

PERFORMANCE MANAGEMENT AND EMPLOYEE SATISFACTION

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JEL Classification: J 63; L 25; M 52; M 54;

Review

Received: April 14, 2012

Accepted: February 21, 2013

Abstract

In modern organization and management theory and practice, performance management (PM) is strongly related to employee performance management (EPM). In this paper, it is argued that human resource performance management (HRPM) practices in organizations are essentially related to the satisfaction of employees. Especially, measuring and appraisal of employee performances and the procedures enabling feedback correspond to employee satisfaction, while higher levels of employee satisfaction further contribute to their higher achievements and better performance. These matters are considered within the human resource management (HRM) function, and it is argued that they are also strongly related to the demands of the overall appraisal and management of organizational performances. In that context, correlation between HRPM and ES is established, with the significant contribution to the overall business performance of a company. The focus is on integrating the managerial efforts aimed at improving the performances of employees strongly related to their satisfaction at work and creating multiple and synergetic effects that can be traced within the overall organization's results and achievements.

Key words: human resource management, performance measurement, employee satisfaction.

1. Introduction

Performance management is based on an established measurement system consisting of tools, indicators and procedures that have been chosen and are best suited to concrete situations and specific characteristics of concrete organization. Furthermore, performance management, at the focus of modern management and organization research theory and practice, mainly is oriented at employees as pillars in creating new value in the form of goods and/or services in the organization. It is strongly based on the analysis of «soft» dimensions of the organization in the often cited McKinsey „Seven S“ model (Peters, Waterman, 1982).

Managerial style is one of the soft dimensions that is related to employees as managers and related to the need to establish indicators related to their performance and satisfaction. Staff and skills are the two dimensions pointing to the creation of a set of indicators and measures of employee performance suited to the specific situation in concrete organization. The dimension of shared values is another domain of the organization, often referred to as organizational culture, in which the interrelatedness of employee performance and satisfaction is mostly vivid.

The integrative performance management models emphasize the need to broaden the scope of measures and indicators by which the organization can continually measure and manage the basic factors of its sustainable success (Meyer 2002).

The emphasis is on creating a set of objective, feasible, sustainable and credible measures, as well as procedures and practices, leading to an integrated system of performance mana-

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gement in the organization that will enhance the expected results and the fulfillment of organizational goals. Measuring employee performance is of special relevance as it leads to employee satisfaction, which again, enables higher performances. This is true for organizations in different fields, both manufacturing and services, big and small, with private or public ownership. It is the continuous effort of establishing more transparent and vivid link between employee achievements and overall business results. It contributes to better understanding of the common goals and shared values in the domain of organizational culture, as well as to all other aspects and organizational dimensions, resulting in employee satisfaction. These lead to employee satisfaction improvement, rise in employee work motivation, creativity and development of the knowledge and competency levels, as a key competitive advantage. Feedback to the employees about their perceived results is a necessary step towards successful management of employee performances also leading to higher levels of employee satisfaction. (Greve, 2003)

2. Employee Performance Management

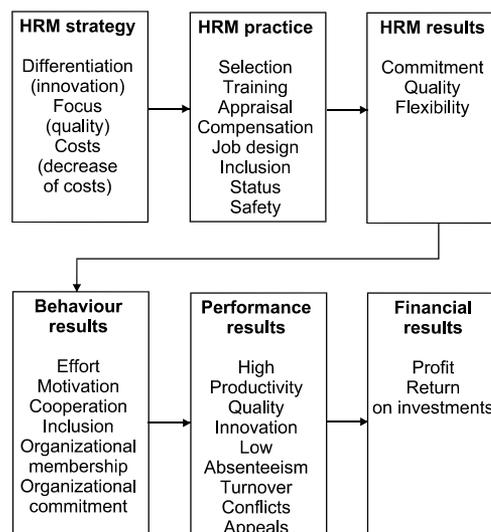
Performance management is defined in many ways and in literature many definitions can be found. One of the possible definitions is that performance management is a process where executives, managers and supervisors work together to combine employee performances with organizational goals (Ivancevich, 2001, p. 243).

Performance management is also defined as the process that puts together aims, performances and development in a unique system, where the main goal is to assure that employee performances support strategic goals of the organization (Dessler, 2005, p. 310; Jakšić, 2011, p. 8).

