FACTORS IMPACTING PERFORMANCE MANAGEMENT SYSTEM OF MALAYSIAN MULTINATIONAL CORPORATIONS - MODERATED BY ORGANISATIONAL CULTURE: A DYADIC & MIXED METHOD APPROACH

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ABSTRACT
Performance Management System of Malaysian transformed MNC as moderated by Organisational Culture and deploying a Dyadic Approach of appraiser and appraisee and utilising a Mixed Method research. Existing research mostly deal with factors that affects performance management outcomes and little related research that consolidates all individual critical factors in relations to PMS nor consider the moderating effect of organisational culture. Neither were there research based on a dyadic approach and mostly it is unilaterally done one-sided by superior only especially on direct labour. A systematic literature review on existing PMS literatures found five literature gaps. It will provide a deeper understanding of critical factors affecting PMS, a holistic implementation and adjustment to change of organisational culture. HRM practitioners has avenue to sell PMS to their management rather than the management pushing down to them what they think of PMS. There were research limitations such that the study used self-report data rather than comprehensive employees’ actual performance evaluation data, applied only to selected Malaysian companies thus limited demographic, and the participants will be as old as these established companies and would have a different result if based on a younger sample. It excluded organisational sub-culture, leadership and management styles.

Keywords: Critical Factor, Performance Management System, Organisational Culture, Dyadic Approach, Mixed Method Research.

1. Introduction
Quite recently, Performance Management System (PMS) exercise has gradually increased but such formal employee evaluation was in existence since centuries.
Performance Management (PM) involved a systematic process that drives strategic and integrated intent towards annual employee performance reviews by stacking and ranking against goals and calibrating them with peer employees and ultimately using them as yardsticks for rewards, for assessment of capability development, or for conducting a Performance Improvement Plan (PIP) to provide an opportunity for them to improve their performance and if not capable of much improvement then to yank them (Armstrong and Taylor, 2014). According to Murphy and Cleveland (2004), PM are conducted to document performance, provide feedback for within person and promotion purposes between persons.
The prerequisite for PM implementation requires the presence of an effective implementation and established organizational design and management systems. Nevertheless, plenty of time and resources were expended on this annual assessment that it became a ritual process. The process is regarded as subjective, do not help much on performance improvement and both appraiser and appraisee struggled to agree on ratings, uneasy with it being linked to rewards (McKinsey, 2016), and appraisers were hard to articulate feedbacks especially if it was a corporate enforced Gaussian bell curve distribution ranking (Schleicher et al, 2009).
The essence of PM is about assessment to employee, for employee, with employee and by employee. Organization need to assess both of what has been achieved and how they were achieved. There are differences between researchers as to what is true performance and inconclusive on the term good performance and under par. According to Deming (1986), what drives performances are...
often system rather than individuals. Yet others viewed instead on the importance of context which
determine how PM functions, the various approaches to PM, and postulated that one size don’t fit all.

According to Armstrong & Murlis (2007), PM or narrower Performance Appraisal (PA) has been
criticised as an annual dishonest event and to some it is a means to exploit employees. PA is dependent
on managers who lacked skills to carry them out. Some organisations are also reluctant to evaluate
effectiveness of PM nor adopt research results.

1.1 Relevance

Recent studies suggested that ratings may impact employee engagement negatively. General Electric Co. Ltd. (GE) was famous for its PA method where employees were assigned individual performance rating and compared against their peers in the process of stacking, ranking and yanking employees. Yearly, GE determined the lowest 10% ratings and terminated them to replace with new deemed better employee (Duggan, 2015). But in 2013, GE abandoned this traditional performance review process where some ascribed them as being company wallpaper and now were in favour of real-time open communication and feedback, focus on developmental needs, coaching and some used
real time interactive assessment via cell phone programs.

However, surveys at World At Work found that more than half of organisations deemed that their
own PMS was below par in that their own PMS system failed when subjected to evaluation by its very
own evaluation method (Forbes, 2012).

