

**PERFORMANCE APPRAISAL:
AN EFFECTIVE COMMUNICATION TOOL IN THE
TOTAL QUALITY PROCESS FOR
AN AMERICAN COMPANY IN HONG KONG**

by

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ABSTRACT

To be a Total Quality organization became a corporate vision for an American company in Hong Kong. It aimed to maintain, or improve, its competitive edges in the market via Total Quality Management. A major hurdle in achieving the corporate vision is the requisite Culture Change.

Performance Management System was considered an essential communication tool to transcend this necessary change. Performance Management System includes three major elements: 1) Performance Appraisal, 2) Reward, and 3) Training and Development. In general, the latter two use the "output" of Performance Appraisal, such as for determining merit increase, and employees' training needs and career objectives for human resources planning. These three systems should be attuned to achieve optimal results.

A Task Force was commissioned to review the Performance Appraisal method, including the assessment criteria and method. Prior to commencing the review, a series of interviews with all levels of employees had been conducted in order to better understanding employees' opinions towards prevailing Performance Appraisal practices and their endowment towards Total Quality after going through TQM awareness education.

The Task Force started its work in September 1993. The author was also a member, in the capacity of a Human Resources Manager. It planned to have two levels of solutions: 1) A short-term solution which was used in November 1993; and 2) A long-term solution which was to be adopted to communicate the requisite Culture Change. The author was in time to include in this paper the Task Force's short-term solution and its review on the effectiveness of the short-term solution.

Based on the Task Force's discussions and findings, together with her own observation and experience in the organization, she also suggested several key points in the assessment criteria in making the Performance Management System an effective communication tool for TQM.

The author tended to agree with Deming's ideas on Performance Appraisal, that is, to do away with structured Performance Appraisal altogether in the long run. Other forms of appraisal, or inputs, should also be considered, such as from peers and subordinates. Nevertheless, all these need time to change and emerge. The author was critical towards the use of monetary rewards in motivation. The author supported a across-the-board cost-of-living annual increment for most of the employees. Rather monetary reward should be set in a way to let employees reap the benefits of their Quality work. Meanwhile, use of non-monetary rewards should be adopted. Training and Development will sometimes be a kind of non-monetary rewards. The organization should better provide resources in this aspect. More work must be done in the Training and Development. A Total Quality organization should also be a learning but flat organization.

TQM is always a long and painstaking journey. Though validity of her suggestions could not be tested and discussed in this study, she wishes to contribute to the quest for Total Quality for her employee, and for academic interests, if at all.

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CHAPTER I

INTRODUCTION

"When having a good product, a typical American industrialist would exclaim, 'This is great!', while a Japanese C.E.O. would say, in a rather unemotional or even slightly apologetic manner, 'Well, this is acceptable, but it could be improved.'" ¹

The quote above highlights one basic difference between the two countries - Culture. It underlines a requisite in implementing Total Quality Management (TQM) - Culture Change. This never implies superiority of any one culture. It is cultural difference causing different disposition to continuous improvement, which is a key element in TQM.

In recent two decades, not only were the Americans perplexed by the extraordinary speedy growth of the Japanese economy from war scratch, they were also overwhelmed by their loss of competitive power in the international markets to the Japanese. To a great extent, the Japanese success could be attributed to the implementation of TQM, on top of other critical factors.

TQM also finds its place in Hong Kong. It was mainly imported by a number of American and Japanese firms which implement their corporate management policies in their Hong Kong offices. Other local firms also followed suit not long after. Some become aware of their competitors' competitive edges in this regard. Others employ foreign

¹ Laurence Scofield, Publisher of *Shipping Gazette*, in his opening speech for the Seminar on Total Quality Management in Shipping, on February 28, 1994.

(mostly U.S.) trained managers who were exposed and committed to this management approach.

TQM is not a concern in the private sector only. Government of Hong Kong helps promote Quality Management by introducing ISO9000 via Hong Kong Productivity Council and requiring ISO9000 accreditation in awarding government contracts. Its major impact is so far confined to a few sectors, namely building and construction, and some manufacturing industries. The effect is diffusing at accelerating speed. Around thirty government departments/sections frequently in contact with citizens, such as the Immigration Department, the License Section of Transport Department, begin to adopt more "customer-oriented" approach (an important aspect in TQM). The Civil Service Training Centre is providing Quality Management courses to various levels of civil servants, with the objective to inject the concept and sense of Quality and customer satisfaction to the civil servants.² These actions provide a positive and stimulative background for the TQM implementation in Hong Kong.

The objective of this paper is problem solving in one case: to look at the Performance Appraisal System in an American company in Hong Kong, and to examine how it should be improved to achieve the company vision of becoming a Total Quality organization. We will draw examples from a number of American companies in Hong Kong, such as Motorola and Xerox, who have embarked the TQM journey and achieved some good results.

The author is the Human Resources Manager of the organization under investigation. She was personally involved in TQM of this organization by leading various "Quality Projects". One project is to review the prevailing Performance Appraisal System

² Anson Chan, Secretary for Civil Service, in her speech for the Opening of the 1993 Annual Conference of Hong Kong Institute of Personnel Management, on October 26, 1993.

in the context of TQM. Management of this organization understands that becoming a Quality Organization requires a change in the Company Culture. It is an important communication tool to transcend the company visions, missions and values across all employees. The Performance Appraisal System is a critical tool in communicating the importance of this culture change and catalyzing the change. Success of this culture change hinges on total commitment from all its people and their effort. These could be attained through properly setting the expectations, motivating, and rewarding its employees.

Performance Appraisal is one element in the overall Performance Management System, which includes Performance Appraisal, Reward, and Training and Development. Performance Management System is one of the management systems of the organization contributing to the achievement of the company visions. They include (formal and informal) communication channels, technology and work flow systems, and to name a few. Performance Appraisal will remain the focus of this paper, but it would hardly be possible to isolate it from closely related sub-system such as the Reward System, and Training and Development. They should be attuned to achieve the company vision.

Towards the later part of this paper, the author will attempt to include her own "prescription" of what the Performance Appraisal and its related systems should be. As this paper covers a *bona fide* project in an organization, the test of the prescription will not be under the author's total control. Therefore, it might not be as completed and vigorous as if according to academic standards. However, the author aspires to contribute, however little, to the study in Quality Management through this case study.

CHAPTER II

METHODOLOGY

The primary approach of this paper is a microscopic and intensive case study. Therefore, most of the data come within the company under study. There are three major sources of data and information: (1) official or formal documents from management of the company, (2) results of interviews with a selected group of employees, and (3) personal observations by the author.

Official Documents

These include documents or information from official files of the company. They represent the "official views or positions" of the company's management. They include working papers and minutes. The author can access them because of her position in the company and her involvement in the project. As she is a member of the company's management team, she should be able to interpret the "official position" accurately.

Other information includes formal documents, such as the Company vision and mission statements, strategic plans, the performance appraisal forms and policies. These are available to all employees and outsiders and will be quoted in their original forms and included in the Appendix Section as much as possible.

Interviews

In order to understand the employees' opinions and expectations on the Performance Appraisal and Reward System, a series of interviews had been conducted with a selected group of employees in May and June 1993 by an "outsider". She was an Australian graduate student attached to the company to collect information for her graduation projects. (Please refer to Appendix 1 for the relation between the company and the student).

The use of an outsider is deliberate in this stance. The author, and the company also, would like to know the authentic opinions of the employees, who are directly affected by the outcome of the review. Whilst the author is the Human Resources Manager of the company, she is usually perceived by the employees as "from and for" the employer. She is not considered an "interest-free" party in this exercise. Therefore, it was decided to utilize this incidental resource of research student as an impartial party to interview employees and collect information.

Impartiality was achieved in that the research student was provided a full list of employees of the company. Using a set of pre-determined criteria, the student decided independently whom she would interview. All the opinion and information gathered were reported to the author anonymously. The nature, purpose and the approach (especially the anonymity) were properly made known to all the interviewees in advance. Moreover, all interviewees responded on voluntary basis and knew that the interviewer was not paid by the company.