All definitions lead to the conclusion that employee performances are correlated to the organizational performances, because „realisation appraisal is the control mechanism which doesn't only give feedback to individuals, but also enables the organisation to create a picture of how the things are going ahead“. In the Oxford dictionary the definition of performances can be found: „Performances. Activity of realisation or something realized...The conduct of a demand, obligation or purpose, etc. Realisation, doing, completion, fulfilling... Realization of everything that is considered or given“ (Oxford English Dictionary, 1989, p. 689; Jaksic, 2012, p. 10)

The outcomes of employee performance management are, among others, keeping the best employees, and identification of the worse workers. It is also emphasized that one of the significant outcomes and impacts of employee performance management is the level of employee satisfaction in organizations. Links between HRM, performance measurement and overall results of companies, including the ones connected with employee satisfaction are presented in next diagram. (Pauwe, 2004, p. 57.)

Fig. 1 HRM and performance results.



Employee satisfaction is analysed in various different aspects and dimensions and in literature is often considered as one of the human resource management goals. Employee satisfaction is one of the main targets of strategic management, which starts from the satisfaction of the key stakeholders in defining mission, strategy and aims of the organization. Also, employee satisfaction is viewed as one of the organizational culture impacts by which the overall philosophy and attitudes, beliefs, values and dominant goals are established in the organization.

3. Employee satisfaction, performances and human resource management

Demands and expectations of employees compared to the job they perform, the possibilities of progress, the ways of controlling their work, as well as compensation, become more and more determined and higher. The expectations of highly educated workforce, and their satisfaction with the workplace and the assignments they fulfill is a very important factor of the success of the organisation. At the same time, it is expected that the success of the organization changes along with the employee satisfaction, such is the example of generation X (Guest, 2002, pp. 335-358).

In order to achieve the higher dedication of employees, multidisciplinary knowledge is required, that has to be encircled by the team of human resource experts. That means that comprehension of economy, psychology, sociology and social psychology is necessary.

Boselie did the research analysing 105 articles in the year 2005 and concluded that the relation between HRM and performances can be described with three different approaches:

- Contingency theory,
- Resource-based approach, and
- Capability-motivation-participation (Pauwe, 2009).

These three approaches reflect the views of HR. The first two explore HRM at the organizational level and performances on the basis of HR, and they are viewed from the business perspective, whereas the third approach is tied to industrial- organizational psychology.

Table 1: Ten HR activities that improve the performances of the company

<i>HR activities that improve the performances</i>	<i>HR result</i>
Culture of creating permanent values and principles	Tight culture, individual fitting, dedication to organization
Big investments in human capital, resource development	High degree of retaining staff, global competencies, business and social responsibilities
Recruitment to fit in the culture	Stability, motivation and employee loyalty
Integrated fitting of employee performance management and career development	High performance and motivation standards, employee commitment
Specific manager's style fit with medium values	Integrity of individual and organizational goals, employee dedication
Flexible compensation system based on performances	Clear performance standards, high motivation, commitment
Stimulation of employee diversity	Improved relations of work groups, equal rights
International employment policy for career development	Progress plans and careers aimed at local competencies
Bigger employee participation	Organizational commitment, better communication, teamwork
Organizational design and work process that helps HR system	Work dedication, satisfaction, productivity

Standard model of relation between HRM and performances:

Overall strategy ⇒ *HR strategy* ⇒ *HR practice* ⇒ *HRM result* ⇒ *improved internal performances*
 ⇒ *improved financial performances*

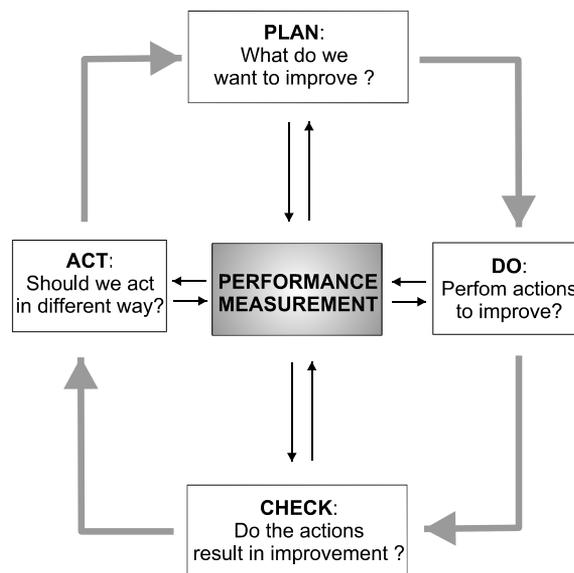
4. Employee Satisfaction Measurement

PDCA model (*Plan-Do-Check-Act*) is applied to different areas and problems in the organization resolved by managers. With this model, in the area of performance management are developed specific tasks:

- Planning, when we establish the adequate, relevant set of measures that we want to appraise and improve;
- Doing, ie. taking over the actions that are related to fulfillment of planned goals, that are especially followed by the adequate measures defined in the previous step;
- Control, which means that we compare the real state to the planned, and
- Action, as a change that needs to be introduced if there are discrepancies between the desired and real result- performances that we follow throughout the set of measures (indicators).

