rate

The researcher asked each of the managers initially interviewed if a questionnaire could be distributed to a cross section of the company's employees who currently participate in the appraisal process. All the managers agreed to this and packages containing 15 questionnaires and covering letters were posted to each company. Table 5.3 below, highlights the response rate that was received. Nine companies replied, giving a response rate of 53%. Unfortunately two companies did not send any questionnaires back and after a number of communications no satisfactory answers were received. This was also the case for one other company who only managed to return a very small number of the questionnaires.

Overall the response rate was satisfactory as the respondents were a mix of mainly managers and staff employees who are all busy people and to answer a questionnaire no matter how simple or straight forward or easy to answer can and is a very low priority for them. Also an additional factor is that this research and in particular this survey looks at the details of the respondents own appraisal rating.

Participating Companies & postal questionnaire data		Data collection Date	No. of Quest's sent	No. of Quest's received	Response rate %	No. of Execs in sample	No. of Managers in sample	No. of others in sample	Typical role of respondents	Typical operating core role
1	FirstPlus Financial Group PLC	28-Feb-02	15	12	80%	0	4	8	Sales	Financial Services
2	Allied Distillers	28-Feb-02	15	11	73%	0	11	0	Production	Distilling
3	University of Strathclyde	28-Feb-02	15	8	53%	0	3	5	Lecturing & Research	Education
4	Litton Interconnect	28-Feb-02	15	11	73%	0	4	7	Mgt, Staff & operators	Manufacturing
5	BAE Systems Marine (YSL) Ltd	28-Feb-02	15	0	0%	0	0	0	No response	Manufacturing
6	IBM	28-Feb-02	15	17	113%	1	5	11	IT Services & Production	Manufacturing & IT Services
7	Thales Optronics	28-Feb-02	15	2	13%	0	0	2	IT & R&D	Design & Manufacturing
8	NCR	28-Feb-02	15	6	40%	0	1	5	IT & R&D	R&D and Manufacturing
9	BP Exploration Services Ltd	28-Feb-02	15	9	60%	0	4	5	Production, H&S and Staff	Oil & Gas Production
10	Scottish Power Systems	28-Feb-02	15	12	80%	0	5	7	HR, Staff & Mgt	Electricity & Gas supply
11	United Biscuits (UK) Ltd	28-Feb-02	15	0	0%	0	0	0	No response	Manufacturing
Total number of questionnaires sent out =			165	88	53%	1	37	50		

Developed for this research

Table 5.3 Survey statistics

Of the responses, all were usable and while the sample was a very small population of the total number of employees who participate in their company's appraisal process, it did provide an opportunity to test the knowledge and feelings of employees. The survey while statistically very low (0.4% of the population) still provided the researcher with sufficient data that could contribute to new knowledge. While a larger sample would have ensured a more rigorous set of results, the data collected should provide future scope for research in this area. In addition, the researcher was time bound a larger survey would have taken too long to complete.

5.8.2 Method of analysis

From the questionnaires returned, the data supplied by each company was examined for completeness and then entered into a number of MS Excel spreadsheets, where it was possible to tabulate the data and conduct an analysis of the information. Each company was analysed as an individual entity and then combined with the other respondents to create a summarised package. The use of specialised software such as SPSS, Statistical Package for Social Science, was not used as the data collected was considered to be insufficient to enable this. Thus it was decided to instead structure the questionnaire in such a way as to allow easy analysis using a standard spreadsheet package.

5.8.3 Analysing the responses

In this section we will consider the main elements of the questionnaire looking at each question, which is then followed by an explanation and, in some cases, a graphical representation of the results. Appendix 4 highlights the combined results of all the respondents and it is this analysis that is discussed in detailed here.

Questions 1 through to 4 are general and form the background of the respondent.

The multi-choice questions relate to.

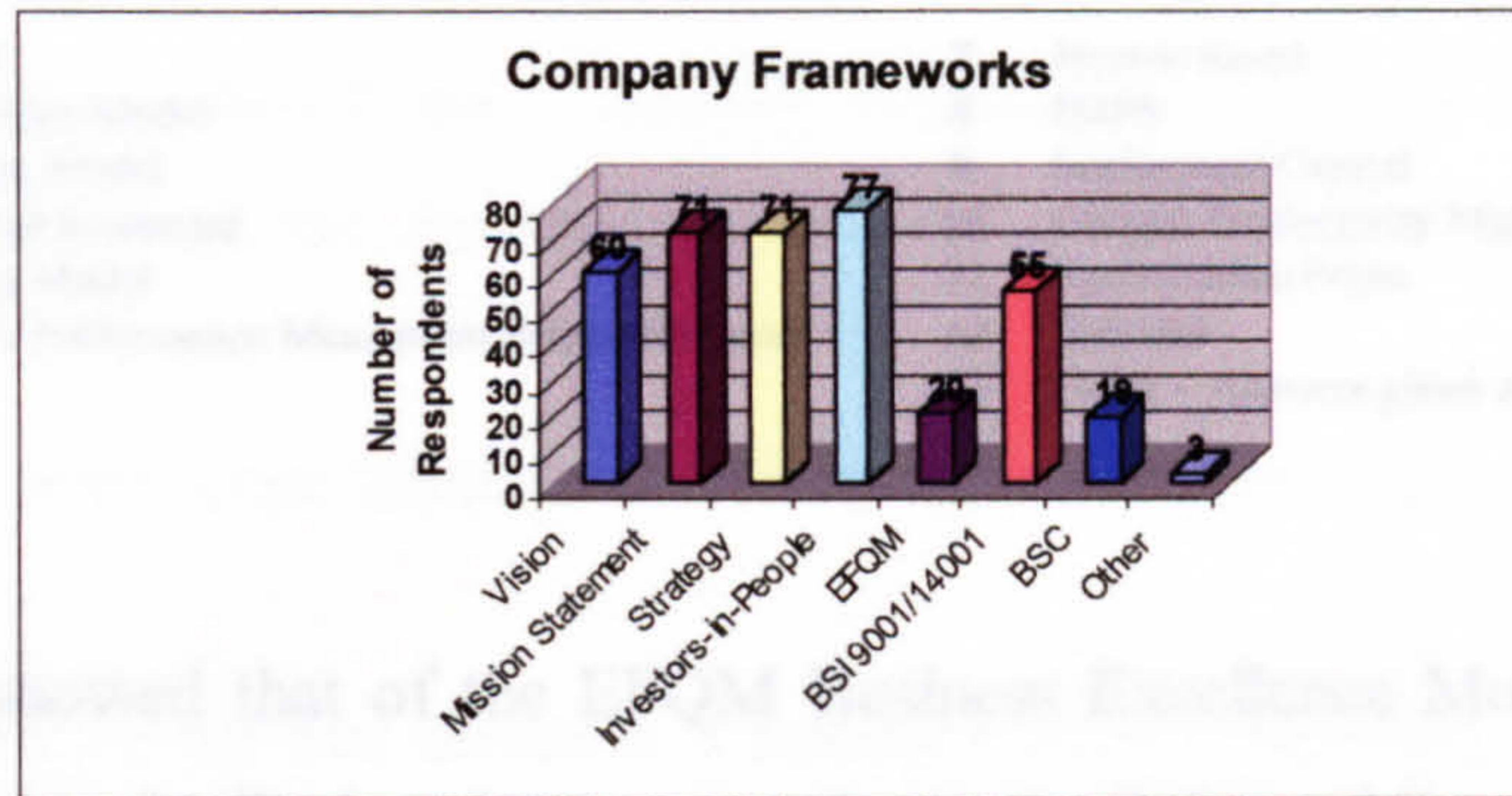
- Q1 & 3 what are your main activities – the majority of the respondents work in the manufacturing and services sectors.
- Q2 what job category do you belong too - of the 88 returns 50 were from staff roles, 37 from managers and one executive manager. A good distribution of job roles, as the appraisal process affects every person in the organisation.
- Q4 how long have you been employed in the company - a good distribution of service was found. 64% of the recipients were employed for 4 – 20 years, 19% less than 3, and 16% more than 20 years.

Questions 5, 6, 7 & 22 continue the background of the participants but are now looking at the effect of the company processes on them.

- Q5 asked if everyone was party to an appraisal and while the response was 97% the 3% were either a new start or potential lack of understanding of the question.
- Q6 In this question the researcher wanted to know what appraisal rating the respondents had achieved in their most recent appraisal. The result showed that 69% had achieved an “achieved/exceeded” rating or a ‘2’ and 20% had achieved a “achieved some/most” rating or a ‘3’ (5 being unsatisfactorily to 1 being extraordinary). These statistics were not uncommon across the majority of companies and demonstrated that appraisal practices in the companies meant some commonality was evident, or were these ratings a cop out to keep the majority of people happy? There were some anomalies, NCR respondents were all in the ‘2’ category but this may be as a result of the response rate 40%. Allied respondents were mainly in the ‘3’ category and this may be as a result of this company being in a more traditional UK manufacturing role.
- Q7 asked if the appraisal process was linked to any type of rewards and the respondents stated – 27% salary; 26% bonus; 20% promotion; 14% career movement and 12% stated that none of these applied. This later response affected mainly those companies who had introduced a relatively new process.

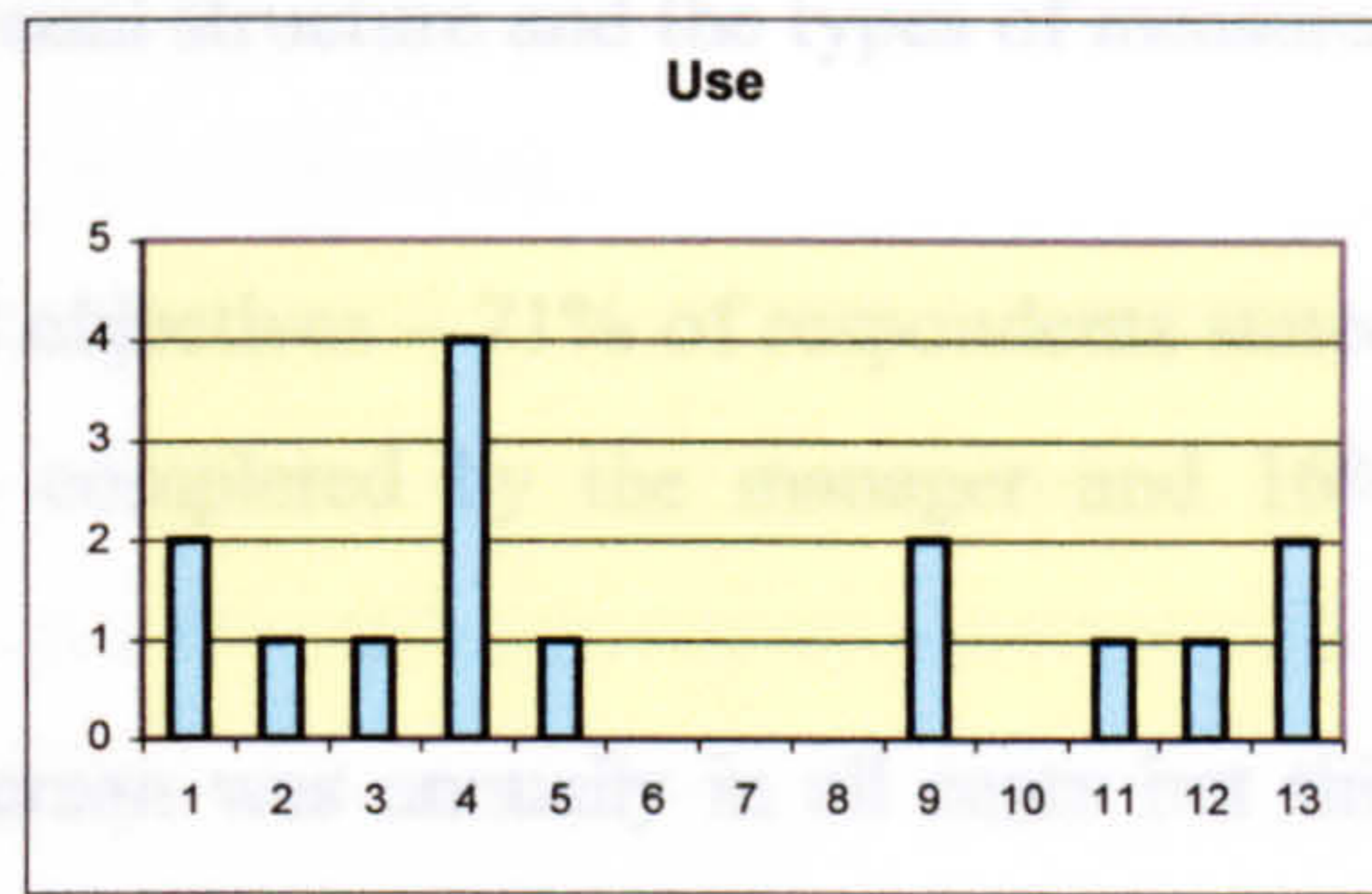
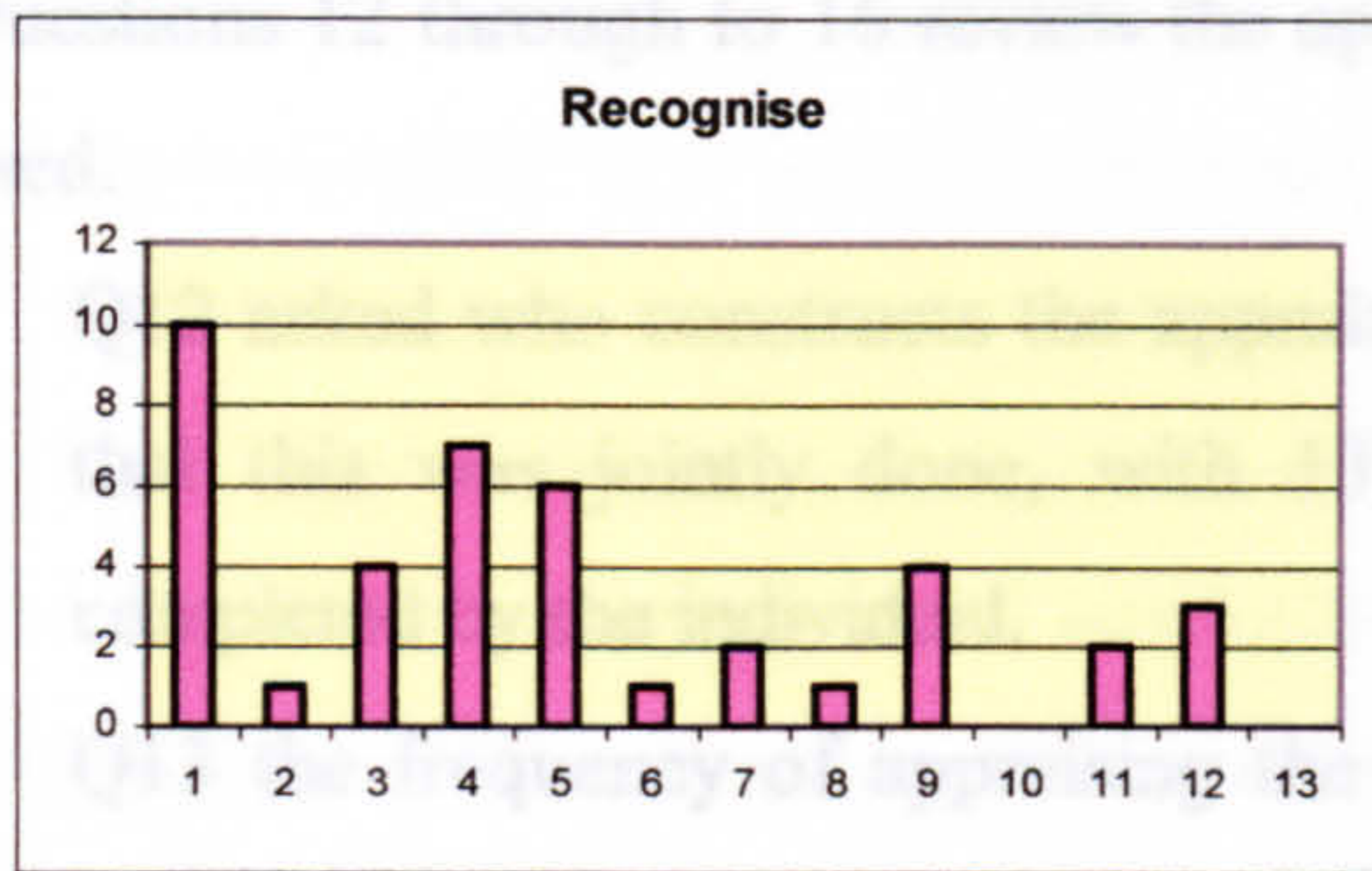
Question 8 was looking at knowledge and use of frameworks either incorporated within their appraisals or generally used in the company structure. In this question there was quite a large spread of knowledge of these. While vision, mission are not frameworks they are by implication part of most strategy frameworks and as a result were incorporated in this question to see if the company used these tools during communications.

Question 8



Most models were recognised but the exceptions were the EFQM and Balanced Scorecard, these were used and recognised by mainly the larger organisations. However, FirstPlus was a proponent user of both and determined that their success with the company was partially based on applying the EFQM model to the company structures this was the only company in the interviews to state this.

In a separate survey conducted by a post graduate student at the University of Strathclyde and coordinated by this researcher, To (2002) found that when he asked 600 senior execs in 300 companies, “did they recognise and use a number of well known academic and industry standard frameworks”



- | | | | |
|---|---|----|-----------------------------------|
| 1 | EFQM | 7 | Hoshin Kanri |
| 2 | Cambridge Model | 8 | IMPS |
| 3 | Baldrige Model | 9 | Intellectual Capital |
| 4 | Balanced Scorecard | 10 | Oregon Productivity Matrix |
| 5 | Deming Model | 11 | Performance Prism |
| 6 | Dixon's Performance Measurement Questionnaire | 12 | SMART |
| | | 13 | Other – Answers given are "MRPII" |

Source: To (2002)

The response showed that of the EFQM Business Excellence Model is by far the most recognised in the list but the most used was the Balanced Scorecard. However, it was a surprise to the students that while the EFQM model was well recognised its use was not reflected. Could this be attributed to cost and expertise necessary to implement versus the Balanced Scorecard, which in comparison is relatively easier to use.

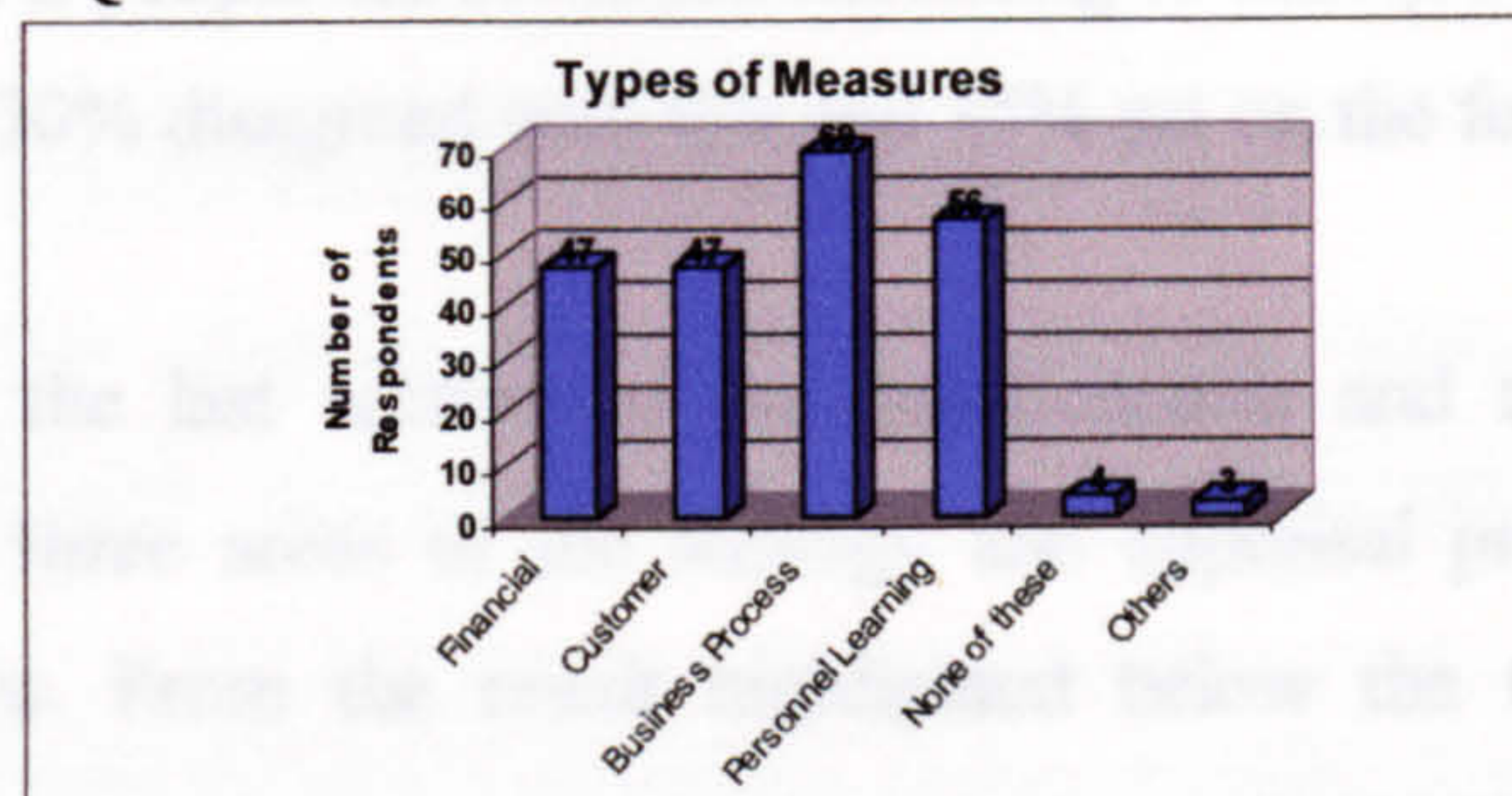
Questions 9, 10 & 11 we look at the strategy process to investigate if there is a link to setting appraisal objectives, these questions utilised the five-point Likert scale.

- Q9 does your senior management communicate a clear sense of direction – the response from this question was 77% agreed that this did happen, with the remaining respondents sitting of the fence in response to this. This question was associated with question 10.
- Q10 do you understand your company's strategy – the response suggested they did as 80% agreed with this. Therefore, is reasonable to assume that if the respondents know what the strategy means then the management team must be communicating down to a reasonable level.
- Q11 similarly this question is also closely linked to nine and ten when asked if there is a link between "me and the company direction" – the reply agreed that there was as 81% support this.

Questions 12 through to 16 review the appraisal structure and the types of measures used.

- Q12 asked who constructs the appraisal objectives – 71% of respondents stated that this was jointly done, with 13% completed by the manager and 16% completed by the individual.
- Q13 the frequency of appraising the person was annually in all cases but this can be broken into several phases where reviews are completed once per year 36%, respondents had 6 and 3 monthly interim reviews 20 & 25% respectively. A unique case was the university where the official review period was every two years.
- Q14 respondents were asked if SMART objectives were used – 52% responded positively.
- Q15 in order to try and assess if a balanced view was being taken during the objective setting period respondents were asked what type of measures were in their appraisals. While this analysis indicated a reasonable balance the question did not look at the quality of the measures or the relevance of them to the job role.

Question 15



- Q16 asked the respondents if they were working towards common objectives – 78% responded that they agreed with this.

Questions 17, 18 & 19 investigated the understanding of the appraisal construction process.

- Q17 in this question we asked if the objective evaluation was subjective i.e. discussion only or objective, discussion with tangible evidence – the respondents indicated that 77% of them had objective measures. This was very evident in companies such as FirstPlus and Allied Distillers stated that their

measures were all objective. The other organisations responded that approximately three quarters of measures were objective.

- Q18 88% agree they understood the evaluation process used by their company.
- Q19 who evaluates your performance – 82% commented that it was a joint effort between manager and employee, with 9% stating it was the manager only, 9% stated they completed it themselves. BP influenced this last category where some job roles allow this assessment type to be completed due to the remoteness of the work i.e. offshore.

Questions 20 & 21

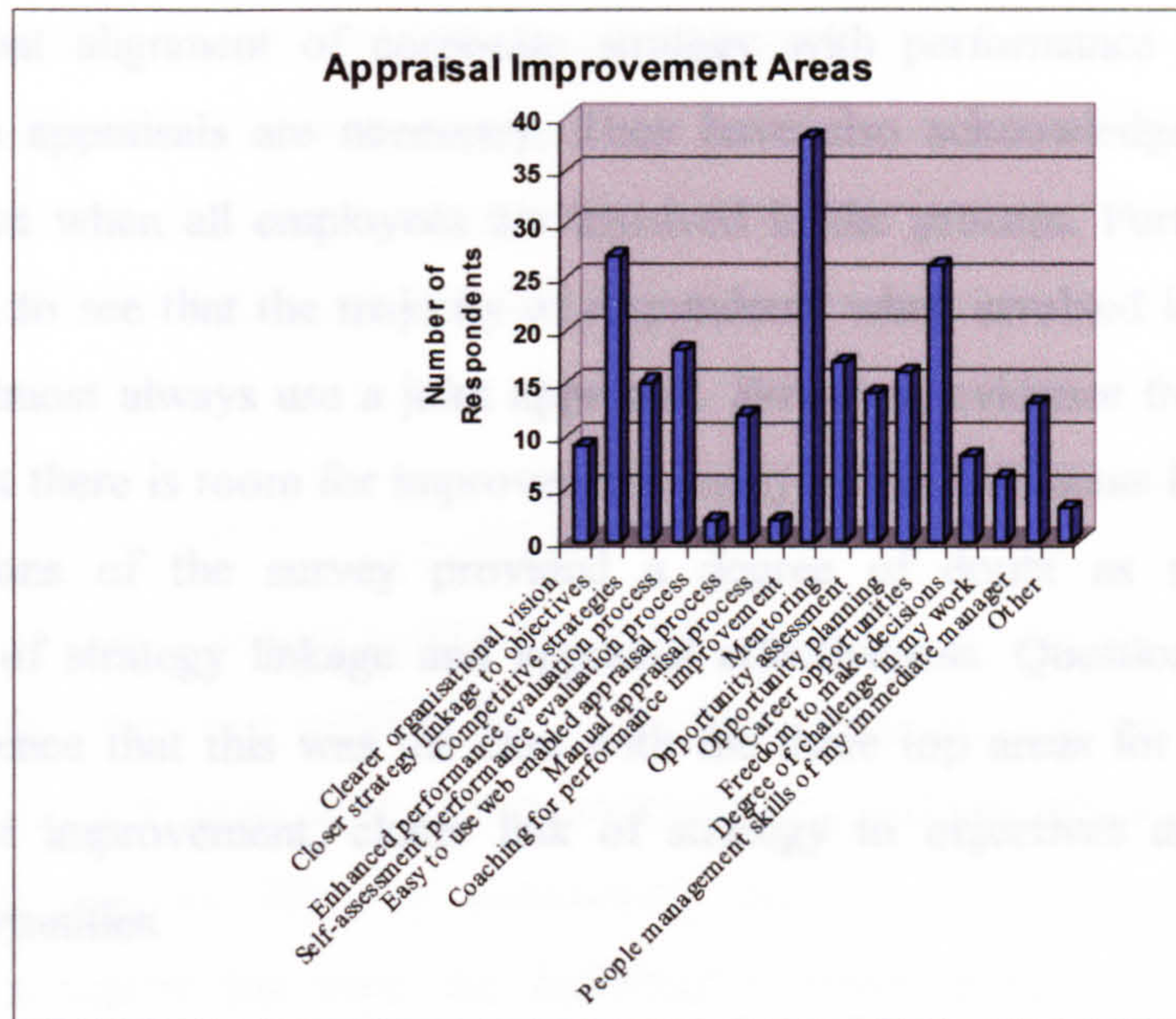
- Q20 asked if ongoing feedback assists with improving performance – 65% agreed that it did. However, several respondents from IBM, BP and Scottish Power commented that more coaching was desirable and if this were coupled to mentoring then performance would be improved substantially.
- Q21 when asked if 360-degree feedback was used in the evaluation process – 45% said yes and 5% stated they used 540-degree feedback.

Question 22 asked if people are rewarded according to their job performance – 55% agreed they were, 30% disagreed with this and 15% sat on the fence.

Question 23 was the last section of the questionnaire and this was to ask the respondents what three areas of the strategy and appraisal processes would they choose to improve. From the result highlighted below the three most selected elements were

- Coaching for performance improvement
- Closer strategy linkage to objectives
- Career opportunities

Question 23



The larger companies in the survey IBM, NCR, Scottish Power and BP pointed to improving coaching for performance as the top area for development while FirstPlus and IBM rated linking strategy to objectives high on the improvement list.

5.8.4 Discussion on postal questionnaire and findings

Although, the results obtained from the questionnaire alone cannot be used as irrefutable evidence that we have quantified and validated the factors identified in questions 1 & 2.

1. *Why are companies failing to effectively deploy strategy down to the individual?*
2. *How can the research identify the gaps in the process and what are these?*

This is due to the small sample size, nine of the eleven companies responded to the request and of those employees asked to contribute a success rate of 53% was attained. However, the postal survey coupled with the results of interviews with the company managers has provided an insight into the current theory and practices of the organisations. The research results have started to enable the researcher to deduce that questions 1 and 2 can be answered. However, this will not be completed until the last part of the research in this section is completed.

Overall, the results show that the organisations that responded to the survey recognise that alignment of corporate strategy with performance measures and performance appraisals are necessary. They have also acknowledged that this is most efficient when all employees are involved in the process. Furthermore, it is encouraging to see that the majority of respondents when involved in performance appraisals almost always use a joint approach. However, evidence from the survey suggests that there is room for improvement, many of the comments from the open-ended sections of the survey provided a degree of doubt as to the overall satisfaction of strategy linkage and appraisal effectiveness. Question 23 provided further evidence that this was the case with the three top areas for improvement, coaching for improvement, closer link of strategy to objectives and developing career opportunities.

The results showed that the schemes in operation across the sectors analysed, were very similar and this surprised the researcher, given the amount of evidence that has been published on the importance of linking strategy to people in the public domain and in academic journals etc. The researcher would have thought at least one of the companies would have had a radical approach to deploying strategy and appraisals. However, it has started to prove that the research objectives were valid and important to industry.

As the postal survey can offer several disadvantages especially where the population is low, apathy, loyalty and central tendency (when respondents rate everything as average) can impede the results. Although there was no evidence, any of these factors occurred in this survey.

Have the research questions 1 and 2 been answered with this additional feedback from the postal survey? While the research has progressed towards a final answer this survey did not conclusively resolve the questions but added to the evidence that evolved from interviewing the company managers - that the reasons for failing to deploy strategy are complex and there are gaps in knowledge which results in the linkage from strategy to performance measurements and appraisals to fail.

Further investigation of the problems was required to complete the triangulation and add greater validity to answering the research questions. To achieve this a series of in-depth semi-structured interviews with the company employees was initiated as formulated in the research strategy figure 5.1 the research strategy, to gain additional qualitative information to fully answer research questions 1, 2, 3 & 4.

5.9 Strategy & Appraisals - the employee interviews

In sections 5.6, the manager's interview results, and 5.8, postal survey results, the analysis of the responses enabled the research to build up a broad picture of the extent and use of strategy deployment understanding and the effect that this has on the appraisal process. We also determined that the current processes do not necessarily recognise the need for individual's performance to be linked to a strategy deployment process and as a result, companies could create a superficial link rather than one built effectively into the process.

Therefore, to fully answer the research questions, phase three of the research strategy, further investigation was necessary. The research direction now was to ask the individual employee who participated in the process to comment on strategy, performance metrics and the appraisal processes. Also they were asked to comment on how this affected their performance. Therefore, the need to dig deeper and ask specific questions at this stage was deemed important in order to be able to move the research questions to conclusion.

5.9.1 Regaining access to the organisations

In the first series of interviews with the senior management, we determined that the use of semi-structured interviews was the optimum strategy to gather qualitative data. In this section the same strategy would also be used. While this may seem an easy enough task the e-mails sent to each of the previous interviewees to request access to their organisation in particular to a number of employees was proving difficult and in fact arranging these took considerably longer than expected.

The researcher asked the ten industrial companies to participate. It was thought that the university was not appropriate at this stage as a staff reduction programme was underway. Five organisations responded, IBM, BP, FirstPlus, Litton and Allied Distillers. The latter company Allied Distillers declined to participate further due to a staff reduction process had just been announced and the contacted manager felt continuing this research would be too intrusive at this stage. It was then decided to run with the four organisations and arrange a series of interviews that would take one day in each organisation, and as six interviews could be accommodated in a day, this was seen as the least disruptive route for the organisation involved.

At the last minute, Litton advised that the contact person was leaving the company but the MD would be happy to take over the role of facilitator. However, it was recognised that this would take a lot of time out his busy schedule and had time permitted the researcher would have helped the MD identify an alternative person to assist with organising these interviews. As it was, with the time constraints available the other three organisations would provide enough information for this last piece of the jigsaw.

One factor not discussed so far, which put constraints on the research process – finance. This was due to all university fees and travel costs being a self-funded initiative. Travel costs etc. associated with the research was down to the researcher himself. No funding was available from the university or indeed his company. Therefore, a balance had to be arrived at and not to travel to Glenrothes in Fife was offset by travelling to Cardiff and then to Aberdeen. At all stages of the project, every attempt was made to keep costs to a minimum.

5.9.2 Modification to the interview structure

The request was made to the companies to allow as wide a cross section of employees as possible for the interviews. The only stipulation was that all employees to be interviewed were currently participating in appraisals. Each organisation agreed and included, people managers, project managers, operations & administration staff and in the case of IBM and BP engineering staff of different grades.

Rather than write a narrative on the key aspects of the research and send this to each participant, there was a likelihood that this would not be read prior to the interview. The researcher decided to create a questionnaire, which covered the main elements of the research. This was sent to each of the participants and the front page contained a short narrative that introduced the research. Each person was asked to complete this prior to the interview, at least this would ensure some knowledge of the research was known before the interview see appendix 5, survey format and results analysis.

It was hoped that this approach would provide an easier introduction to the subject and gain the interest of the participant and use the survey format as a prop. The previous survey was an anonymous one and therefore, to interview any of the previous participants could prove difficult. Each interview started by asking if the person had completed the questionnaire. Only four from the eighteen interviewees had not done so, an excellent result in this researcher's opinion and a good start to the process. Those who did not complete the questionnaire did so immediately after the interview.

As with the previous interviews the researcher introduced the background of the research project. This was aided by showing the participant the research study outline diagram, which was the pictorial outline of the strategy, PMS and appraisal model. This provided an opportunity for the researcher to test out the models tenets with the participants, thus adding more validity to the research questions 3 and 4. See appendix 2 for the diagram.

Prior to starting the discussion with the interviewees the researcher had an opportunity to present the previous postal and interview result with each of the senior managers. Unfortunately this was only with those companies who had agreed to participate in this second round of interviews. Cost considerations and response from the others negated a follow-up with them at this time.

Having set the outline, the interviewer was now in a position to start gathering qualitative information. The agenda for the meeting was set out as in the previous interviews and the main areas for discussion: 'Why?' 'How?' and 'Problem Issues'

and ‘Success Factors’ were to be considered. All the other interview factors as previously discussed in the earlier interviews structure apply. These interviews lasted between sixty and ninety minutes.

5.10 Strategy & Appraisals - the employee interview results

As in previous interviews before proceeding to analyse the drivers, barriers and success factors, this section will provide a short overview of the pertinent points of how the link to strategy and appraisal processes works in each organisation. An overview of the questionnaire results will also be incorporated into the analysis.

5.10.1 FirstPlus

The interview volunteers had a mix of backgrounds as requested by the researcher. Two employees were involved in direct sales i.e. the public and their appraisals were heavily geared to achieving sale revenue targets and as a result were very aggressively pointed to achieving this. A further employee was involved in direct sales but from the business side i.e. dealing with companies and his objectives were similar to the previous sales employees. All three sales people used the Internet and telephone as the tools to sell FirstPlus products.

The interviews moved to the sales support team and of the three employees who fulfilled these roles one was a manager of IT and led a small group of IT staff. His objectives were to manage his team, IT equipment, software and developing new innovative tools for use by the company efficiently. The fifth employee interviewed was a financial accountant who had the responsibility to ensure that the software used to sell the company products was secure.

His job was project oriented and objectives lacked the direct measurements that the sales teams had. The last person interviewed was a Human Resource Executive and her role was to provide the training for the FirstPlus employees. Her objectives were fairly well balanced across the four perspectives outlined in the questionnaire and she had a good mix of measurable and non-measurable areas.

The interviews were analysed and the following process strengths and weaknesses were apparent.

Strengths:

- High degree of communications on strategy and performance objectives;
- All employees had a clear vision of what they had to do;
- A clear link between strategy and the appraisal system was evident;
- The organisation had a good team working environment and close working relationships. Employee of the month recognition and best practice schemes were implemented;
- Training and employee development was seen as paramount to success;
- Committed leadership and high commitment to the company ethos from the employees;
- High degree of trust.

Weaknesses:

- Management has a tendency to over communicate many employees felt this could be reduced;
- Upward communication on strategy is not effective.
- No evidence of a formal deployment process.

In order to complement the interview results we will now consider the main elements of the questionnaire looking at each question, which is then followed by an explanation and in certain areas, a graphical representation of the result can be found in appendix 5.

Question one through five reviews the objectives from type, quantity, to who sets them.

- Q1 and 2 is graphically represented in appendix 5 and shows the number of measurable objectives per employee and details how balanced they are. FirstPlus prescribes approximately seven objectives and these are on average evenly spread across the four perspectives.

- Q3 who sets your objectives. 75% of those interviewed stated that theirs was set by the manager and agreed. 25% stated that they were set by themselves and agreed with their manager.
- Q4 do you have measurable targets. On average each respondent has 43% of his/her targets are measurable i.e. quantifiable.
- Q5 how many measurable targets are there in each of the four categories? On average there were 1 - 2 per category.

In question six we asked if the respondents knew what business strategy their company follows. This question was to try and verify how well the communication of the strategy message was cascaded. The answer varied between competing on cost, on cost & differentiation and other means. All replies were similarly answered and did not give a clear-cut answer. The question may be too ambiguous for a definitive answer.

Question 7 and 8 were designed to find out how effective the manager and employee relationship is with strategy and appraisals. The question incorporates the 5-point Likert scale and funnel construction methods. See appendix 5 for response details but the main comment from both questions for FirstPlus is that upward communication (Q7e) is not as effective as could be and the response (Q8e, f & g) that the management team do not always convey the importance of the linkage of objectives to strategy was mixed.

Question 9 reviews those elements of the strategy and appraisal process that the respondents agree with. The response was deemed as moderately to extremely important for most areas except for the need to document your achievements, understanding the company's strategy and goals and understanding your department's goals were all deemed as extremely important.

All the employees who were interviewed stated that the MD who was passionate about deploying the company strategy through regular communication sessions created a successful process. This meant that he and his senior management team could tackle the business results and while retaining a humanistic approach to

employee development. FirstPlus' success resulted in the company size. While they were part of a multinational organisation, they acted as a SME.

Two of the more senior members of the company who were interviewed stated that if FirstPlus got bigger then the benefits they gain today would be lost. The researcher asked for a comment from each of the interviewees on the use and design of the pictorial model used to describe the strategy link to appraisals and all stated that it provided a clear view of the process.

5.10.2 IBM (principal case study)

The six IBM employees came from the two areas of the site, four from the IT service group and two from manufacturing. The interviewees were a mix of project managers i.e. no direct reportees, and technical staff. All agreed that the cascade of strategy at the beginning of the year provided a good message all be it a high level one for all the employees. However, when it came to linking these directly with the incumbents job responsibilities this proved more problematical. The project management team tended to have less directly measurable objectives than those working in the manufacturing areas. Manufacturing areas supported output, quality and delivery and objectives were nearly all related to these metrics. The project management roles tended to manage tasks within teams but without the people responsibility, matrix management.

All interviewees stated that the appraisal process could be a mechanical process as the previous objectives were copied from previous appraisals and in many occasions no innovation added to the new ones. Matrix management also added to the dilemma in that the division of the people and task manager can often result in competing allegiances as the individual attempts to satisfy two managers. Often the measurement of the appraisals is based of previous ratings and less on new achievement. But where measurement is stated the method of calculating the result can be fraught with inconsistencies, this may be an issue across many organisations and companies. The research did not venture down this route.

The interviews were analysed and the following strengths and weaknesses were apparent.

Strengths:

- Strong communications of company status and strategy messages;
- Sense of loyalty to company;
- Good use of intranet and electronic mail to inform employees of company direction;
- Training and employee development seen as paramount to company success.

Weaknesses:

- Upward communications not effective;
- High-level strategies not cascaded to groups and reinterpreted to meet the needs of the job roles.
- Appraisal processes not linked to strategy;
- Managers do not communicate the strategic messages to their teams;
- Processes rely on individual contribution not team working effort;
- Reward systems reflect the individual effort, which can lead to abdication of team practices.
- No evidence of a formal strategy deployment process.

As in the previous company, a review of the questionnaire sections will be described, see appendix 5 for details.

Question one through five is a review of objectives from type, quantity, to who sets them.

- Q1 and 2 is graphically shown in appendix 5 and highlights the number of measurable objectives per employee and details how balanced they are. On average an IBM employee has 21 objectives and these relate to 37% on operate processes, 29% on customer, 24% on innovation, learning and others with 10% financial.
- Q3 who sets your objectives. 67% set by themselves and agreed by the manager. 33% stated their manager sets the objectives.

- Q4 do you have measurable targets? The response indicated that for each employee 53% of his/her targets are measurable.
- Q5 how many measurable targets are there in each of the four categories? On average there were 1.5 – 2 per category.

Question six was answered in FirstPlus' analysis. Where the researcher thought the question may be too ambiguous for a definitive answer.

Question 7 and 8 were designed to find out how effective the manager and employee relationship is with strategy and appraisals. The question incorporates the 5-point Likert scale and funnel construction methods. See appendix 4 for response details. The main comment from both questions for IBM is that upward communication is not effective despite the employees wanting to understand the strategy (Q7e). In Q7g the employee found that they could not agree if it was difficult to interpret strategic direction or not. Also in the question 8d, e, f & g the setting and communication of strategy and objectives, the respondents sat of the fence as regards whether the manager assists with this or not.

Question 9 reviews those elements of the strategy and appraisal process that the respondents agree with. The response to all eleven questions was moderately - extremely important. Unlike FirstPlus, IBM is a large multinational organisation and its structure is operated as such all the respondents commented that the appraisal process did not effectively link to the strategy and performance metrics, which there were many and complex in their construction. These were not always reflected in the performance appraisal process. When asked why, each interviewee stated that to link these was difficult and would create a more complex appraisal process for both the manager and appraisee, this resulted in either party not pursuing this.

The interviewees emphasised that their performance appraisals were relatively uninspiring and were not reviewed regularly either by them or their manager. All participants stated that this was fairly common in their opinion. When the researcher asked their opinion on the model used to describe the process during the

interview, the general feeling that it was positive and clarified to them what the process should be but often lacked in practice.

5.10.3 BP Exploration

The six BP employees came from a wide area of the business. The first interview was with a Team Leader whose role is to manage a number of teams in oil production. His role was primarily responsible for safety, teamwork and production. Appraisal objectives were designed to reflect his role but the link to strategy was not always direct but he did look at industry benchmarks and that had an influence on his objectives.

The next interview was with a Technical Assistant who stated that strategy cascade was good and covered areas such as production, safety, costs and environmental issues. However, she felt that the link to strategy was not clear. The third interview was with a Health, Safety & Environmental Advisor. As he had spent a great deal of time on the rigs his opinion was that strategy was only for management and not for the “workers at the coal face”. He did comment that appraisals did assist with training and development but in the main appraisals are largely mechanical in their use and construction.

The following interview was with a Drilling Superintendent who stated that strategy was important and that all employees should know its content. BP updated the strategy via e-Mails and other communications but only selected items would be cascade to the workers. The DS did add that he did not have written objectives, as his role did not require them? His role had predefined targets created from the BU contract, which senior employees signed-up to and it was this that guided him. He also stated that construction of appraisals can depend on the relationship of the employee and manager but it can be a mechanical process.

The fifth interview was with a Support Assistant who stated that she had a problem with strategy, as it was difficult to understand, especially in relation to her role. She felt her objectives were not directly related to strategy and her boss did not talk about strategy. However, the company had introduced an initiative called “Great

Operator” where all employees must work together and it was this initiative that highlighted strategy for her. The last interview was with a Drilling Engineer who had just joined the team and he was not aware of strategy linkage to his objectives but he was training in a specialised field of oil production. However, he did have knowledge of the company strategy, which was now being more openly cascaded to his level.

All agreed that the cascade of strategy at the beginning of the year provided a good message, all be it a very high level one but when it came to linking these directly with the incumbents job responsibilities this proved more problematical. Matrix management was a major influence in the company.

The interviews were analysed and the following strengths and weaknesses were apparent.

Strengths:

- Strong communications of company status and strategy messages;
- All employees had a clear vision of what they had to achieve;
- Sense of loyalty to company;
- Good use of intranet and electronic mail to inform employees of company direction;
- Training and employee development seen as paramount to company success;
- Appraisal process web enabled.
- No evidence of a formal strategy deployment process.

Weaknesses:

- Upward communications on strategy not effective;
- Strategy messages can be difficult to relate to;
- Appraisal processes not always linked to strategy;
- Appraisal discipline not always adhered to.

As in the previous company analysis, a review of the questionnaire is described below and appendix 5 has the questionnaire and data results for each organisation.

Question 1 through 5 is a review of objectives from type, quantity, to who sets them.

- Q1 and 2 is graphically shown in appendix 5 and highlights the number of measurable objectives per employee and details how balanced they are. On average an BP employee has 14 objectives and these relate to 42% on operate processes, 23% on customer, 27% on innovation, learning and others with 8% financial.
- Q3 who sets your objectives. 75% set by themselves and agreed by the manager. 25% stated their manager sets the objectives.
- Q4 do you have measurable targets? The response indicated that each employee has 47% of his/her targets are measurable.
- Q5 how many measurable targets are there in each of the four categories? On average there were 1.5 – 2 per category.

Question 6 was answered in FirstPlus' analysis and it was found that this question might be too ambiguous for a definitive answer.

Question 7 and 8 were designed to find out how effective the manager and employee relationship is with strategy and appraisals. The question incorporates the 5-point Likert scale and funnel construction methods. See appendix 5 for response details. The main comment from both questions for BP is that upward communication is not effective (Q7e). A middle of the road response was indicated for Q7g "I find it difficult to interpret strategy direction". Q8e, f & g also produced a middle of the road response where a positive reaction to strategy and appraisal communications between the manager and employee was sought.

Question 9 reviews those elements of the strategy and appraisal process that the respondents agree with. The response was deemed as moderately to extremely important for most areas. Two areas were deemed only as moderately important, understanding the company's strategy and developing a strategy for your group from the corporate direction.

The results that emanated from these interviews showed that the more senior position held in the organisation the greater the influence strategy and performance measurements have on the role performed. This was particularly true with the team leader who was a very senior manager and he stated that his appraisal was very much influenced by company strategy. However, as the remaining interviewees did not hold similar senior positions and the link from strategy to appraisals became less tenable to the extent that half the participants could not relate their job objectives to any particular strategy.

One comment from the senior manager which for this researcher encapsulated one of the problems large organisation have that possibly the smaller companies do not; is in his opinion of deploying strategy and linking it to appraisals is hampered by “employees are too busy fire fighting to worry about appraisals and the manager’s find the process an inhibitor to getting the job done?” Apathy through over work may be a major contributor to linking strategy to the employees?

5.10.4 Discussion of results

Interviewing employees from the participating companies was designed to provide the last part of the answer as to whether the link from strategy to the appraisal process is a failure in practice or a failure in knowledge or both. Discussion with the recipients of the appraisal processes provides the best medium of gathering this type information. A small population of employees six from a medium sized company, FirstPlus and a further twelve employees from two large multinationals BP and crucially the principal case IBM, completed all eighteen interviews and the pre-interview questionnaires.

This analysis, the final part of the three-phase study of company processes, was to enable discussions directly with the employees to solicit their opinion of the success or otherwise of linking strategy, performance measures and appraisals. Unfortunately, only three of the eleven organisations participated, reducing the cross matching at this stage. However, the responses gathered were deemed sufficient, in light of the difficulties of encouraging companies to participate, to enable an analysis to be made.

Of the three organisations, IBM's employees articulated how the company did not practice this link from strategy to appraisal construction. Strategy formation was web enabled but was not structured in away the average employee could easily tie the pieces into one document, which was possible in other organisations FirstPlus', Litton and NCR had better linkage. All organisations did not have a strategy deployment process that communicated the messages they provide in a format that was easily transferable in to action areas for the individual to use. FirstPlus' however, did provide a scalable structure as their business was selling and the strategy was to increase revenue and customer care, creating a relatively simpler structure for the employees to use.

All organisations had a very structured approach to strategy and appraisals construction but the larger organisations did not ensure that the strategy messages developed at the board level were devolved to employee level in a distinct and understandable way that could be easily related to the individual's job responsibility. Therefore, little or no evidence of strategy and performance measurements were seen in the larger organisations or that these been incorporated/developed into the performance appraisal process as tangible linked measurable objectives. One of the main reason observed when reviewing the top-level strategy as published was the complexity of its content and this was a contributing factor in the deployment failure.