The author actively supported the interviewing process. The interviews conducted were highly structured. The standard interview questions were predetermined -- they were drafted by the research student and were vetted and approved by the author to ensure its suitability. It was agreed between the author and the research student that the approach

would be positivistic: despite structured questions were asked in each interview, certain degree of flexibility should be allowed in letting their views be known. After thorough consideration, the author, together with the research student, decided to take Mark Easterby-Smith's suggestions on research methods, which also supported this decision.³

Altogether twelve employees were interviewed from the companies in Hong Kong. (Please refer to Chapter III for the organization structure of the company under study.) Members of HAVI Group Services were not interviewed because the questions should not be pertinent to them as initiators and coordinators of the implementation of TQM. The twelve candidate consisted of the General Manager of each associated company, one employee from the managerial level, and two from the rank-and-files. To reiterate, all answers were reported anonymously. Both the author and the company did not ever know whose opinions they were. General Managers were asked a different set of questions because they were holding a prominent leading position in the company. This should have been reflected through the questions in which more emphasis was put on their planning and organizing of implementing TQM. A copy of the interview question set is attached in Appendix 2.

While responses received from the interviews will be discussed further in later chapters, analysis of the results is qualitative and intuitive because the sample size was too small. The primary purpose of this interview process was to get a better understanding of employees' comments and expectations on Performance Appraisal and its related systems. These answers would primarily be used as credentials for the Task Force, and more for this academic discussion.

³ Mark Easterby-Smith, Management Research: An Introduction, Sage, London, 1991.

Personal Observations

At the time this academic project completes, the Task Force should still be in the process to recommend a new Performance Appraisal method for the company.

Owing to the time constraint, it would be unlikely to include in this paper whether the Task Force can really accomplish its objective of recommending a suitable Performance Appraisal in line with TQM. The author will evaluate the Task Force's progress and recommendations as far as possible.

The author has been working in the company for more than two years. In her employed capacity, she plays the role of being a bridge between the employer and the employees. She interacts with both sides in all her daily routines and should be able to understand both sides' views and interests. This helps her form her own views and comments on the Performance Appraisal and Reward System. Her views and comments might not be the same as the company's official points of view.

As the author is the leader of the Performance Appraisal Task Force, she might be able to exert her influence in the decision-making process, thereby having part of her own ideas being tabled for discussion in the Task Force meetings. But there is no guarantee that her ideas will be fully adopted because team consensus comes more from compromises than going through entire rational deliberations. This is not to say that the result is a mediocre one, but one simply has to be readily open-minded to accept different points of views.

CHAPTER III

THE SETTING:

HAVI GROUP (FAR EAST) LP

HAVI Group is a U.S. private company (a Limited Partnership in legal sense) and was founded by two American entrepreneurs in Chicago in 1974 - the name of the Group combines the acronyms of the two founders' wives. The Group now diversifies in a number of different businesses, but can still be summarized to be a supplier to the renowned McDonald's Restaurants in the Central Northern part of the U.S., Latin America, Europe and the Far East. The Far East Division services fourteen markets,⁴ including Guam, Australia, Singapore, Taiwan, Guangzhou, Beijing, and so forth. Yet the services it provides to the McDonald's are very diversified and will be mentioned shortly. As the Group is a private company, it does not regularly print annual reports or corporate prospectus. Financial results and business strategy are kept closed to necessary stakeholders only (partners, directors, government officials). For the history of the Group, please refer to Appendix 3 for a summary of the milestone development of the Group since its founding. The summary is used for newcomers' orientation and is by far the most comprehensive official document in this regard.

The Hong Kong office is the Headquarter of the Far East Division. It comprises about half of the total staff size of the whole Group and is about the same business dollar-

⁴ As some of the places serviced are not a country, or a nation, so in order to avoid political and other sensitivities, the term "Market" is usually used.

value turnover as the U.S. operations (the Home Office). The Far East Division is a very significant division for the Group, especially in view of the potential development in the region, inclusive of People's Republic of China (PRC). Nowadays, the Far East Division consists of more than ten established companies, and some on-going development projects which will soon become "permanent establishments".

The Far East Division started its operations in Hong Kong in 1981 in the form of a Distribution Centre, following the Group's normal development strategy in new markets. There are five companies in Hong Kong when this paper is being written, but only four companies when the Task Force started working on Performance Appraisal. This growth should not affect the study because the latest company is staffed by transferring employees from other operating units in Hong Kong. The business nature and operations of the operating units in Hong Kong can largely mirror those of the Group.

The following describes the core business of the five operating units in Hong Kong, as a general background of the case study. Appendix 4 shows the overall organization structure of the Hong Kong units.

Perseco Asia-Pacific

This is usually referred as the Purchasing Arm for the McDonald's in Asia-Pacific. It sources food and packaging items for McDonald's. A unique feature of this unit is that it has only one single customer - the McDonald's - and the customer has the right to access to its accounting books. In this way, there is low risk in income fluctuation, but this advantage is balanced off by having little room for operational flexibility. Its customers are the Distribution Centres in the markets they service, some of which are HAVI-owned while others might be joint-ventured, or owned by other corporations.

Besides sourcing and purchasing, it also arranges shipments for the purchased items, such as fully loaded containers of beef patties from Los Angeles to the Philippines. Therefore, the front-line is the customer services personnel, usually shipping supervisors and clerks, who are responsible for ensuring proper order-taking, accurate order placing, and on-time delivery. The front-line personnel is supported by experts in packaging and logistics, who from time to time sources for, and negotiate with, better vendors, shiplines, and insurance companies. It also provides logistic studies such as work flow design and worldwide ordered item numbering. Another significant operation is foreign exchanges management. As billings and payments of the services and goods involve numerous foreign currencies, imprudent FOREX management will result in financial loss of the company.

Recently due to new business development (mentioned later), the front-line customer services function has been taken up by a new venture of the Group. Perseco then positions itself as a packaging and logistic experts for McDonald's.

This unit is now headed by a General Manager, who has been working in the Group for two years. He comes from Singapore.

Performance Designs Limited

It is a trading firm, specializing in premiums and gift items. Originally, McDonald's was its major customer. Recently, the Home Office in the U.S. has acquired another U.S. premiums trading house, which also has a branch office in Hong Kong. To avoid unnecessary and destructive intra-group competition, the HAVI Far East Division then shifted its locus of customers, from McDonald's to "Compatible Accounts", that is, corporate customers other than McDonald's.

This company is self-sufficient in terms of vertical integration as a premium trading firm: its personnel includes product and graphic designers, product engineers, merchandisers, quality controllers, then marketers and salesmen. Such staffing and past experience with huge international chain like McDonald's equip it for calling and dealing with large corporate clients, like Coca-Cola, Nestle, etc. It targets more on providing "Advertising Agency" marketing services⁵ than off-the-shelf sales result.

Like other trading firms in Hong Kong, its income fluctuates according to the sales results. Undoubtedly, there is higher risk on one hand, but business and operational flexibility on the other.

It is now headed by a General Manager, who has been working in different unit of the Group for about seven years. He is a Hong Kong Chinese educated in the U.S.

HAVI Food Services (Hong Kong) Limited

This is the Distribution Centre for McDonald's in Hong Kong and is the largest unit amongst the Group's other Hong Kong units in terms of staff size and business turnover. Also, it has very matured operational systems amongst other Distribution Centres operated by the Group in the Far East.

A Distribution Centre usually consists of two main streams of operations: warehousing and delivery. Warehousing includes the management of warehouses of

⁵ This concept means that the Company will work closely with the customer and understand the customer's target market and marketing strategy, so that it can propose to the customer a comprehensive marketing program, by using different gift items, in addition to other promotional or advertising effort, just like an Advertising Agency.

different temperatures, and just-in-time stock-control. Delivery includes designing delivery routes to around seventy McDonald's stores in Hong Kong (include one in an outlying island), two in Shenzhen and two in Macau, managing teams of truck drivers and delivery assistants, and maintaining a fleet of trucks and tractors of various sizes. The whole operation is coordinated by a internally developed and highly complicated computer system. The operation is run around the clock.

