

# IMPLEMENTING EMPLOYEE PERFORMANCE MANAGEMENT SYSTEM: A SCOPING REVIEW

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**Abstract**— The implementation of any system requires meticulous planning and a careful execution. When it comes to human resource, the system implementation becomes even more challenging. In this paper an effort has been made to identify the various parameters that need to be taken into account while implementing a performance management system (PMS) and to list the various causes for the failure of PMS in an organization during its implementation. A scoping review method of the literature has been used to study and classify the various causes for the failures. The limitation of this paper is that it uses only the literature which is published and available from the online database journals.

The practical implication of the study is that the managers who are involved with the implementation of the PMS can use these as a checklist, to be better prepared and avoid making the same mistakes again. This paper is a compilation of the scattered literature on the problems faced in the implementation of the PMS. It may be used as a guide to avoid any pitfalls while implementing new systems or while modifying the existing system.

**Keywords**— Performance Management System, Performance Appraisal, Employee Performance, Performance Measurement.

## I. INTRODUCTION

As the popular saying goes that the fools learn from their own mistake, whereas the wise learn from the mistakes of others. The implementation of PMS system though technically speaking will be different for each organization, it would be wise to look at the literature to avoid the common pitfalls. This would act as a moral compass or a checklist for the managers. It is always good to have this checklist which would guide them on what pitfalls should be avoided when implementing a PMS.

A well implemented PMS would lead to higher employee engagement and a more committed workforce (Kapoor & Meachem, 2012). Employee engagement on the other hand has proved to have a significant impact on the employee performance (Anitha, 2014; Kataria, Rastogi, & Garg, 2013). An improvement in employee performance would future lead to an increase in the organizational performance (Savaneviciene & Stankeviciute, 2010)

The comprehensive framework suggested by Clardy, (2013) shows that any PMS survives at four levels i.e. executive leadership, organizational infrastructure, human resource policies and procedures, and workplace working conditions.

Taylor & Taylor (2013) had used empirical data collected from 349 UK manufacturing firms, they identified six potential factors from an item pool resulting from a widespread review of the literature. Later regression analysis revealed that the six factors have a substantial influence on the effectiveness of the PMS implementation. These factors were characterized into two subsets, i.e. technical factors and social factors. Technical factors are contributing for most of the change in the dependent variable. The

social factors have a noteworthy, although reasonably lesser, effect. These are essential in order to bind an organization's approach to performance measurement into one cohesive whole. This provide a clearer view of the factors which may influence the effectiveness of their PMS implementation.

Furthermore, research of PMS implementation and its impact in development and transitional nations has mostly been overlooked (Jankulovic & Skoric, 2013).

## II. FAILURE OF PMS

There is a high failure rate of the PMS and most of the failures happen during the implementation phase. According to McCunn (1998), as cited by Bourne *et al.* (2002), the failure rate of the PMS implementation was around 70 percentage. As the years have passed by the failure rate has also decreased. In a more recent literature the failure rate has said to decrease to 56 percent (de Waal & Counet, 2009). This is a good sign by still majority of the PMS are poorly implemented. This should be a wakeup call for all the managers to see to it, that at least they try not to repeat the same mistakes again.

## III. METHODOLOGY

A scoping review of the literature has been prepared to identify the problems of PMS implementation. The main sources of data are from Emerald, Ebsco and Google Scholar. A Boolean search terms like ("performance management" OR "performance appraisal" OR "performance review" OR "PMS" OR "performance measurement" OR "performance evaluation" OR "employee performance") AND ("implementation" OR "design" OR "start" OR

"implement" OR "develop") AND (employee OR "human resource" OR manager) had been used to collect the literature. The search terms were methodically searched in the title, abstract and full text. A total of 23 relevant papers had been collected and a careful study was done on all the papers. The selected papers were then sorted out based on the similarity of the problems and the weightage given for those problems in the paper. Each paper was tagged consequently with the use of the Mendeley software.

