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Performance Management: State-of-the-art and Implications for Europe and Beyond

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Introduction

Financial crises, European migrant crisis, food security, environmental concerns, the aged and healthcare sustainability and related scandals, and of course not forgetting, the very imminent likelihood of Brexit – to name just a few, are only some of the many global difficulties faced by policy makers of European nations today. Solutions for these are often expected to come from the broad field of ‘performance management’, and yet as a field, if not even a subject, it is both eclectic and all-embracing. From time to time, and increasingly so, there are news reports of major corporations and institutions abandoning their performance management systems in favour of other methods that better resolve problems, but they encompass similar features (Cappelli and Tavis, 2016) – those of individual and at institutional levels.

Performance management deals also with activities at the detailed firm inter-relationship level (Bui et al., 2019), the broader company managerial level (eg. Bui, Chau and Cox, 2019), as well as the more obvious macro-economic level in ways that cover a broad spectrum of organizational functions. For instance: in management accounting, on how a firm improves profitability and is evaluated (eg. Kaplan and Norton, 1996); in marketing, on the reception of a product or services sold or delivered (eg. Ambler et al, 2004); in human resources management, on the way appraisals of staff are conducted to enhance work relations and overall firm productivity (eg. Fletcher, 2010; DeNisi and Murphy, 2017); and in strategic management,

on ensuring policy decisions concerning daily activities are well aligned with the long-term strategic direction of the firm (eg. Witcher and Chau, 2012), among many others. These then can be borrowed and adapted to serve for the more media headline driven problems.

Solutions for any headline problem need also come from global efforts, and these start from national and firm level activities, concerning which theories and management frameworks about improving performance have been developed and revised earnestly. This is a core purpose within EMR's interested scope of publication. In this editorial, the state-of-the-art on performance management thinking is presented by introducing ten articles that explore new aspects that are core but sparse within the subject, which deal with 'performance' not just as an outcome but also in other interlinking ways that ultimately lead to it. Implications and suggested directions for future research to help the many challenges in Europe for the near and distant futures are finally presented.

Contributions in this issue

From the papers selected for this issue, 'performance' vis-a-vis performance management per se, is treated in four distinct groupings of: performance improvement as a desired outcome; performance adjustments as an intermediate variable that influences or moderates other measured outcomes; people management and their importance within the performance management system; and performance management as a whole system wherein attributes and features are questioned for their overall effectiveness. These are introduced as follows.

Improving output as the ultimate goal is the popular way research in performance management is conducted. In the first article by Kostopoulos, performance is considered as a measured outcome to research the effect of empowerment of front-line employees on their individual performance levels. Using data collected from two major UK cities, he finds that empowerment does have a non-linear (quadratic) impact, but this relationship is positive for high levels of empowerment but is negative for low levels. This relationship is further moderated by the complexity of the service, where for low-complexity services the relationship between empowerment and performance was found quadratic but for high-complexity services the relationship was linear and positive. The second paper, by Luring and Villeseche, examines performance also as an output but as a team which is gender diverse in its composition. They examine how that output variable of performance is determined by diversity attributes (eg. openness to diversity) and the diversity (numerical) composition, and

find that openness to diversity is indeed associated with team performance. This relationship is moderated by degree of gender diversity, meaning that team performance is improved where gender is closer to a numerical balance. Nuhn, Heidenreich and Wald's paper examines performance effects at the individual, team and organizational levels by consideration of turnover intentions of temporary and permanent organizations. They find that turnover intentions from temporary organizations significantly enhance turnover intentions from permanent organizations, resulting in decreasing performance at all three levels. This suggests that the detrimental effects of turnovers can be minimized by greater transparency in the staffing processes, and so work environments are key in understanding and controlling performance outcomes. Together, these three papers suggest that adjustment to inputs and management of teams can affect the performance level of employees, that ultimately lead to firm level differences in performance.

