

Managing Performance: Modern Day Myth or a Game People Play?

**Paper presented to EURAM, 2002
Second annual conference on Innovative Research in
Management, Stockholm, May 9 - 11.**

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Performance appraisal and managing performance are they one and the same or fundamentally different? The first suggests a reactive stance while the second indicates proactivity. Although effective performance management has been touted as the key lever for change that may boost individual and team accomplishment in organisations, the results will be limited if it is a case of 'old wine in new bottles'. Specifically, the preliminary results of two case studies indicate that performance management systems operate in the same way as 'old' performance appraisals. Some interviewees perceived that 'knowing how to play the corporate game' was as important as performing well. Those who 'play the game' well, were perceived as advancing in the organisation, while those who performed but did not 'play the game' were left confused about their performance, and subsequently, their future. Initial data analysis suggests that if managers want to introduce more innovative ways of managing performance, the solution could be in the level and frequency of informal feedback occurring between managers and employees.

Keywords: performance management systems, formal feedback systems, informal feedback systems, performance appraisal

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This paper reports on qualitative research concerning the use of performance management systems - in particular, the performance feedback interaction occurring between managers and employees. The research was intended to identify ways in which managers provide performance feedback within organisational contexts and employees perceptions of the effectiveness, or otherwise, of that feedback. Specifically, two case studies were conducted with professional employees of a chemical firm and an accounting firm situated in Sydney, Australia. The method and sample are outlined later in this paper.

Managing Performance – the story so far

Ivanchevich (2001) contends that virtually every organisation of at least moderate size has a formal employee performance evaluation system. Performance management is generally described as a strategic approach to integrating HR activities and business policies. Spawned from performance appraisal, performance management has, according to Williams (1998), three facets: performance management as a system for managing *organisational* performance; as a system of managing *employee* performance and as a system for *integrating* the management of both. Fletcher (2001) points out that performance appraisal has a varied, but important role within each performance management model, while Moravec (1996) contends that performance management is often just performance appraisal by another name. Cascio (1996) advocates performance management as part of a continuous process of improvement over time that demands daily, not annual attention. He notes, however, that the concept of performance management represents a narrowness to many managers equated with performance appraisal – an exercise undertaken once a year to identify and discuss relevant job strategies and weaknesses of individuals or work teams. Likewise, Marshall (2000) cites a number of researchers who acknowledge the lack of any holistic, comprehensive and integrative performance management system. Hendrey, Bradley and Perkins (1997:20) contend this deficiency occurs because companies do not necessarily understand that performance management is part of strategic planning and strategic implementation.

Nonetheless, a number of writers point out that the move from performance appraisal to performance management is consistent with a move away from traditional hierarchies to responsive, innovative, flexible organisations (Moravec, 1996; Fletcher, 2001). Furthermore, Connell (2001) contends that employees want encouragement and the freedom to get their work done, rather than being subject to control mechanisms. Although strategic management requires effective measurement (Viljoen and Dann, 2000) the appraisal of performance has, however, been viewed as a sophisticated control mechanism whereby management exert their prerogative. Neely (2002) refers to this as the 'dark side of performance measurement' - a negative reaction to measurement resulting from a sensitivity to, or fear of measurement, because it is perceived that it might be critical of individuals. He argues that this problem is due to performance data being used by management in a judgemental, intimidating way that encourages defensive behaviour. Conversely, Neely (2002) suggests that the same information, presented as a basis for discussion concerning where improvement might lie, is far more likely to lead to a positive outcome:

In far too many cases, performance data are considered to be a source of power or a control device. But measurement is all about understanding what is happening inside the organization and working out how to introduce improvement.

The key to this, Neely (2002) suggests is supportive management requiring the science of measurement combined with the human dimension necessary to interact successfully.

