PERFORMANCE MANAGEMENT SYSTEMS AND MONETARY INCENTIVES IN THE GHANAIAN MANUFACTURING SECTOR

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CERTIFICATION

I hereby declare that this submission is my own work towards the MBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this work, first of all to Jehovah God Almighty, for His grace, mercies, guidance and protection throughout the duration of the course. I also dedicate this work to my lovely wife, Boahemaa Owusu Sekyere, and my entire family for their love, patience and encouragement.

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God bless you all.

ABSTRACT

This study examined the performance management systems in the Ghanaian manufacturing sector. In addition the study explored the relationship between monetary incentives and the effectiveness of performance management systems. Using the case study research approach and questionnaires, eighty five (85) participants from the Kumasi plant of The Coca Cola Bottling Company Ghana Limited (TCCBCGL) were selected for the study. Results from descriptive statistics and Pearson product moment of correlation coefficient (Pearson r) indicate that the performance management system at the TCCBCGL encourages employees to achieve higher levels of performance. Also the system was found to encourage the development of the full capacities and potentials of employee. Furthermore most of the employees were satisfied with the existing performance management system that is in place at the TCCBCGL. Finally, it was found that employees who value monetary incentives were more likely to perceive performance management systems that take into account the importance of monetary incentives as more effective. It is therefore recommended that performance management systems should be designed in a manner that will enable employees use the system in a manner that brings visible and value added benefits.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In recent years, the human resource management field has been integrated in the process of strategic management, through the development of a new discipline denominated strategic human resource management (Wright & McMahan, 1992). The need to relate human resource management to organizational goals was accentuated with the rise of the resource-based view of the firm (Barney, 1991). The growing interest produced in this domain is owing to the idea that human resources should be considered a strategic factor, not only for the role they play in putting managerial strategy into effect, but also for their potential to become a source of sustainable competitive advantage. That is to say, these resources and the manner in which they are managed can have a significant influence on the firm's success and its competitive positioning in the market. So there is a growing consensus about the idea that human resource management practices, when appropriately configured, influence organizational performance significantly. The reason for this is that more effective systems of human resource management practices, which take advantage of the potential for complementarities or synergies among such practices and, at the same time, facilitate the implementation of the firm's competitive strategy, constitute a source of sustained competitive advantage.

This calls for a need to continuously innovate, and the only asset that can be a source of sustainable value is human capital. The employees of an organization with their complementary skills and knowledge hold the key to competitive strength in today's economy (HR Practices Survey, 2006). The best way to harness this source of competitive strength is by developing and re-orienting existing HR practices to achieve organizational goals and strategies. Successful companies across the world have geared up and achieved this by establishing the right linkages between people practices and organizational productivity. It is vital that organizations and people who work for each other should succeed together. Organizations need ever improving performance to survive and prosper in today's competitive world. There is therefore the need for an established mechanism for ascertaining whether the organization and individuals are doing well. A change in perception from employment to performance has been recorded (Torrington, 2005). Concern for performance is emphasized because both employers and employees have a stake in performance, thus calling for the need to develop integrated schemes. Ewurum (2006) for example states that "performance occupies a strategic place in the organizational scheme of things, insisting that both sides of the internal and external environment have a stake in performance for obvious reasons." Effective performance management benefits the individual, organization and the economy through increased efficiency, effectiveness and productive aggregates in terms of quality goods and services (Mullins, 2010).

After many years of implementation in private sector in particular, performance management remains one of the HR functions managers are most averse to and employees are likely to resist, even if passively. However, without performance management, companies will have no scientific basis to determine what needs to be done, how it can be done effectively and efficiently, employees' roles in getting the job done in alignment with the organization's mission and vision and how rewards will be shared equitably amongst employees. Effective use of performance management not only helps employees focus on what is important to the company but it also helps motivate them through the relationship built between manager and employee during this continuous improvement process.

Performance management is the practice of actively using performance data to improve an organization's performance. Research suggests a positive correlation between the effective use of performance management systems as a tool and business result. Armstrong & Baron (2004) define a performance management system as a process which contributes to the effective management of individuals and teams in order to achieve high levels of organizational performance. Mullins (2010), states that performance management is a process which brings together many aspects of people management. It is about performance improvement at individual, team, department and organizational levels. It is also about staff development as a means to both improve and enhance performance, and as a means of managing behaviour and attitudes. Fowler (1990) reacts that performance management is about managing the organization. It is a natural process of management, not a system or a technique. Lawson (1995) argues that performance management is basically concerned with performance improvement in order to achieve organizational team and individual effectiveness.

The basic purpose of a performance management system is to create an alignment between the organization's objectives and its sub-systems in order to achieve the organization objectives (McNamara, 2008). In modern organizations there should be a balanced performance management system to achieve the organization objectives. By strategically using the performance management system organizations can develop its performance standards, develop the measures and then report the findings for further improvement and in this a continuous process is kept running (South, 2002).

Literature on performance management shows that the performance management system in any organization encompasses diverse activities, which include the performance appraisal process. However, in order to design appraisal systems and appraise employees appropriately, organizations are required to allocate financial resources to support not only the performance management system itself but also incentives for employees with superior performance. In addition, performance management systems should have the capacity to align their functions to help achieve an organization's strategic goals. The purpose of this study is to investigate the influence of financial support (specifically, monetary incentives) and alignment with organizational objectives on the functions of a performance management system.

1.2 Statement of the Problem

Poor quality performance at organizational, social, economic, individual and governmental levels has been the bane of Ghana. Manufacturing firms are not performing optimally in the country. The environment for manufacturing operations has remained turbulent and in a turmoil because of high operating costs, irregular power supply, inadequate backward linkages and lack of exposure to best management practices, just to mention a few. Faced with the fast-moving and competitive environments, companies are constantly searching for unique ways in which to differentiate themselves from their competitors and are increasingly looking to their “human resources” to provide this differentiation. This has led to much interest in the performance of employees, or more importantly, how to get the most out of employees in order to sustain competitive success.

Rapid changes, tighter budgets, downsizings and restructurings, and pressures for greater employee accountability are placing greater emphasis on performance management by translating the organization's objectives and strategies into individual job objectives and performance standards (Stone, 2002). Glendinning (2002) suggests that performance management is the system which is supposed to be the need of the hour for organizations and a replacement of old performance appraisal system. He further argued that an organization without a performance management system has no vision for its future. Gravette (2006) argues that employees must be familiar with the performance management system working in the organization and there should be a discussion with the employees about the scale and the measures you are using for the performance evaluation.

The reasons provided above shows that performance management has become increasingly important due to a variety of economic and social pressures. It is against this backdrop that the research project is being undertaken with research objectives and hypotheses designed to provide answers about the extent to which monetary incentives influence the effectiveness of performance management systems in organizations.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study is to investigate the impact that monetary incentives on the effectiveness of performance management systems in the Ghanaian manufacturing sector.

1.3.2 Specific Objectives

1. To investigate the performance management systems at The Coca-Cola Bottling Company of Ghana Limited (TCCBCGL).
2. To determine the influence of monetary incentives on the perceived effectiveness of the performance management system at The Coca-Cola Bottling Company of Ghana Limited (TCCBCGL).

1.4 Research Questions

1. Is the performance management system at The Coca-Cola Bottling Company of Ghana Limited (TCCBCGL) effective?
2. Is there a relationship between monetary incentives and the effectiveness of performance management systems in the Ghanaian manufacturing sector?

1.5 Significance of the Study

Although it is accepted that Human Resources Management (HRM) policies are positively related to the functions of performance management, there is a great need for additional evidence to support the HRM performance management relationship from different contexts (Gerhart, 2007). This study therefore seeks to address this issue by looking at the impact that monetary incentives have on performance management systems in a Ghanaian context.

The findings of the study will provide a better understanding of the implementations of performance management systems with a linkage to monetary incentives. This is a field less explored by the performance management research and literature. The results of the study will be significant such that it will help management to realize the importance or influence of monetary incentives on performance management.

The findings will also serve as a basis for further research as it will add to existing literature on the subject matter. This study will also add to the existing literature in the area of performance management systems, specifically in the context of the Ghanaian manufacturing sector.

1.6 Scope of the Study

The study will be conducted using employees of The Coca-Cola Bottling Company of Ghana Ltd. who have undergone at least one appraisal cycle. Specifically employees at the Kumasi Plant will be used in the study.

1.7 Limitations of the Study

a) The sample size will be restricted to only employees at The Coca-Cola Bottling Company of Ghana Ltd., Kumasi Plant who have at least undergone one appraisal cycle.

b) The restriction on the sample size and the method that will be used to collect data will limit the conclusions that one can make about causality and also raise concerns about common method bias.

c) The study will be done for a short period of time, which might not hold true over a long period of time.