The next group of papers treats performance as the intermediate variable that is researched, to understand its impact on another outcome. Following on directly from above, the human behaviour aspect is considered by the paper by Zoghbi-Manrique-de-Lara and Viera-Armas. They throw additional light on extant literature that considers the inverse relationship between manager dishonesty and firm performance by building a model to include alienation at work as a moderator. Their model was based on a multi-source data set from 100 banks in London and involved 100 team leaders and 100 triads of followers. They find that employees respond powerlessly to managerial dishonesty by losing control over their product, which is the causal reason for firm failure. On a happier note, in the paper by Skerlavaj, Cerne, Dysvik, Nerstad and Su, the combined roles of mastery and performance climates for the effect on how creative ideas of the firm are being implemented were researched. Through a three-way interaction of idea generation, the results of random coefficient modelling used show that when the two variables are combined, the frequency of idea generation and idea implementation is transformed from an inverse U-shaped curvilinear relationship to a positive linear one. This means it is easier to manage new ideas when working environments of firms include both high mastery and high performance climates together. The next paper by Matsuo considers a similar cognitive variable, of learning, and in particular here the ability to unlearn. He investigates the individual unlearning transition, through analysis of interview data with executive officers at Japanese firms who underwent discontinuous episodes of learning and unlearning of decision making, delegation and motivation, and collecting information. In-depth understanding of these managerial skills, especially from the rich executive commentaries, throws additional light on the previous paper in that the ability to manage

important processes and understand the conditions that assist that cognitive variable is itself a performance climate that requires controlling: the better the ability to manage organizational unlearning, the greater the performance ability of firms to achieve a sustainable competitive advantage.

The importance and understanding of people in managing performance can be seen in two contributions – that of Marescaux, De Winne and Forrier, and that of Brinck, Otten and Hauff. Marescaux et al's paper examines the relationship between human resource management, employee well-being and performance and finds that leadership is a moderator of the relationship between the management of people and their consequent welfare. Some of these translate into increased individual work performance, which is a gain for the organization. They argue for the particular need to take into account managers' behaviour, by developing leadership to reinforce a social exchange relationship, as an essential component of the HRM system of performance management if well-being is to improve. In a similar way, Brinck et al's paper examines how gender is a moderator of the relationship between high performance work practices (HPWPs) and job satisfaction of employees. Based on their study of data from the European Working Condition Survey for Germany, they find that 6 of the 13 HPWPs are more oriented towards a male gender concept and only 1 oriented towards the female (while the remaining ones do not have a specific orientation). While no overall moderating role of gender was found (for non-HPWP practices), HPWPs would seem to have a stronger impact on job satisfaction for men, and this practical work implication is likely to impact work employee relationships, and hence moderates overall organizational performance.

The last group of papers relates to performance management as a holistic system, such as performance management systems and the conditions within them. The paper by Ozcelik and Uyargil takes a commonly researched area of contextual performance dimensions (ie. those voluntary activities within organizations that are discretionary in nature) to assess whether competency frameworks actually incorporate organizational citizenship behaviour (OCB) and the psychological contract (PC). Through content analysis of ten handbooks of organizations in Europe and subsidiaries of multinationals, they find the affirmative. These OCB and PC attributes include helping and coaching members, adaptive behaviour, job commitment, among others, and including openness to learning, similar to the learning/unlearning attributes discussed in the paper by Matsuo. The implication of these findings is the need for companies to recognize the importance of informality and discretionary attributes that exist alongside the formally recognized attributes of performance management systems; engaging in fairer performance management frameworks at the individual level improves organizational justice

perceptions, which in turn is likely to improve the overall system, thereby reducing the likelihood of failure. The last paper, by Akbari, Ebrahimpour Azbari and Hooshmand Chajani, looks at performance management conditions at the macro-economic level by examining the role of institutional factors (eg. support, legitimization and political relationships) and resources in impacting on firms' performance in free-trade zones. Companies in the Anzali Free Trade and Industrial Zone (AFTIZ) were surveyed to find that resources do have a positive impact on the firms' competitive advantage and performance, and while institutional factors do strengthen the resources, they do not moderate this relationship. This research implies that resources and supportive conditions are important in establishing trade-friendly zones to compete in increasingly fierce economic conditions, the environments of which are also changing (possibly in the direction of increasing knowledge and innovation resources), thus requiring governments to take a more attentive look at the overall regulatory controls in place.

