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THE ROLE OF EMPLOYEE PERFORMANCE MANAGEMENT
AS A TOOL FOR IMPLEMENTING THE COMPANY STRATEGY

Master's Thesis in
Strategic Business Development

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ABSTRACT

Employee Performance Management (EPM) makes out the root that controls and develops employee competence, a type of management without which a company cannot survive for long. As a base for this thesis is an article published in *Management Research Review* 2011 by the author Granmo (then Hellqvist). The conclusion of the article stated that EPM and Human Resource Management (HRM), together with company strategies on more individual levels, are seen as matters of interest as well as opportunities. One of the perspectives of the article is reviewing the tool and processes of EPM in order to widen the understanding of the subject. This thesis starts with a literature review of the core subject to explain and foresee EPM's role to the individual and the company strategy. Individual developmental theory and the information achieved from the tool is something a company can work with to gain competitive advantage.

EPM is seen as an instrument for the individual that can cause changes in strategy for the company. The information gathered by EPM affects management decisions and employee issues and can benefit different levels of the company. With the information the tool gives it affects decisions and employee issues. In looking at different levels in the company the benefits of the tool can be seen. Learning has become more valued and is now ranked on the same line as capability thinking - as a core competency. Adjusting individual efforts with the aims of the company will play a role in achieving growth and assessing the potential for the company. The purpose is to look for similarities in the literature compared with information from the case company and find out what will give the best results for the company and the individual.

The methodology is qualitative. The data capture the concepts strategy, HRM and EPM. The theoretical contribution consists of 3 steps in the tool implementation; divided into *position*, *direct* and *fuel*. This thesis describe how they work and the results achieved with empirical evidence. The impact is mainly positive but some improvements can be done. The future for EPM is predicted to be previews instead of appraisals, the ratings and measurement also need some rethinking.

KEYWORDS: employee performance management, strategy, individual development, human resource management, tool

1. INTRODUCTION

According to Johnson and Scholes (1997) companies have different strategies that may require major resource changes and therefore are likely to affect operational decisions. They talk about a basic model of the strategic management process with the key areas strategic analysis, choice and implementation in an interlinked form. However, this strategy formulation ignores the development that often follows after an intended strategy implementation (Mintzberg 1994) and the tools used to improve efficiency inside the company and performance related to strategy. In strategy research there is not much focus on the *individual*. This gap demands that qualitative, individualized in-depth research still need to be conducted. To have a critical approach to the tools adds to the knowledge of employee performance management (EPM) as an effective human resource management (HRM) practice.

Both managers and HR are, however, now questioning the wisdom of the design of EPM (Buckingham & Goodall 2015). Recently there has been a trend to remove annual rankings of employees for example by Microsoft, Medtronic, Kelly Services, NY Life, Juniper (Buckingham 2013) and Adobe (Baer 2014). The reason being that the performance reviews can be judgemental and don't improve performance while they look at past achievements (Williams 2012) and not the real time truth of where the employee stand with ratings (Buckingham & Goodall 2015). This thesis will focus on the role of EPM in new light with a strategy perspective.

The thesis is built around a published article by the author (then Hellqvist) named "Global performance management: a research agenda" in Management Research Review (Hellqvist 2011, enclosure). The article sheds light on the issue of *performance management* (PM) in a global environment. *Global performance management* (GPM) was found to consist of five perspectives;

1. Tool and process perspective
2. Expatriates, a specific target group perspective
3. Cultural perspective
4. Standardization perspective
5. Comparative perspective

In the five categories presented in the article, the first one stood out as supporting company goals and strategy; that is PM being the *tool* itself in the *process*. An overall framework looking at PM, with strategy of the company involved and as a HRM practice does not seem to exist, at least according to the article. To constantly improve for example quality or customer relations a tool is needed to measure and allow clear communication and learning within the company. GPM ads focus on PM in *multinational companies* (MNCs) (Claus & Briscoe 2008). Hennart (2005), however, wonders how individual behaviour can be made to fit the strategy of the MNC. EPM is considered a tool and process aspect in strategy. (See **figure 1**)

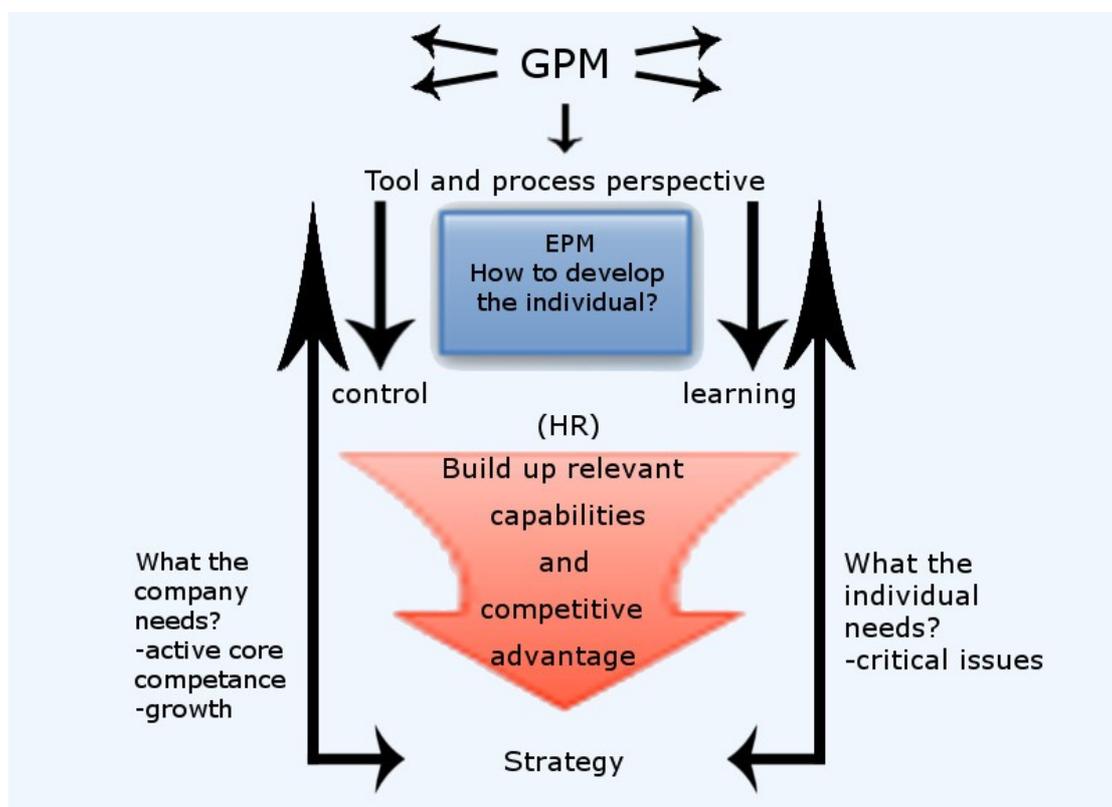


Figure 1. EPM dimensions and strategy

From a tool perspective the connection to company strategy is essential. The content of strategy is finding the roots of the superior *competitive advantage* for the company and to create a *unique value* to achieve an activity or advantage. The dominant paradigm in the 1980s was a competitive forces approach, then a conflict approach with for example game theory. These approaches have their roots in corporate strengths and weaknesses, but with current development of technology and living in a global world, *change* ability applies to *corporate strategy* (CS). One way is to look at the resources and assets the

company has in a more integrative approach. (Teece, Pisano & Shuen 1997) Competitors and customers are not so close today geographically; therefore strategy thinking has also changed. But strategy is mostly long term for the company and should not easily change direction without a reason. At the company strategy level focus can be on the *content* or the *process* itself. Different theoretical perspectives exist in the strategic field, for example there is a distinction between *rational* or *emergent* schools. (Mintzberg 1994; Mintzberg & Lampel 1999)

EPM in this thesis is seen as a process - how the company strategy is put into action and evolving through individuals. There is as a difference between EPM that focuses on individuals and on organizational level PM. To define EPM Brudan (2010) sees PM emerged over time as a discipline that assists in establishing, monitoring and achieving company goals. EPM is identifying, measuring and developing the performance of individuals (Aguinis 2009). What is important in EPM is setting performance standards and objectives, measuring actual performance and providing feedback.

Important issues are to what extent the EPM is integrated with major management systems - HRM and *strategy management* (SM). This has not been looked into more closely. In this environment it can be a linear development or other factors can occur simultaneously. In a review of the existing literature on PM, gaps were identified that warrant further research on the perspectives of the role of EPM in the strategy process. In the theoretical framework the key concept is to establish definitions of the three core areas and clarify linkage between them. The subject is difficult to study while it is so wide. Moreover, mostly organizational research has been conducted and not so much concentration on the individual in the company.

On the other hand it is critical what kind of guidance and incentives the employee need. A more secure employee who knows s/he is appreciated is not afraid to bring up new ideas either. (Hakonen 2012) Therefore how the employee is noticed and taken into account and feels s/he can affect the work situation is essential. It is important to look at personal achievement and what knowledge a person can bring to the company. The overall strategy is challenging enough so a tool helping in implementation deserves attention. (Hellqvist 2011) The issue is control or learning or motivation with the tool to get the best result for the company and find important issues for the individual. The core area is the role of the tool.

A part of the tool in question is the *appraisal* of the employee. On a more individual level one can take into account knowledge increase and planning of what should be done in the future. Even if we live and work in a knowledge era many of the reporting systems still traditionally measure tangible dimensions with a base from the industrial era (Cabrilo, Nesic & Mitrovic 2014). *Previews* can be one solution, but to predict the future implications of HRM and EPM regarding strategy can be difficult. There is a worry that the society nowadays is too performance and time oriented and that personal well-being is forgotten. Perhaps analysing and understanding the experience of work is necessary to achieve the twin goal of effective performance and quality of life (Williams 2002). In this research the focus is on the context *inside* the company and not so much on the environmental surrounding even if industry trends are important. To make the strategy and then get resources to fit them or dealing with improved effectiveness with existing ones and working more effective is a choice the HRM and SM responsible need to take. (Vuorinen 2013)

1.1. Aim and research question

The aim of the thesis is to explore EPM as a tool to achieve personal goals and by that, from a company perspective, influence company strategy in a beneficial way. The research question is therefore in three parts; the first one is the connection and relationship between EPM and company strategy. Strategy explains the contribution to operative actions in the company. That gives way to questions regarding the extent of EPM as a high commitment work system. The second is how efficient EPM is. The benefits for the company and the individual are of interest. The third part has a direct link to understanding the individual development with issues like employees' results, commitment, motivation, performance, behaviour and more.

1.2. The structure of the study

In the first section, introduction, the background information is introduced as well as aim and research questions. In section two the theoretical reference frame and relevant

literature is presented. First the theory of strategy at company level is described. Next HRM and EPM perspectives are explained. Last in the theoretical part a model is presented on how SM, HRM and EPM are linked to each other.

In section three the methodology is presented with a description of case studies as an approach in qualitative research. In section four the finding and results from the case company with the aim to find some archetypes of EPM in the analyses. To empirically see how a global company has developed their EPM and what it consist of. The study assumes it is built on a need from the company to have a functional process for the appraisal. Underlying causes for the tool will be looked at with the path of learning or control. In the conclusion part, section five, the theoretical and managerial implications are presented with problems and benefits with the tool to determine the effectiveness of it. In this part guidelines are given for the use of the tool and future orientation for research with limitations of the study.