By application of the procedure described as a model PDCA, a connection between the realized and planned is established (Kearns, 2000, p. 20).

Fig. 2: PDCA model



The problem of measuring performance and satisfaction of employees brings us closer to the creation of a relevant performance management system in organization. The employees that professionally fulfill their assignments, performance management can only be a starting point that has a large set of advantages. It is important that HR managers set a number of practices of performance management, that reflect the specific circumstances on which their organisations do business.

Organisations represent a complex environment where individual employee performances are realized. Author Kearns speaks of six key elements of the organisation that enable the maximisation of individual performances. In other words, the relation between the success of the organisation and maximum performances is two sided, there is a mutual connection and feedback. Maximum performances cannot make up for the badly organized and managed enterprise. Unless full attention is given to all the elements, the effect of performance maximisation will fall out. The key elements of this system are (Kearns, 2000, p. 73):

- Processes and systems,
- Structure,
- Roles,

- Awareness,
- Capability, and
- Motivation.

In the effort to measure employee satisfaction the following domains have been identified as crucial (Jaksic, 2012).

- The structure of the job – the degree to which the tasks have been clearly and precisely determined,
- The inclusion of employees in decision making process, participativeness, creativity, innovativeness, empowerment and motivation, and
- Employee satisfaction and appraisal of the employees.

Performances – clarity in defining the results of some activities, jobs and individuals:

- Performance management – activities of forecasting, planning, organizing of jobs, as well as the degree of performance control.
- The stimulation of innovation – activities aimed at improving innovativeness
- Development and training, incentives for further improvement and promotion, constant knowledge comparisons
- Employee compensation – employee satisfaction related to the salary and other compensations, the relation between compensation and performances.

5. Empirical research results

Empirical research based on the principles and insights presented in this paper was conducted in a large Serbian public company with a complex structure of over 1,500 organizational units and more than 15,000 employees. In this company strict policies and procedures are followed. The company's culture is characterized by centralization, formalization and specialization. Position in the enterprise is mainly hierarchical and is based on the expertise and work experience. Employee dedication and commitment to the company's goals lead to their long-life work career in this company.

Results obtained by survey where employees answered questions in a questionnaire specially designed prepared for this research are presented schematically by diagrams below.

Results of the capabilities and knowledge comprehension are shown according to the demands of the workplace, and the data was gathered by employee self-appraisal.

The analysis of the results presented on Fig. 3 indicate that the highest percent of employees has given medium answers, such as „satisfactory” or „good”. Excellent grade was given to: time management (42, 85% of the sample), reporting and administration (14, 28%), commercial abilities (14,28%) and team work (28,56%). In the small percentage, the minimal grade was given, and mostly to problem solving and decision making (14,28% of the questioned employees). These samples indicate that certain areas need to be improved in order to develop more skilled and trained, experienced staff. To obtain these results, training programs need to be developed and applied in order to have more employees in the decision making process and the higher degree of empowerment as well as gathering and implementation of new ideas and solutions through brainstorming and other creative techniques

The diagram on Figure 4 presenting the attitude of the employees towards the standards of performances for their workplace shows that 45% of the employees think that these standards exist, whereas 22% report that there are no standards. The interesting fact is that 33% answered “I don't know”, that indicates the absence of awareness and knowledge on this subject. It also indicates that the employees do not perceive performances, their monitoring and control as significant.