Nevertheless, PMS is only a vehicle to an end and not an end. PMS process will align individual
employee performances with organisational goals. This newer strategy adopted by GE does not vary
much from the traditional assessment system as organization still embraces the fundamentals that
required an open communication, suitable feedbacks, and coaching. The only difference this time is
that the focus is shifted by assessing in real time (Windust, 2015). It has been five years but multi-
national companies (MNC) and those in Malaysia are yet to jump into this bandwagon.

Kaplan and Norton (1996) who created The Balanced Scorecard in 1996 discussed about
performance measurement and indicators that leads and lags. However, by year 2000 Kaplan again
revisited the PM concept and felt that organisation still needed to revisit the necessity of having a PM
process to evaluate, respond, and align performance measurement to reach effectiveness. According to
Siska (2015), after an extensive and comprehensive review of all literatures, it was found that PM and
management control system is still relevant as propounded by Kaplan in year 2000.

Performance measurement and performance management complements each other but are different
practices. This research is about assessment of the PMS as it affects employees and not an evaluation
of the performance management outcomes such as achieving financials, meeting strategic objectives,
nor performance measurement of organisational effectiveness such as Key Performance Indicator, Key
Business Area or Business Score Card. Thus, traditional PMS assessment still hold ground and are
adopted here.

1.2 The Governing Theories that affects the research

The research will be based on the following underpinning theories: The Goal Theory, The
Expectancy Theory and The Hofstede Theory.

The Goal Theory posits that by setting goals employees will be motivated to achieve higher
performance. During this process, employees participate in goal setting, obtain feedback on their
achievement and enabling a sense of personal work commitment. Linking rewards to goal attainment
will also reinforce the motivation by tying clearly individual effort with reward. Effective
communication is thus necessary to establish clear goals.

According to the Expectancy Theory, adding rewards or pay related to performance will motivate
employee to refocus on organizational goals. To fulfil these principles is difficult for these companies
as revealed by literatures. The motivational principle seems practical but, does not work successfully
in the workplace and such rewards may not necessarily create loyalty or long-term commitment.

It merely changes what employees do on a temporal basis, is costly in the long run akin to
reinforcing managerial control, being punitive, and employee fear to take risk, uncreative, and not
innovative.

Employee may not go the extra mile as they count everything to be rewarded however little.

The Hofstede theory analyzed the OC dimensions as propounded by Hofstede (2001) wherein even
though people may have same values but they might practice and behave differently in similar
The organization’s social understanding is much influenced by employee’s perception from the time of their upbringing rather than by organization’s creation or influence. However, in the longer term, OC do influence the performance of successful organization.

2. Research Problem

The research problem stems from the gaps surfacing from the various literature reviews resulting in the research theme being “The impact of Critical Factors Affecting Performance Management System of Malaysian Transformed MNCs as moderated by Organisational Culture: A Dyadic Approach of Appraiser and Appraisee and utilising a Mixed Method Research”.

There are long established organisations that went through numerous mergers and acquisitions but ignored to assess validity of PMS, and even where present, it was sub-optimal and does not really drive performance and may relate them to the frequent changes in organizational ownership which brought with it the frequent organizational changes including changes in the CF such as Management, Trust, Communication, Training, and Rewards which affects the PMS.

Presently, limited consolidated literature researched simultaneously the various CF and OC as moderator in relation to PMS, more so as related to MNC in local Malaysian context. Most literatures reviewed PMS in relation to company performance with regards to financial and profitability achievements rather than PMS effectiveness as influenced by OC and CF and taking into consideration a dyadic approach.

3. Literature Review and Research Questions

In this research, the CF for effective PMS is examined against the PMS in successively transformed MNC in Malaysia which has heavily went through various stages of organisational changes with mergers and acquisitions while reflecting on the moderating effects of OC in these MNC.

3.1 Management Process

Management has the function of providing goals that are clear and defined, providing availability of resources, and ensuring that organisational structures and organisational policies are in place. It will create a context with multiplier effect on the willingness and the competency to perform. It facilitates optimisation of workplace performance environment by demonstrating the link to their individual performance and that it supported individual achievement of goals which contributed to organisational objectives (Kreitner, 2009). This shows that their individual effort has direct contribution to organisational improvements. When PMS is being played as part of the process of managing, it will show its effectiveness in performance improvement by 15-20 per cent (Risher, 2005). At present no literature links perception by appraiser and appraisee of management process which affects PMS effectiveness.