The results obtained during this research demonstrated that while strategy is fundamental to the success of the businesses and an inordinate amount of effort is spent in creating this. Direction and guidance that strategies and performance measurement systems provide, in many occasions these important tools are disabled directly from business processes such as appraisals.

What was evident from the interviews with the senior manager's, who all stated that the company strategy messages were cascaded to all employees at least once during the year, was that the appraisal practices were not perfect. The majority of companies (75%) stated that strategy and appraisal should be linked; there was no conclusive evidence of this in nine of the organisations, FirstPlus and Litton being the only ones that provided adequate evidence to justify this accolade. Despite the

research receiving relevant appraisal and limited strategy documentation, only a third of the organisations made reference to incorporating strategy in the employees' appraisal.

The interviews highlighted that linkage was not always achieved as a result. This was especially evident from the principal case IBM as the remaining organisations had similar difficulties in expressing corporate strategy into operational metrics. An assessment of this is documented in the case studies section 5.6.

Therefore, answering the first research question:

RQ-1 *Why are companies failing to effectively deploy strategy down to the individual?*

While the answer is not simple, there were a number of reasons why this process fails. The first of these is a lack of a deployment process that formally links strategy to appraisals; communications is a major disadvantage, both understanding strategy and enabling upward communications and the last area is leadership, providing the structure and environment for all processes to work together.

IBM, BP and FirstPlus provided key instances why these failures occur and this was supported in part by the other companies. This has been determined based on the empirical evidence provided by the triangulation of data (this was determined from the cross case studies increased the construct validity of the data analysis). Therefore, the results are validated from the analysis in chapter 5.

From the postal questionnaire, strategy was also determined to be extremely important and the results indicated that if the employees are involved in strategy the more successful the company was likely to be. Appraisals processes are very much part of strategy and the manager interviews highlighted that a direct link to this process is highly desirable and many companies believed that this was the case within their system. Again, evidence from the interviews did not support this.

Leadership was found to be important in this process, as a knowledgeable manager was more liable to create a link. The questionnaires highlighted that the smaller

organisations i.e. FirstPlus and Litton were more liable to have closer links than the larger multinational organisations such as IBM, BP and Scottish Power. However, the interviews with NCR and Thales indicated that the process they operated had a close link from strategy and appraisals but as they did not participate in any other part of the research, this was difficult to corroborate.

The second research question concentrated on the methods of identifying the gaps and verifying these. The triangulation of documents, surveys and open-ended interviews provided the source for establishing this. From the evidence obtained from the principal case, IBM and supported by the other case studies showed that 5 key reasons were identified for the failure from the ‘strength & weaknesses’ section 5.10 of the employee interviews, these were;

Based on the empirical evidence provided in section 5.8 the cross case analysis resulted in the methodological triangulation (Easterby-Smith *et al* 1999) a pattern logic was used to answer the second question

Therefore, answering the second research question:

RQ-2 *How can the research identify the gaps in the process and what are these?*

Based on the empirical evidence provided by the analysis of data the researcher has been able to identify the gaps. By testing the respondents, the research is able to validate this as presented in chapter 5.

The employee interviews provided the data to determine what the gaps are and from the weaknesses identified from the analysis the following 5 areas were highlighted: Communications; Strategy deployment design; Appraisal design limitations; Leadership; Reward systems.

This analysis was supported by the postal questionnaire where responses to question 23 (section 5.8.1) added further evidence.

5.11 Conclusions

In this chapter, the research has concluded that companies are not effectively deploying strategy down and that these could be identified and validated. Validation was performed through different research methods, including cross-case analysis, postal surveys, pattern matching and statistical data analysis. The triangulation of those methods increased the validity of identifying the problem.

To increase the reliability of the research, a case study protocol and research strategy was mapped out (figure 3.6). This was coupled with a pilot case, which contributed to maintaining a high level of reliability. The Pilot study was used to test out the research direction and assisted in validating the research questions. Overall, the pilot study was used as a formative source that aided the development of the research.

The cross-case analysis demonstrated, through using a strategy, PMS and appraisal model for guidance, all the organisations contributed to validating the research questions that companies are failing to deploy their strategy and performance measurement system to the individual. Therefore, the result from the cross-case analysis and the statistical analysis provided the evidence to answer the first research question.

1. Why are companies failing to effectively deploy strategy down to the individual?

Three key areas were identified and determined through the triangulation of data obtained from the interviews, survey and documentation. The lack of a strategy deployment process, communications and leadership were the key areas highlighted.

The second research question utilised the same validation methods of cross-case analysis and statistical data analysis. This showed that by adopting the research strategy the result from the questionnaires and interviews provided evidence the practices and the knowledge of deploying strategy effectively was being lost within the organisational structure. In the smaller organisation, this was not so evident as

the lack of hierarchy facilitated an improved communications path. Therefore, the second research question has been answered.

2. How can the research identify the gaps in the process and what are these?

Five gaps were identified from the triangulation of data and this highlighted the following areas: Communications; Strategy deployment design; Appraisal design limitations; Leadership; Reward systems.

During the interviews, the researcher used the model developed in chapter 4 to encourage, further develop questions and elicit feedback on the processes used by the organisation. This enabled the third and fourth questions to emerge and these will be answered in chapter 6.

3. Is there an effective framework or model to link strategy, performance measurement systems and appraisals?

4. By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?

Chapter 6

Further analysis and discussion

6.0 Findings and analysis

6.1 Introduction

In chapter 1, the researcher stated that this research was based on a practical problem found in his company. The research undertaken was to investigate what causes this strategy deployment paradox, where there was an apparent problem of linking and deploying strategy, performance measurement systems to the individual and linking these to appraisal systems. The initial aims, problems and research questions were developed in this chapter.

Chapter 2 provided the first indications that the gaps in the deployment processes and the ability of organisations to link their people effectively to the goals of the company were inconsistent between theory and practice. From the research that Kaplan and Norton (2001) had highlighted that less than 10% (percent) of strategies formulated were effectively executed. This was despite the fact that those companies involved in the research 76% incorporated strategy planning in their organisations. The chapter also found, if organisations were not careful there were many areas that could go wrong with strategy and its effectiveness.

Beer and Eisenstat (2000) identified six strategy killers that organisations had to battle against and two key areas were identified, “Unclear strategies and conflicting priorities” and “Poor vertical communications” section 2.4. The chapter proceeded to investigate the popular performance measurement frameworks to review their effectiveness in deployment through the organisation, in particular to the individual. The analysis found that the ten most popular frameworks found referenced in literature did not fully address the deployment issue or an effective link to the individual. The chapter concluded by reviewing the research questions, which were validated and changed in light of the research found thus far. An additional research question was also identified to review the gaps between strategy and appraisal

systems. Also identified was the need to create a model of the process envisaged to assist in answering the research questions 3 & 4.

In Chapter 3, the methodology of the thesis was set out. The research process map highlighted the path that the research has taken, from preunderstanding of the problem, which was based on the researchers experience in an industrial environment to defining the research strategy (section 1.2), which determined that the problem identified utilised a mixed methodological paradigm, using an inductive approach based on grounded theory. Lastly, the research direction as indicated by the methodology supported multiple case research but importantly identified a central case study, which would be used to evaluate the findings (Eisenhardt 1989).

In chapter 4, the research identified that appraisal systems need to be linked to the individual. Schuler and Jackson (1999) identified a strength and weakness chart, (table 4.1), to enable a linkage to be made. However, this research revealed there was no model or framework that provided a robust process to enable this. Following on from the conclusions in chapter 2 that to further the validation of the research a integrated deployment model was necessary. This chapter concluded by designing an outline of the model that encompassed the main researched areas that contribute to a deployment process, (table 4.5 & figure 4.2 highlight this).

Up until this point, the research has focused on what the literature has had to say on the issues of deploying strategy and performance measurement systems through the levels of the organisation to inevitable link at the employee level. So far, the research has shown that while much has been written on the individual process as discussed in chapters 2 and 4 what has not been well documented is how this deployment and linkage to the individual can be achieved effectively. The research highlighted a proposition in chapter 2, which will be answered as the research questions are decomposed.

For strategy to become truly meaningful to employees, personal goals and objectives must be aligned with the organizational objectives (Kaplan and Norton 2002).

In chapter 5, the research moved to developing the case studies, investigating the processes that operate in the participating companies. The analysis from both the qualitative, quantitative surveys and interviews has been developed to achieve this. To increase the reliability of the research, a case study protocol and pilot case study were used. The pilot case study was the formative source of the research and table 6.1 below summarises the methods applied, which are used to increase the reliability, internal, construct and external reliability of the research.

The model developed in chapter 4, section 4.5 assisted in enabling the researcher to obtain the results from the central/principal case with the ten participating companies supporting the empirical evidence in answering the research questions. The object of using this model was to provide a structure for discussions with the interview participants to ensure all areas developed from the literature review, and expressed in table 4.5, the key model elements and applied to figure 4.2 were valid. The interviews also provided the researcher with an opportunity to determine if bias had been avoided in the construction of the model. The resultant outcomes from the interviews showed that the model did enable the discussions to be focused and resulted in a detailed review of the process elements. Bias was avoided as the interviewees commented that the process was complete, as all elements were known.

Chapter 5 addressed research questions 1 and 2 in that companies are failing to deploy strategy to the individual and that the gaps have been identified. From this evidence, the research was able to provide a partial answer to questions 3 that there was no effective framework available and question 4 can the research design one to create a linkage that leads towards performance improvement. This chapter will provide full answers to research questions 3 and 4.

Data collection & analysis	Selection criteria	Areas that ensure the quality of the research
Data Collection Methods		
Use of case study protocol & case study research plan.	These methods provide the general rules & procedures that guide the investigation.	These techniques increase the <i>reliability</i> of validating the gaps and model.
Use of different respondents from different organisations and at deferent levels.	This enables verification of data from participants on strategy, performance measures and appraisals	This ensures that the <i>internal validity</i> of the data is increased.
Multiple sources of evidence.	To ensure the quality of data and finding new insights.	Increases the <i>construct validity</i> of the case.
Use of codes *	This enables the focus of the investigation by keeping a link among the research issues and tools (questionnaires)	Increases the <i>construct validity</i> of the research.
Standard data reduction as tables and graphs.	To make simple, unbiased and easy data management.	Increases the <i>construct validity</i> .
Pilot case study.	Used as a formative source to assist the researcher to develop relevant lines of questions.	Enhances the <i>reliability</i> of the research tools.
Review the questionnaire “question” by a third party.	This is necessary to reasonably assure that the meaning of the question is expressed correctly.	Increases the <i>reliability</i> of the content of the questionnaires.
Use of multiple case studies.	This ensures that the results of strategy, PMS and appraisals are valid.	Increases the <i>external validity</i> of the construct.

* This technique was not discussed in the methodology chapter 3 but is implicate in the analysis of the data.

Data analysis

Cross case analysis.	To standardise the parameters when analysing company data.	This process increases the <i>internal validity</i> of the results.
Triangulation of data.	To compare the results from the different cross case studies and survey data.	By increasing the <i>construct validity</i> of the research, specifically of the data analysis.
Methodological triangulation.	To verify, corroborate and strengthen the cross-case analysis with the data analysis	This process increases the <i>internal validity</i> .
Pattern matching logic.	Building a logic story from facts to help in answering the research questions.	This process increases the <i>internal validity</i> of the data analysis.
Explanation building.	To help in the construction of the cross-case analysis.	Increases the <i>internal validity</i> .
Maintain a chain of evidence.	Building a logic story of evidence to support the cross-case analysis.	Increases the <i>construct validity</i> .
Standard database.	To build a standard tool to assist with the construction of the cross-case analysis.	Increases the <i>reliability</i> of the data analysis.

Source: Martinez-Hernandez (2003)

Table 6.1 Data collection & selection methods

6.2 Has the research met the research objectives?

Before preceding further, a review of the research progress can be summarised. The last chapter has reported on the findings of the primary research carried out but has this research answered the original questions set down in the introduction outlined in chapter two, section 2.9 and further discussed in the section 3.2 of the methodology chapter 3. This stage of the research, the answer to research questions 1 and 2, which as the primary question of identifying, validating and quantifying factors for deploying strategy and the link to appraisals has been answered as the research has been validated through triangulation methods that companies are failing to deploy strategy effectively and the causes have been identified and quantified.

Following on from these questions are the developmental questions 3 and 4 where the research identified the need for a model/framework that would narrow gaps and improve performance. These questions will now be answered. Lastly is research question 5, which is the reflective question to conclude the research project, which will be answered in chapter 7.

6.2.1 Research question 1:

1. *Why are companies failing to effectively deploy strategy down to the individual?*

Problem identification, & validation:

A review of the literature in Chapter 2 identified and partly addressed this question. We find that the strategy formulation is highly developed and well served by models and frameworks but all suffer from a strategy deployment deficiency from an employee point of view. This can be seen from the numerous areas that the literature exposes (which is discussed in section 2.4) that can cause apparently sound processes to fail or be diluted in so far as to make it ineffective for the employee.

Following in-depth semi-structured interviews with senior managers and employees in the eleven case studies across the UK, chapter 5 presented further evidence that in practice the strategy deployment processes on the surface look to be highly developed but when analysing this further several inconsistencies were exposed both in

knowledge of the effect this has on employees performance, which transpire into lack of practical application.

The interviews showed that in the majority of companies who implemented strategy and appraisal systems commented that their communication processes linking these was appropriate for their organisation, (section 5.6 provides the discussion with the senior management teams and the analysis was detailed in table 5.2). However, on interviewing the employees of the three companies who participated found that the process of linking strategy and performance measures has not been developed sufficiently well enough to be effective for the majority of the employees, this was particularly evident in the larger companies and the seniority of the interviewee (section 5.10 discusses this).

Strategy was deemed highly important in all companies involved in this research but the practice of deploying and linking strategy to appraisal performance systems was not achieved effectively. The researcher concluded from the triangulated results that knowledge of the effects of linking these processes to the employee was lacking. Kaplan and Norton (2001) suggest this also. The smaller organisations and those larger companies who had a management hierarchy that was compressed had the potential to overcome these issues such as Litton Interconnect and FirstPlus.

In validating the research chapter 4, (section 4.2) highlighted that within the UK, many companies participated in the appraisal process and as proclaimed in a recent Chartered Management Institute Survey, (Mabey and Thomson 2000), where two thirds of SMEs and three quarters of large organisations are involved in appraising their employees. While the population of this survey was very small from an overall population point of view less than 1% of those employed by the participating organisations. A higher more significant result could have been possible given more time and resource.

Chapter 6 further assisted in validating and quantifying the problems that occurred while linking company strategy to the employee appraisal process. This question was addressed by means of primary research. The results of the postal survey carried out in early 2002 are fully documented in Chapter 5. However, the questionnaires were

sent out to a small population of employees of the eleven participating companies. The survey attracted 88 responses from 9 of the companies, a response rate of 53%. This was considered to be a reasonable response considering the employees targeted ranged from senior executives, management and front line employees.

Built into this questionnaire was a question that would show what each of the participants would like to see improved in their processes and it was this question that provided further validation that the improvements highlighted would also be the problem areas and lead to the development of new theory. The four top areas identified were:

- Coaching for performance improvement;
- Closer strategy linkage to objectives;
- Greater career opportunities
- Enhanced performance evaluation process.

Chapter 5 provides further evidence that the problems with linking strategy and the performance appraisal process are valid (discussed in section 5.10). A further 18 interviews and questionnaires were conducted in three of the organisations, FirstPlus, BP and IBM the principal case study. These interviews provided face-to-face discussions on the issues and the pre-interview survey provided quantifiable statistics that supported the initial interview conclusions and the postal survey.

Taking the evidence as elicited from the interviews and the survey responses at face value all companies in the research have had trouble with linking company strategies to the appraisal process. However, there was a wide gap in company strategy and appraisal practices. This was evident from the size of the organisation, where the smaller company could provide a more substantial link between their strategy and personal achievement.

In answer to research question 1, we have determined that there is evidence (discussed in section 2.8) to suggest that there is a gap in deploying corporate strategy to the performance appraisal system, and linking these to the individual effectively. The gap is in applying the knowledge, which determined that strategy deployment is essential

to all companies, and the practical implications require a sound process to enable an effective solution to be effective.

An example of a company being relatively successful with this process is FirstPlus. However, the advantage that they had over the larger organisation was they had a less complex product structure than IBM leading to a simpler strategy and performance measurement system which enabled the appraisal setting structure reflecting this linkage. The researcher found no evidence that FirstPlus was following theory but invoked the best management practice known to the team.

6.2.2 Research Question 2:

2. How can the research identify the gaps in the process and what are these?

Problem identification, validation & quantification:

Chapter 2 (section 2.8) found that the strategy and performance measurement system formulation is highly developed and well served by frameworks, (table 2.7) and these were described in appendix 1. The case studies provided an in-depth analysis of the interviews from both the managers and employees who described the positive and negative aspects of their processes (section 5.7 and 5.10). This analysis supported by the postal questionnaire, (section 5.8) which highlighted the operating structures of each company and provided further collaborative evidence of the negative and positive aspects of the company processes.

The research identified several areas that would enhance the frameworks in order to achieve the employee linkage, but these same elements constitute the gaps in both knowledge and practice and as these were identified from the cross case evidence from the employees which validated the earlier literature review analysis (detailed in table 2.6 & 2.7). In answering the research question, five gaps were identified that contributed to the failure of strategy deployment and linkage to appraisals. The following were the main areas identified from the interviews (chapter 5) and the literature review (chapter 2 & 4) and these are: communications; strategy deployment design; appraisal design limitations; leadership; reward systems.

6.2.3 Research questions 3 & 4

In this section, the research question 3 and 4 are discussed and answered. However, before this is achieved, the main issues that the research has found to date are highlighted below.

The research recognised that:

- A model is necessary to aid the development of the strategy and appraisal processes and identify the gaps (discussed in sections 4.5).
- A deployment process is necessary to link the employees of the company to the strategy to enable all participants to achieve the highest level of success possible (discussed in section 4.2).

From chapter 2, the research concluded that in order to progress the research further forward we needed to develop a model of what a successful strategy development process would look like. Chapter 4, provided an opportunity to research appraisals and their linkage to strategy and from this and the researchers preunderstanding (section 1.2) a deployment process was developed (as highlighted in tables 2.6; 4.5).

Overall, all organisations surveyed recognised that:

- Alignment of corporate strategy with performance measures and performance appraisals are necessary as identified from the interviews with the senior managers and employees (discussed in section 5.6).
- The companies acknowledged that appraisal development is most efficient when all employees are involved in the process (discussed in section 4.5 & 5.6).
- The majority of respondents when conducting performance appraisals nearly all use a joint approach (discussed in sections 5.8 & 5.10).
- The need to continually improve the processes was seen as crucial to the long-term development of the organisation and employees (discussed in section 5.5).

Chapter 2 proposed that a strategy, PMS and appraisal deployment model be developed to aid organisations to understand the holistic approach that the research has taken. Chapter 4 developed a framework of the model and chapter 5 utilised the pictorial representation of the model during the company interviews. Appendix 2 shows the

model graphically. As a result, the research question 3 and 4 emerged and were validated in these chapters.

From the strategy and PMS investigation conducted in the literature review into the most popular frameworks, (chapter 2), and a review of the appraisal systems currently in practice in industry, (chapter 4) the resulting cross-case analysis, (chapter 5) has provided evidence to answer the following questions.

Therefore, in answering the third question:

RQ - 3 *Is there an effective framework or model to link strategy, performance measurement systems and appraisals?*

The answer is no. This is based on the empirical evidence provided through triangulation of data from the literature research and the cross case analysis. The conclusion reached was that no framework provides all the elements that would create an effective and reliable process to deploy strategy to link to the employee appraisal process. This makes the conclusions in chapter 5 valid.

Moving on to the fourth research question:

The difficulty the researcher had when discussing the process of deploying strategy and linking this to the appraisal process was to justify why this was necessary and how this would/could work. It was evident from the analysis of the performance measurement frameworks that recognition of these processes was aided by pictorial representations of the process flow.

It became evident from the questionnaire survey, (appendix 4) that the four most recognised processes were IiP, EFQM, ISO 9001 and Balanced Scorecard. This was further supported by an independent survey (To, 2002), which also highlighted that most recognised frameworks were EFQM, Deming's Quality Model and Balanced Scorecard with the Cambridge and SMART frameworks also highlighted. However, in the same survey the most used frameworks identified the EFQM and Balanced Scorecard as the top processes of interest to this research.

The design of a new deployment model to aid the understanding of where gaps in knowledge and practice are evident in the current environment was achieved through the researchers personal knowledge, (section 1.2), analysis of current design and evolvment practices, (tables 2.6 & 2.7) and the cross case evaluation, (section 5.10).

Therefore, by using the new model outline during the interviews proved beneficial to the interviewees as it enabled a pictorial view of what the research outline was trying to achieve. The conclusion from the managers was that they recognised the process and many practiced all the elements highlighted. The researcher did ask if they felt there was any part of the process that was key but omitted from the model. Overall, the consensus was it appeared complete.

Employees had a different view of the model in that the process provided them with a pictorial end-to-end description that was not available to them before. The employees felt that by having a better understanding of what the company was trying to achieve, then their efforts could be more in line with the goals of the company. This was emphasised in the principal case (section 5.10).

RQ - 4 *By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance?*

The answer is yes. The cross-case analysis of current practices provided further evidence that a new model could be designed and an outline was developed and used during the interview stages of the case research in chapter 5, (section 5.10). The responses from the employees indicated a realignment of effort could result with this new knowledge, therefore validating this research question.

The researcher did express during the interviews that the model was not a comprehensive detailed model, this would require more work later, but it was an overview to enable constructive discussions.

6.3 Appraisal Development

The research also found problems with many aspects of the current appraisal process, these were not always recognised by the companies who use them. Of the eleven organisations involved in the research, all have made significant changes to their processes, (commented in section 5.6). Many have evolved from a top down hierarchical process, which used a carrot and stick approach to attempt to build in a more humanistic format allowing more individualistic involvement and achievement, FirstPlus and Litton Interconnect were the best at this. BP indicated that they were trying to find a formula that would improve this.

However, a small number of the organisations did not have an environment that enables them to develop this approach fully, they were by definition more traditional industrial organisations i.e. hierarchical in organisational structure with a rewards structure that was not conducive to incorporating the changes necessary, IBM, Scottish Power, United Biscuits, BAE Systems were typical examples of this type of organisation. IBM, and several other companies involved in the study had varying degrees of limited success with this. However, an evaluation of where the organisation sit with strategy, PMS and appraisal systems has been developed but not included in this thesis.

The more proactive organisations have changed their appraisal processes but only one organisation, FirstPlus, ensured the linkage of strategy to appraisals was integrated this was not evident in all companies. Overall, the appraisal processes adopted by all organisations were similar in their construction and evaluation techniques, the researcher did not see any radical evolution of the processes despite some of the rhetoric.

6.3.1 The Need for a Change in Process Thinking

To design and implement a successful performance appraisal system, a number of rules have been devised from the analysis of literature and from the case studies that will assist in the building of a strategy focused appraisal system. Having identified the main contextual differences between the current ineffective practices and those that are deemed next generation and finally having investigated the problems, barriers and

success factors identified in the case research have led this researcher to conclude that there is a real and immediate need for a sound deployment process for strategy and performance measurements to have a significant link to appraisal construction. Also, there is a requirement to create a revised structure for appraisal design and construction specifically developed to encapsulate key corporate strategy elements and development of performance measures. It is for this reason that the next chapter will concentrate on how closing this gap can be attained.

6.4 Chapter conclusion

This chapter has analysed and discussed the findings of the research so far. The research questions that this researcher set out to prove were: there was a gap in knowledge and practice of linking strategy, performance measurement systems with appraisal processes: and the contextual differences between what companies know and practice today and what the literature states are significantly apart in that existing knowledge requires relearning and practice is in need of change; yet existing practices may be used as the basis for creating a structure redesign specifically to overcome the short comings of today's processes. Enlightened management in why the processes are in need of change will provide the knowledge that is essential if companies are to succeed with their workforce in the future. In chapter 1, (section 1.3) five research questions were developed to further this aim.

This chapter has discussed the progress made in answering research questions 1, 2, 3 & 4 and having concluded that the research problems are valid. From the research methodology in chapter 3, the quality methods employed for the research had been determined and table 6.1, summarises the methods applied throughout the investigation to increase reliability and validity. The research is now sufficiently advanced that will now allow it to move on to answer research question 5 in chapter 7.

5. If by linking strategy, PMS and appraisal processes will this lead to increasing employees effectiveness?

Chapter 7

Closing the gap

7.0 Creating the link to Strategy, PMS & Appraisals

7.1 Introduction

The research so far has found that strategy and performance measurement systems to be deployed throughout the organisation and appraisal processes require to be linked closely for the individual and team to make a sustainable impact in the organisation. The case study analysis in Chapter 5 found that while industry recognise this problem of linking individual and team performance to strategy the current practices for those companies that implement performance appraisal systems demonstrated that this is not being achieved effectively.

The gaps in knowledge and practice having been determined in chapter 2 and 4 was validated through eleven case studies as described in chapter 5, by the application of different methods of data analysis and their triangulation. As a result, the research questions 1, 2, 3 and 4 were answered. During the application of the literature research and the application of the case studies, a new development tool was identified to assist with determining the gaps in knowledge and practice. Consequently, the fifth research questions emerged:

5. If by linking strategy, PMS and appraisal processes will this lead to increasing employee effectiveness?

7.2 What is going to be achieved in this chapter?

The object of this chapter is to explain in some detail the model developed in chapter 4 and tested during the interview stages to putting it into practice and where possible testing its strength in an industrial setting. This approach aids validity as any construction of an answer should in this researcher's opinion be better shrouded in a framework rather than in individual disconnected improvements. Therefore, this research outcome is based on the structured/business model outlined in chapter 4, or what can be best described as a "road map". While the objective of the research is not

to create a model, as this would also necessitate an explanation on how to build one and test it, although this has been partly achieved in the pursuit of a more reliable conclusion to the research. The use of a model structure has many advantages, which can assist in devising a structured analysis of the elements that contribute to narrowing/closing the gaps identified earlier in the research (Magretta 2002). In order to set out the structure of the chapter more fully this chapter will examine the constructs of the model and the reason for selecting the steps. Finally, an action research initiative based on the model was created to assist in the validity to answer research question 5.

7.3 Development of a structured model

When analysing the case study organisations the strategy and appraisal structures used in each were vaguely similar in appearance and content. A number of the companies had embraced many of the newer appraisal trends highlighted in table 4.2. However, despite this the recipients of appraisals, the employees, highlighted via the questionnaires several key areas that influenced the effectiveness of the processes, which have an impact in sustaining performance and these are.

- Coaching for performance improvement
- Closer strategy linkage to objectives
- Career opportunities
- Enhanced performance evaluation process

While the participants in the case study research found that strategy was always created and communicated to employees, the intensity and understanding was the main issue with the respondents. The research found that the messages and performance metrics associated with strategy and the measurements were in a number of cases seen as too high a level to be easily understood and developed for operational deployment (section 5.10). However, in one case this was not the truth as the organisation in question had a tendency to over communicate but this was seen as positive – a case of better too much than too little.

7.3.1 Strategy/Appraisal – Road Map Model objectives

Having provided an overview of the strategy/appraisal process in chapter 4 we can now review each of the stages in detail. The road map model construction consists of a number of high-level elements, which provide the underlying structure. Four stages were developed (described in table 4.5) and these are:

- Strategy processes
- People systems
- Appraisal systems
- Organisational culture

Before we examine the strategy/appraisal model each stage has an objective assigned to it, a construct, in order to ensure the structure is sound and can be applied in practice, (table 4.5 highlights this).

Stage 1 – Strategy process formation and deployment is designed to present a business case for ensuring that the strategy is decomposed into manageable and understandable chunks to enable its deployment to be facilitated across and down through the organisation. This will ensure individuals and teams are provided with a formal structure to build their performance attainment plans, which link directly with organisational requirements.

Stage 2 – People systems, depends on good two-way communications and two areas that can provide this. Feedback for evaluation and development is a corner stone for performance attainment and the use of 360-degree feedback was seen as the most popular format from the survey conducted in this research. A much under used approach but similar to 360-degree feedback is ‘catchball’ the Hoshin Kanri feedback loop. Both techniques offer the recipients an opportunity to develop an understanding of themselves and the organisation. Incorporating a coaching mentality to ensure the self-appraisal process has a balanced edge further enhances these techniques. The company respondents highlighted this as an area that required greater attention (section 5.8).

Clarity of job responsibility and role is essential. However, this can be obscured if an organisation uses a technique described as matrix management where the employee can be lead and managed by more than one boss¹. This can lead to the individual being pulled in more than one direction. 55% of the organisations involved in the research stated they practiced some form of matrix management and this was due to the complexity of their products and processes.

Stage 3 – Appraisal systems, is where the construction and evaluation methods incorporate several techniques to provide the structure that facilitates the linkage to strategy. Two sub stages have been developed, incorporating a set of balanced job objective based on the balanced scorecard and this is used in conjunction with creating a self-appraisal evaluation format rather than the traditional format of direct managers appraisal. The associated evaluation, measurement structure is based on the business excellence models measurement technique and as this is a self-assessment methodology, complements the proposed structure. The BSC and EFQM models are discussed in appendix 1. The BSC was widely known by the company respondents, the research showed that many organisations have implemented some form of the balanced scorecard elements; this was highlighted in section 5.7 and 5.10. However, the business excellence model was less known by the respondents².

Stage 4 – Organisational change relies on leadership and management creating the infrastructure that allows the organisation to enable change to be effective. Essential for this new process is an environment that encourages and develops coaching, training, employee and job development. Leadership also plays a major role in the development of cultural change and a definition that was used by Buchanan and Huczynski (1997) states:

Leadership is a social process in which one individual influences the behaviour of others without the use of threat of violence.

¹ This was not part of this research but table 5.2 provide an indication of the number of organisations who utilise this management technique.

² A survey by To (2002) determine the EFQM and Balanced Scorecard frameworks were the most popular frameworks.

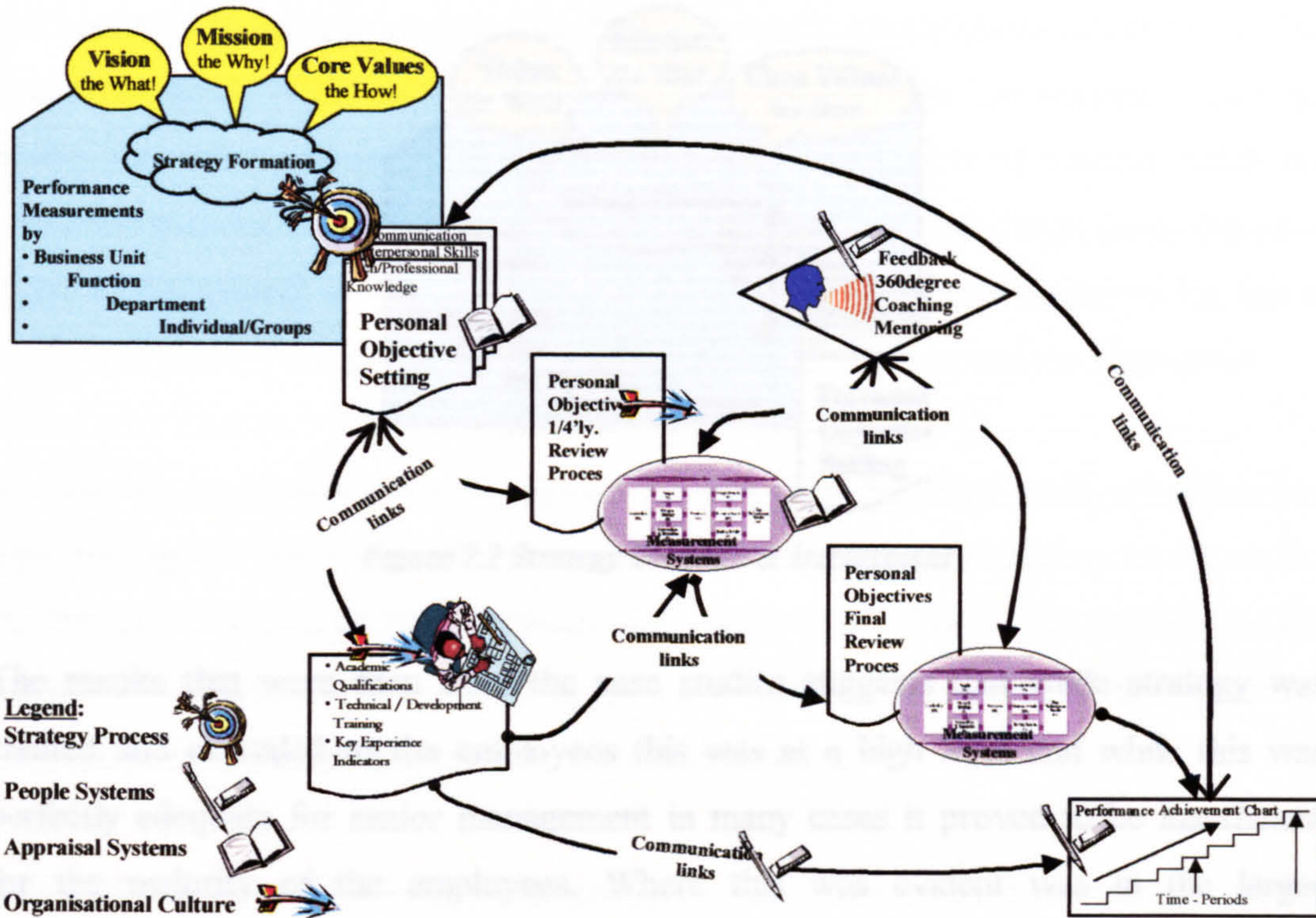
Kaplan and Norton (2001) recognised the strength of leadership in their new Balanced Scorecard framework and they stated that leadership is a set of processes that creates organisations in the first place or adapts them to significantly change circumstances. The transformational success necessary to implement new processes such as the BS and this strategy and appraisal process is 70 –90 percent leadership and only 10 – 30 percent management, where management is a set of processes that can keep a complicated system of people and technology running smoothly.

Little and Mendibil (2001) found similar leadership and management techniques being used in the Basque Country where leadership is paramount to the companies success. Irizar S Coop, luxury coachbuilder was the principal case that the researchers investigated and found that the management model that this company based itself on was a participative management model with shared leadership. This involved managing their processes using multi-disciplinary self-managed teams and a culture of people involvement.

Self-attainment relies on good leadership and a management culture that enables the individual to develop the awareness of the process and practices that are necessary to sustain direction and to provide encouragement to enable effective participation. Individuals also need to develop self-awareness of what they need to achieve and what they can bring to themselves both in a personal context and to the company.

The following developmental sections provide a detailed description of each stage. Before embarking on presenting the full description of the process in detail, it should be noted that the model outlined in figure 7.1³ has been developed because of the review conducted in chapter 4 and defined in table 4.5.

³ To aid the understanding of the model a legend was inserted to add clarity to the constructs.



Source: Developed for this research

Figure 7.1 Developing the link

7.4 Strategy & performance measures deployment – development stage 1

Organisations consist of numerous sectors, business units, and specialised departments, each with their own agenda and strategy. Kaplan and Norton (2001) state that for organisational performance to become more than the sum of its parts, individual strategies must be linked and integrated. Therefore, the area that we are now reviewing from our model is how we can create a deployment path that enables employees to link their activities to these. Figure 7.2 highlights the part of the model this section will discuss.

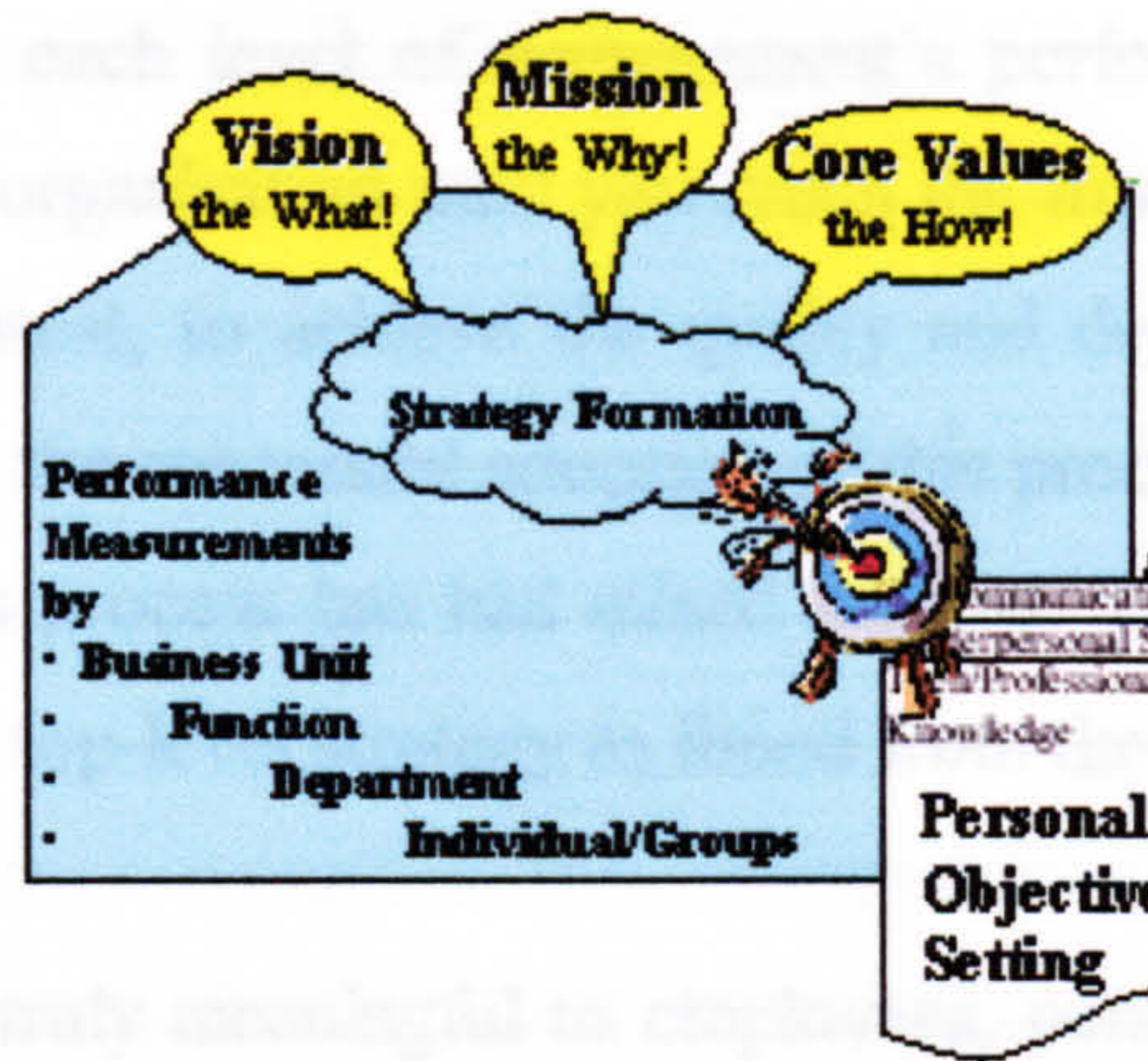


Figure 7.2 Strategy Creation & Deployment

The results that were seen from the case studies suggests that while strategy was created and cascaded to the employees this was at a high level and while this was perfectly adequate for senior management in many cases it proved to be insufficient for the majority of the employees. Where this was evident was in the larger organisations, especially those companies with a wide variety of interests. The smaller organisations showed that this was less of a problem as the hierarchical structures were simpler and communications easier to communicate and importantly more relevant to the individual job objectives.

When reviewing the participating companies structure for deploying their strategy messages and performance measures, three forms of communications were used. The main method employed by the larger organisations was formal presentations followed by company publications, this included web site information sites and in one organisation word of mouth from the senior management to the employees. While these approaches have their merits, the majority failed to provide sufficient structured detail for the employees to create their own performance objectives. This was evident from the feedback from the questionnaire where the second highest improvement area was linking strategy closer to objectives.

7.4.1 Deployment issues

The main issue with all the strategy deployment processes was the level of detail that the management placed on them and the deployment process used. One tactic that a number of the organisations have attempted to use to overcome this deployment

problem was to release each level of management's performance objectives to the succeeding levels of the organisation until you reach the front line workers. However, as this researcher can attest, to achieve the quality and depth of content within the objectives it is critical to the successful adoption of this process a high level of trust is in place. As a result this process has had mixed success. The main reason for this is the lack of linkage to the top-level strategy as found from the employee interviews.

For strategy to become truly meaningful to employees, personal goals and objectives must be aligned with those of the organisation. For many organisations in our study, the setting of objectives for individuals was mainly established in the structure of the individual's organisational unit. This is more akin to management by objectives (MBO), which is reinforcing narrow, functional thinking.

The three organisations that participated in the later part of the research had varying elements of this but it was the larger organisation, IBM in particular had demonstrated that establishing objectives relative to the department was still being initiated despite sound strategy from the senior management. BP had created a business unit contract that contained the measures by which success could be determined for the employees of the unit and this was derived from corporate strategy. However, the contract content was not always deployed to all employees. FirstPlus being a smaller and less hierarchical led management organisation had a closer link established.

Kaplan and Norton (2001) in proposing a methodology for cascading objectives throughout the organisation found in their research that only 31 percent of UK senior managers had personal goals linked to strategy; 10 percent of UK middle managers had personal goals linked to strategy and lastly 3 percent of UK line employees had their personal objectives linked to strategy. Our case research would indicate that the results obtained while not conclusive due to sample size would support these figures.

7.4.2 Developing the linkage

As part of a recent research study on strategy and team working this researcher had the opportunity to visit a number of companies both in Scotland and in the Basque Country of Spain where the objectives were to see what initiatives were being

undertaken in each Country to improve manufacturing effectiveness. Of the nine companies visited it was the Spanish organisations that proved how effective strategy was when deployment was communicated to the lowest level of the organisation. IBM and Litton Interconnect were two of the nine organisations in the study and they have provided much of the research material for this project.

Little and Mendibil (2001) described this initiative in their award winning IEE publication where one particular company, Irizar (2001) had an imaginative and successful strategy process where they produce a three to five year plan for the organisation and this is further refined into yearly communication initiatives. The method of strategy deployment used by this company was by a number of means, including strategy publications, formal presentations and word of mouth.

However, the effectiveness of the strategy communications was further enhanced by using the Hoshin Kanri technique of '*catchball*' where the employees were asked to comment on the strategy messages and feedback acceptance or otherwise to senior management. A further period of strategy revision is conducted by the senior management where upon agreement of the strategy is reached and implemented. From this, a series of common goals and performance measures are incorporated into each employee's performance appraisal. This process was completed at the start of each year and its success was due to a high degree of trust and sound leadership, more of which will be discussed later in the chapter.

Kaplan and Norton (2001) described the need to link the strategy messages across the organisation using their balanced scorecard technique. They also realised that the deployment of the strategy process was the key to successful organisational performance. They described the development of strategy maps for organisations in order to generate a generic architecture for describing a strategy and many of the organisations in our case research have this or at least the basis of it. The next stage is for the business units to create their own operationalise strategy by translating theirs from the corporate strategy and then to execute this at all levels of the organisation.

To effectively implement any strategy it must be understood by all employees and this is aided by operationalising strategy to the unit where each employee works this

means tailoring the main strategy and performance measures to the business unit. However, to ensure that each unit does not create their own disjointed organisation a clear alignment of strategy elements must be determined in order that the behaviour of the people are also aligned to these and change adopted.

For individuals to identify with the business unit and the corporate strategy with their own personal objectives a linkage must be developed. Kaplan and Norton (2001); Neely *et al* (1996); Bititci *et al* 1997) had similar constructs that showed how this could be effectively achieved through cascading measures down through each level of the organisation. If an organisation utilises this technique each employee can then relate to a set of common goals for their part of the organisation resulting in a closer link.

The use, or at least an understanding of a balanced scorecard approach to objective setting was visible in all the participating organisations. However, from the case study questionnaire the reference to the name, BSC was not evident but the principal was. Question 15 (3D) in appendix 4 highlights that the employees initiated a balanced view of objectives where each had a mix of financial, customer, internal (business process) and personal learning and growth objectives. Therefore, by adopting the cascade methodology and incorporating a balanced approach to objective setting as shown in Figure 7.3 the balanced scorecard cascade process presents a clearer linkage to personal and organisational achievement.

Companies have many ways to link individuals' local behaviour to high-level business unit and corporate objectives. Homogeneous organisations whose outcomes are relatively easy to measure – such as FirstPlus who are a sales organisation – can focus on relatively few measures, mostly outcomes in the financial and customer areas. With these companies individuals and teams have a relatively easier task to improvise and innovate new ways to achieve the organisations goals.

In the more complex organisations such as BP, NCR and IBM employees will require a share of the performance outcomes and strategies that they are trying to achieve and this allows each individual or team to define their personal objectives in order to have an impact on the organisational objectives. The need for the structure to be linked

becomes even more necessary and formal if the company is to achieve its goals. This can be assisted when the organisational and personal objectives are developed through a balanced scorecard process and integrated with a quality deployment and HR development process.

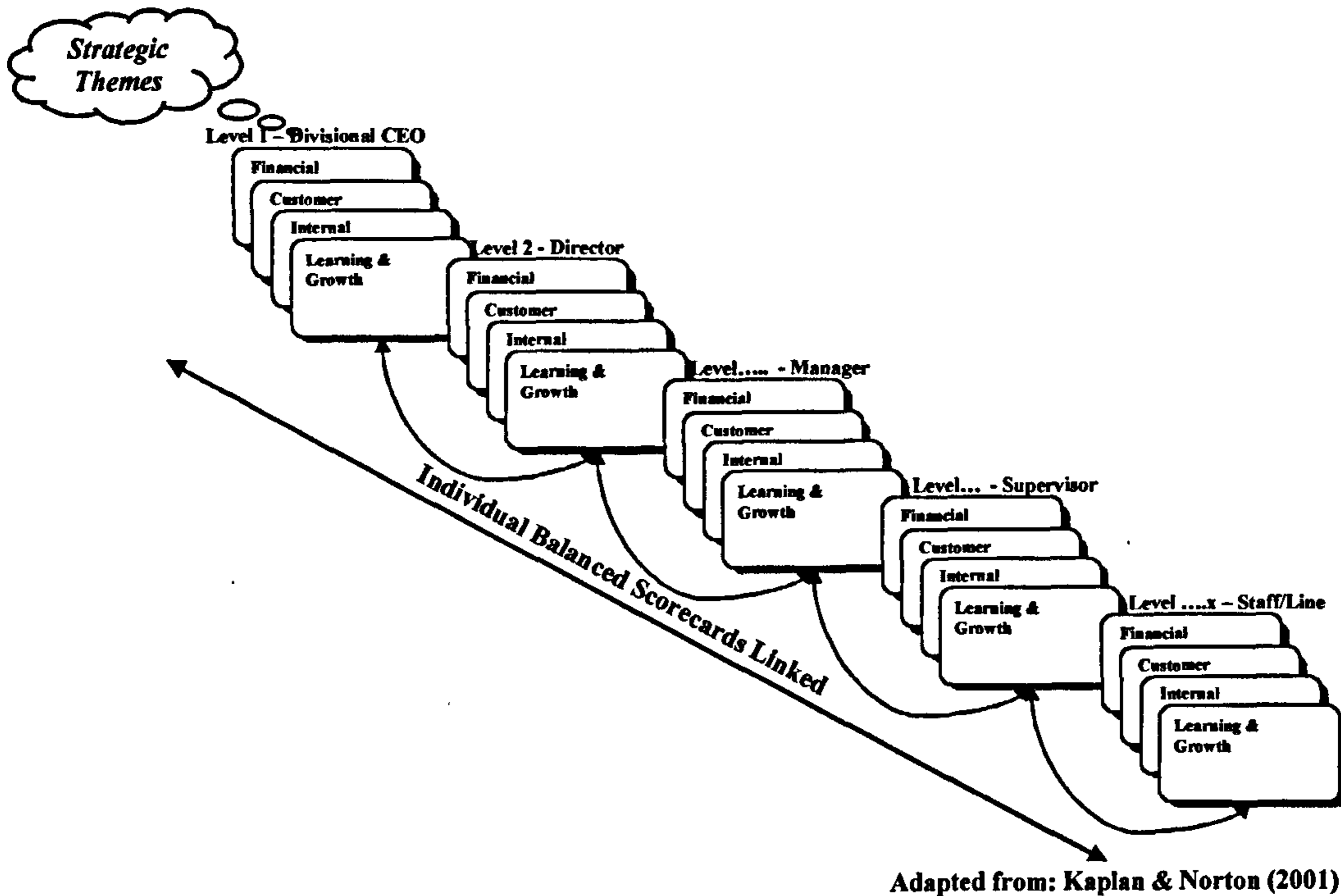


Figure 7.3 Cascading strategies to individuals & teams

7.5 Communications for evaluation and development – development stage 2

In this section, the importance of communications is essential for the individual if the correct response to the organisation requirements is to be achieved. This research looks at various processes used by companies to achieve this. Figure 7.4 highlights the key areas that are important to the employee.