Owing to serious labour shortage in the Operations Staff ranks, the Company has successfully applied for import labour quota from the Government. It has about fifteen Filipinos taking up various positions in these ranks to help solve the labour problem.

This unit is now headed by a General Manager who is promoted from the Operations Department for a short while. He is a locally educated Hong Kong citizen.

BDP Asia-Pacific

This is the latest unit added to the Group since January 1994. It is a joint-venture with a U.S. leading forwarder, in which HAVI is the managing partner. Setting up this joint-ventures signifies a major strategic business development for the Group: "Third Party Business". In other words, it will service customers other than the McDonald's. This unit takes up the key front-line customer services and order processing function and personnel out from Perseco Asia-Pacific. Perseco will become the first customer for this unit, though they belong to the same Group. After stabilizing its internal system, BDP will concentrate its effort on marketing its services to clients like Perseco. Feasibility study indicates good market potential, in Hong Kong, PRC and the Far East.

A new General Manager, coming from a forwarder, has just joined the Group to take overall responsibility in managing this new joint-venture.

HAVI Group Services

In strict legal sense, this unit is no different from other operating units mentioned above. It is another separate legal entity of equal footing. However, if judged from the operational base, it can be regarded as the "Corporate head office" of the Far East Division (not only of the Hong Kong units).

It consists of five major functional departments: M.I.S., Finance, Human Resources, Legal & Administration, and Business Development. They are centralized at this unit, mainly for the benefit of synergy.⁶ Appendix 5 is a "Communication Chart" of Human Resources Department. The chart is used for new hires' orientation. It illustrates the working relationship of this Department with other operating units of the Group in Hong Kong, other Far East units, and external parties. Other functional departments also have similar relationship.

The whole unit is run on a zero-profit base, i.e., its expenses are all charged out to other operating units, based on criteria agreed amongst all the General Managers. In summary, this unit's customers are other operating units in the Far East Division.⁷

⁶ Certain functional areas, like Human Resources and MIS, have separate teams in the Distribution Centre which is not located in the same office, for technical reasons. But it is the personnel in HAVI Group Services responsible for overall "Group" policies, at least in Hong Kong.

⁷ Owing to geographic proximity and cultural homogeneity, functional policies are usually unitary among all Hong Kong companies, such as Staff Benefits, insurance policies. Depending on the nature of different functions and policies, it is not mandatory for units outside Hong Kong to follow the Hong Kong policies. Human Resources is a good example as it is recognized that such policies should fit local culture and customs, though certain broad principles, such as fair treatment

A Scottish Director coming from Finance background heads this unit.

Current Staffing of the Hong Kong Headquarter

A brief reference to the staffing status of the Hong Kong Headquarter will help understand some "human issues" which will impact the Performance Appraisal policy under study. In 1994, it has a budgeted staff size of two hundred and twenty, in which one hundred and twenty employees are of the Operations Staff rank, sixty in the General Staff Ranks, and forty in the Managerial Ranks (including the Senior Management). Please refer to Appendix 6 and Appendix 7 for the Job Title and Grading System and the up-to-date Age-Sex Distribution respectively.

Meanwhile, it is, *de facto*, a "multi-national" group. There are Singaporeans, Malaysians, American-Born Chinese, Americans, British, Indians, Pakistanians, Filipinos, in addition to the majority of local Hong Kong Chinese. Such a diversified cultural and ethnic background of the personnel will inevitably affect a number of Human Resources practices and policies, inclusive of Performance Appraisal.

to all, must be adhered to by all. However, accounting policies are more rigid as the Group would like every unit to comply with a pre-set accounting standard - to speak in same accounting language, for control and management purpose.

CHAPTER IV

TOTAL QUALITY IN HAVI GROUP (FAR EAST) LP

"Total Quality Management (TQM) is a relatively new approach to the art of management. It seeks to improve product and service quality and increase customer satisfaction by restructuring traditional management practices. The application of TQM is unique to each organization that adopts such an approach."⁸

The Far East Division employs the phrase "Total Quality Process" (TQP) instead of the more commonly used "Total Quality Management". There are two major reasons for this. First, it wants to avoid giving employees the impression that only management, or managers, are responsible for achieving Total Quality in the organization. Rather it should be every employee's responsibility, regardless of ranks and seniority. Second, it aims to emphasize that it is an on-going process, not a one-time campaign, and it will take considerable time before achieving the vision of a Total Quality Organization.

This chapter will first describe in chronological order the history of TQP development in this organization, thereby giving a glimpse of its TQP background, including how the Performance Appraisal review came about. Then it will present the definition and vision of Quality as perceived by its Senior Management. Such definition

8

Report of the U.S. General Accounting Office, May 1991.

and vision will certainly affect its Performance Appraisal policy. There is no attempt herein to discuss and evaluate in great length such definition and vision from a theoretical point of view. They will be taken as given. The focus in subsequent chapters will focus on how Performance Appraisal helps or hampers achieving such goals in future.

History of TQP Development in the Far East Division

The development unintentionally resembles an approach "anticipated" by one of its management consultants,⁹ in the following stages: Awakening, Active, Breakthrough, and World-Class.¹⁰

Awakening

In this Stage, Senior Management becomes aware of the need for change. "Suddenly, there is much talk about quality and the importance of satisfying customers."¹¹

In the Far East Division, it started with the Senior Management being aware of the TQM. They began to study its possible benefits to the organization. TQM literature became compulsory readings among the Senior Management members. In October 1991, a Senior Management Conference was held in Penang, Malaysia, which all Far East Senior Management members attended. They came into the important resolution that TQM, or

⁹ To the author's best knowledge, there is never a blue print from the U.S. or from the Far East Senior Management of how the organization should take on TQP. Therefore, the observed path is an unintentional one, based on its "organizational instincts".

¹⁰ George Lebovitz, Y.S. Chang, and Victor Rosansky, Making Quality Work.: A Leadership Guide for the Results-Driven Manager, New York: HarperCollins Publishers, Inc., 1993.

¹¹ *Ibid.*, pp. 14.

TQP, was taken up by the Far East Division to be its long term strategy and mission. To become a Total Quality organization is the Division's vision.

Senior management was eager to get all managerial staff in the Far East Division "awaken" of the Total Quality concepts and benefits. Shortly after the Penang Conference, the topic became the theme of the annual Far East Management Conference being held in Pattaya, Thailand, in January 1992. It was attended by all managers from its Far East operating companies. An American management consultant was invited to give a two-day seminar on KAIZEN. This is a Japanese Total Quality concept widely used by a number of leading Japanese firms, such as Toyota, and their American counterparts. Literally, KAIZEN means continuous improvement. It implies gradual, small changes which are less costly than innovation or big changes. Appendix 8 presents graphically the core conceptual difference as well as other essential elements of KAIZEN, as presented by the management consultant during the Conference. Most of the managers well received these ideas and concepts and believed that they would benefit their work and the organization.

After the Pattaya Conference, it became a unanimous decision of management that Total Quality should be the long term objective of the organization. Appendix 9 presents two articles written by two important TQP initiators explaining to the employees why and how they perceived the organization needed to embark on TQP and what the meaning of TQP is in this organization.¹² The articles were published through the company newsletter immediately after the Pattaya Conference.

¹² Ben Chang is the Managing Director of the Far East Division. Gavin Gemmell is the Director of Finance & Administration in HAVI Group Services. The latter was responsible for coordinating all these "Awakening" efforts at that point in time.

Active

It is when management has "got religion" about quality. With their eyes now opened to the vast potential for improvement within the organization, they unleashed a torrent of activity to implement Quality. It was marked by large-scale Quality education and training efforts and rapid proliferation of employee quality teams. A key phenomenon of this stage is employees' frustration and even skepticism towards TQP. That is, they are educated the benefits of and their responsibility in TQP, but they still do not have (or perceive not to have) the real opportunity in "making a difference".¹³

Similar but more comprehensive concepts of Quality were first introduced to the Hong Kong Supervisory staff in the Middle-Management Conference in September 1992. Most of the participants also found them interesting and useful.

