The Relationship Between a Performance Management System and the Motivational Level of Employees: A Case Study at the Ministry of Finance and Economic Development of the Republic of Mauritius

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SUMMARY
This research is mainly focused on analysing a Performance Management System (PMS) and its impact on the motivational level of employees at the Ministry of Finance and Economic Development (MOFED) of the Republic of Mauritius. A survey was carried out using the convenience sampling technique to grasp the views of the employees. 200 questionnaires were distributed and the response rate was 55%. The results indicate that the main elements of a PMS process which are motivating elements for employees were missing in the organisation: regular feedback, communication and training. Thus, recommendations were made to the top management to market the concept of PMS, improve the communication strategy and feedback strategy, encourage employee participation and recognition, link PMS to pay and training and provide a supporting management who would promote organisational learning.

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INTRODUCTION
A performance management system (PMS) is viewed as a tool whereby employees develop and achieve high standards of performance through the assistance and guidance of their managers. There is no iota of doubt that a PMS brings along in its trail a manifold of advantages, be it at organisational, management or individual level, and that all these benefits contribute in developing a motivating culture within the organisation. PMS aligns corporate and individual objectives, provides for continuous improvement and development, improves training and development processes and helps to retain employees in the organisation (Taylor & Pierce 1999).

However, performance management systems have certain limitations. Self-esteem may be lowered and relationships may be damaged (Aguinis 2005). According to Armstrong and Baron (2005), some employees are dissatisfied with performance rating systems as there is often an absence of clear indices of measurement. They also found that managers are unreceptive towards performance management system and dislike form-filling. A performance management system is often considered as
only a bureaucratic task or waste of time (Armstrong 2012). There are problems of inaccuracy, manipulation and counter-productivity linked with performance appraisal (Gabris & Ihrke 2000). Some employees might perceive a PMS as a sword of Damocles hanging over their head, as they might feel that by refusing to carry out non-official work given by their appraiser, their ratings might be affected.

Since no mid-term assessments are carried out, it becomes frustrating for employees when they are assessed only at the end by their employees. If proper feedback is provided to the employees on a regular basis, they can improve themselves before the final assessment. The presence of bias is also another issue raised by employees (Le Mauricien 2016a).

Le Mauricien’s article also included the views of the President of the Ministry of Health Employees Union, who stated that a PMS is an oppressive system which is often implemented against the will of employees (Le Mauricien 2016a). Employees are often unaware of the impact of such systems and nothing is usually done to enhance their awareness. He also believed that it is unfair to emphasise financial benefits only in order to create motivation.

Beginning in 2012, all Ministries in the Republic of Mauritius adopted a performance management system in order to assess the performance of their employees. The PMS system is a replacement of the 1963 Annual Confidential Report (ACR), which had become obsolete. However, there is yet no evidence whether the objectives behind the implementation of the PMS system are being met, most particularly whether the PMS is a catalyst for employees to work more efficiently. Thus, the main purpose of this research is to explore the implementation of the PMS system at the Ministry of Finance and Economic Development (MOFED) of the Republic of Mauritius and to assess whether there are any links between the PMS system and the motivational level of employees. The study was broken down into more detailed objectives, which are as follows:

- to describe the PMS system that has been adopted by MOFED,
- to analyse whether employees at MOFED have a good understanding of what a performance management system is,
- to investigate whether or not employees understand the process and objectives of a PMS,
- to investigate the extent to which the PMS system has helped to enhance the performance of the employees,
- to examine the problems faced by MOFED in using a PMS and
- to gauge the intentions of the employees to use the PMS to manage their performance.

**LITERATURE REVIEW**

Performance management (PM) may be defined as a process of managing and developing the performance of employees in an organisation. It is a continuous process through which managers and employees agree on a plan of goals and objectives within an agreed timeframe and the employees are assessed based on those factors at the end of the timeframe. Through a PM process, the fortes and weaknesses of the employees are identified, observed, measured, noted and tackled, thus instilling a motivating climate for them. A PMS is a process through which the employees and organisation are made aware of each other’s expectations and incorporate issues such as: the performance targets of employees, how the employee’s job description is aligned to the organisational objectives, measurement of performance in terms of measurable outputs, accountabilities and training targets, a partnership between the supervisor/appraiser and employee/appraisee to create, sustain and improve existing employee performance, linking performance to pay, identifying training and development opportunities for the employee and spotting and eliminating obstacles to performance (Armstrong 2012). The main elements of a PMS process are summarised in Table 1.