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1.8 Organization of the Study

Chapter one of this study looks at the background of the study, the statement of the problem, aims and objectives of the study, significance of the study, scope and limitations of the study. Chapter two provides a review of the literature on performance management and monetary incentives. The chapter focuses on selected theories, concepts and related studies on performance management systems, and proposes hypotheses regarding the relationships between monetary incentives and performance management systems. Chapter three presents a description of the target population of the study, sampling technique and sample size, and the research design used in the study. In addition the chapter provides an account of the instruments used the collection and preparation of data. Furthermore, the data collection procedure and data preparation will be described. Finally, the ethical considerations pertaining to data collection and its relevance to this research will be discussed. Chapter four deals with the analysis and the interpretation of the data collected in this study. The chapter also provides a summary of the research findings. Chapter five deals with the summary of the findings from the study, recommendations and conclusions drawn from the findings in the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews related literature on the concept and definitions used to discuss monetary incentives and the effectiveness of performance management systems in organizations and the theories underlying their conceptualization. This chapter also examines the traditional perspective of performance. This is followed by review of related studies on the relationship between monetary incentives and performance management systems. The chapter concludes with the development of a conceptual framework. Hypotheses are also developed.

This chapter deals with the theoretical frameworks that set the foundations of this study and explains its relevance to this study. Also, the chapter deals with the definition of the concept of performance management and how concept and practice of performance management has evolved. This is then followed by a review of some of the topical issues in the area of performance management. Finally, the chapter reviews research studies that are related to the area of performance management.

2.2 The Concept of Performance Management

Performance management emerged in the late 1980's with the arrival of Strategic Human Resource Management (SHRM) as an integrated approach to the management and development of people which was relegated to the functions of line management, although very critical to the success of any organization. Armstrong and Baron (1988) described performance management as being both a strategic and an integrated approach to delivering successful results in the organizations by improving the performance and developing the capabilities of teams and individuals.

Fowler (1990) defines performance management as "the organization of work to achieve outcomes" while Fletcher (1992) also defines performance management as "an approach to creating a shared vision of the purpose and aims of the organization, helping each individual employee to understand and recognize their part in contributing to the vision and aims of the organization, and in so doing manage and enhance the performance of both individuals and organizations."

Managing team and individual performance, thus, to achieve business results is a key function of every HR Manager. Performance Management is also a continuous process of identifying, measuring and developing the performance of teams and individuals and aligning performance with the strategic goals of the organization (Aguinis, 2007).

It is highly important to both employers and employees. From the employer perspective, it is vital to understand how your employees contribute to the objectives of the business.

A good performance management system enables the organization to understand how its employees are currently performing, and to identify those employees that contribute most or least. It allows organizations to undertake a thorough assessment of the training needs of its employees, set development plans and gives them the option of using the results of the performance management process to influence an individual's remuneration.

An effective performance management system is also one of the key strategic tools businesses use to continuously improve performance. A poorly implemented performance management system though, can leave employees feeling unmotivated, unhappy and disengaged. As a result, employees will only comply in the box-ticking, academic exercise to satisfy HR requirements.

One of the key elements of an effective performance management is the actual review process where relationships are strengthened and trust is built between manager and subordinate. This collaborative development system thrives on coaching, feedback, tracking, recognition and rewards. These interactions should help the employee grow and develop and provide support for strategic development. According to Armstrong (2006) in 'Performance Management: Key Strategies and Practical Guidelines', the key element in the process is 'unleashing the performance' of people. Armstrong (2006) further explains; "managing performance is about coaching, guiding, appraising, motivating and rewarding colleagues to help unleash potential and improve organizational performance."

For the system to be successful, the process of continuous performance dialogue cannot be over-emphasized. The frequent, open interactions which begin with mutual goal-setting, continues with reinforcement of desired behaviours and identification of areas for improvement do well to keep employees motivated. A good performance management system does not only look back to review past performance but looks ahead, at setting new more challenging goals to improve performance.

It is argued that performance management is most useful when it aligns individual objectives with business goals and helps individuals to understand the contribution they are making how their role fit into the overall strategic business objectives.

Performance management processes should be able to help ensure that the efforts of all employees are in alignment with the goals of the organization. A performance practices survey by Development Dimensions International (DDI) (1997) found that aligning performance management to support organizational goals and to integrate with other systems proved to be the most critical differentiator in system effectiveness.

Most organizations are today trying to identify innovative compensation strategies that are directly linked to improving performance. Studies (e.g. Kluger & DeNisi, 1996; Stajkovic & Luthans, 2003) have shown that when properly implemented, incentive motivators are effective mechanisms for enhancing individual performance. A met-analysis and survey findings of Incentive Research Foundation (2002) revealed that properly selected and administered tangible incentives (cash and rewards) can dramatically increase work performance. When tangible incentives are carefully selected, implemented and monitored, they increase incentivized performance to an average of 22% (Incentive Research Foundation, 2002).

2.3 Theories of Performance Management

There is no single universally accepted model of performance management. Various experts have explained the concept in their own ways. Mabey, Salaman, & Storey (1999) has have prescribed the model of performance management system can be prescribed in the form of 'performance management cycle' as shown in Figure 2.1. This cycle has 5 elements which suggest how performance management system should be implemented in an organization. The elements of PMS cycle include setting objectives, measuring the performance, feedback of performance results, reward system based on performance outcomes, and amendments to objectives and activities (Mabey et al., 1999).

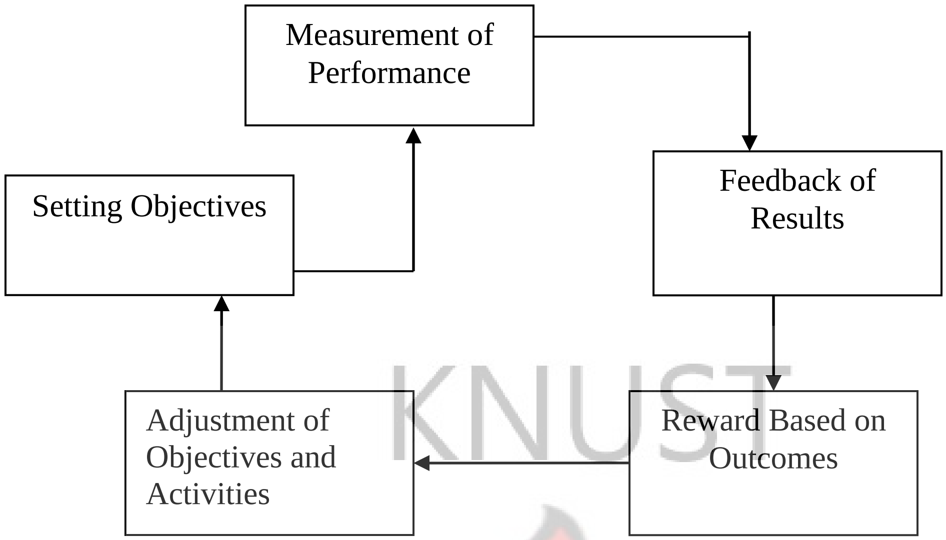


Figure 2.1: **Performance management cycle**

Source: Mabey et al., (1999)

According to Salaman et al., (2005) there are two theories underlying the concept of performance management: the goal-setting theory and expectancy theory. Goal-setting theory had been proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. This is because the employees keep following their goals and if these goals are not achieved, they either improve their performance or modify the goals and make them more realistic. So, in any case the performance is improved and this is what the performance management system aims at (Salaman et al., 2005). Expectancy theory had been proposed by Victor Vroom in 1964. This theory is based on the hypothesis that individuals adjust their behavior in the organization on the basis of anticipated satisfaction of valued goals set by them. The individuals modify their behavior in such a way which is most likely to lead them to attain these goals. This theory underlies the concept of performance management as it is believed that performance is influenced by the expectations concerning future events. (Salaman et al., 2005).

2.3.1 Goal-setting Theory

Goals are central to even the most basic performance management systems (Locke & Latham, 1990). Studies on the effect of goal-setting on performance have been found to be exceptionally reliable, valid, and useful across diverse work situations (Locke, Shaw, Saari, & Latham, 1981). Goal-setting theory has been studied extensively by Locke & Latham, (2002). According to Locke and Latham (2002), goal difficulty and goal specificity have the strongest effect on performance. Specifically, difficult and specific goals lead to higher performance when compared to vague do-your-best goals. Goal-setting theory highlights four mechanisms that work to connect difficult and specific goals to performance outcomes (Locke & Latham, 2002). Goals direct attention to priorities, and energize and stimulate effort. Specific and difficult goals tend to lead to sustained task performance. Such goals challenge people to bring to bear the knowledge they possess or strategies they might deploy to increase their chances of success. The more difficult the goal, the more people must draw on their full repertoires of skills, and the more likely they will be compelled to deliberately plot innovative strategies. Some scholars have however argued that specific challenging goals do not, necessarily lead to such desirable personal and organizational outcomes. Rather, the results from goal setting depend critically on issues pertaining to goal commitment, task complexity, goal framing, team goals, and feedback.

