



**BRITISH ACADEMY
OF MANAGEMENT**

BAM
CONFERENCE

3RD-5TH SEPTEMBER

ASTON UNIVERSITY BIRMINGHAM UNITED KINGDOM

This paper is from the BAM2019 Conference Proceedings

About BAM

The British Academy of Management (BAM) is the leading authority on the academic field of management in the UK, supporting and representing the community of scholars and engaging with international peers.

<http://www.bam.ac.uk/>

**A Critical Evaluation of the Implementation of Performance
Management on Employees Performance: A Case Study of
Nigeria SME**

**First Author: Bilikis Kazeem
(Research Student)
University of Bedfordshire**

**Second Author: Dr. Michael Oyelere
(Senior Lecturer)
Conventary University**

A Critical Evaluation of the Implementation of Performance Management on Employees Performance: A Case Study of Nigeria SME

Abstract

Purpose: the main object of this paper is to examine the impact of performance management system implementation on SME.

Design: The study currently employs qualitative interview instrument. The potential participant will include SMEs owner-managers and employees. A non-probability sampling technique will be employed in the study.

Practical Implications: Argument is on-going both in developed and developing economies concerning the challenges facing SMEs especially the implementation of effective performance management that build and sustain organization performance during uncertain time (Bourne et al. 2013; Agarwal and Jha, 2015). Effective performance management in SMEs is evident within developed economy. However, this is not the case in developing

economies. The findings from the study is likely to engender further empirical research. The findings will be a source of evidence for management/decision makers.

Originality: This study is a source of empirical data. There is currently a shortage of empirical studies in this area within developing economies. Evidence from the study will increase knowledge and help management to comprehend issues surrounding the implementation of performance management.

Keywords: SMEs, Performance Management, Employees Performance, Organisational Performance, Implementation

Introduction

SMEs as a concept represents an integral part of most economy globally with over 90% through its contributions to growth and stability, and how well its employees perform go a long way in determining its business performance and competitiveness (Babatunde and Laoye, 2011, Ates *et al.*, 2013, Ogunyomi and Bruning, 2016). In Nigeria for instance, they account for the majority of businesses with over 95% of small business. Recently, statistics have shown that SMEs in Nigeria is made up of 99% of private business as at 2015, providing employment for over 60% of its workforce and contributed 40% to the GDP (Ogunyomi and Bruning, 2016). Despite the impact of SMEs globally, it is observed that most SMEs still die within a few years of establishment, in which around 5 to 10% struggle to survive and grow to maturity as sustaining its performance on the long run remain a big deal (Ates *et al.*, 2013, Saridakis *et al.*, 2017). Literature, therefore, linked SMEs problems with the lack of ineffective employee's performance management which is as a result of improper adoption of management practice in SMEs. These studies revealed how Employees performance management system is implemented within Small and Medium Enterprises (SMEs) in Nigeria.

However, empirical research in this area, within developing economies, has so far been few and far apart. Most of the studies are concentrated in some particular countries and literature has fallen short in explaining effective employee's performance management practice in the context of Nigeria. The studies therefore focus mainly on employees as the major actors

within the industries for building and sustaining organization performance during uncertain times. The employees were the main factor involved in shaping and improving on the 'challenges and opportunities' on how effective the performance management will be done (Ates and Bititci, 2011).

Another factor that has received less attention in term of effective performance management within the organization is SMEs considering the huge amount it contributes to the economy globally. According to (Na-Nan, 2016, Na-Nan *et al.*, 2017, 2018), SMEs is the most significant factor as far as development is concerned but still remain less studied among organizations as mentioned earlier. More so, all the studies that focused on PMS has some drawback as they mainly restricted to some aspect of PMS such as service management, operation management, strategic management, manufacturing management, technology management while none of the studies give a wider and more comprehensive assessments on employees performance management which is the main part of PMS and how it can be improved through its management practice in SMEs (Wiesner *et al.*, 2007, Ates *et al.*, 2013).