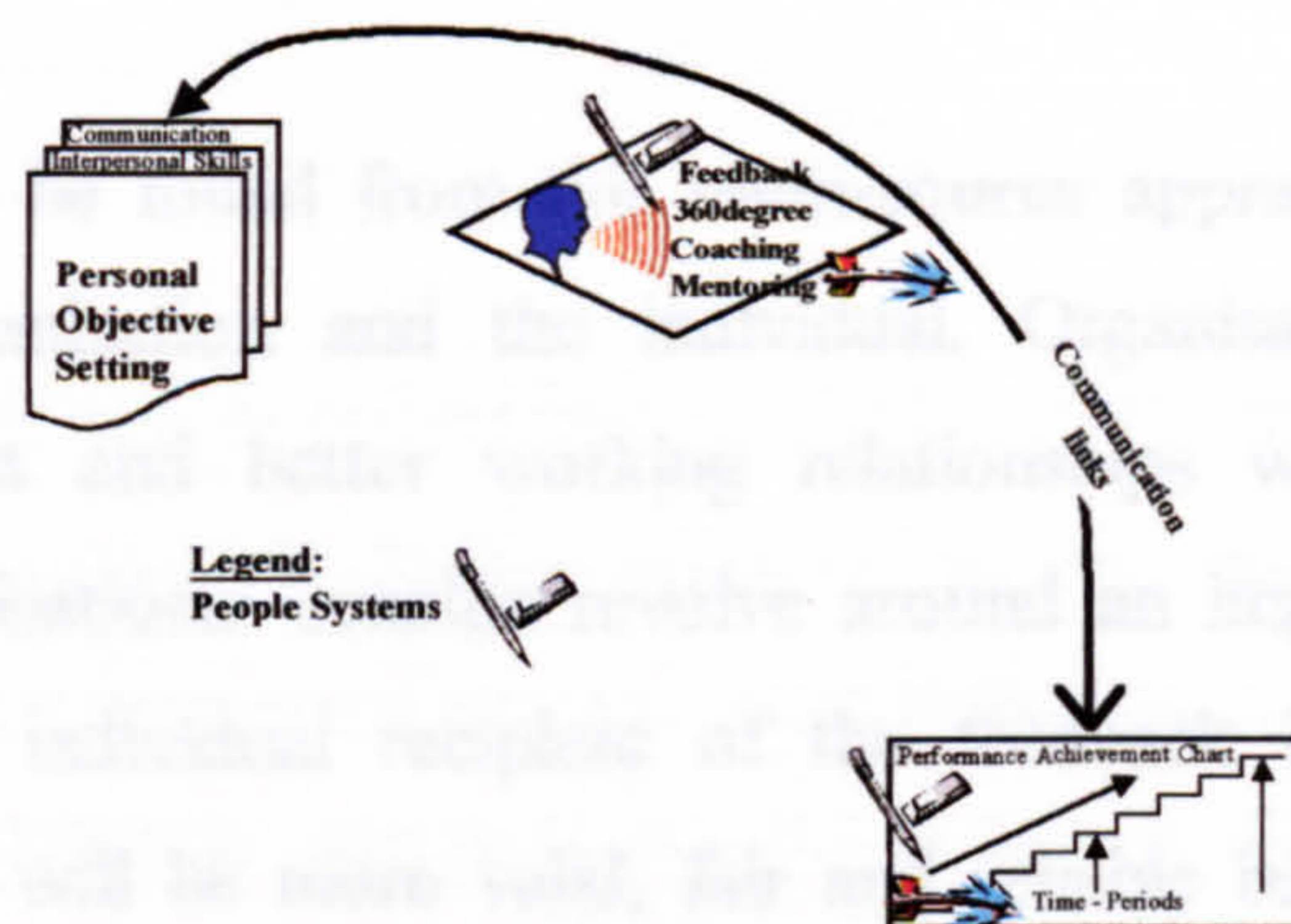


Figure 7.4 Employee feedback methods

The process most commonly used to achieve good appraisal communications is 360-degree feedback. This was used in 63% of the companies who participated in the research, and the last but most important is the influence that leadership has on the process as well as the individual.

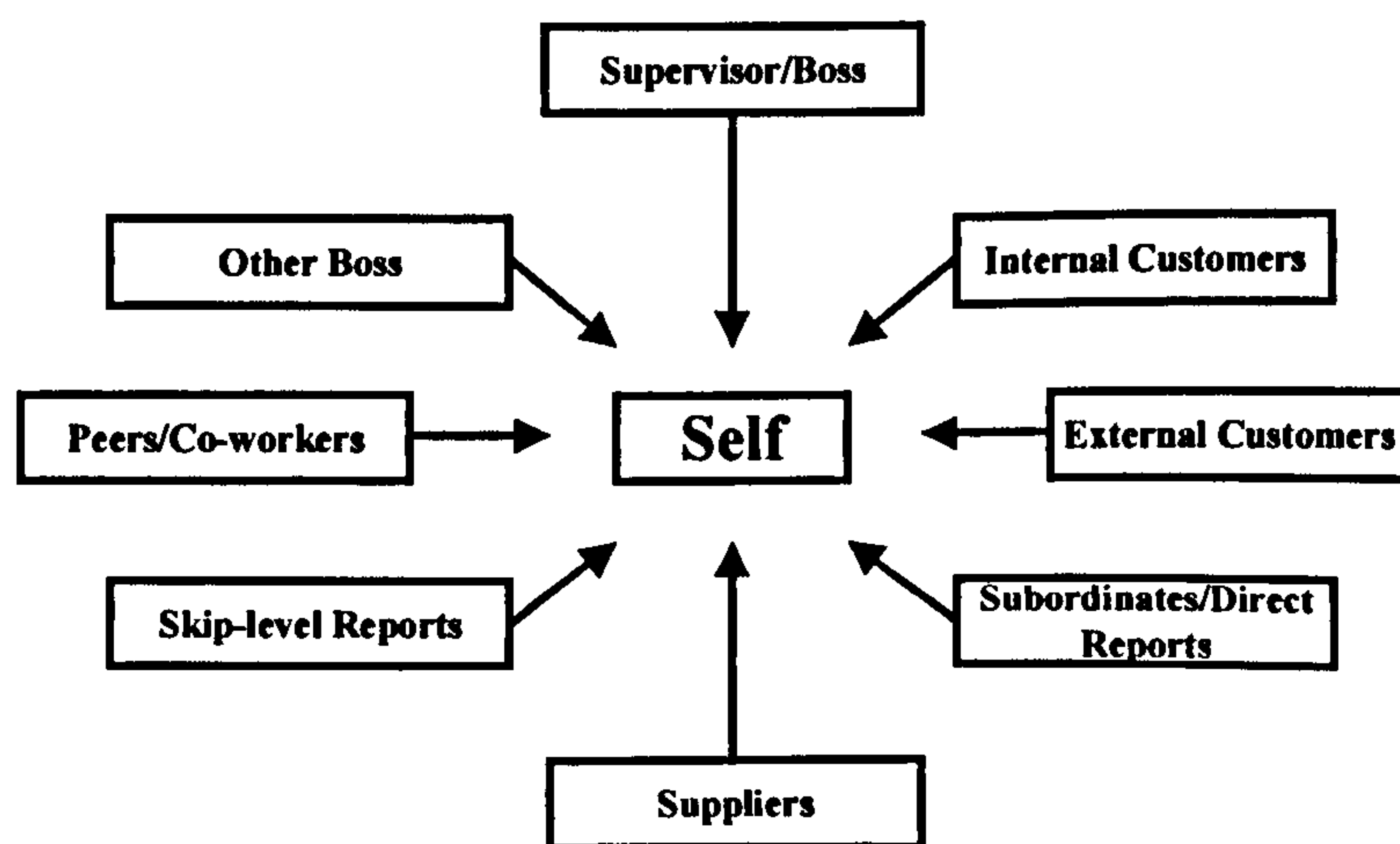
The current practice is concerned with the feedback process between subordinate and manager. In many organisations, the direct management appraisal system is only one-way. It further emphasises the traditional tendency of vertical, downward information flow in organisations. This type of information flow requires to be improved if employees are to strive towards a higher performance.

During the 1990s, the trend of the more traditional appraisal methods had been criticised for being too insular and that the feedback processes needed to use more information. 360-degree feedback was an area that could provide more information from other sources than the direct manager route. This coupled to self-appraisal systems would provide an improved vehicle for conducting feedback during the evaluation process.

The total quality management movement, with emphasis on quality and customer satisfaction, acted as a driving force in the development of 360-degree feedback. In striving for quality excellence, 360-degree feedback acts as a very useful and powerful source of information because, with this method, customers and suppliers can provide feedback on various dimensions within the organisation (McCarthy and Garavan 2001).

The benefits that can be found from this multi-source appraisal process are it cuts across both the organisation and the individual. Organisational benefits include employee involvement and better working relationships within the organisation. Essentially, the organisational benefits revolve around an improvement in employee relations. Where the individual recipient of the feedback is concerned, it is the feedback data, which will be more valid, fair and reliable because it comes from a number of sources, see figure 8.10 below. As a result, 360-degree feedback will provide the individual with a better guide for his/her self-awareness and this enhanced self-awareness is an initial step towards the career development process.

Handy *et al* (1996) found that users of the 360-degree feedback process were positive about the tool's value reporting that 75% of respondent organisations in a study conducted into feedback processes judged it to be successful. Of the managers who had experienced the 360-degree feedback process, 92 percent found it more helpful than the traditional top-down model.



Source: McCarthy and Garavan (2001)

Figure 7.5 Potential raters in multi-source appraisal systems

Communication is not only about appraisal feedback. The myriad of communications tools that are available add to the general structure of any organisation. The many tools seen in the case study companies ranged from web based information, company newsletters, e-Mails and other formal and informal communication methods. These are seen as complimentary and important tools in the formal appraisal processes discussed in this section but not analysed, as they are concerned with more than the topic of this research.

7.6 Appraisal construction & evaluation methods – development stage 3

The purpose of this stage is to further examine the appraisal construction elements that are necessary if the linkage of strategy to objectives is to be realised. The model therefore places considerable emphasis on this stage of the design and starts to encompass the human performance elements. See figure 7.6 for construct elements.

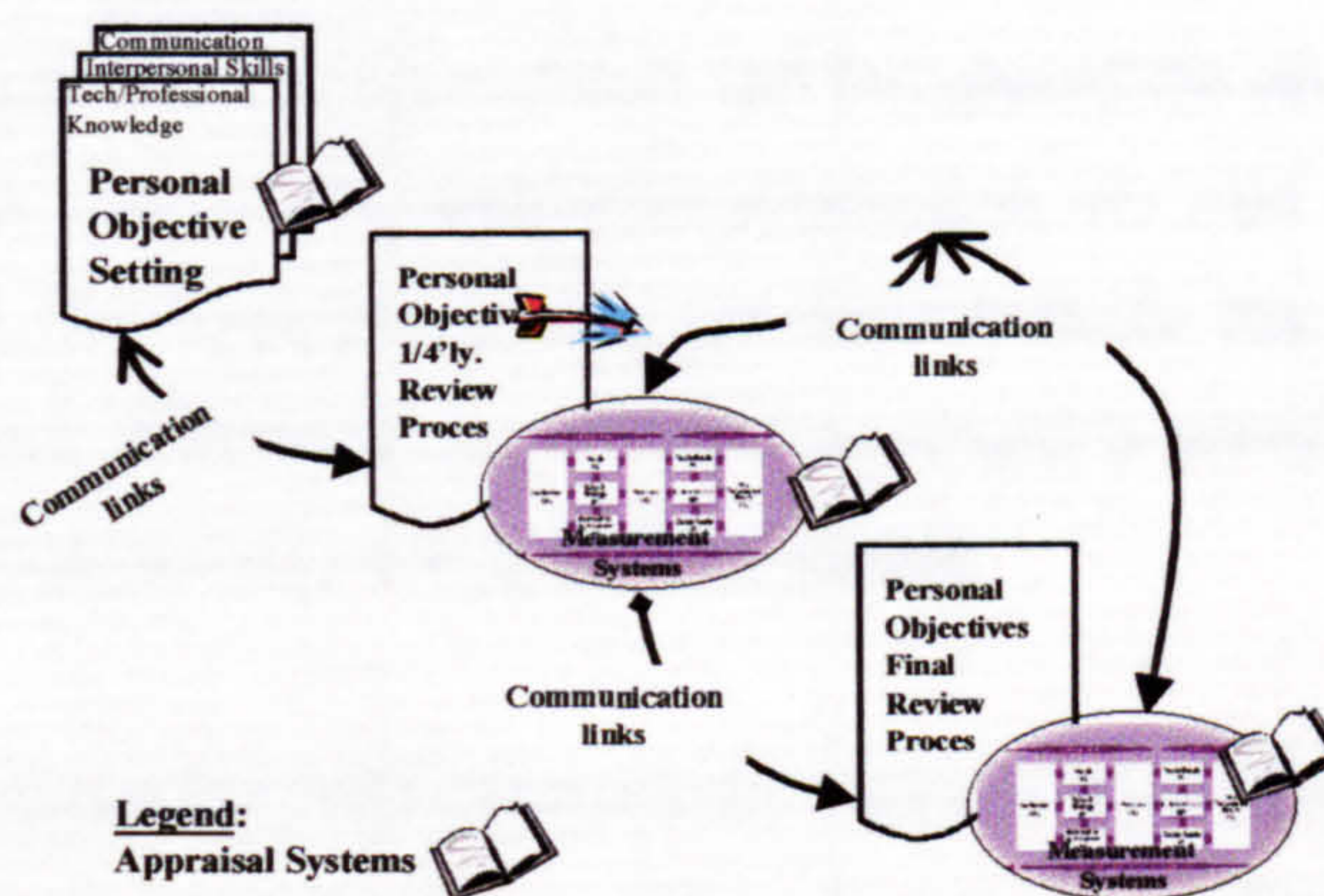


Figure 7.6 Appraisal & measurement construction

7.6.1 Constructing objectives

The need to integrate strategies and link these to objectives across all levels and functions is becoming more critical as we have seen in chapters 2 and 4. The proposal of a “balanced scorecard” approach to job objective construction has been highlighted in the case research. In this approach, four measurement categories are integrated with the companies’ strategy and vision. Figure 7.6 above provides a vivid picture of a cascading deployed strategy formation and incorporates the four perspectives that

ensure not only the organisation is aligned but also demonstrates to the employee how the structure should direct their objectives to meet the company ones.

The balanced scorecard attempts to overcome the deficiencies of the financially driven measurement systems of the past. The approach is used to measure performance and develop strategies by analysing results across a range of activities. At the very heart of the balanced scorecard method is the belief that organisational success can best be achieved and measured when viewed objectively from the four perspectives highlighted in figure 7.4. Until recently there were few examples of how the balanced scorecard could be implemented at different levels of the organisation. However, this is becoming more common and much research has been published to highlight this (Davis 1996).

The earlier design work by Kaplan and Norton (2001) on company activity was based on the higher levels of the organisation but recent they have developed personal balanced scorecards to address this problem and recognised the need for a deployment methodology. While none of the companies involved in our case studies refer to the BSC nomenclature, the objective setting practiced indicate that a balanced set of objectives is the norm. Therefore, the balanced scorecard is proving to be a powerful and widely accepted framework within an organisation.

While the other strategy and PMS frameworks have not been considered for this new model, many of them do prescribe a balanced view of performance and a close linkage to strategy (reviewed in appendix 1). As a result, a small number offer similar potential for development as the balanced scorecard. However, where they fail to make an impact is they lack the wider acceptance in practice versus the scorecard and therefore, are not considered for development within this model.

Much research has been conducted into the use of the balanced scorecard construction and the pit falls that can be in-built if practitioners are not careful in the design of the structure. Roest (1997) suggested that to avoid many mistakes in implementing the balanced scorecard a review of ten golden rules should be considered. These rules have been developed from a review that involved a number of companies from around

the world that have use the balanced scorecard. The following are the ten golden rules:

1	There are no standard solutions: all businesses differ.	6	Take a bottom-up and top-down approach to understanding what employees need to achieve.
2	Top management support is essential.	7	It is not a systems issue, but systems are an issue. It is important not to assume that gathering and reporting of information must always be automated.
3	Strategy is the starting point.	8	Consider delivery systems at the start. Where it is obvious that information systems of some scope will be necessary these should be considered early.
4	Determine a limited and balanced number of objectives and measures.	9	Consider the effect of performance indicators on behaviour. If this is not done, people may find ways of behaving which deliver targets but not the intended benefit to the organisation.
5	No in-depth analysis up front, but refine by learning and doing.	10	Not all measures can be quantified. It is therefore important to recognise that measures will be both quantitative and qualitative.

Source: Roast (1997)

Table 7.1 Balanced Scorecard's ten golden rules

So why should this model select the balanced scorecard as the process for individuals to use during the objective setting. As we have stated in this section the acceptance by employees to incorporate a balanced set of performance objectives in the appraisal construction has shown that current practice is very much in favour of this mode. Company leaders in our case studies must also have recognised the need for the development of the balanced approach to strategy and performance measures at the top end of the organisation for it to be cascaded down throughout the company, but is this enough?

Allee (1999) suggested that there are other methods to expand the organisations performance indicators. As the knowledge economy that today's companies are now faced with forces a radical rethinking of corporate value many writers are beginning to realize that company value is more than what is shown in its traditional income statements. Hidden or intangible assets are playing a more important role as companies now trade as multiples of their book value. Investors are now valuing the company's future financial capital based on their mostly intuitive assessment of its competitive position, growth record, brand image, partnering capability, innovative potential and importantly management practices.

These value judgements factor in intangible assets such as employee competence, computer systems, work practices, relationships, customer lists and trademarks rather than physical assets such as property and equipment. The basic idea is that value is generated through facilitating a flow of knowledge across the enterprise and converting that knowledge into value in the form of relationship capital, human capital and structural capital. Maximising knowledge flow and value creation is dependent upon key enablers such as technology, culture and measurement. Adopting such values widens the pipeline and increases or constricts the movement and exchange of knowledge. The goal is to convert knowledge to value or “capital” throughout the enterprise.

In comparing these two models the knowledge management paradigm and the balanced scorecard, the balanced scorecard does not appear to be based on a dynamic model of value creation but rather on a “balance” model. As long as a comparable weight is given to each of the four perspectives the basic purpose of the model is achieved. The knowledge or Intellectual Capital model suggests that the dynamic flow or utilisation of knowledge increases capital accumulation in the areas of external, internal and structural capital. Therefore the suggestion is that the theory of knowledge and value creation is a more dynamic model than the balanced scorecard.

Both of these approaches have expanded the thinking about value creation and organisation performance metrics in a number of important ways. They have emerged as a means to enable company managers and importantly employees in general with a means to see, measure and understand more of a company’s dynamics than could be achieved through just financial measures alone. However, as Allee (1999) highlights both these models fail to capture the essential nature of the knowledge economy. This is because both models focus too closely on the old idea of enterprise with traditional boundaries about what is “inside” and what is “outside”. The old thinking about the enterprise assumes a company to be a relatively closed system except for a few specific areas. This intangible model begins to expand this view, but only in a limited way.

Pushing the boundaries of what needs to be done to create a process that stretches the organisation and individual is therefore necessary. Creating more measurement

categories within the old corporate “walls” still falls short of what might be possible, but if we are trying to embrace new thinking, then this needs a truly dynamic “whole system” view of the enterprise. This concept extends far beyond the boundaries of the company and companies do not exist in a social or environmental vacuum. Rarely do business models include dynamic exchanges within the larger society or with the earth and its resources. This is deemed a rather narrow view and it is in these areas that this model will develop a wider perspective while using the balanced scorecard as its core but bring in the thinking that the knowledge management elements found in the intangible model as the basis for objective construction. The following sections will expand this concept as we develop the model through self-assessment and the measurement process.

7.6.2 Changing the Paradigm – towards self managed appraisals

In chapter 4, the research introduced the concept of self-appraisal and the research showed that the only way to develop responsibility in people is to give it to them. FirstPlus and Litton Interconnect were good examples of this where the management team allowed the teams to develop their own initiatives to achieve the company goals and it is not only the development of the individual that is important to the company it is the process of enabling the individual to take more control over his/her contribution to the organisation and how the assessment of that contribution can be measured.

The central characteristic of self-development, as discussed in section 4.4 is in the choice the individual can make when constructing his/her inputs and outputs. Unlike conventional processes, which treat individuals as passive recipients, self-development places the individual at the forefront of the development process. The underlying argument is that development is not a matter of expertise, but a matter of personal willingness and determination to commit oneself to a process that the individual values and believes in and is therefore, free to choose the goals, decide how to achieve them, initiate action for achieving them and evaluating success.

However, as the overriding need for a self-assessment appraisal system is to allow employees to take more accountability for their careers, by developing knowledge and contribution to the organisation and to create a two-way communications path. This

has resulted from the old fashioned, multi-tiered hierarchical organisation such as some of those involved in this research, allied Distillers, IBM, BAE, Scottish Power and United biscuits, being out of fashion nowadays and has made the erroneous task, in some cases of the direct managers performance appraisal process becoming increasingly difficult for the manager to handle in an objective and productive way

Under the self-appraisal, system the role of the manager would be as counsellor, motivator, mentor and finally arbiter when the final assessment is made.

In the following section, we will review how the proposed self-assessment process can be measured and in order to achieve this the EFQM model is used in a modified state. By incorporating this model into ours, we will be able to include a “whole system” approach to evaluating a person’s contribution.

7.6.3 Performance measurement self-assessment

The area discussed in this section is the development of the Business Excellence Model as a means of creating a measurement tool that envelops the major people elements that are required to develop a “whole system” approach to maximising human performance in the organisational environment. The objective here is to reduce and where possible eliminate the subjectivity of the measurement process. By introducing a holistic view, of the many elements that make up an individual’s portfolio within an organisation this can be represented within an appraisal system and the process applied to the individual.

The BEM concept can be used as an effective tool for measuring performance of the organisation but this can also be tailored to the individual. By introducing self-appraisal into the organisation can lead to a greater degree of trust and potential success for both organisation and employee. However, prerequisites are required such as sound strategy and performance measures that create the environment for substantial success and longevity of the process.

In this section, the research will focus on the EFQM model by describing how the model elements can be incorporated into a balanced scorecard construction process

and by using the EFQM measurement process to evaluate the major aspects of an individual's personal and job objectives. Firstly, what is the EFQM model, and how should it be used for people measurement. How will this process help the complex and emotive subject of appraisal and measurement?

As many organisations now incorporate some form of balanced scorecard into their appraisal process, creating a close linkage to the EFQM measurement criteria is essential. It is important to see the comparison on how the elements of the business excellence model can be used to develop the personal objectives within the appraisal process and create a more holistic evaluation process for the assessment process.

The link between the models will provide a more robust framework that will enhance the appraisal system and outcomes. A tabular evaluation and comparison is created below in figure 7.7, which shows the link between 'Company Vision', 'Balanced Scorecard Framework', 'Business Excellence Model' criteria and 'Investors-in-People Framework'. This analysis was mainly based on Olve *et al* (2000) diagram, which was an evaluation from a large organisation's interpretation of the linkages. He described how one organisation had developed this link with the business excellence model in order to ensure a close relationship between strategy and performance measures to show that they were consistent with the company goals. This researcher linked the Investors-in-People framework to enhance the analysis. This was deemed necessary as the IiP was used in the organisation's involved with this research.

While the figure below provides an interesting evaluation of linkages between the models, it does provoke criticism with the evaluation of the BSC connections to the other models. The simplistic interpretation of the analysis leads the reader to think these connections are mono direction when in reality they are more complex. However, this research is not concerned with evaluating this analysis to correct it but recognises the strength the evaluation makes when pictorially describing the many connections between the models and the strength that this can provide for a company.

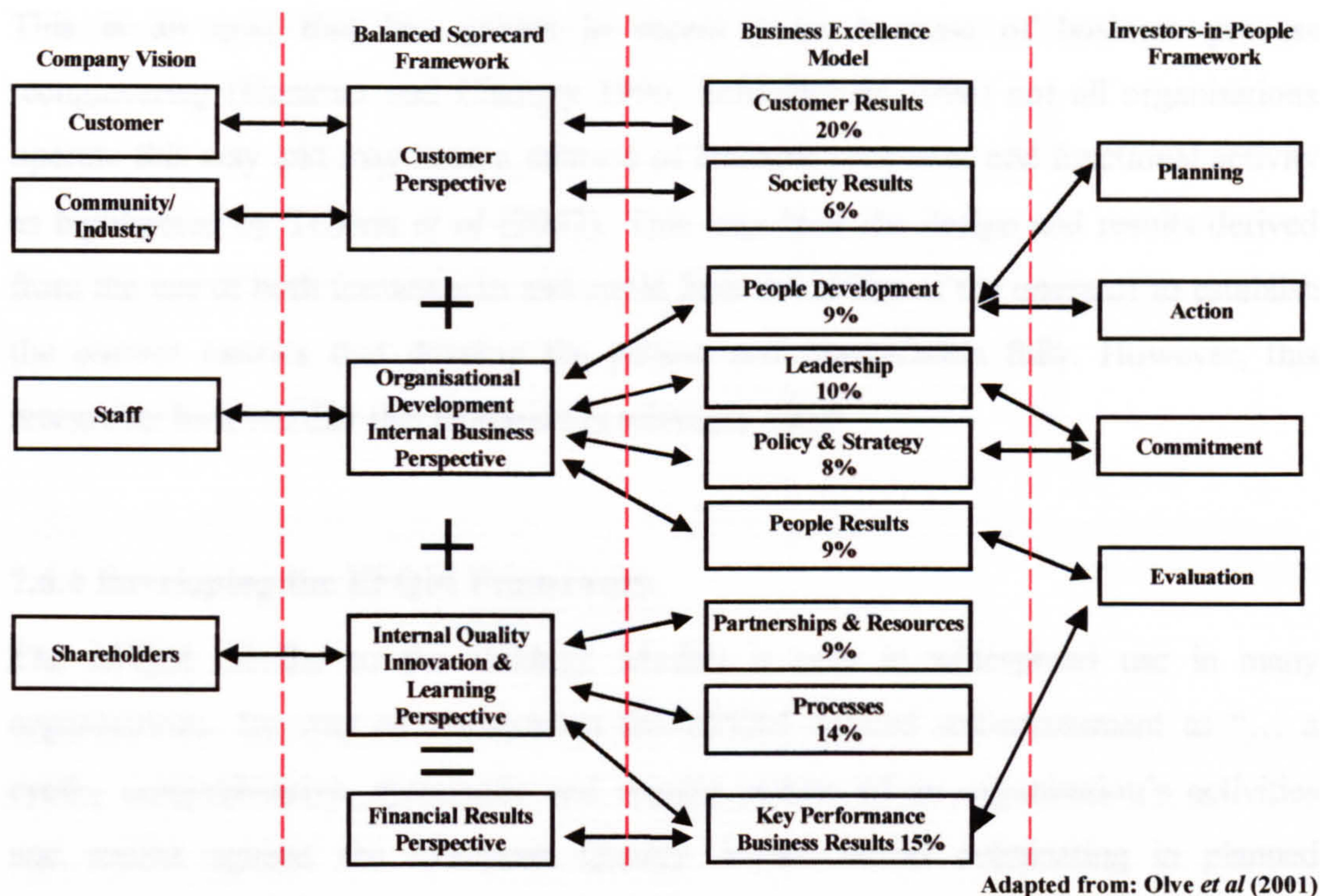


Figure 7.7 Company framework comparison & linkage

The primary focus of the balanced scorecard is translating the company’s strategy into measurable goals and this is further emphasised that the link between corporate objectives and personal objectives of managers must be congruent and transparent. This can be further categorised to all employees within an organisation.

To further explore the balanced scorecard within the self-assessment appraisal and measurement systems, McAdam *et al* (1999) summarised that ultimately each employee, operator could have a scorecard, which can be traced back to the overall strategic scorecard. This approach is seen as enabling employees to see clearly their own area of involvement and how it links to the “bigger picture”. This was discussed in the earlier section.

However, one of the drawbacks with the balanced scorecard is that there is no specific ‘leadership’ model incorporated and this could lead to financial objectives outweighing the employee growth objectives and measures. A further concern that is levelled at both the Balanced Scorecard and the Business Excellence Model frameworks is they rely very heavily on the assumption that business operations are based on business processes.

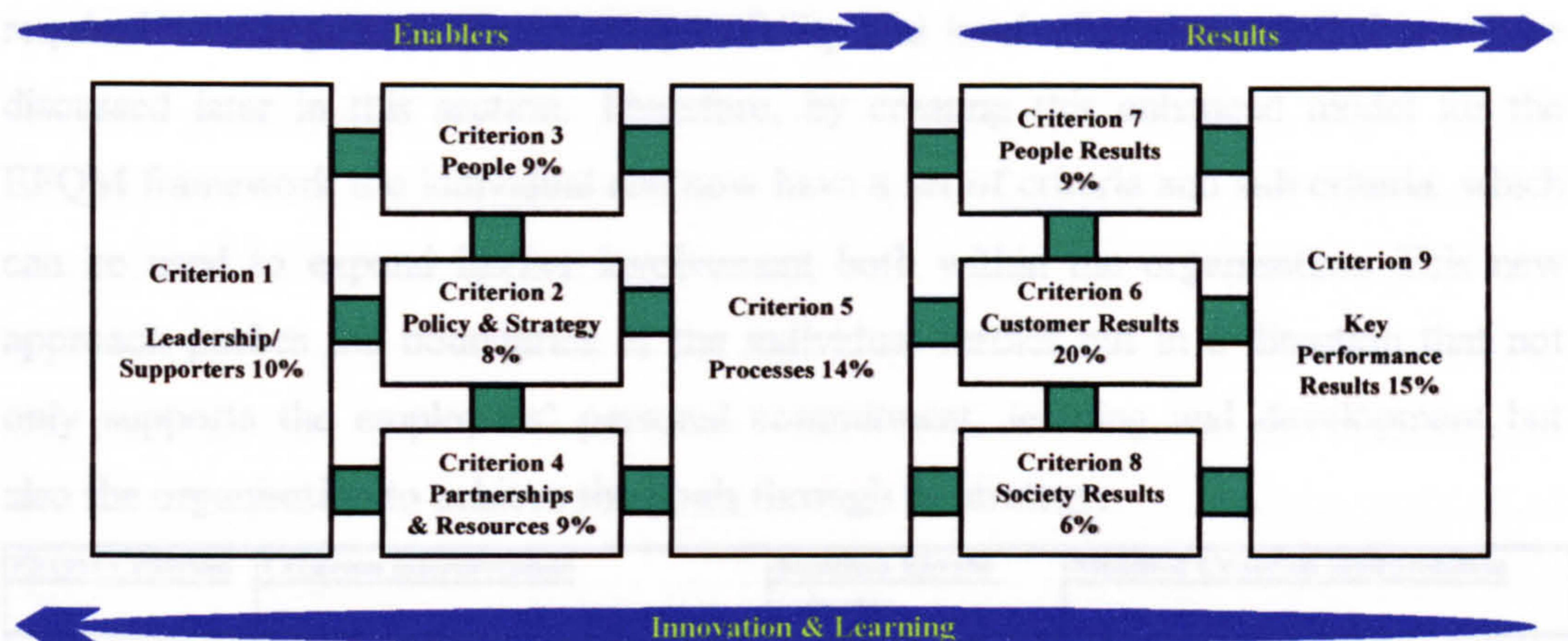
This is an area that has grown in recent years because of business process reengineering (Hammer and Champy 1996, Schonberger 1996) not all organisations operate this way and may have a mixture of business processes and functional activity as highlighted by Telleria *et al* (2002). This may limit the design and results derived from the use of both frameworks and could limit the ability of the operator to establish the correct metrics that develop the person and organisation fully. However, this researcher believes that this limitation is relatively small.

7.6.4 Developing the EFQM Framework

The EFQM (similar to the Baldrige Model) is now in widespread use in many organisations. By way of clarification the EFQM defined self-assessment as “... a cyclic, comprehensive, systematic and regular review of an organisation’s activities and results against the European Quality Award model culminating in planned improvement actions”.

The European Quality Award (EQA) is represented by nine criteria, see figure 7.8 below, and these represent a business in its entirety. The first five criteria the “enablers” consist of Leadership, Policy & Strategy, People, Partnership & Resources and Processes and these enablers concentrate on how the organisation is run and operated. The second grouping of criteria, the “results” consists of Customer Results, People Results, Society Results and Key Performance results. It is this grouping that the organisation concentrates on what is to be achieved by all of those that have an interest in this and how the achievement is measured and targeted.

The full power of the model is derived from the relationships between the enabler and results criteria. Each of the nine elements of the model is a criterion which has been used to assess the organisation’s progress towards excellence, and as will be seen can be adapted to evaluate an individual’s performance. The Business Excellence Model provides scope for the organisation to assess not only the internal view of itself but as important the external view including society and environmental aspects. It is these external assessments that if used by the individual will expand knowledge and expertise and lead towards greater involvement and success within the company.



Source: EFQM (1999)

Figure 7.8 EFQM Excellence Model

As stated above the model is split on an equal basis between the *enabling & results* criteria, which are concerned with how an organisation approaches its “business” and what an organisation has achieved and is achieving. Each of the areas is described by the criteria and sub-criteria. As the model is not prescriptive below the level of the criteria all of the elements described must be addressed when an assessment is being made but it is acceptable that, on occasions, it is possible that a sub-criterion may be irrelevant in particular circumstances. This is applicable in the total company analysis but in order to adapt the criteria to the “person” the criterion descriptions must be changed to enable the nine criteria to fit the individual achievement and table 7.2 below highlights how this is achieved.

The object of changing the description and measurement criteria is to ensure that the tenets of the EFQM model can be tailored to enhance the individual’s contribution and level of involvement within the organisation. The higher the employee is in the hierarchy the more he/she would be able to influence and change the organisation. Therefore the individual would have a greater degree of influence and depth of involvement in the nine areas of the model. Lower down the organisation the individual would have less of an involvement in width and depth of the nine criteria and sub criteria.

However, by ensuring the process is flexible enough to cater for seniority and job responsibility then the nine criteria could be used by the individual on a selective basis when constructing job objectives. A flexible measurement system is also

required to compensate for job responsibility and level of seniority and this will be discussed later in this section. Therefore, by creating this enhanced model for the EFQM framework the individual can now have a set of criteria and sub criteria, which can be used to expand his/her involvement both within the organisation. This new approach pushes the boundaries of the individual further but in a direction that not only supports the employees’ personal commitment, learning and development but also the organisation to achieve the goals through its strategy.

EFQM Criterion	Criterion interpretation	Modified EFQM Criterion	Modified Criterion interpretation
1. Leadership	Relates to the behaviour of all managers in as much as how the team inspires, drives and reflects total quality as the organisation’s fundamental process for continuous improvement.	Leadership	Relates to the behaviour of the individual in as much as how he/she inspires, drives and reflects total quality as the organisation’s fundamental process for continuous improvement.
2. Policy and Strategy	Reviews and implements the organisation’s mission, values, vision and strategic direction How the organisation’s policy and strategy reflect the stakeholder by the principles of total quality management as used in relevant policies, plans, objectives, targets and processes.	Policy and Strategy	Understands and interprets the organisation’s mission, values, vision and strategic direction. How the organisation’s policy and strategy reflect the stakeholder by the principles of total quality management as understood in relevant policies & plans, by setting objectives, targets and processes.
3. People	Studies the management of the organisation’s people and how the organisation releases the full potential of its people to improve its business continuously.	Personal development	How the individual develops and releases the full potential of his/her knowledge to improve the organisations business continuously.
4. Partnerships & Resources	Refers to the management, utilisation and continuity of resources externally and internally and how these are effectively deployed in support of policy and strategy.	Teamwork Partnerships	Refers to the individuals interaction and support of resources externally and internally and how these are effectively communicated and deployed in support of policy and strategy.
5. Processes	Analyses the management of all value-adding activities within the organisation. Addressing how the processes are identified, reviewed and revised to ensure continuous improvement of the organisation’s business.	Processes	Interacts in relevant processes by developing and supporting value-adding activities within the organisation. Addressing how the processes are identified, reviewed and revised to ensure continuous improvement of the organisation’s business.
6. Customer Results	Examines what the organisation is achieving in relation to the satisfaction of its external customers	Customer Results	How the individual has contributed to what he/she has achieved in relation to satisfying the external customers
7. People Results	Investigates what the organisation is achieving in relation to the satisfaction of it people.	People Results	What activities and initiatives the individual has achieved in relation to the attainment of his/her effort.
8. Society Results	Probes what the organisation is achieving in satisfying the needs and expectations of the community at large.	Society Results	Probes what the individual is involved in relation to external business networking involvement and community activity.
9. Key Performance Results	Reviews what the organisation is achieving in relation to its planned business objectives and in satisfying the needs and expectations of everyone with an interest in the organisation.	Individual Performance Results	Reviews what the individual has achieved in relation to his/her planned business objectives and in satisfying the needs and expectations of those who he or she interacts with.

Source: Adapted from EFQM (1999)

Table 7.2 The Business Excellence Model – Individual Criterion Description

7.6.5 Balanced Scorecard and EFQM comparison evaluation

The new process now allows individuals within an organisation to construct his/her performance objectives from strategy through a balanced set of perspectives, incorporating a set of criteria that enables a wider view of the company and surrounding influences both internally and externally than the previous traditional narrower view of the organisation. The research reviewed how the measurement process could be constructed to ensure achievement can be recognised and valued figuratively. An additional analysis can be made of the two frameworks to see how well they complement one another.

Both the Balanced Scorecard and the Business Excellence Model have been analysed to see how many of the framework elements are similar. The analysis is looking for not just similarities but strengths from one model to complement the weaknesses in the other. Table 7.3 below highlights several elements that McAdam *et al* (1999) observed during a study in the service sector, which indicated five key findings.

The first five elements show that the Business Excellence Model supports total quality management through improving business efficiency, customer satisfaction and encouraging a coaching and mentoring style of leadership. These areas were also determined from the questionnaire responses highlighted in chapter 6. The BEM also defines a rigorous process management approach.

The Balanced Scorecard supported total quality management mainly through linking the organisation's strategy, improving customer measures and encouraging involvement at all levels. A further two elements were added to the table to highlight the type of model each was and how easy each approach was to communicate an understanding across the organisation. Therefore, the analysis concluded that both frameworks could work together and create a workable tool for measuring and evaluating the individual.

No.	Criteria Description	EFOM	Balanced Scorecard	Evaluation
1	Strategically linked to business goals	Lack of proactive strategic approach - limited to business efficiency	Linked well to proactive growth strategy	Criteria evaluates different areas but will compliment Appraisal system
2	Customer understanding & satisfaction is vital	Make a significant contribution to Customer satisfaction but does not identify new customer or markets	The link with strategy ensures measures and objectives are linked to customers but does not identify new customers or markets	Mostly the same in direction but looks at issue slightly differently will add value to appraisal model
3	Employee understanding and participation required at all levels	People Mgt and satisfaction enabler, people involvement also can be evaluated & benchmarked	Easier to involve people at all levels and to relate to a specific job	Mostly the same in direction but looks at issue slightly differently will add value to appraisal model
4	Need for management commitment and consistency of purpose - leadership	Encourages coach/mentor style of leadership	Little contribution to this element	No relationship
5	Organisation is perceived as a series of processes	Encourage rigorous process management	Links process measures to business strategy	Description differs but both processes have same meaning
6	Types of tool/framework	This model is an audit tool of what is already happening but does not indicate best practice	This model is an effective means to measure strategy rather than deciding it	Criteria is dissimilar but both will add to appraisal process design
7	Ease of communicating and implementing the model	The EQA model is rather complicated and somewhat bureaucratic but can be communicated through easily understood approaches	The BS is also rather complicated and to be effective, each operative should have a BS linked to the overall one. Certain objectives can be fragmented at lower levels	Mostly the same in direction but looks at issue slightly differently will add value to appraisal model

Adapted from: McAdam & O'Neill (1999)

Table 7.3 EFQM/BS Comparative Analysis

7.6.6 Measurement Processes within the self-assessment perspective

This process as stated in previous sections can be modified to enhance the appraisal process and when combined with a strategy model in our case the BS, can be used effectively by employees. The objective now have is to create a self-assessment process where the individual can use a set of criteria to formulate measurable challenges and then to evaluate these using a reliable and accurate measurement system.

What many evaluation schemes have is they evaluate job content, splitting out the constituent tasks and apply measurable outcomes to these. The main objectives of

these schemes are to set the job objectives in several broad job areas of responsibility (Wynne 1997).

- Routine job responsibility – the daily tasks.
- Problem solving – how the person evaluates and resolves issues within the task.
- Innovation – what steps the person takes to resolve issues
- Cascaded objectives – those objectives such as health and safety etc.
- Personal development – vocational and training development

However, not all objectives set are measurable and in many cases measurability is often a casualty of the process as a result of poorly thought out or developed to quickly to meet time frame constraints and it is this problem that this part of the research aims to minimise.

Shergold and Reed (1996) described six different evaluation approaches to conducting self-assessment, table 7.4 below evaluates these approaches and this research will discuss further the most relevant to this appraisal process. However, key points to remember are:

- Each approach has its own merits and limitations
- The paramount objective of self-assessment is continuous improvement
- The most critical phase is action planning and implementation

Self-assessment area	Process description	
<p>Access – the British Quality Foundation developed two forms of assessment.</p>	<p>1.RapidScore - which can be completed with minimal time and is computerised. This is the method to be adopted by the self-assessment appraisal method as it provides an accurate and quick method to evaluate the individual.</p>	<p>Both approaches are based on a questionnaire approach that can be either PC or desk based. Additionally, the results of these self-assessments are collated at the British Quality Foundation to provide benchmarking information. With the ValidScore approach the self-assessment is also validated by the Foundation.</p>
<p>2.ValidScore - a more rigorous process and time consuming and therefore not considered for this process.</p>		
<p>Award simulation</p>	<p>This involves the organisation undertaking the self-assessment in writing a full document, of up to 75 pages, based on the analysis of the organisation against the criteria & sub criteria of the model. External assessors assess the document. Who then agree strengths, areas for improvement and a score at each sub-criterion level. This is a very comprehensive and accurate approach but is potentially very time consuming and resource intensive.</p>	
<p>Pro-forma</p>	<p>A set of pages is created, such as one page for each sub-criterion, on which can be recorder the strengths, areas of improvement and evidence used during self-assessment and scoring exercise. A well-constructed set of pro-forma pages is appropriate for all criteria but is particularly suited to address the enablers. This format was considered to complex for the appraisal process.</p>	
<p>Matrix</p>	<p>This involves the creation of an organisationally specific, achievement matrix based on the framework of the BEM. It typically contains a series of statements of achievement against the criteria of the model on a 0–10 scale. A simple to use approach that can involve everyone in the organisation. There are time implications in the matrix creation. This approach was considered inappropriate for the appraisal format.</p>	
<p>Workshop</p>	<p>Management has the responsibility to gather the data and presenting the evidence to their peers, at a workshop. Consensus on what the strengths and improvement areas are the first step then scoring is applied. Again for the appraisal system this format was considered as inappropriate due to the non-personal nature of the assessment.</p>	
<p>Questionnaire</p>	<p>The use of questionnaires is another valid and useful approach to self-assessment, which is not resource intensive. It is an excellent approach to gathering information on the perceptions of the people in the organisation. This technique coupled to 360-degree feedback will provide a powerful tool to complement the assessment process.</p>	

Adapted from: Shergold and Reed (1996)

Table 7.4 Approaches to self-assessment

The RapidScore technique was viewed as the best method for measuring the employee’s objectives under a self-assessment process. The scoring method uses a matrix format to allocate a percentage score to each sub criteria. This is achieved by considering each of the elements and attributes of the matrix for each criterion in the model. A scoring summary sheet is used to combine the percentage scores and in certain cases weightings to give an overall score on a scale of 0-1000 points. The two advantages that this process provided was it can be completed with minimal time and it is computerised.

By adopting this self-assessment appraisal method, it provides an accurate and quick process to evaluating the individual. However, to enable this the structure of the EFQM criteria and sub-criteria would necessitate modification and this would be reflected in the assessment process to simplify the steps to be evaluated.

As the research is trying to create a flexible process for measure people the rigid measurement process necessary for assessing the organisation and for the BQF benchmarking information gathering is not necessary. The process adopted here is company specific and as a result, the emphasis on allocating the enabling and results percentages can be modified to represent the individuals' contribution to the organisation.

This adaptive process has a distinct advantage as all aspects of the criterion can be applied but the individual can modify the emphasis with agreement of his/her manager, resulting in a fairer result when the assessment is completed. An example of this can be seen in table 7.5 where depending on job responsibility and career progression the emphasis on the percentage weightings can be modified to reflect these. The standard criterion descriptions have been used for illustration purposes only.

Std. Criterion description	Std. factor	Manager's factor	Engineers factor
1. Leadership	10	20	8
2. Policy & Strategy	8	8	8
3. People	9	9	15
4. Partnership & Resources	9	12	9
5. Processes	14	6	20
6. Customer Results	20	10	10
7. People Results	9	15	10
8. Society Results	6	10	5
9. Key Performance Results	16	10	15
	100%	100%	100%

Developed for this research

Table 7.5 Comparison of criterion factors

The points scoring and weighting with the criterion can remain the same as the company assessment practices but as expressed above this can also be modified to reflect the job and personal attributes of the individual. Where a job category or personal attribute does not lend itself to a particular criterion then this can be

eliminated but the others will require to be increased to reflect the remaining elements of the job and person. The advantage that the measurement and assessment criterion brings is the results can be plotted for evaluation, comparison and benchmarked against company or industry standards. This will be discussed in the fourth stage.

7.7 Organisational culture – development stage 4

In this section, we will examine the supporting drivers that are necessary to ensure our model has any chance of survival. Three subsections are discussed here under the umbrella of changing the culture. While changing a culture is a large undertaking, this research is only intent on commenting on three facets in a very limited investigation to support the model development. The first, of these are leadership then coaching and lastly how the person can modify their perception and reality of what they need to achieve. Figure 7.9 represents this notion from our model and is shown below.

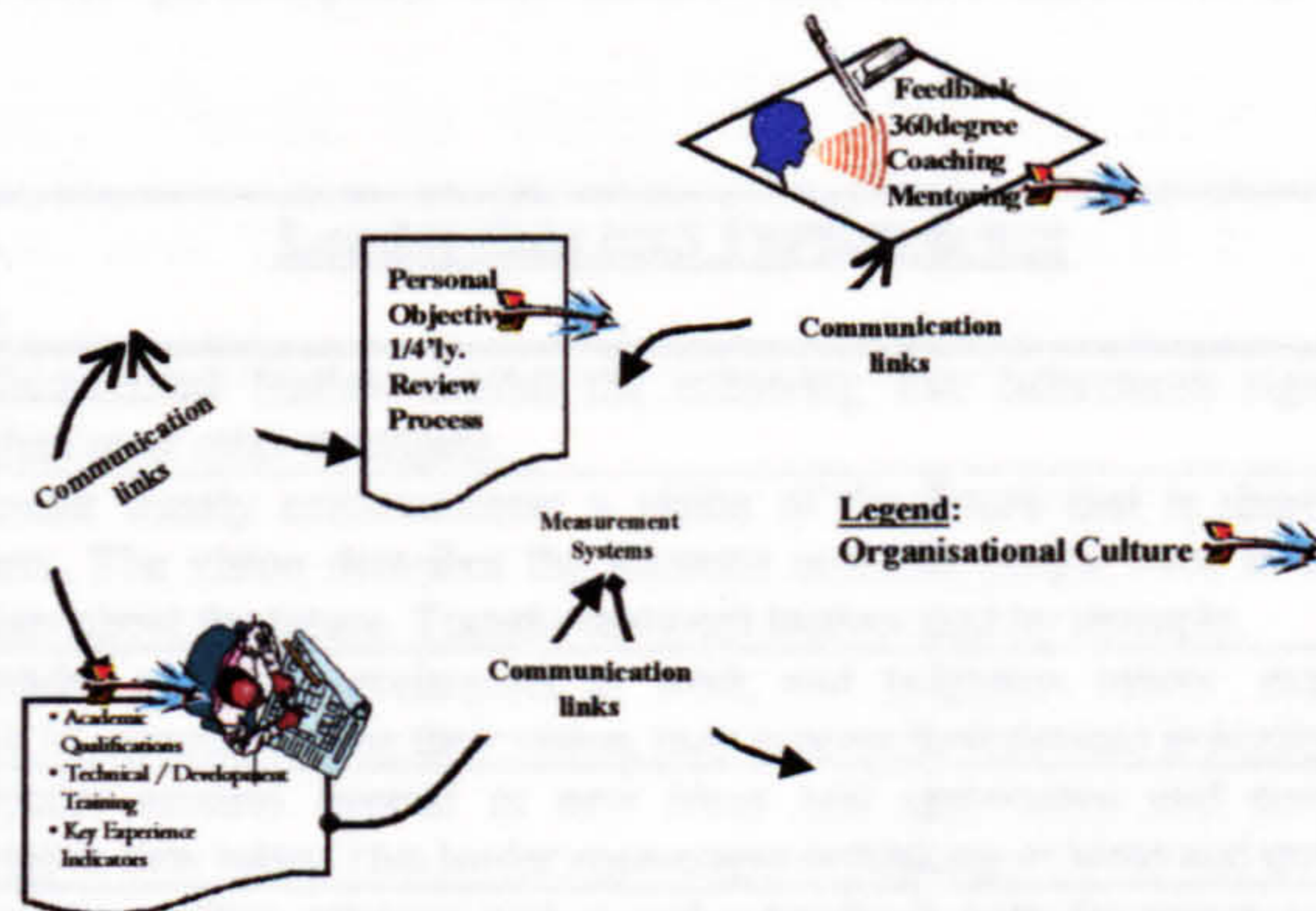


Figure 7.9 Setting the environment

7.7.1 Influence of Leadership

The research case studies showed that the companies with a strong linkage from strategy to the employee were those with a hierarchical structure that was closer to the employees. FirstPlus and Litton Interconnect each had this and both leaders presented themselves as charismatic, which commanded respect from the employees.