Figure 3: Capabilities appraisal according to the demands of the workplace

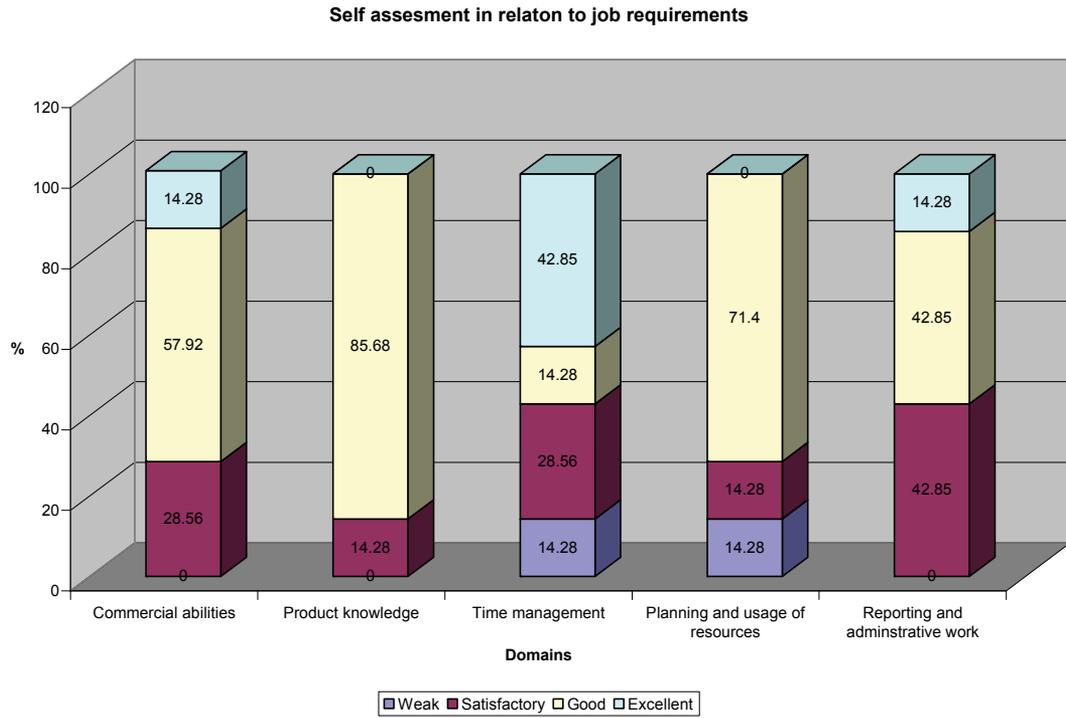
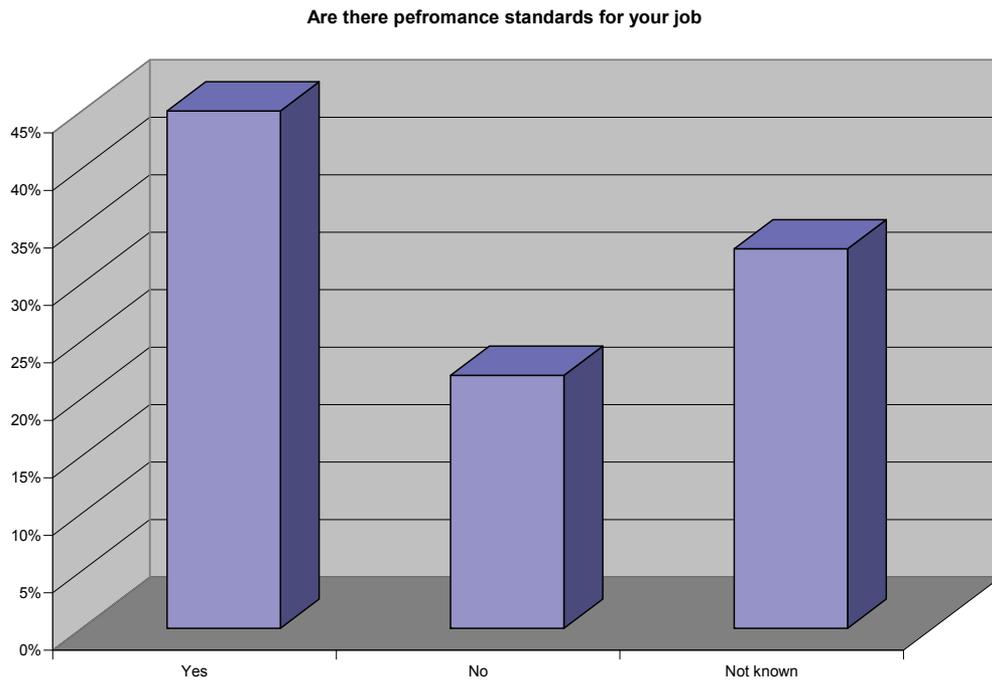
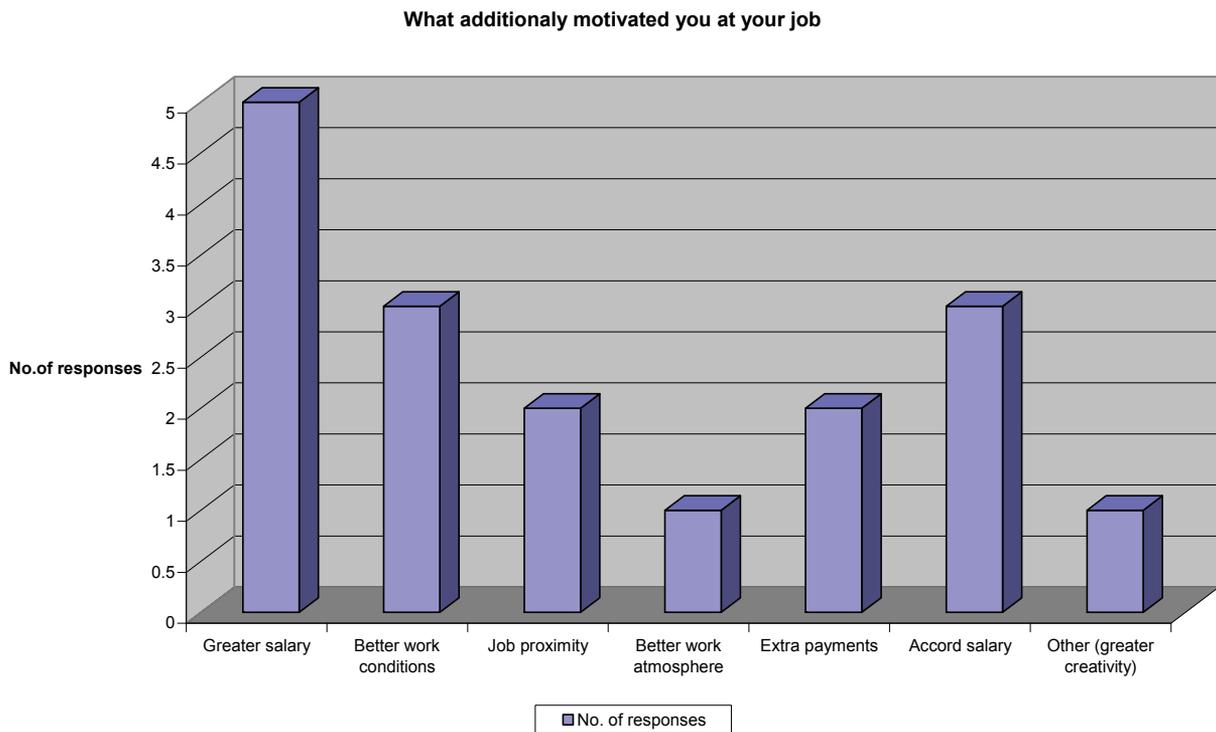