2.3.2 Expectancy Theory

The expectancy theory was developed by Victor Vroom (1964). The theory focuses on what an individual expects and not what the individual needs. It states that the intensity of a tendency to perform in a particular manner is dependent on the intensity of an expectation that the performance will be followed by a definite outcome and on the appeal of the outcome to the individual. Contrary to the goal-setting theory, the expectancy theory proposes that goals that are too difficult lead to low expectancy perception. That is when individuals perceive that the goals are beyond their ability to achieve or too difficult, the motivation to perform to a higher level is low because the expectancy is low. Individuals must therefore be made to believe that they have some degree of control on expected outcomes.

2.4 Evolution of the Concept and Practice of Performance Management

The earliest form of performance management focused on performance management tools such as work study, and critical path analysis/merit rating (Walters, 1995). However, modern approaches have emphasized the need to combine various tools in order to achieve an integrated and coherent performance management system. The search for efficiency in the public sectors in most countries in the 1990's led to an emphasis on the conception that the performance of individuals should not be taken for granted (Flynn, 1993), and that higher productivity – a dimension of performance could only be attained through people (Peters, 1996). This idea directed the principle that, good performance should be rewarded, and that poor performance should not be tolerated and should be promptly addressed by management. As a result, there was the need to set up means to measure performance leading to the development of performance indicators. These indicators enabled the measurement of individual performance over time and also enabled the comparison of the performance of the organization with that of other organizations.

Armstrong & Baron (1998) based on a research conducted between 1991 and 1997 summarized the key changes that performance management has experienced over time. They described the concept of performance management as evolving through the following changes:

2.4.1 From Tools to Systems to Processes

Performance management systems were initially viewed as stand-alone processes by which objectives were assigned to individuals and then retrieved periodically. This was then upgraded to a more systematic approach by integrating it with other planning and management systems. This required combining human resources functions with other organizational functions, resulting in the development of processes by which all managers and employees could look at the performance of individuals and teams in the context of organizational objectives. Thus the focus of performance management shifted concentrating on only individual tools and management systems to linking individual with organizational targets, the means to set, measure and attainment of such objectives (Boland & Fowler, 2000).

2.4.2 From Individual Appraisal to Joint Review

Initially, performance appraisal mostly relied on the interactions between a supervisor and the person being appraised, to the extent that the outcomes of appraisal interviews were often kept confidential and was not even known to the person being appraised (Martinez, 2000). Modern performance management appraisal systems put greater emphasis on an open process where teams rather than individuals set and discuss openly objectives and targets, and where employees and managers participate equally in such discussions (Armstrong & Baron, 1998).

2.4.3 Outputs to Outputs and Inputs

Previously, performance management systems emphasized objective-setting and appraisal results against outputs. However, modern performance management systems emphasize the need for a fully rounded view of performance and embraces how people get things done (input) as well as what gets done (output) (Armstrong & Baron, 1998).

2.4.4 From Reward Orientation to Staff Development

Although much performance management still include some form of individual or team rewarded, its focus has changed towards staff development and orientation that should enable employees and managers identify and act on employee and management issues development (Armstrong & Baron, 1998).

2.4.5 Ratings Common to Less Rating, and from Monolithic To Flexibility

Previously, performance management and performance appraisal were synonymous with merit rating (Flynn, 1993). This consisted of assigning scores against agreed targets and indictors. However, the concentration on ratings has given way to other factors that put the characteristics of each task at the core of its performance management systems.

2.4.6 Top-down to 360 degree Feedback, and from Directive to Supportive

Initially, many organizations attempted to improve performance by ensuring that employees' comply with objectives set at the top and then brought down to various organizational levels. This idea was that "the manager knows best" and that performance management were largely a managerial responsibility. However, modern approaches emphasize that performance management must be part of an organization's culture and that achieving such culture requires managers and employees to work closely together, identifying bottlenecks, and acting on them. Staff are no longer expected to 'do things right, but 'do the right things' (Boland & Fowler, 2000).

2.4.7 Owned by Human Resources Managers to Owned by User Departments

The view that performance management was only a primary responsibility of HR Managers has to a larger extent changed. Performance-oriented organizations have upgraded the personnel function and placed it within strategic management levels while developing responsibilities for performance management to managers and employees (Armstrong & Baron, 1998).

2.4.8 Professional-based to Service-based Performance Management

Previously, many employee appraisal systems were traditionally linked to individual professions and occupational groups. The idea was that only people of the same profession could appraise themselves better. For instance, only a teacher could appraise a teacher. However, modern performance management systems clearly exceed the boundaries of professional or occupational groups. Various staff/employee categories now work and appraise themselves in unison. Performance management has become in practice a means to enable flexibility in service provision, respecting the distinct characteristics of different professions and aligning these within a single service delivery strategy (Armstrong & Baron, 1998) (Table 2.1).

From	To
System	Process
Appraisal	Joint Review
Outputs	Outputs/Inputs
Reward-oriented	Development-oriented
Ratings common	Less rating
Top-down	360 degree feedback
Directive	Supportive

Monolithic	Flexible
Owned by HR Managers	Owned by User Sections
Profession/Cadre-based	Service-based

Table 2.1: **Evolution of the Concepts and Practices of Performance Management**

Source: Armstrong & Baron (1998)

2.5 The Performance Management Process

The performance management process ensures that an organization and all its components are working together to optimize the organization's goals. According to Pulakos (2004), the performance management process involves, identifying goals and strategies, planning performance, giving feedback, collecting employee inputs, evaluating performance and reviewing performance as shown in Figure 2.2.

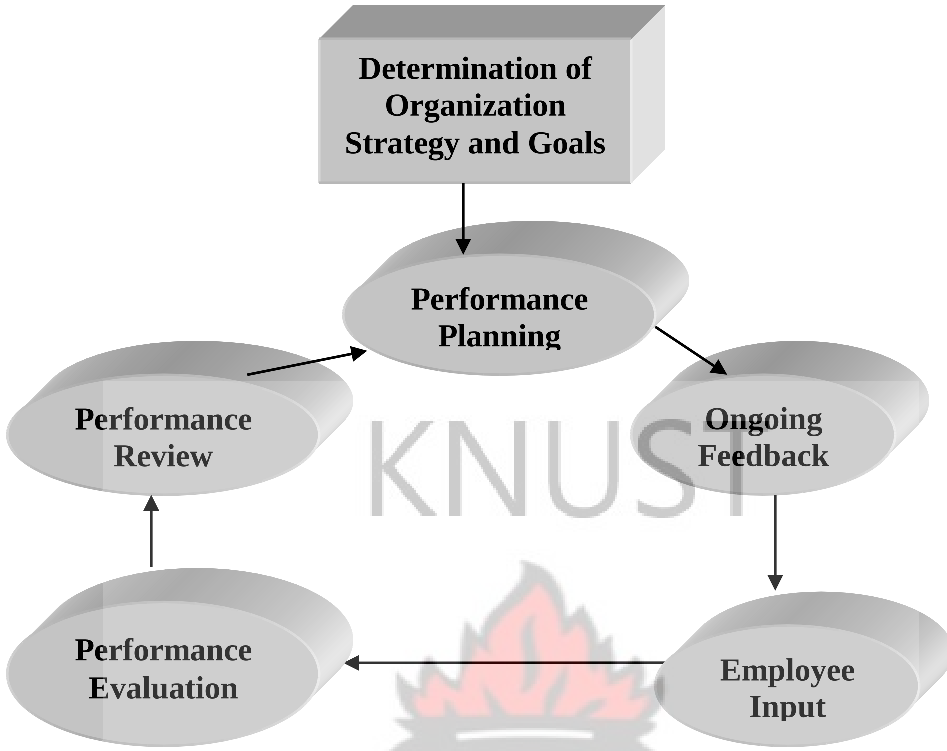


Figure 2.2: **The Performance Management Process**

Source: Pulakos (2004)

2.6 What Constitutes a Good Performance Management System?

Not all performance management systems are always accurate. Sometimes, the right things are not measured. However, if the right things are not measured or measured accurately, those using the data will be misled and bad decisions are likely to follow.