### Table 1

**Elements of a Performance Management System**

<table>
<thead>
<tr>
<th>Elements</th>
<th>Characteristics/Purpose</th>
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<tbody>
<tr>
<td>Mission statement</td>
<td>Defines and communicates the purpose of the organisation</td>
</tr>
<tr>
<td>Strategies and objectives</td>
<td>Provides clear guidance on the future conduct and performance decreed to accomplish the mission of the organisation</td>
</tr>
<tr>
<td>Values statement</td>
<td>Conveys how the organisation confronts issues and problems</td>
</tr>
<tr>
<td>Identification of critical success factors</td>
<td>Communicates the factors which contribute to successful performance</td>
</tr>
<tr>
<td>Performance indicators</td>
<td>Links critical success factors and the final results to be appraised</td>
</tr>
<tr>
<td>Performance reviews</td>
<td>Appraises the performance and competencies of the individual employees</td>
</tr>
<tr>
<td>Pay reviews</td>
<td>Links reward to performance (merit pay, individual bonuses or allowances)</td>
</tr>
<tr>
<td>Performance improvement</td>
<td>Improves performance of employees through training, career development, coaching and counselling</td>
</tr>
</tbody>
</table>

Source: Sparrow and Hiltrop (1994)
Managing Performance in the Public Sector and the Evolution of PMS

According to the Human Resource Development Council of the Republic of Mauritius (NHDRP 2017), the public sector is an important part of the economic and administrative life of a country, taking part in a large array of activities from collection of tax revenues, delivery of energy to businesses and private households to the delivery of goods and services by and for the Government at national, regional and local levels. The basic motive of the public sector is to maximise welfare of the population rather than making a profit (United Nations 2008). Unfortunately, governments are often criticised for the poor quality of service and cumbersome procedures and are often termed as “lame ducks” or “white elephants” for their lethargy (Fryer et al. 2009).

The Mauritian Civil Service (MCS) began during the French Colonial rule from 1715 to 1810, by founding a Provincial Council (NHDRP 2017). As of May 2016, nearly 85,000 people were employed in the Civil Service (MOFED 2016). The Pay Research Bureau (PRB) undertakes a general pay review and conditions of service for the public sector once every five years. The PRB 1987 recommended an improved appraisal system, as the Annual Confidential Report had become obsolete (MCSAR 2013). In 1994, the Ministry of Civil Service and Administrative Reforms (MCSAR) introduced a PMS in four ministries on a pilot basis. However, in 1998, the project failed, as the employees were averse to the new concept (Ramgutty-Wong 2014). The notion of a PMS reappeared in 2001 when the MCSAR developed a three-year strategy (2001–2003) to modernise the public service, and the plan included the introduction of a result-oriented PMS.

The Pay Research Bureau through the PRB 2003 report ratified the framework of a performance management system and appointed the MCSAR as the coordinating ministry responsible for pioneering the project in the public service (PRB Report 2003). In 2006, a PMS was implemented for pilot testing in three departments and was gradually extended to other departments and ministries (MCSAR 2013). PRB 2008 highlighted the role of a PMS in improving individual as well as organisational efficiency and effectiveness. As the report hinted towards there being dissatisfaction and demotivation among public officers, since their efforts were neither recognised nor awarded, it proposed incorporating Performance Related Pay (PRP) as an element of the PMS so as to enhance the motivational level in the public sector. It also proposed the weeding out of the ACR and adoption of a PMS as from January 2012 (PRB Report 2008).

PRB 2013 elaborated on the need to attract, motivate and retain employees and emphasised the use of the PM Report for promotion exercises. It also recommended the implementation of an Electronic Performance Management (EPM) instead of the traditional paper-based system for the analysis of data and storage of data (PRB Report 2013). PRB 2016 further elaborated on the purpose and objectives of a PMS. The main objectives are to boost both individual and organisational performance. Other objectives include the identification of training and development needs, allowing for succession planning, addressing issues of underperformance, aligning employees’ objectives to the objectives of the organisation and fostering good relations between appraisers and appraisees (PRB Report 2016).