Figure 4: Workplace performance standards



In regard to the questions concerning what motivates the employees, the biggest percentage of the surveyed employees answered that it was financial compensation and specifically the merit pay, and the smallest number indicated that it was better working atmosphere.

Figure 5: Employee motivation and job satisfaction



The research has overall shown that great efforts are to be put into the matter of managing employee performance and developing subtle procedures for improving employee satisfaction. This field is still to be investigated and bring new results especially in the domain of better adapting the best practices to concrete organizational environments and situation.

6. Conclusion

Employee satisfaction is one of the key success factors of the organization and is viewed considering basic goals that are posted by contemporary socially responsible corporations. Besides employee satisfaction, organizations tend to maintain customer satisfaction, client satisfaction, supplier satisfaction as well as the satisfaction of other stakeholders. Employee satisfaction is one of the main aims of the company and its management.

The connection between employee satisfaction and employee performance management is wide and clear, and the connection is obvious in the domain of human resource management while it has a broad impact on all aspects of organizational performance. It can be concluded that all the activities of the human resource management, strategic and operational, have a significant impact on employee satisfaction and on their results.

HRPM provides a detailed improvement and upgrading of the working processes and therefore its impacts should be monitored, controlled and measured in order to achieve best results in developing well educated, skilled and satisfied workforce. The employees should be stimulated and motivated not only by salary, but by training, health, social and other additional programmes, that will raise their interest, trust and commitment to the company. Committed, dedicated and satisfied employees will certainly give best work results and contribute to the company's reputation, raise the prices of their shares and raise the profit of the organization.

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