In January 1993, a year after the KAIZEN seminar, the managers were invited to attend a two-day seminar in Kuala Lumpur, Malaysia. Another consultant, Organizational Dynamics, Inc. (ODI) was invited to lead this Conference. The focus was on the role of leadership in TQP. The ODI approach was considered by the Senior Management to be most suitable for the organization. In fact, there is no much difference between the KAIZEN and the ODI approach, except that the latter one involves less Japanese jargons and is more adaptable and emotionally acceptable in an American organization. Later on, Making Quality Work (Labovitz, Chang and Rosansky, 1992) became a compulsory reading for all the managers in Hong Kong.

¹³ George Lebovitz, Y.S. Chang, and Victor Rosansky, Making Quality Work, A Leadership Guide for the Results-Driven Manager, New York: HarperCollins Publishers, Inc., 1993., pp. 15-17.

The TQP momentum was pushed faster. The general quality education began to involve all levels of employees in Hong Kong. In November 1992, a four-day workshop, called Total Quality Advantage (TQA) led by ODI was first attended by senior managers of the Hong Kong companies. Although these managers had considerable exposure to quality concepts through various Conferences, they would like to understand and experience in person the content of the quality education to be supplied to their subordinates. This Workshop was more an education on basic quality concepts than specific skill training. Appendix 10 presents the outline of the TQA Workshop.

The company also adopted a "cascading approach" of using internal trainers or facilitators in quality education and deployment. That is, certain employees from each operating unit were chosen to be trained as internal facilitators in deploying TQP in their organization. "Facilitators' Training" (i.e., Train the Trainers) took place in Hong Kong in February 1993, when thirteen facilitators were taught the skills in teaching the TQA Workshop, problem solving skills (namely the FADE process),¹⁴ and various skills in meetings or team management. In April to May 1993, a series of TQA Workshops were held for all ranks of employees in Hong Kong and were conducted by the trained facilitators.

At the same time the infra-structure for TQP implementation began to take shape, as shown in Appendix 11. This chart was also available for all employees and presented to the customer whenever necessary. In the chart, employees are put in the centre deliberately to signify that they are at the heart of TQP. In brief, one Steering Committee (or similar nature) was set up to take the lead in respective operating unit's TQP deployment. After identifying several "opportunities for improvements" in their own unit, the Steering Committee would initiate Quality Action Teams (QAT's) to start the inertia of

¹⁴ FADE is the acronym for Focus, Analysis, Development, Execute. This is a standard and much disciplined problem solving process advocated by ODI for project improvement teams.

employee improvement teams. The Leadership Council was responsible for "group projects" affecting all units. It was expected that results from these projects should form the base of TQP deployment in the Far East Division as a whole. Examples were Reward and Recognition Schemes (e.g. awarding individual and team efforts in TQP), Communication means (e.g. newsletter and "Quality Library/Corner"), Common Training Programs, and Performance Appraisal review, the core of this paper.

The organization is still struggling in the stage of Active and should take considerable effort and time before it could reach further stages of Breakthrough and World-Class. The organization exhibits certain "inauspicious" signs but has not achieved some important milestones of this stage. For instance, the symptoms of employee frustration and skepticism are very obvious. In fact, a lot of employees did express explicitly their expectation for "something to happen" after their TQA Workshops and their disappointment that "nothing happened" so far.

Whether such view is accurate and correct will be complex and beyond the scope of discussion here¹⁵, but it could be attributed to the non-proliferation of employee improvement teams. Currently, none of the Quality Action Teams in each operating unit are voluntarily "proliferating" from the employees. All are appointed by the Steering Committees. The company should urgently review its Just-in-time approach in training problem solving skills in the QAT's, in addition to other factors.¹⁶ In other words, the organization is just at the primordial phase of the Active stage.

¹⁵ In the author's opinion, some of the employees has mistaken, or forgotten, that TQP is also their own responsibility. They should also practise what they have learnt in the TQA Workshops rather than just waiting for being told to do so. Nevertheless, it ascertains that management should do more to reinforce this message.

¹⁶ This Just-in-time approach operates in the way that a trained facilitator will be assigned to each QAT, who will teach the necessary problem solving skills according to the FADE process (mentioned above), so that all team members can learn these skills in a practical context and can

When and how the organization will proceed to, and take shape, in the stages of Breakthrough and World-Class, is still unknown to everyone, including the Senior Management, at this juncture. Consequently, the discussion on the TQP development in this organization has to pause for the time being.

Definition of Total Quality

"Quality is meeting or exceeding customer expectations, first time and every time. Quality Management is designing and operating work process that enable people to consistently develop, produce, and deliver products and services that meet or exceed customer expectation. Total Quality Management is creating, leading organization where structure, processes and operating style to motivate and support quality management in activities of the enterprises."¹⁷

Application of TQM is unique to each organization. A company's definition of Total Quality must be translated into specific business directions. But one core definition, which exists in nearly all Total Quality literature, is Customer Satisfaction. The above quoted definition is a simple and concise illustration.

Definition of Total Quality in this organization is translated through the "Far East Vision", four "Quality Policies", four "Quality Objectives".

practise them right away. This is theoretically sound, yet practically since the trained facilitators vary in their own level of skillful facilitating, not all QAT's operate smoothly as expected.

¹⁷ Alan O'Neill, Managing Director of ODI Asia Pacific (Hong Kong) Ltd., in the Seminar on Total Quality Management in Shipping, on February 28, 1994.

1. **The Far East Vision:**

"We will be the best in all we do in an environment of Growth and Fun."

2. **The Quality Policy:**

- (i) **"We are a Quality Company."**
- (ii) **"Quality is our Fundamental Business Principle."**
- (iii) **"Quality Means Meeting our Internal and External Customers' Requirements first time and every time."**
- (iv) **"We are committed to Continuous and Measurable Process Improvements."**
- (v) **"Quality is the Responsibility of Every Employee."**

3. **The Four Quality Objectives**

- (i) **"Maximize each individual's potential"**
- (ii) **"Total Customer Satisfaction"**
- (iii) **"Continuous Work Process Improvement"**
- (iv) **"Profit and Growth"**

It is clear that this organization takes basic definition for its Total Quality vision. Senior Management attempts to use very simple phrases or sentences in the Vision, Policies and Objectives statements. Therefore, their meaning should be self-explanatory. Basically, they correspond to the "Three Voices" as highlighted by ODI. In order to become a World-Class Quality organization, it should listen to "Voice of the Customers",

"Voice of the Employees", and "Voice of the (Work) Process".¹⁸ But as a business firm, it is fundamental that profit and business growth are part of its objectives, if not the most important ones.

Sequence of presenting the objectives does not intend to present a sense of priorities among the objectives, but there has been discussion on the sequence. In the very beginning, "Total Customer Satisfaction" was put to be the first point because a business entity would not exist without satisfied customers. However, after thorough deliberation, management decided that people should be put first so as to emphasize the importance of employee participation in TQP. After all, the company always asserts itself to employees as a "People Company".

The entire Far East Division adopts the Vision, Quality Policies and Objectives. But how to achieve them will be up to individual unit's decision upon its own business nature and operational maturity. Consequently, each unit will develop its own mission and (three-year) Strategic Plan. Appendix 12 are the CY94-96 Strategic Plan of HAVI Group Services, and that of Human Resources Department. They illustrate how individual unit and department attempt to accomplish Quality specifically. In the long run, it aspires to be a Quality Organization, a Big-Q organization as in ODI's terms (refer to Appendix 13).

¹⁸ George Lebovitz, Y.S. Chang, and Victor Rosansky, Making Quality Work: A Leadership Guide for the Results-Driven Manager, New York: HarperCollins Publishers, Inc., 1993., pp. 22-27.

Total Quality as in the employees' eyes

There is the need to examine what has been achieved so far after the aforementioned efforts and activities of promoting Total Quality concepts and defining Quality goals. Such knowledge will be important for re-conceiving Communication strategies and tools, of which the Performance Appraisal is one. The analysis is mainly based on the interviews results with the general managers, and managers and members of general staff in the Hong Kong companies.