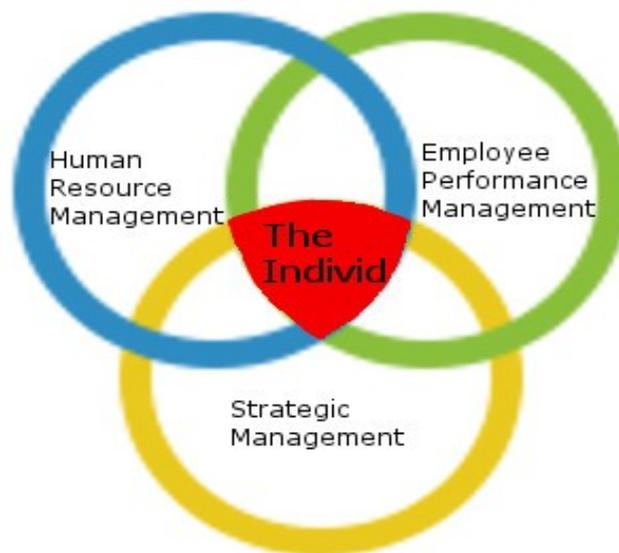


Figure 2. Area of interest

In **figure 2** strategy, EPM and HR diffuse and work together, which leads to the impact it has on the individual in the middle. EPM should not be looked at in isolation but

include every aspect of the way in which a company is run from realized strategy to operational day-to-day issues, and how to measure the effectiveness of these efforts (Corcoran 2006). Innovative strategy research contains this process. Humans cannot really be seen as a resource in itself, as the company does not own them and they can be mobile. (Grant 2012)

2. THEORETICAL REFERENCE FRAME

In this part the key literature about the three areas in **figure 2** will be presented. This will be tied together as **figure 3** in a model of the key elements. Also a more specific table about the relevant historical background of PM research is developed, **table 1**.

2.1. Strategic management

Common for studies about strategy during 30 years is that there exists no clear definition what strategy is. Harrels, O'Reilly III and Tushman (2007) give a definition saying that with some variations strategy is widely used to refer to plans and actions companies take to achieve their objectives. It is simultaneously a process which plan for resources and developing the actions required to achieve identified goals. It reflects management's understanding of the company's assets and position and making quality decisions and implementing them in practice.

The word strategy has been around for a long time (Mintzberg, Ahlstrand & Lampel 2009). The field strategy *management* started in the 1980s with Porter (1980) including the five forces model and Rumelts (1974) doctoral thesis about examined strategy type and corporate structure. Regarding theories that can be mentioned are transaction cost theory and agency theory (Jensen & Meckling 1976; Fama 1980). The topics in Furrer, Thomas and Goussevskaia (2008) contain strategy and the *resource based view* (RBV) thinking.

Barney (1991) argues that companies that possess resources that are valuable and rare would improve performance. In identifying new opportunities and organizing change efficiently the resource based perspective emphasizes *organizational capabilities* which can be a source of advantage. It is important to distinguish between the resources and the capabilities of the company. Resources are the productive assets owned by the company, capabilities are what the company can do (Grant 2012). The combination of competences and resources can be developed and protected. This is the *dynamic capabilities* (DC) approach exploiting existing internal and external company specific

competences to address changing environments. This approach emphasizes the development of management, capabilities and difficult to imitate combinations of organizational, functional and technological skills also integrating human resources. Because this is often seen as outside traditional boundaries of strategy, much of the research has not been incorporated into existing economical approaches to strategy issues. But this difference, to identify these difficult to imitate competences and protect them, can make the company a winner in the global marketplace. (Teece et al 1997) Resources only have the potential to generate economic value if they are used to help an organization create and implement strategies according to Ketchen, Boyd and Bergh (2008). That is if they possess attributes that are costly and hard to imitate. (Ketchen & Bergh 2005) By linking specific resources and capabilities specific strategies are achieved, for example management capability to effectively coordinate and organize internal and external competences (Teece et al 1997). However, *knowledge based view* (KBV) is not yet a theory in itself but an outcome of RBV. To the extent that it focuses upon knowledge as the most important factor of a company resources and the main determinant of sustained competitive advantage in the long run. (Grant 1996)

The strategy paradigm has been active since the 1980s with the SMS (Strategic Management Society) and Strategic Management Journal. Focus has been variously on the environment of the company as well as on the happenings inside the company (Hoskisson, Hitt & Wan 1999). In an article Mintzberg and Lampel (1999) divide the strategic process into schools or views. Mintzberg et al (2009) talked about 10 schools in strategy processes but 4 (design, planning, positioning and learning) are considered more influential. Mintzberg also talks about if they represent a different process or different parts of the same process. Many of Mintzberg's thoughts are a reaction to rational and analytical view with Porter's (1980) framework about positioning, Ansoff's (1965) planned and Andrew's (Learned, Christensen, Andrews & Guth 1965) design school. There has been a debate within the process oriented paradigm in strategic management about the design school, the planning school and the emergent school (which include learning school), each with their benefits and disadvantages. (See Mintzberg 1990; Ansoff 1991 and Mintzberg 1991) Mintzberg (2005) has been strongly critical to strategy literature which focuses on strategic planning predominantly on deliberate strategy. Strategies develop and take form *as time goes by* in his view. If the environment is changed and not controllable the managers need to cope with that. Especially in times of crisis they need to make decisions quickly. Emergent is not normative (how it is done) but descriptive (how it should be done) which is a plus. It is

not fixed nor can it change systematically at pre-arranged times by management ignoring learning that follows after an intended strategy. Mintzberg's biggest contribution is "strategy by learning".

To position the thesis the emergent school was chosen; because a strategy process can be changed when new information is given. (Mintzberg 1994; Mintzberg et al 2009) Prior to action one might need plans or patterns in a long term view to create the future. Here the author agrees with the design school that strategy formulation is rational, conscious and controlled and only after strategies have been formulated they can be implemented. But by thinking more about stages, responsibility sharing, dynamism, looking at capabilities (also activities, objectives and budgets) a broader view is needed. Formulation of a strategy is not the end task, it continues after that according to Mintzberg et al (2009) with the up-popping emergent strategy.

For example if the production department comes up with a new product that revolutionizes a field, that is also strategy while management have to consider this new turn of event. So basically everything that happens in the company is strategy (*formation process*). Not *formulation* as planning school talks about. Mintzberg (1994) wants to replace it because strategies can be formed without being formulated. Managers can take a too narrow perspective if they do not cope with the entire beast, exemplified by parts of the elephant making an animal (Mintzberg & Lampel 1999). However, strategy formation over time appears to follow some important patterns in organizations; notably life cycles and change-continuity within these. Ironically, Mintzberg has forgotten the *content* of strategy a bit while he focuses on the process. Power (2015) argues that perhaps he is too negative to planning and that another approach can offer solutions, including both analyses and thinking for planned processes. Mintzberg is criticized for being simplistic in his analysis but if plans are made a long time beforehand there are a risk that technology or frames change.

The decision is to see first then plan or do first then learn. Because learning is a continuous process, the strategy will never be ready, instead it is about integration. When talking about internal capacity in companies, it seems to return to the roots inside the company which is a good thing. Here SM has a role when the learning aspect is taken into consideration. Learning can be validated through human actions. Even if

organizations do not think, there is knowledge at the organizational level (Sparrow 2006). Input from different disciplines like psychology can be a benefit here.

SM research have been criticized for insufficient grounding in theory but also “the performance implications of personal relationships, cognition and the affective interplay between people remain largely unexplored by strategic management“ (Mahoney & McGahan 2007: 83). To help create new theories or methods of analyses maybe a more active approach is needed and not uncontrolled or undesired directions. The strategic objective should be specific, measurable and time bound. There can be goals following the strategic objective, which might measure performance to monitor progress for which individuals can be held accountable (Collins & Rukstad 2008: 86).

2.1.1. Human resource management strategy

In developing a company-wide strategy HRM establishes objectives for competence building. The resource priorities should be transparent to the entire organization. (Grant 2012) No strategic view can stand alone as a best practice, they all have their pros and cons but with a mix one can see what is best suited for the company. HR is part of the CS and usually the department putting the design, implementation and evaluation of the EPM process into action. For MNCs it is essential to have their HRM adapted to a global environment in order to receive success in the increasingly competitive business world. A clear definition is needed on what the company employees should work for and focus on. The payoff in terms of performance comes only if HRM is linked to a part of the business strategy that reflects the industry and the competition. PM is a tool from the *head quarter* (HQ) to control, train and develop the workforce in the subsidiaries and to implement HQ ideas and strategies by actively selecting, developing, giving incentives and monitoring employees. (Drnevich & Kriauciunas 2011) All of these activities are central to management in general and HRM in particular. To determine the EPM tool used is an advantage for strategy.

In global HRM the possession of the skills and knowledge effectively integrate global employees, while at the same time recognize local differences as a key area (Sparrow, Brewster & Harris 2004: 44). The challenge for MNCs remains to design and implement PM systems that fit the global, as well as the local context of their operations. PM lies somewhere in between global and local while individual employee

performance is linked to the overall strategic goals of the company. Decentralization has made it harder to focus on the core competencies. If looking only at the end product the strength can be missed. The company must make sure that the people have a shared understanding of customers' needs and technological possibilities. Core competencies include, among others, communication, involvement and a commitment to work across organizational boundaries. It involves many levels of people and at all functions. Many Western companies do not think about competitiveness in those terms at all, which is a big risk. A competitor might get hold of technical information but it is far more difficult to duplicate a pattern of internal coordination and learning. (Prahalad & Hamel 1990) A disadvantage with the concentration on resource thinking is that to some degree the companies are stuck with what they have and many have to live with that (Tece et al 1997).

EPM is a HR activity (Claus 2008). To the HR elements the following can be included; training and development, compensation, career management, staffing and motivation. (Martin-Rios & Erhardt 2008) Dewettinck (2008) argue in his study of 319 Belgian organizations indicated that PM systems with a stronger development oriented purpose are more effective in fostering employee development and motivation. The goal to acquire and develop employees who have capabilities can in turn lead to a strong climate of commitment. The HR department should also consider that high performance employees can resign from the company if they feel that others get rewarded for their achievements. (Hakonen 2012)

The appraisal is seen as an important HRM practice, but it is more assumed than tested that a relationship exists between an appraisal that the employees can be satisfied with and work performance, employee attitude and motivation. Usually it is a meeting between the employee and the foreman about target setting, feedback and development and a link to strategy in the company. But the appraisal is just one activity of the PM process, which refers to the periodic formal evaluation of an employee performance (Claus & Briscoe 2009). The term appraisal itself can mean a system managing organizational performance, or an individual performance or an integration of the two (Williams 2002). Shipper, Hoffman and Rotondo (2007) mention that the appraisal process cannot be applied equally across cultures, due to different values in different cultures. Grönfors (1996) says that the understanding of people has changed from seeing them as a collective to a more individualistic view, admitting that people are not similar and there are various differences in the reason that makes them perform. One

cannot expect all employees to react in the same way. In order to have a positive influence for the employee behaviour and future development, employees must experience positive appraisal reactions, which however do not necessarily increase work performance (Kuvaas 2007).

