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Performance Management System: The Practices in the Public Organization in the Developing Countries

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Abstract

The performance management system is an important tool to help organization to achieve its goal. Both Individual skills and contributions and organizational objective measurement is needed to develop the important element of the organization, which is human capital. Staffs are the critical factor in performance management system, where well designed model of system will result strong management commitment and better employees' performance which lead to organization's success. With to proper use, performance management system will remarkably beneficial to an organization, particularly in the management practices in public organization in the developing countries.

Keywords: Performance management system, Public Organization, Developing Countries

I. Management Performance and Performance Management System

I.1. Performance Management (Introduction)

One of the important elements in the organizational orderliness of human resource management is performance management. These following are some definition of performance management:

1. "Performance management is the means through which managers ensure that employee' activities and outputs are congruent with the organization's goals." (Noe, et al, 2003: 69)

2. " Performance management is a set of deliberate policies & practices design to maintain or improve the performance of individual staff and through them, work group and organizations" (Hilyard, 2001: 22)

3. " Performance management is the process of creating a work environment or setting in which people are enabled to perform to the best of their abilities" (Heathfield, 2007: 8)

4. "Performance management system as a strategic and integrated process that delivers sustained success to organization by improving the performance of the people who works in them and by developing the capabilities of individual contributions and fears" (Armstrong, 2000, cited in McAdam, Hazlett, Casey, 2005: 20).

As seen above, the management performance stresses the individual and personnel's abilities to perform the activities within organization as the major element, in order to achieve the organization objectives as a unit of work, as Harper and Vilnikas (2007) suggest that in order to improve the performance of individual in an organization, the organization should connect the performance management's factors like performance review or appraisal into human resource planning, including job design, recruitment, and selection.

There are some reasons why the performance management is considered important to be applied in the organization; the existence of the performance management will help the organization to face the dynamic and competitive environment (Lee, 2006) in the globalization and free trade era; with implemented the management of performance, the organization performance and management will be improved (Lee, 2006). Other scholars suggest that the performance management will facilitate the organization in increasing the financial condition (Nankervis, Compton & Baird, 2007), employees' satisfaction will increase (Dean, 2007), and become one preference to organizational control strategy (Fenwick & De Cieri, 2001).

I.2. Performance management system

I.2.1. Overview of Performance Management System

Over the years, the scholars and experts find any tools to measure and manage the performance management, and as result, some of them as Lee (2006) points out such as the performance pyramid (Linch & Cross, 1991), The result and determinant Matrix (Fitgerald and Moon, 1996), The Balance Scorecard (Kaplan & Norton, 1996), The Consistent performance measurement system (Flapper et al, 2006), and the integrated performance measurement system (Bitichi at al, 1997), which are incorporated to Performance Management System.

Generally, there are several goals of Performance management system, like provide the clear staff's expectation, improve the dual communication among the personnel and employer, identify the specific training and career development needs for personnel and manager, provide the base of review of rewards, and develop the better organizational culture based on performance to increase the performance of the personnel and organization. Below is several techniques that can be used in the performance management as quote in Roy (2012, pg. 67).

a. "Balanced Scorecard: The Balance Scorecard is a strategic performance management framework that has been designed to help an organization monitor its performance and manages the execution of its strategy. It develops specific performance areas where employees are expected to succeed,

b. 360 Degree Performance Appraisal: It is a method that employees will give confidential and anonymous assessments on their colleagues. It is also known as "multi-rater feedback" or "multi-source feedback" where feedback about the employees' performance comes from all the sources that come in contact with the employee on his job. Six parties are involved in 360-degree appraisal. The parties are – top management, immediate superior, peers/co-workers, subordinates, self-appraisal, and customers,

c. Six Sigma: It is a business management strategy, originally developed by Motorola in 1986. It seeks to improve the quality of process outputs by identifying and removing the causes of defects (errors) and minimizing variability in manufacturing and business processes. This methodology provides the techniques and tools to improve the capability and reduce the defects in any process. It is a valuable tool for data analysis and measurement of performance and improvement.

d. Employee Recognition System: It helps for motivating employees and makes them involved in more responsible projects.

e. Performance Ranking Method: It is used to assess the working performance of employees from the highest to lowest levels. Managers will make comparisons of an employee with the others, instead of making comparison of each employee with some certain standards.