Performance measurement or performance appraisal is a formal system of measuring, evaluating and influencing an employee's job-related attributes, behaviours and outcomes. In simple terms, it is one way of giving employees feedback about their performance at work; actual performance in comparison to predetermined organizational standards.

Waggoner et al., (1999) argue that performance measurement in business serves the purposes of monitoring performance, identifying the areas that need attention, enhancing motivation, improving communications and strengthening accountability. Neely et al., (1995) define performance measurement system as the set of metrics used to quantify both the efficiency and effectiveness of actions. However, if measures are not used or are used in the wrong way, performance measurement fails to deliver any of the promised benefits.

Performance management is most useful when it is aligns individual objectives with organizational or business goals and helps individuals to understand the contribution they are making and how their role fit into the overall organizational objectives.

Flint, (2005) highlighted on the following as some of the characteristics of a good performance measurement system:

(a) It should be results-oriented i.e. focused primarily on desired outcomes, less on outputs;

(b) It should be reliable i.e. accurate, consistent information over time;

(c) It should provide useful information that is valuable to both policy and programme decision-makers and also provide feedback on performance;

(d) The measures should be quantitative i.e. expressed in terms of numbers or percentages;

(e) The measures should be easy to interpret i.e. do not require an advanced degree in statistics to use and understand;

(f) The measures should be credible i.e. users have confidence in the validity of the data;

(g) It should be comparable such that it can be used to benchmark against other organizations internally and externally;

(h) It should be realistic such that the measures set can be calculated.

According to the Business Week Research Service (2008), good performance management systems should avoid creating too many goals and gathering too many metrics in their performance management process, provide a supportive culture, i.e. the performance management system should be supported by senior executives and thirdly, be an enterprise-wide practice in order to realize full value.

2.7 Importance of Performance Management

The fundamental purpose behind measurements is to improve performance. Good performance is the criterion an organization uses to determine its capability to succeed. Performance measurement provides feedback for making key decisions in HR. Osborne and Gaebler (2005) mentioned that failure to measure results means that a distinction cannot be made between success and failure, and if success is not appreciated, it cannot be rewarded.

Harrington (1991) asserts that performance measurement provides feedback for making key decisions in HR and can therefore be used:

1. *To control:* Measurements help to reduce variation and also helps managers determine if their subordinates are doing the right thing.

2. *To evaluate:* To evaluate performance, managers need to determine what the employee was supposed to accomplish (Kravchuk & Shack, 1996), to formulate a clear, coherent mission, strategy and objective. Then based on this information, choose how you will measure those activities.

3. *To celebrate:* Organizations need to commemorate their accomplishments – such rituals tie their people together, give them a sense of their individual and collective relevance. Moreover, by achieving specific goals, people gain a sense of personal accomplishment and self-worth (Locke & Latham, 1984).

4. *To motivate:* Giving people significant goals to achieve and then using performance measures; including interim targets to focus people's thinking and work, and to provide a periodic sense of accomplishment. Performance targets may also encourage creativity in developing better ways to achieve the goal. Thus measurements to motivate improvements may also motivate learning (Behn, 2003).

5. *For self-assessment:* Measurements can be used to assess how well a process is doing, including improvements that have been made.

6. *For continuous improvement*: Measurements can be used to identify defect sources, process trends, and defect prevention, and to determine process efficiency and effectiveness, as well as opportunities for improvement.

7. *Management Assessment:* Without measurements, there is no way to be certain we are meeting value-added objectives or that we are being effective and efficient.

The basic concept of performance measurement involves (a) planning and meeting established operating goals/standards; (b) detecting deviations from planned levels of performance; and (c) restoring performance to the planned levels or achieving new levels of performance.

8. *To learn:* Learning is involved with some process of analyzing information from evaluating corporate performance; that is, identifying what works and what does not. Learning thus occurs when organizations or individuals meet problems in operations or failures.

9. *To improve*: Identification of exactly what should be done differently to improve performance and development of processes to accomplish that.

2.8 Performance Planning

For a performance a system to be effective, employees should have a thorough knowledge of the system and what it seeks to achieve. At the beginning of each cycle, employees and their supervisors must meet to discuss, and agree into detail on what needs to be done and how it must be done. Only then can output and outcomes be tracked, corrected and measured against the set targets. It is worth mentioning at this point that both results and behaviours will be measured for effectiveness. Clearly, if there is no plan, there will be no performance.

2.9 Performance Execution

Once the work plan has been discussed and agreed between the manager and subordinate, it is time to get the actual work done. This is the second phase of the performance management cycle where the objectives are met. The key things for the appraiser to do are to first of all create an enabling environment to allow the employee achieve the goals and secondly, take corrective action when the employee goes off track.

2.10 Performance Assessment

In his article 'An Uneasy Look at Performance Appraisal', Douglas McGregor (1957) suggested that emphasis should be shifted from appraisal to analysis. The author wrote that 'This [the shift to analysis] implies a more positive approach. No longer is the subordinate being examined by the superior so that his weaknesses may be determined; rather he is examining himself in order to define not only his weaknesses but also his strengths and potentials. He becomes an active agent, not a passive object".

Personnel administrators are aware that appraisal programs tend to run into resistance from the managers who are expected to administer them. Even managers who admit the necessity of such programs frequently balk at the process - especially the interview part. As a result, some companies do not communicate appraisal results to the individual, despite the general conviction that the subordinate has a right to know his superior's opinion so he can correct his weaknesses.

2.11 Performance Appraisal

Performance appraisal may be defined as any procedure that involves setting work standards, assessing employee's actual performance relative to these standards, and providing feedback to the employee with the aim of motivating the worker to eliminate performance deficiencies or to continue to perform above par (Asafo-Adjei, 2007). This is the final step in the performance management cycle. The appraisal meeting is important because it provides for a formal setting in which the employee receives feedback on his or her performance.

This part of the performance management process is also the most difficult as many managers find it difficult to give honest feedback, especially where performance is deficient. This is also where, if managers are not well trained; allow several biases such as 'halo or horn effect', 'leniency effect' and other biases to taint their final ratings of employees. It must be noted however that there is a high level of discomfort for not only those giving feedback but those on the receiving end as well.

Bringing actual and verifiable results to the discussion table can help reduce the anxiety and subjectivity in the process. This anxiety and discomfort can be further mitigated however, through training both raters and employees; as well as following a few basic steps for conducting productive performance reviews which are:

1. Identify what the employee has done well and poorly by citing specific positive and negative behaviours.
2. Solicit feedback from employee about these behaviours. Listen for reactions and explanations.

3. Discuss implications of changing, or not changing the behaviours. Positive feedback is best, but an employee should also be made aware of implications if poor performance continues.
4. Explain to the employee how skills used in past achievements can help overcome any current performance problems.
5. Agree on an action plan. Encourage employee to invest in improving his performance by asking questions such as "what ideas do you have for….." and what suggestions do you have for……"
6. Set up a follow-up meeting and agree on the behaviours, actions and attitudes to be evaluated.

2.12 Performance Management Frameworks

Over the last two decades, there have been reports on revolution in performance measurement. A huge interest in performance measurement has become evident in practitioner conferences and publications as well as in academic research (Neely, 1998). Investigation reveals that organizations applying balanced performance measurement systems as a basis for management do better than those that do not (Lingle & Schiemann, 1996).

In order to achieve this advantage, it is very important for organizations to employ an effective performance measurement system that "enables informed decisions to be made and actions to be taken because it quantifies the efficiency and effectiveness of past actions through acquisition, collation, sorting, analysis, interpretation and dissemination of appropriate data" (Neely, 1998).

In order to maximize gains of performance measurement, it is necessary for organizations to maximize the suitability and effectiveness of measurement activities at each of these levels. Various courses of action have been proposed that organizations should follow in order to devise and employ performance measurement system (Neely et al., 1996). Many frameworks have been proposed that support this course of actions. The purpose of such frameworks is to assist companies to define a set of measures that reflect their objectives and assesses their performance appropriately (Neely, 1998).

2.13 Existing Performance Management Frameworks

In the early 20^{th} Century, most companies applied frameworks in trying to define a set of measures that they could use in assessing their performance. A typical example is the DuPont pyramid of financial ratios which presented a variety of financial ratios to return on investment. Again, the pyramid of financial ratios presented an unambiguous hierarchical structure relating measures at different company levels (Kennerley & Neely, 2002).