The above issues may be the reason why there is a consistent theme in the literature related to the lack of success achieved with performance management or performance appraisal systems. For example, Coens and Jenkins (2000) maintain that although performance appraisals are used in eighty per cent of workplaces in the US, ninety per cent (and this includes appraisers and appraisees) are dissatisfied with the process. Similarly, 90% of US human resource executives said that they would modify, totally revise or eliminate their current performance processes, according to a report by the American Metal Market (1999), and the Institute of Personnel Management, UK (1992) reported on the lack of success achieved with performance management systems. In Australia, Nankervis and Leece (1997) report on their findings from a study conducted in 1995 that was previously conducted in 1990 (Nankervis and Penrose). The findings from the 1990 survey indicated that performance appraisal emphasised career development and training for *future* jobs, whereas in the 1995 survey the emphasis was on *current* performance evaluation and control. These findings led Nankervis and Leece (1997) to conclude that economic factors have encouraged organisations to adopt a 'hard' HRM approach (see Legge, 1994) whereby employees are appraised through processes such as management by objectives, job competencies and rating scales. They advocate the 'softer' HR approach of involving employees in the design and integration of performance appraisal schemes and with organisational level performance management systems. This method is also advocated by Moravec (1996) who claims that some companies have dispensed with performance rating scales altogether. He advises that more time should be spent on projecting *future* performance in order to anticipate competitive challenges, as more can be learned this way than by spending time capturing the lessons of the past.

Another key to improved performance management may also lie in attention to the social and motivational aspects of appraisal, the culture of the organization or country (Fletcher, 2001; Neely, 2002) and the management style/interpersonal skills of the appraiser (Bradley and Ashkanasay, 2001; Nankervis and Leece, 1997). Fletcher and Neely point out that cultural differences have implications for both the design of PA and PM systems and for the conduct of individual appraisals. For example, a facet of Australian culture is not to 'dob in' (report adversely on) your mates/colleagues and this has implications for the efficacy of 360 degree feedback. One of the ways in which managers' influence corporate culture is in deciding *what* to measure (Schein, 1985). Likewise, as Neely (2002) argues, there is major value in the *power* of measurement, as the act of deciding what to measure forces people to clarify what is important in their organizations. Once this has been decided the implementation of the performance evaluation system will vary according to corporate culture. Neely (2002) points out that "political and cultural issues, notably people's fear of measurement and the games they consequently play to try to manipulate target-setting to ensure targets are achievable and no blame can be attributed" need to be combated with education and understanding regarding the purpose and use of the measurement system. This

may be easier said than done, however, depending on the individuals concerned, the corporate culture and the mechanisms available for feedback. For example, as Cleeton (1992) argues, the mechanisms for feedback pay little attention to the needs of recipients, or to the context in which the feedback was provided.

The level and frequency of feedback that occurs in manager-employee relationships has been closely linked with the interpersonal skills possessed by managers. In common with Coens and Jenkins (2000), Bradley and Ashkanasy (2001) advocate the abolition of performance appraisals. Instead, they advocate the emphasis of feedback (both negative and positive) on an ongoing basis “giving ongoing feedback should be considered one of the most important management skills that are needed in supervisory positions” (p.95). However, as previous studies have noted, Australian managers tend to lack the ‘soft skills’ required to fully engage in consultation and participation (see Connell, 1998; Davis and Lansbury, 1996 and Karpin, 1995) making it unlikely that Australian managers will be proficient in providing meaningful feedback to employees either.

The role of feedback in performance management

The major focus of this study is the influence of feedback on an individual’s performance within the organisational setting. Feedback is a powerful instrument in performance enhancement (Gomez-Mejia 1990) and feedback systems can take many forms. Most systems are developed in response to employees needs to have their performance evaluated and gain information about their efforts and achievement. All measurement data provides some built-in feedback, but few of us can adjust our performance based on that data alone. Moravec (1996) argues that this is the reason why so many people participate in formal feedback programs such as weight-loss classes. He claims it is not because they need a professional to tell them how much they weigh, but because the value of such programs rests primarily on the external feedback provided such as: assisting with the interpretation of measurement data, developing action plans, receiving encouragement and sticking with the program long enough see results. Consequently, Moravec (1996) proposes that feedback within most companies provides information about an employee’s past performance that gives them a sense of how well or poorly that employee is doing in the eyes of the organisation, although the key to effective feedback is to provide information that helps employees to improve future performance.

In the discipline of cybernetics (Char, 1998) reports that feedback systems are part of a feed-back and feed-forward cycle that has been likened to the cycle of performance management and feedback systems. Different processes in nature, such as the physical, chemical and biological are operated in cycles with feed-back-feed-forward mechanisms (Bowler, 1992; Char, 1994,1995; Fairbridge, 1972; Ford and Monroe, 1974; Grolier,1993). The necessity to set performance expectations (feed-forward) and the performance evaluation and resultant (feed-back) (Heisler, 1996; Bookman, 1999) highlights the necessity of incorporating feedback systems in the development of leadership profiles. For example, the gathering and analysis of multirater assessments in the form of a 360-degree instrument has gained increasing popularity over the last decade as a means for organisations to determine the true state of its management (Bookman, 1999).