f. Management by Objectives: This is a method of appraising performance of employees through setting goals jointly by managers and subordinates in terms of company goals. The concept is based on participation of each and every individual"

As the concept of the performance management is continues growing through the years, Armstrong and Baron (1998), highlight the *Paradigm Shift*, which suggested the movement from the system that organization applied to the process orientation, where the organizations choose their own framework to be applied in their management system. With this development, the developing countries started to introduce the performance management system called New Performance Management. The small number of studies conducted and the requirement of the change perspective to market based development, modernization of accounting and information system, and management control. Some limitations that indicate the weaknesses of the developing countries performance management system such as; lack of management skills and expertise, poor management practices, ineffectiveness of bureaucratic system, and low productivity level (Hilyard, 2001).

I.2.2. Performance Management System' Features and Frameworks

Wall (2007) points out the several core of performance management system which are functioned in delegating the authority, developing the positive competition, developing choice, providing the proactive services to be performance oriented, focusing on efficiency by customer driven. However, the performance management system's elements that adopted by the developing countries in general are *privatization* and *downsizing* (Wall, 2007). Three critical success factors for performance management system as follow; alignment with organizational goals, credibility, and integration (Anao, 2005); can be shown on table below:

Table 1.

Critical Success Factors in PMS

Alignment	Credibility	Integration
Outcome sought by government	CEO and Executive commitment	Line of sight between corporate and individual goal
Consistency with organizational value	Review and simplicity	Progressive and interactive approach
Client and stakeholders expectation	Management buy-in	Online delivery
Maturity of system	Addressing the rhetoric-reality gap	
	Dealing with under performance	
	Reporting outcomes	
	Staff ownership of the system	

(Adopted from Performance Management in the Australia Public Service, Anao: 2005)

The framework of performance management system is begun with the traditional framework by R.N. Anthony in 1965 in Harvard Business School, when he studied management planning and control system, then he found the differentiation between management control, strategic planning and operational control, with broaden the scope of the accounting information using the approach of managerial motivation and behavior (Otley, 1999). Furthermore, Otley (1999), mentioned five points of developing the framework for organizational performances, but before that, he stressed that the points might be normally reflected the managerial perspective, but they can be modified according to organization need and the change that happens around the organization. The points are key objectives, strategies and plans with the assessment or the measurement, target setting, information flows, and reward/ punishment. These following are some example of performance management system frameworks:

Figure 1.
A Model of the Strategic Management Process

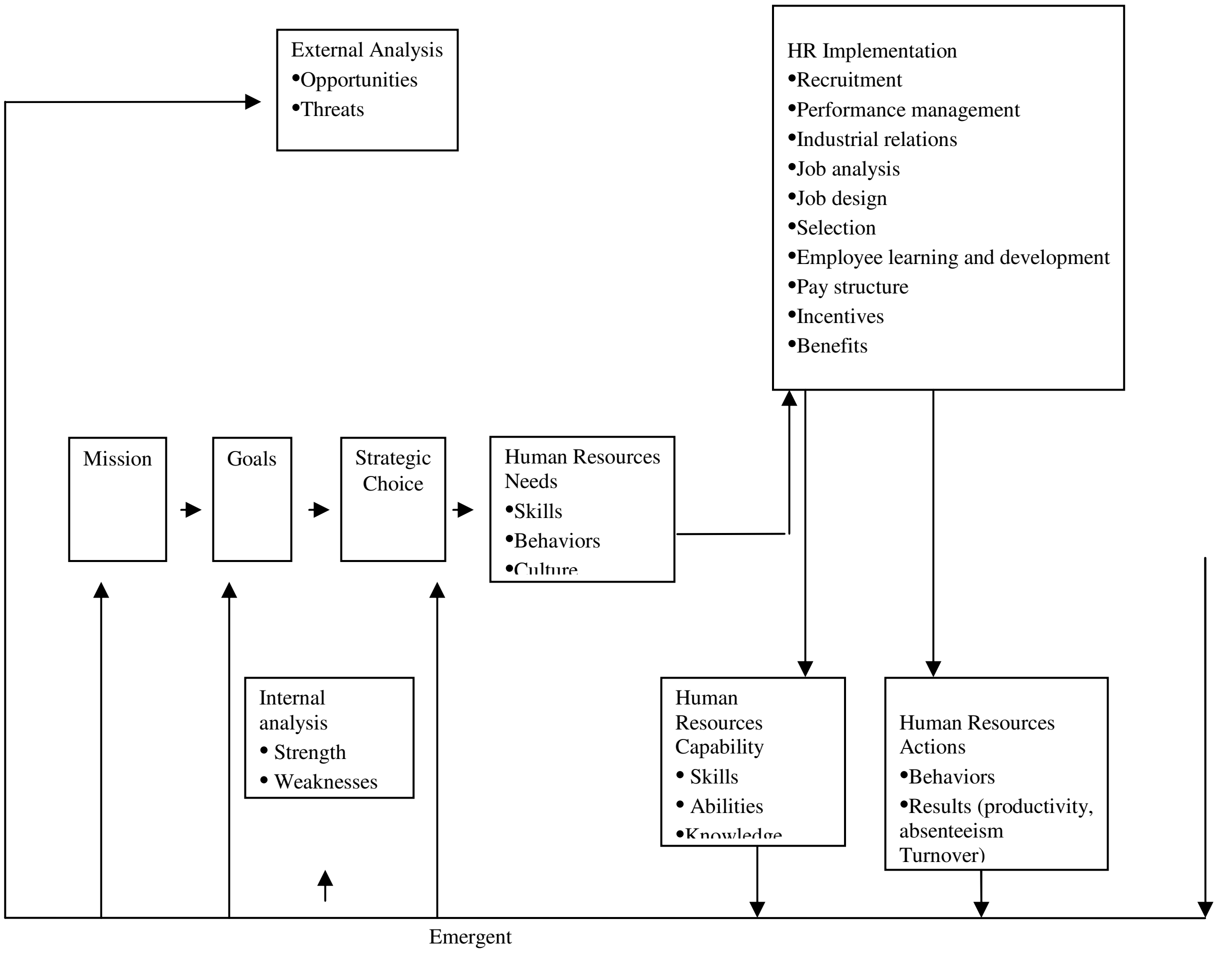

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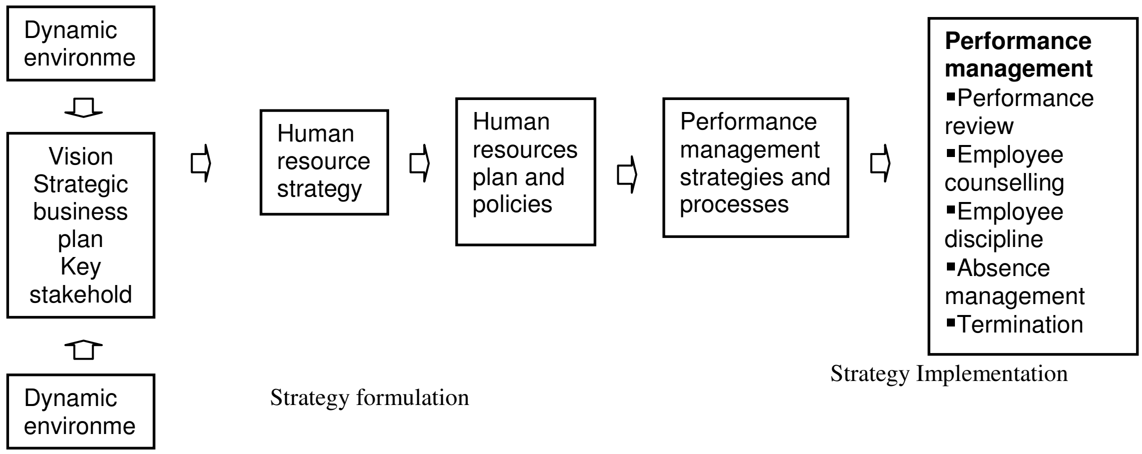
Figure 2.
A strategic model of management performance



(Adopted from Strategic Human Resources Management (4th Edition), Nankervis, Compton, & Baird, 2002)