Subsequent to their review of the evolution of management accounting systems, Johnson and Kaplan (1987) highlighted many of the deficiencies in the way in which management accounting information is used to manage businesses . They highlighted the failure of financial performance measures to reflect changes in the competitive circumstances and strategies of modern organizations. These deficiencies indicate shortcomings in the DuPont pyramid. Its cost focus provides a historical view, giving little indication of future performance and encouraging short-termism (Bruns, 1998). This prompted organizations to implement non-financial measures that appropriately reflect their objectives as well as financial measures that indicate the bottom line result. Although, General Electric first implemented a balanced set of performance measures in the 1950s (Bruns, 1998), it was the enormous growth in interest in performance measurement in the 1980s and 1990s that brought the wide spread acceptance of the need for organizations to take a balanced approach to measurement.

The most popular of the performance measurement framework has been the balanced scorecard proposed by Kaplan & Norton (1992). The balance scorecard presented four different ways of looking at performance (financial, customer, internal business and innovation, and learning perspectives). The authors identifies the need to ensure that financial performance, the drivers of it (customer and internal operational performance), and the drivers of on-going improvement in future performance are given equal weighting. The balance scorecard reflects many of the attribute of other measurement frameworks but more explicitly links measurement to the organization's strategy. The authors claim that it should be possible to deduce an organization's strategy by reviewing the measures on its balance scorecard.

Kaplan & Norton argued that the full potential of the balanced scorecard will only be realized if an organization links its measures clearly, identifying the drivers of performance (Kaplan & Norton, 1996). Conceptually, this use of the scorecard is similar to the use of the Tableau de Bord (Epstein & Manzoni, 1997). Developed in France in the early 20th century, the Tableau de Bord establishes a hierarchy of interrelated measures and cascading measures to different organizational levels, forcing functions and divisions of an organization to position them in the context of the company's overall strategy.

Despite its widespread use numerous authors have identified shortcomings of the balanced scorecard. It does not consider a number of features of earlier frameworks that could be used to enhance the framework. The absence of a competitiveness dimension, as included in Fitzgerald et al., (1991) results and determinants framework, is noted by (Neely et al., 1995). Others emphasized the importance of measurement of the human resources perspective/employees satisfaction, supplier performance, product/service quality and environmental/community perspective (Brown, 1996; Ewing & Lundahl, 1996; Lingle & Schiemann, 1996; Maisel, 1992).

2.14 Characteristics of Performance Measurement Frameworks

The performance measurement framework discussed in the previous section display a number of key characteristics that would help an organization to identify an appropriate set of the measures to assess their performance:

1. The work of (Kaplan & Norton, 1992) emphasizes the fact that the set of measures used by an organization has to provide a "balanced" picture of the business. The set of measures should reflect financial and non-financial measures, internal and external measures, and efficiency and effectiveness measures.

2. The populated framework of measures should provide a succinct overview of the organization's performance. For example, the simplicity and intuitive logic of the

balanced scorecard has been a major contributor to its wide spread adoption as it is easily understood by users and applied to their organization.

3. Each framework demonstrates the need for organizations to implement a set of performance measures that are multi-dimensional. This reflects the need to measure all the areas of performance that are important to the organization’s success.

4. The Tableau de Bord, along with the work of Bititci, Carrie & McDevitt (1998) explicitly demonstrate the fact that performance measures should be integrated both across the organization’s functions and through its hierarchy, encouraging congruence of goals and actions.

5. The Tableau de Bord and the work of Fitzgerald, Johnston, Brignall, Silvestre and Voss (1991) explicitly, and the balanced scorecard and performance pyramid implicitly, explain how results are a function of determinates.

2.15 Monetary Incentives

Monetary rewards are something given or obtained in return for work done or service rendered. The purpose of monetary incentives is to reward employees for excellent job performance through money. Monetary incentives include profit sharing, project bonuses, stock options and warrants, scheduled bonuses and additional paid vacation time. Traditionally, these have helped maintain a positive motivational environment for employees (Kepner, 2001).

2.16 Relationships between Monetary Incentives and Perceived Effectiveness of Performance Management Systems

Katou & Budhwar (2006) conducted an investigation to determine if human resource management (HRM) policies have an impact on organizational performance in the Greek manufacturing context. Using a sample of 178 firms, results showed that the HRM policies of recruitment, training, promotion, incentives, benefits, involvement, and health and safety are positively related with organizational performance.

Sriperabaa & Krishnaveni (2008) investigated the influence of partnering, financial support, and the capacity of a performance management system to alignment with strategic goals on the functions of performance management systems. Using a survey and a validated instrument on a sample 165 middle level employees from six automobile components manufacturing companies in India, and a structural equation modeling technique they found that financial support and alignment had a significant positive impact on the functions of performance management systems, whilst partnering on the other had a significant negative correlation with the functions of performance management systems. Mason (2009) studied the effect of financial incentives on performance. Using two experiments conducted on participants with accounts on Amazon Mechanical Trucks, they found that increased financial incentives increased the quantity, but not the quality of work performed by participants. They claimed that the effect of financial incentives was moderated by how workers perceived the value of their work.

Similarly, Goerg & Kube (2012) in a randomized field experiment investigating the relationships between work goals, monetary incentives, and work performance found that work goals lead to a significant output increase, and that this positive effects of work goals persisted even if the goal is not backed by monetary incentives. The studies by Mason (2009), and Goerg & Kube (2012) used experiments to elicit responses from their sample or participants

Based on the literature reviewed in this chapter, a conceptual framework on performance management systems and monetary incentives in organizations are attempted here. Figure 2.3 shows the hypothesized relationships investigating performance management and monetary incentives in organizations. From the figure, it is proposed that that employees who value monetary incentives are more likely to perceive performance management systems that take into consideration the importance of monetary incentives as more effective.

Figure 2.3: **Proposed relationships investigating performance management and monetary incentives in organizations**

2.17 Formulation of Propositions for the Study

From the review of literature already discussed, the following proposition was formulated:

1. There will be a positive significant correlation between monetary incentives and the perceived effectiveness of performance management systems. Thus performance management systems that give significance to monetary incentives are more likely to be perceived as very effective.

2.18 Conclusion

The above discussion has shown that performance management was born out Strategic Human Resources Management in reaction to identifying the importance that the management and development of people play in organizations. Over the years, consensus has developed about the minimum elements of an effective performance management system, particularly in five areas – objective/goal setting, performance measurement, performance feedback, reward systems, and amendment of goals/objectives. Furthermore, the concept of performance management has moved from just being performance management to tools to emphasizing the need to combine various tools in order to achieve an integrated and coherent performance management system. Finally, the literature has shown that one of the most important factors that impact the effectiveness of an organization's performance management system is monetary incentives.

CHAPTER THREE

METHODOLOGY AND ORGANISATIONAL PROFILE

3.1 Introduction

This study investigated the influence of monetary incentives on performance management systems. This chapter specifically gives a description of the target population of the study, the sample size and sampling techniques, and research design used in this study. In addition, the chapter provides a description of the instruments used for data collection and the scoring of the data with emphasis on the minimum and maximum scores for a participant, and how the questionnaires in the study were piloted. Finally, it describes the data collection procedures in this study. The chapter also provides an overview of The Coca-Cola Bottling Company of Ghana Ltd.

3.2 Research Design

In conducting this study, the quantitative research approach and the case study research design were used. This is consistent with similar studies on monetary incentives and performance management systems in organizations that have been previously conducted and have been successfully analyzed using the same design and proven as appropriate. The case study research design involves a description of an ongoing event in relation to a particular outcome of interest over a fixed period of time (Breakwell, Hammond, & Fife-Schaw, 2007). Thus the case focuses on the effectiveness of the performance management system at the Kumasi Plant of The Coca-Cola Bottling Company of Ghana Ltd. According to Breakwell et al., (2007), the case study research design enables a more in-depth examination of a particular situation, yields rich and enlightening information, and makes it possible for the researcher to describe events in detail. A questionnaire was administered through the face-to-face method of collecting data.

Questionnaires were used to gather data on the variables in the study. Specifically, data was gathered on the following variables: *monetary incentives* (independent variable) *and performance management systems* (dependent variable). In addition data was collected on the following demographic variables: *gender, age, level of education, marital status, work experience, position in organization.*

3.3 Sources of Data

Primary and secondary sources of data were used in collecting data for the study. Primary source of data involved the use of questionnaires that was used to elicit responses from the participants. Books, journals, search engines such as google, yahoo, and magazines were used in accessing secondary data.