This study intends to analyse the impact employees performance management system has on SMEs performance. The study will review the existing literature on performance management and its impact on employee's efficiencies in SMEs. It will identify the performance management process in order to compare it to how it's been done in practice for building and sustainable performance within SME

An Overview of Employees Performance Management and its Theory

The perception is that PMS has changed a great deal in the last 30 years (Ates *et al.*, 2013). Organizational performance as a field is being developed from performance measurement such as what is being measured, how it being measured and how the result is being reported to performance management- which means how to use the measure in managing organization performance (Neely, 2005, Bititci *et al.*, 2011, Ates *et al.*, 2013, Blasini and Leist, 2013). In the same vein, lack of general consensus on the concept of PMS and its concepts make it remains diffused, electric and confused for business analysis's and diverse perception on what makes up performance management has been reviewed in different discipline that has contributed to the topic one way or the other (Buchner, 2007, Bititci *et al.*, 2011). Researchers in the field of business management has contributed to performance management

as a concept in different areas such as operation management, human resource management, strategic management, finance management, organizational behaviour, industrial economics, politics, psychology among others (Bititci *et al.*, 2011, de Waal and Kourtit, 2013). Thus, “Performance Management System” is a spectacular concept jointly owned by management research community. As a result of this, having a conclusive definition and general theory for Performance management remains a struggle (Franco-Santos *et al.*, 2007, Ates and Bititci, 2011, Bourne *et al.*, 2013, Na-Nan *et al.*, 2017).

In confirming this argument and laying emphasis on the importance of performance management, a number of theories have identified the dichotomy nature of the concept and continue to give a more detailed explanation within academy research. More importantly, Stansfield and Longenecker (2006) identify goal setting as core to PMS due to its effect on employee performance and it has established standardized performance model such as a SMART goal to aid in achieving successful PM process. It has been suggested that the SMART model will motivate the workforce in attaining organizational goal. While the resource-based view (RBV) added that PM efficiency can be enhanced through individual resource used in initiating the PM process because they are the main determinant of improving organizational efficiencies and sustaining competitive advantage (Liang *et al.*, 2010). Under the control theory agenda, it gives a concrete foundation for PM in critical evaluation of feedback, which is one of the main components of PM procedures. PM requires control theory’s effective performance due to its emphasis on feedback as a primary behaviour regulating strategy. (Buchner, 2007).

An Overview of Small Medium Size Enterprise and its importance

There is no precise definition for SMEs considering different types of SMEs operating in various countries and the uniqueness of each firm (Tsai, 2010). It is however suggested that considering measuring SMEs quantifiably will help in having a valid definition for SMEs’ managerial practice in context (Nolan and Garavan, 2016).

Furthermore, despite SMEs contribution globally, they are still confronted with a number of challenges that make them less competitive and struggle to survive with the business world (Wiesner *et al.*, 2007, Vichitdhanabadee *et al.*, 2009, Rowland-Jones, 2013, Taiwo *et al.*, 2016, Wickramasinghe, 2016, Na-Nan *et al.*, 2017). Lack of effective performance

management is the main reason why most SMEs failed and this is attributed to informal and unconventional management practice within the sector. In this regards, performance management practice as being the major argument for effective SMEs increase productivity and this is the essence of this study. The study is aimed at investigating performance management practice in Nigeria SMEs. Some studies have looked into performance management in large organizations while its implementation in SMEs is surrounded with some controversies in which this study intends to clarify in the context of Nigeria SMEs.

PM and SMEs Controversies in Practice

Informal versus formal management practice has been the key contemporary debate on implementation of PM practice by SMEs among professional in field of business management and HR (Harney and Dundon, 2006, Mayson and Barrett, 2006, Urbano and Yordanova, 2008, Cunningham, 2010, Ayyagari *et al.*, 2011, Babatunde and Laoye, 2011, Bititci *et al.*, 2011, Ates *et al.*, 2013, Agarwal and Jha, 2015, Lussier and Sonfield, 2015, Na-Nan, 2016, Wickramasinghe, 2016, Na-Nan *et al.*, 2017). They are of the opinion that formal management practice enhances implementing PM practice in SMEs and informal and unconventional management practice of SMEs makes implementing HR practice almost difficult.