There was unanimous consensus among the interviewees that Quality means customer focus and satisfaction. Their understanding to its meaning did not differ from that of the organization. All recognized that they both had internal and external customers and were prompt in naming them. But they were more ready to identify the external customers. One reason for this could be the concept of an internal work flow and internal customer were just introduced to them via the TQA Workshops. They required some time for to fully assimilate the concepts.

However, the interviewees expressed different ideas on the meaning and substance of Total Quality Process. Managers especially found the idea "intangible" and "unclear". This could also be the cause of frustrations and barriers at the current stage of TQP development. Employees already believed in it and they looked upon their managers for guidance. But managers could not enthuse their staff with clear directions.

When interviewees were asked whether they thought TQP would work in their organization, all said a qualified yes. The most frequently perceived barrier was lack of commitment from Senior Management. They did not practise what they preached, such as the true empowerment of employees in the day-to-day management actions. All interviewees perceived that the current environment was not conducive to implement Total Quality.

On the other hand, they were all enthusiastic in naming the ways to improve Customer Services. All claimed that they have put them into practice, either with or without management's guidance. This could mean that they were either self-motivated and did not regard external guidance as being necessary, or that they felt abandoned and saw a lack of commitment from the top. A bit more promising comment is that all believed that Total Quality, if it works, will bring improvements, although it would take very long time. After all, they were happy that the organization were implementing TQP.

General Managers also shared similar goal of customer satisfaction as the quality objective. But they differed from their subordinates on how this could be achieved. They viewed that corporate culture should be a tool to inculcate and enforce quality message. Therefore, the achievement of Total Quality would definitely require a change in corporate culture. Hence, the focus should be on creating "correct" attitude and behaviour towards Quality. They all agreed that it would be a hard and long journey. They started to identify barriers to implementation like process ownership and employee involvement. One General Manager commented that employees tended to "push the buck" to management. This may stem from their inability to visualize their position in the organization's hierarchy, so they could not see their level of responsibility and accountability clearly.¹⁹

All General Managers supported the decision to implement TQP and believed that it would bring long-term benefit to the Group. They have already formulated their short-term plan (from six months to one year) to implement this within their respective operating units and were able to produce detailed schedule. Owing to different business nature, their

¹⁹ This is so because the organization chart though is not classified confidential, is not distributed to employees openly and regularly. The author only knows this tradition and has been told that it is to avoid certain "sensitivity" to external customers largely because of the open-book relationship.

focus differed. This was normal and acceptable. Basically all General Managers were optimistic towards successfully implementing TQP, though all realized it would be a long journey demanding tremendous effort.

Steering Committees consisting of managers have been formed in all Hong Kong operating units. Participation of more junior staff members were achieved through project improvement teams (or named as Quality Action Teams). They recognized potential obstacles like too many levels in TQP structure creating bureaucratic tendency, thereby defeating the Total Quality concepts of open openness, flat hierarchy and communication. They all mentioned employee involvement should be a critical success factor in implementation.

It is apparent that General Managers and their subordinates had different views on TQP implementation. This was not unexpected because they occupied different levels of positions in the organization. They had divergent personal and organizational visions and objectives. It was encouraging that they all shared the same basic goal of Total Quality: Customer Satisfaction. This common understanding signified an important milestone in achieving Total Quality. But it was confusing and painstaking to look for means to achieve it. For instance, when being asked who should be the champion in the implementation, none of the interviewees except one General Manager mentioned the CEO of the Group. This was surprising because it was the CEO initiating the whole process, and employees always "blamed" the lack of commitment from "top management". Most of the managers and general staff members quoted the "Quality Facilitators" (internal trainers) to be the champions. While this was not inaccurate, it simply implied that to a number of employees, TQP was nothing but some training programs. More disappointing was that no one could provide a quick and clear response to this question.

It is clear from the interview results that the company has to do a lot of work to better communicate what are expected for the managers and employees in order to become a Quality Organization.

The following chapter will discuss how the Performance Appraisal, together with other related systems, can enhance the communication in this regard.

CHAPTER V

PERFORMANCE MANAGEMENT IN HAVI GROUP (FAR EAST) LP (HONG KONG COMPANIES)

"A number of social psychological theories have pointed out that individuals want and seek feedback on their performance."²⁰

"Performance Appraisal is often used as a way of influencing work motivation. At the heart of most motivation theories is the view that motivation is a function of the degree to which valued rewards are perceived to depend on performance."²¹

Like many organizations, the Performance Management System in HAVI's Hong Kong companies exists on similar grounds as above. This Chapter presents the Performance Management System. It includes three major sub-systems: Performance Appraisal, Reward and Training and Development. An outline of the whole process in 1992 is attached in Appendix 14. This process has been in place for more than five years already. It then analyzes their strengths and deficiencies, in the eyes of the employees (results of the interviews) and management theorists.

²⁰ L. Festinger, "A Theory of Social Comparison Processes", Human Relations, Vol. 7, 1954, pp. 117-140.

²¹ Edward E. Lawler III, Pay and Organizational Development, Reading, Mass.: Addison-Wesley, 1981.

Performance Appraisal

The formal performance appraisal was conducted annually, except at certain special occasions such as confirmation of a new employee, promotion, transfer or special review. The process began by sending out identical performance appraisal forms to the appraiser and appraisee simultaneously from the Human Resources Department. Each party will fill up the forms separately and independently. They would then freely and openly discuss the content of the forms in an interview usually of an hour. During the interview, an impartial third party, usually a Human Resources personnel, was present. There were two different forms for different level of staff. These forms are attached in Appendix 15 and Appendix 16. The existence of a third party is more an adaptation from the U.S. practice than a local development. Therefore, it is rather unusual in Hong Kong (as further "proven" by the shocks of almost all newcomers when they knew about such requirement). The role of the third party was three-fold according to the official policy: (1) to facilitate the interview, such as giving the opening and closing remarks; (2) to act as a witness for whatever commitment that either party has made towards the other; and (3) to untie the emotionally "entangled" arguments, whenever necessary.

Both the form and the actual process indicated that it was for reviewing performance over a period of time, usually one year. The author has been the third party in a number of occasions and has always emphasized that the form was primarily used to facilitate the discussion. That is, the discussion could go beyond the content of the form. However, nine out of ten cases would have both appraiser and appraisee followed the form strictly. Though the formal process was conducted once a year usually, there was never any repression to conduct informal performance discussion more frequently during the year.

This process is rather typical in many organizations (probably with the exception of the third-party existence). Objectives of such appraisal process usually include:²²

1. Valuable communication can take place among the individuals taking part.
2. The job of the person being appraised may be clarified and better defined.
3. The person or persons doing the appraisal may gain new insight into the person being appraised.
4. The person whose performance is appraised may develop an increased motivation to perform effectively.
5. Such rewards as pay and promotion can be distributed on a fair and credible basis.
6. The participants in the appraisal may all develop a better understanding of themselves and of the kind of development activities that are of values.
7. Valuable appraisal information can allow the organization to do better manpower planning, and development of training programs.

These goals are not only the theoretical ought-to-be's but are found to be common in many organizations, as seen from an extensive survey performed in 1984, result being summarized briefly below:²³

<u>Objectives of Performance Appraisal</u>	<u>No. of companies*</u>
Determine Merit increase	459
Providing basis of feedback on employees' performance	442
Planning goals for job performance with employees	401
Determining training and development needs	352
Identifying promotional potential	346
Identifying employees with specific skills and abilities	236

*Total number of respondent companies is 474.

²² Allan M. Mohrman, Jr., Susan M. Resnick-West, and Edward E. Lawler III, Designing Performance Appraisal Systems, San Francisco: Jossey-Bass Limited, 1989, pp.3-4.

²³ C.A. Peck, Pay and Performance: The Interaction of Compensation and Performance Appraisal, Research Bulletin No. 155, New York: Conference Board, 1984.