Questionnaires were used to gather data from employees at the Kumasi Plant of The Coca Cola Bottling Company of Ghana Ltd. Specifically, data was gathered on the following variables: *monetary incentives, and perceived effectiveness of PMS.*

In order to ensure a satisfactory response rate to the survey, the following steps were adopted in this study: Firstly, a verbal pre-survey consent was sought from the HR Business Partner of The Coca-Cola Bottling Company of Ghana Ltd. to announce the intention of using their organization for the study and ask for their assistance and cooperation. Secondly, an introductory letter or cover letter was sent. After approval was granted, the questionnaires were administered to participants who consented to participate in this study. Thirdly, a follow-up was made one week later purposely to retrieve completed questionnaires from participating respondents.

3.4 Population

This study was conducted using employees at the Kumasi Plant of The Coca-Cola Bottling Company of Ghana Ltd. The Kumasi Plant of The Coca-Cola Bottling Company of Ghana Ltd. was selected for the study for time and cost reasons. Thus the convenience sampling technique was used in selecting the Kumasi Plant of The Coca-Cola Bottling Company of Ghana Ltd.

3.5 Sample Size and Sampling Technique

Sampling in this study was in two stages – the first stage involved selecting the organization appropriate for the study, while the second stage involved selecting the study participants. Non-probability and probability sampling techniques were used in selecting the organization and participants. Specifically, convenience, stratified and simple random sampling procedures were utilized in this study.

In the first place, The Coca-Cola Bottling Company of Ghana Ltd. was selected due to easy access. Again, stratified and simple random sampling techniques were utilized in selecting participants for this study. These methods ensured that the required number of responses elicited were across the various demographics such as gender, age, level of education, marital status, work experience, position in organization, and department. Using the list from the Human Resource Department of the Kumasi Plant of The Coca-Cola Bottling Company of Ghana Ltd., participants from the various departments at the plant were stratified along the various demographic lines and then were randomly selected using simple random sampling method.

To collect data for this study, questionnaires were hand delivered to the participants. A total of 120 questionnaires were administered in this study. This number was administered in order to ensure that if there was a low response rate, the required sample sized for this study would still be achieved. In addition, this was to help take care of some questionnaires that might be lost through missing data. Out of the 120 questionnaires administered in this study, eighty-seven (N=87) were completed and returned. However, to be meaningful and useful for data analysis purposes, all the sections were supposed to be filled. Two (2) questionnaires were however excluded for data analysis purposes because significant portions of the questionnaires were left blank. Thus, only eighty-five (N=85) questionnaires were used in the analysis in this study and thus a response rate of 70.83% was obtained in this study. This decision was considered appropriate because those sections involved the main variables in the study. This sample (N=85) comprised employees of different demographic background such as employees of different gender, age, level of education, marital status, work experience, and position in organization.

The sample size for the study is adequate for regression analysis as recommended by Tabacknick & Fidell (2001). For regression analysis, the sample size (N) should be N > 50 + 8M, where M is the number of predictors. In this study, there are two predictor variables, thus the sample size based on the recommendation by Tabacknick & Fidell (2001) should be greater than 66 (i.e. 50 + 8[2] = 66).

Stevens (1996) also recommends that, in social science research, a good rule of thumb is 15 cases per predictor in ordinary least squares multiple regression. This puts the minimum sample size according to Stevens' recommendation at thirty (30), as there are two predictors in this research. Additionally, Cohen (1992) recommends that, to achieve a medium effect size of $f^2 = .15$ and a power of .80 at the .05 level of significance, the appropriate sample size for multiple regression analysis with two (2) predictors should be 67. Based on the above mentioned recommendations the sample size of 85 is appropriate for this study.

3.6 Data Collection Instruments

A set of questionnaires made up of four sections (A – C) were used to collect data in this study. Section A gathered data on the role of monetary incentives in performance management systems; Section B gathered data on the perceived effectiveness of performance management systems; and section C gathered data on demographic variables such as gender, age, level of education, marital status, work experience, position in organization.

Section A – Monetary Incentives

This section gathered data on the role that financial support (i.e. monetary incentives) play in the effectiveness of performance management systems. This instrument was developed based on previous studies (e.g. Mason, 2009; Sriperabaa & Krishnaveni, 2008) on the impact of monetary incentives of performance management systems. This instrument/measure contained four (4) items and scored on a 7 - point likert format ranging from 1 (strongly disagree) to 7 (strongly agree). The minimum and the maximum scores on the instrument were four and 28 respectively.

Sample questions included “*Employees should be rewarded in financial terms on the basis of their performance in the organization”; “Annual company performance bonuses should be included in the performance management systems in any organization.”*

Section B – Performance Management Systems (PMS)

The scale developed by Sekhar (2007) was used to measure the perceived effectiveness of performance management systems in this study. Eight items from this scale *were* adapted for this study. Sample items included “*The PMS enables employees to develop their abilities and increase job satisfaction”; “The PMS in my organization promotes the development of employees’ to their full capacity and potential.”* The response categories ranged from 1 (strongly disagree) to 7 (strongly agree). Based on these response categories, the minimum and the maximum scores obtainable by a participant are eight and 48 respectively.

Section C – Demographic Data

To ensure that the research results are not different from alternative explanations, some control measures were instituted statistically in this research. Thus data was collected on a number of variables which have been found by previous studies as capable of providing alternative explanations to findings of this nature. Mitchell (1985) argued that researchers should actively try to conceptualize and measure those variables that may serve as potential confounds. In this study, gender, age, level of education, marital status, work experiences, position in organization were used as control variables.

3.7 Analysis of Data

Analysis of data involves the process of editing, cleaning, transforming, and modeling data with the goal of highlighting useful information to make suggestions, draw conclusions, and support decisions (Adèr, 2008). All data were screened to check for errors, missing responses and ensure accuracy. Also data were coded into quantitative forms to facilitate data entry and a comprehensive analysis. Descriptive statistics and the Pearson product-moment correlation coefficient (Pearson r) were used to analyze data in this study. Data were analyzed with the aid of the Statistical Package for the Social Science (SPSS) version 16.0. Using the SPSS, frequency tables and correlation tables were generated to analyze and interpret data.

3.8 Ethical Considerations

In line with the American Psychological Association (APA, 2002) Ethical Code, certain ethical considerations were deemed necessary and therefore were included in this study in accordance with the ethical principles governing the use of human participants for research purpose. The Ethical Code as stipulated by APA is intended to provide specific standards to cover most situations encountered by researches. The main purpose of the Ethical Code is the welfare and protection of individuals and groups with whom researchers work and the education of students, members, and the public regarding ethical standards of the discipline.

As indicated in the APA's Ethical Code, when obtaining informed consent as required in Standard 3.10, researchers should inform participants about:

a. The purpose of the study, expected duration, and procedures adopted in the study;

b. Their right to decline to participate and to withdraw from the research even in the course of the research;

c. The foreseeable consequences of declining or withdrawing;

d. Reasonably foreseeable factors that may be expected to influence their willingness to participate such as potential risks, discomfort, or adverse effects;

e. Any prospective research benefits;

f. Limits of confidentiality;

g. Incentives for participation; and

h. Whom to contact for questions about the research and research participants rights. They also provide opportunity for the prospective participants to ask questions and receive answers.

In consonance with the above ethical principles, certain steps were taken in this research to ensure that these principles were followed. In the first place, what was expected of participants was explained to them both in words and in writing and their consent respectfully sought. Specific instructions regarding the purpose of the study, voluntary participation in the research were explicitly stated on the questionnaire. In addition, it was explained to participants that there was no foreseeable risk, discomfort or adverse effect should they participate or decline to participate in this research. Thirdly, they were not induced to participate in the study. To ensure confidentiality and anonymity of responses, participants were instructed not to write their names on the questionnaires or mark the questionnaire in ways that would reveal their identity. Fourthly, each participant was given an envelope into which he or she was to put and seal the completed questionnaire before returning it. Lastly, contacts (email address and phone number) were provided on the questionnaire so that participants could contact in case they want to ask question(s) about the research.

3.9 Organizational Profile

The Coca-Cola Bottling Company of Ghana Ltd. (TCCBCGL) was formed from a divestiture of Bottling Division of G.N.T.C. in March 1995 and started operations on March 7, 1995 at the GNTC plant in Accra and Kumasi. Since the divestiture, the Company has invested over US$90 million in vehicles, glass bottles, plastic bottles, plastic crates, production and marketing equipment. The vision of the TCCBCGL is to achieve sustainable growth and also become the best beverage company in Ghana in market leadership and in making significant Returns on Investment Capital (ROIC) to shareholders.

The Company is currently fully owned by the Equatorial Coca-Cola Bottling Company (ECCBC), a subsidiary of the COBEGA GROUP of Spain – a group of top Spanish businessmen with large investments around the world.

TCCBCGL operates two (2) plants in Ghana located in Accra and Kumasi. Currently the company controls about ninety-one percent market share of the carbonated soft drinks industry in Ghana.

