Preface

The thesis is broadly concerned with the Performance Appraisal system existing at the manufacturing industries, that is – “Labour intensive SME having multiple stages of production; covering both skilled and unskilled labour”. Specifically, it investigates the way in which such companies’ implement and action payment activities. The goal of this study is to substantiate and better understand the theory that business success is linked to People Performance.

The literature makes two underlying assumptions: that performance matters, and there is a relationship between performance and pay.

Performance is understood in this thesis in its broadest sense – that is, as signifying payment system management within employment relationship.

Little is known, however, about the development and implementation of Performance Appraisal in small and medium size enterprises.

The majority of the published research to date focuses on Performance in large, formal organizations, and is inter-organizational, rather than intra-organizational. Welsh and White comment that “Small business is not a little big business.” (1981:18), however, and it cannot be presumed that the two have the same managerial practices. Research into small business does, however, indicate that size, informality of structures and processes, and the personal preferences, values and attitudes of the owner/manager impact significantly on the way in which HR practices are adopted.

Although there is little extant research that focuses on the relationship between the HR practice of Performance Appraisal and strategy in small business, it has been suggested that they have limited ability to manage strategically due to the informality of their structures and processes. Others however speak of HRM in the small organization as strategic where there is a discernible link with the strategic goals and objectives to improve business performance and develop organizational cultures that foster innovation and flexibility.
The S.M.E (small and medium enterprise) is understood in this thesis as a particular type of business; that is, a simple, small and formal enterprise with a founder, owner/manager who is opportunistic, innovative and responsive to the excitement of risk taking, and is interested in fast growth.

A business has traditionally been regarded as small if it has the following management or organizational characteristics – it is independently owned and operated; it is closely controlled by owners/managers who also contribute most if not all of the operating capital; and the principal decision making functions rest with the owner/manager. (1999:1)

This thesis is largely concerned with the factors that influence and shape up the Compensation system. Specifically, it investigates the way in which SME’s implement and action HRM activities, and not on the elements of the broader external environment - nor the external factors leading to business failure.

The thesis is presented in four parts. The first part explores the Performance based Compensation systems, its concepts and challenges therein. It builds up a research base and literature review for the thesis.

The second part of the thesis is concerned with theoretical methodologies that underpin the research, and design of the study.

Part three presents the general profile of the sampled units and its broader classification.

The final part of the thesis revisits the factors that influence and shape the systems based on the performance appraisal, and posits an alternative way in which to interpret the meaning and its relationship to the opportunistic enterprise.

My aim here is to demonstrate that this is not just Performance ‘old wine in new bottles’, but a manifestly distinct approach, characterized in particular by:
o Paying for *how* results are achieved, as well as the results themselves, paying for competence as well as performance;

o Paying for those skills and behaviours supporting the future success of the individual and the organization, not just immediate past results;

o Rewarding a combination of organization, team and individual performance, rather than concentrating wholly on the latter;

o The use of broad variety of reward vehicles;

o A long-term evolutionary approach, incorporating a variety of HR systems and processes, rather than attempting a pay ‘quick fix’;

o Addressing all aspects of reward strategy: the objectives and goals, the design and systems, and the implementation and operation, rather than just focusing on the design mechanics.

In Voltaire’s words, “The best is the enemy of the good’ – sometimes a successful future lies in agreeing what, in the short term, we can only get ‘nearly right’. We follow Aristotle’s teaching in the *Nichomachean Ethics* that ‘It is the mark of an educated mind to rest satisfied with the degree of precision that the nature of the subject admits, and not to seek a degree of exactness when only an approximation is possible. Practicality not perfection should be the aim. There will always be time available in the future to make improvements based on experience.