

PERFORMANCE MANAGEMENT & MEASUREMENT *The Asian Context*

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Published by:

SMR



Certified to MS ISO 9002
Registration No. AR 1395

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Perpustakaan Negara Malaysia Cataloguing - in - Publication Data:

R. Palaniappan (Dr. R. Palan)

Performance: Management & Measurement - The Asian Context

ISBN No: 983-40419-6-9

Printed in Malaysia by

Percetakan Primco

291, Jalan Kip 3,

Taman Perindustrian Kip,

Kepong, 52200 Kuala Lumpur.



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Part One

A Conceptual Framework

Chapter 1: Introduction

“If you want to change the action, you have to change the thinking.” - Zig Ziglar

Coaches love their star players because they win the games. Investors love high performing stocks because they give good returns on investments. Customers are crazy about products that give great value for money. The winning Brazilian football team is adored and showered with rewards. The investors explode with joy when their favourite soft drink company Coke creates unprecedented wealth for them, and the diehard Apple computer enthusiasts brim with happiness when Apple returns to profitability. High performers are valued for their contributions.

The world of work is no different. High performance is the only guarantee for survival in an unpredictable and dynamic world. Managers have to continuously motivate their employees to superior levels of performance. This requires us to take a series of steps to achieve the expected results from an organisational and individual perspective.

Performance

The typical dictionary defines *performance* as “act of carrying out an action”.

In the world of work, superior performance is about achieving the intended results. Performance is primarily seen in terms of inputs and outputs. Performance is also equated with accomplishments that we value. Tom Gilbert ¹ presented a process of assigning value to performance by measuring its accomplishment. This term may be related to *achievements*, which is used to describe the effects of behaviour related to the term performance. The word performance signals a quantified result or a set of obtained results just as it relates to the accomplishment of work, execution of strategy or a given task.

Performance management

The most common view of performance management ² is that of creating a shared vision of the purpose and aims of the organization. It is about helping individual employees to understand and recognize their part in contributing to the organization’s success and thereby managing and improving the performance of both the individuals and the organization. People must be managed to deliver superior performance that is in alignment with the values of the organization. There is no easy or universally accepted definition of performance management. Nevertheless, it seems possible to recognise three major perspectives of performance management:

1. managing organisational performance,

2. managing employee performance, and
3. integrating the management of organisational and employee performance.

Performance management and measurement in an Asian context has important implications for Asian organizations. This requires a systematic framework that is culturally aligned to Asia. Without a framework, it would be extremely difficult to achieve the intended results or to aspire for continuous performance improvements.

Managing organisational performance

Rogers³ (1990) states that the characteristics of performance management systems for managing organisational performance are that they are corporate systems which include the following processes as part of an integrated cycle of management:

- setting corporate policy and resource aims and guidelines,
- specifying within the above framework, a detailed set of plans, budgets, objectives, targets and standards of performance, and
- regularly and systematically reviewing the performance of all series.

Bredrup⁴ (1995), sees performance management as comprising of three processes:

- planning,
- improving, and
- reviewing.

Bredrup's model sees these three processes more from an organisational perspective. They can be taken as applying the performance of management at whatever level of analysis one chooses:

- organisation wide,
- business unit,
- department,
- team, and
- individual.

Performance management is about executing the strategy of an organization not merely appraising the staff for their past performance. Organizations achieve superior levels of performance through a variety of factors such as systems, procedures, competency for the workforce and use of technology.

Performance management looks subtly easy and soft. The fact is, it is neither easy nor is it a soft skill. It is a complicated process but one that is essential and quantifiable. It is essential for a high performing workforce though it is a fact that a scientific link has not yet been established on a conclusive basis.

Managing employee performance

In today's world that is characterized by rapid change, any idea that performance can be tied to any one annual date is patently absurd. It is a process and not something that can be derived out of people overnight. The people factor in achieving and sustaining high performance is an important one for organizations who are serious about superior performance. As people are the organization's most valuable asset, they need to be nurtured, guided and coached continuously. Their performance must be managed on a continuous basis. Performance cannot be left to chance.

Competencies are an important element for performance improvement today. In a business world that is focussed on human capital management and on retaining intellectual capital, the *development of competency* for superior performance becomes an integral part of any performance improvement initiative.