In addition, management controls are needed to ensure appraisals are proper, conducted over certain period, and provide a total and transparent assessment to mutually benefit both employee and organization as the appraisee need to acknowledge the performance assessment results.

In view of this research gap, the first research question that emerges is ’Q1. To what extent does Management Process as perceive by appraiser and appraisee influences PMS effectiveness?’

3.2 Trust

Appraisers plays an important role in culture building and trust building. Management gains trust from people’s experiences and observations of how they treat them or others (Decenzo & Robbins, 2010).

Appraisee may look upon the traditional PMS with flaws as they may view them as counterproductive as the original objective was to assess past performances and did not assess improvement of performance (Lee, 2005).

Most of researches only focused on measurement issues such as bias in ratings. While there is much literature on view of trust from appraisee, limited research focused on management’s trust on the appraisee and appraiser. According to Greenberg (1986), appraisers evaluated performances of appraisee and ascribed a value on the appraisee. Thus, the appraiser need to treat the appraisee fairly to create a mutually trusting environment.
Lee (2005) stated that poor ratings can produce a stigma on appraisee’s performance with a resultant effect of resistance or refusal to acknowledge feedback. And appraiser has a problem to communicate the lowest scale or poor ratings as it represents the worst feedback. However, feedback itself may provide the same objective as ratings but without negative side effects.

Accordingly, the second research question is ‘Q2. To what extent does Trust of appraiser and appraisee influences PMS effectiveness?’

3.3 Communication

Communication is a social process that involves information transfer and interactions between persons or group (Kreitner, 2009). It is an enabler that facilitates a smooth appraisal process.

The frequencies and quality of interactions and communications between the appraiser and appraisee will influence the PMS process (Fletcher & Williams, 1996).

Western organization embracing western cultures emphasized on high uncertainty avoidance index (UAI) over a long-term view. Thus, they adopted the 360-degree feedback system but an eastern organization embracing eastern culture will adopt a 180-degree feedback option (Cokins, 2011).

When the appraiser commenced a performance review with the appraisee, it is clear who is doing the assessment and the role of superior and subordinate is set out clearly (Meyer, 1991). The available literature is also silent on the difficulties of appraisee communicating upwards to the appraisers; especially operators with unilateral directions only and at mercy of appraiser.

Viewed in this context, the third research question is ‘Q3. To what extent does Communication of appraiser and appraisee influences PMS effectiveness?’

3.4 Training

Training facilitates identification of training gaps and consequential improvement of required performance level. According to Longenecker & Goff (1992), effective PMS required appraisers to be trained. Appraiser needs to know how to evaluate, manage, and motivate appraisee.

However, likewise appraisee also needs to be trained. Appraisee needs to be guided on the self-review of their performances. Robbins and Judge (2013) noted that with such a flatter organization structure, it provided for team to grow, barriers of departments reduced, and jobs became more varied thus necessitating a detailed knowledge of organization’s activities. According to Dessler (2005) and Fletcher (2001), appraisers and appraisees has a mutual objective about implementation of PMS and if they do not fully understand them, then confusion and rejection sets in and may fail the system.

Accordingly, the fourth research question is ‘Q4. To what extent does the Training of appraiser and appraisee influences PMS effectiveness?’

3.5 Rewards-rating linkages

According to Townley (1993), the linkage between performance and rewards will increase the motivation, commitment and level of performance especially if deployed on a regular basis for incentives, increment, bonus, upgrading and promotion decisions. Thus, the appraisals can be a basis for justifying such decisions.

Through the linkages, employee will realize that meeting their performance goals are important as it directly correlates to rewards for them (Prowse & Prowse, 2009). However, according to Gray (2002) and Armstrong and Murlis (2007), although managers may evaluate performance with following monetary rewards with the view that employees will work hard and stay long, but there was little correlation or evidence that PMS secured the desired outcome. On the other hand, most jobs are team performances which is not representative of an individual effort (Gray, 2002).