In the context of a performance management model, (Hillman, Schwandt, and Bartz, 1990) suggest that managers should provide ongoing performance feedback. As discussed earlier, this will require managers to possess enhanced 'soft skills' in addition to processes of appraiser/appraisee reflection, self-disclosure and acceptance to enhance the feedback process. If effective, feedback can assist in managing individual reactions to pay and compensation policies, and perceptions of equity or fairness in the distribution of rewards. (Abraham, 1999; Kulik and Ambrose, 1992). Further, (Willard and Thomas, 1991) contend that feedback systems, particularly in the form of upward appraisals, provide a more open style of management in the workplace, providing an opportunity for open and honest communication to plan and achieve corporate, business and individual objectives.

So what is the return on investment concerning performance management systems? Neely (2002) argues that there is very little research completed on this topic to date, partly because there are so many other factors that influence the overall performance of the business. However, Morehead, Steele, Alexander, Stephen and Duffin (1997) report that performance appraisal interviews are widely conducted in Australia and are based on an assumption, that the benefits from this process outweigh the time, money and effort. Likewise, Rheem writing in the Harvard Business Review cites recent research indicating that companies using performance management systems perform better financially than companies that do not (cited in Nankervis, Compton, and McCarthy, 1998:380).

The following sections of this paper will now explore some of the issues discussed in the brief literature review relating to feedback and performance management.

Research questions

There were two purposes of this research. The first was to investigate participant's perceptions of the benefits of performance management. The second objective was to examine the perceived influence of performance feedback, in particular, the way that managers provide feedback within organisational settings and its influence on their work performance.

Method

A qualitative case study approach was adopted. Case studies can provide powerful stories to illustrate particular contexts within an organisational setting being more likely to provide a large amount of rich, in-depth information (Walker 1985). This approach involved gathering data using a modified form of grounded theory. The term "grounded theory" was coined by Glaser and Strauss (1967) to describe the concept that theory is generated by an iterative process involving the continual sampling and analysis of data gathered from concrete settings (Pidgeon, 1996). It is a process of inductive theory-building, based firmly on the observation of data.

Following data collection and coding, themes emerging from data analysis were categorised within either the *core category* or a *subcategory*. To find the core category Strauss and Corbin (1990) advise the researcher to ask: "what seems to be the main story line, pattern or theme that is occurring over and over, and what category do all the other categories seem to be leading to?" (p.99). The core category

integrates all other categories and is broad enough to encompass and relate to all the other subcategories (see Strauss and Corbin, 1990: 116). Once the core category has been identified, the next step is to relate the other categories to it, making them subsidiary categories.

The Sample

The sample comprised two organisations situated in Sydney, Australia. One organisation specialises in accounting and is referred to as Accountco, and the other is a chemical distributor and is referred to as Chemico in order to protect confidentiality. Both organisations were selected as they were voted in the top twenty Australian organisations in HR (AGSM, 2000). Both organisations are multinationals, although in Sydney Accountco has 1,300 employees and ChemiCo 1,000 employees. Predominantly ‘professionals’ interviewees were selected from a representative ‘slice’ group. Table 1 indicates the demographics of interviewees.

	Accountco		Chemico	
	Managers/ Appraisers	Employees/ Appraisees	Managers/ Appraisers	Employees /Appraisees
Male	1	3	5	8
Female	5	16	2	12
Average age	45 – 50	25 - 30	40 – 45	25 - 30

Table 1: The Demographics of Interviewees

As indicated, a total of 52 people were interviewed for this study, comprising 17 males and 35 females. The sample was broadly similar for Accountco and Chemico. Accountco interviewees were drawn mainly from the training and development department and from sales and marketing for Chemico. All participants were involved voluntarily and had experienced performance management whether as an appraiser or an appraisee. Most participants had also experienced performance appraisals within other organisations. All participants had worked for Accountco or Chemico for twelve months or longer and the majority were educated to undergraduate degree level.

The case study questions were divided into two main sets. One set of questions related to performance management and performance management systems. The other set of questions related to performance feedback. Therefore, results are presented and discussed in two sections.