As the table indicates, rewards such as promotion and pay increase are often tied to the results of performance appraisal. Employees are also given feedback on their performance during appraisal sessions, and they frequently are asked to set goals for future development. Under certain conditions, this practice can lead to intrinsic or internal motivation, because it ties self-esteem to meeting performance goals. When intrinsic motivation exists, individual reward themselves for meeting their performance goals. Extrinsic motivation, in contrast, depends on the organization's delivering a valued reward.²⁴

However, performance appraisal often does not work so effectively as management would like to. Very often, this process incorporates a number of conflicting objectives, as summarized by a number of management theorists. Specifically, "outputs" of a performance appraisal include (i) compensation and extrinsic motivation (to the Reward System) and (ii) intrinsic motivation and development (to the Training and Development Program). The requirement of these two common "outputs" can tear the appraisal process apart because the former focuses on the objective evaluation of past performance, so it is past-oriented; while the latter needs to be a forward-looking discussion on how things could be improved. At individual level, on one hand, appraisees want to look as good as possible to maximize extrinsic reward. On the other hand, they want accurate and helpful feedback about their performance, to meet their intrinsic reward.

Given these conflicts, it is not surprising that appraisers and appraisees often feel ambivalent about participating in performance appraisal. From the appraiser's viewpoint, to be in the position of evaluating someone's performance and giving feedback is not very pleasant. Further, most are not trained to handle properly in evaluating a person's

²⁴ Allan M. Mohrman, Jr., Susan M. Resnick-West, and Edward E. Lawler III, Designing Performance Appraisal Systems, San Francisco: Jossey-Bass Limited, 1989, pp. 5-11.

performance and often resulting in Halo, Central Tendency or Leniency errors.²⁵ As a result, particularly when feedback is not so positive, unpleasant interpersonal situation develops. Supervisors cannot handle it well.²⁶ This will be more serious in Hong Kong because the issue of "face" and "harmony" are essential in traditional Chinese culture.²⁷ In a way, Performance Appraisal is a "forced confrontation".

Results from the interviewees in this organization "unfortunately" confirm these drawbacks. When answering Questions No. 14 to No. 18, i.e., whether they got feedback on their performance, none of the interviewees mentioned they received direct feedback during the course of the year apart from the mandatory formal process toward each year end. Both the interviewed managers and subordinates welcomed feedback, but only one manager indicated that he solicited the subordinates' opinions actively. In addition, peer feedback appeared to be strange to them.

Responding to Questions No. 19 to No. 23, one interviewee commented that because the annual review was the only instance when feedback was given, it was often too late for an employee to improve and correct his mistake before his increment was affected negatively. This interviewee further commented that (advice based on past performance may become meaningless when circumstances would change in coming year.) He was therefore in favour of more frequent feedback processes, whether formal or informal.

²⁵ Judith M. O'Donnell, "The Effect of Performance Appraisal Purpose Training on Rating Errors and Accuracy", Human Resources Development Quarterly, vol. 1, no. 2, Summer, 1990.

²⁶ Allan M. Mohrman, Jr., Susan M. Resnick-West, and Edward E. Lawler III, Designing Performance Appraisal Systems, San Francisco: Jossey-Bass Limited, 1989, pp. 5-11.

²⁷ The author observed that the multi-national or multi-ethnic nature of this organization sometimes worsens this issue. For instance, the "culture shock" between a more direct and outspoken American boss and a "traditional" local Chinese subordinate is not uncommon in a number of actual cases.

A high proportion of the respondents complained that there was lack of meaning in the interviews. For instance, one interviewee mentioned that he knew some appraisers filled the form just the day before the "deadline". It showed lack of thought and preparation. Some appraisers made impulsive decision to do away with the form altogether, but just after the appraisee (the subordinate) had already completed the form with great effort. Some interviewees pointed out that the discussion during the appraisal interview could hardly be a free and uninhibited one because the appraisee would still work under the appraiser after the review. Another manager shared similar thought but in opposite direction: he found it hard to express negative feedback to the appraisee explicitly and freely because he feared that the latter could react negatively and even quit the job. Therefore, both parties often found content of the discussion superficial and meaningless. One questioned the value of time and effort spent because close follow-up after the appraisal was infrequent.

One interviewee expressed his opinion on the role of the third party. He commented that the third party should play more active role as acting an umpire rather than only cushioning unfair remarks. Besides, he had a basic question of whether the third party should be strictly mandatory for every case.

In responding to Questions No. 24 to No. 26 on the criteria of assessment, there had been much uncertainty among the interviewees whether the criteria set out in the forms were actually used, and if they were, how relevant they are to the appraisee's work. Consequently the appraisers were often unable to focus on work targets clearly. One interviewee complained specifically that his appraisal was often boiled down to his meeting the sales targets only. Though he attempted to make no excuse, sales results were often a complex function of many factors beyond his control. He further commented that as sales results were hard data and self-explanatory, he would rather not to waste time and effort of discussing his performance through the formal process. Others felt that they were

judged according to whether they could merely fulfilled their job description. But changing circumstances over the period would render the original job description less relevant at the point of appraisal.

There was also a general feeling amongst the interviewees that the overall assessment did not reflect performance. Moreover, appraisers' over-positive comments often created unrealistic expectations because they did not like to criticize someone whom they worked with every day. The legacy of "face" and "harmony" in Chinese tradition helped expedite this feature, on top of the universal preference to be a "nice man". But appraisees simply questioned the appraiser's honesty in filling the form. Interesting but disappointed enough, when the interviewer (the internship student) encouraged them to forward their unhappiness to the Human Resources Department, only half of the interviewees could be convinced to do so.

To Question No. 27, all except one interviewee would like to see the annual appraisal to be continued, but in an improved form. Their suggestions for improvement included more frequent reviews such as every three to six months, more advice on how-to-do's rather than what-to-do's, and more job-related criteria.

To Question No. 28 on Group Appraisals, none expressed that they had given much thought and found it too drastic to be implemented in this organization in the short run.

Reward System

As mentioned above, one major "output" of performance appraisal is data for awarding salary increment. This organization is no exception.

As from the 1992 Performance Appraisal/Annual Review Procedure shown in Appendix 14, (annual salary increment was closely related to performance appraisal, in terms of timing and practice) (Employees often perceived salary increment as the most important objective for the whole process. (This is especially so because at the end of appraisal interviews, the appraiser handed the letter informing salary increment over to the appraisee.) In the author's perception as the third party, this often created harm than good. In one case, the appraiser was successful in giving positive feedback and charging up the employees, thereby creating high expectations, but the employee was very disappointed by the percentage of increment. All previous effort and good will were entirely wasted. The employee felt skeptical about what had been discussed in moments right before.²⁸

(The appraiser's rating was used for determining salary increment. (The scale of the salary increment in relation to the rating is pre-set by management. (Percentage of increment already include cost of living adjustment and merit increments (and promotional or special adjustments when necessary), it is the overall percentage being communicated to individual employee without breaking down into different components. Moreover, for management and budgetary control purposes, an operating unit cannot exceed a pre-set percentage of its total payroll in one salary review exercise, inclusive of promotional and special increments. Special increment was to re-align certain underpaid or overpaid employees to the "market value" of their jobs.)

Responses from the interviewees on the Reward System were not positive. To Question No. 29, all the interviewees indicated that they received salary increments once a year at the year-end. This was never surprising because it was the usual policy and practice of the company. The company generally discouraged salary adjustment during a

²⁸ In the author's opinion, in this case, the appraiser had actually been following the company policy and had been fair in his granting salary increment and the salary level after increment was the post's "market value". It is merely a matter of over-expectation and subsequent disappointment.

year, unless it could be justified absolutely necessary. This usually required special approval from the Managing Director.