Motivation and its Importance

Motivation is a sine qua non factor for the success and long term running of any organisation.

Abonam (2011) stated that a motivated workforce lead to effective performance of the organisation. A research report done by Employees Direct revealed that employee motivation leads to increased productivity and profitability (Michie et al. 2002). A motivated organisation leads to cost reductions. Conversely, an organisation is exposed to difficulties when it has low motivated employees as they are unprepared to make extra efforts for the organisation (Jasmi 2012).

One myth associated with public sector employees in Mauritius is that they underwork but are overpaid (Le Mauricien 2016b). It is often assumed that public servants are often difficult to motivate as their main concern is job security. However, Anderfuhren-Biget et al. (2010) emphasised that motivation at work is an important variable for organisational performance in the private and public sectors, as well as non-profit sectors. In Mauritius, the PRB reports have always stressed on the importance of improving the motivational level of public employees.

Linkage between a Performance Management System and Motivation

Goal setting theory

People perform better when they are working towards specific goals (Kagaari et al. 2010). According to Locke and Latham (2002), there are four mechanisms that link goals to end results:

- goals give direction to employees on which work to prioritise,
- goals motivate employees to put in more effort in order to achieve the set objectives,
- goals encourage people to tap into their skills and knowledge in order to succeed and
- challenging goals induce the workers to make full use of their skills.
Armstrong (2017) upholds that establishing objectives and goals on the performance agreement against which the employee will be assessed motivates employees to work hard and be diligent at the work place. Goals should be ‘SMART’, that is, they should be specific, measurable, attainable, realistic and time-bound. Employees are more enthusiastic about working when goals are specific and challenging and are linked to feedback (Lunenburg 2011). In Mauritius, the 2013 PRB report mentioned that the objectives under the performance agreement should be ‘SMARTER’ (PRB 2013), as shown in Figure 1.

Specific goals increase motivation, thus leading to reduction in absenteeism and lateness as well as increase in turnover (Locke & Latham 2002).

**Control Theory**

Control theory focuses on the use of feedback to shape the behaviour of employees (Armstrong 2017). Feedback is an important element of a PMS. When objectives are set, the performance of employees can be reviewed and feedback can then be provided to either encourage the employees perform better or motivate them to continue working hard. When supervisors give feedback to their subordinates on a more regular basis, the employees become more energised (Ammons 1956).

**Extrinsic and Intrinsic Motivation**

Extrinsic motivation is in the form of either reward, such as praise, incentives, increases in pay and promotion or punishment in the form of disciplinary action, withholding pay or criticism. Intrinsic motivation is self-generated factors that affect people’s behaviour and can arise when workers feel that their work gives them a reasonable level of autonomy and opportunities to use and develop their skills and abilities (Armstrong 2017). According to Whately (2004), a person is strongly motivated when he has both an intrinsic and extrinsic stake in an organisation’s success.

**Performance Management Systems and Psychological Contracts**

A performance management system has an important role to play in developing a positive psychological contract (Armstrong & Baron 2006). “A psychological contract is a set of unwritten expectations which exist between individual employees and their employers.” (Armstrong 2010 p.144). A PMS creates the framework in which the psychological contract is determined; objectives are set and performance is evaluated (Newaz 2012). A positive psychological contract leads to higher satisfaction, higher commitment and better employee relations (Armstrong 2012).

**Rewards Linked with Motivation**

Many people believe that they should work in the public sector so as to benefit from job security (Le Mauricien 2016a). However, job security is not the only factor which people seek when hunting for jobs. An appropriate reward system must also exist to enhance the motivation and morale of the public servants.

Organisations are adopting performance based rewards so as to become more competitive (Zhang, 2012).
Performance management and rewards play vital roles in justifying the balance of interest between employers and employees. To be effective, a PMS must be linked to financial compensation or some other forms of rewards. However, it should be considered as an on-going process and not be limited to only an annual payment.

**RESEARCH METHODOLOGY**

Primary data was obtained through the administration of a survey to gather data and information from the MOFED employees. Secondary data was collected from journals articles, newspaper articles, textbooks, reports, government publications and internet items for the literature review, methodology and recommendations. Furthermore, this study includes both qualitative and quantitative methods. Qualitative research was used so as to gain an in-depth understanding of the theories and quantitative research was carried out to find the number or percentage of employees who are satisfied with and motivated by the present performance management system.