However, Tsai (2010) is of the opinion that informal and unconventional management practice in SMEs has taken a new dimension as most SMEs in a developed economy now operate formal management practice and informality of SMEs' management practice can now be found in the developing world (Tsai, 2010). Moreso, no scientific or empirical evidence explaining the informality of management practice of SMEs as (Tsai, 2010) study added that numerous studies which argued the informal and unconventional management practice of SMEs are mainly descriptive as they were based on a none systematic and strategic considerations.

Methods and methodological issues

The study employs a non-probability sampling technique. A combination of snowball and purposive technique is employed in deciding respondents and case study organisations. Purposive sampling provides a good opportunity of collecting a large amount of data by using a range of different approaches. Moreover, given that qualitative studies normally involves a

number stages, with each stage building and leading to the next, this study will benefit from the opportunity of being able to use a variety of approaches available under purposive technique. Snowball, on the other hand, will come handy where there are difficulties with respondents. Snowball technique provides a chain referral system, which allows participants to help in the recruitment of additional participants within their contact groups (Saunders, 2011, Bryman and Bell, 2015, Bryman, 2016)

Bibliography

- Agarwal, U. A. & Jha, S. (2015). Human resource practices in indian smes-an exploratory study. *Indian Journal of Industrial Relations*, vol.50,no.4.
- Ates, A. & Bititci, U. (2011). Change process: A key enabler for building resilient smes. *International Journal of Production Research*, vol.49,no.18, pp.5601-5618.
- Ates, A., Garengo, P., Cocca, P. & Bititci, U. (2013). The development of sme managerial practice for effective performance management. *Journal of Small Business and Enterprise Development*, vol.20,no.1, pp.28-54.
- Ayyagari, M., Demirgüç-Kunt, A. & Maksimovic, V. (2011). Small vs. Young firms across the world: Contribution to employment, job creation, and growth.
- Babatunde, M. A. & Laoye, O. M. (2011). Assessing the effects of employee turnover on the performance of small and medium-scale enterprises in nigeria. *Journal of African Business*, vol.12,no.2, pp.268-286.
- Bititci, U. S., Ackermann, F., Ates, A., Davies, J., Garengo, P., Gibb, S., MacBryde, J., Mackay, D., Maguire, C. & Van Der Meer, R. (2011). Managerial processes: Business process that sustain