Therefore, the research has determined that all senior managers must create clear and visible quality values and high expectations while building them into the way for the organisation to operate. The case study interviews also found that personal

commitment and involvement in substantial proportions are necessary. Most take part as role models in the creation of strategies, systems and methods for achieving excellence in all aspects of the organisation and this was visible from the discussions with their employees.

Senior managers should position their companies in such a way that non-value add operations are eliminated. In addition, they should encourage leadership at all levels of management, particularly, in maintaining close relationships among the many divisions in an organisation, communicating goals and objectives down the organisation, educating employees about company direction and the necessity of change and continuous improvement.

Boehnke *et al* (1999) suggested that a manager’s ability to provide exceptional success depends on his/her talent to sustain extraordinary performance is dependent on certain behaviours and principles and these are summarised in table 7.6.

Leadership and Performance		
Leadership Behaviours		Performance
Transformational	Transformational leaders exhibit the following five behaviours significantly more than most other managers.	Beyond Expectations
• Visioning	The leader clearly communicates a vision of the future that is shared broadly by the organisation’s members. The vision describes the ultimate outcome people need to achieve, and the leader expresses optimism about the future. Transformational leaders lead by example.	
• Inspiring	The leader generates excitement at work and heightens others’ expectations through symbols and images. In communicating their vision, they express their dreams in highly motivational language.	
• Stimulating	The leader arouses interest in new ideas and approaches and enables employees to think about problems in new ways. This leader encourages rethinking of ideas and questioning of old methods.	
• Coaching	The leader coaches, advises, and provides hands-on help for others to improve their performance. He or she gives positive feedback for strong performance and effort, and provides opportunities for development by giving challenging and interesting tasks to followers, rather than keeping them to him/herself.	
• Team Building	The leader builds effective teams by selecting team members with complimentary skills. He or she increases trust and self-confidence in the team by sharing information, giving positive feedback, using individual members’ skills and removing obstacles to team performance.	
Transactional	The Transactional leader uses rewards and punishments. This leader recognises and rewards employees in response to their meeting previously agreed-to-standards. If the leader emphasises shortfalls in performance by criticism and correcting behaviour as the primary responses, then the outcomes are more often below those expected.	Meets Expectations
• Rewarding		Below Expectations
• Coaching		
Laissez-Faire	Some leaders’ behaviour suggests they believe that the best leadership is the least leadership. Although these leaders may think they are empowering their employees, they are abdicating more than delegating. To their followers, laissez-faire leaders seem unavailable and indecisive.	Below Expectations
• Avoiding		

Source: Boehnke *et al* (1999)

Table 7.6 Leadership for extraordinary performance – the highs & lows

7.7.2 Coaching for improvement

Who needs a coach, well from our questionnaire results in this research almost everyone does. As organisations realise that talent and human capital are what distinguishes them in the marketplace, they are faced with a constrained labour market that has most organisations battling to retain their best – and internally develop – every employee they can. The question that many managers ask is it possible to instil the right stuff into someone “what we don’t do is fix people” but companies must help employees be clear about what they want and how to close the gap between where they are now and where they want to be, or more importantly, where the company needs them to be. Most companies that have experience of coaching agree that this approach has improved performance among employees and introducing a self-assessment appraisal process the manager now needs to provide more of this role.

Lucas (2000) stresses that organisations often rush into developing in-house coaches to coach the workforce, but when the development happens entirely in-house, it can be lopsided. Coaching should be about thinking of new ways and supporting individuals in who they are, what they most want and how they can achieve that. To create a really effective coaching relationship it is got to be a voluntary process on both parties.

Bolt (2000) developed the following Ten Commandments of coaching.

1. Stop just managing – coaching is the key to success in today’s organisation.
2. Coaching means helping others to help themselves.
3. Confidentiality is key – lose their trust and ‘the game is over’.
4. Establishing rapport is an absolutely essential coaching skill.
5. There is no right way to coach – different people and different situations require different approaches.
6. Coaching can also be very effective upwards and sideways in the organisation.
7. In times of personal or organisational turbulence, coaching can be an absolute godsend.
8. To become a real leader and to bring out the best in your people, learn the art of coaching.
9. Remember: you need to coach the whole person not just the employee.

10. Coaching is for (almost) everybody – managers, parents, teachers, you and me.

7.7.3 Self-awareness and development

A key attitudinal measure is motivation, which is defined as the propensity of an individual to expend effort at work. While it is acknowledged that management may to some extent influence an individual's motivation at work, the main source of motivation comes from within the individual him/herself. So how do we ensure that the individual has the tools to continue to be motivated and how can this be measured?

We have so far found that for an employee to perform at the highest level in an organisation he/she needs to know what the strategy is and what part they can play in it. Having established this the next problem is how can the employee contribute to this through performance management. The research into developing this model found that by having a balanced set of objectives and sound measurement criteria was particularly important to enable the individual to make and create best use of their talents and expertise.

This could be further aided by enabling the employee to create and evaluate his/her own performance through self-assessment and balance this against feedback loops such as coaching and with 360-degree appraisals. The person is more liable to achieve the goals he/she sets, all of which should be in line with the goals of the organisation. The assessment process developed in this chapter, utilised elements of the Business Excellence's Model. In particular, a modified version of the assessment criteria for measuring organisation attainment is considered. This modified format is proposed to represent the individual's objectives by creating a "whole system" view of his/her contribution.

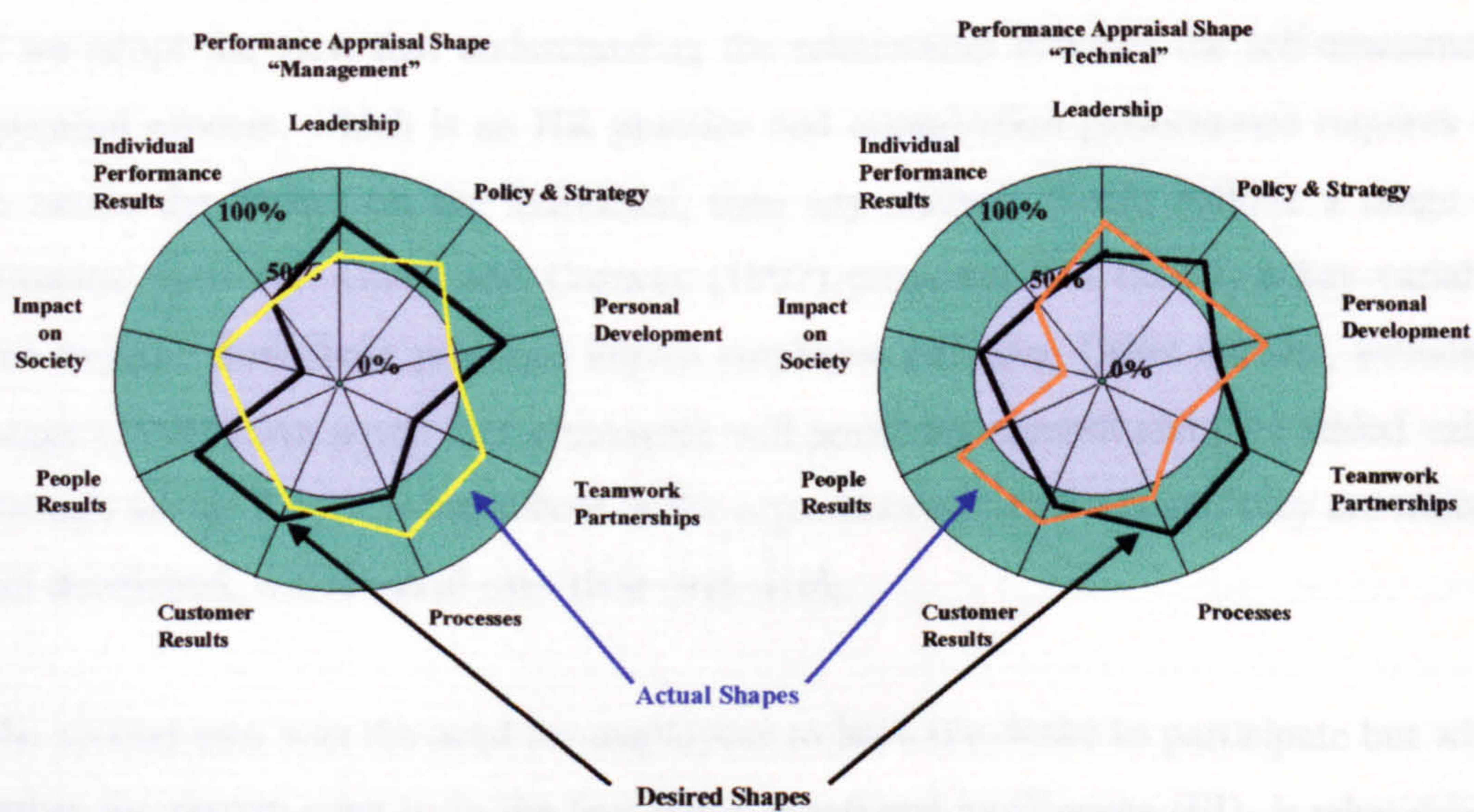
The measurement process lends itself to be mapped and when results are completed and can be used to compare against best practice. This can be a valuable tool for employee development purposes and since the individual controls the effort then a high degree of trust can be built into the system. Figure 7.10 highlights two scenarios, which can be used to compare the development of the individual.

If a person is an aspiring manager/leader or a technical expert then individual performance results can be mapped against a suit of benchmarked results, this is indicated by the black line shape within the “spider diagram” in figure 7.10 This is the result and shape that is deemed to best fit a particular role. The yellow and red lined shape is indicating the progress toward the desired cognitive “shape” for the role the individual aspires to achieve. While this process is not a definitive answer of the individual’s ability. This is one such tool that can be used to assist identifying the progress and performance of the individual.

Bhopal and Thomson (1991) suggested that the way to assess the effectiveness of this method was to implement an audit cycle that has the following stages.

1. Measure baseline;
2. Set standard;
3. Measure practice;
4. Compare against standards;
5. Identify opportunity for improvement;
6. Suggest change;
7. Implement change;
8. Evaluate change;
9. Review standards, setting new ones as appropriate.

The cycle repeats itself to ensure progressive improvement and this can be before an appropriate appraisal review period.



Adapted from: Pitt (1999)

Figure 7.10 improving yourself through self-assessment

7.8 Strategy/appraisal model discussion

The research so far has focused on a process that enables an individual to develop his/her appraisal objectives from strategy and construct these within a self-assessment process. We have established so far in this chapter that this process allows the individual to assess their progress in attaining the goals set out. But as we have started to discuss why should the person want to participate in this process. The reality of any organisation is that not all employees want to progress up the corporate ladder. Many are happy to do a good job and try to enjoy their time in employment, and if possible be successful. So what enables people to want to participate in any organisation and allow strategy and performance management to direct their contribution.

Two areas have been realised during the development of the model is that appraisal processes require a high degree of trust on the part of the individual and the boss. If this is not built in to the structure and environment then, processes that are emotive such as pay and rewards may bring the systems down. McGregor's Theory Y perspective on individuals i.e. developmental-humanism, aims at eliciting a commitment so that behaviour is primarily self-regulated rather than controlled by sanctions and pressures external to the individual. Therefore, relations within the organisation are based on high levels of trust (Wood 1996).

If we adopt the view that understanding the relationship between the self-assessment appraisal process, which is an HR practice and organisation performance requires us to assess the impact on the individual, then any analysis should include a range of outcome measures. Guest and Conway (1997) proposed that trust is a key variable that explains how these practices impact employee attitudes. Other authors, including Legge (1995) have noted that employees will positively commit and give added value through labour if trust is incumbent in the organisational structure and they are trained and developed, with control over their own work.

The second area was the need for employees to have the desire to participate but what makes the person want to in the first place, emotional intelligence (EI), is what drives the majority of employees to want to participate. There is a level of agreement amongst researchers on the domain of EI but there is a difference of opinion when it

comes to the detailed description of the component parts that make up the key attributes of EI. Dulewicz and Higgs (1999) validated a model for EI, where they described the components of the model, which are summarised below.

- *Self-awareness* – relates to an individual’s self-knowledge. The tendency to be in touch with one’s feelings’ and emotions and to make a realistic appraisal of one’s strengths and weaknesses.
- *Emotional resilience* – The ability to perform consistently in a range of situations under pressure and to adapt one’s behaviour appropriately. The ability to retain focus on a course of action or the need for results in the face of personal challenge or criticism.
- *Motivation* – The drive and energy to achieve clear results and make an impact: and to balance both short and long-term goals.
- *Interpersonal sensitivity* – The ability to be aware of, and take account of, the needs and perceptions of others when arriving at decisions and proposing solutions to problems and challenges.
- *Influence* – The ability to persuade others to change a viewpoint based on the understanding of their position and the recognition of the need to listen to this perspective and prove a rationale for change.
- *Intuitiveness (decisiveness)* – The ability to arrive at clear decisions and drive their implementation when presented with incomplete or ambiguous information using both rational and “emotional” or insightful perceptions of key issues and implications.
- *Conscientiousness* – The ability to display clear commitment to a course of action in the face of challenge and to match “words and deeds” in encouraging others to support the chosen direction. The personal commitment to pursuing an ethical solution to a difficult business issue or problem.

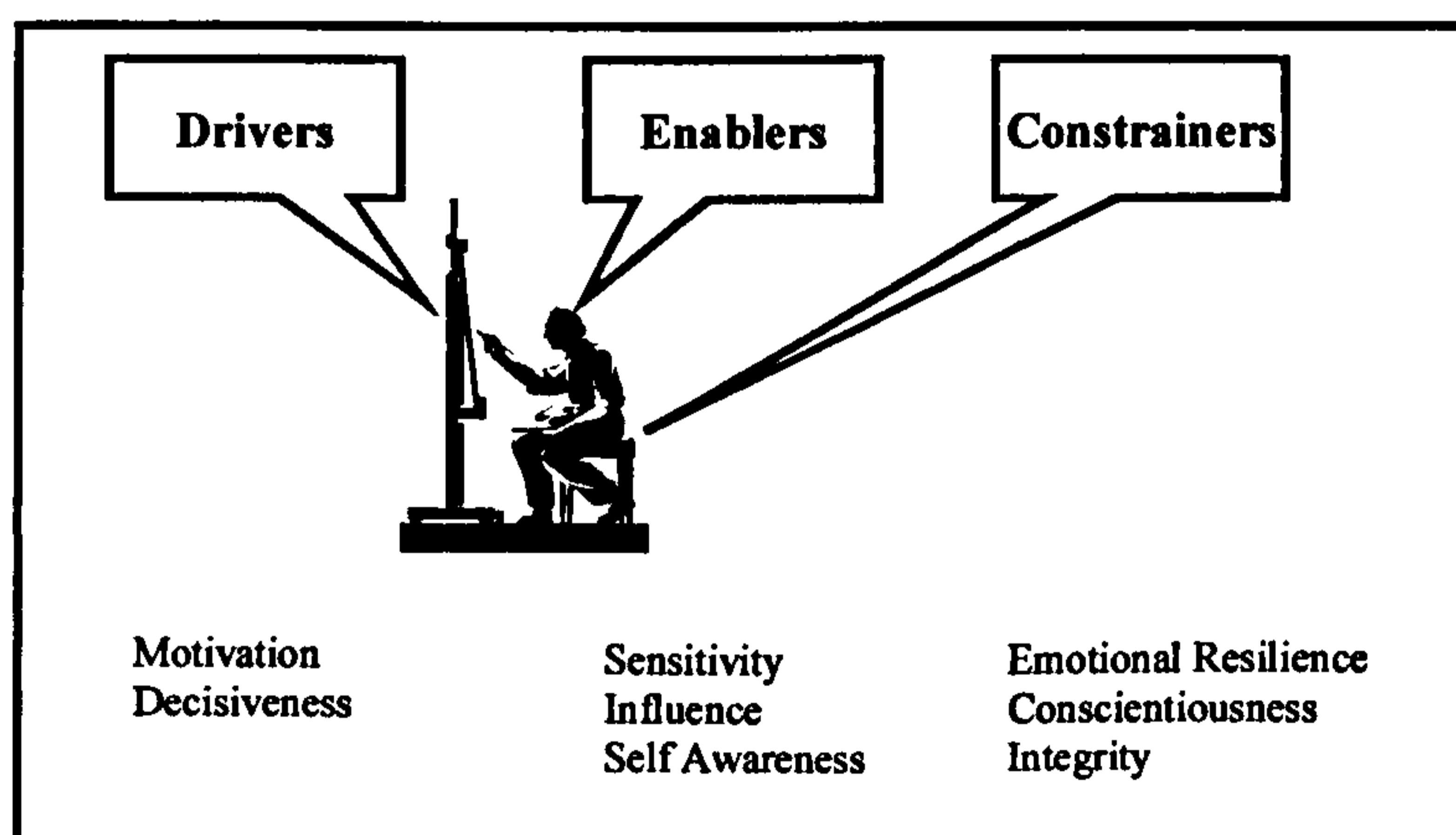
The proposed model in this chapter requires employees to have many of the above attributes in order to ensure the success of the structure and to aid them to measure their performance and gain the eventual rewards. While EI is normally evaluated in the development section of the appraisal process and not measured with the job objectives obviously one encourages the other significantly. Mapping of achievement

figure 7.10 provides a visual impact of how close this linking of the two elements can be.

Dulewicz and Higgs (1999) went on to suggest that studies using the above components and associated instruments have demonstrated significant relationships between emotional intelligence and “success” in terms of advancement within the organisation and in terms of relationships between EI and current performance. Goleman (1996) proposed that emotional intelligence can be seen in terms of:

- *Drivers* – The core drivers of an individual’s behaviour in a work context. The drivers are motivation and intuitive decision-making.
- *Constrainers* – The elements, which constrain or limit an individual’s behaviour and action. The constrainers are conscientiousness and emotional resilience.
- *Enablers* – The elements, which facilitate achievement of results and goals. The enablers are interpersonal sensitivity, influence and self-awareness.

Furthermore, they suggest that the enablers described above and depicted in figure 7.11 below are more amenable to development than either the constrainers or drivers. These elements were seen as an integral part of the development of this model to aid answering the research question 5.



Adapted from Goleman (1996) & Dulewicz and Higgs (1999)

Figure 7.11 Emotional Intelligence

7.9 Evaluation of the model – A practical case study

Having developed and presented the strategy/appraisal model, the research now needs to be validated. An action research programme would have been ideal but as this would entail implementing a full cycle, normally a full cycles worth of data, normally one year, this was determined to be unreasonable due to the time constraints of the researcher. However, a shorter cycle could be used to evaluate the main areas of the model and get feedback from the participants. Easterby-Smith *et al* (1999) describes classic action research as starting from an idea that if you want to understand something well you should try and change it and ideally, it is most easily done when working with individuals or small groups. As this researcher was a practicing manager and involved in both sides of the appraisal process his experience could be used to facilitate the project that would provide validation of the process.

The research was carried out in IBM in the researchers department where 15 people participated in the study for a period of two months. The research was initiated at the start of the year when the appraisal review period kicked off. The objectives of the review were to determine how effective the process could be within the short timescale available to the researcher and participants. The areas that the trial would cover are as follows.

- Setting strategy and performance measures.
- Constructing the appraisal objectives & start the implementation process.
- Measuring the outcomes.
- Conclusions

Before we start to report on the results obtained from the study a short description of the group who participated in the research is required. The department is a service management group within the European Northern Region Sector of IBM's Global Services Division and facilitates and manages problems that emanate from Web products that IBM customers use to purchase products and services. The group was set-up to ensure that IBM services have a high availability from an end-to-end reliability. The members of the department work on a rotating shift basis, with 2 people per shift working on a 5-shift rota and in additional to this team, there are five IT support professionals and managers. Therefore, the study was small enough to

conduct but large enough to enable sufficient results to indicate whether this process could work.

Setting strategy and performance measures:

IBM's Strategy as discussed in section 5.6 is very comprehensive, (IBM 2003a) but suffers, as do many other company strategies of being set at too high a level and this was the problem when this study was undertaken. When trying to determine what the department's strategy was and how it linked to the overall Company strategy was not clear. The problem was that while the Northern Region, which covers an area from the UK, the Nordic Regions to South Africa and encompasses the group under study had a set strategy for the Region and it was difficult to determine how to apply it to the group and ensure it met the requirements that would support the corporate strategy.

The researcher who was the leader of the group decided that further work was needed to determine how to create a link to this strategy and to do this the current strategy messages were reviewed to determine if they were or could be made applicable to the group in question. The European strategy messages were reviewed, as these should be determined from corporate strategy and the messages found were five statements as follows (IBM 2003b).

1. We must demonstrate strong Leadership and Teamwork throughout our organisation and with our partners in IBM
2. We must deliver World Class performance through World Class products, processes and people
3. We must Win against our competitors
4. We must Pull Ahead in all our chosen focus areas
5. We must achieve excellent Customer Satisfaction

Added to these 5 challenges were a further 5 leadership challenges to support the above, these have not been detailed here but will be discussed in later sections. After further investigating the strategy for the Northern Region, which this group were part of, were determined and these contained three focus areas that all the units in the Northern Region should aspire to.

1. Our Products must be more attractive to our customers. They need to be more competitive, innovative, more profitable, fastest to market and easy for our Sales force to sell and our customers to buy.
2. Our Processes need to be more efficient, more effective and better enable us to be more agile whilst remaining compliant to our corporate commitments. They must be common, consistent, reusable, disciplined and simple. Our processes should be embodied in and making best use of the latest technology.
3. Our People need to be continually trained, reskilled as requirements dictate. We will require optimal resource management processes. In addition, we must ensure that our people better understand the business of our customers and the value add of our products and processes.

While all employees knew these strategy messages, few actually bothered to relate these directly to their job and the management team had not cascade their interpretations of the strategy into messages that were directly applicable to their employees or indeed how these would be translated into working performance measures. To further emphasize, this problem there were three layers of management below the Regional Management team and as far as this researcher could see the strategy messages effectively stopped at this level.

This issue was further compounded by having no metrics associated with the strategy messages that would provide targets for the team to align to. This led to no effective deployment strategy in operation, which effectively cascades strategy to all the levels of the organisation. The problem further highlights that the first research question is further validated - *Why are companies failing to effectively deploy strategy down to the individual?*

The next stage was to take the strategy messages above and apply these where possible and where relevant to the Command Centre role. The three strategy messages above were used as a guide for the team, as the Command Centre did not have a clear documented process of its own. It was now time to construct the appraisal objectives and align these to the strategy.

The deployment process started by reviewing the strategic themes as set out by the Board of Directors and attempting to follow the cascade of strategy through the various Divisions of the Company through to the part of the organisation that was applicable to this team. The strategy deployment stopped at level four, which was the Regional Level where the Vice President created a challenge for the Functional Groups within the Greenock Site. However, several levels of strategy were not included i.e. levels 1,2 and 5 were missing, as they proved difficult to decipher from the very many web pages devoted to the Company strategy. In the case of level 5, this was non-existent, as this was at functional level within the site operations.

However, there was sufficient detail strategy to enable the team at department level to create their own strategy and this can be seen from the figure 7.12 below. Many organisations involved in the case studies had similar structures some as complex as IBM others simpler in construction but from the investigation all suffered from a lack of deployment structure as described here.

There were many comments from the team members in that they did not initially associate the strategy with the department but when the process was described to each of them, they could start to see the relevance of strategy to the command centre and therefore, see where they could start to influence it by creating job objectives that linked to this strategy.

Performance metrics was also a major concern for the team in that the measures that were associated with the top-level strategies were difficult to associate with the departmental team, these included.

- Become number one in the industry by 2005
- Grow revenue above the industry average
- Overall customer satisfaction to be “extremely satisfied”.
- Expenses to be kept under strict control

This needed to be addressed in order for the team to truly sign up to the challenge. This lack of process is further evidence of the need for a deployment strategy that allows the leadership of any group to discuss and agree the way forward and

importantly apply performance metrics to each stage of the strategy and performance objectives.

To overcome the metrics issue, the department strategy, which was now in place, could be used to create a suite of metrics that would provide a guide for each person within the team. Table 7.7 below sets out what was devised for the team members to use with their job objectives. Coupled to this was a suite of timeframes and guiding procedures that would be used in conjunction with these measurements. However, due to the proprietary nature of these figures they have not been included in the tabular structure.

	Measurement Description	Measurement Type
1	Create daily checklist to ensure processes are reviewed and actioned.	Check list
2	All production mgt. reports to be created and distributed on time.	Time frame
3	All Site probes showing down condition to be actioned after 3 alerts.	Visual check & Time
4	Perform management escalation processes as per severity procedure all severity 1 issues to be actioned within 45 minutes.	Time frame
5	Key event/Critical Situation processes are escalated as per ops manual.	Time frame
6	Process documentation to be current as per quality system process.	Time frame
7	Create shift log daily & discuss with team to ensure quality handover.	Time frame & qualitative
8	Monitor and review use of probes for redundancy to reduce costs	Costs \$
9	Reduce costs of printing reports and data by controlling paper usage by 10% while maintaining service quality.	Costs \$
10	Prepare initial procedural documentation 2 weeks prior to a new service being introduced to the group.	Time frame & qualitative
11	Office security & safety to ISO standards protecting occupants and information.	Qualitative
12	Process and personal development to be to the ITIL standard of Service Delivery Management practices.	Time frame & qualitative

Source: developed for this research

Table 7.7 Departmental Strategy Measurements

Comments from the team who participated in the project were mainly positive. Many stated that if the appraisal process must continue then positive leadership and clear strategy was essential to ensure a successful outcome. The management team also felt that by setting clearer goals that were linked to strategy they could concentrate on coaching, releasing them to concentrate on bring in more work for the group. However, more than half the participant felt that a strong strategy message with performance measures is required whether a formal appraisal system is in place or not as this provides the guidance that they need.

Strategy Themes – Six Priorities for the On Demand Era

- 1 Delivering business value
- 2 Offering world class open infrastructure
- 3 Developing innovative leadership technology
- 4 Exploiting new profitable growth opportunities
- 5 Creating brand leadership and a superior customer experience
- 6 Attracting, motivating, & retaining the best talent in our industry

Level 3 – GM EMEA Northern Region’s 5 Olympic Challenges

- 1 We must demonstrate strong Leadership and Teamwork throughout our organisation and with our partners in IBM
- 2 We must deliver World Class performance through World Class products, processes and people
- 3 We must Win against our competitors
- 4 We must Pull Ahead in all our chosen focus areas
- 5 We must achieve excellent Customer Satisfaction

Level 4 – VP Northern Region Site Operation

- 1 World-class products – Our Products must be more attractive to our customers. They need to be more competitive, innovative, more profitable, fastest to market and easy for our Sales force to sell and our customers to buy.
- 2 World class processes - Our Processes need to be more efficient, more effective and better enable us to be more agile whilst remaining compliant to our corporate commitments. They must be common, consistent, reusable, disciplined and simple. Our processes should be embodied in and making best use of the latest technology
- 3 World class people - Our People need to be continually trained, reskilled as requirements dictate. We will require optimal resource management processes. In addition we must ensure that our people better understand the business of our customers and the value add of our products and processes
- 4 World class performance

Level 6 – World wide Command Center / Department

- 1 Implement new processes to highest standard required by our customers
- 2 Execute all processes to achieve the minimum customer requirements
- 3 Create and execute a high standard of communications that meet or exceed expectations
- 4 Ensure all processes meet timing and quality standards expected by ourselves and customers
- 5 Strive to attain the personal and professional educational standards

Figure 7.12 Cascading strategy in IBM

Constructing the appraisal objectives & start the implementation process

Having agreed what the strategy of the group was, setting the appraisal objectives was the next priority for the team. The management team sat down with the team and discussed how to design relevant measurements for the processes the team operated and how these would fit in with the strategy defined. A list of objectives and measures were constructed that the team felt reflected the groups job responsibility. This was not a complete list as each team member had to detail how they would work with the department customers and what improvement projects they should work on to improve the processes and working environment.

The full appraisal content was left to each member of the team to create. Each department member of the group used much of the model developed in this thesis. As much as possible each person used the four perspectives outlined in the balanced scorecard with each objective having a measure assigned to it as indicated in table 7.6 above, which highlight the main operational measures.

As this was the first time the team members had had, management support and effort spent on setting up their job objectives with appropriate measures. The team commented that this was an unusual but welcomed support. Previously employees were asked to set-up their own objectives, these were normally based on the previous years output, if you had a successful year these were normally left as is, and if you had a poor year you changed them. The team members were now asked to select or redesign their individual objectives based on the format and information that the management team had discussed and presented to them. Comments from the team members were supportive with this support and information they had received.

This was an opportune time for the department members to also review their development needs now that there was a clear direction for the team. The leadership and teamwork objectives highlighted in the strategy section were discussed with the team and from this the team were able to define what development objective they required both from an operational and job perspective they needed.

Measuring the outcomes:

One of the major problems with this stage of the process is being able to implement the BEM⁴ measurement process. IBM while using the EFQM framework to assess the quality of their management and operating structure does not actively pursue the tenets of the EFQM model as part of their everyday process. As a result, to implement the RADAR measurement process in this short timeframe would prove fruitless. This means that the “whole system” view of an individual could not be achieved.

However, to compensate for this the team members agreed to conduct a self-assessment performance review of their activity based on the objectives they had set and to compare these against the metrics outlined. A scoring system was devised that was similar to the RADAR⁵ system using a seven-point Likert rating scale. As well as the objectives of the job being measured, the teams educational, developmental and EI (Emotional Intelligence) factors were self-assessed. Peer-to-peer assessments were also used to balance the self-assessment outputs. While the 360-degree feedback should have been wider, the team wanted to contain the result internally during the study.

While the results obtained showed that the individual effectiveness and understanding of the Company strategy had increased significantly, there was still reluctance by the team members to wholeheartedly commit to the process. This may be because of the length of time the study ran for and the need for the researcher to conclude his research. However, each member of the team agreed that their perception of what was required of them had risen considerably, trust in the management team also had risen significantly, poor quality had decreased by 30%, project work to improve customer expectations had risen by x2 and as a result the group were being asked to take on higher profile work loads. This has resulted in the Command Centre operations having to increase its headcount over the coming 12 months by 50% to meet demand.

⁴ BEM - Business Excellence Model

⁵ RADAR - Results, Approach, Deployment, Assessment & Review – EFQM (1999)

Case study conclusions:

While many readers of this thesis would argue that the process outlined was not so different from what many organisations do today the researcher would argue that many do not use their company strategy and performance measurement practices to the full and if they had a deployment strategy that linked to the performance capabilities of their employees then industry would be able to compete at a much higher level.

The case study above illustrates that by linking strategy, performance measures to the appraisal process is essential if employees are to achieve the best outcomes. This is not always achieved in many companies and the results obtained in this case study could be extended further. From comments of a number of managers approached, they stated that business pressure meant they were too busy to fulfil the effort necessary to make this process work.

Yet, one of the strengths of this process was enabling managers to be coaches and perform a leadership role rather than be just a manager. This ability enabled the process in the above study to be successful. From enabling the strategy and performance measurement systems to be deployed to the employee level to coaching the individual allowed the opportunity to be successful. The significance of developing this linkage was important as seen from literature and practice.

One final comment came from a senior manager who is leading IBM's technology strategy group. This group looks to see what areas of the business the company should participate in and how that should be accomplished. His comments of the research was IBM required to communicate more with its employees on strategy initiatives if they are to assist in getting the company to successfully achieve them. In addition, the appraisal system needs to be aligned to strategy; it is not achieved in today's environment and in his opinion leads to confusion and wasted effort not just with the front line employees but also within the management structure.

7.10 Chapter conclusions

Based on the empirical evidence provided both from this chapter the fifth research question can be answered.

5. If by linking strategy, PMS and appraisal processes will this lead to increasing employee effectiveness?

The answer is yes, the evidence from the evaluation of the model elements and their application to a real situation provided sufficient feedback to warrant this conclusion (section 7.9). To increase the construct validity and reliability of the model used to aid the research, triangulation of data and methods were used to support this (section 4.5). It is important to highlight that not every organisation will respond in exactly the same way but the process adopted provided a generalised process that could be replicated.

For this researcher the evaluation of current processes frameworks, appendix 1, chapter 2, and the development of a strategy, performance measurement and appraisal process model, chapter 4, to aid the research identify the gaps in knowledge and practice was not enough. To test the new knowledge and practice was also important.

The model was developed to test out if the gaps identified in the current processes could be eliminated or narrowed to an extent that an improvement in efficiency resulted, which would allow the employees of the organisation to improve their contribution. From the data collected during the case study interviews, and through the application of the new model the researcher obtained employee feedback, resulted in lessons learned.

It was found that many organisations believe their strategy is linked to the appraisal process but when tested this was not always the case. In addition, most organisations used traditional evaluation processes to determine the contribution of their employees and this does not necessarily link effectively to the organisations goals and performance measures. This can result in a lack of focus on the organisation and development of the individual to meet the company goals.

Based on the feedback from the practical application of the model, the process not only highlighted how the gaps can be closed but determined that to achieve this, a high commitment and understanding of the process from all participants is essential to enable the strategy deployment paradox is to be resolved.

Chapter 8

Concluding the research

8.0 Discussion and conclusions

8.1 Introduction

As outlined in Chapter 1, this research set out to resolve a practical issue that this researcher found in his company, IBM. The project evolved as the problem that presented itself in IBM, who as a progressive company having developed performance management systems such as employee appraisal systems, are now failing to link these to the goals of the organisation. This results in the organisation not capitalising on its prime assets, people.

Many writers have included a deployment process in their frameworks these include Kaplan and Norton (2001); Neely *et al* (1996); Bititci *et al* (1997) and others have designed, developed and implemented performance measurement frameworks that encompass strategy, performance measurement construction techniques and processes to implement these. However, an empirical analysis of the current models undertaken by identification of differences and replication logic showed that the deployment processes and the linkage to the employee were either not available or effective.

The deficiencies found through the empirical research made this researcher think that a deployment process that links company strategy to the performance appraisal process would be beneficial. Hence the research started by building a new process to enable the gaps in deployment and linkage to be identified. Consequently, the research is divided into two main parts ‘theory building’ and ‘theory testing’.

The research provided the author an opportunity to discuss this problem with a number of companies this resulted in data and evidence being gathered from eleven case studies and an action research initiative. The research questions evolved during the initial stages of the research especially when reviewing the current frameworks

and case studies. At each stage of the research, different methodological techniques were applied to build validity and reliability.

This chapter starts by summarising the main findings of the research briefly introduced. Proceeding to answer the research question, discussing the contribution to theory and practice and by showing how companies can gain from implementing this process. The chapter also summarises the key points of this research with a discussion of the limitations of the model and research. Finally, the chapter concludes with a look at the future for this research.

8.2 Summary of the constructs & findings

This thesis is built on four requirements that provide the constructs and subsequent theory. These were constructed in chapter 4, table 4.5.

- Strategy processes
- People systems
- Appraisal systems
- Organisational culture

The analysis showed that there were gaps found in the strategy and performance measurement frameworks, table 2.7 summarised the strengths of each framework and highlights the areas that were considered weak when deploying to the individual. Further investigation was deemed essential to determine if the appraisal processes had similar gaps in linking to strategy and this was found to be the case, Gratton *et al* (1999) stated that the stronger the link the better the company is to succeed. From this analysis the research decided to create a model of a strategy deployment process to aid the research determine if the gaps in the literature were to be found in practice as outlined in the preunderstanding section 1.2. This model was required to successfully map the link to employees of the organisation and to see if this integrated process can increase the effectiveness of the employee as they attempt to meet the company challenges.

The current practices that organisation's use for the people systems vary considerably and the structure that many implement to communicate strategy, performance

measures and appraisal performance results (section 4.5; figure 7.12) are not always as successful as the rhetoric suggests. The strategy/appraisal process proposed an integrated solution of communication tools to capitalise on the potential of employees. The strategy/appraisal process proposes implementing self-assessment processes for appraisal performance assessment. The use of the Balanced Scorecard and the EFQM measurement model can provide a new structure, which can be developed to support this (section 7.6).

A key area identified by the research was changing the culture of the company to ensure employees have the direction of educated management with leadership qualities that coach and enable the individual to validate their contribution to the organisation by mapping and measuring the effect of their efforts (section 7.7 figure 7.10).

The analysis of what and where are the gaps in current knowledge and practice has been validated through one principal case supported by ten case studies. Different methods and techniques were used such as, cross-case analysis, questionnaires, data evaluation and analysis of performance measurement frameworks.

8.2.1 What has the research found so far?

The research when evaluating the literature found that there were no comparable processes or frameworks that performed the same function as proposed. Therefore, this evaluation showed that there was no theory from business classifications that contradicted any of the management processes of the strategy/appraisal process. On the contrary, different models support the four constructs of this process.

However, the construct of the process has linked the various elements together but no evidence has been found which creates a similar process. Consequently, the research claims to have developed an improved performance management process for deploying strategy and performance measures and linking these to employees while incorporating several key developmental techniques that encourage this discipline.

From a practical view the research presented sufficient arguments derived from the literature and from the company interviews to convince the reader that deployment of a company strategy was failing to provide the employees with the direction they require to remain effective (chapter 5; appendix 1). This area was further pursued in section 4.2, where the research looked at how well appraisals were linked to strategy and what problems existed. The research concluded that both areas were inextricably linked or at least should be if the research outcomes are to provide the link necessary to narrow the gap between strategy deployment practices and employee success.

During the review of frameworks, it was identified that a strategy/appraisal model was necessary to aid the investigation into identifying gaps (section 4.5). The objective of the model was to identify what affect structured frameworks and quantitative measurement processes have on people's performance. The research found from the in-depth analysis those framework elements that could provide the vehicle for identifying and consequently narrowing the gaps.

A lesson learnt from the case studies showed that to increase the success of the business management cannot simply use existing frameworks and models independently. Linking strategy and performance measurement systems to appraisals to create an integrated process (figure 7.1) is necessary to ensure they operate effectively together.

8.3 Answers to the research questions

The research questions were initially developed in the first chapter, as a result, of the practical problem identified from industry. These were then further refined at the conclusion of chapter 2 as the researcher's experience evolved.

RQ1 – Why are companies failing to effectively deploy strategy down to the individual?

The cross case analysis demonstrated that the principal case study, IBM was failing to deploy its strategy to the lowest levels of the organisation. This was supported and validated from the cross case analysis provided by the ten companies involved, two

organisations, FirstPlus and Litton Interconnect enabled their strategy to be deployed to the workforce but it was the former who actually provided the link to appraisals.

The remaining organisation, Scottish Power, United Biscuits, Allied Distillers and BAE Systems were all traditional hierarchical structured companies and had various strategy communication processes but all failed to connect effectively with their employees. NCR and Thales process sat in the middle of these organisations in communicating their strategy, chapter 5, section 5.6).

The results from the data analysis and interviews conducted in each of the case studies and analysis of the data, previously discussed in chapter 5, (sections 5.6), provide the evidence that validates that companies are failing to provide a deployment process to enable a direct link to their employees job objective.

Triangulation of both methods support this and consequently, the answer to the first research question that there is not a structured deployment process to enable all employees of the organisation to link effectively to the main company strategy. Therefore, the results validate the ‘strategy process’ theory outlined in chapter 4, (table 4.5).

Based on the empirical evidence gathered in the first research question the second research question was also answered.

RQ2 – *How can the research identify the gaps in the process and what are these?*

The evidence provided in research question 1 showed that the deployment process is not effective as validated from the cross-case analysis. The interview analysis of the principal case, IBM, FirstPlus and BP highlighted from the strengths and weaknesses obtained from the interviews determined the five areas that contribute to the failure.

The triangulation of the cross-case methods analysis, show both methods arrived at similar conclusions.

Based on the results from the case studies and the triangulation of them, the answer to the second research question determined that the gaps can be identified through the evaluation methods identified in question 1 and from the interviews with managers and employees from the organisations presented in chapter 5 is valid.

The employee interviews provided the data to determine what the gaps are and from the weaknesses identified from the analysis and five areas were highlighted: Communications; Strategy deployment design; Appraisal design limitations; Leadership; Reward systems. These were further validated through the questionnaire results (chapter 5).

Based on the early research of evaluating the current strategy/performance measurement frameworks in chapter 2 research questions 3 and 4 can be answered (chapter 6).

RQ3 – *Is there an effective framework or model to link strategy, performance measurement systems to appraisals?*

Initially the research concentrated on analysing the most popular PMS frameworks found and referenced in literature. Of the eleven frameworks selected, eight were able to analyse an organisation and provide an structure that enabled performance measures to be developed, two, EFQM and Baldrige were total quality systems, and considered for their ability to provide a overview of the whole organisation. The last framework was the Investment-in-People award, which was included as this process that was initially concerned with training but recently was evolving into a smaller EFQM framework (chapter 2 section 2.9; appendix 1).

The evidence provided by this analysis showed that the current frameworks lacked the essential elements that would enable a deployment process that linked the appraisal process and consequently employees (table 2.7). The case studies also provided evidence that there were no formal frameworks or processes embedded in the organisations. The processes that were in practice were mainly disjointed between

strategy communication and the appraisal construction process. FirstPlus and possibly NCR¹ were an exception by ensuring their strategy was developed into the appraisal process.

Based on the analysis of the current frameworks, the answer to the third question is there are no processes available that provide all the structure that is required to create a deployment process (chapter 2; chapter 5).

Therefore, logic of the research determined the next research question.

RQ4 – *By identifying the gaps in knowledge, can the research design a framework to create a potential linkage that leads towards improvement in performance.*

The answer is yes to the fourth question. The model created to aid the research demonstrated that a future design could be developed. A framework would prove advantageous to the understanding of the components and how the linkage in a deployed process and would assist in raising employee performance.

The feedback from both the managers and the employees indicated that the pictorial description of a strategy/appraisal process was positive and this showed how the process could develop the linkage necessary to enable the strategy and performance measures to be deployed (chapter 5 section 5.8; 10; chapter 7). Performance improvement would only be achieved if the culture allowed the process to capture the elements of the deployment and linkage of the constructs. It is important to state that the feedback from the interviews was conceptual, as the employees would need to see the process fully developed.

As a result, of identifying the gaps from the case studies and questionnaires the last question was determined.

¹ NCR has developed a software package that enables strategy to be deployed to employees but the research failed to develop the case study past the second stage and was not able to investigate this organisation further.

RQ5 - *If by linking strategy, PMS and appraisal processes will this lead to increasing employee effectiveness?*

The answer to the fifth question is yes. The action research showed that the employees reacted positively to this change.

The research has highlighted that the process flow used to cascade strategy and performance measures throughout the organisation can have a major impact in the way in which the employee operates and if this is coupled to a performance enhancement process as described in chapter 7 then the effectiveness of the employee can be increased. Feedback was obtained from knowledgeable persons both within IBM and outwith. The overlying consensus was that businesses require improved deployment processes and that if the organisations are to achieve their goals then the employees must work towards them. Only by achieving this will both the company and the employee develop positively.

Therefore, the proposition highlighted in chapter 2 is validated.

For strategy to become truly meaningful to employees, personal goals and objectives must be aligned with the organizational objectives (Kaplan and Norton 2002).

8.4 Contribution to theory and practice

The research methodology set out in chapter 3, classified this research as a mixed approach, and argues that positivism and realism are not totally separate (Remenyi *et al* 1998). Therefore, the emphasis that this research has is on fact-finding activities, which are grounded in observation and experience.

The most important criterion for a PhD is the research must contribute to knowledge (Easterby-Smith *et al* 1999; Yin 1994) Hence, two important aspects of this research are the contribution to knowledge and the contribution to practice. This section outlines the contributions to both areas by highlighting the important issues, which are known now but were not before this research.

8.4.1 Contribution to Theory

The contribution that this research has made to knowledge of performance management systems has been more fully explained in previous chapters. However, the following statements are a summary of the contribution made

- A review of literature on strategy and performance measurement frameworks found that current practice of deploying these to the individual was ineffective (chapter 2 and 4).
- The review of literature enabled strategy, performance measurement systems and appraisal systems to be merged together as a linked process.
- The literature review also showed that there are many management and process pitfalls (section 2.4.4 & 2.4.5).
 - Companies misuse objectives.
 - Manager can be confounded by the strategy and objective setting process.
 - Failure to set clear and unambiguous objectives.
 - Unclear strategies and conflicting priorities.
 - Poor communications.
 - Ineffective management and leadership skills.
- Through testing the new deployment framework it has shown it can influence organisations to implement an appropriate culture to ensure strategy and performance measurement systems are effective in linking the employee appraisal processes with company goals (chapter 4).
- The research found there was not a prescribed framework for linking strategy to appraisal processes (section 2.8 table 2.6 and 2.7) but found that by using a structured model this could be developed (section 4.5).
- The strategy, PMS and appraisal process is a new business model oriented towards effective strategy deployment by linking employee appraisals directly (chapter 7).
- The empirical work on creating a deployment and linkage model of strategy to appraisals has not been addressed before. Therefore, the researcher claims innovation in this new process.

8.4.2 Contribution to practice

The research also has practical contributions, particularly focused on management and development.

- Initial primary research indicated that a number of senior managers in organisations considered that strategy and PMS have a significant link to their appraisal process. Closer investigation from the case studies revealed that the people within the organisation did not always agree with this (chapter 5).
- The model provides a set of guidelines of how appraisals can be used in the evaluation of the ‘whole’ person evaluation process, by incorporating the EFQM Radar self-assessment measurement process into appraisals. Thus creating a new novel proposition (chapter 7)
- The new appraisal structure provides ‘footprints’ in the shape of spider diagrams for individual development assessment (chapter 7).
- The new strategy and appraisal structure tested in IBM will be adopted in practice by the group.

8.5 How is the Strategy/PMS/Appraisal system used?

The research had discussed the identification of how to determine and identify the gaps in the current processes that lead to deployment failures but little has been commented on the uses the new process would have within the organisation. Therefore, this section briefly addresses some of the uses the deployed and linked process would have.

The advantages of using the strategy/appraisal process are:

- To identify the shortcoming in the management process when identifying strategy policy.
- To realign leadership competencies.
- To guide, align and manage the business resources, capabilities and competencies by ensuring the link to the employee is communicated effectively.
- To self-assess, the individual for attainment and development against benchmarked standards leading to improvement practices.
- To change the cultural awareness of the business.

8.6 Limitations of the research

While we have ascertained that the research has contributed to the field of performance management, the research is not without its problems and limitations. In order to provide rigour to the research process from an academic perspective this researcher has been forced, throughout the period of the research and write-up, to critically evaluate the work on a continual basis. This has meant reviewing the research methodology and the overall investigation approach to ensure this has been held to the highest ethical and academic standards.

At the beginning of this research, the author initially visualised that the outcomes could be applied to manufacturing and service sectors of industry (section 2.2). This was supported by the choice of the case studies as these concentrated on this category of organisation. The exception was the University of Strathclyde who was used as the pilot. As this research was aimed at these industry sectors for the results to be applicable to other business sectors, further work would be necessary for the research range to be expanded.

A further consideration of this research is the use of the researcher's knowledge and experience. Whilst this was a benefit in the initial construction of the research subject, this could also influence the final interpretation of the results by introducing bias. However, the researcher did recognise that this could be a potential problem and a great effort was made to reduce this by employing a triangulation of sources such as literature and documentation research, survey evidence and interviews.

The research has had its problems in that the final validation process could not be extensively validated. The reason why this was not possible was due to time limitations, which was fully discussed in chapters 6 and 7. Whilst the researcher recognises that the action research was limited the investigation did provide sufficient feedback that allowed the conclusions to be relevant and valid. The problem does however; offer an opportunity for future research in this field.

8.7 Key points of this research

Table 8.1 provides a summary of the key points and the essence of this research.

For strategy to become truly meaningful to employees, personal goals and objectives must be aligned with the organizational objectives (Kaplan and Norton 2002).