2.1.2. Potential individual development

If control over resources is the source of economic profits, the management of learning becomes a fundamental strategic issue. It is in these dimension skills of learning and invisible assets play a role. While learning is a dynamic concept and control a more static one, learning is more important to develop. Learning processes are social and collective and contribution can lead to understanding of complex problems. It requires common codes of communication procedures. The knowledge generated through such activities gives new patterns of activity in routines, or new logic that can create solutions. (Teece et al 1997) But competencies still need to be nurtured and protected; knowledge fades if it is not used. The *core competencies* that make growth possible need to be identified in order to adapt quickly to changing opportunities. To be part of the core a capability needs to be affecting the company strategy, and give continuity. (Dierickx & Cool 1989)

Individual resources do not automatically give competitive advantage. To identify and evaluate, however, the goal is to see opportunities and possibilities for existing assets more profitably. The productive service that human beings offer to the company is in terms of their skills, reasoning and decision making abilities. Companies contract with their employees to purchase their time and expertise. (Grant 2012) The purpose here is not to identify different types of knowledge (knowing how as *tacit* and knowing about facts and theories as *explicit* knowledge), but more on the transferability. New knowledge boils down to the conversion of tacit knowledge to explicit. (Nonaka & Takeuchi 1995) Explicit knowledge can be understood with communication. But if tacit knowledge cannot be codified and seen by observations of application and acquired through practice, its transfer between people is slow, costly and uncertain. (Kogut & Zander 1992; Zander & Kogut 1995) Another way of looking at the transfer is the receipt ability and not only transmission (Cohen & Levinthal 1990). Most of the knowledge in production is tacit so it needs *conversion*. (Grant 1986) But then again, when it is more explicit it is more vulnerable to replication.

A deliberate way to build capabilities is to find the distinctive competence to describe things a company does particularly well compared to its competitor. (Grant 2012) The level of knowledge outflow also affects the control of the company. The concentration can also be on the employees capabilities. It can also be argued that capabilities can be built with the help of EPM. Compare with chapter 4.4!

The main problem with all PMS is that it is not possible to measure social phenomena with anything, the performance exists more in people's minds. There can be a danger if one is trying to control learning, it can destroy the real knowledge and substitute it with something else. (Grant 1996) Also the one measuring, the HR department, has limited interaction with for example the SM department. With a more communicative approach the transfer moves towards a more individualistic and specialized knowledge. (Zander & Kogut 1995; Grant 1996) Learning is important in strategy.

2.1.3. Employee performance management

“PM is usually described as the system through which organizations set work goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs, and distribute rewards.” (Briscoe & Claus 2008: 15)

The methods or activities commonly used in organisations are rewards, training, access to resources, goal setting, participation, coaching and feedback (Schraeder & Jordan 2011). There is no clear definition what should be included in PM but the explanations are quite similar, even from different views. Evaluation and communication are also part of the EPM process. In rediscovering PM systems Brudan (2010) also talks about learning and integration. In comparing *control* versus *learning*, control is more the old way of looking at PM and learning is new and resource based with strategies in a micromanagement style. The question here is if the company makes a clear conscious choice when developing EPM? The answer is more often no. Brudan (2010) suggests a higher emphasis on learning, communication and integration during implementation and usage of PMS. Knowledge about EPM is difficult because of the lack of standards regarding definition; classification and usage of tools make both research and applications difficult. But tension between control style and managerial practice HR is an area of imbalance. The suitability of using twentieth century command and control thinking in the interconnected world of the twenty-first century is debated.

Organizational goals can be reflected in individual goals, making the employee accountable for the execution and therefore making the tool useful.

Another area of tension in EPM is the dominance of measurement and rewards opposed to learning and improvement. EPM is used to refer to individual PM or appraisals while performance measurements is more focused on the individual and organisations. PMS is more concerned about the measurement and EPM how information can be used to change and improve and therefore also the link to strategic plans. (Kloot & Martin 2000) From the design of an idea to action and achieving desired results there is a journey that aims to improve. The employee does not always know the desired result or goal. EPM reflects the approach one has towards performance and includes processes such as strategy definition in planning and goal setting, strategy execution, training and performance measurement and taking action based on the results of the evaluation and ensuring that targets are achieved. The traditional level at which PM is used in organizations is the individual level. In the 1990s individual PM was reshaped into two key trends, the increase in popularity of self-assessment of performance and integration between strategy and EPM. Environmental conditions today are very different. Customers' needs are more diverse and work is more complex. The workforce is more educated, technology intensive, mobile and has different aspiration.

In doing a more systematic literature review of the history there are some subjects that are represented. In the global environment a variety of studies from global integration or local responsiveness exist (Lindholm 2000; Lervik 2005; Claus 2008) and expatriates (Tahvanainen 1998). Martin-Rios and Erhardt (2008) took it further with international diffusion, meaning how the PM system used had an impact on cross-border knowledge flow. Tahvanainen (1998) and Cascio (2006) are also looking at the GPM process and goal setting. Latham, Almost, Mann and Moore (2005) are concentrating on the appraisal itself. Cultures have also been of interest, referring to high and low context cultures with explicit and implicit approaches by Engle, Dowling and Festing (2008). The critical aspect in all the global articles seems to be if a global standardisation or a local customisation to the PM system is to prefer. Dewettinck (2008) also looked at the system with purpose and effectiveness and found that companies with more competitive markets have stronger performance oriented purpose. PM research background is presented in **table 1**, which leads to the EPM presented after the table.

Table 1. Relevant academic research that include PM

Authors	Research setting & method	Type of PM	Selected findings	Theory used
<i>Cascio, W.F.</i> (book chapter) 2006	Theoretical Research needs	Global Definitions of performance , goals, measures and assessment	Training for managers and holding them accountable for the implementation	Cultural
<i>Claus, L.</i> (article) 2008	MNC's, theoretical Local responsiveness versus global integration Process recommendation for future research	employee PM glocalised system	Transnational PM system more effective than stand- ardized or localized approach	Social Cultural
<i>Dewettinck, K.</i> (article) 2008	Belgian Organisations (319) Fill-out survey Hypotheses testing	PM systems: purpose, contextual dependence and effectiveness	Companies with more competitive markets have stronger performance ori- ented purpose with better employee motivation	Contextual
<i>Engle, A.</i> <i>Dowling, P. &</i> <i>Festing, M.</i> (article) 2008	GPM, research domain that emphasis on inputs, outputs and processes and global standardisation versus local customisation. Theoretical.	Explicit and implicit performance approaches	GPM descriptions New: explicit and implicit approaches, referring to high and low context cultures	GPM theory (contextual, technical, intercultural & developmental)
<i>Latham, G.P.,</i> <i>Almost, J.,</i> <i>Mann, S. &</i> <i>Moore, C.</i> (article) 2005	Theoretical	Appraisals and problems with them; the process, legal issues, the instrument, who should do the appraisal, objectivity and fairness	Evaluation & feedback	Organizational
<i>Lervik, J.E.B.</i> (Doctoral thesis) 2005	HQ/Subsidiary relation (one company) Sample of 83 foreign or domestic subunits	PM transfer in one company Integration, imitation or internalization of PM	Consistency versus adaption to local environment	Change Mgm. Cultural & institutional perspective
<i>Lindholm, N.</i> (Doctoral thesis) 2000	HQ/Subsidiary relation Cultural setting (China) 4 independent empirical studies. 26 pilot interviews + a employee attitude survey	PM policies in MNC subsidiaries in China	Global integration or local responsiveness Changes in host country employees attitudes to globally standardized PM	Cultural
<i>Martin-Rios, C.</i> <i>& Erhardt, N.L.</i> (article) 2008	11 US and European MNC's Interviews and questionnaire International diffusion	Managerial PM, International setting	The degree of which PM system was used had impact on cross-border knowledge flow	Organizational Cultural Institutional Comparative
<i>Tahvanainen, M.</i> (Doctoral thesis) 1998	Expatriates in case company, 81 interviews, mail survey	Global PM process supporting company goals over time. Goal setting and performance evaluation	No big differences in how performance was managed between expatriates and domestic employees	

The approach on effectiveness or improvement of some kind, for example company growth or outcomes from PM as a strategy for improving employee performance and productivity (example McAfee & Champagne 1993) started to emerge. What effect the decision has on an employee is still hardly mentioned and softer values are ignored. The external environment for the organization has been widely described but not so much the internal.

EPM begun to appear as a word in the literature after Briscoe and Claus (2008) mentioned it 2008. Claus and Briscoe (2009) have also done a review of academic literature about EPM across borders, on expatriates, culture and appraisals in a global perspective. Nowadays EPM is interestingly researched in developing countries and South-East Asian hemisphere mostly describing a process in a specific country or field. For example about employee learning and development in Nigeria (Newman 2008), attitudes in Uganda (Kagaari, Munene & Joseph 2010), measurement in India (Giri 2014), or employee satisfaction in the IT industry (Geeta & Rahela 2013) to mention a few. EPM was studied by Festing and Barzantny (2008) but with no clear indicator for convergence, more comparing French and German systems. In the recent 5 years though, there has been a rise on the individual focus. Mentioned is also the tension between innovation and control. There can be found a darker side of the control part if it is a hinder for effective EPM or leads to dissatisfaction that affects the performance.

Lee, Rose and O'Neill (2013) sees EPM as a hot topic of HR. In most companies, the primary purpose of PM is getting results and organizational capabilities with approaches including structured goal setting, competency assessment, evaluation and rewards and development planning. Over time, companies have noticed these approaches need rethinking. Especially if the working hours put into the evaluating system of employees is not meeting the objectives (Buckingham & Goodall 2015). More critical voices have been raised for example by Armitage and Parrey (2013) in reinventing the EPM purposes that are currently occurring. Notable is that it is still not a much researched subject, with potential still to evolve and receive attention. There is a slight change in the course that EPM research has taken recently, according to the author.

According to Buckingham (2013) the appraisal ratings are the raw material for everything that the company does to and for its people. These ratings determine rewards, gaps in training and guide succession planning. They are so central to EPM that HR departments have created computer programs with nice graphics to produce ratings. Ratings can also be a hinder to performance instead of help. Companies could probably remove some of the current dissatisfaction by telling that the tool is not only for the employee, it is also for statistics. So pay attention; performance, how it is managed, measured and rewarded is changing.

To get a high return from employees a positive and energetic atmosphere is needed. A performance review should be useful, not time consuming or just paperwork. Williams (2012) says critical feedback rarely improves employee performance; therefore it should be replaced with a more positive process. Performance *preview* instead hold the manager and employee equally responsible for the results. There is a dialogue beforehand how a task or project will be completed, how and what actions are needed and also which supportive ones considered. This creates a more two-sided EPM where the managers' role is mainly to coach and assist.

2.2. Model of the key elements

In **figure 3** EPM, HRM and CS are combined. Instead of being concerned with managing organizational performance this model defines EPM as the management of employee performance which is given heightened strategic importance. (See Williams 2002) Linking together, in an integrated approach at all levels with HR in the middle, is necessary to understand the usage of PM. (Brudan 2010) EPM as a tool focus on the design and what it can deliver to the company when the individuals are developed, trained if needed and monitored according to the goal setting in the company. The important question is if a PM system is designed to measure (control aspect) or to improve employees (learning aspect) with motivation and engagement



Figure 3. Classification of the key elements

How the employees can adapt to changes and transferability (especially the difficulty to imitate coaching of core competencies) is something the EPM responsible should consider if it comes from the company strategy or if it is something that has a base in the EPM system the company has. As a by-product one can see if the employee even knows what the company strategy is. Outside the company there is institutional pressure from the environment that is changeable but still creates barriers. This is the external environment. But **figure 3** illustrates the internal environment, what happens in the organizational context. Furthermore, measurement of learning and development can occur but if they include rewards, the metrics should be clear. Issues analysed are commitment, measurement, cultural differences, goal setting and keeping, feedback, change and career planning.

The concept of previews (Williams 2012) are introduced instead of ratings. The appraisal should be about the individuals' process forward as the individual is an asset. To remove ratings is a hard conclusion but also in the appraisal need to consider what kind of feelings the company wants to create. Therefore to have a meeting once a year that is "like a dreaded dental appointment" between two people where one feels threatened is not the way to do an appraisal. (Baer 2014) Instead the aim should be that the employee is filled with motivation and committed to the company.