People need to be motivated and a performance culture needs to be created within the organization. Performance culture exists when the organization rewards superior performance with positive consequences such as recognition and poor performance is viewed unfavourably. Jack Welch, the Chairman of General Electric is on record saying the top 10% of the employees must be rewarded handsomely and the 10% at the lower end must be asked to leave the organisation as it is too expensive to carry passengers. A performance culture requires an involvement-oriented working environment where the relationship between the manager and a subordinate is a committed partnership. The manager-led individual appraisal is incongruent in a performance culture.

An effective performance management system can drive high individual performance as long as it does not merely stop at an annual appraisal.

Integrating the management of organisational and employee performance :

Costello⁵ states performance management should support an organisation's business goals by linking the work of each individual employee to the overall mission of the work unit. The management of outputs and behaviour is essential for successful performance. This requires the participation of the employees in implementing a successful performance management system.

Selected statistics⁶ from a study covering mainly organizations in the West revealed the following that over:

- 70% of employees want to be involved in planning, building and implementing strategy.
- 70% Managers did not provide a clear direction to employees.
- 75% employees believed that their company's strategy implementation was worse than their development.
- 60% of the employees stated that performance expectations were not clearly

defined and middle managers did not understand objectives.

- 70% of them stated that they have not had a meaningful performance appraisal in their careers and there was no follow up.
- 70% of managers were unhappy with the reviews and thought that the system was unfair.
- 65% of the people wanted more challenge in their work and they thought that was one of the major reasons of increased staff retention.
- 75% thought poor performance was tolerated for too long and managers were not held accountable for performance.
- 85% remarked that people development was not a priority and there were no developmental goals.

The study also revealed that, in order to overcome the prejudice and resistance towards performance management and measurement or appraisals, the concept of performance management as much more than appraisals must be built into the value systems of everyone in the organization.

To build credibility, the system must work. To make it work, the link with the organisational strategy must be clear.

During the course of my survey⁷, a survey respondent who happened to be a Systems Analyst remarked ‘... it is an imperfect science’. Another survey respondent, a Chief Financial Officer had this to say ‘... I am only interested in the bottom line, the dollars and cents, not on time wasting performance appraisal systems. If I said the truth, the staff gets so demotivated and upset. They only want to hear praise and anyway this entire appraisal has no relevance to performance.’ Harsh words but the fact remains that both the Systems Analyst and the Chief Financial Officer have to manage a team to deliver superior performance.

Performance can be managed and measured effectively so long as the performance management system is in sync with the organisational goals. It is eventually the performance of the employees that determine the performance of the managers and the organization.

Summary

The purpose of this chapter is to introduce performance and performance management from three perspectives:

1. Organisational,
2. Individual, and
3. Integration of the above two.

Performance management consists of three processes: planning, improving and reviewing and it can be applied at all levels of the organization. It is much more than performance appraisal. A successful partnership between the superior and subordinate that focuses on improving competencies and performance is a strong foundation for an effective performance management.

Structure of the Book

The book is structured into three parts.

Part one focuses on the conceptual framework for performance management in Asian cultures. It includes four chapters. Chapter One provides an introduction to the subject. Chapter Two focuses on the shift from performance appraisals to performance management. In Chapter Three, we look at six ideas in performance management. In Chapter Four, the focus shifts to a model for performance management in an Asian context.

Part two describes the applications. Chapter Five describes the current performance management and measurement practices in Asian organizations. Chapter Six deals with the problems and lessons to be learnt.

Part three takes you through the implementation stage. Chapter Seven guides you through designing a performance management situation with an Asian flavour based on my model. As this is a technical book, I have deliberately left out exercises. The References section details some of the published work in the field. It will be a valuable guide for further reference.

Chapter 2: Appraisals to Performance Management

“Performance is a journey not a destination.”

People perceive performance management as the annual performance appraisal. Performance appraisal is only one component of the performance management system. It is designed to measure the level performance achieved against the performance standards; and to investigate how the performance was achieved. For example was the achievement consistent with the behaviours promoted by the organization?