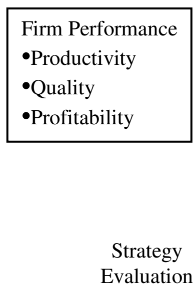
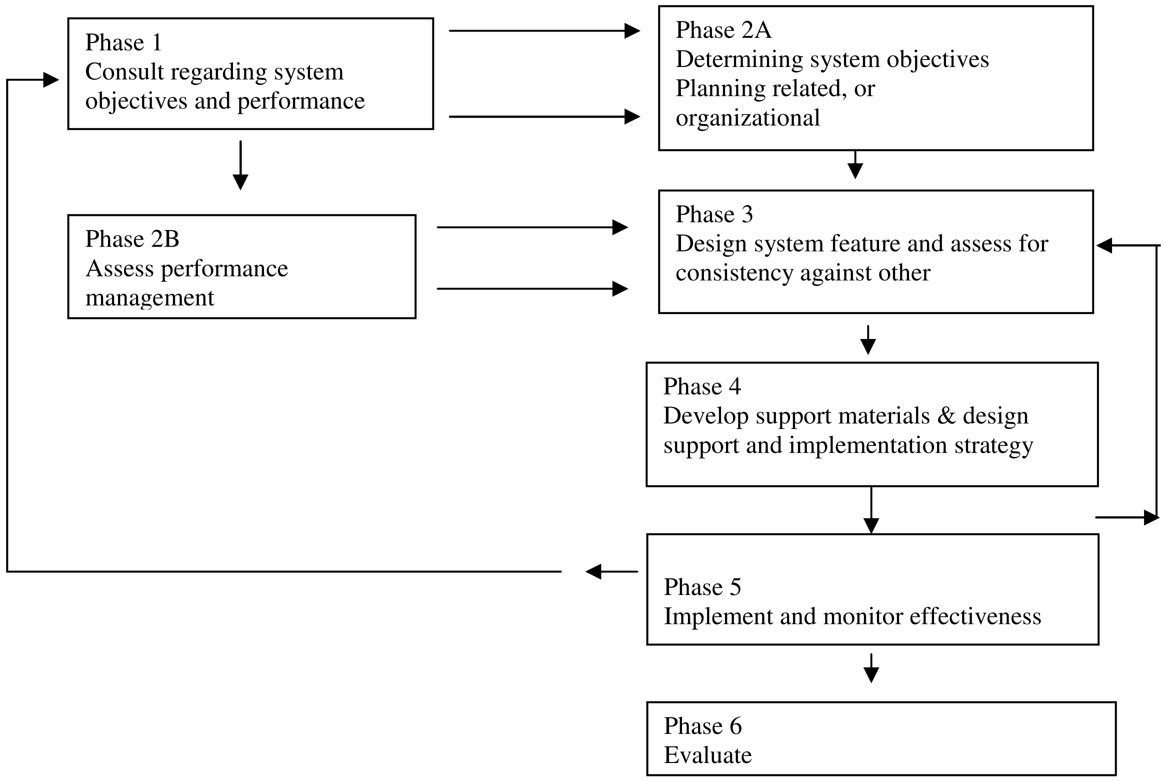


Figure 3.

Framework for an Effective Performance Management System Design



(Adopted from Contemporary Issues for Managing Performance in the APS, Katherine Hilyard, 2001)

The first and the second figure show the importance of the dynamic environment and the major elements of the strategic plan with the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, and the components of the balance scorecard; stakeholders, financial, process, and learning & growth. The third figure shows the deeper and more specific phases in framing the performance system design, by involving the major factors that contributing the completion of the performance management system, as seen above, there are organization objectives consulting phase, planning phase, developing phase, and evaluation phase, even they are still in the general sense of whole process in performing the management system. Some scholars point out several elements of performance management system, which are significant to organization strategy in implementing the performance management system, such as; organization's objectives and criteria, *performance review* with the feedback, include the 360 degree feedback, merit ratings/ payment ratings, and dialogue/ discussion (Demirkaya, 2007; Bloom, 1999 in Fenwick & de Cieri, 2007; Dodo, 2007), *performance appraisal and The Reward System* (Edwards et al, 2003), and *organizational learning culture and development* (Harrison, 2005).