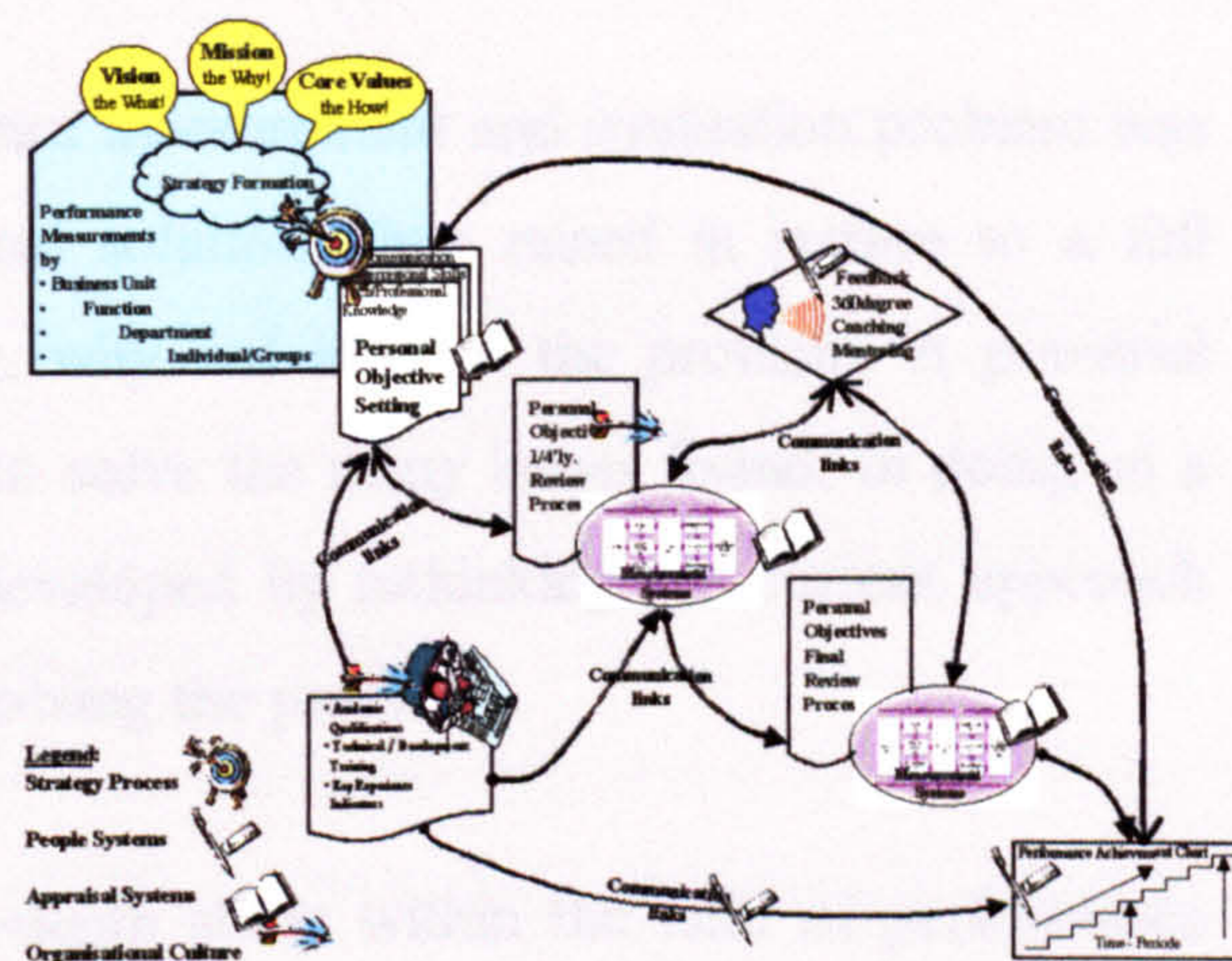
That there are no current models or frameworks to combine strategy and appraisal processes into an integrated process that is effective (chapter 2 and 4).

The Strategy and PMS deployment process creates a link to the employee’s appraisal system, ensuring that the actions of the individual are inline with the company goals.

There are 4 process requirements that are depicted in the model (chapter 4)

The Strategy deployment process is a new business model to integrate strategy & performance measurement systems to the appraisal process.

This provides a greater understanding of the competencies required by management and the employees of the organisation (chapter 5 and 7).



The process can be used to develop the individual by giving the best direction from strategy and by enabling employees to develop achievement through a self-assessment route. This encourages the employee to evaluate their performance and personal achievement in line with the goals but expands this to the ‘whole’ person concept. All of which will lead to greater organisational benefit (chapter 7).

All businesses need to align their strategies, operations, competencies and resources in order to achieve organisational objectives but to gain the maximum from these the culture of the company has to be flexible and encouraging to achieve this (chapter 2, 4 and 5). To ensure that cultural flexibility is sustained the organisation should have:

- Create good communication links
- Provide effective leadership and skills
- Coaching environment

The development of the EFQM measurement and the resultant gap assessment tools was based on the results ‘spider’ diagrams to identify where an individual was achieving particular competency levels (chapter 7, table 7.5, figure 7.10).

Table 8.1 Key Points of the Research

8.8 Value of the research to the researcher

This research, which started of as a practical problem that the researcher had experienced and identified in his organisation when the strategy that his company had set out failed to link directly with the employee's daily tasks. This resulted in an appraisal process that was mechanical in execution and uninspiring. It was during this period while employed as a people manager where he found that the rhetoric of the company did not match the reality. A considerable amount of time was then spent in discussion with various experts in an attempt to resolve the problems experienced.

The project which started as a performance measurement and evaluation problem was then developed into a workable practical solution, then raised in stature to a full research initiative to identify the where, why and how of the problem. A potential solution was to develop new initiatives to solve the many issues found. In doing so a gap was found and new process was developed by rethinking the current approach resulting in a creative and novel way to solving the problems.

This research project carried out an in-depth study within the field of performance management research, which resulted in successfully identifying the causes that led to many of the issues of improving an employee's contribution. The research programme also outlined a potential new way of thinking which was to improve the performance contribution of employees, through developing an effective process for linking strategy, performance measurement and appraisals.

The use of known tools such as the balanced scorecard and the EFQM model, which are used extensively throughout industry, have been integrated to enhance the structure. A coaching and self-assessment approach has also been developed as a method of creating a bottom up approach to integrate the performance management systems.

This structure has resulted in the researcher believing that he has extended the boundaries of knowledge by taking a step into an area of performance management that has had little research into linking many of the areas including company strategy

through to individual performance attainment needs and requirements. All of which are essential for organisational and human success.

In addition, the researcher has found the process of carrying out research to this level, a valuable learning process. Repeatedly the researcher has sought to question and evaluate and re-evaluate his work and as a result, the research skills gained have been extremely valuable. This coupled with the new knowledge gained is obviously a desirable and transferable asset.

8.9 Future work

Based on the experience while conducting this research and compiling the results, the researcher has found that the following areas should be addressed in future research.

- Implementing the process in various organisations to gain more experience and information on the validity, usability and acceptability.
- Develop a workbook-based methodology, encompassing the process steps and functions to assist companies implement a deployment process for strategy, performance measurement systems while creating an effective link to the employee appraisal systems.
- Assess the appropriateness of the weightings of the Business Excellence Model's measurement system to meet the development needs of job and human skills categories.
- Research the design and dynamics of a new model. As the business changes so must the model elements to meet the needs of the person, the business and social environments. Therefore, it is important to review these factors for best fit.

8.10 What does the future look like?

This thesis has proposed an integrated model to maximise human effort through performance management, by creating an effective strategy deployment process, which is closely linked to performance appraisals. The use of the Balanced Scorecard and the Business Excellence Model as drivers for creating a “whole” systems approach to a bottom-up appraisal system that encourages employee achievement has also been developed. The potential of this approach for industrial and commercial

organisations would appear to be positive especially for those larger organisations that have difficulty with ensuring strategy and performance measurement initiatives hit the correct areas of the organisation because of their size.

Many smaller organisations do not have the problems that many of the larger companies have primarily due to shorter communication levels in hierarchy. This also helps the leaders to become closer to the workforce. However, many companies regardless of size need to develop the correct strategy and ensure this is linked to the performance of their people. So why is this process different from today's environment and what does the future hold for these types of systems?

Bowen (1995) distinguishes the ranking process, which many appraisal aspire to, from others where he describes the current practice of society and learning as relying on some kind of ranking and he suggests that this is common throughout one's life from school through into the working life. The ranking process is a cornerstone of many companies by means such as performance appraisal systems and many other methods and is pervasive throughout the whole western world. The suggestion is that these systems need to be replaced by new forms of encouragement and he goes on to suggest that an alternative method is co-operation, which could pave the way forward for the future.

The need to learn and develop by means of co-operation, developing creativity, and individualism from an early age can be achieved by redefining methods of assessing performance. By removing grading systems and supporting the view that everyone can be a winner, not just the few, presents a major paradigm shift in thinking. This researcher is exponent of "positive thinking" and uses this to focus on his own development and career both from a social and work life perspective. If people are allowed to develop their skills, they will continue to be an asset to their organisation and importantly develop greater self-esteem.

Many of the advocates of positive thinking proclaim that in life, you need coaching in order to develop and it is by finding a "life coach" someone who can make a huge difference to the individual's achievement. In this research the employee would

develop this through his/her manager. Whilst this has many difficulties not discussed in the research, it is the start of the paradigm shift.

The way that this can be realised is if the process that provides the guidance and leadership provides the environment that enables good communications and trust where the person has little fear, and if we can change this sufficiently the knowledge of humiliation. Creativity should also be encouraged and this can be described as “seeing new ways to perform and enjoy our work”. Team working rather than individual reward systems are encouraged in this environment. This was evident in the Basque Country investigation conducted by this researcher and a fellow PhD research colleague.

As competition exists in an organisation and is often encouraged and this can be seen by the organisations as in our case research has shown through the use of traditional strategy and appraisal processes. Ranking is an intrinsic force that affects all employees throughout their lives. We are compared to others based on ranking and yet all we want to be are winners. The consequences are that most are losers. So if we are to break this then the future of appraisal system is a radical overhaul and to be replaced by a co-operative working environment, which results in the cohesion of the team. Thus team building will give rise to improved motivation, quality and performance.

If organisations and for that matter the UK wishes to succeed against competition from other companies and countries it may need to remove ranking from many areas of life including the organisation systems. However, this should be the subject of further research as it may also necessitate political intervention – but it is fitting to conclude this thesis with a suggestion of future possibilities. It is hoped that the strategy deployment process and self-assessment appraisal route will go some way along the path towards the radical change that is needed in individual performance management.

Chapter 9

Research quality

9.0 An assessment process

9.1 Introduction

This thesis has taken the research from a practical issue to an exploratory analysis of deploying strategy and performance measurement systems through the organisation with the objective of creating a link with the employee appraisal process (chapters 1 – 8). To aid the investigation a model was designed to assist the validation of the research. Although the model construct was validated, the research questions answered, this research is not fully complete. To reach a high quality in research standards, it is important to critically assess several aspects of this research against the criteria defined for evaluation.

This final chapter discusses the quality of the research against the four design tests, the criteria by which the research can be validated, developed in chapter 3. The chapter also raises issues on the rigor of the process, including the validity and reliability of the research, evidence to support the constructs and contribution to practice and knowledge. Finally, the thesis concludes with a retrospective analysis from the researchers perspective.

9.2 Evaluating the research criteria

The quality of research is reflected in being able to maximise the reliability of the actions taken and four tests have been identified, internal validity, external validity, construct validity and reliability (Easterby-Smith *et al* 1999; Yin 1994; Voss *et al* 2002). However, a number of writers suggest that to implement additional criteria for evaluation of ‘a PhD research study’ will strengthen the quality assessment of the research and this was achieved with this research (Easterby-Smith *et al* 1999; Yin 1994; Phillips and Pugh 2000).

The tests or the criteria of evaluation were developed in chapter 3 (table 3.7) and these were added to by a further two criteria, contribution to knowledge and practice (Easterby-Smith *et al* 1999; Yin 1994). Therefore, to evaluate the success or failure of the three criteria, the table constructed in chapter 3 has been expanded in this chapter to enable this assessment to be made. Consequently, the table design has columns added to assess whether the research coped with the criteria, how it was fulfilled and the overall result of the assessment of each criterion.

Criterion		Did the research cope?	How was the criterion fulfilled?	Criteria assessment
1	Rigor of the research process – to show proof of a logical research methodology. The tests are:	Yes	Different theory building & testing, research design, data collection & data analysis methods, tools and techniques were applied to achieve this criterion. Table 9.2 presents a summary of the methods & tools applied. Table 3.9 highlights an in-depth view of these methods enhance the quality of this research.	Satisfactory
	1.1 Construct Validity	Yes		
	1.2 Internal Validity	Yes		
	1.3 External Validity	Yes		
	1.4 Reliability	Yes		
2	Contribution to knowledge	Yes	This research has contributed to knowledge and these are discussed in chapter 8, section 8.4	Satisfactory
3	Contribution to practice	Yes	This research has contributed to practice and these are discussed in chapter 8, section 8.4	Satisfactory

Source: developed for this research

Table 9.1 Evaluation of the Research Quality

The following section discusses each criterion and test, which table 9.2 summarises the results of the evaluation.

9.3 Criteria 1 – Rigour of the research

Easterby-Smith *et al* (1999); Yin 1994); Phillips and Pugh (2000) highlighted that the rigor of the research process is reflected in the proof of logic and rational research methodology. To assess the logic and consistency of the research methodology, four tests are used – construct validity, internal validity, external validity and reliability. These will now be addressed separately.

Construct Validity – is concerned with the construction of the research problem and the design undertaken and fully addresses the research questions and research objectives (Yin 1994; Easterby-Smith *et al* 1999).

To increase the construct validity, Yin (1994), Voss *et al* (2002) suggest that the use of multiple sources of evidence, triangulation of data and establish a chain of evidence among others are necessary.

Internal Validity – is the extent to which a researcher can establish a causal (or explanatory) relationship, where the investigator is trying to determine whether the first event leads to a subsequent event or if a spurious relationship has caused it (Yin 1994; Easterby-Smith *et al* 1999).

The aim of this research is not just to find a causal relationship but also to increase the understanding of the case research in order to justify the direction taken. In doing so, methodology triangulation, use of different respondents, pattern matching and explanation building were used to maximise the internal validity, which are recommended by Yin (1994).

External Validity – deals with the problem of knowing whether a study's findings can be generalisable beyond the immediate case study (Yin 1994:34). The basic unpinning of external validity is being able to replicate the findings in other areas to validate and this is usually limited to the positivist view. Yin (1994); Voss *et al* (2002) suggest that to overcome the problems with this test the use of replication logic and multiple case studies can be adopted to maximise the validity of the research.

The external validity of this research and the five research questions was achieved by theoretical replication, analytical generalisation and multiple case studies (table 9.2).

By creating the strategy/appraisal model, some capabilities of the process were generalised and external validity played an important role in this research not only for the design of the model but highlighting the gaps. Hence, the methods and techniques of external validity were particularly applied to theory building and testing stages. Yin (1994) highlights that in case studies it is difficult to generalise from one case to

another, as it is near impossible to select a representative case. This research utilised companies for case material who were interested in the problem presented. Therefore, there was no technique in the research design to maximise external validity, as there was no requirement to generalise the research.

Reliability – is the extent to which a study’s operation can be repeated. The object of reliability is consistency of research where if a later researcher followed the same procedures as described by the earlier investigator he/she would find the same findings and conclusion (Yin 1994; Easterby-Smith *et al* 1999). To maximise reliability Yin (1994) & Voss *et al* (2002) suggested that the use of a case study protocol, develop a case study database and use a pilot study will provide the structure necessary for repeatability.

Table 9.2 summaries the methods and techniques used to build the four tests at each stage of this research and particularly for each research question. There is five research stages: research design, theory building, theory testing, data collection and data analysis. Data collection and analysis are extensions of theory testing.

Stages	Link to Research questions	Internal Validity	Construct Validity	External Validity	Reliability
Research Design	RQ 1, 2, 3, 4, & 5. (Chapter 3)	<ul style="list-style-type: none"> Methodological triangulation 	<ul style="list-style-type: none"> Selection of multiple data collection techniques 	<ul style="list-style-type: none"> NA 	<ul style="list-style-type: none"> Implementation of controls
Theory Building	RQ 1, 2, 3 & 4 (see table 3.9, chapters 2 & 4)	<ul style="list-style-type: none"> Decomposition Categorical Aggregation Interpretation 	<ul style="list-style-type: none"> Triangulation off data 	<ul style="list-style-type: none"> Theoretical replication logic 	<ul style="list-style-type: none"> Decomposition Categorical Aggregation Interpretation
Theory Testing	RQ 3 & 4 (chapter 5) RQ 5 (chapter 7)	<ul style="list-style-type: none"> Expanded in Data Collection & Data Analysis 	<ul style="list-style-type: none"> Documentation Grounded theory Multiple Case Study 	<ul style="list-style-type: none"> See data collection & data analysis 	<ul style="list-style-type: none"> Multiple case study design Questionnaires
Data Collection	RQ 1 – Ch 5 RQ 2 – Ch 5 RQ 3 – Ch 6 RQ 4 – Ch 6 RQ 5 – Ch 7	<ul style="list-style-type: none"> Use different respondents from different companies and organisational levels 	<ul style="list-style-type: none"> Multiple evidence Standard data reduction as tables and graphs 	<ul style="list-style-type: none"> Use of multiple case studies 	<ul style="list-style-type: none"> Use of study protocol Pilot case study Review of questions by other persons
Data Analysis	RQ 1 – Ch 5 RQ 2 – Ch 5 RQ 3 – Ch 6 RQ 4 – Ch 6 RQ 5 – Ch 7	<ul style="list-style-type: none"> Cross-case analysis Methodological triangulation Pattern matching logic Explanation building 	<ul style="list-style-type: none"> Triangulation of data Explanation building 	<ul style="list-style-type: none"> Analytical generalisations 	<ul style="list-style-type: none"> Standard database

Source: Developed for this research

Table 9.2 Research Methods & Techniques

Chapter 3 also introduced table 3.9, which explained why each method was selected and why they contributed towards setting the standards for the research quality. Table 9.2 summaries the methods and techniques from table 3.9.

9.4 Criteria 2 - Contribution to Knowledge

Easterby-Smith *et al* (1999) and Remenyi *et al* (1998) highlighted the importance of the contribution to knowledge from PhD research as well as from a constructive research approach. The contributions to knowledge provided by this research are discussed in section 8.4. This research has contributed to knowledge with five new issues that were not known before.

9.5 Criteria 3 - Contribution to Practice

Kasanen *et al* (1993) highlighted the importance of the application of construct to the real-world problems. The strategy, PMS and appraisal process provides a guide for the practitioner to overcome difficulties in deploying strategy and linking these directly to the employee of the organisation. The process highlighted three different contributions to practice (section 8.4). As a result, it can be concluded that the identification of gaps in deploying strategy and providing a link to appraisal systems provides a contribution to improve business and employee performance.

9.6 Did the research fulfil the criterion outcomes?

The quality of this research was evaluated through three different criteria. The results demonstrated that this research has successfully fulfilled each criterion. Table 9.1 provides a summary of the results of the evaluation. Therefore, it can be concluded that this research did reach the quality standards demanded of a PhD research.

9.7 Retrospective analysis

The researcher really enjoyed the development of this research, but if he had to start again, he might make some changes or implement new issues to improve this research.

One of these would be finding collaborative organisations to participate in this research, which was not easy, although eleven started with the research three remained to complete the investigation. If he were starting the research again, a formal invitation and an initial workshop may have provided more case-organisations. Part of the problem though was the time required from the organisations and the researcher to enable sustained collaboration.

A final meeting with the collaborative organisations would have been beneficial to gain further insights but time constraints made this difficult.

The research has enabled the author to speak with many people, experts and novices alike on the topics contained in this research over the last three years. This consensus that the researcher has determined from this is there is a wide agreement that strategy needs to be better understood by all and closer links to the employee necessary. However, there is still a lot of work to develop in this wide and interesting field.

The researcher found the experience of investigating a particular problem that was first identified in his place of employment and developing this into this research an extremely rewarding and demanding experience. What the research has done though is ensure the researcher questions and evaluates his work, which coupled with the new knowledge that has been found contribute to valuable skills also gained.

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APPENDICES

Appendix 1 Analysis of Strategy & Performance Measurement Systems

Appendix 2 Research Study outline Diagram

Appendix 3 Company Interview Results

Appendix 4 Postal Questionnaire

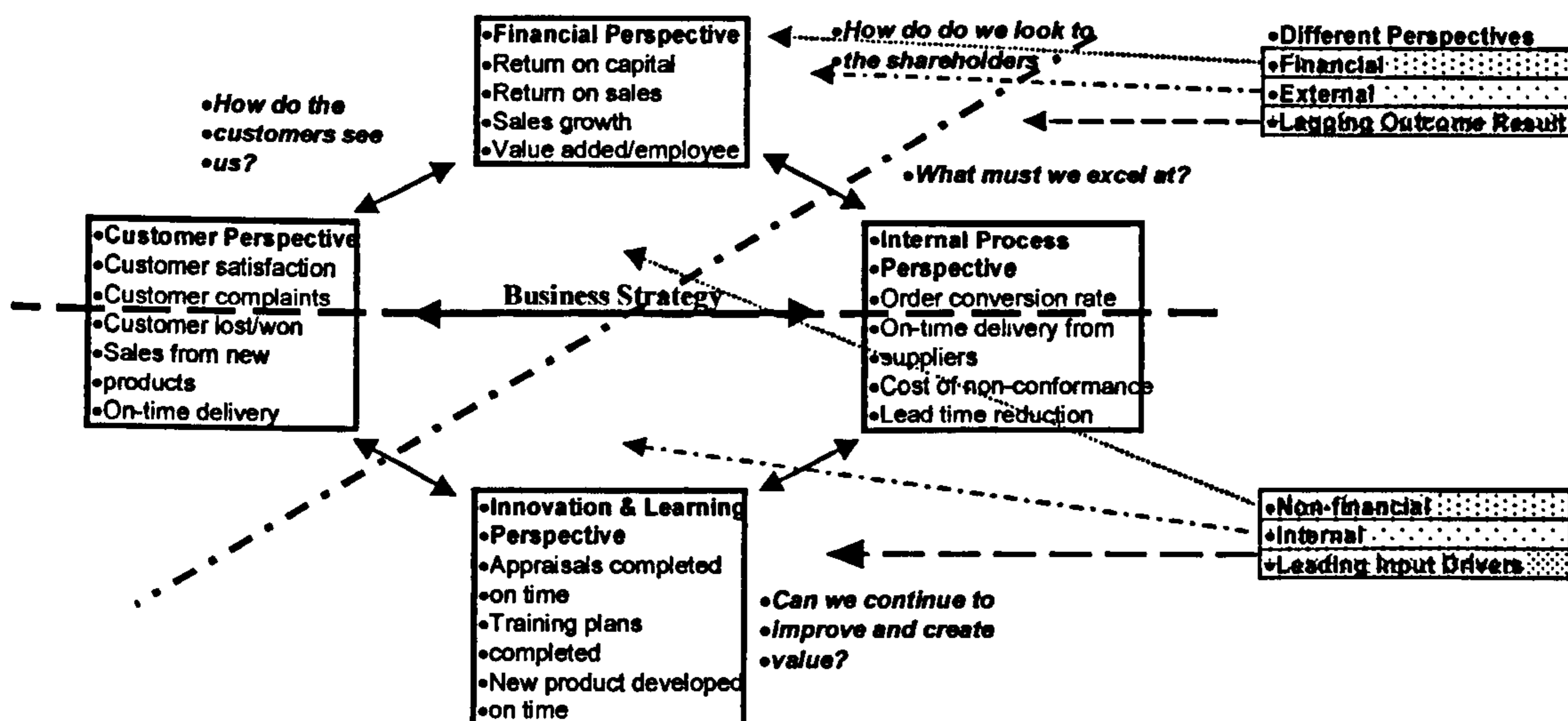
Appendix 5 Interview Questionnaire

Strategy & Performance Measurement Systems

1. Balanced Scorecard
2. Cambridge Model (Strategy & Performance Measures)
3. Determinants & Results Framework
4. Dixon's Performance Measurement Questionnaires
5. EFQM Business Excellence Model
6. Hoshin Kanri
7. Investors in People (IiP)
8. Integrated Performance Measurement System (IPMS) Model
9. Malcolm Baldrige National Quality Award (US)
10. Performance Prism
11. SMART System

Balanced Scorecard

The Balanced Scorecard is the most popular model of the new performance measurement systems (Neely *et al* 1995). The structure of the Balanced Scorecard is illustrated in the figure below.



Adapted from: Bourne *et al* (2000)

The Balanced Scorecard – four perspectives

The Balanced Scorecard performance measures identification starts from a vision and business strategy with the business strategy translated into four objectives and measures perspectives: financial, customers, internal business process, learning, and growth. The financial objectives serve as a focus for the objectives and measures in all the other scorecard perspectives. Every measure selected should be part of a link of a cause-and-effect relationship that culminates in improving financial performance.

The financial objectives are translated into customer objectives. In this perspective, the company identifies the customer and market segments in which it has chosen to compete. The generic measures of customer perspective are customer satisfaction, customer acquisition, customer retention, and market share and customer profitability. In the internal business process perspective, managers identify the most critical process for achieving customer and financial objectives.

Kaplan and Norton (1996) provided the generic value-chain model, which consists of three principal business processes: innovation, operation and post-sale service. This generic value-chain can be used as a guideline for identifying internal business

processes. The final perspective of the Balanced Scorecard develops objectives and measures to drive learning and growth of the organisations. This perspective will sustain the long running survival of the company.

The balanced scorecard is essentially designed to provides a framework for identifying key areas where performance needs to be measured, communicate strategy and promote learning However, the scorecard does not tell us how to measure performance and provides no mechanism for maintaining the relevance of defined measures (Hudson *et al* 2001; Walker 1996) making execution of strategy problematic. Kaplan *et al* (2001) realised that these issues were a disadvantage in the original work and to address these they created “The Strategy-Focused Organization” which addresses some of the issues and provides a path for deployment to the individual.

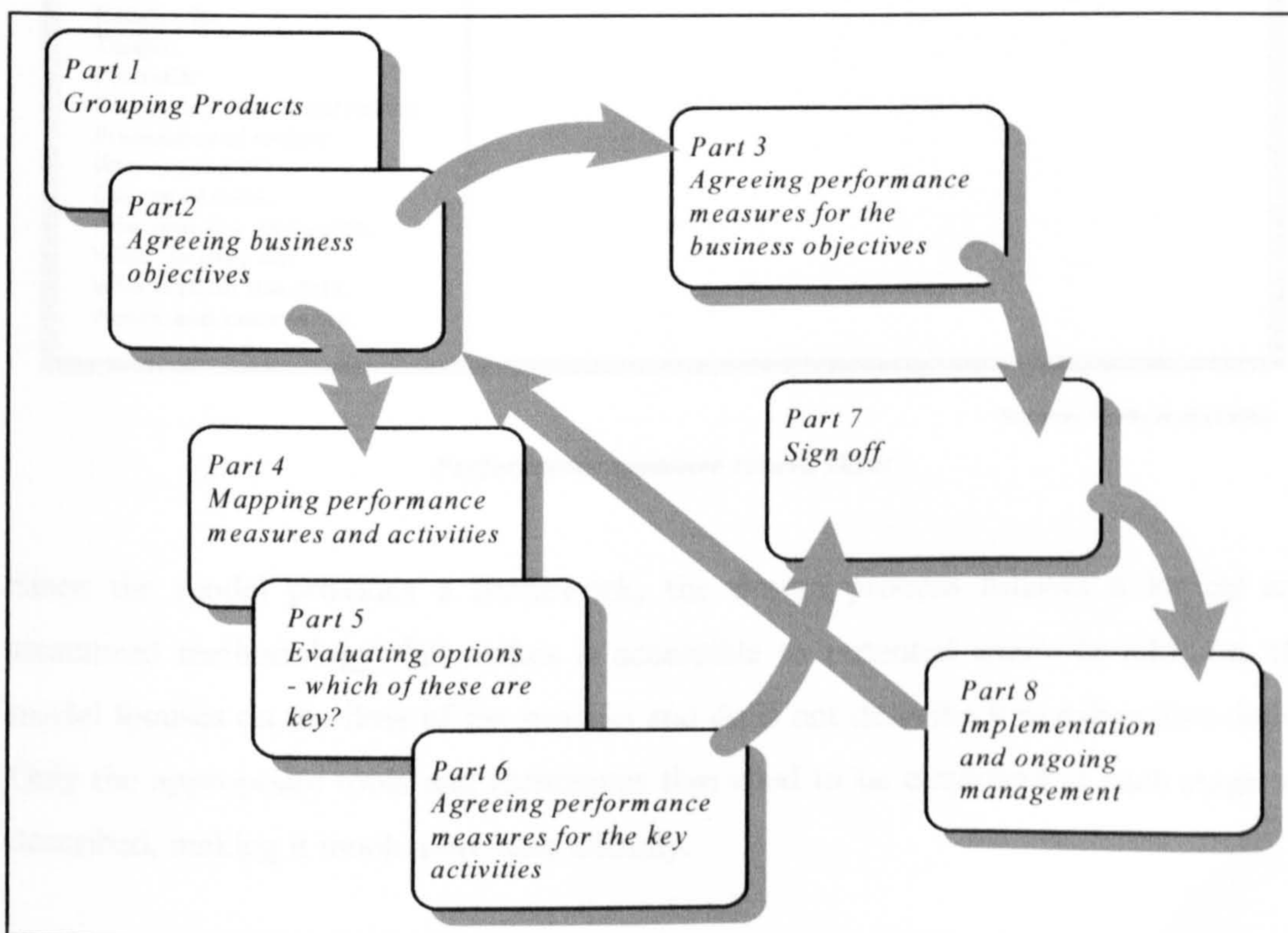
One argument that has been found especially in the US where the balanced scorecard has been adopted extensively is that it does not solve the underlying problems of performance measurement and may exacerbate them because it provides no guidance as to how to combine dissimilar measures into an overall appraisal of performance (Meyer 2003).

Cambridge Performance Measurement Process

Is the second of the more popular academic frameworks which was developed by Prof. Andy Neely and his fellow researchers felt that very little attention has been devoted to the question of how various frameworks, such as the Balanced Scorecard, can be populated i.e. how managers can decide specifically which measures to adopt. The research they initiated was aimed to address the following questions:

1. Can a detailed process for designing a performance measurement system be specified, and if so:
2. What would that process involve?

Following an extensive literature review on performance measurement, the researchers developed a framework, which identifies the desirable characteristics of a performance measurement system design and development process. This framework provided guidelines that helped them to develop a process-based approach to PMS design. In the end, they developed what now known as the Cambridge model. The structure of the Cambridge model is given below by figure below.



Source: Neely et al (1996)

Cambridge model of performance measurement system

Unlike the Balanced Scorecard, the Cambridge Model does not derive its business strategy as the starting point, but uses product groups as a basis for identification of performance measures. Products are grouped and based on:

- sales as a percentage of total sales,
- contribution as a percentage of total contribution,
- market share, ranking/number of competitor,
- sales growth,
- market growth/life cycle stage.

The business objectives of each product group are agreed and their related performance measures and key activities are then identified. For each performance measure used, the model provides a PM record sheet to describe the measure as depicted in Figure below.

Performance Measure Record Sheet	
Title: Purpose: Relates to: Target: Formula: Frequency of measurement: Frequency of review: Who measures: Source of data: Who own the measures: What do they do: Who acts on the data: Notes and comments:	

Source: Neely *et al* (1996)

Performance measure record sheet

Since the model provides a framework, the design process follows a logical and structured methodology that makes it accessible to potential users. In addition, the model focuses on the flow of the process and does not describe it in exhaustive detail. Only the appropriate tools and techniques that need to be employed at each stage are described, making it much more user friendly.

Perhaps the most distinguishing feature of this approach, which sets it apart from all the other frameworks out there, is that it actually provides a step-by-step guide to

designing measurement systems. Neely *et al* (1995) point out that writing about performance measurement to date has been far too superficial, in that it ignores the complexity involved in the actual design of measurement systems. Involvement in the process is necessary as it helps with the understanding of the performance system, making 'buy-in' and therefore support for the system less difficult.

The model does not seem to consider the external monitor. Monitoring of external position of the organisation against competitors is vital for identifying the development needs of the business. It also does not seem to recognise different levels of organisation, or have a clear deployment procedure making it difficult for the individual or team to directly benefit from its structure. Overall, the Cambridge model is a robust PMS design process, which can produce a balanced set of measures aligned to the organisation's objectives, hence making the company's strategy explicit (Hudson *et al* (2002).

Results and Determinants Model

Fitzgerald *et al* (1991) determined that service companies have four unique characteristics that distinguish them from manufacturing companies, and these are:

- Simultaneity – This is where customers can see the entire “manufacturing” process because the production and consumption of many services are simultaneous i.e. when receiving dental treatment the customer has to be there during the treatment process and will see everything that is happening. Therefore, many services cannot be counted, measured, inspected, tested or verified in advance of sale for subsequent delivery to the customer.
- Perishability – This basically means that services cannot be stored. This perishability removes the buffer frequently used in manufacturing companies to cope with fluctuations in demand.
- Heterogeneity – The standard of service may vary if the service company has a high labour content, resulting in heterogeneous service outputs. Hence, it will be difficult to achieve consistent quality from the same worker day after day and to get comparability between employees.
- Intangibility – Most services unlike manufacturing outputs are intangible. Hence, identifying what the customer values from the complex mix of tangible goods and intangible services is difficult.

These four characteristics create problems for performance measurement and evaluation in terms of identifying what to measure, and in particular *when* and *how* to measure performance. Fitzgerald *et al* (1991) recognises that the narrow confines of traditional performance measures based on accounting data does not serve the service sector well at all. Like many others, they believe a more balanced view that takes into account the complexity of the service sector is needed. This is particularly true today as we now live in a service-orientated world (Fitzgerald and Moon 1996).

Fitzgerald *et al* (1991) developed after a two-year research study of performance measurement in the service sector the Results & Determinants matrix. Similar to the Balanced Scorecard, this model suggests other specific areas that should be measured in order to obtain a balanced picture. However, whereas Kaplan and Norton focuses on four dimensions, Fitzgerald proposed that service business performance should be

measured over six generic performance dimensions. The six dimensions of the determinants and results framework are:

1. Competitiveness
2. Financial performance
3. Quality of service
4. Flexibility
5. Resource utilisation
6. Innovation

	<i>Dimensions of Performance</i>	<i>Types of Measures</i>
<i>Results</i>	1. Competitiveness 2. Financial performance	<ul style="list-style-type: none"> • Relative market share & position • Sales growth • Measures of the customer base • Profitability • Liquidity • Capital structure • Market ratios
<i>Determinants</i>	3. Quality of service 4. Flexibility 5. Resource utilisation 6. Innovation	<ul style="list-style-type: none"> • Reliability • Responsiveness • Aesthetics/appearance • Cleanliness/tidiness • Comfort • Friendliness • Communication • Courtesy • Competence • Access • Availability • Security • Volume flexibility • Delivery speed flexibility • Specification flexibility • Productivity • Efficiency • Performance of innovation process • Performance of individual innovations

Source: Fitzgerald *et al* (1991)

Results & Determinants Matrix

The framework is essentially based on the premise that there are two basic types of performance measure in any organisation. The first type of performance measure relates to *results* i.e. competitiveness, financial performance. These reflect the success of the chosen strategy. The second type focuses on the *determinants* of the results i.e.

quality, flexibility, resource utilisation and innovation. These measures determine competitive success. The advantage of this distinction is that it highlights the fact that the results obtained are a function of past business performance with regard to specific determinants. That is, results are lagging indicators and determinants are leading indicators.

Another benefit of this model is that it distinguishes the mix and importance of measures will depend on business and marketing strategies of the organisation. Hence, the framework is very flexible and can be used to create a system, which focuses on key features that are critical to different organisations. If the delivery of a high quality service is what is most important for the company, then quality measures should dominate the performance measures. However, if lowest cost of service when compared with competitors is the key strategic variable, then tight management of budgets will be a key feature of the control system.

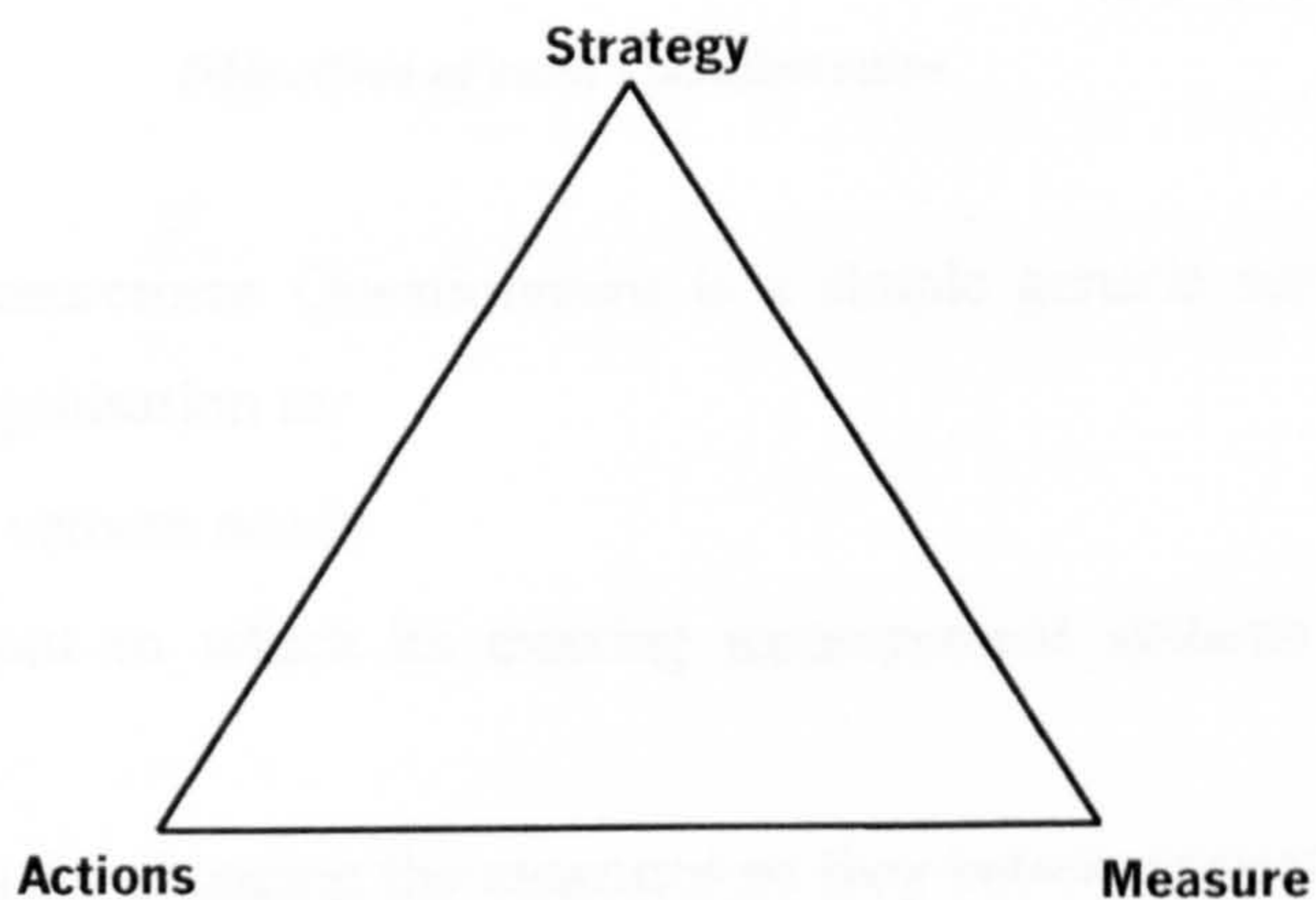
As with any measurement system there is a tendency to measure what is easy to measure, rather than what is relevant for driving the business forward. This can be especially prominent in the service sector because the intangibility of the service process makes it difficult to identify what the customer values. Furthermore, it is actually quite difficult to measure the four dimensions of quality, flexibility, resource utilisation and innovation. So although dimensions other than financial are being looked at, the difficulty of measuring them may mean that people will just measure what is easy to measure i.e. the financial measures.

Hudson *et al* (2001) concluded that a fatal flaw in the matrix is it does not include customers or human resources as dimensions of performance and therefore cannot provide the truly balanced view of performance. It also fails to provide a sound deployment process to include the individual, concentrating on the business measures.

Dixon's Performance Measurement Questionnaires

In 1980s manufacturing environment underwent fundamental changes. These changes affected three interconnected areas - strategy, actions and measures. Dixon *et al* (1990) argued that in the current context, strategy, actions and measures are interconnected. Actions are required to support strategy. Traditionally, strategy is always assumed to come first and then the required actions. Dixon *et al* (1990) considered that actions also lead to changes in strategy. Actions as a result of improvement programmes place a business in a better position to gain new competitive advantage. Resulting in strategy can be changed to optimally exploit this new competitive advantage.

Finally, measures must support the strategy and actions. Different strategies require different actions, which necessitate different measures. The results of actions will be reflected in performance measurement data and these may lead to changes in strategy. The figure below indicates the interconnected relations between strategy, actions and measures?



Source: Dixon *et al* (1990)

Questionnaire interconnections

Dixon *et al* (1990) went on to develop the Performance Measurement Questionnaire during the late 1980s and early 1990s. Surprisingly, the Performance Measurement Questionnaire is not actually a specific set of questions but rather it is a *process*. It provides a framework to assist an organisation to create and maintain strategic alignment within a balanced view of stakeholder needs that the organisation has determined independently. In addition, it also tackles an array of issues related to

changing a performance measurement system. The process developed into four sets of questionnaires, which could be used to design performance measurement systems. The questionnaires were constructed based on the strategy, actions and measures interconnection concepts. The objective(s) of each questionnaire is indicated in the table below.

Questionnaire	Objective(s)
Questionnaire I	To gather data on: the management level and manufacturing affiliation of the respondents in order to examine the degree of consensus among managerial levels and functional areas.
Questionnaire II	To gather data on: the relative degree of the importance of improvement areas. to what extent current performance measures support or inhibit the improvement in that area. The model provides 24 items of generic improvement areas.
Questionnaires III	To gather data on: the degree of importance of achieving excellence in performance factors or measures for the long running survival of the company, the company's current emphasis on performance measures.
Questionnaires IV	To gather data on: the most important measures against which respondents' individual performance should be judged.

Adapted from: Dixon *et al* (1990)

Objectives of each Questionnaire

The Performance Measurement Questionnaire is a simple generic survey instrument designed to help an organisation to:

- articulate its improvement needs
- determine the extent to which its existing measurement systems support those needs
- establish an agenda for changing the measures so they better support improvement

The Performance Measurement Questionnaire is a very effective alignment tool because:

- it reveals the degree to which respondents share a single vision of the strategy and its improvement priorities and
- it reveals to what degree the performance measurement system supports that vision and those priorities.

It also allows organisations to see:

- what managers think is strategically important
- what managers think needs to be improved in order to execute the strategy?
- which performance measures are obsolete, missing or misunderstood;
- how much agreement exists within the organisation about the above.

Performance Measurement Questionnaire analysis is typically based on the responses from a large cross-section of a company's management personnel. Both different management levels and different functional groups are represented.

Data once collected through the questionnaires can then be interpreted using several analytical methods. The benefit of this is these methods can reveal where the company's measurement system reflects outdated priorities also areas that are important but no longer improvement-orientated. The analysis will also reveal the extent to which the system supports and encourages improvement on new or current strategic priorities.

Similar to the Balanced Scorecard, this model is designed to represent a balanced view. However, while the Balanced Scorecard ignores the other stakeholder in the business, this approach does take account of other stakeholder needs in the organisation.

Overall, Dixon's Performance Measurement Questionnaires is a simple but powerful audit methodology for assisting in the process of developing and maintaining alignment among an organisation's actions, performance measures and strategy. However, as the approach consists of several different tools it is potentially complicated to understand and use. Medori (1998) stated that the tool fails to provide an explicit process for developing a performance measurement system and does not take into account the human resource dimension.

EFQM Business Excellence Model/Malcolm Baldrige NQA

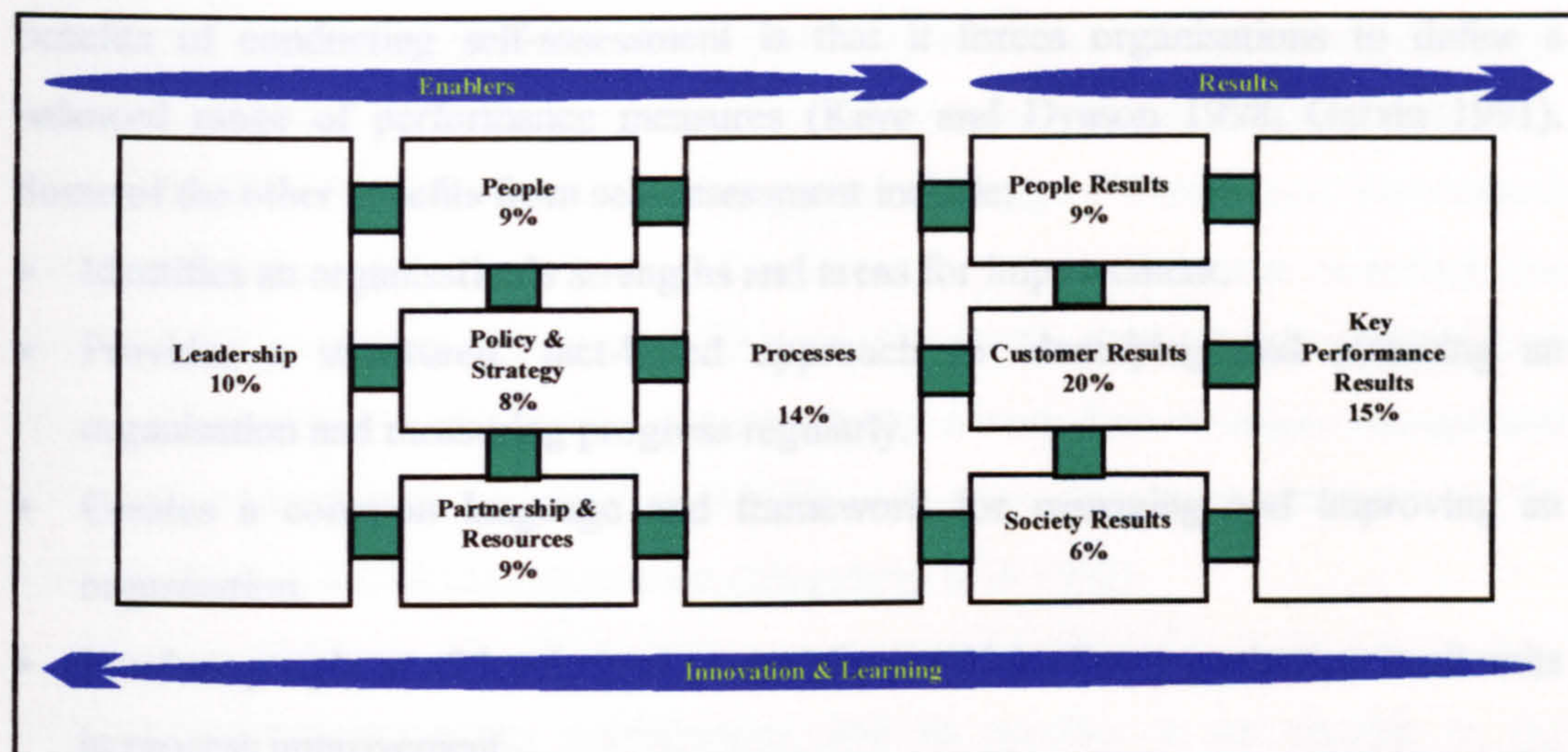
The Business Excellence Model and the MBNQA are wide-ranging and popular measurement frameworks. The models are based on the premises that customer satisfaction, people (employee) satisfaction and impact on society are achieved through leadership driving policy and strategy, people management, resources and processes, leading ultimately to excellence in business results.

A set of fundamental concepts underpin the Business Excellence Model and the MBNQA and these are,

- Results orientation – excellence depends on balancing and satisfying the needs of all relevant stakeholders.
- Customer focus – the customer is the final arbiter of product and service quality.
- Leadership and constancy of purpose – the behaviour of an organisation's leaders creates a clarity and unity of purpose within the organisation.
- Management by process and facts – organisations perform more effectively when all inter-related activities are understood and systematically managed, and decisions and planned improvements are made using reliable information that includes stakeholder perceptions.
- People development and involvement – the full potential of an organisation's people is best released through shared values and a culture of trust and empowerment, which encourages the involvement of everyone.
- Continuous learning, innovation and improvement – organisational performance is maximised when it is based on the management and sharing of knowledge within a culture of continuous learning, innovation and improvement.
- Partnership development – an organisation works more efficiently when it has mutually beneficial relationships, built on trust, sharing knowledge and integration with its partners
- Public responsibility – adopting an ethical approach and exceeding the expectations and regulations of the community at large best serve the long-term interests of the organisation and its people

The Business Excellence Model is a *non-prescriptive framework* outlined by nine different criteria. It consists of two distinct subsets of performance factors, broadly

classified as Enablers and Results. The structure of the model is shown below in the figure below.