Performance measurement, more commonly known as the performance appraisal is the most visible component of the performance management process. It is seen as the culmination of the performance management cycle. Performance appraisal can be defined *as the systematic evaluation of the individual's output with respect to the performance on the job and the potential for development*. It is a formal discussion about the performance achieved against the expected performance. It may be complicated at this stage because of the need to measure any gaps if there were any. The need to develop a plan for development or corrective action necessitates the need for frank discussions that are not quite easy in Asian cultures. The common perceptions that appraisals lead to favourable salary adjustments further compound the process. It is also important to decide the purpose of the Performance Appraisal. In a situation where the form and the ratings are given pre-eminence, the form has to be carefully designed to suit the organization. A form cannot be a “cut and paste” of several forms. Neither can a form from the central office of the multinational company be implemented without any consideration for the local situation. Though most appraisal systems in Asia today are supposed to be open where the appraisee would know the appraisal given, in practice, most appraisals remain closed. This is due to the high context cultures in Asia where communication is more indirect and ambiguous. A high context culture is basically one where communication is indirect allowing room for ambiguity. This necessitates the need to train the users on how to conduct as well as receive a performance appraisal.

The perception that performance management is all about performance appraisal has severely limited the ability of performance management to drive the execution of strategy and thereby achieve superior performance. This led W. Edwards Deming⁸, the enthusiastic apostle of quality to blame performance appraisals for poor quality because they nourish short-term performance. They demotivate the individual and are detrimental to teamwork because of the perception that appraisals are more policing-oriented rather than performance driven. The performance appraisal form is seen as the driver of the system and this has resulted in performance management being criticised for being a once-a-year event.

Performance appraisals are basically seen as human resource with forms, guidelines and

review procedures. Managers see them as a pain and extra paperwork. Subordinates see them as irrelevant and demotivating.

Performance appraisals are viewed unfavourably and met with negative consequences. When the goal is to improve performance, the results of the appraisal process tends to be either training or disciplinary action biased. The fact that performance can be changed through many ways is neglected at the annual appraisal event, which is mainly a rating exercise to decide on compensation.

Performance appraisals in some organisations, today, try to relate to performance standards. Whether the data gained from performance appraisals is used for improving performance is doubtful as the ownership is with human resource departments who do not have a comprehensive or helicopter view of the strategic or business goals of the organisation.

Employees think a good rating in appraisals depends on whether you are in the good books of the superior. The rating given is not objective but subjective because of the non-organisational and immeasurable realities. It relates to relationships between the superior and subordinates.

At the end of the year, each individual is appraised, or to use a similar term-measured on certain factors using an appraisal form. I would prefer to use the word review as measure indicates counting which is impossible with people's performance.

The reality of a good rating on the form is not necessarily good performance. Even what goes into the form may not reflect the performance achieved. All that happens is the individual employee receiving a rating that can be either favourable or unfavourable.

The appraisal form that drives the appraisal interview provides the basis for the ratings. It would appear that performance management is taken to be synonymous with performance appraisal.

The goal seems to be rating the individual employee rather than to improve performance. It is event-based rather than performance-oriented. The short-term nature of performance appraisals obstructs the quality of the discussion between the superior and the subordinate.

These are some reasons why performance management has not impacted line managers. Deming⁹ has described appraisals as one of the seven deadly sins affecting Western management. He identifies many problems with performance appraisals:

- they nourish short term planning at the expense of long term planning;
- they are destructive to the individual being appraised as they are unable at most times to offer a different view;
- they undermine teamwork because they foster rivalry, politics and fear;
- they do not focus on helping people but on the end product;
- they do not reward risk taking;
- the pressure to use numbers render the evaluation measures as useless; and
- the measures discourage quality as staff are focused on numbers.

It is easy to appreciate Deming's lack of enthusiasm for appraisals. No organization or

individual would support a process that does not improve performance, alienates employees and requires a lot of paperwork. Researchers comment that Deming's criticisms may be valid for some appraisal approaches but there are performance review approaches that do work effectively and are above Deming's comments.