#### IV. PROBLEMS IDENTIFIED

de Waal & Counet (2009) have identified 31 problems specific to the implementation of the PMS. They have also identified that there is huge gap between the problems as perceived by the academicians and the problems faced by the practitioners in the process of implementing the PMS. It was found that academicians rated the structural problems more and the practitioners rated the behavioral problems more. In fact the problem that was rated as the most important by the academicians was not even existing in the top 10 list of problems given by practitioners. The specific problems identified by them are as follows:

1. Management puts low priority on the implementation:
2. There are insufficient resources and capacity available for the implementation
3. The implementation requires more time and effort than expected
4. The organization is in an unstable phase
5. Lack of management commitment
6. The PMS implementation does not have a clear goal
7. Period of attention from management for the implementation of the PMS is not long.
8. Insufficient commitment from middle management and staff for PMS
9. Organizational members lack a positive attitude towards the PMS
10. The current ICT system does not support the PMS adequately
11. The organization does not have a clear and understandable strategy
12. Organizational members are not adopting the right management style
13. It is difficult to define relevant CSF's
14. It is too difficult to decompose goals for lower levels in the organization
15. There is not enough focus on internal management and control
16. There is a lack of knowledge and skill in regard to the PMS
17. It is difficult to define relevant KPI's
18. The KPI's are not linked to departmental, team and individual responsibilities

19. There are too many KPIs defined
20. There is too much focus on the results of the implementation, while the change process of the organization is ignored.
21. The organizations measures the wrong KPIs
22. There is resistance from organizational members towards the new PMS
23. The PMS lacks cause and effect relations or is over-complex due to too many causal relation.
24. The organization does not have a performance management culture
25. There is an insufficient link between the PMS and the reward system.
26. The PMS is not regularly updated and maintained after implementation.
27. The PMS is not used for the daily management of the organization
28. There is no organizational member appointed to take ownership of the PMS.
29. The PMS gets a low priority or its use is abandoned after a change of management
30. There are difficulties in getting the data to calculate the performance indicators
31. The organization does not see (enough) benefit from the PMS.

Future exploration of the literature have identified but not limited to the following problems:

##### 4.1. Conflicting objectives

Rees & Porter, (2003) have identified that the most common problem faced when implementing a PMS is that there are too many objectives and sometimes these objectives would be at conflict with each other.

##### 4.2. Handling of feedback

Collection of the feedback is one part but collecting constructive criticisms and working on it is even more difficult. Even if there is a feedback mechanism to collect and record them the employees trust may come in the way of making a genuine feedback. The managers on the other had may not give genuine feedback in order to avoid "embarrassing confrontations" (Rees & Porter, 2003).

##### 4.3. Time Constraint

The time required for the implementation is not estimated in a scientific way and sometimes the implementation is made hastily. This adds addition pressure to the mangers and opens the scope for the resistance to change (de Waal & Heijden, 2015).

##### 4.4. Low priority by management

A system like PMS should be the top priority especially in its implementation phase. If the management does not give sufficient importance to the implementation, the system would not achieve the required objectives.

The attention of Management should be rooted in a bigger context of analysis that can inspect and

evaluate how well all the important factors that affect employee performance are functioning (Clardy, 2013).

#### **4.5 Insufficient resources and capacity available during the implementation of PMS**

There should be sufficient resources available for the proper implementation. If the plan is not properly made for the availability of the required resources the plan would be a failure. There is also a need for an proficient and operative Information and Communication Technology system, in the communication and data collection processes (Karuhanga, 2010)

#### **4.6. Unstable organization**

The organization may be in an unstable stage during implementation. PMS as a critical system requires the support from other systems and when is the organization itself is unstable, definitely the new system is bound to fail (de Waal & Counet, 2009).

#### **4.7. Lack of commitment from the management**

The implementation is usually initiated by the HR department and when the system lacks the support from managers it would be like an engine with the fuel to run it. Leadership from the top management play an important role in the implementation of PMS (Karuhanga, 2010). An exceedingly bureaucratic system reduces the degree to which implementation PMS (Winstanley & Kate, 1996).

#### **4.8. Lack of conducive corporate culture**

There have been problems which are related to employee motivation, failing corporate culture, weakening morale, reduced staff empowerment, absence of pleasant dealings between management and employees and less initiatives in the implementation of equal employment opportunities (Adhikari, 2010).