The research instrument used was self-administered questionnaires. The questionnaire consisted of 34 questions and was divided into 4 sections: background and employment information, conditions of work, motivation of employees, performance management system aspects and motivational level of employees. It consisted of multiple-choice questions, close-ended questions, dichotomous questions and Likert scales. There was also an open-ended question so as to obtain additional information from the respondents. The wordings of the questions were kept short and simple so as not to confuse the respondents. A covering letter was attached to enlighten the respondents on the objectives of the survey and also to assure them that their responses would be kept confidential. Each question was based on the factors discussed in the literature review.

For this study, the survey targeted only the employees of the Ministry of Finance and Economic Development (MOFED), which was 273 as of June 2016. As surveying the entire population is time consuming and costly, convenience sampling was used. Thus, out of the 273 employees, only 200 were chosen for the survey. The response rate was 55%. SPSS software and Microsoft Excel were used to compute and analyse the data. Diagrams, charts and graphs are used to illustrate the results of each question.

Ethical issues were also taken into consideration. The consent of the HR Manager was sought before the distribution of the questionnaire to the MOFED employees. Each respondent was made aware of the objectives of the study and was assured of anonymity. Arrangements were made with the HR manager to assure the non-disclosure of sensitive information.

**Findings of the Study**

The first part of the questionnaire gathered demographic data. 110 questionnaires were received out of the 200 that were distributed. Most of the respondents were under 30 years and were mainly female. 58.2% were married while the remaining were single. The majority were from lower level management, had service of less than 5 years and were either diploma or degree holders.

The respondents were then asked to choose features that they would expect to be present in a performance management system. The list of features and their responses are summarised below in Figure 2.
The majority believed that a performance management system must include the regular monitoring of employees’ performance by their employers. Also, a majority can be seen agreeing to the statement that a PMS must include a mid-term assessment and a final performance appraisal to discuss and rate the employee’s performance. 56.9% of respondents agreed that objectives must be set at the start of a performance management process.

Employees like to be appreciated for their hard work and feedback encourages them to perform even better. But when asked whether they receive any formal and written feedback on the progress toward goals set, only 19.1% stated that they received feedback continuously, 41.8% received only once in their careers while the rest did not receive any feedback at all. Also, only 56.4% received feedback on their strengths and weaknesses at the end of the performance appraisal. It should be pointed out that a PMS process is futile if employees do not receive feedback. It is only when employees are informed of their strengths and weaknesses that they will be able to correct themselves and develop their capabilities further. The employees were also asked their opinions on rewards and performance and the results are summarised in Figure 3.
The Relationship Between a Performance Management System and the Motivational Level of Employees

54.5% believed that a performance management system should be linked to rewards. 70% believed that performance ratings help to improve performance and 61.8% consider that linking rewards to PMS increases employee’s efficiency. 46% of respondents did not know whether transfer, demotion, suspension and/or dismissal are based on performance ratings. 55% stated that promotion should be related to performance and not to years of service. The responses of the employees of MOFED with regards to the current performance management system are summarised in Figure 4.

The majority of the employees agreed that a performance management system helps them to attain the objectives set, develops their potential and motivates them. However, for statements such as whether a performance management system strengthens the relationship with their supervisors, makes them feel more recognised in the organisation, gives them a sense of belonging in the organisation, helps to plan their career or improves the communication between them and the supervisor, they preferred to be neutral.

The last question was an open-ended in order to obtain suggestions for improving the motivational level of employees. Only 20.9% of employees responded to this question. Some of the suggestions that were made are: appropriate measures should be taken to accurately measure performance in terms of projects achieved, time and resources used; casual leaves and sick leaves that are not taken must be reimbursed; leaders should set good examples; introducing an employee-of-the-month concept, have a small interview with employees and put it on the intranet; provide necessary training so as to enhance capacity and growth; introduce a performance management system; provide reasonable and constructive feedback to employees and to allow employees to rate their appraisers as well (a two-way appraisal).

Based on the overall findings of the survey carried out at MOFED, it can be deduced that a performance management system is not a silver bullet and will not on its own bring much benefit to the organisation. According to the MOFED employees, the current performance management system is still lacking in communication, providing feedback and training. It is because of these deficiencies that the current PMS is unable to motivate some of the employees. Although most of the employees are aware of the objectives of a PMS, they are often ignorant of the numerous benefits that a PMS can bring. Higher productivity in any organisation comes from motivated employees. The major aim to applying private-sector practices in the public sector is to motivate employees in order to assist them to work more effectively and efficiently so that the whole organisation can benefit.