Findings

Performance management and performance management systems

Most participants at both organisations initially equated performance management (hereafter PM) with performance appraisals (hereafter PA). However, on further discussion, most of the participants expressed their belief that PA was only part (albeit a major component) of PM. The semi-structured research questions on performance management systems invited participants to outline their work experience at the particular organisation, discuss their individual experiences with performance management systems and discuss the role of management and the role of the

individual in relation to the PM system. Finally, interviewees were asked to suggest what improvements could be made to their organisations' PM system. Responses are summarised in table 2.

Table 2: Interviewee responses in relation to performance management and performance management systems.

Factors relating to PM	Accountco	Chemico
Interviewee perceptions of PM systems	80% of interviewees said current PM system superior to those experienced in other organisations due to constructive feedback given.	Most equated PM with PA. Some expressed a fear of PA interview, others felt it was the cumulation of all their efforts. Most said system could be improved but would require much time and effort to do so.
Interviewee perceptions of influences on the performance management system	Relationship between the parties said to be paramount to the success of PA. Corporate culture impinges on success of PA. Understanding the 'corporate game' more important than performing well.	Culture where "one is on show all the time" - masculine environment - perform or go. Appraisers often relieved when PA over as they have to continue to work with staff. Many incidents related where PA not 'gone to plan' and left both parties feeling awkward.
PM and employee development	Round table checking of PA outcomes occurs as a QA process. Despite this interviewees still felt they needed to 'play the game' to progress.	PM not seen as essential in ascertaining 'organisational stars', these are the people who had influential mentors and 'know how to play the game'. Those who don't want to play the game need to be content to let others progress.
Appraiser/appraisee roles in the PM system	Belief expressed that individuals need to be proactive in managing their own performance. Most expressed the view that managers did not have the necessary skills to dispense feedback and were more comfortable with formal feedback through PA. Female managers said to give more informal feedback than males.	View expressed that appraisers have position power while appraisees can sometimes find their 'worthiness' overlooked due to their inability to convey their thoughts to their managers. Consensus that the individual becomes more involved in the PA process when they receive both formal and informal feedback.
Degree to which PA influences pay and promotion prospects	Pay increases decided before the PA carried out. Promotion a case of having the 'right' connections, being mentored and being sponsored by the right person.	PA not felt to influence pay and promotion as this process was completed before PA cycle completed. Need to know how to 'play the game' to get promoted and be 'on show' all the time (i.e. networking) with decision makers.
Suggestions for improvement to PM system	New system just been developed and not operationalised at the time of this study. New system incorporates need for feedback and emphasises the development of people.	Belief that PM system not a priority, most reviews completed late and after much prompting from HR. Emphasis on bottom line with no reward for being a 'good team member' felt to be misguided. Need more constructive and timely feedback.

In summarising the above comments relating to appraisers and appraisees perceptions of their organisations PM systems, it is clear that there were some similarities and some differences between and within Accountco and Chemico interviewee responses.

Time and effort: The time and effort expended to conduct the formal PA interview was emphasised within both companies. As one Chemico manager commented when PA was considered “it’s that time again, get the form out of the bottom drawer and get it to HR, otherwise they will hound us”.

Appraisee proactivity: Interviewees emphasised the need for appraisees to be proactive in the PA process and this included, ‘playing the game’ to get ahead.

Informal feedback: Within both companies interviewees expressed a need for more informal feedback concurrent with the belief that some managers would not have the skills to dispense effective feedback.

PA did not influence pay or promotion prospects: Within both organisations pay increases had been completed before the PA cycle and pay was, therefore, considered to be a disconnected process. Promotion within both companies was viewed as a case of ‘having the right connections’, being mentored and, as mentioned previously ‘playing the game’.

Differences between the two companies were mainly related to the:

Corporate culture: the perception that Chemico has a ‘masculine’ environment (i.e. perform or go) could equate with the sense of awkwardness frequently expressed following the formal PA interview. Within Accountco there was more emphasis on the development of people through the PA process. These differences could also be accounted for because of the gender balance (more male appraisers within Chemico – see table 1) and the fact that the majority of interviewees from Chemico were drawn from a sales and marketing department whilst the majority of interviewees from Accountco were drawn from training and development.

Formal and informal performance feedback

Following some initial discussion with the interview it was clear that interviewees understood what constituted informal and formal feedback and were able to account both positive and negative examples of both. A summary of responses is outlined in table 3.