3. METHODOLOGY

Methodological choices are related to the researcher's assumption about the phenomenon itself (Fejes & Thornberg 2009). Case studies are the most common way to do qualitative research. It is a choice of what to study. But the word case study draws attention to what can be learned from a single case. (Stake 2000: 435) This study focuses on a single case study. The content analyses is based on semi-structured interviews in a case company. The company is a global company and informants are from different levels in the organization.

3.1. Case study research

A case study can well be conducted (Yin 2009) when the subject is a process. A more descriptive case study is preferred when "How" or "Why" questions are made and the researcher has little control over the events in real life. Yin (2003b) argues that the approach is good when it is not isolated variables that are researched, but multiple sources associated with *process* evaluation that cannot be distinguished from its context. A central feature of case study research is the construction of the case or several cases, meaning the research questions are related to the understanding of the case, what it is about and what can be learned by studying it. To give a personal and down-to earth format of a complex issue gives a better appeal than statistical and survey research. (Eriksson & Kovalainen 2008: 115f) The contextual factors are not highly controlled instead the boundaries between the phenomenon are studied (Saunders, Lewis & Thornhill 2012). This is a process where everything is connected.

Intensive case study research aims at understanding a specific case from the inside providing a contextualized description. *Extensive cases* are seen as instruments that can be used in exploring specific business related phenomena, and in it develop theoretical propositions that could be tested and perhaps generalized to other theories. The focus is to find out as much as possible about one case and the extensive design aims at mapping common patterns but however not theory testing. (Eriksson & Kovalainen 2008: 118f) An extensive case study has been conducted while the aim is to provide knowledge that can be forwarded to other contexts. The objective is to explore and understand how the

chosen case works. It is used to show the features and effect of EPM which justifies the case study approach.

Eisenheart (1989) and Yin (1981, 2003a, 2003b) have legitimated the use of case studies among others. There are three important uses for case studies; motivation, inspiration and illustration. Especially if it can be explained by an outside event. (Siggelkow 2007) The case study focuses on the understanding of the dynamics present within single settings. Case studies can have a design with multiple levels of analysis within a single study. (Eisenhardt 1989) They are a good way to check the understanding and keep on asking questions until sufficient answers and interpretations are obtained. (Ghauri 2004) Multiple realities exist and researchers and participants create understandings jointly (Eriksson & Kovalainen 2008: 294). Boundaries between the phenomenon and the context are not clearly evident. The most important feature is to explain a presumed causal link with real life and describe the context in which it occurs (Yin 2009: 17f).

Generalizations are useful so that others can benefit from the findings but should in case studies be used carefully. The case is a step before generalization and a more context free explanation, if that can even be done with the data. “Case studies provide little basis for scientific generalisation” says Yin (2009: 15). The risk being that the generalizations are too distant from the research phenomenon under study. (Piekkari & Welsch 2011: 21) Summarizing case evidence within tables and organizing a text about the theory can be, however, disappointing to readers that expect richness from empirical data. (Eisenhardt & Graebner 2007) Common in qualitative research is the attempt to make routine features of everyday life events and understand social phenomena (Yin 2009: 4).

Purposive sampling is guided by time, resources and illustrates features or a process that is of interest (Silverman 2013: 15f). This is a single-case study in real-life context. According to Yin (2009: 8f) a case study does not require control of behavioural events but is more explanatory. The factors that made the particular data interesting is the dialogue between the system and the individuals that benefit from it. One cannot make generalizations; rather think critically about the elements (Silverman 2013: 148) as each EPM or appraisal is unique.

A single case is used when it represents an extreme or *unique* case or *typical* to provide an opportunity to observe and analyse (Saunders et al 2012). However, this is not a unique case (Yin 2009: 47) while it is in no way rare or extreme. It can though be considered a representative or typical case. The objective is to capture the circumstances and conditions of an everyday situation. (Yin 2009: 48) The persons to be included in the data are distinguished from those outside the context for the case study (Yin 2009: 32) with the use of EPM.

To present an understanding of individuals' experience of the EPM process a case study is the best choice, while it allows for digging deeper into the meaning, reason and goal of PM within the company. There can be several results because persons are different and behave differently which need to be considered in the measurement. What one want might not be what another wants. For a person it is essential to find out where and what the goal is and how to know if it is reached to see if the incentives and feedback system work.

3.2. A qualitative approach

The empirical approach is qualitative research because it is difficult to investigate a social phenomenon and social interaction in a quantitative way. In a qualitative research design the research philosophy is associated with an interpretive philosophy (Denzin & Lincoln 2000). According to Eisenhardt (1989) case studies can have problems with definition and construction. Each factor needs to be understood and analysed individually and as much in depth as possible. One possibility can be to select categories of dimensions. When a relationship is supported, the qualitative data often provide a good understanding of the dynamics in it, which is the “why” of what is happening.

Huberman and Miles (2002) address the question of how to get meaning from qualitative data. Limits are needed. Not only people but also settings and processes are researched. The choices need to be representative. In qualitative research sample selection has an effect on the ultimate quality of the research. Sampling can be a complex issue in qualitative research, particularly if it is purposeful. (Coyne 1997)

Purposeful selection is defined as achieving representativeness without a large sample. By systematically finding the individuals that are most representative to provide the best data for the case, describing individuals or themes and by not comparing them. Negative can be that the informants provide a greater uniformity than what actually exist. (Maxwell 2005: 97ff) Some psychological themes, like motivation and well-being are great factors influencing work ability and therefore also included. However, the concentration is on development, change of knowledge and learning.

3.3. Research Method

The research method is interview which is a purposeful conversation between two or more people. (Saunders et al 2012) In this thesis face-to-face interviews is the main material. First there should be a reason for using interviews as the main source of data (Eriksson & Kovalainen 2008: 79). In this case it was almost the only possibility to collect information, but other ways were researched too. In open interviews with semi-structured questions there is a possibility and freedom to move the conversation in any direction of interest that may come up. In answering both “what” and “how” questions the best result occur. Silverman (2001: 297) suggests beginning with the “how” following up with the “why”.

In conducting a case study *triangulation* means sources of data from multiple sources, for example interview, documents and participant observation (Yin 2003b). It refers to the collection of data through different methods or even different kinds of data on the same phenomenon (Ghauri 2004) to ensure the data is telling what the researcher thinks it is telling (Saunders et al 2012). At least three independent measurements that agree with each other or at least not contradict each other (Miles, Huberman & Saldaña 2014: 299). Methods and material are cross-checked with one another. Strengths in grounding the theory by triangulation is evidence and in analysing beyond initial impression and observing evidence through multiple lenses. (Eisenhardt 1989) In the thesis interviews, the company web page and tables and statistics from the company are used. One version of reality approached from different angles is adding to the total understanding of the data.

3.4. Trustworthiness

The traditional positivist criteria of internal and external validity can be replaced by terms like *trustworthiness* and *authenticity*. Trustworthiness can be drawn and judged from *reliability*, *validity* and *objectivity* (Marshall & Rossman 2011). Two problem areas exist. First reliability and validity are not easily separated in qualitative research and secondly, the criteria designed to evaluate case research is not always appropriate to research using other methods. There is a distinction between contextual validity, transferability and procedural reliability.

In case study research “authenticity” is an issue (Ghauri 2004: 117). Eisenhardt (1989) sees some weaknesses in case study research too. The intensive use of empirical data can lead to over complex theories that try to capture everything. To build a theory based on a case study can lead to a narrow theory. According to Yin (2009) a replication strategy is better. That the theoretical framework is used in one case in depth and then sees if the patterns found matches previous cases.

Reliability is related to consistency, typically meaning that another person should be able to examine the work and come to similar conclusions (Eriksson & Kovalainen 2008: 292). Validity is the extent to which a concept, conclusion or measurement is well-founded and corresponds accurately to the real world. Here we cannot, however, absolutely know the truth. It must be met with statements to be more meaningful and related to meaning through references. For example a researcher who begins to see reality the same way as the participants. (Kincheloe & McLaren 2000; 299) A method by itself is neither not valid nor invalid, it is the data or conclusion reached using that method in a context that is important. There are five types of validity to be concerned about in qualitative research; descriptive, interpretive, theoretical, generalizability and evaluative validity (Maxwell 2005: 42).

This is not a funded research which can be an issue in itself concerning trust. *Credibility* exists while believing in telling the truth and trying to be neutral to the data. The only truth exists in the case situation, while circumstances can be different. With credible meaning how the findings are presented and grounded. (Maylor & Blackmon 2005) Trustworthiness is achieved through right informants, good communication and preparation for each interview.

3.5. Content analysis

“*Good thinking means to look for and find patterns in the data.*” (Miles et al 2014: 104).

How to analyse the data is important. The process of analysing the data reveals themes, *patterns* and relationships by using a selection of quotations from the interviews that support the text in a context to see if it supports a particular finding (Saunders et al 2012). According to Huberman and Miles (2002) *data reduction* include summarizing and simplifying the data collected or focusing on some part of the data. The observation summaries are here considering themes of the results with the base in the theoretical part. Issues analysed are such as commitment, measurement, cultural differences, goal setting and keeping, feedback and more that was already mentioned in the theoretical part. All the elements are considered relevant and offer a good description.

Hsieh and Shannon (2005) say *content analysis* is a widely used technique in qualitative research. There can be three different types of approaches; the conventional, directed or summative. All three are used to draw meaning from the data; the difference is mostly in trustworthiness. In conventional approach the coding comes directly from the data, in directed approach the analysis start with a theory and relevant findings are guidelines for the codes. Summative approach is more comparing, usually of keywords or content. This thesis has a conventional approach with elements coming from the data.

Interpretation of the phenomenon has a base in the data with *coding* the material. The main problem is to choose what should be included in the model. A decision to keep an element in the model should be based on its significance. The issues of development and benefit from the EPM on the organisation *and* individual is chosen, because researched is the effect EPM can have on individuals and therefore organizational strategy. Naturally a skilled, motivated employee is a benefit for the company and a way to get the strategy implemented.

Coding (Miles et al 2014: 72f) is already an analysis in itself. One code can be for example *motivation* in one segment of an interview. Other notes can also relate to this. Marshall and Rossman (2011: 213) mean coding is a formal analytic analysis in making categories and themes. Sub coding (Miles et al 2014: 80f) is a second code after the

primary code that can enrich or tell more details but is not used here while the material is small and not broad. It is useful for categorizing or hierarchies. Anyway, the nuances can be seen still. Key worlds were used for analysis. First cycle coding look for segment summaries of the data according to Miles et al (2014: 86). In the second cycle coding one looks for patterns, because larger amounts of data can be made into smaller units and it helps with focus. They often relate to the themes, explanations, relationships and theoretical constructs.

3.6. Case presentation

The choice of the case company was easy, partly because it was known from before to the author. Also it has a reputation of being innovative, reliable and up to date in its field. It is a large company with many employees worldwide so it automatically needs to have an EPM system that works smoothly. The company is a global company with a long and successful history in automation technology and power with over 100 000 employees. It is now operating in approximately 100 countries worldwide and has a total revenue of about 40 million USD. It has a standardized HR system that will be explained later and a global job structure.

The decision was to interview people from the whole company in **figure 3** for purposeful selection; HR representatives are from one unit (HR 1-3) and employee (EMP1) from the same. They were chosen so no random occurrence existed. One HR representative is high up in the organization so she is also familiar with CS and responsible for the strategy implementation regarding EPM. All interviewees were sent an email before the interview to give them information about the study, the topic and how long the meeting will take. The issue of confidentiality was also addressed and it was agreed that the company name would not be revealed. All but one were firstly approached by telephone. The interviews took from 30 minutes to one and a half hour. One interview was in a group that was good for information. The sessions mostly took place at the interviewees' office and one at a café. In one case a short control question was sent by email afterwards to see if the issue had been understood correctly while it was relevant for the thesis.