Certain ratings or evaluation may be too close that the process decided that most of the people will fall in the average category but employees do not want to associate their work to average performances only. As final performance assessments are usually at year end, management and organization are tasked to compare with limited resources between allocated budgets and actual pay-out.

Gray (2002) proposed a variable method that linked a person’s performance partly to organizational performance and partly to individual performances where both compensation management and performance management are integrated. Malaysian companies used this system for bonus only and not for increments.
The available literature is also silent on whether absolutely ratings influence rewards accorded by appraisers or rewards influence performance and thus rating of appraisees. Viewed in this context, the fifth research question is ‘Q5. To what extent does the Rewards-Rating linkages as perceived by appraiser and appraisee influences PMS effectiveness?’

3.6 Organizational culture

Both globalization and market dynamics brings about the need for changes. Changes in the various organisation shareholders brings with it changes in the way they conducted business or changes in workplace practices or organizational culture. Thus, acquiring organization may continue their traditional methods in managing employees on captured company and may lose its relevancy or brings with it untested methods which either way pose a disruptive effect to employees.

There are numerous studies linking OC with organizational performance (Meyer & Allen, 1997; Ricardo & Jolly, 1997). However, the research herein is about the relationship between OC and employee performance or PMS that governs employee contribution and not about the relationship between OC and organizational performance although employee performance contributed to organizational performances. There are few literatures that reviewed the impact that OC brings to the individual CF and PMS.

Numerous individual studies suggested that there were four major constructs of the dimension that were deemed to be influential namely teamwork (Morrow, 1997; Osland, 1997), employee communication (Myers & Myers, 1982), trainings (Karia & Ahmad, 2000), and rewards and recognition (Zigon, 1997). The findings of the scholars were that OC has considerable influence over organizational performance and employee performance.

This study will consider OC as the moderating variable as it influenced the strength of the relationship between DV and IDVs (Bellou, 2010; Lok & Crawford, 2001).

Accordingly, the sixth research question is ‘Q6. To what extent does Organisational Culture moderate the influences of Management Process, Trust, Communication, Training, and Rewards-Rating linkages and PMS effectiveness?’

4. Dissecting the gaps in existing literatures

The literature gaps were identified as follows and forms the rationale for the research:

Gap #1 – Critical Factors. CF do affect PMS effectiveness. However, there is a lack of comprehensive literature on these as most literatures focused on performance outcome - only factors affecting financials, goals or other performance outcome, for example, Key Performance Indicators, Key Result Areas, and Business Scorecard.

Gap #2 – Malaysian transformed MNC. We are looking at a locally global PMS versus a globally local PMS. In the former case, the local MNC follow Corporate PMS applied across globally and for the latter case, it is vice versa. However, there are limited literature on this - especially in the Malaysian context.

Gap #3 – Organizational Culture. MNC brings with them organizational culture change which affect behavior & performance. There is a lack of literature on OC as a moderator between CF and PMS.

Gap #4 – A Dyadic Approach in PMS research. For MNC, operator evaluation is unilateral by appraiser only. Thus, the study of both appraiser and appraisee is seldom addressed in PMS literature.

Gap #5 – Mixed Method in PMS research. There is a lack of Mixed Method Study of PMS utilizing a QUANT-Qual; quantitative being major and qualitative being minor. These will involve a literature review followed by a quantitative method in questionnaire survey and to complete holistically by a qualitative method with senior management interviews.

Not all quantitative (that can be counted) counts nor all qualitative (that cannot be counted) counts. According to Sanders et al. (2012), in between year 1996 and 2010, only 5% used mixed methods in research on relationships of HRM and performances. There is only a handful research into HRM topics utilising mixed methods designs (Bainbridge and Lee, 2014) and little by QUAN-qual method for PMS.