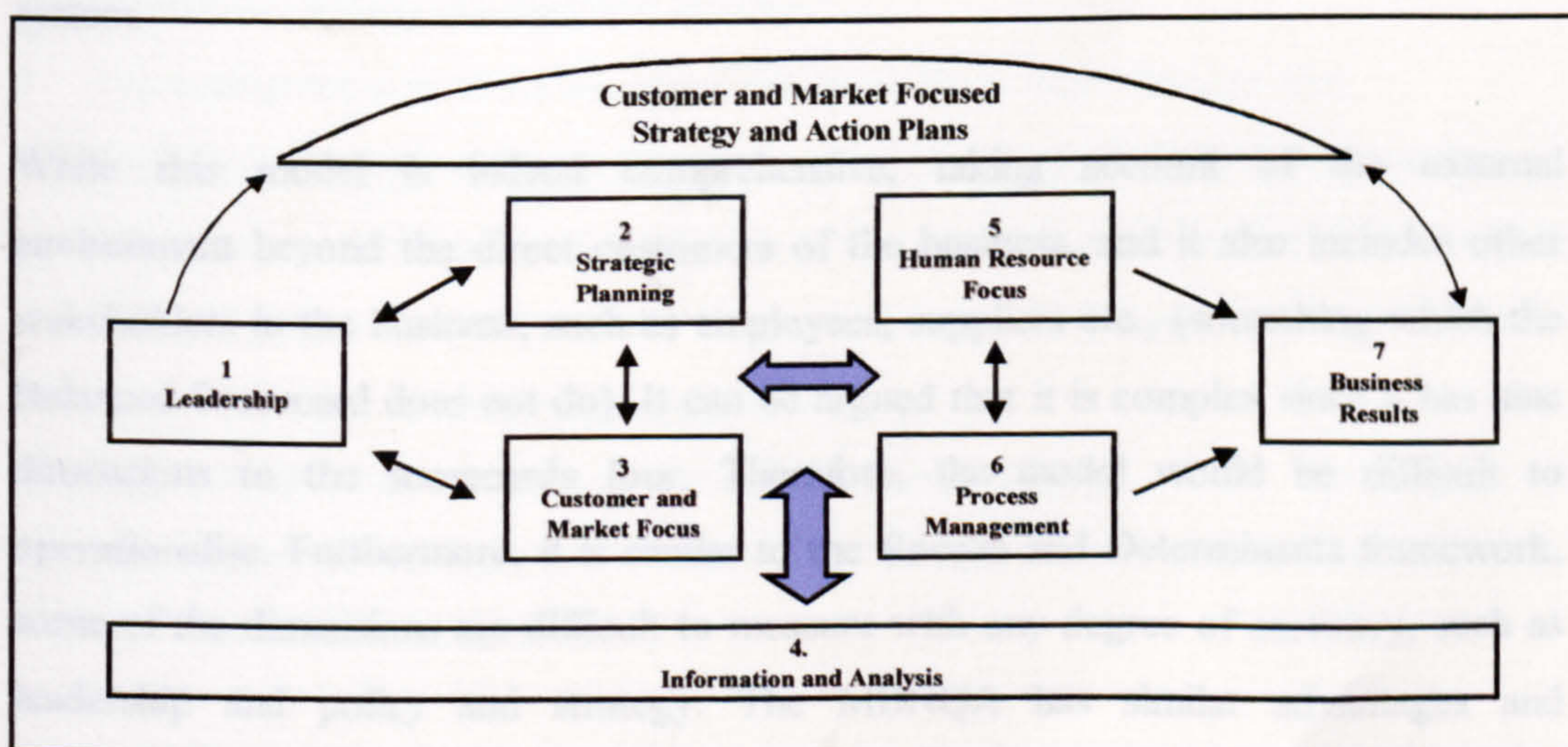


Source: EFQM (1999)

The EFQM Business Excellence Model – systems perspective

The ‘enabler criteria’ of the model are concerned with *how* the organisation approaches business excellence. The ‘result criteria’ of the model are concerned with *what* the organisation has achieved and is achieving.

The Malcolm Baldrige National quality Award is similar to the EFQM but differs by having seven criteria. It consists of two subsets of performance factors, broadly classified as Enablers and Results. The structure of the model is shown below in figure 2.11 *The MBNQA – systems perspective*.



Source: BNQP (2000)

The MBNQA – systems perspective

Both models can be used by organisations in many ways, as the models are frameworks used primarily as a self-assessment benchmarking tool. One of the major benefits of conducting self-assessment is that it forces organisations to define a balanced range of performance measures (Kaye and Dyason 1998; Garvin 1991). Some of the other benefits from self-assessment include:

- Identifies an organisation's strengths and areas for improvement.
- Provides a structured, fact-based approach to identifying and assessing an organisation and measuring progress regularly.
- Creates a common language and framework for managing and improving an organisation.
- Involves people at all levels (and potentially outside) of an organisation in all units in process improvement.
- Identifies and allows the sharing of "good or best practice" within an organisation.
- Facilitates comparisons with other organisations of a similar or diverse nature, using a set of criteria that is widely accepted across the world.
- Improves the development of strategic business planning.

The Business Excellence Model also assists in comparisons and benchmarking activity. Organisations can compare their self-assessment scores and this can help in improving the value-chain if used with supplier or partners. The model can also be used as a basis for surveys involving customers, suppliers, partners or employees. Occasionally companies might use the framework for their performance measurement system.

While this model is indeed comprehensive, taking account of the external environment beyond the direct customers of the business, and it also includes other stakeholders in the business, such as employees, suppliers etc., (something which the Balanced Scorecard does not do). It can be argued that it is complex since it has nine dimensions to the scorecards four. Therefore, the model would be difficult to operationalise. Furthermore, it is similar to the Results and Determinants framework, some of the dimensions are difficult to measure with any degree of accuracy, such as leadership and policy and strategy. The MBNQA has similar advantages and disadvantages.

Hoshin Kanri

The failure to link the achievement of top management with daily management at an operational level is suggested to be a major cause of loss of momentum in change management. Hoshin Kanri (translatable as policy management) provides a planning, implementation and review process for managed change (Witcher and Butterworth 1999). The process has been developed over twenty years in Japanese companies and has been used in a small number of Western companies, such as Hewlett-Packard and Xerox. Unfortunately, the phenomenon is wholly absent from strategic management literature, even though the thinking in this area now puts more emphasis on the strategy process and its implementation (Mintzberg *et al* 1998).

Hoshin Kanri means policy management, and its practice is not specific to any particular sector. It is an approach used by management to manage annual strategy, and has four parts to the model.

- Top management formulates a vital few strategy priorities
- These strategies priorities are translated into action plans for the coming year by other management and grass roots employees
- Routine daily management when plans are managed at an operational level
- An examination of policy and strategy in an organisation-wide review of performance

This order of things is not unique to Hoshin Kanri's brand of strategy management. Good practice strategy management involves:

- Top management to focus the organisation on those areas that are vital
- Align local strategy with company-wide priorities across the whole organisation
- Individuals and teams working in a way that ensures progress, where strategy is fully integrated into daily work. This is where strategy fails as related activities are crowded out by short-term expediency
- Top management to review what has been achieved, which is important if management is to learn from experience. Feedback will ensure future strategy formulation and management

To summarise the Hoshin Kanri model Witcher and Butterworth (1999) highlighted that the good practice strategy management does four things and these are represented in the following figure.



Source: Witcher & Butterworth (1999)

FAIR Model of Strategy Management

The unique nature of Hoshin Kanri lies in Total Quality Management-based form of strategy management where the PCDA (Deming) cycle is applied (Cowley & Domb (1997). Another area that is unique is the top down and bottoms up approach to management and this is particularly powerful through the iterative communication process called **catchball** (named after a child's game of throwing a ball back and forth). Thus, the managers and their teams pass around suggestions and possibilities to agree how to align plans, taking into account those things they expect to do anyway. This process when coming to the end of the catchball period, units, teams and sometimes individuals, as part of their appraisal process, drew up activity plans for the year ahead.

To make the process works the management team are required to take a long and short-term view of their environment. The process is rather involved and complex to install and maintain and fails to show a relation between levels clearly.

Investors in People

The Investors in People award while not a prescriptive strategy model as previously discussed it is closely linked to the EFQM framework and while it does not create an implementation plan for strategy or performance measures it relies on these concepts being in place for those individuals to achieve the goals that the model seeks to promote. Bell *et al* (2002) comments that the Investors in People standard encourages managers to achieve a base level of good practice in people management, which should be achievable in any organisation. It provides a framework for the introduction and dissemination of 'best' practice in key operational areas of human resource management. The standard is based on organisational diagnosis and development using pre-established criteria that enables managers to benchmark their current employee training and development practices.

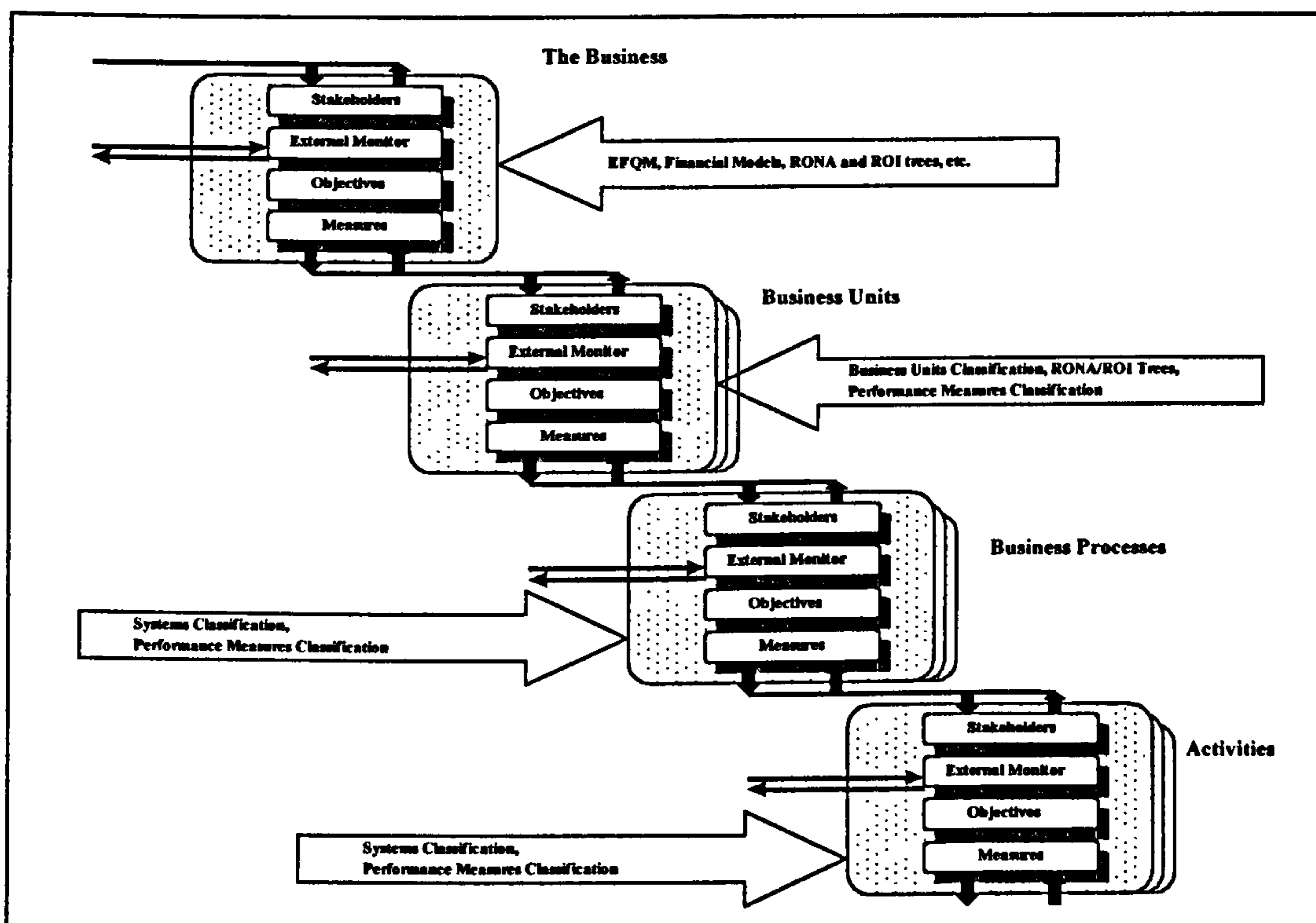
Recognition as an Investor in People is based on assessment against a series of 12 indicators, which reflect the four main principles that define the standard and these are, 'commitment', 'planning', 'action' and 'evaluation'. To gain recognition, managers must provide evidence of action against 33 fields, covering areas such as induction, business planning and development review, in the form of a documentary portfolio to demonstrate that the assessment criteria has been met. Evaluation, in order to judge whether the organisation meets the standard is conducted by external assessors on an annual or three-yearly basis.

Chapman (1994) listed a number of benefits that came with achieving the standard, above average business performance, improved quality, less waste, rework and rejects leading to increased sales and market share, all of which lead to higher profitability. Wong (1997) expressed that IiP brought other benefits, which could be divided between employees, the organisation and its customers. Bringing benefits for employees in job satisfaction, and recognition coupled with skill and career development opportunities as well as pride in belonging to a successful organisation.

The drawback with this standard is organisation can use the minimum effort to achieve the recognition and not place the effort in maintaining the emphasis of good practice, resulting in the "plaque on the wall" syndrome (Bell *et al* 2002; Douglas *et al* 1999).

Integrated Performance Measurement System (IPMS)

The Integrated Performance Measurement System (IPMS) is a Performance Measurement reference model that describes the structure and constituent parts of an organisations performance measurement system. It also contains an audit methodology, the only framework that allows both aspects to be conducted. This can be valuable when required to assess the robustness and integrity of performance measurement systems used within manufacturing industries, which this was originally designed for. Bititci *et al* (2000) developed the IPMS model from the viable systems theory as prescribed by Beer (1985) and the CIM-OSA business process architecture formulated by the ESPRIT Consortium AMICE (1991). The structure of the model is shown in the figure below.



Source: Bititci *et al* (1997)

Integrated Performance Measurement System Model

At each level of the business, the model requires the organisation to:

- recognise and understand its stakeholder requirements,
- externally monitor its position against competitors and world class performance to identify the development needs of the business,

- set objectives based on implications and criticality of the development needs together with appropriate targets and time scales,
- define, report, monitor and review these objectives through a performance measures report.
- deploy the objectives to the lower organisational levels

This model covers broad aspects of performance measurement, which includes:

Consideration of external factors

- Resource bargaining interaction between factors
- Objective deployment
- Characteristics of performance measures
- Strategy development
- Criticality of performance measures

The Integrated Performance Measurement System methodology (Bititci *et al* 1997) covers much of the criteria required for a comprehensive performance measurement system. However, the methodology fails to provide a structured process that specifies objectives and timescales for development and its implementation (Hudson *et al* (2001)).

The Performance Prism

The Performance Prism is a relatively new and sophisticated performance measurement framework that distinguishes itself from most of the previous frameworks reviewed, because it is explicitly a multi-stakeholder and multi-level approach.

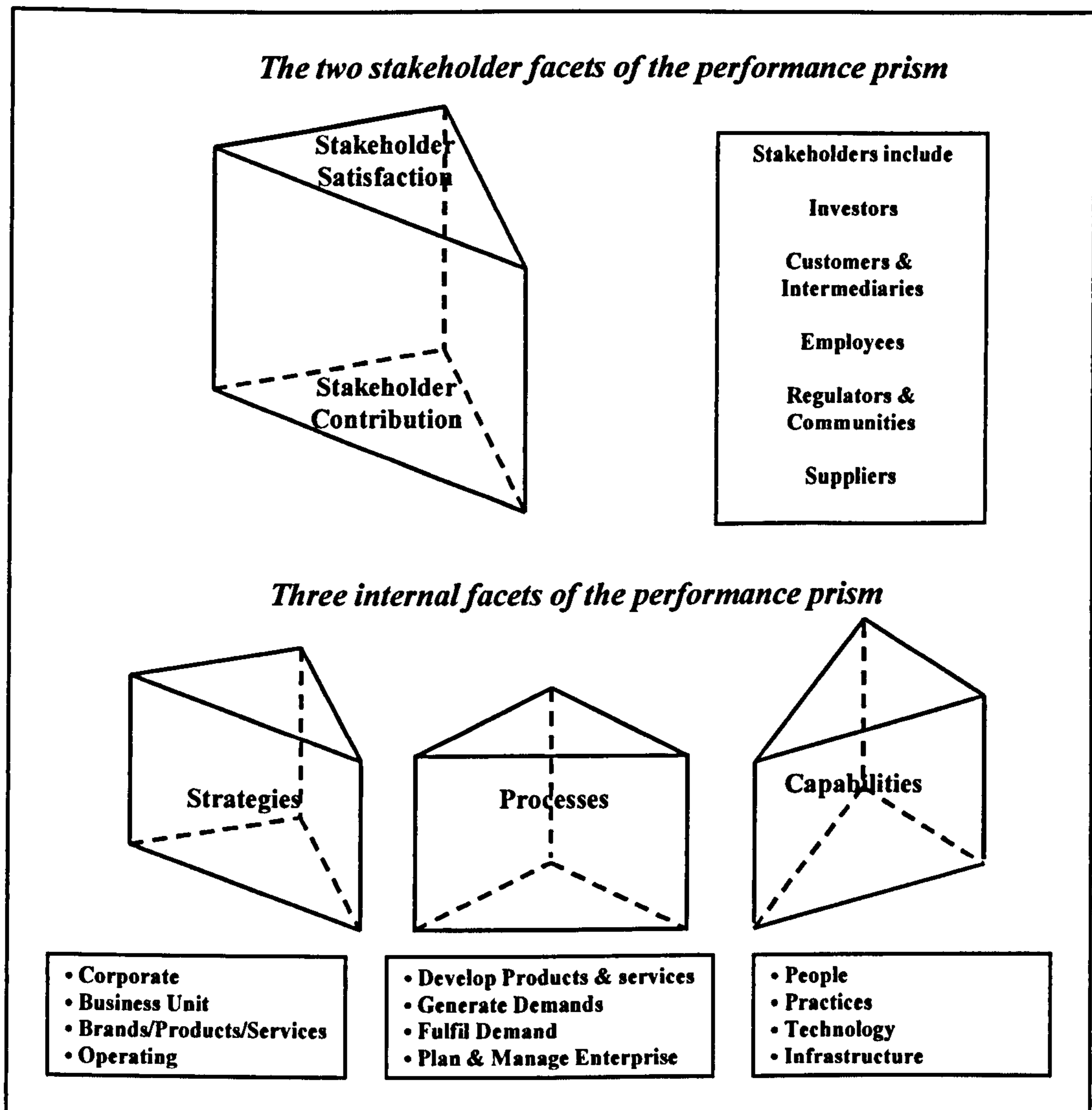
The performance Prism starts with the premise that performance measures should be derived from the needs of stakeholders as opposed to the traditional thinking of strategy. The argument is that organisations can only exist if they satisfy their various stakeholders' wants and needs, so these requirements should be the starting point for developing a performance measurement system.

The performance prism has five facets (the top and bottom facets are stakeholder satisfaction and stakeholder contribution). The three side facets are strategy, processes and capabilities, see figure below.

The model was designed to try and answer the question of why is there an apparent preponderance of multiple and seemingly conflicting frameworks and methodologies in existence. Neely and Adams (2001) stated that this problem is simple in that all the models that are available coexist because they all add value. They all provide unique perspectives on performance and as the researchers suggest furnish managers with a different set of lenses through which they can view an organisations performance.

The models design criteria recognised that organisations aspiring to be successful in the long term within today's business environment have an exceptionally clear picture of who their key stakeholders are and what they want. They define what strategies they will pursue to ensure that value is delivered to these stakeholders. They understand what processes the enterprise requires if these strategies are to be delivered and have defined what capabilities they need to execute these processes.

The most sophisticated of them will have also thought carefully about what it is that the organisation wants from its stakeholders – Is it, employee loyalty? Customer profitability? Long-term investments? Overall, they have a clear business model and an explicit understanding of what constitutes and drives good performance.



Source: Neely & Adams (2001)

Five Facets of the Performance Prism

Although this framework is quite sophisticated and would appear to cover the elements found in the earlier Cambridge model, it still manages to be kept relatively simply since it only has five perspectives, unlike the Business Excellence Model's nine, and just one more than the balanced scorecard. Perhaps the greatest benefit of this framework is that measures are not derived from organisational strategy.

The researchers argue that to derive measure from strategy is to misunderstand fundamentally the purpose of measurement and the role of strategy. Performance measures are designed to help people track whether they have reached or are going to reach the destination that they set out to reach. Strategy however, is about choosing

the route to take and has nothing to do with the destination i.e. *how* to reach the desired destination.

Shareholders have long been the most important stakeholders. In today's business environment now requires organisations to recognise other stakeholder groups, most notably customers and employees. Companies outsourcing ever-increasing amounts of non-core activity seem to be the general trend in the past few years, making them increasingly more dependent of the suppliers.

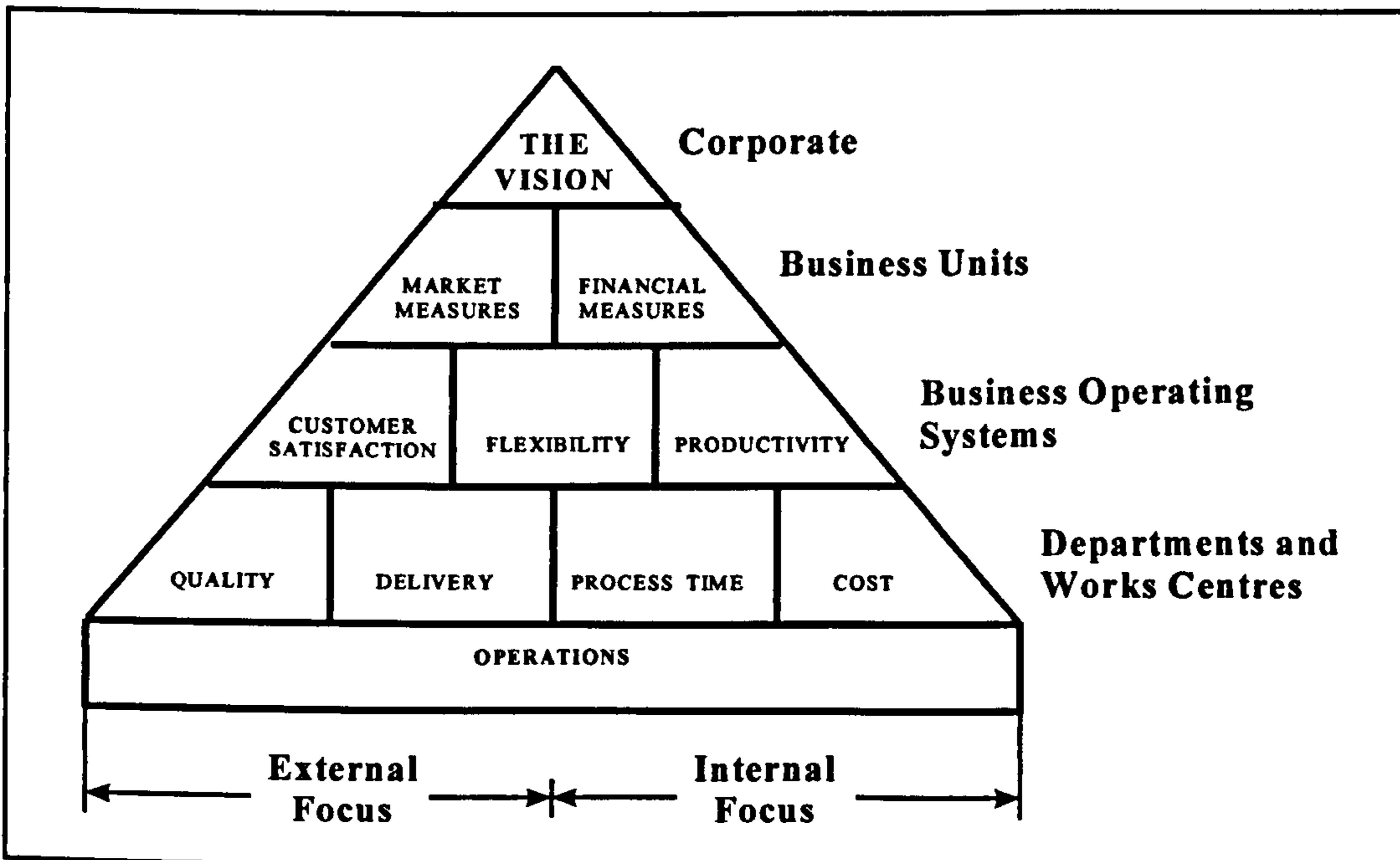
This phenomenon is most evident in e-commerce transacted on the Internet, where intermediaries (quasi customers or suppliers) are often highly involved in the sales and logistics activities that are required to deliver the product or service. In fact, the e-commerce revolution has probably prompted the need for performance measurement frameworks that takes on the multi-stakeholder concept. Since the Performance Prism appears to be one of the first of its kind, it is unique in the myriad of performance measurement frameworks. However, as with the Cambridge model a deployment process is not implicate in its structure.

SMART System

The SMART (Strategic Measurement Analysis and Reporting Technique) System was developed at Wang Laboratory, Inc., Lowell, Massachusetts by Cross and Lynch during 1988-1989. This process resulted from their success in implementing a Just-In-Time approach and as a result, additional effort was sought to try and define a framework for:

- Measuring departments and functions to ascertain if they were contributing separately and/or together in meeting manufacturing's strategic mission.
- Linking operations to strategic goals.
- Integrating financial and non-financial information in a way that could be used by operating managers.
- Focusing all business activities on the future requirements of the business, as dictated by customers.
- Changing performance, incentive and reward systems as necessary.

Cross and Lynch (1995) developed their design where performance measures are displayed in the form of a pyramid with a hierarchy of other measures cascading down the organisation. This process started from the vision and the pyramid is divided broadly into four levels. See figure below.



Source: Cross & Lynch (1995)

The SMART Performance Pyramid

At the top level, the business vision forms the basis for corporate strategy. Management then can assign a corporate portfolio role to each business such as cash flow, growth and innovation. The resources are allocated to support the roles. However, it is not clear how management assign roles and allocate resources to each business unit.

At the second level, objectives for each business unit are defined in market and financial terms. Strategies to meet these objectives are then outlined. Most business units define their success in terms of:

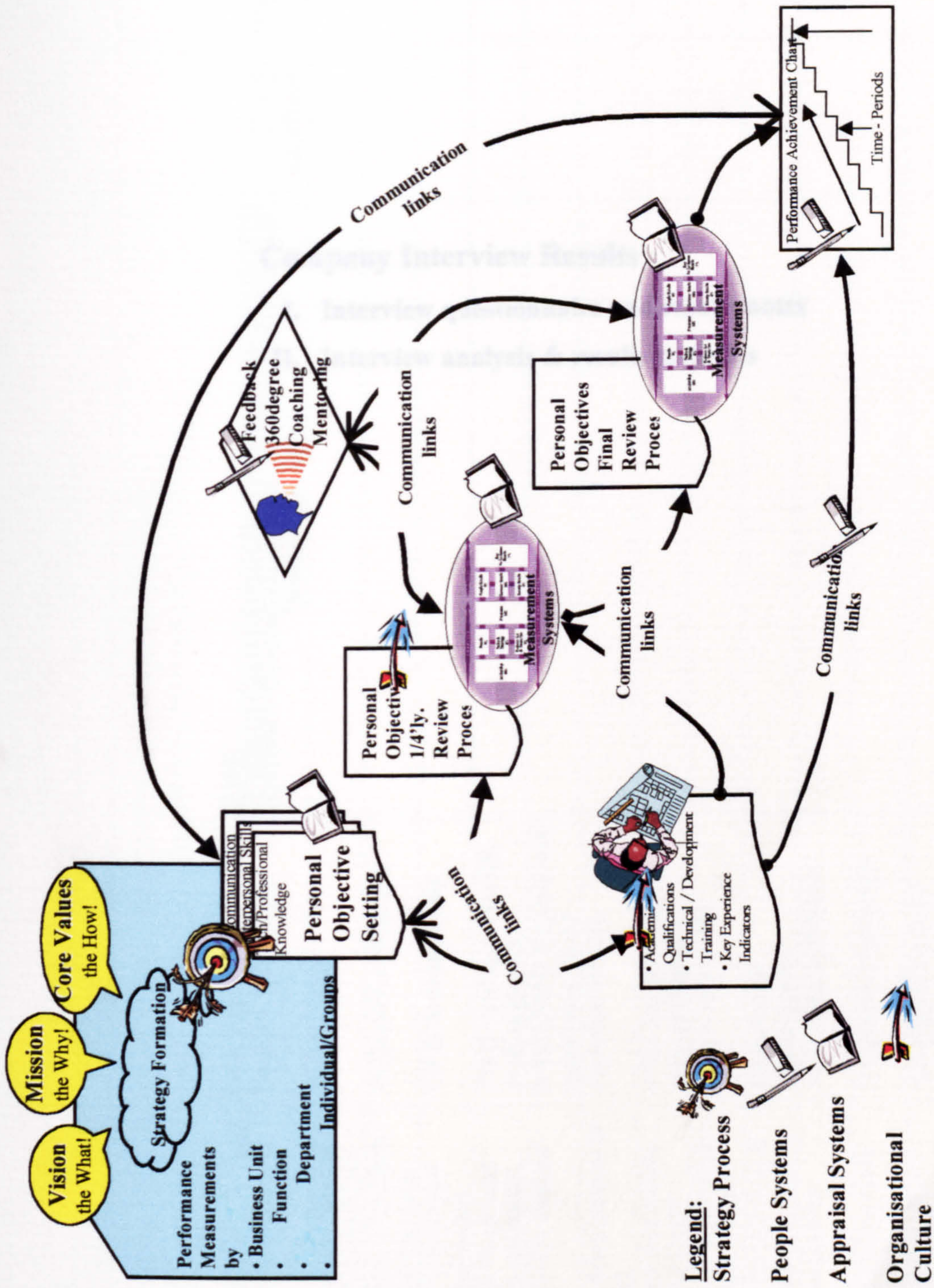
- Reaching the short-term goals of specified levels of positive cash flow and profitability.
- Achieving long-term goals of growth and market penetration.

At the third, Business Operating System (BOS) level supporting business strategy, tangible operating objectives and priorities can be defined in terms of 'customer satisfaction', 'flexibility' and 'productivity'. The SMART system recognises the existence of Business Operating Systems such as 'filling customer orders', 'new product introduction', and 'change control' and 'sales administration'.

At the lowest level, the objectives of any function or department in the Business Operating Systems are to increase 'quality', 'delivery' and reduce 'process time' and 'cost'.

In contrast to the balanced scorecard, the performance pyramid provides an explicit link between strategy and operations, and encourages a user-centred design. The key problem as highlighted by Hudson *et al* (2001) is this approach fails to specify, in any detail, either the form of the measures or the process for developing them. It therefore, lacks a sound deployment process and a clear human resource dimension.

Research Study Outline Diagram



Company Interview Results

I. Interview questionnaire and results notes

II. Interview analysis & results statistics

Q#	Question	Process Attributes	Employee/Staff	
			Operational	Professional
1	What is the main goal of the project?	Cost Savings		
2	Who develops the business plan and why do they do it?	Performance Metrics		
3	How well is the process followed by the staff?	IT & Security Issues		
4	How well is the process followed by the staff?	IT & Security Issues		
5	How well is the process followed by the staff?	IT & Security Issues		
6	How well is the process followed by the staff?	IT & Security Issues		
7	How well is the process followed by the staff?	IT & Security Issues		
8	How well is the process followed by the staff?	IT & Security Issues		
9	How well is the process followed by the staff?	IT & Security Issues		
10	How well is the process followed by the staff?	IT & Security Issues		
11	How well is the process followed by the staff?	IT & Security Issues		
12	How well is the process followed by the staff?	IT & Security Issues		

Company Name

Company Strategy, PMS & Appraisal System – Process Review & Interview Notes

Company	
Contact Name	e-mail Address
Job Title	Telephone #
Address	
Date	

Employee Strategy/Appraisal Interview Areas for discussion

Q #	Notes on assessment use:	Process Attributes	Description notes	
			Operations	Professional
1	Is there one? and how well known is it to employees	Coy Strategy		
2	Who develops the measures and what do they cover	Performance Measures		
3	How well is the process linked to individuals	PM & Strategy linked		
4	How well is the process cascaded to individuals	PM & Strategy cascaded to all employees		
5	Are frameworks used and Why?	Is EFQM/IIP Etc used and cascaded to ALL?		
6	Is there a formal process for employees?	Appraisal Process		
7	Has the appraisal process been changed why?	Is the appraisal process well established?		
8	Does it cover all employees, i.e. shopfloor – Mgr?	Who is appraised?		
9	Who sets the objectives & are they linked to PMS	Objectives & Competencies		
10	Who is the appraiser	Appraising individuals		
11	How often are appraisals conducted?	Frequency of appraisal		
12	Is there a 360 degree feedback process in use	360 degree feedback		

Company Strategy, PMS & Appraisal System – Process Review & Interview Notes Company Name

Q #	Notes on assessment use:	Process Attributes	Employee/Staff	
			Operations	Professional
			Description notes	
13	Is career planning included in the appraisal?	Linked to Career		
14	Are they and what are they – bonus/salary?	Linked to Rewards		
15	What education process is in place & with whom?	Career Training		

Interview notes:

Interview results statistics

		Respondents percentage answering positively	Respondents percentage answering negatively	
Q1.	<i>Is there a Company Strategy and is it cascaded to all employees</i>	91%	9%	
		Cascaded to all employees	Cascaded to Staff Groups/ Management	
Q2.	<i>Are Performance Measures developed from the Strategy and to who are they cascaded?</i>	36%	55%	9%
		Closely Linked & to Individuals	Loosely Linked & to Individuals	No link was found
Q3.	<i>Is the Company Strategy and Performance Measures linked & are they linked to individuals?</i>	73%	18%	9%
		Casaded to all employees via groups	Casaded to all employees individually	Casaded to management only
Q4.	<i>How is the cascade of Strategy and Performance Measures achieved and to whom?</i>	55%	18%	27%
		EFQM	IIP	Others
Q5.	<i>What frameworks does the Company use?</i>	27%	100%	9%
		Casaded to all employees	Casaded to Staff & Management	No formal process in place
Q6.	<i>Is there a formal appraisal process in the organisation and what groups does it affect.</i>	64%	36%	0%
		Appraisal process well established	Appraisal process new	
Q7.	<i>Is the appraisal process well established?</i>	82%	18%	
		Appraisals applied to all employees	Appraisals apply to Staff and Mgt.	No formal process in place
Q8.	<i>Does the appraisal process cover all employees from shopfloor to Mgt. Who is appraised?</i>	55%	45%	0%

Interview results statistics - continued

		Manager & employees sets process	Manager only sets process
Q9.	<i>Who set the objectives and are they linked to the PMS & Strategy?</i>	82%	18%

		Manager appraises employees	Employee self appraises performance
Q10.	<i>Appraising individuals. Who is the appraiser?</i>	100%	0%

		4 x Year	2 x Year	1 x Year	Other
Q11.	<i>Frequency of appraisals. How often it the individual appraised?</i>	27%	37%	27%	9%

		Used for all employees	Used for Prof/Mgt only	Not used in appraisal process
Q12.	<i>Is 360 degree feedback used to appraise employees performance?</i>	45%	18%	37%

		Yes for all employees	Yes for Prof/Mgt only	Not linked to appraisal process
Q13.	<i>Is the employees career linked to the appraisal process?</i>	82%	9%	9%

		Yes for all employees	Yes for Prof/Mgt only	Not linked to appraisal process
Q14.	<i>Is the employees rewards linked to the appraisal process?</i>	37%	45%	18%

		Yes for all employees	Yes for Managers only	No training provided
Q15.	<i>Do employees and appraisees receive training in the appraisal process?</i>	55%	36%	9%

Interview results statistics - continued

Other Areas Analysed		Yes used/ involved in organisation	No not used/ involved in organisation
A	<i>Trade Unions are involved in the fabric of Org.</i>	64%	36%
B	<i>Skills based competency use in place of appraisals</i>	73%	27%
C	<i>Ranking used for salary/promotion</i>	36%	64%
D	<i>Collective Bargaining in use for groups of employees</i>	55%	45%
F	<i>Employee Surveys employed</i>	55%	45%
G	<i>Psychometric Testing used</i>	27%	73%
H	<i>Mentoring/Coaching used as a development tool</i>	64%	36%
I	<i>Use of SMART Objectives in appraisal process</i>	64%	36%
J	<i>Appraisal Process Computerised/Web enabled</i>	64%	36%
K	<i>Matrix Management Structure Employed</i>	55%	45%

Postal questionnaire

- I. Letter to participate**
- II. Survey format**
- III. Survey results analysis**



17 January 2002

Dear Colleague

In today's global organisation we are being asked to do more and do it in a highly effective way. Senior management are showing increased interest in performance management, especially in how we can achieve the goals of the organisation more consistently.

This survey, which is being undertaken as part of my PhD research, is to develop an integrated performance management system that will go some way to answer the questions being posed.

My research is aimed at developing a flexible and easy-to-use performance management system and, in order to do this, I need your assistance to help me find out about the different appraisal systems in use across a number of companies. Therefore, the importance of gaining your insight and perception of what you know and practice when being appraised is very important for this research.

To this end, I have attached a short questionnaire that will take approximately 10 minutes to complete and it is completely anonymous. All you need to do is complete the questionnaire in full, but if there is any question you don't understand, or can't answer, then just leave it blank.

A self-addressed envelope has been included with the questionnaire to enable you to post it back directly to me. However, you can also fax the questionnaire to me at the number below.

May I take the opportunity to thank you for participating in this survey and if you would like to learn more of my research then please feel free to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Little'.

Derek Little

Tel: 0141 548 2588

Fax: 0141 552 0557

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INVESTOR IN PEOPLE

CENTRE FOR STRATEGIC MANUFACTURING
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Glasgow G1 1XJ, UK
Tel: +44 (0)141-548 2015
Fax: +44 (0)141-552 0557
E-mail: CSM@dmem.strath.ac.uk
<http://www.dmem.strath.ac.uk/CSM>
Director: Dr Umit S Bitici

Performance Management Research Employee Appraisal Design Questionnaire

ID # _____

Please complete all sections of the survey and return it to Derek Little at University of Strathclyde, Centre for Strategic Manufacturing M103, James Weir Building, 75 Montrose Street, Glasgow G1 1XJ or Fax: 44 (0) 141 552 0557. Mailing instructions are also at end of the form.

Instructions

The survey contains seven sections (Personal Background, Company Strategy, Appraisal Systems, Appraising Objectives, Performance Feedback, Future Design and Survey Exit. If you have any questions please contact the author, full details of telephone and email address at end of form. This survey is voluntary and will be treated as confidential information. This is also an anonymous survey.

Definitions

Please read the following definitions as they pertain to this survey.

“Organisation” refers to the particular part of the company you receive business direction/functional guidance. For example, the division, business unit, service segment, or function from which you receive direction.

“Manager” refers to the person who has personnel management responsibility for you (e.g., completes your appraisal and communicates reward decisions).

“SMART” refers to expressing objectives in a way, which minimises the scope for differences in interpretation. The mnemonic ‘smart’ stands for Specific, Measurable, Agreed, Realistic & Timed.

“360 degree feedback” refers to the review process that others provide on how you are perceived in order to increase individual awareness. For example, feedback from your peers, immediate superior, and customers for whom you have worked with.

Questionnaire Sections

1. Personal Background Details/Information

A vital aspect of survey results analysis consists of grouping data for people with varying experience and backgrounds. Your responses to the following questions are voluntary and will be treated as confidential information.

A. My main activities are in the following areas: (please select most relevant area)

- a) Design
- b) Manufacturing
- c) Services
- d) Research and Development
- e) Training
- f) Distribution
- g) Consultancy
- h) Other _____

Performance Management Research

Employee Appraisal Design Questionnaire

B. Which of the following best describes your job category?

- a) Senior Executive (Director, Vice President)
- b) Manager (other than an executive, with people management responsibility)
- c) Staff (employees, except executives and managers with people management responsibilities)

C. Which of the following best describes the area in which you work? (please select the most appropriate area(s))

- a) Administration (Secretarial/Assistant/Admin support)
- b) Finance
- c) Human Resources
- d) Information Technology and IT Services
- e) Manufacturing (Technician, Production, Mgt., etc.)
- f) Manufacturing Engineer
- g) Marketing
- h) Research and Development
- i) Sales
- j) Supply Chain (Procurement, Distribution, Fulfilment, etc)
- k) Other _____

D. How long have you been employed by your company?

- a) Less than 1 year
- b) 1 to 3 years
- c) 4 to 10 years
- d) 11 to 20 years
- e) 21 or more years

E. Do you participate in a regular appraisal process?

- a) Yes
- b) No
- c) Other _____

F. What was your recent performance appraisal rating or equivalent assessment? (you may need to evaluate and estimate where your assessment result falls into)

- a) Extraordinary
- b) Achieved / Exceeded
- c) Achieved Some / Most
- d) Unsatisfactory
- e) I have never had a performance assessment
- f) Other _____

Performance Management Research Employee Appraisal Design Questionnaire

G. Is your performance appraisal rating linked to your pay/bonus/career? (please select all relevant areas)

- a) Salary
- b) Bonus
- c) Promotion
- d) Career move
- e) None
- f) Other _____

2. Company Strategy and Support Frameworks

In this section the following questions relate to company direction and the support that the management structures provide.

A. Are you aware of your organisation having any of the following? (please select all relevant areas)

- a) Vision
- b) Mission Statement
- c) Strategy
- d) Investors-in-People
- e) EFQM (European Foundation for Quality Management) Model
- f) BSI (9000/14000)
- g) Balanced Scorecard Framework
- h) Other _____

B. Does your senior management communicate a clear sense of direction?

- a) Strongly agree
- b) Agree
- c) Neither agree or disagree
- d) Disagree
- e) Strongly disagree

C. Do you understand your company's strategy?

- a) Strongly agree
- b) Agree
- c) Neither agree or disagree
- d) Disagree
- e) Strongly disagree

Performance Management Research Employee Appraisal Design Questionnaire

D. I see a clear link between my work objectives and my company's direction?

- a) Strongly agree
- b) Agree
- c) Neither agree or disagree
- d) Disagree
- e) Strongly disagree

3. Appraisal systems – objective setting

In this section we are looking to the content format of your appraisal.

A. Objectives of your appraisal are constructed by whom:

- a) You complete your objectives yourself
- b) Your manager initiates and writes up the objectives for you
- c) You and your manager jointly agree and you write up your objectives

B. How often do you review your appraisal objectives with your appraiser (more than one can be selected).

- a) Monthly
- b) Quarterly
- c) Six months
- d) Annually
- e) Other _____

C. When setting your appraisal did or do you use SMART objectives?

- a) Yes
- b) No

D. What type of objectives and measures do you have? (Select and add appropriate areas)

- a) Financial measures
- b) Customers measures
- c) Business processes measures
- d) Personal Learning measures
- e) None of the above
- f) Others _____

Performance Management Research Employee Appraisal Design Questionnaire

E. In my organisation, we are all working toward common objectives.

- a) Strongly agree
- b) Agree
- c) Neither agree or disagree
- d) Disagree
- e) Strongly disagree

4. Appraising objectives – measurement systems

In this section we are reviewing the measurement process.

A. What type of measurement process, is used in your opinion to assess your performance?

- a) Subjective (discussion only)
- b) Objective (discussion with tangible evidence)
- c) Other _____

B. I understand clearly the process that is used to evaluate my performance?

- a) Strongly agree
- b) Agree
- c) Neither agree or disagree
- d) Disagree
- e) Strongly disagree

C. Who evaluates your achievements within your appraisal objectives?

- a) You complete your objective evaluation yourself.
- b) Your manager completes this for you.
- c) You and your manager jointly evaluate your objectives.
- d) Other _____

5. Performance feedback

A. I receive ongoing feedback that helps me improve my performance?

- a) Strongly agree
- b) Agree
- c) Neither agree or disagree
- d) Disagree
- e) Strongly disagree

Performance Management Research Employee Appraisal Design Questionnaire

B. Do you use 360-degree feedback to assist with your performance evaluation?

- a) Yes
- b) No
- c) Other _____

C. In my organisation, people are rewarded according to their job performance.

- a) Strongly agree
- b) Agree
- c) Neither agree or disagree
- d) Disagree
- e) Strongly disagree

6. Future Appraisal Design

In light of your involvement in the appraisal process what would you recommend that would improve any or all elements of your company's process. Please choose the top **THREE** sources from the list below. (Where possible please state why?)

- a) Clearer organisational vision
- b) Closer strategy linkage to objectives
- c) Competitive strategies
- d) Enhanced performance evaluation process
- e) Self-assessment performance evaluation process
- f) Easy to use web enabled appraisal process
- g) Manual appraisal process
- h) Coaching for performance improvement
- i) Mentoring
- j) Opportunity assessment
- k) Opportunity planning
- l) Career opportunities
- m) Freedom to make decisions
- n) Degree of challenge in my work
- o) People management skills of my immediate manager
- p) Other _____
- q) Comments _____

**Performance Management Research
Employee Appraisal Design Questionnaire**

7. Survey Exit

You are now at the end of the survey please return the questionnaire by

February 28th 2002.

To

**Derek Little
Centre for Strategic Manufacturing M103
University of Strathclyde
James Weir Building
75 Montrose Street
Glasgow G1 1XJ**

E-mail: derek.little@strath.ac.uk

Tel: 44 (0) 141 5482588

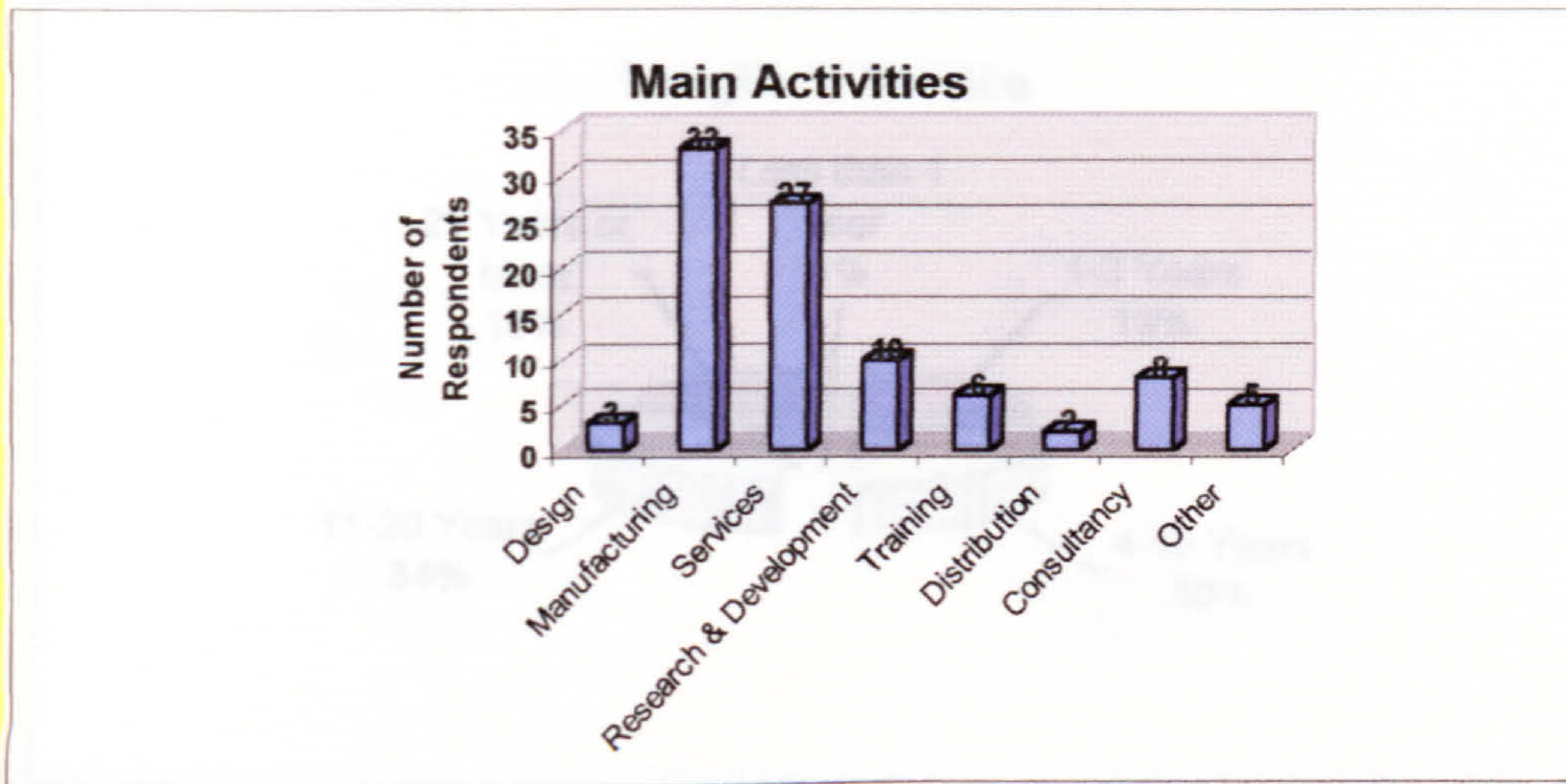
Fax: 44 (0) 141 5520557

Thank you very much for participating.