The interviews were recorded and transcribed. The interviews were half structured and carried out in Swedish or Finnish depending on the informants' mother tongue. The questions asked were adapted to the situation. There were also two different questionnaires, one for foremen and one for the employee. For triangulation also the company Web page and published information from the divisions were also researched. Models given were analysed about the EPM process. The statistics and documents were used simultaneously with the interviews to clarify and compare the information. Especially in the analyses phase it was very useful to be able to control with the documents.

4. FINDINGS

The elements of importance for the individual (core competence, commitment, measurement, goal setting, feedback, career development and more) and the company is analysed. (See **table 2**) If the appraisal accomplish what it is supposed to describes how effective it is. One figure is presented, a final picture of an example model for the case company (**figure 4**). The figure is created by the author after analysing the material from the case company. When a source is not given the information is from the informants.

The tool in question is appraisal discussion and the EPM process during a year. Documentation about the assumed changes because of EPM adopted in individuals behaviour or results in the company beyond manufacturing improvements will be given. This case study is about something that happens in the company, in the past and in the future. To get the benefit of the tool is to investigate what the company and the individual actually want to achieve with it on a long or short term basis. What should occur because of the appraisal; a solution to a problem, a change in a behaviour or focus on constant growth? This is looked at in the data. On the whole in analysing the data distinctive steps of EPM need to be separated to fit theories about change and motivation. The tool and process perspective from the authors' article is actively present about how to develop the individual's core competencies and efficiency. The author's analyse of the material lead to the theoretical contribution of the following elements in EPM;

THE STEPS OF THE TOOL:

Step 1.) POSITION (Evaluate to acknowledge and place where we stand now)

Step 2.) DIRECT (Aim at the focus where we are going)

Step 3.) FUEL (How to ignite; meaning what differs from the previous)

These steps are influenced by the tool. At **step 1.) POSITION** reliable performance data is needed to consider speed, one size fits all, constant learning and transparency. (Buckingham & Goodall 2015) To recognize the employee performance without expectations or judging. The management should recognise that an employee that

actively takes part in setting expectations and making a “to do list” is more motivated. Feedback needs to be ongoing, more in real time. People are most effective when they know where they stand (Baer 2014). Then there is the **step 2) DIRECT**. What to aim at with a transparent link to strategy. It has a process perspective to understand what evolves over a period of time with development and growth that support or prevent the new variances that are difficult to aim at and if the focus is right. In the **step 3) FUEL** try to see if a change has taken place, in growth for the company or development for the employee. EPM is the system for evaluating the work of an employee and for fuelling performance in the future which should really be the task of the tool.

To outline the priorities these steps of the development process is looked at in all three research questions which are analysed. The aim is to recognize how the tool is seen and how the results achieved from it affect the strategy at the different levels. How effectively the tool supports the CS, how it is used and the connection to strategy. All three steps are equally important for how EPM works. If it follows the control or learning path (see **figure 3**) or if future or past orientation or a mix of both is better to motivate the employee and achieve changes that are a benefit for the company is looked at. The first research question is if EPM have a direct impact on strategy (see chapter 4.1.), second the content and how effective it is in this task (4.2.) and third critical issues for the individual's development (4.3.). This will be looked at next;

4.1. Connection to company strategy

For competitive advantage in the case company it is essential to get active core competence and growth (see **figure 1**). In the approaches, strategy tools for the company are essential. Managers make the decisions, also the small ones that build the strategy. Therefore they need adequate information. Also about more soft values, (talking about people here, all is not about profit) like well-being in the companies that leads to a more motivated workforce.

In the appraisals the strategy is explained. The tool, performance appraisal, has a purpose. It demands and tells where the focus should be. The link to strategy is strong. EPM in an organizational context start with a design, then it is implemented and

evaluated (Briscoe & Claus 2008: 18). All the elements included come indirectly from the company strategy. The area of interest is still the effect it has for the individual.

In searching for answers for the “Why?” question (see **figure 3**) one needs to look back in the history of the company.

“Appraisals have been done since the 1990s and are a tool for management to support the business and target fulfilment. The most important goal is to get an effective and interactive discussion, which will put forward the need of the business.” (HR3 and documentation)

The reason for implementation was to get a standardized tool for the company. The tool was developed by a strategic global group. Here one can clearly see the link between strategy and EPM;

“EPM is closely linked to the company strategy. Before the appraisals were a bit looser but now the link to strategy is seen.” (HR3)

The appraisal is between the foreman and a person, a planned discussion with goals, which is equal to all employees. The process is according to a beforehand decided timetable from top to bottom. Because of it, the organization, business and individual targets can be divided into personal goals for the individual. Therefore the appraisals are important.

The steps analysed about EPM and the link to strategy:

Step 1.) POSITION

The EPM serves the tasks the CS wants to achieve with involved workers with capacity and developmental skills. Therefore strategy is included in each and every appraisal. The team or individual objectives and business requirements mean priorities are adjusted. One can detect a conflict here. The company needs to decide whether *control* or *learning* is the way to go. Learning is more dynamic while control is static but also a bit old fashioned. Both, however, demand integration and coordination. That does not mean the material is incorrect. To have a good outcome it needs to fit the company to

give it justice and effectiveness. Performance outcomes and rewards come from what kind of evaluation system the company has. Maybe to speak of the voice of the worker is too much but it is a way to get opinions through in a safe environment. *If* used correctly. Results do not come from the tool itself but its use.

“EPM do not so much explain strategy but it is a part of it when it comes from the top down.” (HR1)

EPM is an instrument. For the individual to understand and appreciate it, there should be some benefits for him/her.

Step 2.) DIRECT

With EPM the organization can achieve better performance of workers and therefore growth for the company. The people working there are most valuable when the tasks they perform are committed to the company strategy, even though operational effectiveness is not strategy in itself. It can be assumed that is the reason for implementation.

“The purpose of the instrument is to ensure that the business has a continuous supply of high performing people in the right job, at the right time and to retain key players. The information is always up to date.” (HR3 and statistics)

Although the DIRECT phase is hard to find. The drivers behind the global system is to get a system that looks alike everywhere and not a process where everyone does what they like. Standardization makes it easier to make evaluations and if one thinks about global positions there is a possibility to find competence over the borders that can be used everywhere.

“All is interconnected. Important is that the individuals need to be thought about and treated equal. No differences in strategic responses can be drawn while the system is so standardized.” (HR1)

The strategy of the company has recently been renewed. The former one was for 2011–2015 and is still relevant but much of the new one is taken into use. It has been well put forward and received. There are changes in the organization model that will affect EPM,

mainly with the focus more on sales and customers. Before there were regions, that still exist, but more emphasis is put on the Nordic and Europe (including Russia and east Europe). The areas are slightly bigger so the parts involved are larger.

“There will be a way of concentration thinking and to be able to take away what is not needed. Concretely it is yet too early to say what it will lead to in practice because it is officially not existing but only in the preparation phase.” (HR1)

In HR this basically means more focus while the responsibility is directly to the local management and HR will also be stronger and need to think outside the box.

Step 3.) FUEL

EPM is changing over time for the individual and influences to do so can be deliberate or emerging. However it was found that it is mostly the planned performance that happens and emergent is more taken into consideration when changes occur. The change, for example a bigger order, has to occur before recruiting. Notice here that the decision to hire someone is taken globally, with green light from the head of the division that is responsible for the case, nothing is done locally. Somewhat depending on what kind of hiring of course but when bigger changes occur. That an order might be received is still not a reason.

“Disadvantage with this can be that before there was more knowledge of the need locally. Now the decisions are further away from the divisions again.” (HR1)

It depends on the changes, but the HR unit assume because things are done through the individual it can quite quickly react to even fast changes. But if the company now makes plans for five years they might fade after two.

“It can be for example that a project is put on ice and therefore of no more importance or other solutions come beforehand in times of stress.” (EMP1)

Emergent strategy need to be a reality today in the technological industry. Different industrial fields also mix more nowadays making flexibility a key word.

4.2. Context of the tool

In a study (talouselama 2015) is mentioned that Finnish HR responsible in companies rely on HR technology, simplifying work and analyses of workers. Other western companies focused more on work culture, commitment, leadership, learning and development. In the case company there is found some control thinking with statistics. The system can give and draw statistics. Anyhow, the company exists in a highly interconnected world and it is an up to date global company.

The case company benefits from investing in the employees that develop through the process of learning and concentrating on the ones with potential to go further. Finding out who and how is essential. For example a successor is often thought about already for a position. EPM knows about his/her development plan and core competences. It is an evaluation and examination tool built up piece by piece. It is important that this is an ongoing process.

The steps analysed about EPM and its' efficiency:

Step 1.) POSITION

In the description of the EPM there are 5 core *phases* (Identity, Commit, Assess, Develop and Advance). They are used in talent management to build up knowledge and better performance. Here the person is in focus. For Identity the question can be what the person wants from their own career. Commit focus on the future and the role for the person in the company growth. Here EPM has the biggest role. Step three, Assess, asks what experience is needed to achieve the goals. The Develop phase is how to achieve experience or education. Finally Advance is to actively focus on the possibilities. How similar is that not to the elements in this thesis, with **step 1.) POSITION** (Identity, Commit and Assess), **step 2). DIRECT** (Develop) and **step 3.) FUEL** (Advance). The phases are rotating through evaluation, development and long-term planning. Notice as a circle and not linear. Each phase is critical in the tool. (Documentation)

“This system has been built up, first locally and then internationally. Notice though that this is not something ordered by HR, but a tool used in the organization.” (HR2)

A title, for example sales manager, must mean the same all over the world, in this case working in sales and having responsibilities for a sales team. The grading system is for the position and the requirements, not for the person.

“Grades are from 4 (performed exceptionally) to 1 (unsatisfactory). That means that a grade 2 is performance that needs improvement and 3 performed successfully at an expected level. With the grading issue one needs to be a bit careful.” (HR2 and documentation)

The core competences vary depending on the task, for example someone in accounting needs different knowledge about taxes than a sales person.

“That can explain why one have a 2 and someone else a 4 in a task.” (HR1)

All employees are obligated to use the tool and of this year (2015) 96% already have done so. Also the missing 4% will do the appraisal once a year. The free choice of self-evaluation has been done by 80%.

Step 2.) DIRECT

The system is created long after the company was formed and some of the companies bought already had a strong system. Appraisals have been used some 20 years but without a clear process behind. About 5 years ago appraisal discussions was taken into the action plan globally. Before this new strategy the norm was that HR had a division as their responsibility. Different divisions could have completely different systems. Now it is more centralized. In the beginning some resistance was detected but now it is functioning excellent and especially the white collar workers have begun to see the benefits of it. Not to mention the foremen! The benefit of the tool depends much on the foreman, how skilled he/she is in getting an open communication. On the whole, the reactions are positive and the content is understood and clear, depending on what the individual expects from the tool. Appraisals are also a tool for foremen to support them in their work and see the potential for growth of employees.

“The individual is taken into account. It is not only the end result that counts but also ways of action used. Support or possible lack of information is considered if low performance is detected.” (HR1)

The EPM is built around the calendar with an official appraisal, according to company regulations in November, in June a smaller, more informal appraisal with target and development review. Also talent management is used to evaluate the performance and find potentials, while career planning is an essential part of EPM. Also a risk analyses is done about the employee. Here the DIRECT aim can be better seen than in CS.

Step 3.) FUEL

Here the concentration is on EPM as a tool to support the company's strategy. It is included in strategic thinking and can act as a tool itself while it influences the persons, the workers, who execute the strategy. EPM is good in telling what the employee should be doing while it covers a whole year. Setting goals can be the hardest task in EPM because they need to be fair, in line with the strategy and support the individual employee. To better understand how the individuals act and perform is a benefit. With a critical approach to the tool it can be considered if it is an effective HRM practice. If that is the case EPM affect and advice about future company development.