Based on these gaps, the triangulation of research conceptual framework is matched to the triangulation of the underpinning theories as per Figure 4.
The Research Conceptual Framework being:
1. IDV - Critical Factors
2. MO - Organizational Culture
3. DV - Effective PMS

The Underpinning Theory Triangulation being:
1. Goal Theory
2. Expectancy Theory
3. Hofstede Theory

Figure 4: The triangulation of research conceptual framework is matched to the triangulation of the underpinning theories

4.1 Hypothesis Development
To achieve the objectives of this research and based on the model above and various literature reviewed, the following six hypotheses will be tested:

Hypothesis 1 – H1: Present evidence of a positive significant relationship between the CF- Management and effectiveness of PMS.
Hypothesis 2 – H2: Present evidence of a positive significant relationship between the CF- Level of Trust and effectiveness of PMS.
Hypothesis 3 – H3: Present evidence of a positive significant relationship between the CF- Level of Communication and effectiveness of PMS.
Hypothesis 4 – H4: Present evidence of a positive significant relationship between the CF- Level of Training and effectiveness of PMS
Hypothesis 5 – H5: Present evidence of a positive significant relationship between the CF- Rewards-Rating Linkages and effectiveness of PMS
Hypothesis 6 – H6: Present evidence that Organizational Culture does moderate the relationship between the CF and effectiveness of PMS

4.2 Methods for Collecting and Analyzing Literature

The search profiling consists of books, theses, dissertations, peer reviewed journal and other relevant works (Choong, 2013). Literature searches were performed using University Malaya’s vast search engines and mainstream databases literature search engines such as Web of Science and EBSCO Discovery. The search index covers publication period from 1 January 2014 to 31 December 2018 (5- year period). The PMS related articles generated from the extensive search engines produced only 26 diverse range of topics of which most are remotely related to PMS. However, there are no coherent topics on PMS related to CF and PMS utilising a dyadic approach and mixed methodology and limited research linking to OC.

Based on the literatures reviewed, there are basis to support the study on the CF that affects the effectiveness of PMS and the moderating effect which OC has towards both these IDVs and DV. This study will fill the gaps in the literatures. To lend comprehensiveness to the study, a dyadic approach of survey identification of appraiser and appraiser will be involved and a mixed method will be deployed.

Fig 4.2. Research framework showing relationship between independent variables (CF) and dependent variable (PMS), where organizational culture (OC) moderates the relationship between these variables

5.1 Data Collection and Future Research

At the quantitative stage, primary data will be collected from three Malaysian multi-national manufacturing companies (unit of analysis) via structured questionnaire survey to support descriptive statistics. The case studies will provide the richness of description of environment and actors (Yin, 2003). A simple random sampling will be conducted and based on table from Krejcie and Morgan (1970). Secondary data will be obtained through comprehensive literature reviews and from annual reports.

At the qualitative stage, purposive sampling will be used for 3 interviewees per company, primarily management level for the in-depth interviews.

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For future research, quantitative data will be analysed by deploying IBM SPSS version 22 for Windows and various statistical techniques (Fisher, 2010) and qualitative information analysed using NVivo/ATLAS ti-8 program.

Information source triangulation will consist of literature review, questionnaire survey deploying a dyadic approach (Quantitative - major), and interview with senior management (Qualitative - minor).

5.2 Limitations of Research

The research limitations and implications are:

a. The study will use self-report data rather than comprehensive employees’ actual performance evaluation data.
b. It applied only to selected MNC in Malaysia and thus have limited demographic.
c. The deployment of mixed method with both major of QUAN-QUAL (and thus more time needed) would have garnered more information
d. The participants of MNCs may be as old as these established companies and would have a different result if based on a younger sample.
e. The research does not cater to any existence of organisational sub-culture nor were there further studies conducted on the leadership and management style to explore further the organizational culture.
f. There may be other CF and the research results may apply only to large MNCs.

6. Conclusions

The framework of study and the significant of study has been established. The proposed conceptual framework and different methodology approach (dyadic and mixed method) provides a useful tool to both managers and academia.

Further fieldwork is needed to test the hypothesis, to validate the model, and to identify the specifics of how the CF influence effectiveness of PMS and how the OC moderates this relationship.

Based on the literatures reviewed, there are basis to support the research which will fill the gaps in the literatures. To lend comprehensiveness to the study, a dyadic approach of survey identification of appraiser and appraiser and the deployment of mixed method with embedded design of QUAN-qual will give rise to a total comprehensive research review.
References