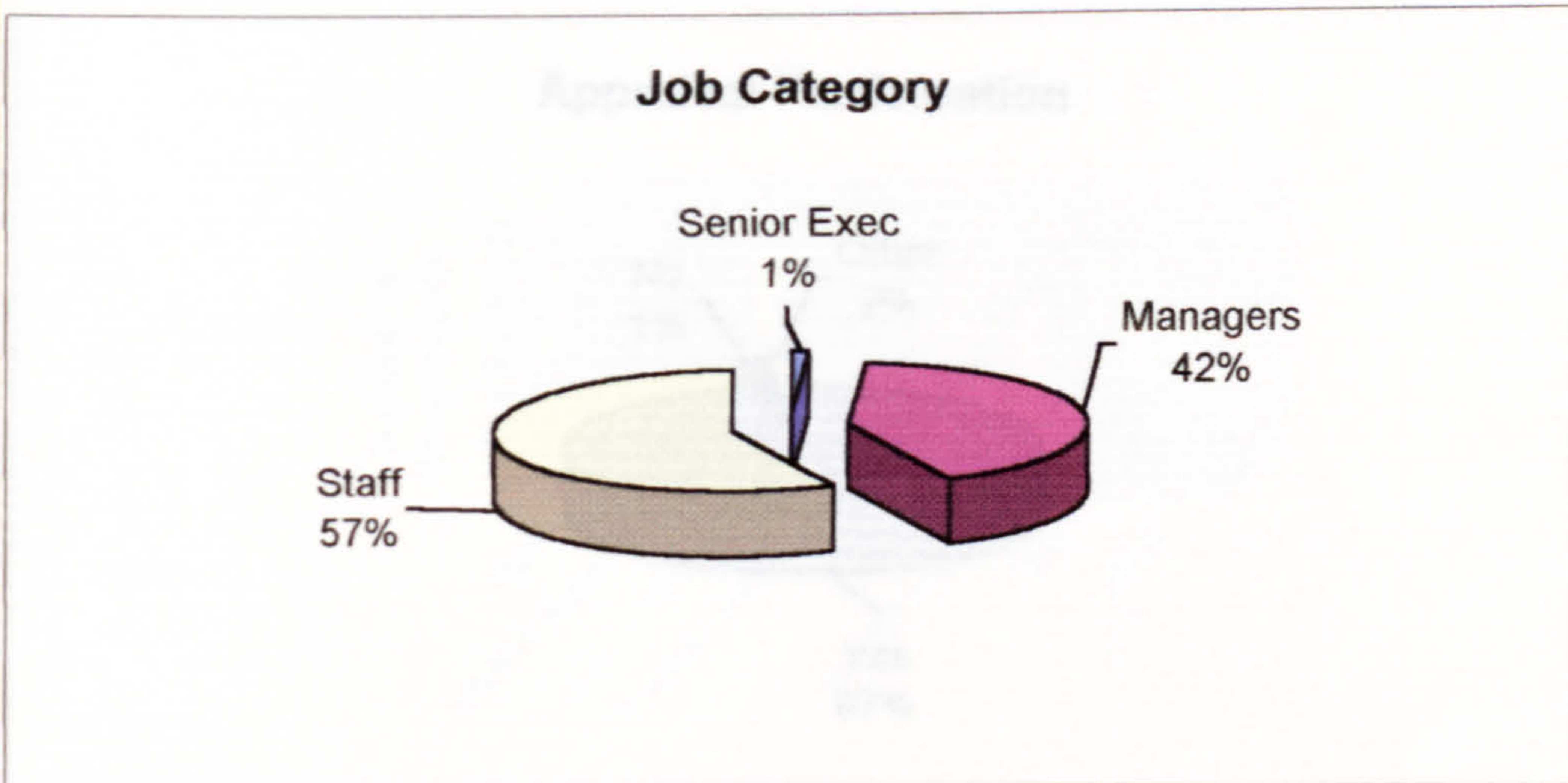
Performance Appraisal Questionnaire Results

All Companies

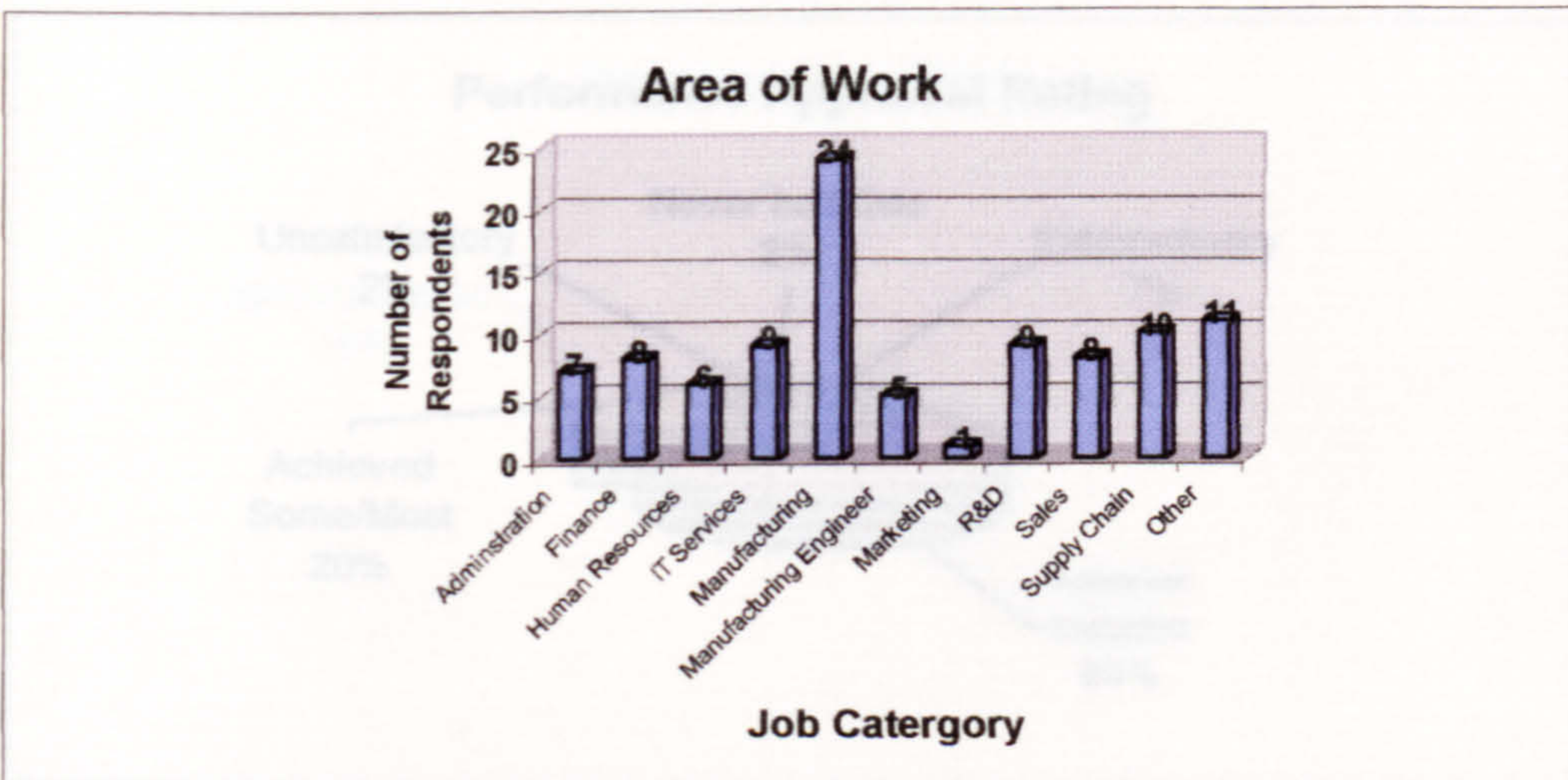
Q1
1A



Q2
1B



Q3
1C

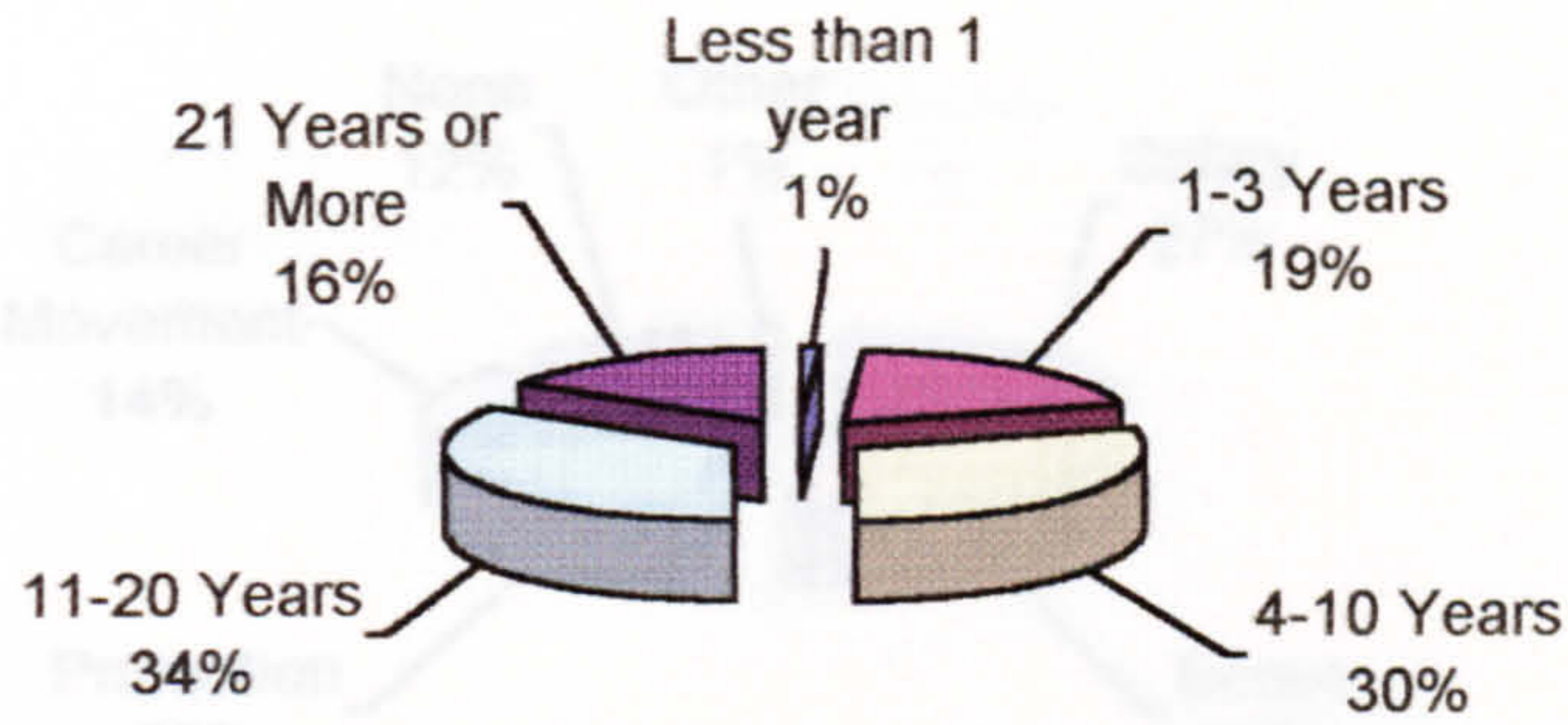


Performance Appraisal Questionnaire Results

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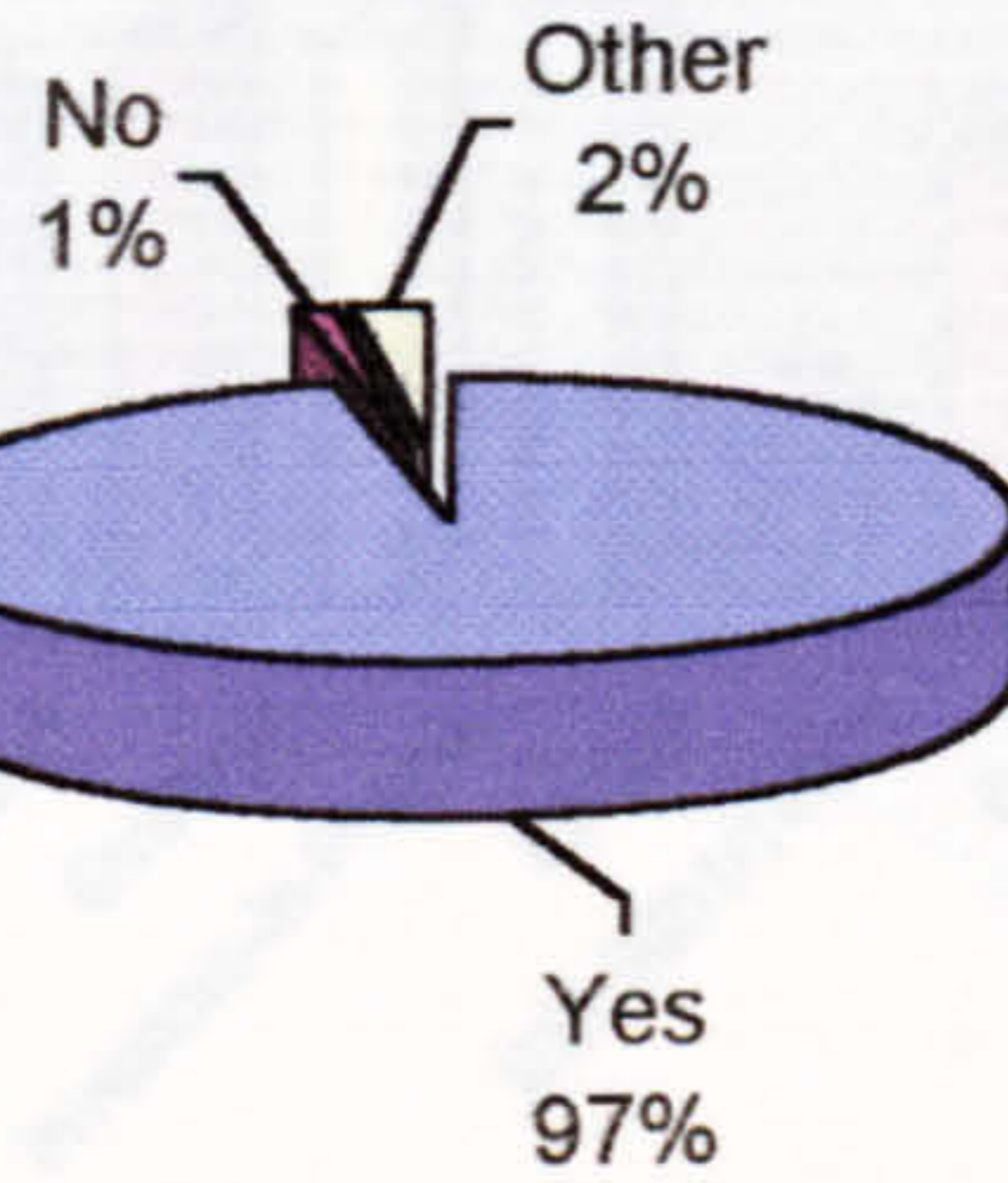
**Q4
1D**

Length of Service



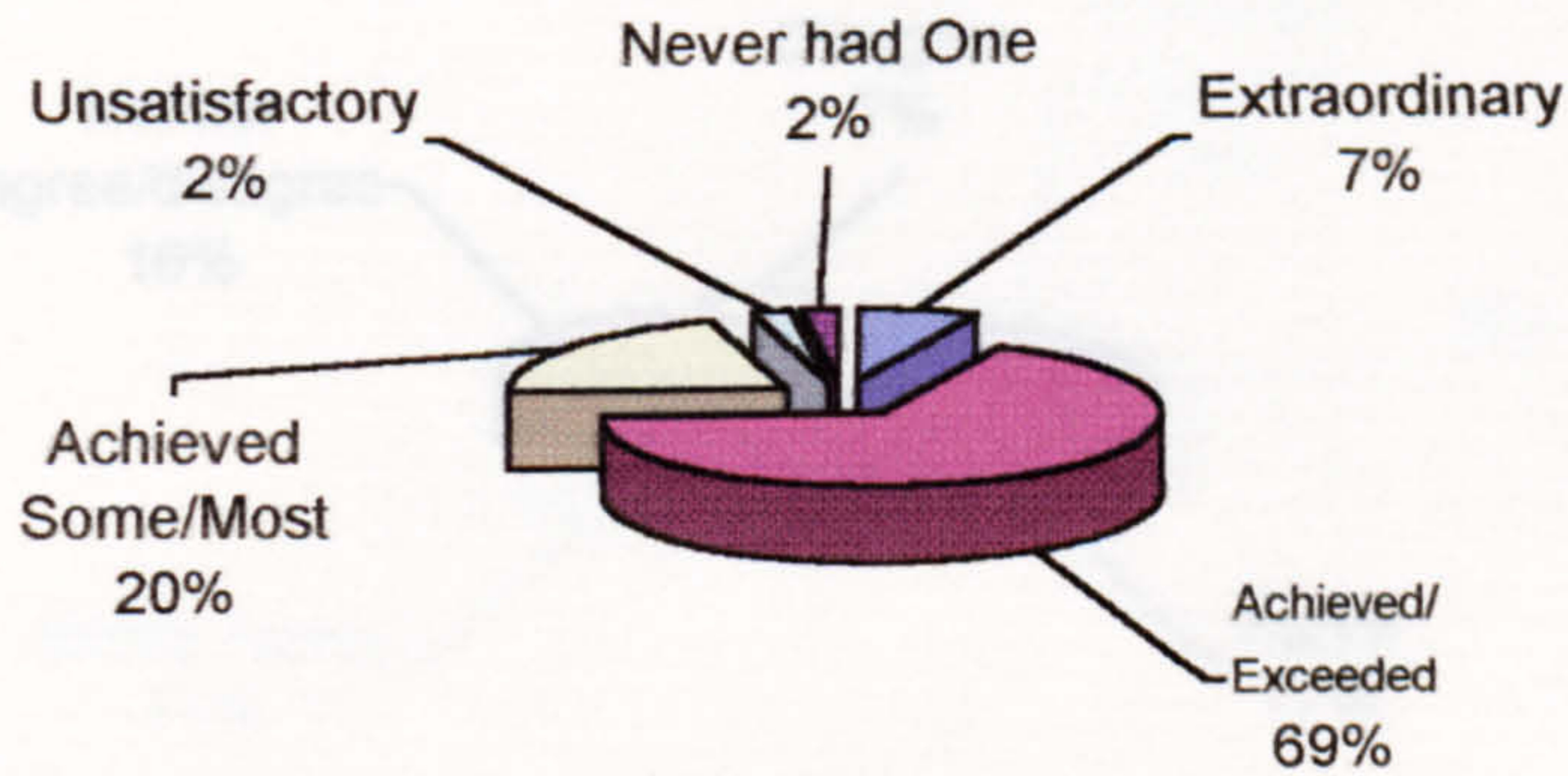
**Q5
1E**

Appraisal Participation



**Q6
1F**

Performance Appraisal Rating

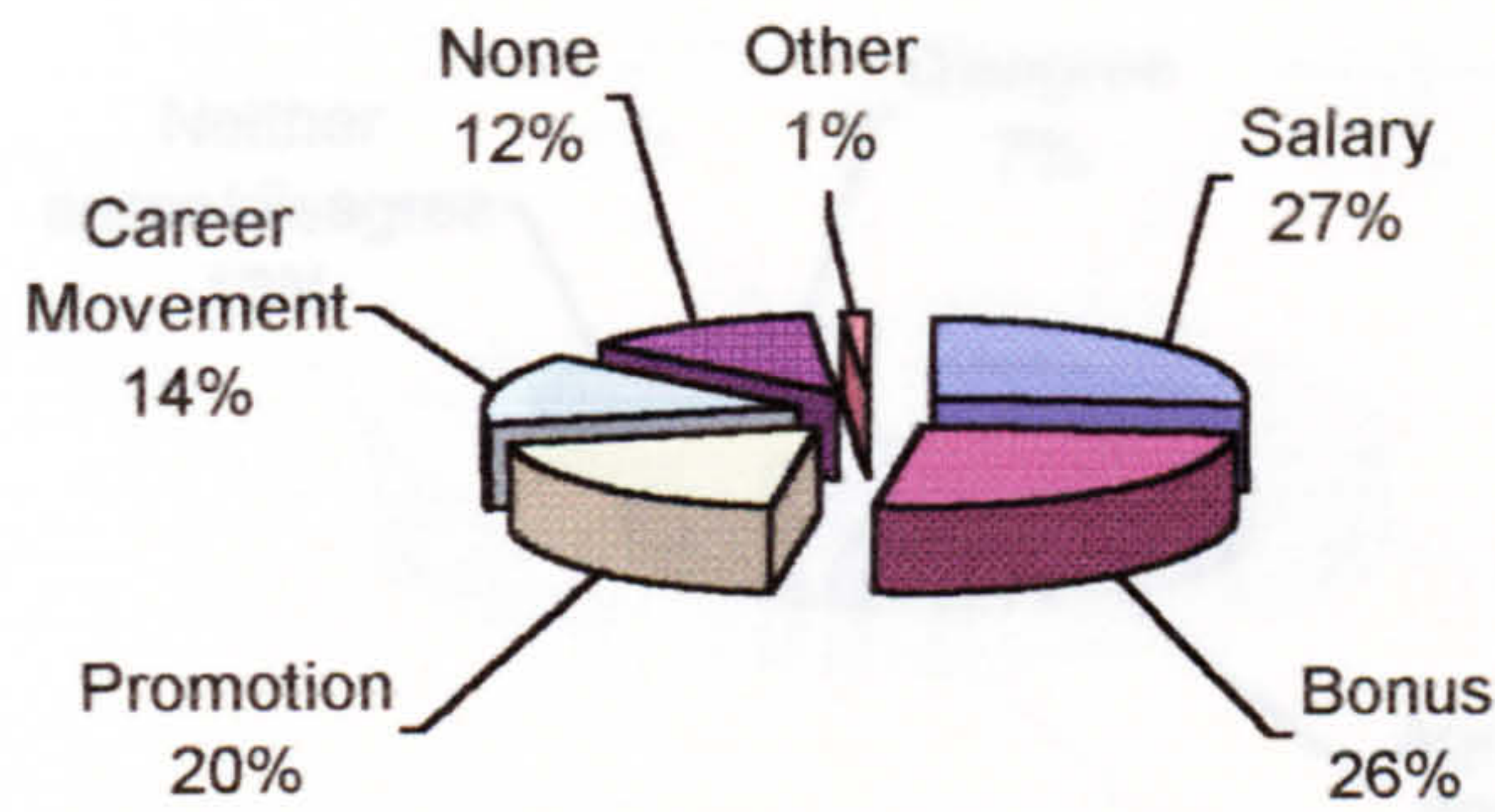


Performance Appraisal Questionnaire Results

All Companies

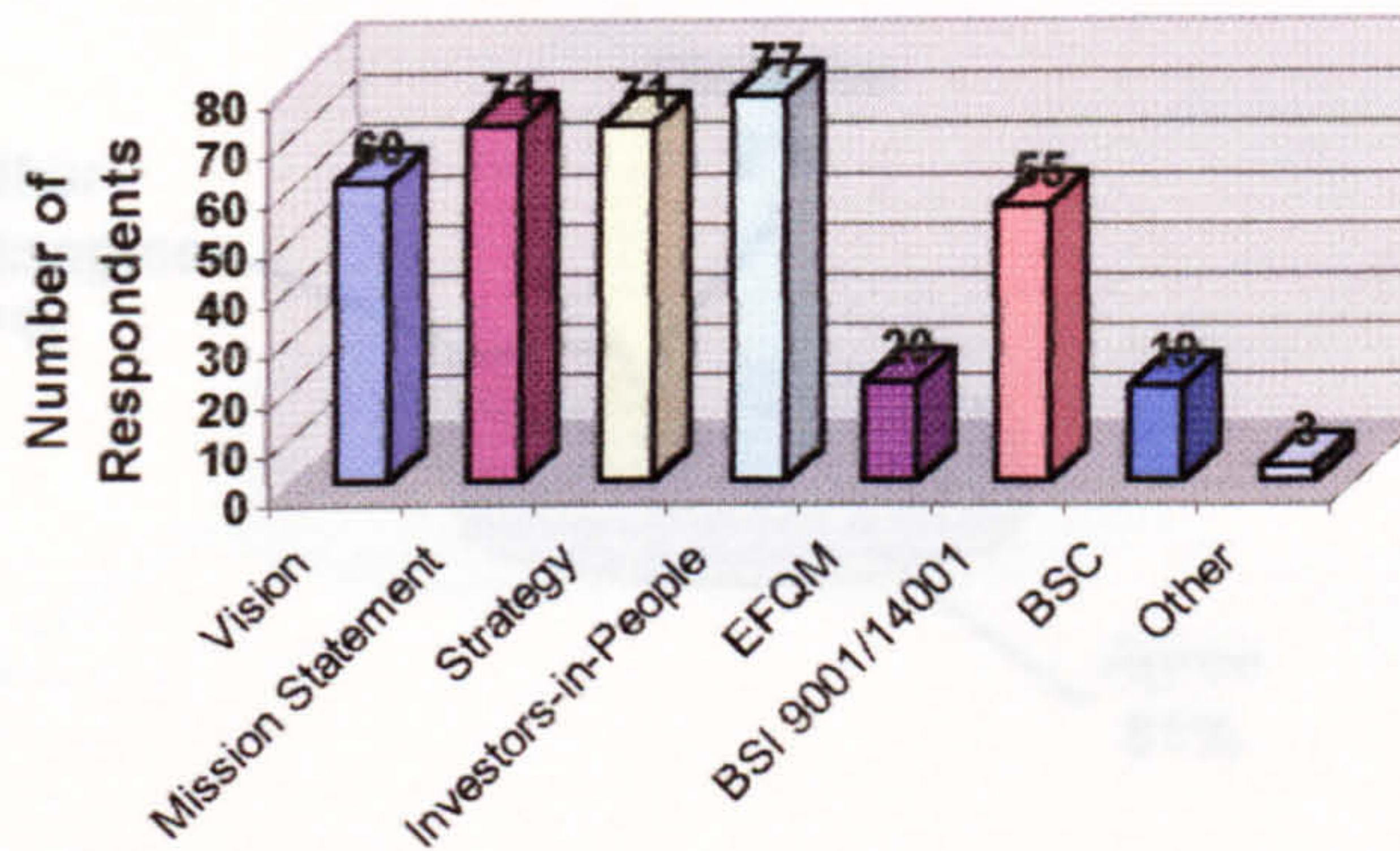
Q7
1G

Appraisal Linkage



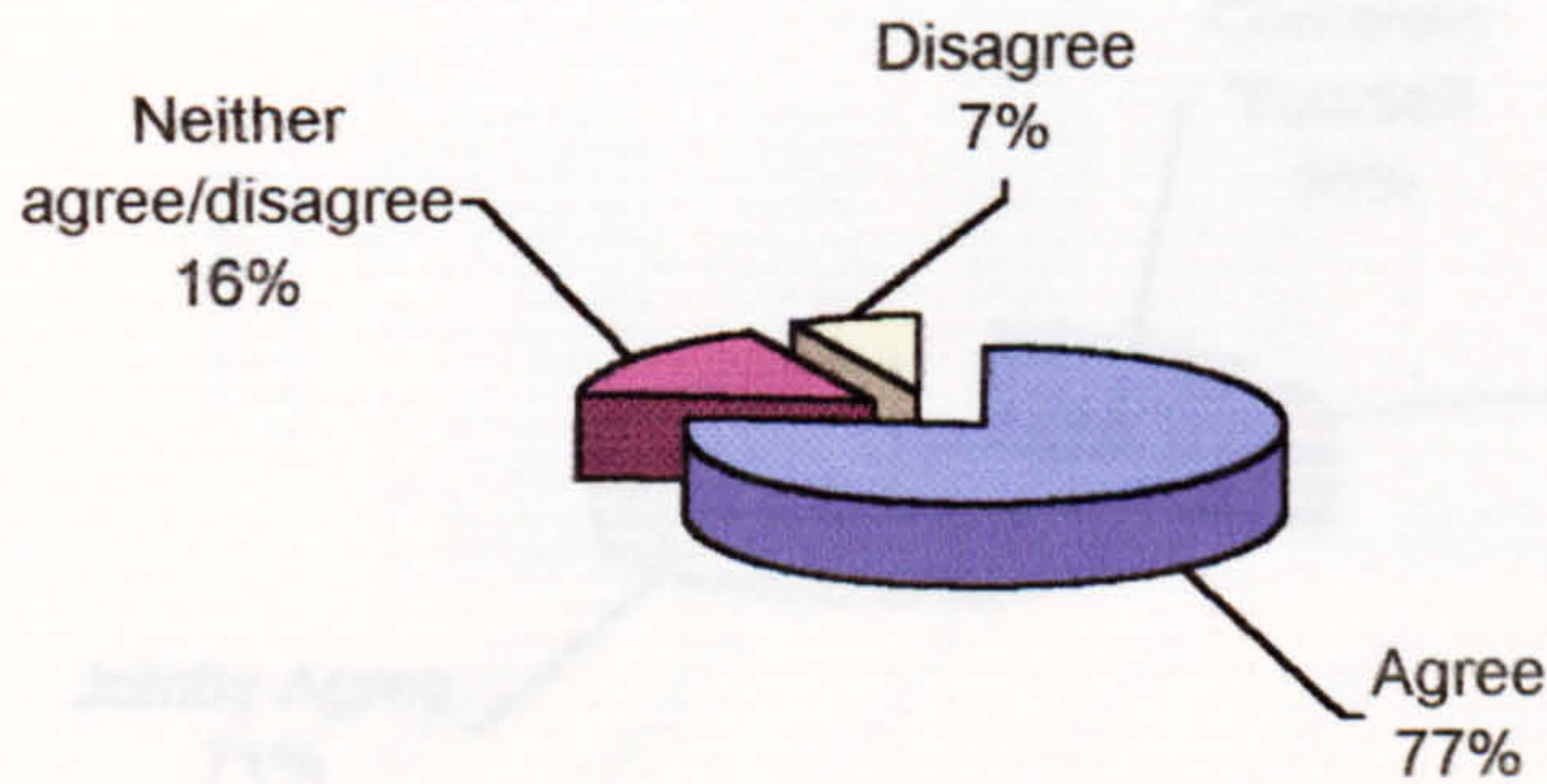
Q8
2A

Company Frameworks



Q9
2B

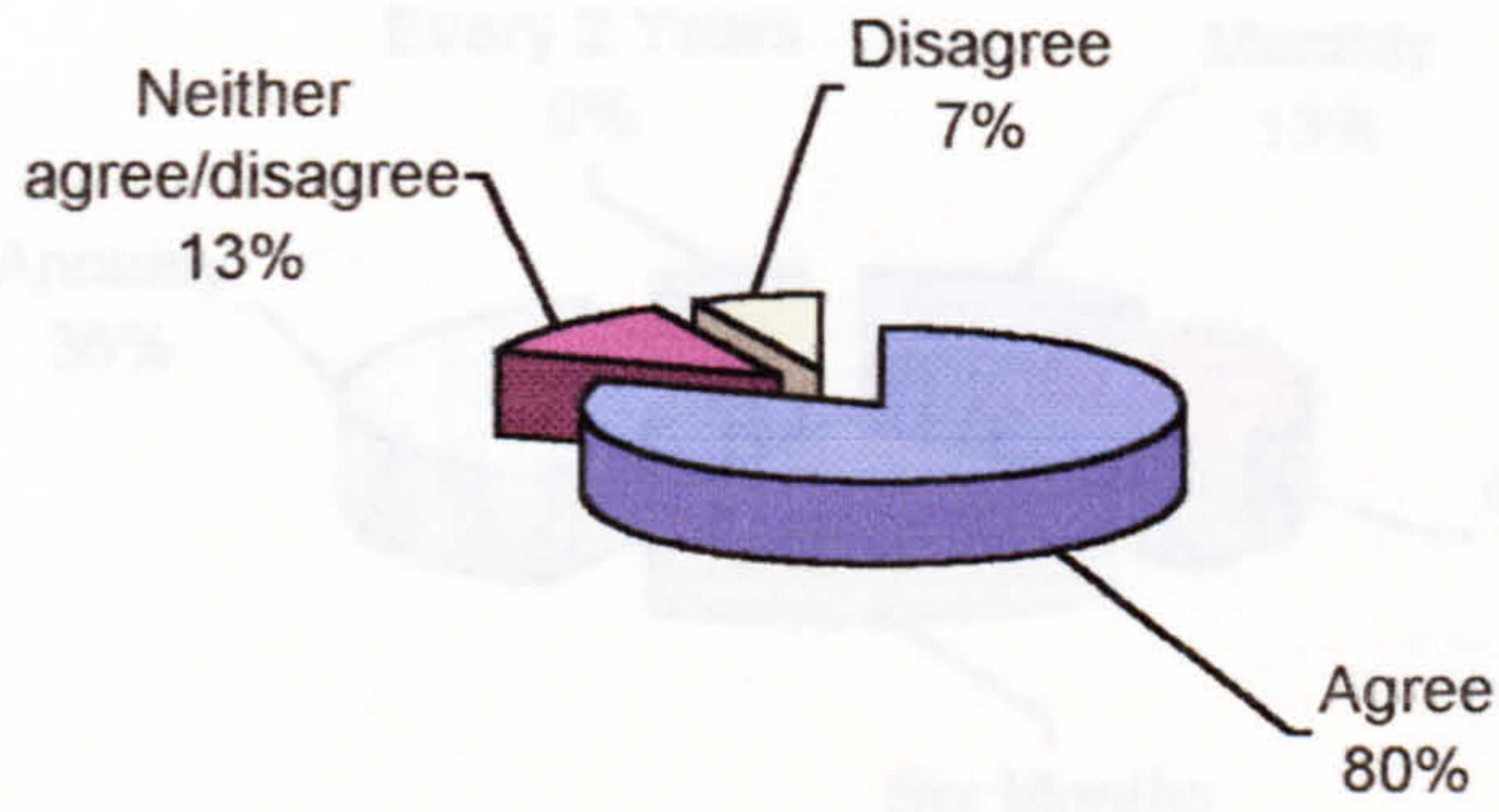
Direction from Mgt



Performance Appraisal Questionnaire Results
All Companies

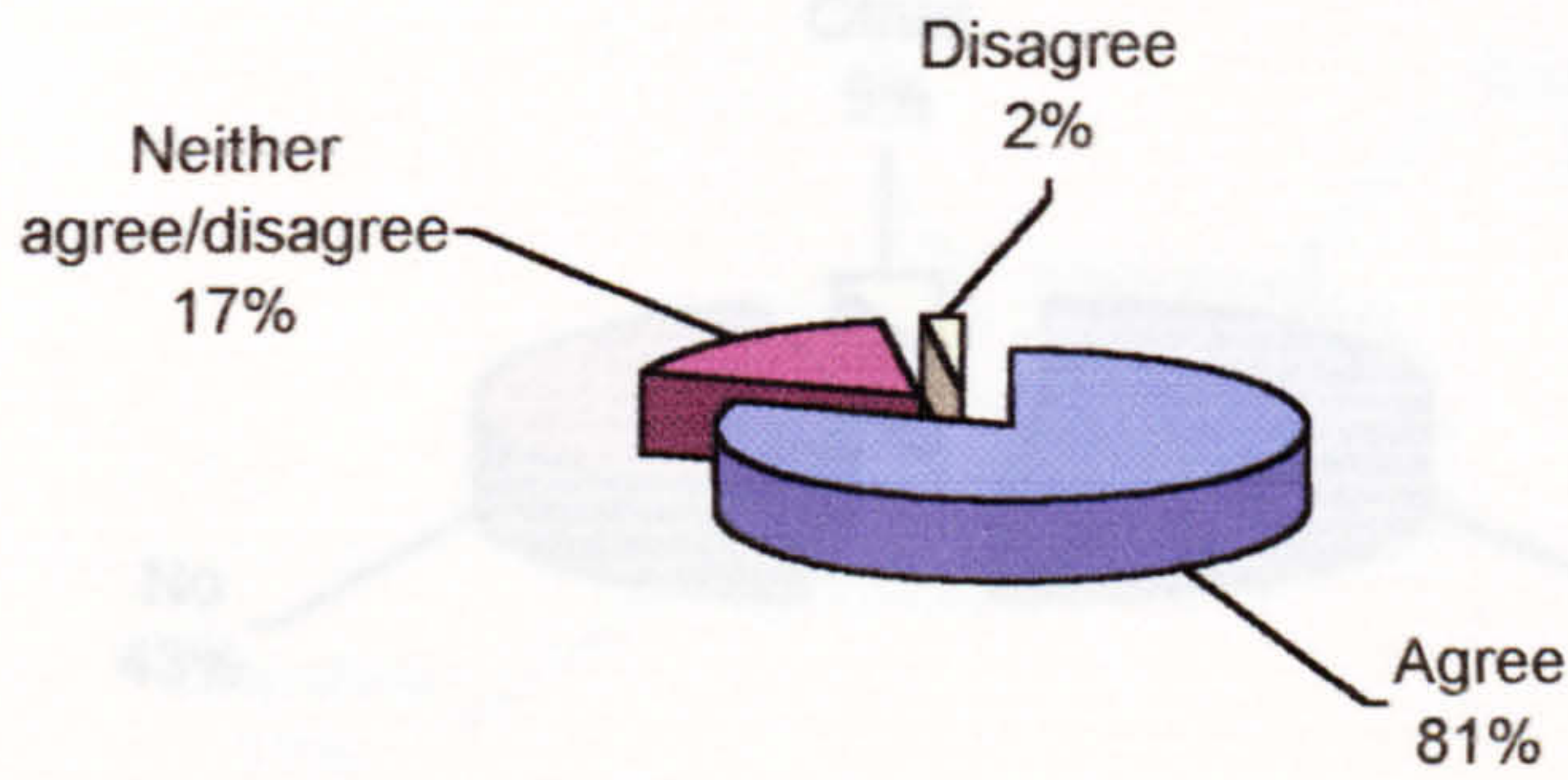
Q10
2C

Understand Company Strategy



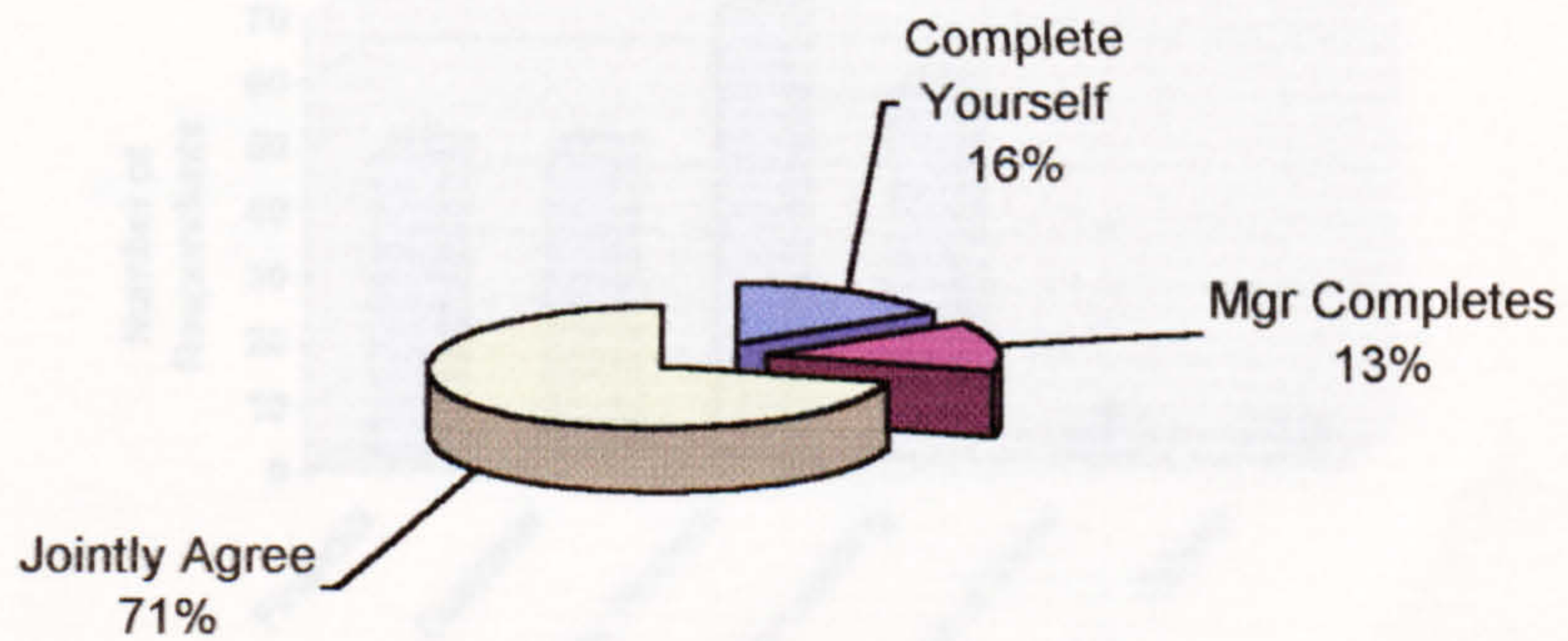
Q11
2D

Linkage between Me & Company Direction



Q12
3A

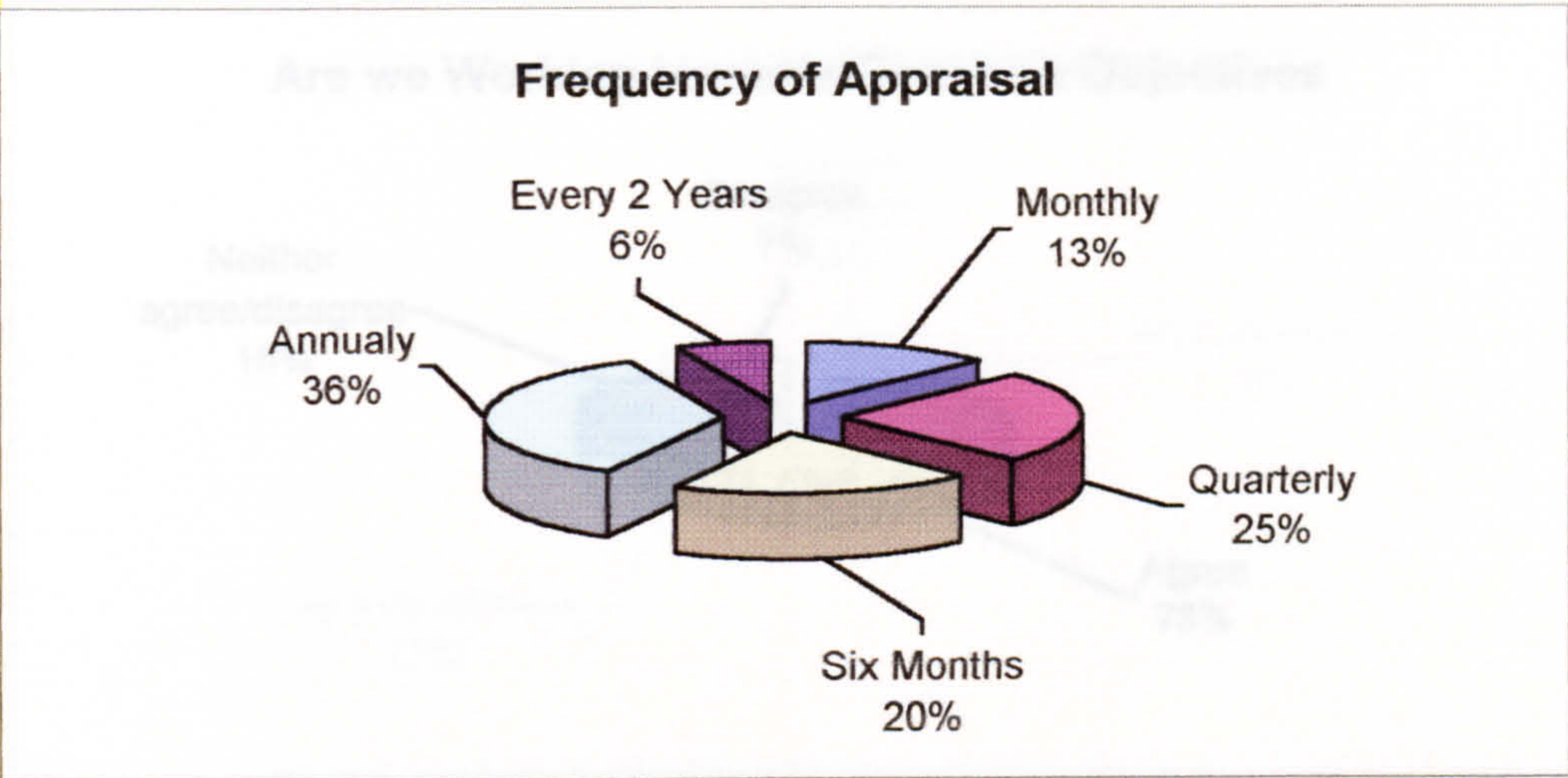
Objective Setting



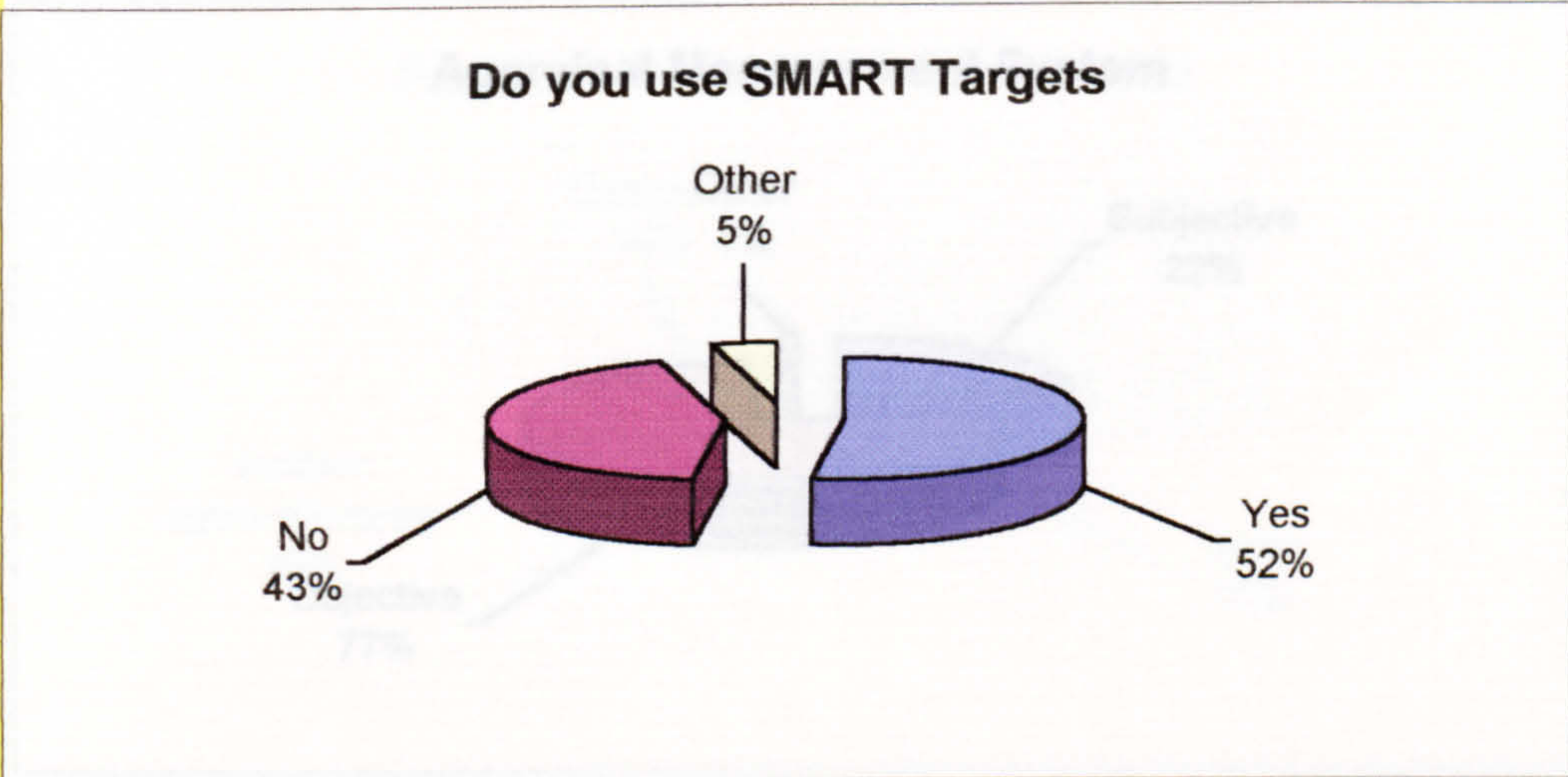
Performance Appraisal Questionnaire Results