“Independent of what function you have in the company the system can be used, for example if there are reorganizations there are no limits.” (HR1)

For every employee the tool need to function, which also makes it easier to understand the person. One of the absolute biggest benefits and a reason why this system exists is that it is *transparent*. This transparency gives way for a fair treatment. One can go in and search for a specific competence in the system and if a person changes workplace within the company it is easy to go through old appraisals and see what is meant since they are all the same.

“From a HR point of view the transparency about knowledge and where the action areas are, mixed with development are the biggest benefits.” (HR1)

The transparency occurs since everybody is doing the same process. If someone moves from a department to another their background is easy to understand when the information is brought with. Movement in the company at different levels belongs here.

HR also aims to support the foremen that are doing the appraisals in their role, education only being a part of it. Before the information session about the tool used to be 2 hours, now it is 2 days, considering the importance of the tool. Talent management and EPM are strongly linked, before they could be moving on their own but now the HR will also know what kind of talents there are and which positions will be free. In dealing more with changes, for example a new product release, HR needs to have enough knowledge for that. Times are changing, so also noticed by HR. Already when recruiting new people to a position the future is in mind.

“Young people do not necessary think they will stay long, so the work need to be more flexible because people today might want to try different things (among others a year off...) and at least expect to be doing something they want to do. Much work is also project based today.” (HR1)

Tension solving and keeping personnel (and what keeps them there) is for HR department to solve. The internal jobs are open for everybody which makes it easy to look for the next career step. It is essential that the strategy and the needs of the individual is met, so there are no feelings of frustration or negative energy. Analysing the employees' perception of EPM is an attempt to see how effective the system is. Therefore critical issues at the individual level are looked at next.

4.3. Impact of critical issues on the individual development process

The case company define performance as *results* (What to do?) and *behaviour* (How to do it?). The *performance ratings* used in the company are for getting a full picture of the job structure and distinguish the parts. In doing so there is a need for understanding about how the individual thinks (inside change) and functions (change that can be seen from the outside). The performance ratings with results and behaviour of the employee come from the case company. The issues that the tool supports from the author. In trying to avoid subcategories to the elements to make it too complex, the following issues is assumed to affect the individual from the appraisal discussion; commitment, measurement, goalkeeping, feedback, career planning, knowledge & development, change and reward. Knowledge increase and better performance from the employee is what the company wants to achieve with defining goals. That is the strategic importance

for the company. Avoiding the link to strategy, which will be looked at again in the next chapter, and focusing on the analysis of the critical issues. EPM is seen as a tool and talent identification a process. The author's interest is what it means for the individual. If the tool can influence the issues is relevant for the understanding and benefit for the individual in the analyses. To find *pattern matching* is building an explanation about the case, about “how” and “why” something happens (Yin 2009: 141). The interest is also if experience, culture and language knowledge affects the situation, especially in a global environment.

In the context analyses the elements that could be developed are chosen. The issues are all related, naturally, but essential is that the information tells the worker where he or she stands in the organization. They all affect the performance ratings the employee gets, for results and behaviour. One can also wonder if one, or some, affects the employees' motivation better. Capacity, skills and core competence are something that the worker brings with her or him to the company. So therefore that is not included in **table 2**. Based on the EPM theory it is possible to say what step the different issues belong to. The author finds it to be clearer with a table where the issues are presented. All can be directed to one step in order to receive a goal. In going through the issues they are;

Table 2. *Relevant findings of EPM for the individual*

	Step 1	Step 2	Step 3
ISSUES	POSITION	DIRECT	FUEL
A. Commitment	X		
B. Measurement	X		
C. Goalkeeping		X	
D. Feedback		X	
E. Career planning		X	
F. Knowledge & development			X
G. Change			X
H. Reward			X

In the company, before the appraisals, the employee has a Job Profile made including typical reporting lines, mission statement, main accountabilities, possible challenges and grades (Documentation). The appraisal itself is more about linkage of change and

targets. Here the focus is on the individual performance, if the tool affects motivation, learning, attitude and inside and outside goals for the person.

The steps analysed about EPM and individual development process:

Step 1.) POSITION gives the base for the individual evaluation.

A. Commitment

Commitment is seen by the company to belong to the POSITION step, to set the frames, but should maybe be going towards FUEL. If a person is not satisfied with the company s/he is not committed either. The commitment to the company is created through the work itself, naturally, but also in balance with life itself. Of the 5 phases this belongs to the second, *Commit*, that looks to the future and the employees own role in the company. Leadership comes mostly from the foreman, the work environment and sufficient incentives. Even if the process in itself is of importance, much effort is put on developmental possibilities. (Documentation)

“By making a development plan and update in the appraisal the individual gets a sense of having a career plan (and a future in the company). It is not only a performance evaluation where the business and behavioural targets are told.” (HR2 and documentation)

Quality and feedback are essential so not only financial rewards are mentioned but the whole concept. A foreman can have his team all over the world, partly because workforce is cheaper elsewhere. This can lead to an issue with commitment and also knowledge, because it is not necessary a face-to-face interaction if it is led virtually.

B. Measurement

Some possible difficulties can be seen in the *measurement* and *scale* drawing. The newer findings of EPM mean ratings are old fashion. If they even can be measured. If the employees remember the one thing negative in the appraisal about them, instead of all the positive things, it is not something to build on. It is also a *cultural* thing, what the ratings actually measure also depends on the manager doing it. In the pre evaluation, mostly done by line management, a potential rating is given for the employee. A self-

evaluation by white collar workers is also done, including development plan and a future target update. The human factor can hardly be dismissed in grade giving.

“Finns are not so good at putting themselves forward and can be quite short in their descriptions and don’t dare to brag about themselves. Finns think there is always something to improve or that can be achieved better. That doesn’t mean they are not as good.” (HR1)

Not everyone can perform exceptionally in results and behaviour. In fact the organization rates only 10-15% of the workers to fit in this category. Most employees are in the 65-70% with an overall grade 3 in performance. Actually, in 2014 it is was 81,02% even if the recommended spread in 2013 was 70%. (Documentation)

“Managers and their employees must perform according to the scale where 70% is in the middle. Potential managers are 10%, so most likely is that 70% will never reach that level.” (HR3 and documentation)

But everybody is important, as part of a chain. Emphasis is on that a very small part is considered low performers. Low performance is to be under 5%. In reality it is under 1%. It can also be that the person is in the wrong job description and then one will plan from there.

Step 2.) DIRECT being the main task in PDA, tells the employee what to focus on.

C. Goalkeeping

Before the steps in the tool there is goal setting. The *goal setting and keeping* is essential and the targets need to be clear (the clearer they are the easier it is to put a grade in next year's evaluation). Because the goals are the base for the next year, the goals need to be in line with the organisation's *business targets*. A clear link to measurable business activity exists and is prioritized. (Documentation) It would be important that the worker knows when the goal set in the appraisal is reached. Efficiency can be seen when productivity is optimized in processes, technology and resources. “What” is more important than “how”. (Jesuthasan 2013)

In the analyses is found that for the workers the first beneficial thing in the appraisal is to know “what is expected of me?” Second the “own development and knowledge” and third “motivation”. To only be evaluated for a period, mostly the past one, is not so beneficial. The mid appraisal is also seen as very positive because they are not as formal as the “real” one. Well-being is also mentioned as a crucial point, well in line with what HR focus on. (EMP1)

It is clear that the company action plan is what leads the targets and that is seen at every level, but the individual focus is seen as very positive. Also the appraisal is seen as an easy system, but for a foreman it can be harder to make an evaluation because they make the first draft that is sent to the worker for approval. Basically the year before is the basis and the self-evaluation is completely voluntary.

“The interests of the individual are well noticed. The individual focus is paid attention to, how you see your development.” (EMP1)

Employees are not always clear how the organization uses the information but are sure that some statistics are drawn from it. Motivation and joy can only be assumed to affect the result when one is satisfied with working conditions, which demands trust from management and employees.

D. Feedback

Feedback is commonly used for the development of managers with the assumption made that such feedback can be compared. This may not, however, be the case if the ratings are not interpreting the information in the measuring instrument as conceptually the same. In addition, the expectations of the managers are often ignored, making the feedback less valuable. Experience, language knowledge and cultural differences also affect the appraisal.

“Experienced in the case company is many times that if workers from different countries are compared the results are the same performance wise but grades are different. As an example can be mentioned

Canada, where everyone basically always has a 4 in grade, where Finns have a 2 or 3. In Asia the grades also tend to be high because of the fear of loss of face or reputation and the harmony thinking.” (HR1)

The grading issue makes it difficult to draw statistics about workers. The process is thought to be quite similar but cultural differences need to be considered. The foreman must know that people think and react differently. If possible the appraisal is done in the mother tongue but usually English is used, which is a challenge in itself. So the statistical measurements can give a false picture even if the EPM process is very standardized.

“If there is a difference in opinion in the appraisal the decision is taken by the foreman, but of course with a good motivation behind the evaluation.” (HR1)

If the goals are reached both sign and if not then it is a discussion itself.

E. Career planning

Career planning and development is a part of the performance appraisal. A clear time frame is considered, if the move is in 2 or 5 years' time. But it is mentioned in several interviews that the action and commitment from the person are important to make the move happen. (HR1-3)

“There is no magical hand from the HR department that can fix everything. Nor are the plans a promise, but help and guidance in making the plans will be given from the foreman and HR.” (HR3)

An open atmosphere exists in the teams. The foreman does not and cannot know everything as it is a big organization. A potential evaluation plan is made for the high potentials but it will not be told to the employee! For high potentials the foremen makes a pre evaluation that will be confirmed later. From the foreman point of view s/he must consider how potential the persons are in his team. Selfishness as a boss is not good. S/he has to think about where s/he sees this person in the future and offer that. It is better to keep the high performers instead of them moving away from the company. Internal movement can be difficult if the foreman does not want to give away a good worker (Kauhanen 2010). Free movers from the company is only 1,7%.

(Documentation) In the appraisal wishes about the next step can be done though. Sometimes HR thinks that there is too much focus on careers, development can naturally happen without promotion. Some persons might not want to see themselves in other positions than where they are right now.

Step 3.) FUEL in a positive way affects the motivation and development in the employee

F. Knowledge & development

Learning is about to develop oneself and how it is seen in every-day life. The own initiative is important, one must and should come up with own ideas and thoughts. To realize what *knowledge* you still need to *develop* is essential.

“There is a wide range of courses that can be taken also outside the company. One only has to make sure there is a need for the company for this kind of knowledge. The company can pay for the education or give days off to compensate for it. The learning part is important, not only to attend a course.” (HR1)

There are programs where persons are matched to share knowledge, not only mentors but so that they can take over someone else’s work for example when there are on sick leaves or holidays. The best way is to learn from others and a wide base of knowledge is to be preferred. The development need is individual, what knowledge the employee (or the team) misses. It is a challenge to set the goals so they link to strategy. The individual can have an influence here and therefore also the measurement can vary.

G. Change

Change ability is not forgotten even though the system is quite strict. That something changes to a desired direction should really be the task of strategy. To be able to see and develop concepts demands flexibility and sensibility. That is something the company wants to see in potential high performers. Here sensitivity is a benefit when dealing with people. That they acquire knowledge helps the company in their strategy, hopefully in a

positive way. To start and lead change is a sign of interaction and social skills. Someone that can work under change is desired.