- performance. *International Journal of Operations & Production Management*, vol.31,no.8, pp.851-891.
- Blasini, J. & Leist, S. (2013). Success factors in process performance management. *Business Process Management Journal*, vol.19,no.3, pp.477-495.
- Bourne, M., Pavlov, A., Franco-Santos, M., Lucianetti, L. & Mura, M. (2013). Generating organisational performance: The contributing effects of performance measurement and human resource management practices. *International Journal of Operations & Production Management*, vol.33,no.11/12, pp.1599-1622.
- Bryman, A. & Bell, E. (2015). *Business research methods*, Oxford University Press, USA.
- Bryman, A. (2016). *Social research methods*, Oxford university press.
- Buchner, T. W. (2007). Performance management theory: A look from the performer's perspective with implications for hrd. *Human Resource Development International*, vol.10,no.1, pp.59-73.
- Cunningham, L. X. (2010). Managing human resources in smes in a transition economy: Evidence from china. *The International Journal of Human Resource Management*, vol.21,no.12, pp.2120-2141.
- de Waal, A. & Kourtiti, K. (2013). Performance measurement and management in practice: Advantages, disadvantages and reasons for use. *International Journal of Productivity and Performance Management*, vol.62,no.5, pp.446-473.
- Franco-Santos, M., Kennerley, M., Micheli, P., Martinez, V., Mason, S., Marr, B., Gray, D. & Neely, A. (2007). Towards a definition of a business performance measurement system. *International Journal of Operations & Production Management*, vol.27,no.8, pp.784-801.
- Harney, B. & Dundon, T. (2006). Capturing complexity: Developing an integrated approach to analysing hrm in smes. *Human resource management journal*, vol.16,no.1, pp.48-73.
- Liang, T.-P., You, J.-J. & Liu, C.-C. (2010). A resource-based perspective on information technology and firm performance: A meta analysis. *Industrial Management & Data Systems*, vol.110,no.8, pp.1138-1158.
- Lussier, R. N. & Sonfield, M. C. (2015). "Micro" versus "small" family businesses: A multinational analysis. *Journal of Small Business and Enterprise Development*, vol.22,no.3, pp.380-396.
- Mayson, S. & Barrett, R. (2006). The 'science' and 'practice' of hrm in small firms. *Human Resource Management Review*, vol.16,no.4, pp.447-455.
- Na-Nan, K. (2016). Performance management system of smes in thailand. *International journal of Economics Research*, vol.13,no.4, pp.1641-1658.
- Na-Nan, K., Chaiprasit, K. & Pukkeeree, P. (2017). Performance management in sme high-growth sectors and high-impact sectors in thailand: Mixed method research. *International Journal of Engineering Business Management*, vol.9, pp.1847979017718451.
- na-nan, k., Chaiprasit, K. & Pukkeeree, P. (2018). A validation of the performance management scale. *International Journal of Quality & Reliability Management*,no.just-accepted, pp.00-00.
- Neely, A. (2005). The evolution of performance measurement research: Developments in the last decade and a research agenda for the next. *International Journal of Operations & Production Management*, vol.25,no.12, pp.1264-1277.
- Nolan, C. T. & Garavan, T. N. (2016). Human resource development in smes: A systematic review of the literature. *International Journal of Management Reviews*, vol.18,no.1, pp.85-107.
- Ogunyomi, P. & Bruning, N. S. (2016). Human resource management and organizational performance of small and medium enterprises (smes) in nigeria. *The International Journal of Human Resource Management*, vol.27,no.6, pp.612-634.
- Rowland-Jones, R. (2013). A perspective on united arab emirates small and medium-sized enterprises management utilising the european foundation for quality management concepts of excellence. *Total Quality Management & Business Excellence*, vol.24,no.1-2, pp.210-224.

- Saridakis, G., Lai, Y. & Cooper, C. L. (2017). Exploring the relationship between hrm and firm performance: A meta-analysis of longitudinal studies. *Human Resource Management Review*, vol.27,no.1, pp.87-96.
- Saunders, M. N. (2011). *Research methods for business students, 5/e*, Pearson Education India.
- Stansfield, T. C. & Longenecker, C. O. (2006). The effects of goal setting and feedback on manufacturing productivity: A field experiment. *International Journal of Productivity and Performance Management*, vol.55,no.3/4, pp.346-358.
- Taiwo, J., Falohun, T. O. & Agwu, E. (2016). Smes financing and its effects on nigerian economic growth.
- Tsai, C.-J. (2010). Hrm in smes: Homogeneity or heterogeneity? A study of taiwanese high-tech firms. *The International Journal of Human Resource Management*, vol.21,no.10, pp.1689-1711.
- Urbano, D. & Yordanova, D. (2008). Determinants of the adoption of hrm practices in tourism smes in spain: An exploratory study. *Service Business*, vol.2,no.3, pp.167-185.
- Vichitdhanabadee, J., Wilmshurst, T. & Clift, R. Performance management practice in the thai smes. Performance Measurement Association Conference, 2009. 1-26.
- Wickramasinghe, V. (2016). Performance management in medium-sized enterprises. *Performance Improvement Quarterly*, vol.29,no.3, pp.307-331.
- Wiesner, R., McDonald, J. & Banham, H. C. (2007). Australian small and medium sized enterprises (smes): A study of high performance management practices. *Journal of Management & Organization*, vol.13,no.3, pp.227-248.