Implications and future research

The ten papers introduced present flexibility in the treatment of performance management as understood by today's research scholars. This has been demonstrated by the way 'performance' has been used to describe the nature of a process as well as measured as an outcome variable, and in the similar way the whole system has been described as relating to performance management. The papers have also covered a range of overlapping cognate disciplines within the management field – HRM, applied psychology, diversity management, and international business/strategic management. The context of their research application also concerns a broad range of applications – that of multinational corporations, special trade zones, and low/high complexity services firms. This might lead one to question the extent to which established performance management frameworks have been inappropriately propagated into too many contexts (for a debate, see Chau and Liu, 2019) – but the research papers here do not seem to indicate this – or that the theoretical foundations for the performance management frameworks are brought into disrepute (for insights, see Bititci et al., 2018) – but equally, the research here has collaboratively suggested a unifying and growing importance for interdisciplinary and multidisciplinary research to understand their theoretical foundations better.

While it is still questioned today whether measuring and researching aspects of performance have an objective impact on the performance level in question (Franco-Santos et al., 2012), the link could not be more obvious. Performance management is an applied field,

so theory building relies on knowledge of its application and vice-versa, context benefits from the theories and knowledge established about performance management. Its interdisciplinary and multidisciplinary nature helps to augment the fuller picture. Indeed, there might have existed about a decade ago “a number of barriers to effective knowledge transfer ... together with some gaps in the scope of research methods and theory-building” (Holloway, 2009, p. 398), it is still fair to say “we all need a genuine shared language to surface assumptions and raise awareness of research in other disciplines that are interdependent of our own” (ibid, p. 399). The ten papers in this special issue do at least present this interdisciplinarity in a simple four-part representation to get us thinking.

So what have we learned? The crises and issues identified at the start of this editorial are real and pressing; there’s not a single doubt about that. The proliferation of these performance management related findings can at least throw light on them, if not to address them directly. Kostopoulos’s finding about the relationship of empowerment to individual performance suggests, for such highly complex organizations as the struggling UK National Health Service, individuals can make small but valuable contributions to assist the organization’s breakthrough performance. Issues of alienation in the work of Zoghbi-Manrique-de-Lara and Viera-Armas are also relevant. The research into gender diverse teams by Luring and Villeseche may only be the starting point, perhaps extendable to broader diversity issues that are plaguing Europe over the migrant refugee crises. Similarly, processes that assist performances, such as HPWPs are predominantly male-oriented and impact satisfaction, as found by Brinck, Otten and Hauff. The antecedents that assist in creating innovative ideas researched by Skerlavaj and colleagues may eventually be adapted to assist some of the food and environmental concerns that are struggling with getting new ideas. Matsuo’s paper on the need to unlearn managerial skills, as well as Marescaux, De Winne and Forrier’s view about developing leadership, might be insightful in addressing how executives might have overlooked key responsibilities in the large firms that resulted in the many notorious scandals, some of which even contributed to the global financial crisis of 2008 whose name may be forgotten for the younger generations but whose ripples are still felt by many hapless victims of the time. And the much anticipated Brexit (United Kingdom’s exit from membership of the European Union) still expected to take place in 2019 would result in confused management behaviour and trading conditions; the papers by Ozcelik and Uyargil and Akbari et al may hopefully offer a view respectively on how business relationships are formed and worked within European firms and the establishment of trade agreements and new trade zones to support that new relationship. Nuhn et al’s proposition of improving

transparency of internal management and temporary and permanent organizations might also shed light on the post-Brexit forms of firms.

And where else do we go from here? Research is not an end; and as new issues emerge within a challenging and changing Europe, new need for rigorous research in all fields of management, including new frontiers for ‘performance’, ‘performance management’ and ‘performance management systems’, is further warranted. These issues go inextricably beyond Europe to embrace the rise of Chinese and other east Asian economies to foster the new innovation and new models of wealth creation that are threatening the western world. If that’s not enough, consider issues beyond our small globe as the prospects of space travel and exploration are only years, not decades, away. When we have understood well the intricacies of performance management matters that address current problems, then we can start to think about what performance management really is and what it should not cover, rather than the many ways we presently rely on.

We at EMR aim to accompany you on that journey.

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