“If changes happen or something is moved forward that is also possible to consider. That motivation is high is more essential.” (EMP1)

With so many projects the changes occur faster today so the workplace needs to keep up. But HR thinks the system gives way for fast changes and reactions, there is not anything in it that can limit changes. Emerging strategy did not, however, prove to have such a big effect as might have been expected. Maybe because the case company is a very large global company with several approvals to go through before changes occur. To lead the change and how to react to it is popular because of the fast changing and complex environment but that does not give time for deep analyses about a situation. Alternative scenarios with consequences must exist though.

“The young workers of today know what they want and also expect flexibility.” (HR1).

Planning long beforehand can be difficult so focusing instead on development of the individuals makes change easier to measure and is affected by the strategy.

H. Reward

Salary questions are not included in this at all, but bonuses are much linked to how the strategy and goals are reached. The *rewards* and recognitions in the organisation are not only financial but also a balance in life, motivation, work environment and the content of the work are of importance.

“My motivation has always been seen as important in my appraisals.” (EMP1)

It is seen as an ongoing process. It is not the foreman that makes your career, it is yourself! To get people activated and understand their own important role is part of the tool. Incentives play a very small part in this. The future is scanned in the appraisals (as in recruiting).

“The world is quite complicated and not always easy. The main issue is to grow own workforce for the company, but for main positions head-hunters are used too.” (HR1)

Noticed can also be that the time for appraisals is important because otherwise there might not be time for discussions if it is not in the schedule. A maximum of 25 employees per foreman is ideal, while the appraisals do take hours.

4.4. Final model

To create a final model is not just to present the case company’s system, instead to show how the results are integrated at the different levels. In analysing the interviews it was shown that EPM has a role in all three; CS, HRM and individual. Looking at the tool it works where it is supposed to. The aim of the tool is reached but there are indirect themes in EPM. It works best in a standardized environment but also allows reactions to changes. The most frequent topics are change, motivation, communication, results, behaviours, job performance, time aspect, measurement, feedback and reactions. The steps that are analysed are POSITION, DIRECT and FUEL.

EPM is not an one-time event, the capability requires continuous learning. The learning process is operational, therefore it is also important for a global company. All the three steps should affect the strategy positively. If the employee accomplishes his/her task to satisfaction the company in turn should acquire its goal if it can communicate and forward the strategy. As seen in the theoretical part the trend is to remove ratings that at least the case company relies heavily on. To motivate and look into the future needs more attention. In comparing the existing literature and the findings they are both relevant, reliable and similar.

Jesuthasan (2013) says that companies still see EPM too narrow, that tactical aspects like goal setting, reviews and other HR processes overshadows the strategic role. It is great as a HR investment but missing in giving visibility to employees. The power of EPM as a management tool is overlooked. What aim the tool has and what the end

result is don't always match. On the whole though, the purpose with the strategy can be seen in the issues in the individual part in the findings.

Validity of the EPM, whether it accomplishes what it is supposed to, helps in focusing on important behaviours. The role of EPM is here high in order to help the employee to work and perform well. Influence over the decisions made in the appraisal and the ratings are supported. But the answers in appraisals of the employees can be influenced of other circumstances than their own development, for example having career possibilities in mind or social interaction that cannot communicate mutual trust. Expectations of the appraisal can vary in what it tell the employees about how they should perform or behave daily compared to management's expectations. The process should be developed to a more effectively drive with both individual and company performance. Well-being in the company is assumed to affect company outcome positively.

A big dilemma regarding the tool is that it can be misunderstood and have a high potential for inaccuracy in ratings (Collins & Bell 2013). They, however, say that the accuracy of the tool increase when questions are standardized, linked to goals and the development perspective is positive. As example "what can the employee do to improve performance to a specific goal or behaviour?" The task is to give employees higher motivation. The cost of the tool and appraisals can be high though, both in money and in time spent.

In exploring the relationship with a standardized tool and company effectiveness EPM is an equipment for performance (firm growth or profitability) at the company in the end. A beneficial competence is to adapt to even rapid changes in the environment. The author argues that EPM are at the core. The tool in itself is deliberate and has a task in putting the strategy of the company forward. If not EPM, what kind of tool would the company need to have to get the right people in the right place at the right time? When looking at disagreements across the interviews, the finding is that the EPM system as a tool is seen quite similar by the participants, even if the employees do not as much see the clear link to company strategy and the bigger picture if this is not explained to them. Measurements and rewards are clear and also the content of EPM. To combine and

integrate is a task for EPM. The selection to fit a reduced model to connect and simplify a complex process looks like the following according to the author:

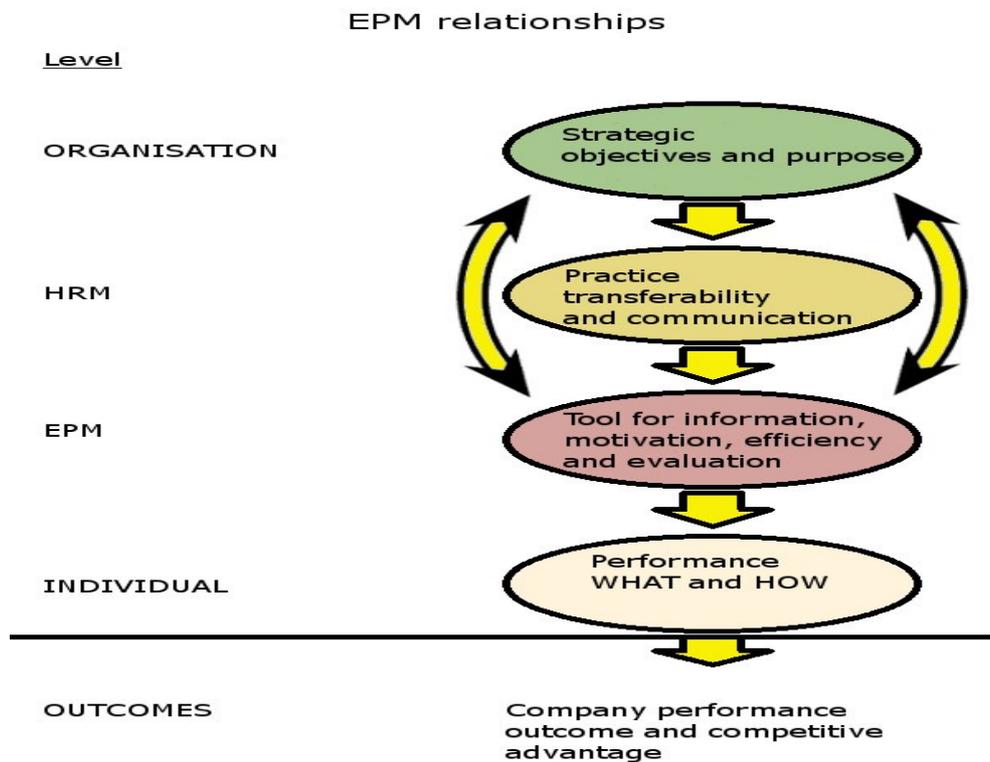


Figure 4. Example model for EPM relationships in the company

On a general organizational level the biggest impact of EPM is on overall business success and competitive advantage as a positive consequence if used carefully. It affects well-being in the company and is a tool to forward strategies. In answer to what an EPM system can mean for a company with profits it has a direct information benefit for decision making with strategy purpose. The study analysed how the case company integrates EPM globally (in the subsidiaries, too) and reasons why it works. Mainly it is due to transparency and the focus on the individual. It is well received worldwide. So it is a strategy on corporate level to have this instrument, the appraisal discussion. The issues that come up in the appraisal affects the strategy. It is left unclear how much follows the learning path and how much the control path when analysing variances in performance in realized strategy.

On the HRM level the strategy is to be seen in the individual. To explain the strategy will sometimes be hard to understand for the individual. But to understand that each and every one is important and that their development when the strategy is considered also gives benefits. How to get a person to work closer to the strategy, not only to the own

career possibilities or in the work itself can be hard. To get the employee to understand “what does this mean to me?” Sometimes a worker, often blue collar, does not see the benefits and thinks too much time is put on it. The view of how to develop horizontally if not vertically in the company is not always seen and therefore the reactions can be unpleasant. Now the appraisal is an accepted work tool used in the whole company.

On the individual level, which is the focus of this thesis, EPM gives an opportunity to find and develop employees' expertise, increase employee motivation and efficiency if used correctly. It should also help in learning and knowledge sharing, have an impact on social skills and be a channel for innovation for the employee. At least it gives an evaluation base for the employee. For EPM to be understood from the perspective of the employee acting alone there might still be work to be done, but as part of a social structure it has its benefits. If the employee has been part of the planning stage or is well informed of what EPM includes the attitude is more positive to the tool.

The biggest benefit of EPM for the case company is that it is transparent and a tool to develop and explain the company strategy for the employee. On the more negative side can be that the benefits are not seen by the employees directly but need to be explained. It does not leave space for creativity, innovation or empty space to work in. A drawback can also be that it is bureaucratic, but now after 5 years in use it is better understood. Over all there are positive reactions to generate and maintain knowledge among employees. Knowledge being hard to imitate is a competitive advantage. And still, if not this tool, then what instead. Everything cannot be controlled but a mutual adjustment can be achieved. The working conditions and therefore the quality of life can be assumed to be better thanks to the tool and involvement from all levels. What one can affect and what should be concentrated on is clear.

4.5. The article in retrospect

The article that is the base for the thesis is theoretical. The article raised an interest of how EPM works for the individual and in what form a company can use it to get high potential workforce to be motivated and able to work for results according to the strategy. The academic contribution with this thesis is the importance of individual

development by the employee to achieve the strategic purpose the company has. What kind of tool the company has to get the strategy explained to the individual is essential and influence company performance outcome.

If a tool is used to shrink individuals' possibilities, more than to expand them, it cannot create value for them. This tool, EPM, does however not take over, instead it improves for both the company and the employee. In looking at the article in retrospect the findings are in line with conclusions reached there. Creditability exist while the findings are well grounded. The situation researched reflect reality and gives validity.

The purpose is not that of general statement but a case study to show a social phenomenon. The finding is of a company that has introduced EPM in the HQ and subsidiaries with institutional similarity. There is always a question of credibility in qualitative research. Trustworthiness can be questioned while reliability and validity cannot be addressed in the same way as in quantitative with scales, but in looking at the aim of the study the research questions have systematically been gone through. The questions about the direct influence of EPM on HR that affect the commitment and results of employee and the results of the company is relevant. The knowledge, motivation and performance are essential in developing capabilities to reach a company's strategic targets.

The control thinking in EPM versus learning and knowledge also need to be addressed. According to Kemmis and McTaggart (2000: 570) learning is not to apply routines invented by others, so therefore a critical approach is needed. If the goals are on a strategic level made by someone else, the individual development can be questioned. The situation, time aspect, problem solving strategy and believing in own reasons affect too.

The HR unit is highly represented in this study and therefore might be biased, but also other opinions are collected to get an overview. Contact with people that are familiar with the EPM system is made. Case studies are criticized for their managerial concerns. Instead one could concentrate on gaining a better understanding of changing business practices in their social context in a way that is not dominated by the managerial perspective. To perform successfully or avoid problems to get better operational control

over employees is discussed. (Eriksson & Kovalainen 2008: 116) No comparing or similar is done, instead the interest is in the personal effects the EPM can have on individuals. This is a deliberate choice to get depth. In understanding and analysing qualitative data it indicates that meanings are dependent on human cognition – people’s interpretation of the events that occur around them (Saunders et al 2012). To get personal views of EPM from different levels are necessary. There is a need for additional research but the EPM activities have an impact direct or indirect to employee engagement (Walker 2015; Mone, Eisinger, Guggenheim, Price & Stine 2011).