Table 3: Interviewee responses in relation to formal and informal feedback

Factors relating to feedback	Accountco	Chemico
Appraisees perceptions of informal feedback	Environment sets the scene for the giving and receiving of feedback. Appraisees said many managers do not understand the motivational value of feedback. Important to have the right skills for feedback and understand how to convey issues to different people.	Felt to be spontaneous, given freely and positive (apart from 2 people who associated it with negative feedback). All interviewees expressed a desire for more informal feedback as it can create an atmosphere of involvement and assist creating a productive working environment.
Appraisers perceptions of informal feedback	Feedback considered part of the position and some saw need for an increase in level and frequency. Assists in creating an atmosphere of trust and one where people enjoy coming to work.	Strong sense that feedback is appropriate when PA interview conducted. Otherwise younger managers and female managers expressed view that feedback is part of the manager's position.
The influence of formal feedback	Formal feedback can help improve work performance but only if it is supported by informal feedback given appropriately and regularly.	Desire to have formal feedback as a summary of intermittent informal feedback. Formal feedback (PA) can induce fear as never too sure of the outcome.
Influence of informal feedback on work performance	Informal feedback helps to 'set the scene' and give confidence to employees. Belief that without it the workplace would not be as productive.	Informal feedback creates a better working environment, helps people to believe in themselves, can create trust and a good team environment.

In summary, the questions relating to formal and informal feedback also revealed a number of differences and similarities between the two organisations concerned. For example similarities were that:

Informal feedback: creates a better, more productive working environment where trust and teamwork are more effective. Informal feedback can be motivational and give employees confidence.

Formal feedback: is necessary but will only be effective if supported by informal feedback in between PA sessions.

Managers and informal feedback: perception that informal feedback should be part of a manager's role but some Accountco interviewees doubted their managers would have the skills for this.

Influence of informal feedback on work performance: Within Chemico all the female interviewees agreed that appropriate informal feedback improves work performance, whilst male interviewees agreed that informal feedback was welcome, some expressed the view that "one knows what is required to be done". Accountco interviewees felt informal feedback can help increase productivity (as per earlier comment by Chemico interviewee).

Conclusion

Before drawing conclusions we would like to point out that the main limitation of this study is the small number of participants (52). Although qualitative studies are usually small, there is a consequent lack of certainty that generalisations can be made from the sample. However, our findings can provide some useful insights for similar organisations to those studied, in addition to insights regarding the generic purposes and outcomes of PM/PA processes.

As stated earlier the purpose of this study was twofold: to investigate perceptions of the benefits of PM systems from the perspective of both appraisers and appraisees, particularly in terms of its' influence on work performance and to investigate the perceived influence of informal feedback within that process. Our findings indicate that although all interviewees perceived PA as part of the strategic PM process, in terms of their understanding of the strategic process PM, it could have been PA under another name (in common with Moravec, 1996). This narrowness applied to both appraisers and appraisees confirming Cascio's (1996) belief that PM in this case was not part of a continual, daily process, but confined to an annual or bi-annual exercise considered to be necessary but resource draining in terms of time and effort. The fear of measurement (Neely, 2002) was evident in the responses of Chemico interviewees where it was also suggested that appraisers and appraisees felt uncomfortable when the PA process was complete. Within both organisations pay and promotion was not considered to be an aspect of the PA process, so this leaves the question of why PA was carried out at all. At this stage the answer appears to be because it has to be (i.e. HR will hound us if it is not done) rather than any sense that it is a worthwhile strategy for appraisers and appraisees.

We suggest that, in common with Bradley and Ashkanasy (2001), informal feedback provides the impetus required to make formal PM processes more effective. Interviewees indicated that informal feedback can help to create a conducive, more productive working environment as well as motivating individuals and teams. It is also, we suggest, necessary to reduce the fear expressed by appraisees within Chemico at the time of the PA interview. If informal feedback were given on a regular basis in a meaningful, constructive fashion there should be no need for appraisees to be fearful of formal PAs as there should be no surprises in store.