II. Performance Management System in Public Sector

II.1. Background, Purpose, and Stakeholder Framework

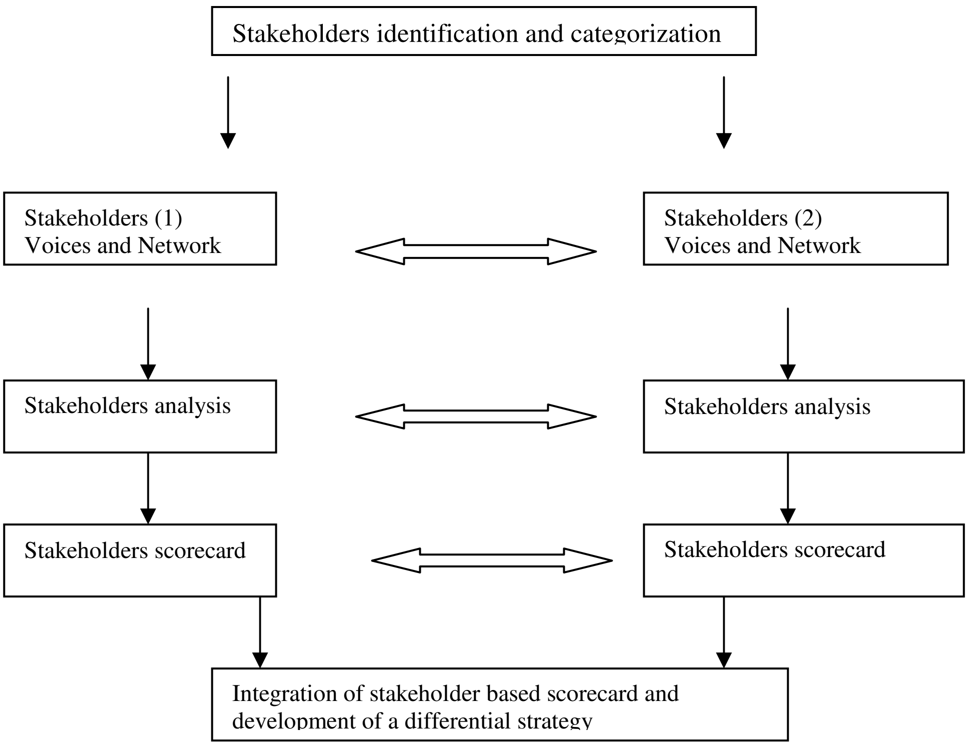
The performance management system is considered brought the successful change in the western and develop countries, however, the idea of implanting the same performance management if developing countries seek the adjustment because the difference in the social and cultural environment between them. there are two main purpose of the introduction of performance management system to developing countries as Radnor & McGuire (2004) suggested that the existence of the performance management system is expected to improve public services, through increased economy, efficiency and effectiveness of the service delivery system, and reinforce the organization accountability with the intention that the public organizations are clearly held to account for the resources they used as well as the outcomes that achieved. In developing countries, particularly for the public organization, the accountability is very important, because it can help the organization to control the abuse and misuse of public authority, provide the assurance to respect the use of the public resource and adherence the law and public service values, encourage and promote learning to pursue the continuous improvement in governance and public management (Aucoin & Heitzman, 2000).

Public organization as the organization that provide the public services, does not put the main priority in gaining the profit as much as it could, the organization, which is working for the public sector maximize the focus on empowering every small potential resource for income generation for the public/ civic, differs with private organization, which is optimizing the profit with less effort and finance . The implementation of the performance management system in public organization are basically based on the general scene that public organizations have been under pressured to improve the performance due to the current climate of management changes and public sector reforms. Another background for the enforcement of the performance management system is tied to the philosophy of new public management, and an assumption that public sector institutions could be more successful by the application of private management techniques and processes. Performance management system in public sectors has strong link with stakeholders, as Bendheim and Graves point out that all the factors that involved in performance management system are influenced by the overarching effects on multiple stakeholders, then supported by Bryson (1995) acknowledges that the success of public organization depends on the satisfying of the key stakeholders according to their opinion of what is valuable, thus, the further action of developing the performance management approach is needed to address the complexity and multiplicity of the stakeholders (Fletcher et al, 2003).

The figure below is an example of connection between the performance management and stakeholders in the public organization:

Figure 4.

Performance Management Framework that Integrates the Role of Stakeholders



(adopted from Performance Management in The UK Public Sector, McAdam, Hazlett, & Casey, 2005)

The figure above shows that the performance management system strategy is based on the ability of the public organizations to recognize their stakeholders, analyze the role of the stakeholders for the organization performance and servicing process into the stakeholder's scorecard in order to have the clear pictures of organization decision regarding the performance improvement and development.