TCCBCGL's major operation is the bottling of carbonated soft drinks. The Company bottles various beverages under 6 brands namely: Coca-Cola, Fanta, Sprite, Krest, Bon Aqua Mineral Water, and Schweppes. In addition, the company has also ventured into the production of Energy, Dark Malt and Juice (Burn Energy Drink, Schweppes Malt & Minute Maid respectively).

Administratively, a Managing Director heads the company. He is assisted by eleven Heads of Department designated as Finance Director, Human Resource Director, Technical Director, Commercial Director, Marketing Director, Operations Director, Internal Control & IT Director, Public Affairs & Communications Director, Supply Chain Director, Quality Systems Director and an Administrative Plant Director for the Kumasi Plant.

The study will be conducted using employees of The Coca-Cola Bottling Company of Ghana Limited to ascertain the effect of monetary incentives on the perceived effectiveness of performance management system. The choice of The Coca-Cola Bottling Company of Ghana Limited have had performance management system in place since 2002, which started with just managerial staff and gradually grew to embrace all categories of staff by 2009. Currently, four reviews are held per year, starting with the first stage of performance planning at the beginning of the year, 2 interim reviews in between at the end of each quarter and the final appraisal being held at the end of the year.

Using the case study research design, questionnaires on monetary incentives and performance management systems will be used to elicit responses from employees drawn from the middle-management, supervisory and junior staff levels at the Kumasi Plant of The Coca-Cola Bottling Company of Ghana Limited.

CHAPTER FOUR

CHAPTER FOUR: DATA PRESENTATION, DISCUSSION AND ANALYSIS

4.1 Introduction

The study investigated the performance management systems and monetary incentives in the Ghanaian manufacturing sector. In addition the study examined how monetary incentives influence employees' perceived effectiveness of performance management systems. Thus, the focus was on the determining the effectiveness of performance managements used in the Ghanaian manufacturing sector and the relationship between monetary incentives and effectiveness of performance management systems. The variables investigated in this study were:

monetary incentives (independent variable) and performance management systems (dependent variable).

This chapter describes the demographic characteristics of the respondents in the study. In addition, the chapter examines the performance management system that is in use the Kumasi Plant of the TCCBCGL. Finally, the chapter examines the relationship between monetary incentives and the effectiveness of performance management systems.

4.2 Demographic Characteristics of Respondents

Table 4.1 represents a summary of demographic characteristics of the participants in the study. Out of the 85 participants, 94.1% were males and 5.9% females. Majority of the respondents (49.4%) have university education. Whiles 51.8% of the respondents were single, 48.2% were married. Most (37.6%) of the respondents have between 1 – 5 years of working experience whiles few (14.1%) have between 11 – 15 years of working experience. In terms of position in the organization, majority (58.8%) were of the junior staff category, followed by supervisors (30.6%), assistant managers (5.9%), and managers (4.7%) in that order.

Table 4.1: **Demographic Characteristics of Respondents**

Demographic Variables	N	Percentage (%)
Gender		
Male	80	94.1
Female	5	5.9
Age		
18 – 28 years	15	17.6
29 – 39 years	47	55.3
40 – 50 years	17	20.0
51 and Above	6	7.1
Highest Level of Education		
JHS/Middle	3	3.5
SHS/Secondary	9	10.9
Vocational/Technical	5	5.9
Polytechnic	23	27.1
University	42	49.4
Other	3	3.5
Marital Status		
Single	44	51.8
Married	41	48.2
Divorced	0	0
Widowed	0	0
Working Experience		
1 – 5 years	32	37.6

6 – 10 years	26	30.6
11 – 15 years	12	14.1
15 years and more	15	17.6
Position in Organization		
Junior Staff	50	58.8
Supervisor	26	30.6
Assistant Manager	5	5.9
Manager	4	4.7

(Listwise N = 85)

4.3 Effectiveness of the Performance Management System at TCCBCGL

One objective of this study was to examine the performance management system that was in existence at The Coca-Cola Bottling Company of Ghana Ltd. To achieve this, respondents were asked to indicate they extent to which they agreed or disagreed with statements on the effectiveness (i.e. improving performance levels, developing employee potential and employee's satisfaction with the system) of the performance management system in their organization.

4.3.1 Effect of Performance Management on Performance Levels

Respondents were asked whether the performance management system in their organization enabled them to achieve higher levels of performance. Table 4.2 shows that majority of the respondents (42%) 'agree' that the performance standards in their organization encourages them to meet their own goals and targets. This was further confirmed by 34% of the respondents who, ‘strongly agreed’ that performance management system encourages them to meet their goals and targets. However, 17% of the respondents disagreed that the performance management system in place encourages them to meet their goals. In support of this, 4% also ‘strongly disagreed’ that the system encourages them to meet their targets and goals.

***Table 4.2*: Performance Management System and Performance Levels**

Response	**Percentage (%)**
Strongly agree	42
Agree	34
Neutral	3
Disagree	14
Strongly disagree	4
Sample size (85)	

4.3.2 Developing Employees’ Potential and Full Capacity

Sixty percent (60%) of the respondents ‘strongly agreed’ that the performance management system that was in place in their organization encourages them to develop their full capacity and potential. A further 20% ‘agreed’ that the system promoted the development of their potentials and capacity. However, 14% and 2% ‘disagreed’ and ‘strongly disagreed’ with this assertion. Table 4.3 shows a summary of the results

Table 4.3: **Develop Employees Potential and Full Capacity**

Response	**Percentage (%)**
Strongly agree	60
Agree	20
Neutral	4
Disagree	14
Strongly disagree	2
Sample size (85)	

4.3.3 Satisfaction with Performance Management System

On how satisfied employees were with the performance management system that was in place, the results in Table 4.3 indicates that, half (50%) of the respondents ‘strongly agreed’ that they were fully satisfied with the performance management in place. In support of this assertion, 23% of the respondents 'agreed' that they were fully satisfied with the performance management system in place. However, 18% and 7% of the respondents 'disagreed' and 'strongly disagreed' that they were fully satisfied with the performance management system in place.

Table 4.4: **Satisfaction with Performance Management System**

Response	**Percentage (%)**
Strongly agree	50
Agree	23
Neutral	2
Disagree	18
Strongly disagree	7
Sample size (85)	

4.4 Relationship between Monetary Incentives and Effectiveness of Performance Management Systems

In accordance with the assumptions underlying correlation studies some preliminary analyses were conducted to assess the fit between variable distributions and their acceptability in this kind of statistical analysis. To determine the fit of these variables, test of normality of the main variables that is *monetary incentives and performance management systems* was conducted. According to Tabacknick & Fidell (2001), normality of a variable is established when skewness and kurtosis values fall within the acceptable values for psychometric purposes such as ±1. Test of normality in this study revealed all the variables were not normally distributed. Thus, all the variable; monetary incentives, alignment with goals and performance management systems were transformed using square root of transformation method. Transforming the data was deemed necessary because in parametric distribution it is appropriate that the variables especially the dependent variable(s) is/are normally distributed. Thus, all the variables in this study were transformed and normally distributed based on the assumption by Tackbarnick & Fidell (2001) before analysis was done.

In addition descriptive statistics and reliability analysis of the variables in this study were conducted. According to Nunnally (1978), scales with reliability values within the threshold of .70 are acceptable for statistical analysis. The alpha coefficients for the variables in the study ranged from .76 to .81. All the scales used in this analysis yielded acceptable reliability coefficients (i.e. alpha values). Finally, the relationship between the variables that is, demographic variables, independent variables, and dependent variables were assessed using *Pearson correlation*. Table 4.4 shows a summary of the means, standard deviations, reliability, skewness and kurtosis of all the variables in this study.

Table 4.5: **Summary of Descriptive Statistics, Reliability Analysis and Skewness, and Kurtosis of the Variables in the Study**

Variables	*Mean*	*SD*	*Skewness*	*Kurtosis*	*Alpha*

Monetary Incentives	24.02	2.55	-2.64	5.88	.80
PMS	24.01	1.86	-2.29	5.14	.76

Total Number of Respondents (N = 85)

Correlation among variables was also assessed in line with the assumption that at least there should be a relationship between the independent variable and dependent variable before moderated regression analysis can be performed. To determine these relationships, Pearson correlation analysis was conducted. Table 4.5 shows a summary of inter – correlation among the variables in the study.