All Companies

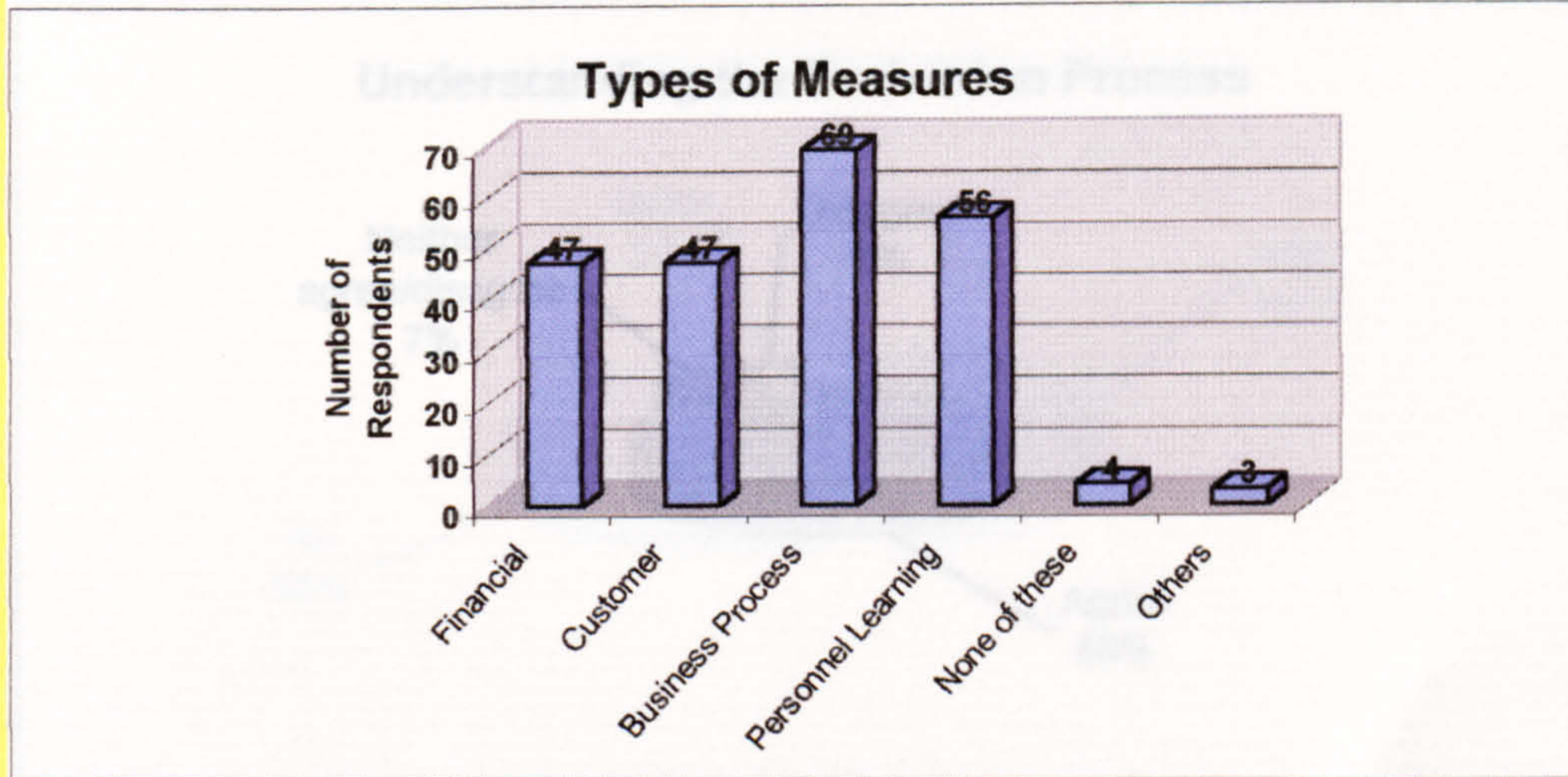
**Q13
3B**



**Q14
3C**

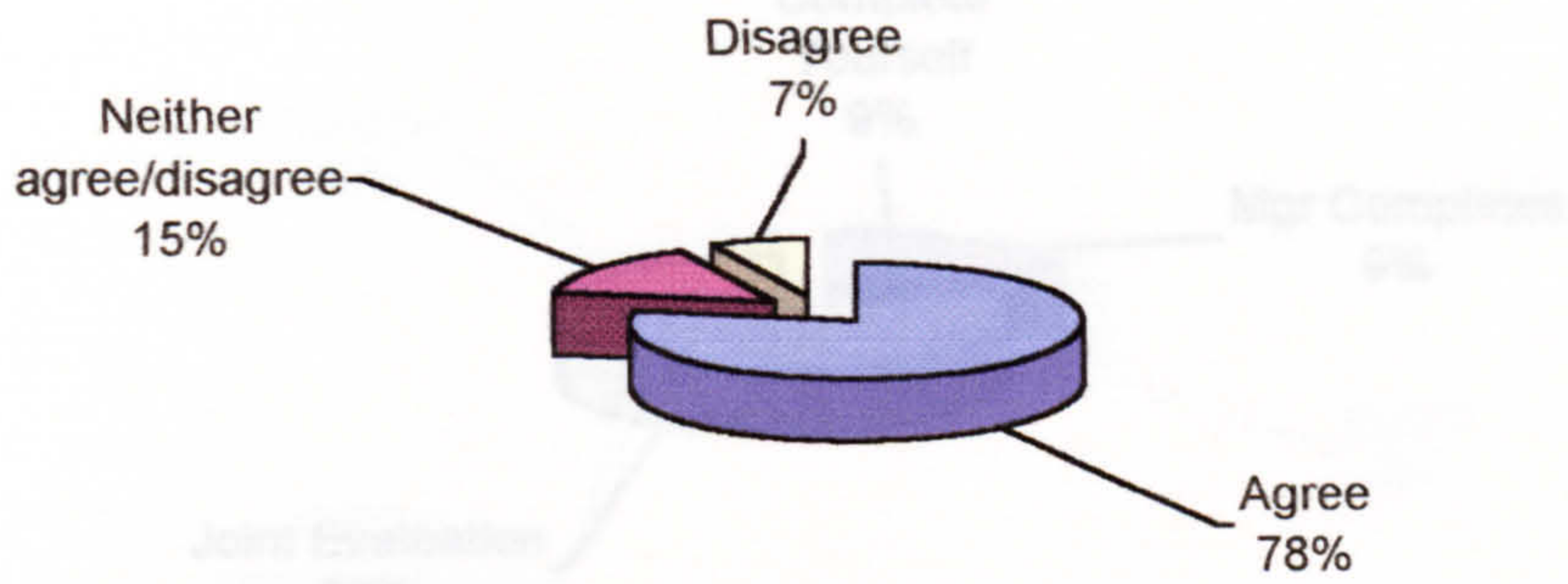


**Q15
3D**



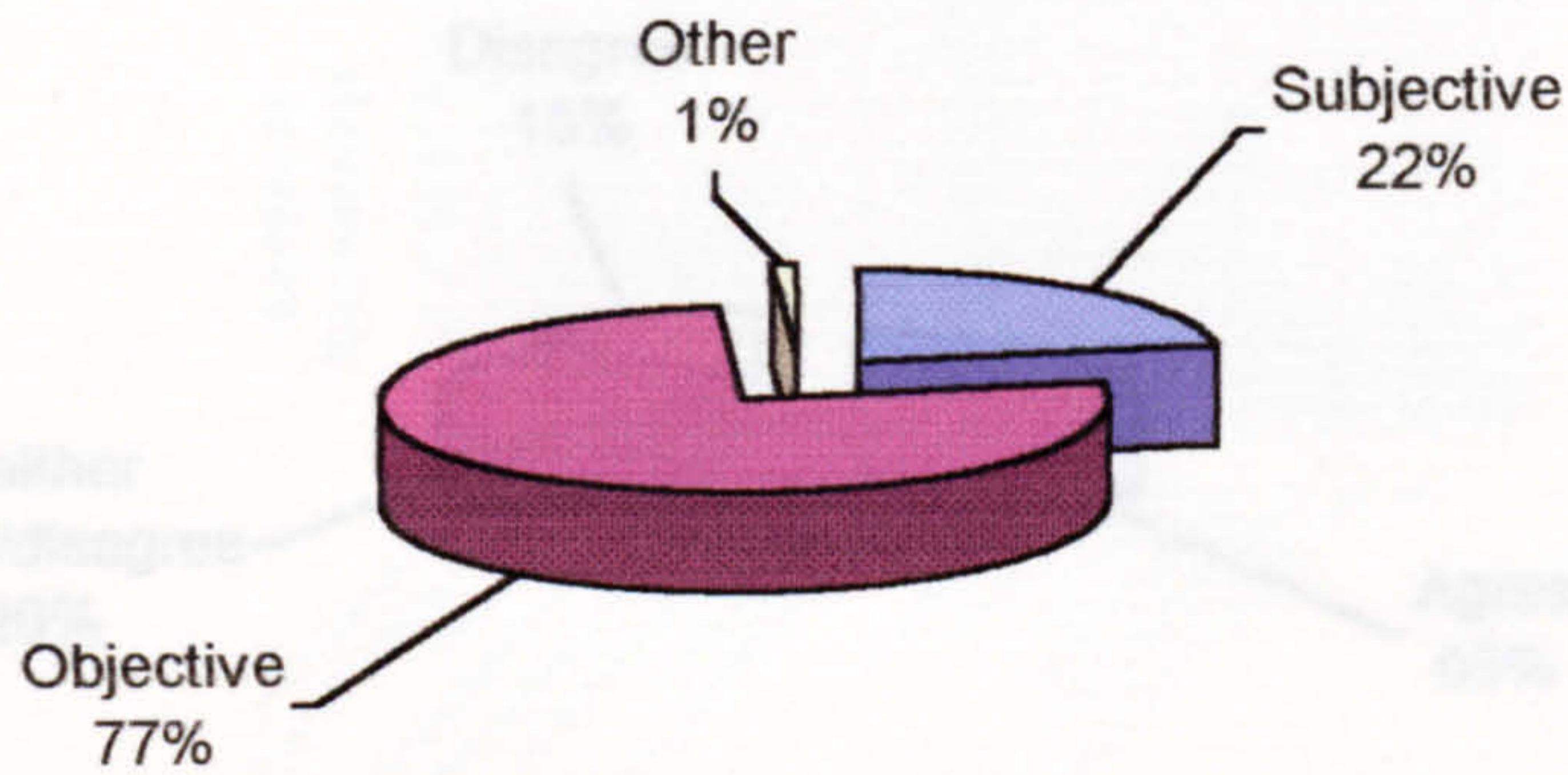
**Q16
3E**

Are we Working towards Common Objectives



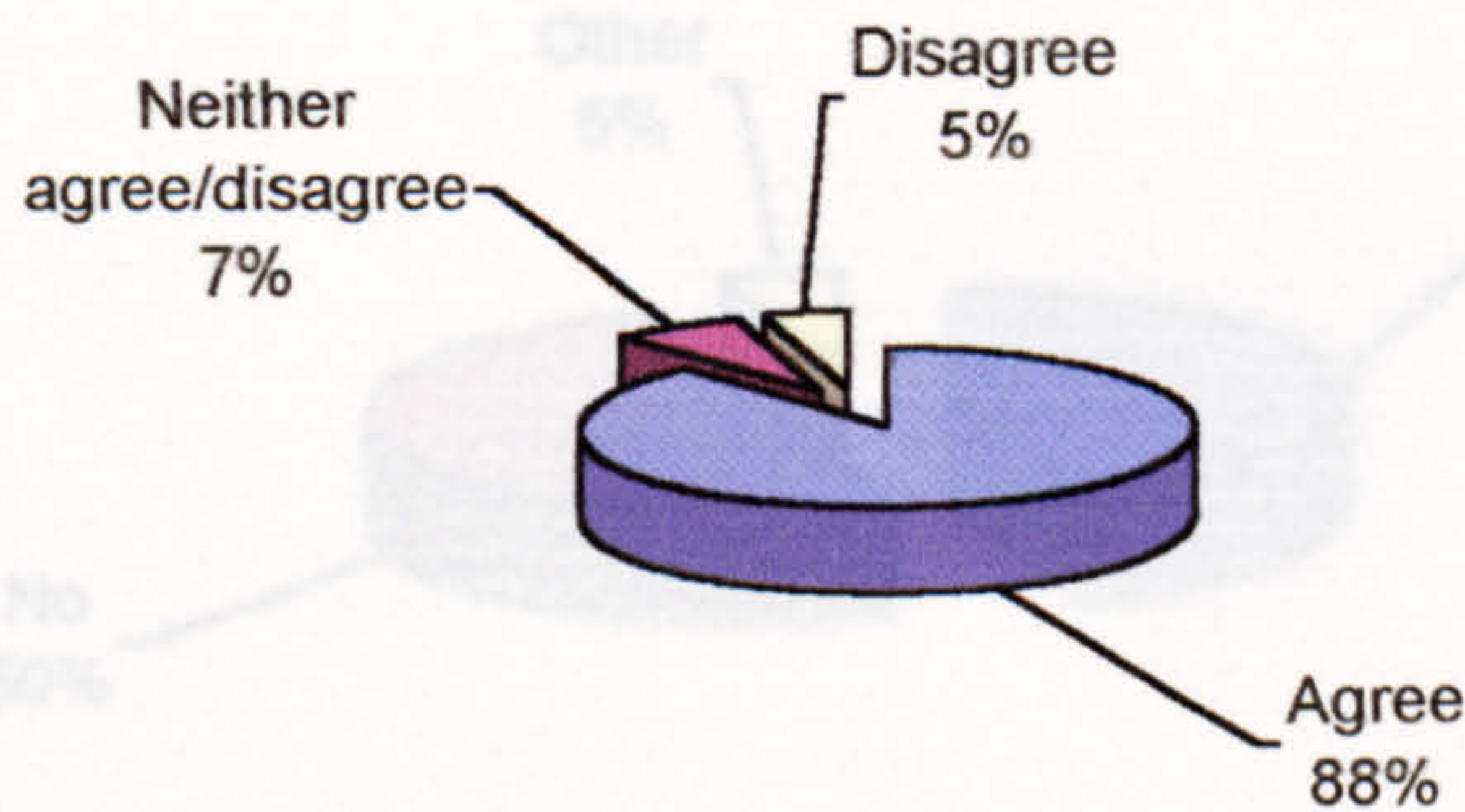
**Q17
4A**

Appraisal Measurement System



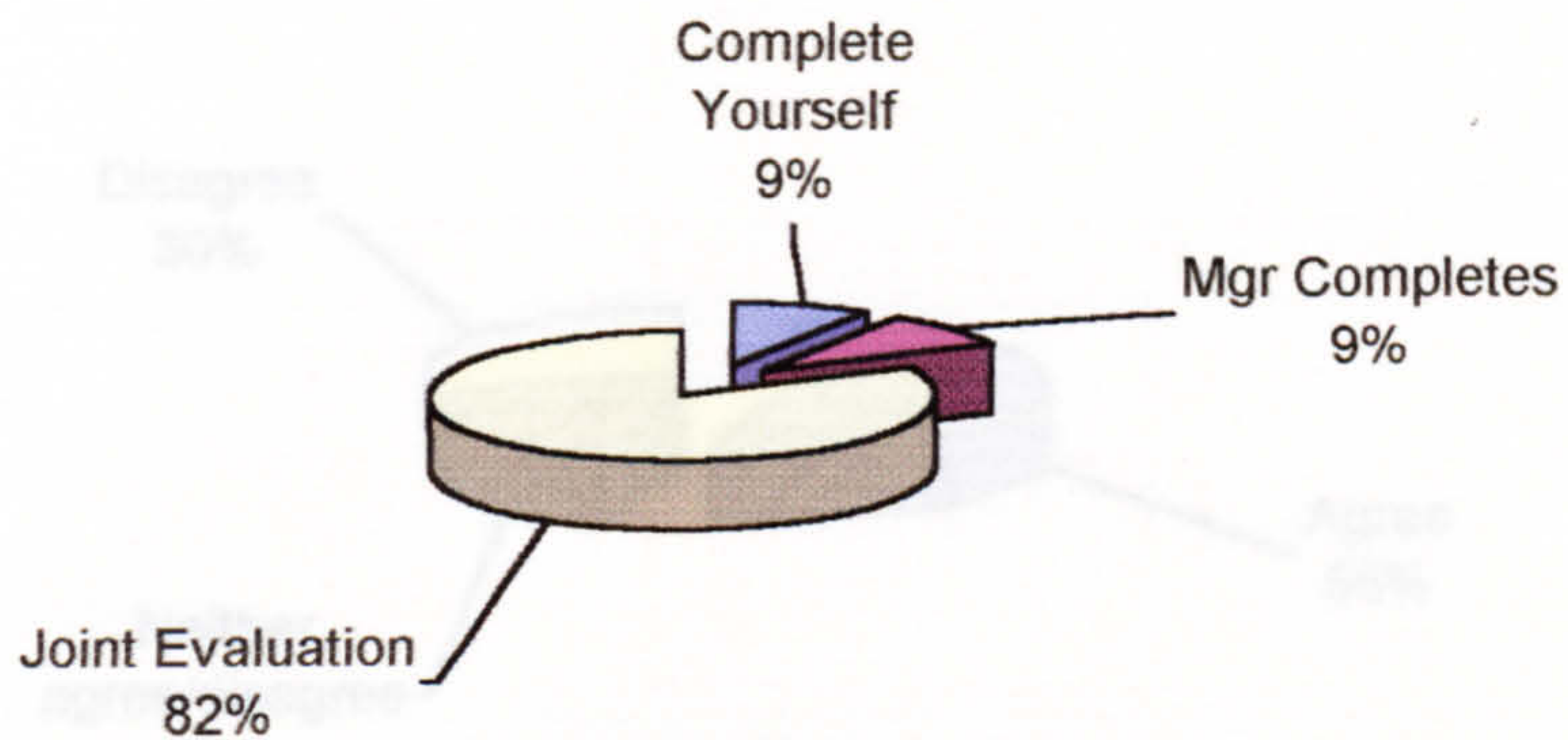
**Q18
4B**

Understanding the Evaluation Process



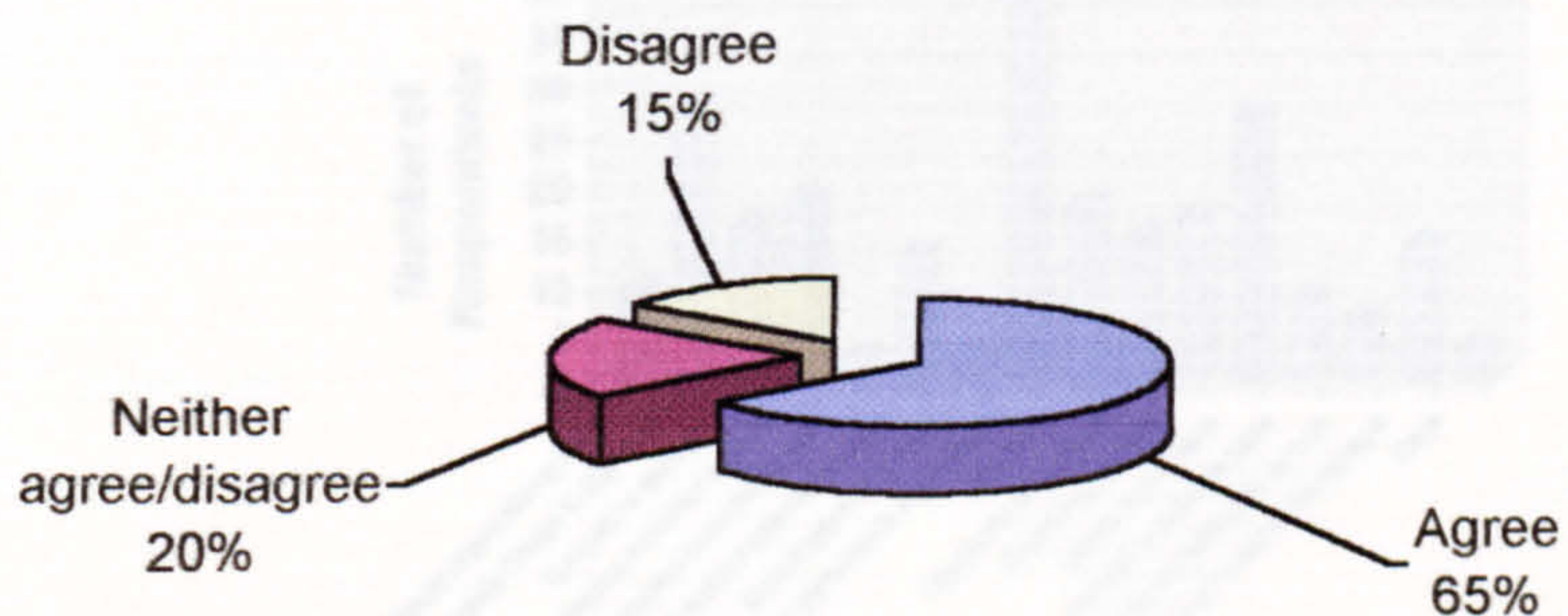
**Q19
4C**

Who Evaluates your Appraisal Results



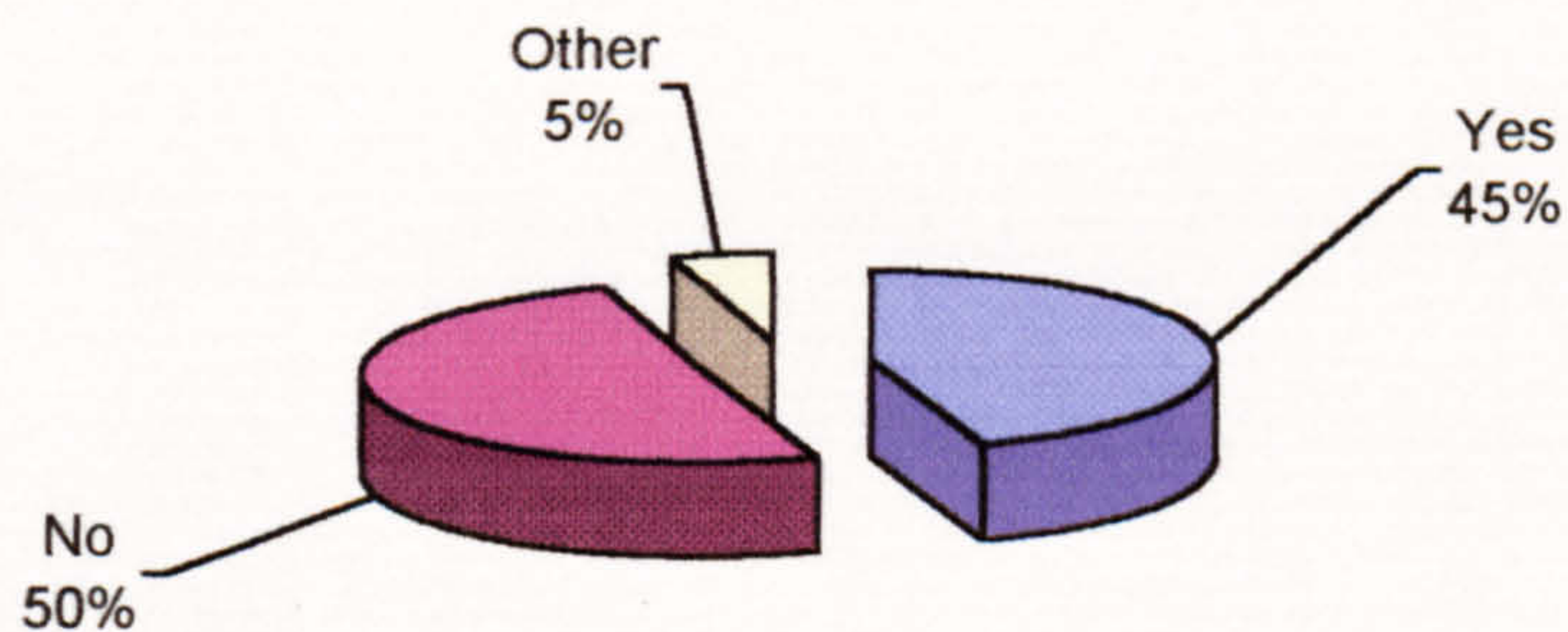
**Q20
5A**

Feedback to Improve Performance



**Q21
5B**

360-Degree Feedback

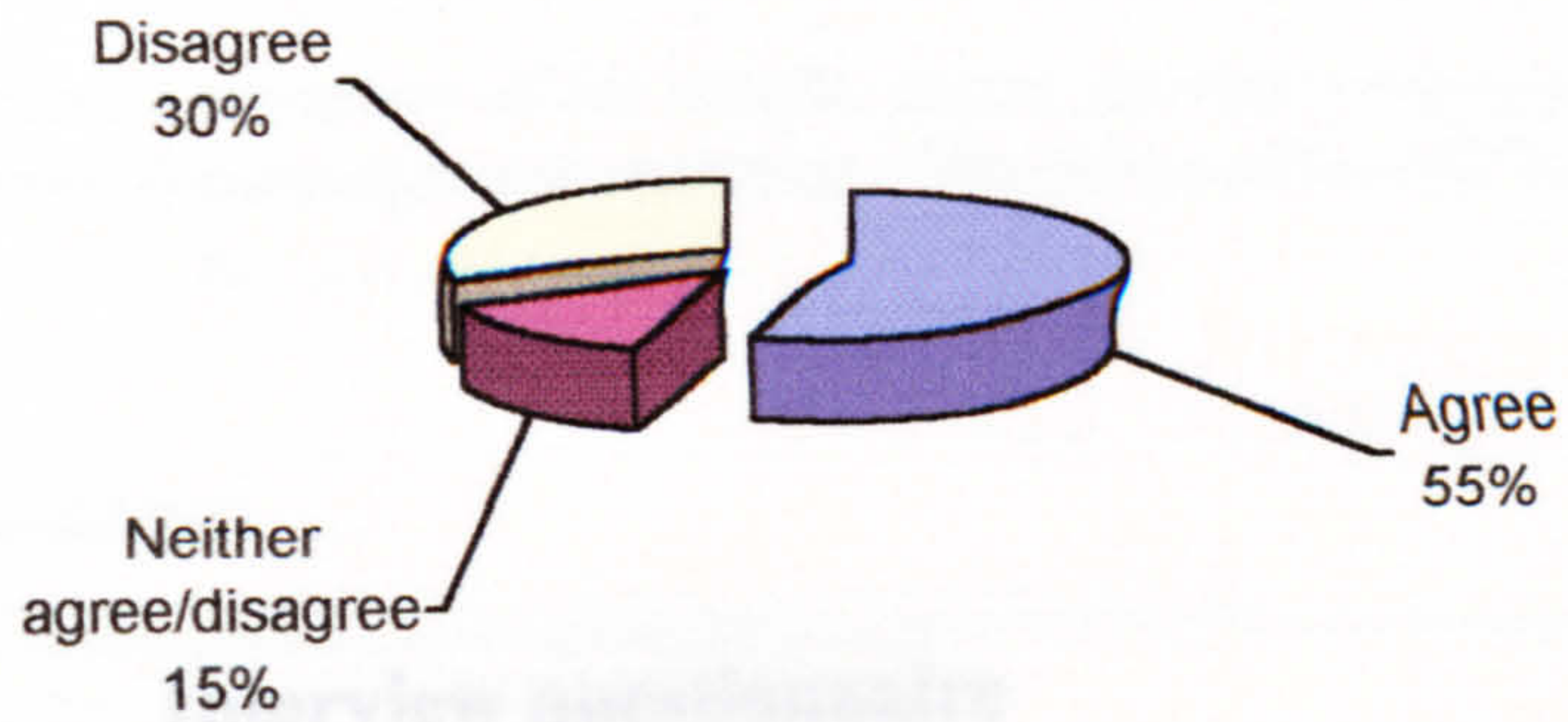


Performance Appraisal Questionnaire Results

All Companies

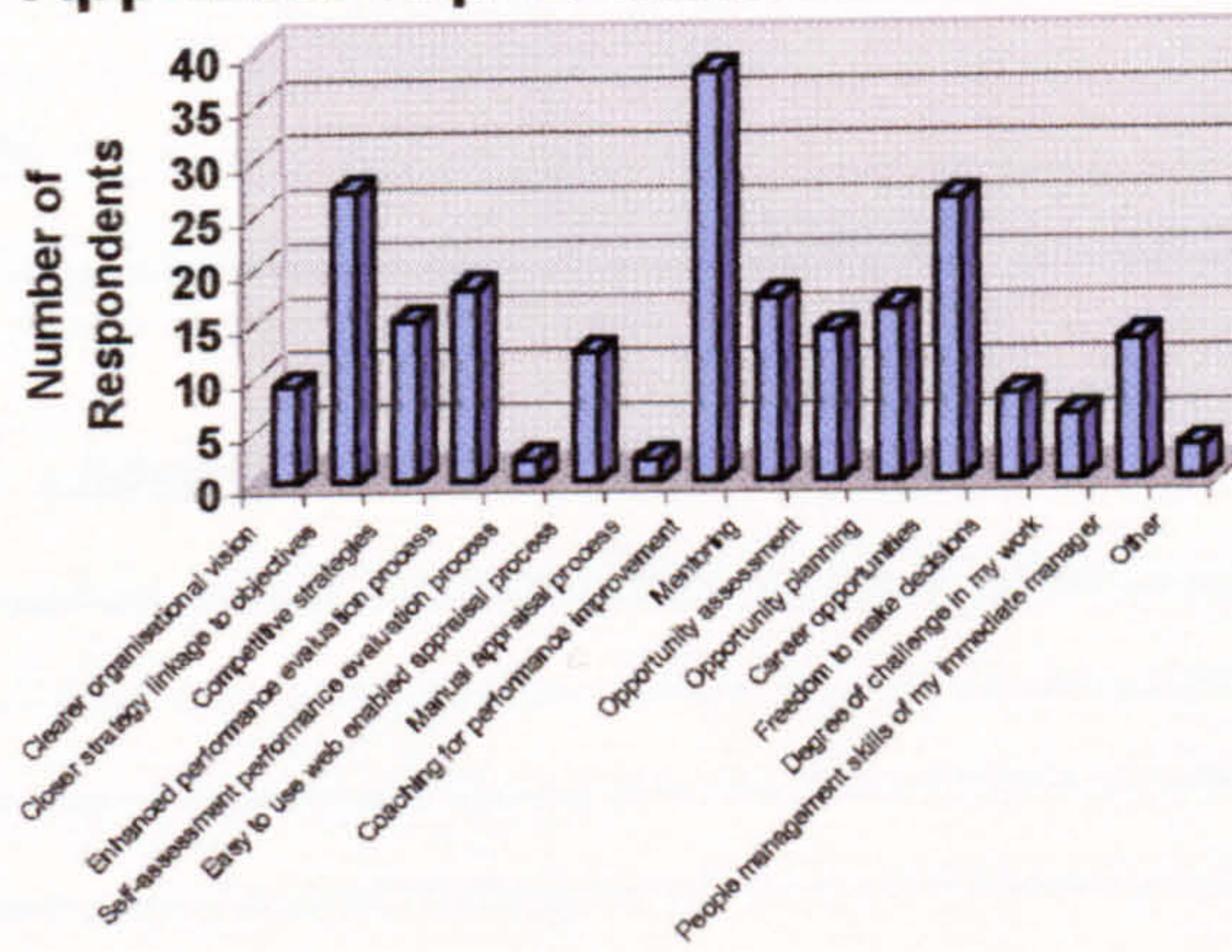
Q22
5C

Rewarded for their Performance



Q23
6

Appraisal Improvement Areas



Appendix 5

Survey questionnaire and interview

This survey is to be used as a precursor to the employee/researcher interview and should be completed prior to the discussion.

If you wish to receive a summary of the results, please provide your name, job title, and the name of your department and company. This information will be kept confidential.

1. Name of respondent

Interview questionnaire

2. Position of respondent

I. Survey format

II. Survey results analysis

3. Name of department

4. Name of company + address

5. e-Mail address if appropriate

6. Type of industry

Employee Survey - Performance Management research into the effect of strategy & performance measures on appraisal setting and achievement.

Survey questionnaire and interview

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Department of Design, Manufacturing & Engineering Management
University of Strathclyde, Glasgow**

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Section A: Detailed Appraisal Structure in this section the following statements highlight and measure your involvement in creating and developing your appraisal process.

Please indicate your responses by either placing a tick or a numeric value in the box.

1. When completing your appraisal input how many objectives do you list? (Total number of objectives).

2. What type of objectives do you have? (How many in each category)
 - a) Financial (costs, targets)
 - b) Customers (areas that improve ex/internal satisfaction)
 - c) Business Processes
 - d) Innovation & Personal Learning
 - e) Other (please specify) _____

3. Are the objectives set by you or for you by your team leader/manager?
 - a) Set by me and agreed with my leader/manager
 - b) Set by my leader/manager and agreed by me
 - c) Set by me and agreed with no one in the organisation
 - d) Set by my leader/manager and given to me
 - e) Other (please specify) _____

4. Do you have measurable targets in your objectives, what type do they represent?
 - a) Dates to be accomplished
 - b) Financial targets (cost parameters)
 - c) Numeric targets (production output)
 - d) Achievement targets (successful or fail)
 - e) Others (please specify) _____

5. How many measurable targets do you have in each category?
 - a) Financial measures
 - b) Customers measures
 - c) Business processes measures
 - d) Personal Learning measures
 - e) Other (please specify) _____

6. Please indicate the business strategy that your company follows?
 - a) Competing on cost
 - b) Competing through other means
 - c) Competing on both cost and differentiation
 - d) No particular strategy is followed
 - e) Other (please specify) _____

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Section B: Strategy & Appraisal Linkage in this section the following statements measure your understanding and involvement with the strategic direction of your organisation.

Please indicate the extent of your agreement with these statements by circling the appropriate response.

7. Involvement of the employee and leader/manager.	Strongly agree	Neither agree/nor disagree	Strongly disagree		
a) As an employee I actively seek to understand my company's business and the kind of competitive advantage it is pursuing.	1	2	3	4	5
b) I believe the strategic direction my company is pursuing is the right one.	1	2	3	4	5
c) I view my role as being <i>only</i> reactive to the demands of the business.	1	2	3	4	5
d) I am involved in strategy debates with my management team but only after they have been cascaded to the organisation.	1	2	3	4	5
e) My views on strategy issues are not <i>effectively</i> cascaded into the corporate policy debates.	1	2	3	4	5
f) As an employee of the company I spend most of my time in dealing with day-to-day operating issues.	1	2	3	4	5
g) As an employee I find it difficult to interpret the strategic direction into measurable objectives.	1	2	3	4	5
h) I view the strategic direction of the company as only affecting the senior management of the company.	1	2	3	4	5

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Section C: Strategy & Appraisal Linkage in this section the following statements measure the involvement and attitude of the leadership/manager towards strategy and the appraisal process.

Please indicate the extent of your agreement with these statements by circling the

appropriate response.

8. Involvement & attitude of the leader/manager.		Strongly agree	Neither agree/nor disagree	Strongly disagree		
a)	My leader / manager considers strategy to be incapable of influencing competitive success.	1	2	3	4	5
b)	My leader / manager minimises their involvement in strategic direction issues.	1	2	3	4	5
c)	My leader / manager actively encourages me to follow previous appraisal practices and the measurement process associated with this.	1	2	3	4	5
d)	My leader / manager views the development of objectives as important to the group success.	1	2	3	4	5
e)	My leader / manager assists with my appraisal objectives with regard to involving measurable targets.	1	2	3	4	5
f)	My leader / manager frequently communicates with me strategic direction in order to understand its importance within the appraisal process.	1	2	3	4	5
g)	I continually review my targets and development with my leader / manager and my achievement as it relates to strategy.	1	2	3	4	5

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Section D: Strategy & Appraisal Linkage in this section the following statements measure the relative importance of strategy and the linkage to the appraisal process.

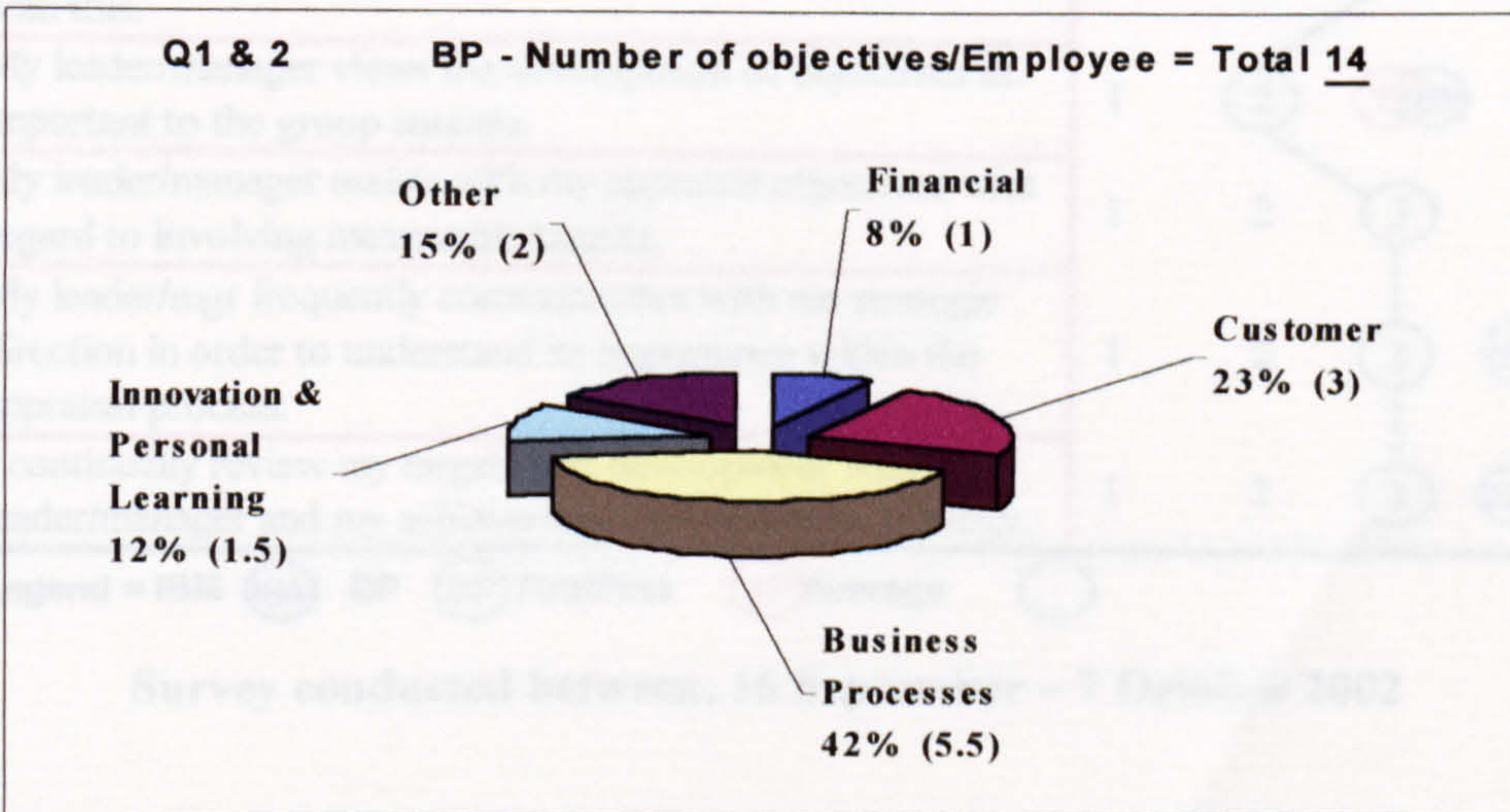
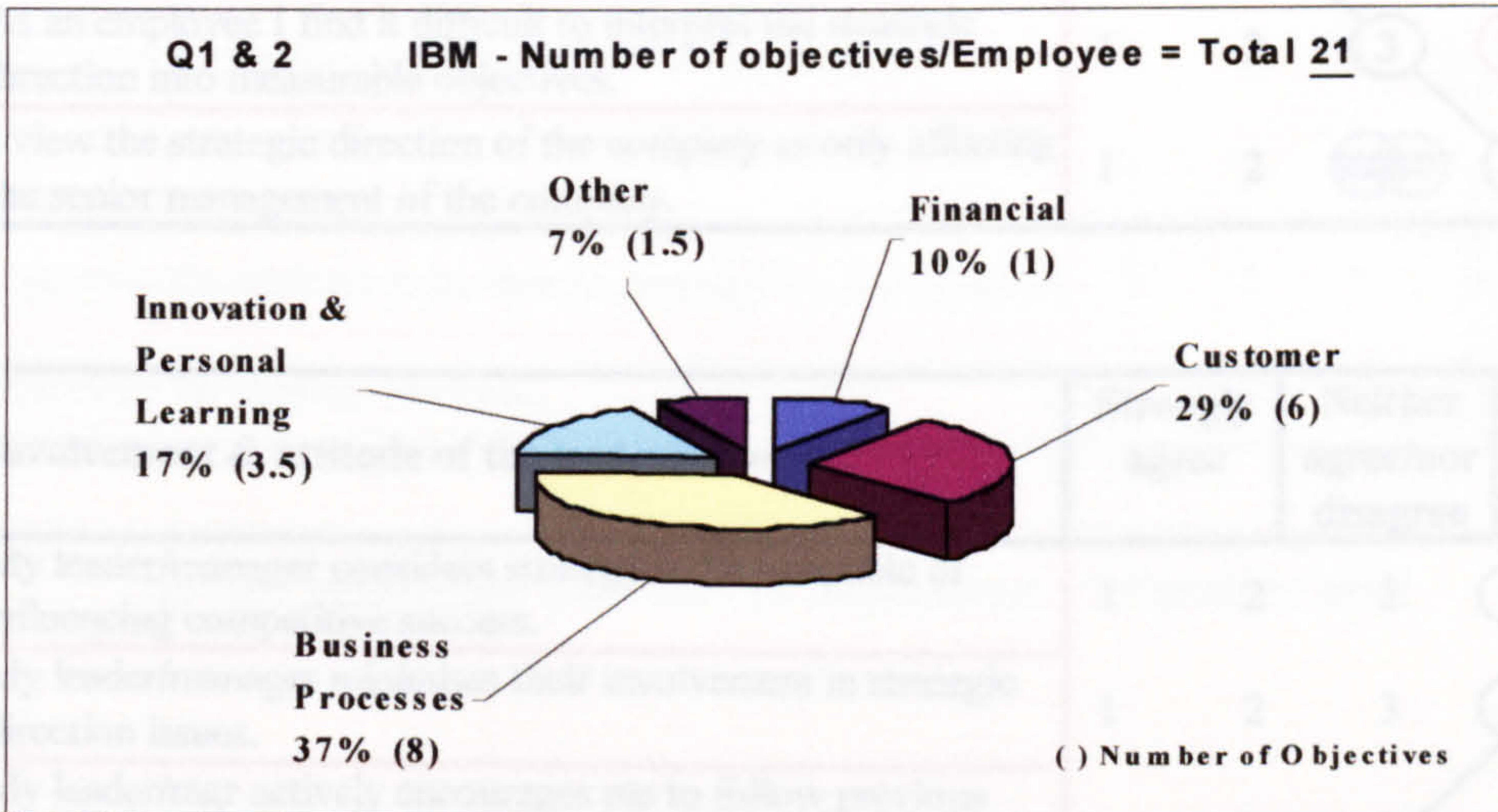
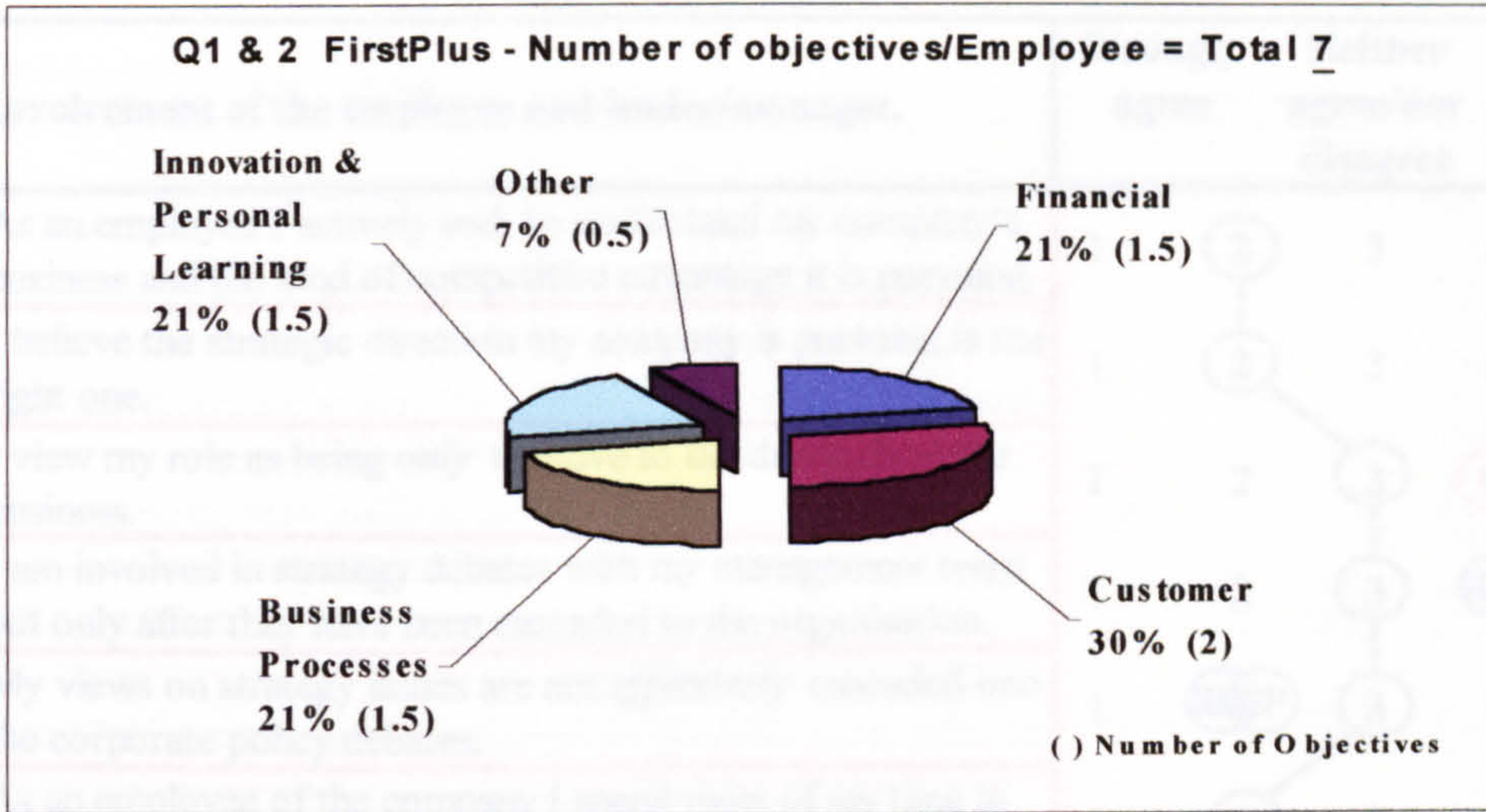
Please indicate the extent of your agreement with these statements by circling the appropriate response.

9. Strategy and appraisals:	Not important	Moderately important	Extremely important		
a) Close working relationship with my leader / manager is essential.	1	2	3	4	5
b) Appraisal processes as a tool to aid personal development.	1	2	3	4	5
c) Appraisal process as a aid to increasing operational efficiency.	1	2	3	4	5
d) Documenting your achievements.	1	2	3	4	5
e) Understanding the company's strategy / goals.	1	2	3	4	5
f) Developing a strategy for your group from the corporate one.	1	2	3	4	5
g) Understanding the group / departments strategy / goals.	1	2	3	4	5
h) Frequent feedback on performance success and failure.	1	2	3	4	5
i) Having measures that relate to my tasks and operational unit that can be achieved.	1	2	3	4	5
j) Provision for strategies to be clearly cascaded to all employees.	1	2	3	4	5
k) Provision for strategy feedback.	1	2	3	4	5

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Analysis of Questions from Employee Interview Survey

Companies: FirstPlus/IBM/BP



Survey conducted between, 16 September – 7 October 2002

Analysis of Questions from Employee Interview Survey

Companies: FirstPlus/IBM/BP

Q7	Involvement of the employee and leader/manager.	Strongly agree	Neither agree/nor disagree	Strongly disagree
a)	As an employee I actively seek to understand my company's business and the kind of competitive advantage it is pursuing.	1	2	3 4 5
b)	I believe the strategic direction my company is pursuing is the right one.	1	2	3 4 5
c)	I view my role as being <i>only</i> reactive to the demands of the business.	1	2	3 4 5
d)	I am involved in strategy debates with my management team but only after they have been cascaded to the organisation.	1	2	3 4 5
e)	My views on strategy issues are not <i>effectively</i> cascaded into the corporate policy debates.	1	2	3 4 5
f)	As an employee of the company I spend most of my time in dealing with day-to-day operating issues.	1	2	3 4 5
g)	As an employee I find it difficult to interpret the strategic direction into measurable objectives.	1	2	3 4 5
h)	I view the strategic direction of the company as only affecting the senior management of the company.	1	2	3 4 5

Q8	Involvement & attitude of the leader/manager.	Strongly agree	Neither agree/nor disagree	Strongly disagree
a)	My leader/manager considers strategy to be incapable of influencing competitive success.	1	2	3 4 5
b)	My leader/manager minimises their involvement in strategic direction issues.	1	2	3 4 5
c)	My leader/mgr actively encourages me to follow previous appraisal practices and the measurement process associated with this.	1	2	3 4 5
d)	My leader/manager views the development of objectives as important to the group success.	1	2	3 4 5
e)	My leader/manager assists with my appraisal objectives with regard to involving measurable targets.	1	2	3 4 5
f)	My leader/mgr frequently communicates with me strategic direction in order to understand its importance within the appraisal process.	1	2	3 4 5
g)	I continually review my targets and development with my leader/manager and my achievement as it relates to strategy.	1	2	3 4 5

Legend = IBM (IBM) BP (BP) FirstPlus (1P) Average (○)

Survey conducted between, 16 September – 7 October 2002

Analysis of Questions from Employee Interview Survey

Companies: FirstPlus/IBM/BP

Q9	Strategy and appraisals:	Not important		Moderately important	Extremely important	
a)	Close working relationship with my leader/mgr is essential.	1	2	3	4	5
b)	Appraisal processes as a tool to aid personal development.	1	2	3	4	5
c)	Appraisal process as a aid to increasing operational efficiency.	1	2	3	4	5
d)	Documenting your achievements.	1	2	3	4	5
e)	Understanding the company's strategy / goals.	1	2	BP	4	5
f)	Developing a strategy for your group from the corporate one.	1	2	BP	4	5
g)	Understanding the group / departments strategy / goals.	1	2	3	4	5
h)	Frequent feedback on performance success and failure.	1	2	3	4	5
i)	Having measures that relate to my tasks and operational unit that can be achieved.	1	2	3	4	5
j)	Provision for strategy to be clearly cascaded to all employees.	1	2	3	4	5
k)	Provision for strategy feedback.	1	2	3	4	5

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