Deming's criticisms can be overcome by following some of the following steps:

- by integrating the appraisal with the performance management system which in turn is linked to the organisational objectives.
- minimising the excessive use of numbers on the review forms and enabling the employees to see the appraisals as part of a continuous process rather than an annual event.
- training the managers and the employees in the entire performance management cycle leads to greater credibility for the performance management system.
- using performance appraisal as a review tool only after the inputs are in place engineers trust and faith in the system. Performance planning and competency development are building blocks for improving performance.
- using tools like mentoring and job aids that can engineer superior performance.
- erasing the view that the term performance management is synonymous with performance appraisals, or with performance-related pay from the minds of all employees. The focus has to be on performance improvement.
- maintaining the focus on improving individual, team and organisational performance when reviewing performance.

Macro/Micro level

At the macro level that is from the organization's global perspective, performance management systems have been criticized for their focus on short-term quantitative data and exclusion of qualitative data and comparisons to competitors¹⁰.

At the micro level, that is at the team, departmental and individual level, the systems have been maligned for excessive focus on the psychometric measurement of human and capabilities and the number of scales or the title of rating scale categories which do not necessarily lead to rating accuracy for performance improvement¹¹. It is observed that the data¹² from both the macro and micro systems is ignored by senior executives as unreliable for reward allocation.

In my recent survey on performance management in Asia, most organizations reported that the form is seen as the only component of the performance appraisal process. Every performance management effort is focussed on the most visible aspect: the form. Even the communication and feedback processes during the appraisal meeting are ignored.

A once-a-year chore to justify compensation decisions which may have already been decided by top management on the appropriate rewards to be doled out. The appraisal was only seen as a front. It was a stand-alone system that is often divorced from the business issues and the work situations.

Culture

Some performance management systems in use were totally alien to the local culture. 360° feedback, which has been very successful in the West, is totally incompatible with the local culture. The 360° feedback instrument requires the manager to complete a self-rating. The instrument is also provided to superiors, peers and subordinates who complete a rating of the manager.

The report generated provides a feedback as to how the manager sees himself/herself, and how the manager is seen by his subordinates, superior and peers. A minimum of five other people complete the feedback instrument to guarantee anonymity. The report is used to provide feedback to the manager on how the manager's performance can be improved.

The institutionalized layers of hierarchy and status differences in Asia made it impossible to generate any reliable feedback unless the organisational culture has accepted for such a tool to be used freely. The employees find it difficult to provide honest feedback. Though this will change over a period of time due to the competitive pressures, the democratisation will be slow depending on the gradual influence of the new entrants into management, who are Western educated and more exposed to a democratic culture. This needs to be carefully handled. Further, the users were not trained to appraise or receive an appraisal. Training the people to give and receive feedback is essential for a successful performance management system. The users need to be trained much more than their western counterparts because it is a new tool that is not necessarily part of an Asian way of life.

Performance management stems from understanding the cultural factors that affect performance at the workplace. There cannot be stubborn reliance on any one tool. The tool is not what is ultimately important, performance is.

In effect, what most organizations seem to have is a staff appraisal form with rating scales that is focused on measuring performance for the past year? That is the only tool that drives their performance management system.

They measure performance only at the individual level and also measure very undefined and generic personal characteristics such as "responsible" or "marketing acumen", terms derived from the job description. They do not align with what is really important for the organization to turn in a superior performance.

There is no linkage to the organisational objectives or competences/ competencies required for superior performance.

The main purpose of the appraisal seems to be deciding on the compensation rather than improve performance, although organisations would refute compensation as being the sole purpose.

Ownership

The human resource function rather than the line management owns the performance management system. There are numerous ambiguities and inconsistencies in different departments, for different managers at different levels.

Actually, what is needed for an effective performance management system is a business tool and a process that is line-driven. Performance management must be tied to key business goals.

It cannot be an annual event aimed at improving the individual performance independently of the business goals. It must be a continuous process coaching, developing and improving performance. It is a partnership that is committed towards delivering superior performance. Consequences must be clearly defined for good and poor performance on a regular and not annual basis.

It is only line management that can define the consequences on a regular basis. An emphasis on performance management as a human resources solution will result in the consequences being defined on an annual basis.

This kind of an emphasis is not appropriate because if it is a human resources tool, the wrong solutions may be offered such as once a year training program recommendation or an increment.