To Question No. 30, again all the interviewees said that they were first told of the increment right after the performance appraisal interview. Only the overall percentage of the increment but not a breakdown into merits and cost of living adjustment components was presented. While all except two of the interviewees showed a bit of indifference to the real need of the breakdown, they said that they would also welcome such practice. But the most important concern was the increment *per se*. The more alarming response was the general perception that the outcome of the appraisal discussion had little to do with the increment because the latter has been decided already. Furthermore, the increment was based on fixed percentage and limited by budget constraint. Employees had a suspicion that subjective measures were used to determine the amount and they were competing against each other for a larger piece of the pie. Financial reward (i.e. merits increments) was an important motivational tool to all employees. Management has used this tool for many years. None questioned the effectiveness and appeared to take this for granted. A few interviewees even commented that salary was the main advantage of going through the somewhat painstaking and time-consuming annual appraisal exercise and interview.

Most of the interviewees could name other forms of "rewards for good works", such as more verbal acknowledgments and respect, a luncheon for a team or department accomplishing successfully certain assignments/projects, training and development opportunities, job responsibility and autonomy, or simply "empowerment" in many management consultants' dictionary.

While using result (ratings) from performance appraisal is a widely used means to salary increment, yet its assumption has seldom been challenged by most managers. It is because most managers would like to believe that there exists a tool which they could shape people's behaviour in the ways they consider conducive for the organization.

There should be no value judgment to this performance-based reward system, if it works. However, the power of performance-based reward is often disappointing. As Alfie Kohn points out, most managers too often believe in the redemptive power of rewards. His arguments are that incentives do not alter attitudes that underlie our behaviours, and rewards do not create a lasting commitment. They merely and temporarily change what we do (i.e., temporary compliance). He also believes that reward and punishment are actually two sides of the same coin: they both have a punitive effective because they are manipulative. Deep inside people's mind, they do not like being manipulated.

Kohn's ideas echoed W.E. Deming's famous saying, "Pay is not a motivator." People undoubtedly need money for living. If they are underpaid, they will be very concerned with financial matters to an extent that it can affect work and productivity adversely. But to assume a positive relationship between reward and productivity will be too hasty.²⁹ As Kohn quoted, a meta-analysis of some 330 comparisons from 98 studies found that financial incentives were virtually unrelated to the number of workers who were absent or who quit their jobs over a period of time.³⁰ These findings are consistent with the phenomenon in this organization. The company is consciously positioning its compensation and benefits packages at a slightly above "market average". From the exit interviews with those voluntarily resigned, less than twenty percent of the "cases" cited financial reasons (salary and fringe benefits) as the prime reason of leaving. On the contrary, work overload, high work pressure and lack of career development are three major reasons in descending order.

²⁹ Alfie Kohn, "Why Incentive Plans Cannot Work", Harvard Business Review, September - October, 1993.

³⁰ Richard A. Guzzo, Richard D. Jette, and Raymond A. Katzell, "The Effects of Psychologically Based Intervention Programs on Worker Productivity: A Meta-Analysis", Personnel Psychology, Summer 1985.

Training and Development

A less obvious usage of the "output" of performance appraisal is to determine the training and development needs, at individual and organization levels.

There was no space specifically assigned for filling in training and development needs in the form for General Staff. Although there was a specific section for Training and Development in the form for Managers, there has been little effort to follow what have been mentioned in the form or during the interview.

Responses from interviewees also showed that this was an area being neglected. For Questions No. 33 to No. 36, virtually all the interviewees aspired to move up the career ladder, to a higher position in the organization's hierarchy. Only two expressed satisfaction of where they were but also wanted to be more vertically loaded. Half had made their aspiration known to their superiors but none except one felt that anything constructive has been done. The other half kept silent as they either felt embarrassed of expressing such aspiration or they thought their superiors should have already known. When this half was further asked what they would do if they did not have any development opportunity in future, they said they would look for opportunities somewhere else than speaking it out. Besides feeling embarrassed, they did not want to "put pressure" on their superiors; Moreover, opportunities in Hong Kong are abundant. Such responses are alarming to the organization because it may lose valuable employees.

When responding to Questions No. 37, most of the interviewees mentioned that they were still developing and learning in their present job. They would like to stay in this organization for the time being and would like to develop and grow in this organization in the long run if they were given the opportunities. Therefore, apparently the company should do more in the area of Training and Development as an important tool to motivate people.

CHAPTER VI

REVIEWING THE PERFORMANCE APPRAISAL IN HAVI GROUP (FAR EAST) LP (HONG KONG COMPANIES)

"Research suggests that management, not technology, is the key to quality improvement. An organization can mount and sustain a true quality improvement effort only when it has a value system that promotes quality."

"Quality culture is the total of the collective or shared learning of quality-related values as the organization develops its capacity to survive in its external environment and to manage its own internal affairs."³¹

The drive to review performance appraisal is to help achieving Total Quality via expediting change in culture. The participants in the appraisals may all develop a better understanding of themselves and of the kind of development activities that are of values. Those whose performance is appraised may develop an increased motivation to perform effectively. By reviewing the appraisal criteria, the procedure and usage of its "outputs", management wishes that the quality values could be communicated and instilled to the employees. In other words, it is to re-set and to communicate management expectations to employees.

³¹ Hayant, V. Saraph and Richard J. Sebastian, "Developing a Quality Culture", *Quality Progress*, September 1993, pp. 73.

Work of the Performance Review Task Force in 1993

A Task Force was set up in September 1993. The Task Force consists of a General Manager who has overall responsibility in Human Resources and was also a key coordinator in TQP at that time, one to two representatives from each Hong Kong operating unit, and an external management consultant. The inclusion of the management consultant was more accidental than planned as he happened to be invited by the company to facilitate the Strategic Planning process of various operating unit at that time.

The goal of the Task Force is to looking for a set of Performance Appraisal method that will help promote Quality and achieve Total Quality in the organization. Results of the discussions of the Task Force are shown in Appendix 17. It contains the minutes of the Task Force meetings.

The Task Force was formed in September, but the time for annual performance appraisal in 1993 should start the latest by early November. Therefore, the Task Force faced a very tight time constraint. Another adverse factor was that all employees were unaware that performance appraisal method was going to be changed. All of them expected the same "rule of the game" would apply. All the Task Force members realized and agreed that it would not be acceptable to employees if the "rule of the game" suddenly changed without giving them enough time to prepare and adjust accordingly.

Looking retrospectively, the Task Force has been progressing rather hastily in 1993. Altogether two meetings had been held. Most of the communication amongst the Task Force members were done verbally over the phone or via electronic mails, with the Human Resources Manager being the centre of such communications. After reviewing opinions from employees, the first meeting concluded that a two-step approach would be taken. First, the Task Force would largely maintain previous assessment criteria, but would install basic elements/values in relation with TQP and focus on improving certain procedural

aspects of the performance appraisal exercise. This is the short-term solution. Second, the Task Force will meet again in 1994 to work on a long-term solution.

After the meeting, the General Manager came up with a form for other members' comments in the second meeting. A sample of the revised form is presented in Appendix 18. It also incorporated the opinions from the Managing Director.

On the procedural aspect, the major changes are:

1. The presence of third party is not mandatory. The appraiser or the appraisee can request for a third party if they consider appropriate.
2. The third party is not necessarily the Human Resources personnel, but should be impartial. He/She should understand the work processes between the appraiser and appraisee.
3. There will be only one form for all levels of staff. The Task Force saw no reason why managers and members of general staff should be assessed so differently in a Total Quality organization. Though specifics may differ in different levels different jobs, the criteria should be the same.
4. The appraiser and appraisee will fill in one form only, rather than completing two forms separately as in the past. The new procedure requires the appraisee to fill in the form first, then the appraiser. This aims to improve pre-interview communication and understanding, so that they can go into the interview "warm" and prepared. This may avoid unnecessary emotional arguments when one side might be "surprised" by certain unexpected remarks made by the other.

5. With regard to salary increment, the practice of handing over the increment letter to the appraisee right after the interview was canceled. Instead the appraiser is encouraged to take into account of the appraisee's comments and opinions before they recommend salary increment to senior management. This is to allow the appraisee to "have a say", but not negotiation, in the increment. However, final decision is still in the hands of management.