Table 4.6: **Correlations among Demographic, Independent, and Dependent Variables in the Study.**

Variables	1	2	3	4	5
Demographics					
1. Age	-				
2. Level of Education	.67**				
3. Working Experience	.72**	.78	-		
Independent Variables					
4. Monetary Incentives	.13	.04	.16	-	
Dependent Variable					
5. Perceived Effectiveness of PMS	.06	-.07	.03	.58**	-

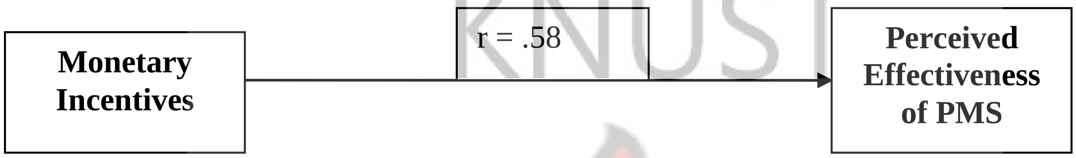
***p* < .01.

From Table 4.6, it can be observed that the correlation coefficients are less than .80. As stated by Bilings & Wroten (1978), correlation coefficients that are lower than .80 are generally acceptable. Hence, multi-collinearity did not pose a threat in the regression analysis for this study. The results in Table 4.6 shows that age, level of education, and working experience did not significantly relate with perceived effectiveness of PMS. Lastly, the relationships between monetary incentives and perceived effectiveness of PMS ($r = .58$, $p = .000$) was significantly positive.

The study expected that monetary incentives would be significantly related to perceived effectiveness of PMS. This expectation was based on two studies (e.g. Kluger & DeNisi, 1996; Stajkovic & Luthans, 2003). Kluger & DeNisi (1996) and Stajkovic & Luthans (2003) have argued that when properly implemented; incentive motivators are effective mechanisms for enhancing individual performance. A met-analysis and survey findings of Incentive Research Foundation (2002) revealed that properly selected and administered tangible incentives (cash and rewards) can dramatically increase work performance. It was therefore reasonable to hypothesize that employees are more likely to perceive the PMS in their organization as effective when they think that the PMS rewards improved performance in financial terms, and when monetary annual company bonuses are included in the PMS.

To test this, the Pearson r was employed. Table 4.5 indicate that there was a strong positive correlations between monetary incentives and performance management system ($r = .58$, $p = .000$). This finding is consistent with the findings by Mason (2009) who found a significant effect of the effect of financial incentives on performance. Figure 4.7 shows a summary of observed relationship between monetary incentives and the perceived effectiveness of performance management systems

Figure 4.1: **Summary of observed relationship between monetary incentives and the perceived effectiveness of performance management systems**



4.5 Conclusion

This chapter analyzed and discussed the performance management system that is in place at the Kumasi Plant of The Coca-Cola Bottling Company of Ghana Limited (TCCBCGL). Included is the analysis and discussion of the employees at the Kumasi Plant of the TCCBCGL perception on the impact of the monetary incentive on the effectiveness of the performance management system in their organization.

From the analyses it was found out that, performance management system is an essential tool for high performing organizations. Furthermore, if done correctly, performance management systems can result in important outcomes (such as development of employees full capacity and potential, a highly satisfied workforce) for an organization and its employees.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The motivation behind this study was to explore the performance management systems in the Ghanaian manufacturing sector. In addition, the study investigated the role of monetary incentives on the effectiveness of performance management systems. The results from the study indicate the monetary incentives and alignment of goals play very significant roles in effective performance management systems.

5.2 Summary of Findings

The study revealed that majority of employees at the Kumasi Plant of The Coca-Cola Bottling Company of Ghana Ltd. agrees that the existing performance management system in the company encourages higher levels of performance.

Most of the employees at the Kumasi Plant of the TCCBCL do not think that the performance management system has a detrimental effect on their performance.

More than half of the employees at the Kumasi Plant of the TCCBCL are fully satisfied with the performance management system in the Company.

Finally, the study predicted that there will be a significant positive relationship between monetary incentives and the perceived effectiveness of performance management systems. This hypothesis was supported by the study (Figure 5.1).

5.4 Recommendations

This study has shown that monetary incentives impact on the effectiveness of an organization's performance management system. There is therefore the need for organizations in the manufacturing sector to have well developed, efficiently administered tools and processes to make performance management systems more user friendly and well received by employees. The system must also be designed in a manner that will enable employees use the system in a manner that brings visible, value added benefits in the areas of performance planning, performance development, feedback and achieving results

Regardless of the particular question asked, additional research focusing on the role of monetary incentives on the effectiveness of performance management systems is strongly recommended.

5.3 Conclusion

The present study examined the performance management systems in the Ghanaian manufacturing sector. In addition, the study investigated the influence of monetary incentives employees' perception of the effectiveness of the performance management in their organization.

From the findings obtained in this study, it can be concluded that, the influences of monetary incentives on the effectiveness of performance management systems can be understood in terms of the goal setting theory (Lock & Latham, 1984) and the expectancy theory (Vroom, 1964). Thus employees are more likely to see the performance management system in their organization as effective when system meets their expectations and sets performance standards that employees find reasonable and achievable.

The conclusions drawn from this study should however be considered in light of the limitations of the study. Similar to other studies in the area of performance management, this study used the case study research approach and questionnaires to collect data. This raises concerns about common method bias and limits the conclusions the one can make about the influences that monetary incentives have on the effectiveness of performance management systems. While the results in this study might have been affected by common method variance, there are several reasons to place some confidence in the results.

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APPENDIX

<u>Monetary Incentives and Performance Management Questionnaire</u>

Dear Potential Survey Participant,

The purpose of my study is to gain knowledge in the roles that monetary incentives and alignment of individual goals with organizational goals play in performance management systems. Your participation in this survey is completely voluntary. The questionnaire will take about 15 – 20 minutes to complete. Please complete all sections of the questionnaire to make your participation in this study meaningful. All completed questionnaires will be personally collected by me. If you have any questions or concerns, please feel free to contact me on 0244 040 540 or email: yaw_ofosuhene@cocacola-gh.com. Summary of the results would be available upon request.

Thank you in advance for your cooperation.

Below are a number of statements about the role of monetary incentives in the Performance Management System (PMS) in your organization. Please respond to the items by circling one of the response categories that appears against each statement.

1. Strongly Disagree ***5. Agree***

2. Slightly Disagree ***4. Neither Agree nor Disagree*** ***6. Slightly Agree***

3. Disagree ***7. Strongly Agree***

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1. Increases in salaries and wages are valuable rewards for improved performance. *1 2 3 4 5 6 7*

2. Annual company performance bonuses should be included in the performance management systems in any organization. *1 2 3 4 5 6 7*

3. Monetary rewards are necessary for improving performance. *1 2 3 4 5 6 7*

4. Employees should be rewarded in financial terms on the basis of their performance in the organization. *1 2 3 4 5 6 7*

Below are statements each of which seeks to know your perceived effectiveness of the Performance Management System (PMS) in your organization. Please indicate the extent to which you agree or disagree with each statement by circling one of the seven response categories that appear against each statement.

1. Strongly Disagree ***5. Agree***

2. Slightly Disagree ***4. Neither Agree nor Disagree*** ***6. Slightly Agree***

3. Disagree ***7. Strongly Agree***

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5. The performance management system in my organization is designed to achieve sustainable levels of higher performance from employees. *1 2 3 4 5 6 7*

6. The PMS in my organization promotes the development of employees' to their full capacity and potential. *1 2 3 4 5 6 7*

7. The PMS enables employees to develop their abilities and increase job satisfaction. *1 2 3 4 5 6 7*

8. The PMS in my organization aims at achieving sustainable improvement in the performance of employees. *1 2 3 4 5 6 7*

9. The PMS in my organization has a detrimental rather than beneficial effect. *1 2 3 4 5 6 7*

19. I am fully satisfied with the PMS in my organization. *1 2 3 4 5 6 7*

Please respond to each of the following information that relate to your circumstances. Please tick ( ) those that apply to you. All information will be kept confidential.

20. Gender (a) Male [ ] (b) Female [ ]

21. Age ________________

22. What is your level of education?

(1) JHS/Middle [ ] (2) SHS/Secondary [ ]

(3) Vocational/Technical Education [ ] (4) Polytechnic [ ] (5) University [ ]

23. Please indicate your marital status

(1) Single [ ] (2) Married [ ] (3) Divorced [ ] (4) Widowed [ ]

24. Working Experience

(1) 1 – 5 years [ ] (2) 6 – 10 years [ ] (3) 11 – 15 years [ ]

(4) 15 years or more [ ]

25. Position in Organization

(1) Top Level [ ] (2) Upper Level [ ] (3) Middle Level [ ] (4)

Lower Middle [ ] Level (5) Junior Level [ ]

OTHER COMMENTS

If you have any further comments, please write them below;

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