Case study examples:

1. The Department of Justice and Human Right the UK. It was a large government with many stakeholders categories, such as policing and police reforms, security, prison services, compensation for criminal damage and injuries, criminal justice, probation service, legal and forensic services, and Human Right Commission. The department is bound by a service delivery agreement, stating how government targets will be met and how the department is using management tools to improve its overall performance in line with prevailing government initiatives. Based on the framework, the organization decides to develop its approach to performance management by combining the stakeholders approach to performance measurement with a balanced scorecard approach. A key element in developing and deploying scorecards for each stakeholder category was establishing links to a new appraisal system.

   (McAdam, Hazlett, & Casey, 2005)

II.2. Performance Management System Measurement and Feedback

The performance of an organization is evaluated with certain measurement, but what is measurement and why the organization performance needs to be measured? Rador and Mcguire (2004) define performance measurement as the act of measuring performance, and McAdam et al (2005) suggest the reason of measuring the organization performance as the instrument of improvements in performance, whether the goals and objectives have been achieved. The public organization formulate envisaged performance to indicate how the performance can be measured by defining performance indicators (Bruijn, 2002), although it is difficult to the outcome (final effect) which provide a complete picture, so normally, the measurement is specified in the direct effects of output with limited picture, ensuring that products of services are defined, production or targets are agreed with organization, and output is measured and reported annually (Bruijn, 2002).

Performance management has been the way to ensure administrative accountability, the meeting of standards and the provision of value added services (Bratton and Gold, 2007). Traditionally, the performance management was based on accountancy, turn over, cost and profit, underpin rational for control, at the present, the performance is measured in order to manage them by using the strategic performance management tools to measure range of values not just in the financial matter (Bratton and Gold, 2007). One of the suitable tools that public organization in developing countries adopt is Balance Scorecard, which is a strategic measurement (Wang, 2006) that has a variety of perspectives, namely; customer perspective, financial perspective, internal business perspective, and learning & innovation perspective (Bratton and Gold, 2007; Wang, 2006; Nankervis et al, 2005). In the public sectors, the public scorecards designed by Moulin (2002) has five perspectives as follows:

1. " Strategic refers to the key performance outcomes reflecting why the service exists and what it hopes to achieve"
2. " Services is concerned with how the organization looks to service users and other key stakeholders"
3. " Operational excellence refers to the effectiveness of process and of staff, and includes measures such as staff satisfaction"
4. " Financial refers to how well an organization manages its funds and keep costs down'
5. ' Innovation and learning looks at whether it is continuing to improve, learning from others, and creating additional value for service users and other stakeholders"

   (McAdam, Hazlett, and Casey, 2005:261)

By using the balance scorecard, the objetives are fulfilled; help the management to focus on the specific strategic objectives, promote the integration of strategic objectives and organizational perform, ensure the investment of time and resource in activities are identified, highlight the importance of engaging in continuous process of change and learning, and ensure compatibility of goals and rewards with organization as well. (Andrew et al, 2000, in Wang, 2006)

Another important element in performance management system is Feedback or feeding back performance information. In performance management system, feedback remains integral to successful practices (Heatfield, 2007), which is distinct with two purposes as evaluation (provide the information about the work behavior and outcomes and provide direction for correct actions) and development (provide opportunities for training and development of employees) (Fenwick & de Cieri, 2001).

The feedback involves discussion on progress to both personal and organizational goals, both the employee and the manager have equal opportunity to bring the information to the dialogue, multi-directional or 360 degree feedback, data is gathered from customers, peers, direct reporting staff and managers, and occurs regularly (Fenwick & De Cieri, 2001; Nankervis et al, 2005). Research shows that in Australia, 14% of the companies adapted this method; for example Ampol, Big W, Citibank, Gillette, BP, Yellow Pages, Telstra, Qantas, etc. (Nankervis et al, 2005). However, in fact, generally the leaders have tendency to avoid giving feedback to poor performers, delay giving feedback, and distort feedback to make performance seems less negative (Yariv, 2006). With performance management system, the ongoing feedback can be enhanced the productivity and assess performance not personal characteristic (Fenwick & De Cieri, 2001)

III. Conclusion

Performance management system is important as it needed in facing the dynamic and competitive environment, align with organization's goals and objectives and continuously implemented and developed, particularly to public organization in developing countries to keep the various perspective in measuring performances by using the balance scorecard, completed with giving feedback to employees' performance based on the multi-directional information sources.

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