After presenting the findings analysed in light of existing literature the key issue with research – a new angel to the topic– is wanted

5. CONCLUSION

The conclusion is divided into theoretical and managerial implications.

5.1. Theoretical implications

The theory and the case company meet well in using the tool that is formed to fit them. The topic is research in the field of strategic management. The focus is on implementation and evaluation of EPM linked with company strategy. It is interesting to look at the subject from a new angle, to start with PM as a tool and see how it can affect HR and CS decisions as reward, development and evaluation measurement. Critical outcomes can be monetary compensation, better motivated employees, well-being in the company, innovation, goal setting and continuity. That is one way to look at EPM.

In answer to the research questions the answers is positive on all accounts about how effective EPM is and what it can influence. The aim and role of EPM was grounded in the methodological part with an impact on results and behaviour for the individual. The data captured the concepts and relationships that is wanted. The link between EPM, HR and strategic objectives is easy to see. But to see if the outcome for the company is more positive because of EPM can be harder. Mainly because also other factors can affect company performance outcome and competitive advantage. Linking individual performance more to HR in this study shows that it will contribute in seeing the big picture. In the theoretical part the interest is in how CS is implemented by one main activity, EPM. The theoretical frame consists of what is known in literature of EPM and how and why the company can improve with the use of it and the connection of the employee with CS. The author contributed with the three steps of the tool.

In chapter 2.1.1. the appraisals' benefits are mentioned theoretically and in 4.3. how they affect in reality. Basically the same themes are involved affecting among others commitment and development of knowledge. Measurement and cultural differences in statistical reviews are described. Important is also that EPM is seen as a process in the company, well in line with the theory. Goal setting and feedback are all mentioned as affecting the employee motivation and attitude to the workplace. So these factors can all

be agreed on by both theory and employees in the company. There is no bigger need to separate individual opinions from the tool. Missing from the individual point of view can be a difficulty in seeing the bigger picture and solutions. But willingness to use the tool exists and also to apply skills that comes with it. The company put emphasis on learning instead of control, at least in their own words. In the case company maybe learning is for the future but to some extent control thinking for past performance? Learning being defined as developing oneself and coming up with ideas. The development aspect is dealt with in chapter 2.1.2. theoretically. The current system can be improved to support strategy for example thinking about efficiency. The tool is standardized with “one size fits all”, whether or not that is good can be debated. Is the work in itself standardised and is it understood correctly in a global company with different cultures?

A study has been done to explain a situation between employee performance and motivation and company strategy. The outcome or prediction for success for the company cannot be done based on this research that differs from prior knowledge. The tool, however, got a much wider description and impact than before found in the literature about affecting the strategy. The strategy in itself can naturally be a misjudgement, which is nothing the tool can affect.

5.2. Managerial implications

In looking at the aim of the study all the three research questions were met and got a clear answer. For the organizational level and individual level the benefits of the tool was clear and what it can achieve. The company has spent resources on the tool; it is well thought about and has clear goals. However, the tool itself was the question mark. The author being wiser now knows that it could do with some improvements. It is not as effective as it can be. The steps showed that first the employee needs to position where s/he stand and where s/he wants to be, step two how to get there and possible alternative ways and step three to create an atmosphere and surrounding that is supporting to make it happen. The trend is that ratings should be taken away (Buckingham & Goodall 2015; Williams 2012) but the question is then what will come instead. It is the ratings curves that are not relevant. Managers need to be clear on benefits and drawbacks with the tool.

Drawbacks is that EPM is time consuming and some percentage of employees are forced into a poor rating which has a negative impact as a source of feelings of frustration and no appreciation probably affects performance. (Williams 2012; Buckingham 2013) A second thing to focus on is more future outcomes increase, not past performance. It should be more about conversations for employees' progression and personal development (Buckingham & Goodall 2015). The managers' task is to point at the goals (achieved from the strategy) and where the effort should be and possible roads for accomplishment.

Still single ratings are used at the case company. Buckingham and Goodall (2015) suggest more multiple indicators, a need to find an objective and transparent mean for progression. This can in turn be a time burden for managers (Collins & Bell 2013). Notice also that EPM cannot stand alone, it needs integration with other practices. To include managers in the process at all level is proved most effective for correlated market performance. (Armitage & Parrey 2013) By giving feedback to attain constructive criticism – that in itself is not negative – can help the learning, development and enthusiasm of the individual. The tool itself is effective with some improvements. For managers there is no need to start from zero in developing something new, it is functioning well already. More to consider what is said in the appraisals and not to avoid difficult questions creates a better atmosphere. Therefore to leave behind at least some of the rating that is a hinder for employees would be a benefit. There is no need to put energy on things that cannot be changed any more. Instead simplify the needs without judgement to what ways are there in the future for action. They do not need to be liked but understood. To see the alternatives with continuous learning, encourage a dialogue and ensure relevancy.

The case company goes through all three analysed steps, but now to a few points still stays in number one with rather short term goals with efficiency and the same standardized system with ratings to all cultures. In the Finnish culture we are used to ratings, rules and regulations but in the rest of the world that can differ. Some rethinking can be done about the tool to be more useful. Suggestion is to listen more to the employees and get information from external sources or inside the company to move towards new growth opportunities. The benefit for company strategy would be most effective if the issues that come up in the appraisals would be seen in CS even more actively.

Both the theory and the empirical material reach the same conclusions on what effect EPM has on the individual. In the empirical part is analysed what kind of tool EPM is for HR for improvement in alternatively control or learning of employees. Information for decision makers is important, while it gives the right and up to date knowledge about motivation of employees, and if used correctly a fair picture of their knowledge. The results of the study revealed 3 steps of EPM, also in the case company to improve the understanding between levels. Negative impact is not seen but new opportunities and change is not to full potential. What existed before the tool and what now is not that different. Differences in performance can have many reasons but the tool is effective mostly in measuring, orientation and directing. This leads to a focus on the areas with previous success but maybe not so much to new knowledge acquired and mechanisms behind actions. The process is not linear as predicted in the beginning of this thesis, but a continuous cycle where all the levels affect each other.

In the findings understanding the case is essential. In the empirical part answers to the formulation of EPM for developing, monitoring and evaluation of employees' competences are given. If it can improve each individual's knowledge, experience and performance, then it might affect the performance of the company. The primary point is to focus on personnel in terms of how easy it is for them to do their job, network with others and find information. EPM is an asset, not a hinder. Drivers that brought on the process go back 5 years with concentration on feedback and development issues in the case company. Who can then use this research? From theory to practice it is mainly the HR department. Can it be transferred to other contexts? That is not a good idea here while this tool is designed only for the case company and generalization is not even a task in case studies. If the process is the same in other companies cannot be said. This company is a good representative in its field though.

6. LIMITATIONS AND SUGGESTIONS FOR RESEARCH

Strategy planning needs to be more modern with a focus on people in a changing world. Suggestions for future research are strategy as practice that can be used in individual research. Mahoney and McGahan (2007: 81) also see a negative forecast in the development; strategic management needs to be more inspiring and connect to new ideas. The company can benefit from EPM by using it as a tool for focusing on the ability to adapt, also to changes. If the individual is satisfied with the workplace it is assumed they will do their best. Personally I strongly hope that EPM in Finland, in these times of savings and strict economic control, will not use the appraisal and rest of the tool as a way to threaten people and setting too monstrous goals for them. So that when the goals are not achieved it can be used against them. That is totally missing the point of EPM. Instead I have a hope that it would be a tool to see the individuals' needs and ambitions. Buckingham (2013) sees it differently. He means that the dissatisfaction comes from a misunderstanding of motives. The HR manager might think EPM is there to help them accelerate the performance of the individual. But to put individual goals with CS is not actually making the individuals more productive. The tool gives abilities, not solutions.

Well-being at the workplace, work environment and coping with the workload was mentioned but not analysed this time, maybe something to focus on later. For example a correlation with the role of work and everyday life would be a benefit for both parts. For example shorter working weeks for parents when their children are small. All the invested time and finance is lost if a woman leaves the company short after having children. The life cycle of the employee will change during a life (Collins & Bell 2013). Mostly they still have ambitions and can make a great career but struggle with the life puzzle. Here EPM can be an excellent tool to find out the individual needs. London, Mone and Scott (2004) see that there is an error in the suggestions that employee participation in goal setting is more effective than assigned goals. However, the carrot and stick approach to EPM can hardly help with engagement and commitment; rather communication and motivation are the way to go. Previews might be a good idea. Personally I wanted to study EPM because it interests me what motivates people and make them perform. Also at the same time being satisfied with what they do and getting energy from that. Not all the focus can be on financial benefits, sometimes it can be as simple as being seen and heard.

“To reinvent PM with a clear business and human purpose...for what's to come” (Armitage & Parrey 2013) seem to suggest new thinking in EPM. It is one of few HR processes that have a direct and often missed connection to strategy. A more transparent link to strategy is therefore needed. It is difficult to suggest where the future of the strategy is likely to evolve, but with today’s fast changes it is important to focus on personal well-being as well as the profit of the company. It is a hard balance. In a more individual view of the EPM - missing from much business analyses – one can achieve a long-run advantage and assist users of EPM. A more future oriented EPM is on the way; to spend money on something that already has occurred and cannot be changed is not wise. Coordination in a company is the biggest contribution and an understanding that surroundings change quicker today. Naturally future trends cannot be predicted but technology is innovative today, demands fast changes and communication in a global world. Words like flexible, dynamic, process thinking comes to mind for successful planning. EPM is a relative young, emergent discipline (Brudan 2010) with lots of opportunities still, even to be a theory of its own as a standalone discipline.

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APPENDICES

Appendix 1. Interview Structure

Open interview questions; 1. What kind of EPM system does the company have? How does it work in everyday life? How did it start and when? Whose initiative was it? Problems?

2. Who is responsible for the EPM? The department foreman, HR department, other? How do managers/employee experience EPM?

3. The biggest value for HR of EPM on an individual level?

4. What is more important: to get the company vision explained to the worker, or to concentrate of the employee development?

5. Is the reaction to EPM positive among employees or is it something to fear or resign to? Do they feel they can suggest and influence the work situation and their own development in general?

6. (As you are a global company, is there local differences for example change of language to employees mother tongue, cultural differences in scoring, length of the discussion and so on?) In what ways are cultural differences taken into consideration?

7. Is EPM something that actively use and develop, or could a new (what) system arise?

8. Strategic plans need the right ingredients to succeed, is EPM the tool to achieve that? How should it look like?

9. (Emergent, step by step, focus on evaluation, social skills, efficiency motivation...? What is today's focus?) In what ways are EPM related to the company strategy on a corporate level?

10. What comes first, the company strategy or working with the employees that you have and create the strategy after what is possible to do? In other world, do you hire after changes have occurred or do you develop the one you already have and adapt to that?

11. Last question. Future plans? (The link to strategy and influences?)

For employees;

12. Individual experience as a focus, relations to individuals' perception to change and adjust. What should I do to fulfil it (no magical hand...)?
13. What was your first impression of PDA? How was it explained to you when you were new in the company? Reactions, thoughts. How to prepare for them?
14. The biggest value for you with EPM? (Selection from list or own suggestion). Well-being in the company, own development and knowledge, motivation, sharing of education or knowledge, efficiency, mean of information sharing, social skills, evaluation, a way to get innovations out, other.
15. The process. Is the own evaluation difficult. Your foreman make the first evaluation, do you tend to agree?
16. The appraisal itself. Is it mostly about job structure or more focus on development? If there are problems or a bad period, who do you contact? Support?
17. Can you bring up your own wishes for example about expatriation?
18. Change management, is there a fast reaction?
19. Is this a good tool? Who does it serve more, the organization or the person?
20. If this PDA don't exist what would it be like then? Advantages and disadvantages?