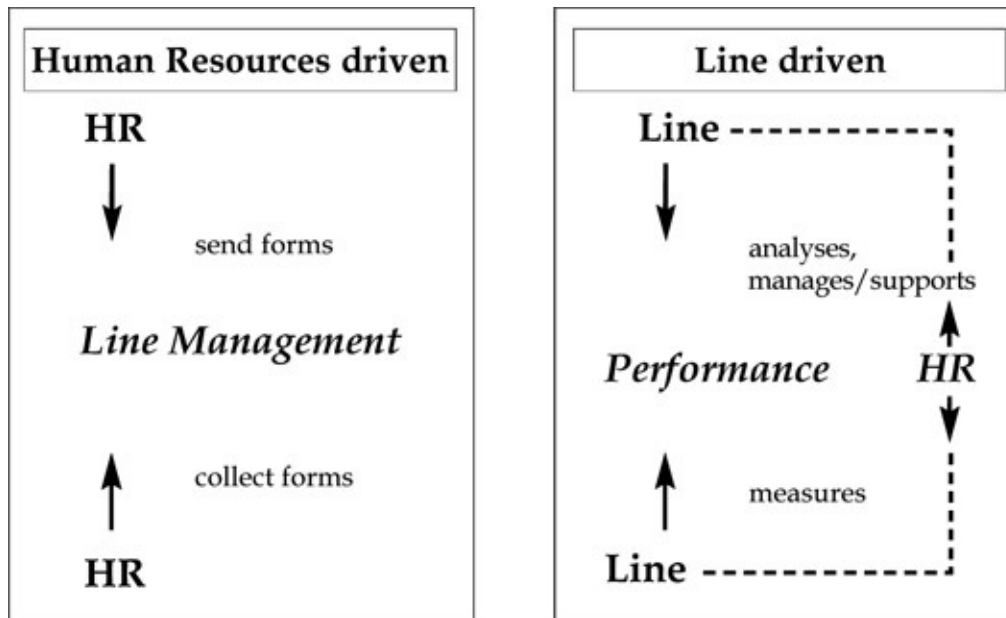
If it is only a human resources tool, the organization has then made a critical mistake. Human resources should play a pivotal role in helping line management design and use the performance management system but it must be a line management-driven operational tool. It should move into the mainstream of management.

Human Resource function can only help and support but it is line management that must lead the efforts to install a performance management culture. Performance management is also not a package solution. It has to be tailored to meet the needs of each organization. The system must also be compatible with the local culture. Performance goals must be clear and stretching for the organization to grow at reasonable levels to remain competitive.

It is important to recognize that successful performance management is a holistic process that must be integrated with the total management process. This will result in higher levels of job satisfaction and improved bottom-line results.

Success comes not from rating but a change in performance that makes an operational impact such as increased customer satisfaction.

Figure 1: HR driven/Line Management driven



The critical shift

Performance goals are not set realistically for the organization to grow at required levels that will make the organization competitive. If the industry was growing at 10% per annum and the organization was only growing at 6% per annum, it does not require an analyst to predict difficult days for the organization.

Researchers and practitioners are in unison to say that the impact performance management should have is on developing and improving performance.

The evaluative and developmental impacts of performance management are different and difficult to align in practice. It is clear now that individual-led and hierarchical-based performance appraisals have not been effective. It has neither improved performance nor has it been successful in development¹³. The only real impact of individual-led appraisals has been notable on the merit pay system where a rating is used to derive and justify a base salary increase, even this is debatable.

In view of these developments, performance management must be integrated with a view to improving performance and the ownership must move away from human resources to the line. It must include competency as an essential input and look at non-training solutions as well when faced with a performance issue. Only then will the system become an operational tool.

The alignment of the organisational strategy with performance management marks a major critical shift from appraisals to performance management critical because the absence of the shift will mean the demise of the organization.

Summary

Performance management interpreted as performance appraisal has been criticized and maligned for the excessive reliance on the appraisal form, short-term outlook and for undermining employee morale. Most Asian organizations have difficulty with the performance management system. Though they called it by different names, it was

essentially an appraisal process.

The evaluative and developmental aspects of performance management are difficult to reconcile. The performance management system must be line-driven and used as a business tool rather than a HR tool. Successful performance management must be a holistic tool and integrated with the total management process.

Performance appraisal is only one component of the performance management. The goal of Performance Management and Measurement is to improve organisational Performance not just rate performance. It is therefore clear that it is not an annual form filling activity.

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