**RECOMMENDATIONS**

**Marketing the Concept of a Performance Management System**

According to the survey, a minority of people are not aware of what a PMS is and 5% of the employees believe that a PMS is not important. Top management should stay firm to the strategy and provide appropriate resources for the success of PMS. It must also ensure that everyone understands what a PMS is, its process and objectives. Both management and employees must join hands together to make a PMS successful.
Communication Strategy

There must be an effective communication strategy for a PMS to be effective in motivating people. There must be open and two-way communication where employees can voice their opinions. More informal and informative staff meetings can be conducted so as to encourage employees to speak out.

Feedback Strategy

Feedback is imperative in improving employees’ performance. With an effective feedback process, employees will be more motivated and committed and hence be more effective and efficient in their work.

Employee Participation and Recognition

Employees should feel that the organisation cares for them. Management can encourage participatory empowerment of employees through employee suggestion schemes; in which employee’s opinions are sought in decision making. It must ensure that the goals set are SMARTER and can hold meetings to provide guidance and direction for work and offer hands-on coaching to help employees. Employee involvement leads to employee ownership and commitment as well as positive response to challenging job tasks.

Furthermore, emphasis can be laid on public recognition of good and excellent employees. By doing so, the high-performing employees will feel that they are actively contributing to the well-being of the organisation and this is a major feeling of motivation. Therefore, management should use tools such as public praise, praise letters, moral rewards or one-shot responsibilities such as leadership.

Supportive Management and Organisational Learning

Top management should be committed and supportive to the PMS process. Instead of being authoritative, they can adopt directive, coaching and a participative management style to motivate employees. They must take initiative for performance improvement and lead by example to gain credibility. They can use concepts such as ‘Management by walking around’ and employee coaching for employees to feel the commitment of top management and thus increasing employee’s efficiency.

Counselling will help employees to resolve the obstacles in their performance. Organisational learning, knowledge sharing, continuous improvement, team working, employee empowerment and training should be enhanced at the organisation. Also, it should be ensured that the working environment allows employees to work in autonomy and to share authority and responsibility in the performance of their duties.

Linking PMS to Pay

Presently, the PMS includes no financial or non-financial rewards. This can cause negative impacts at a later stage as the PMS may no longer be viewed as a sustainable system. MOFED can approach the PRB to try to seek remedy for this situation. For instance, an annual increment may be given to those whose performance was excellent. Also, recommendations can also be made on linking promotion to performance and not only to years of service.

Training

Training is imperative in a PMS and for bringing motivation. Management must provide consistent and coherent training programmes through an evaluation of the needs of employees. Training must address issues such as transfer of technical skills, knowledge, team dynamics, interpersonal skills and communication.

Digital Performance Management System

Many countries across the world have already adopted digital performance management systems. Many employees are dissatisfied with the current paper-based PMS. This new system can be the emerging tool so as to make the employees accountable for their work, make them more effective and make work become more interesting, and thus ultimately motivating workers to work hard. Feedback can be aggregated easily and computation, analysis processing and sharing of ratings become easier.

CONCLUSION

For an organisation to be effective, it needs trustworthy and motivated employees. It cannot afford to have less committed people in its workforce. One might deduce that the Mauritian government and its departments do not believe in such principles. The government is often labelled as inefficient and ineffective. It is time to break this stereotype and make people believe that the government and its officials can not only be highly effective and efficient, but they can also become role models for others to follow.

A performance management system is a prerequisite tool for an organisation to have if it wants to tap its human resources fully and increase its success. Indeed, allowing employees to feel that their work has contributed to the success of the organisation is in itself a huge motivator. However, a PMS will be able to motivate employees only when there is an effective communication system across the hierarchy and supportive management. While employees are enthused by an effective performance management system, they become discouraged by gaps left in fair and equitable implementation. Management
must pay particular attention to all the elements of a performance management system so that these variables have a motivating effect on their employees. Thus, the use of a performance management system to motivate employees is no longer an option but rather a choice which all organisations need to make.

REFERENCES