#### **4.9. Lack of employee participation**

Studies have shown that implementing a high participative PMS can lead to a considerably higher performance rise, comparing with the performance increase that is shown in the tell-and-sell introduction of a similar system (Kleinegld, Van Tuijl, & Algera, 2004). When there is lack in the employee participation in the system design they may fail to take ownership of the system.

The employee acceptance with reference to the validity of performance appraisal is very low in practice. This may be considered as a sign of displeasure with the present PMS practices mainly, when there is an absence of employee participation in the PMS procedures and appraisal training. Similarly, there is an astonishingly high percentage of effective PMS which are meeting the objectives in an organizations. But, these also need some improvements (Siaguru, 2011).

#### **4.10. No structured approach**

As suggested by enterprise engineering theory and methods, a structured approach for problem identification and rendition of a theoretical plan into the exhaustive portrayal of a result and implementation is required for the a successful PMS (Sousa, *et al.* 2005). They also suggests that there is a significant difference in the theory and practice when it comes to implementing PMS.

#### **4.11. Flexibility of the system**

The implemented system has to be flexible enough to accommodate and changes that had not been foreseen earlier. The success of PMS is the level of flexibility of the system which is designed and implemented (Beer, *et al.* 1978).

#### **4.12. Perceived Fairness of PMS**

The performance management to be effective, it must be perceived to be fair by the employees. If not the system may always be looked upon with suspicion or as a wasteful exercise. A single item scale has been used to measure the perceived fairness in the performance management system, as suggested by Harrington & Lee (2014). It is "My performance appraisal is a fair reflection of my performance." (Harrington & Lee, 2014)

#### **4.13. Resistance to change**

When there is a resistance to change and there is reluctance to innovate because of the dread of the unfamiliar can challenge PMS implementation (Karuhanga, 2010). The adaptation to change is a topic in itself and should be dealt with caution and expertise.

#### **4.14. Managerial influence in PMS design**

The management has to be involved with the design of the PMS. This will tend to reduce the perception of the PMS being faulty thus reduce failure. Hence, managerial influence may be good. However, Kruis & Widener (2014), have identified that the consequence varies depending on the circumstances. They determine that managers' role in the PMS design is not always a formula for success.

#### **4.15. Project management**

The results of the study conducted by Singh, (2012) on the PMS implementation in Indian software enterprises, highlights the vital role played by project management level in performance management. For PMS to be efficient, it has to be reinforced by solidification of the project management level.

## **V. PRACTICAL IMPELCATIONS**

PMS is one of the most important system in an organization which can help the individuals and teams to improve their performance. Which would in turn lead to improved performance of the department

and organization. A poorly implemented system on the other hand can lead to devastating consequences. By avoiding the pitfalls mentioned in the papers, managers can be better prepared for the problem even before they manifest and take proactive measure to avoid them.

## VI. LIMITATIONS AND FUTURE RESEARCH

The existing methodologies and the problems in the implementation of the PMS are concentrated on large enterprises and they do not denote an satisfactory explanation to meet the needs of small and medium enterprises (Chalmeta, Palomero, & Matilla, 2012). An attempt has been made to show the deficiencies while implementing a PMS. However, there may be possibilities that some very important problems may have been unnoticed and do not find their mention here. The literature collected is for firms across different industries. But in reality the implementation of PMS may have to be studied from each industry separately to identify the industry specific problems. Some of the problems mentioned in this paper maybe linked to other problems mentioned in the paper. These links or clusters of problems are not studied in this paper. The paper presents only the problems identified in the literature, hence it gives only an historical perspective. A feedback from the practicing managers is not taken into account in this paper and the reality may be quite deferent from what the academicians perceive. Therefore, future research should look into getting an industry perspective.

## CONCLUSIONS

PMS is an important tool in measuring and managing the performance of individuals as well as the teams. An organization which is aiming at improving its performance cannot ignore the performance of the individuals and the teams.

A PMS should be designed keeping in mind all the hurdles that may come in its way during the implementation. A strong bond and cooperation by all the stakeholders will definitely contribute to the success of the PMS and thus contribute to the success of the organization.

## ACKNOWLEDGMENTS

Thanks to Dr K. R. Pillai, Professor, SOM, Manipal University for the constant motivation encouragement and support. Dr Raveendranath Nayak, Director, SOM, Manipal University for the guidance and vision that he shares for the institute and individual employees.

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