As mentioned earlier, this study is still a 'work in progress' but it appears clear that the core category from initial data analysis will be '*resolving uncertainty*'. While employees remain uncertain of their performance, the impact that their performance has on their work team, or how it contributes to organisational performance as a whole, it will be difficult for them to perceive their 'worthiness' within the organisational context. We suggest that when informal feedback is provided at appropriate times then it will be successful in raising not only their own personal 'status quo' but also that of their work teams and, ultimately, the organisation. Figure one outlines a possible scenario whereby formal feedback is interspersed with informal feedback to achieve a new 'status quo'. The dotted line below the 'status quo' indicates what we propose will occur if negative feedback is given during the formal PA interview – performance below the normal level. This is indicative of the

comments made by Chemico employees following the PA process.

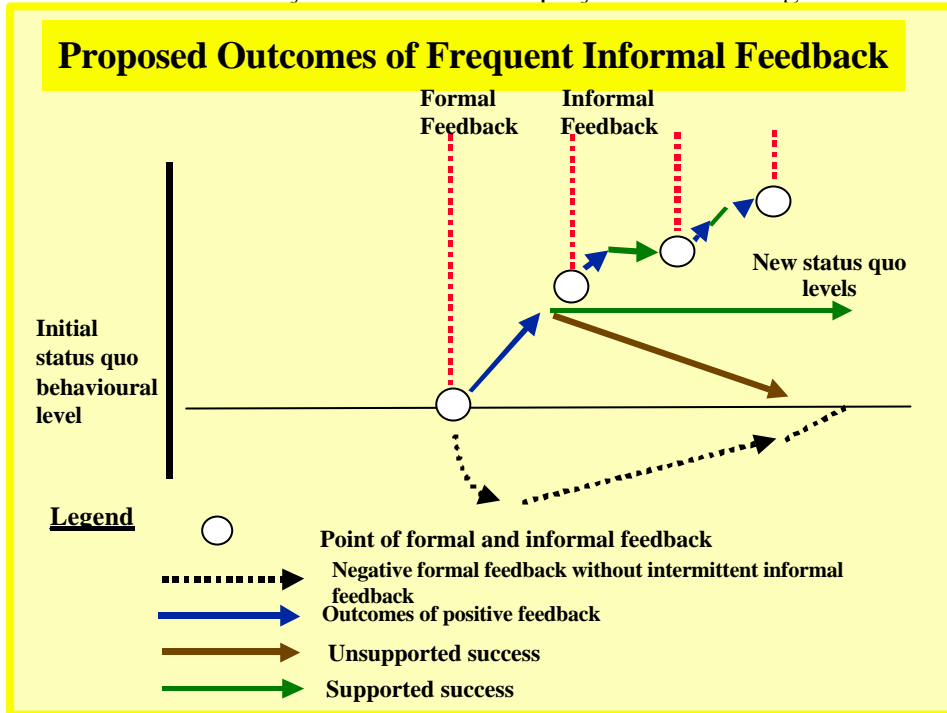


Figure 1: Proposed Outcomes of Frequent Informal Feedback.

As suggested by some interviewees and a number of researchers (see Bradley and Ashkansasy, 2001, Connell, 1998; Davis and Lansbury, 1996 and Karpin, 1995) managers need to have appropriate 'soft skills' to give effective feedback. As it appears the formal PA process contributes nothing worthwhile apart from the provision of feedback to individuals (and even then informal feedback is considered necessary in between interviews) it appears organisations may find it beneficial to consider why they persist with the process at all. Coen and Jenkins (2000) and Bradley and Ashkanasy (2001) advocate the abolition of PA while Gomez-Mejia (1990) points to the powerfulness of feedback as a performance enhancer. Our findings support these propositions and the call for innovative ways for managers/appraisers to improve their feedback-giving ability, both for individual and organisational improvement.

In summary, our findings indicate that the PM systems within the two organisations studied were just PA in disguise or, as we stated initially, 'old wine in new bottles'. Appraisers and appraisees could be said to just be 'playing the game' by carrying out the PA process in the first place or networking and gaining the support of the 'right' mentors, sponsors or decision makers in order to get ahead. When two of the top twenty Australian organisations that are recognised for their HR practices appear to lack a strategic focus concerning their PM systems, it raises questions as to the merit of the system (although Accountco were introducing a new system).

Finally, the limitations of this research should be borne in mind and the fact that further analysis is to be conducted on the data gathered for this study. Future research could be enhanced by document analysis of how PA/PM systems contribute (and the return on investment) to individual/organisational performance in addition to a questionnaire survey to canvas a broader selection of respondents than was covered here.

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