Since the focus of the Task Force is performance appraisal only, so they have not discussed and recommended changing the policy of annual salary review in 1993. Simultaneously Senior Management has discussed awarding year end bonuses in another occasion. They decided to follow old practice in 1993 and review this matter in August 1994.

The major change in the revised appraisal form is the inclusion of "Strategic Plan" participation, "Total Quality Process", and "Teamwork" independently as assessment criteria. Other changes are more a matter of presentation, especially when compared with the previous form for managers/supervisors.

Communicating the revised form and procedure was undertaken by the Human Resources Manager, who has conducted a one-hour "briefing session" to all department heads. Further communication down to lower levels of staff were made via the department managers, who were entrusted to explain the same message to their subordinates separately. The Human Resources Manager has prepared a brief explanatory note (see Appendix 19) to assist their communication. This could ensure consistency in the message conveyed.

The Task Force adjourned its work until the formal performance appraisals had been completed in 1993. They will re-convene again in 1994 to complete the whole review exercise.

Continuing the Review in 1994

The Task Force, basically of the same members, met again in mid-February 1994, with the objective to search for a "long-term solution". That is, to search for an improved Performance Appraisal to help the culture change required for Total Quality. Owing to the time constraint, it would not be possible to cover the completed review process of the Task Force in 1994 here. We would present its first meeting during which feedbacks about the revised form and practice have been discussed.³² Appendix 20 is the first meeting note listing the major feedbacks.

A major "complaint" is that time was too rush. This remark is not surprising. Though the time frame for the appraisal exercise in 1993 remained the same as in the past, employees certainly needed more time to understand and accommodate the revisions. Employees were positive towards the optional third party and both appraiser and appraisee filling in one form. However, there were widely different opinions whether there should be one form for all levels. Some junior staff members found it hard to understand the form because of their English proficiency and the usage of too many jargons. They also found it difficult and time-consuming to write in their own words their accomplishments, goals, and plans. Therefore, they preferred ticking boxes of scales as in the past. But others like the chance of being able to express themselves freely in their own words, albeit agreeing that it

³² The Task Force does not intent to repeat the interviews because of two major reasons: (1) the interviews are not designed and expected to be used for vigorous and meaningful comparison studies; (2) management does not want to "disturb" employees twice over the same issue in a short time span. Though the latter appears to be not very convincing for an ideal review project, the Task Force must take into account the operational reality of the organization. The Task Force relies on individual members' gathering information in their respective units.

is more time and effort demanding in the revised form. After all, to them the effort was worth spending.

At the time this writing is being completed, members of the Task Force is trying to construct a "long-term solution". At the same time, the Task Force has undertaken to challenge various paradigms. For instance, it is not necessary to have a well-structured performance appraisal form for conducting performance appraisal. The long-term vision in this regard for a Total Quality organization should include (i) a free-flow two-way communication between the appraiser and the appraisee, and (ii) the format and timing of which should not be dictated by "Group policy" but rather to be at the discretion of the appraiser and appraisee. It is because in a Quality Organization, continuous improvements should become a way of life (the Quality Culture) and no longer need special and extra efforts amongst all employees.

Moreover, it might be possible to go beyond the traditional top-down supervisor-subordinate appraisals. Other inputs, such as peers, bottom-up (subordinate-supervisor), team members, are being considered as it is believed that people other than the boss also have good idea of an individual's performance. Indeed, many parts of Motorola Corp., winner of Malcom Baldrige Award,³³ has already implemented these other forms of appraisals, which are often termed inputs rather than reviews.³⁴

It may be a bit too drastic and is not at the right time for the organization to implements these changes within short period of time. It is because the employees are not trained and are not prepared. Also, the culture of the organization has not matured to support them. Even Motorola took years to prepare and train employees before they

³³ This is a Quality award in the U.S. equivalent to the Deming Award in Japan.

³⁴ Dave Zielinski, "Outdated Performance Appraisal Systems Drag Down Quality Efforts", *Total Quality Newsletter*, Volume 4, April 1993, pp. pp. 3.

implemented peer appraisals. However, it would be very interesting and exciting to know that the organization begins to challenge many of its paradigms. This is difficult but fundamental for achieving Total Quality.

CHAPTER VII

COMMENTS AND RECOMMENDATIONS

"Seeking appraisal processes more in tune with new philosophies of sharing power, open communication, teamwork, and developing employees, managers are overhauling conventional performance evaluations.... But it's one thing to toss out an old system, another thing to replace it with something markedly improved."³⁵

In the work of the Performance Appraisal review exercise so far, nothing could be truer than this quotation. Every time the Task Force focused on the drawbacks (and strengths) of the previous or revised systems, discussions were zealous. However, when it came to the sessions of what could be done, the forum usually became hesitant and reserved. Even in the interviews with various levels of staff, most of the interviewees could easily identify the drawbacks of previous policy and procedure, but most of them could hardly give opinions in specifics on what an appropriate system should be. Even from the literature review of this study, the volume of literature telling what should be avoided or discarded in the performance appraisal system in TQM far exceeds those specifically suggesting what should be included in the system.

³⁵ Dave Zielinski, "Outdated Performance Appraisal Systems Drag Down Quality Efforts", Total Quality Newsletter, Volume 4, April 1993, pp. 1.

This Chapter presents the author's own comments and recommendations on an improved Performance Appraisal system for this organization. They are based on her own observation on and interaction with various levels of staff in this organization in the past two years. Reasons for this should have been explained in Chapter II.

The focus of discussion here will be Performance Appraisal system. This system does not exist in the organization alone, so there will be some attempts to discuss subsequent changes required for other relating systems, the Reward System and Training and Development. These three make up the "Performance Management System" in an organization. If all correlated systems could be changed and attuned accordingly, the effect could be exemplified.

Performance Appraisal

With regard to the performance appraisal forms, the Task Force has challenged the need of a structured form and has agreed to abolish the forms in the long run. In the long run, perhaps what will be needed is a blank sheet of paper to jot down points raised during the interview discussion simply for record purpose. However, the Task Force understood that this paradigm shift must take such considerable time as five to seven years, probably when the company reaches the stage of being a World Class Quality Organization. Too drastic a change would be harmful when it is not supported by the required culture change. Even companies which adopted TQM for longer period of time, such as Xerox and Motorola are still using structured Performance Appraisal forms. Therefore, the author will only comment on the appropriate Performance Appraisal for the current stage, i.e., the Active stage. Moreover, the author does not intend to come up with the Performance Appraisal form . Only the appropriate directions or points are discussed. Drafting "the" form is merely an administrative work one step beyond this discussion.

There should be different approaches or forms for managers and general staff because they are expected to perform different tasks.

For Managers

Managers must lead the change

At the early stage of implementing Quality, managers' role is very critical. They should commit to the cause, and lead the change. Leadership in a quality organization should be transformational rather than transactional. Managers should be encouraged to become transformational leaders. They are not to supervise, control employees, or punish mistakes, but to support and facilitate their employees' work, who have been properly empowered. "Traditional" managers might resist because they will see their authority be eroded. Rather authority should be used differently in the context of TQM. Without this paradigm shift, it would never be a Quality Organization. The performance appraisal must re-set the expectation and communicate it to the managers. Managers who are unable to change their mind-set may not be able to survive in a Quality Organization. For instance, managers can be assessed the number of QAT's they have led or the number of work process improvements they initiated.

Managers must be team-player and a motivator

In a quality organization, corporate success is the result of teams effort, not individuals'. Heroic behaviours are not merits. Being transformational leaders, managers should be facilitator to their fellow workers. They should be able to motivate employees, rather than being seen as a stick to punish mistakes. As the Quality Assurance Manager of

Motorola Hong Kong, H.K. Leung, has said, "Before TQM in Motorola, managers each day went out to pick mistakes from employees and punished them, employees hid away for fear of simply being seen by their managers. After TQM in Motorola, managers every day go out to look for successes, even the smallest ones, and give praises, often simply a pat on the back, but employees like to be in the workplace and to be seen."³⁶ It did not happen overnight but has been through a long and painful journey, as H.K Leung admitted.

In HAVI, there are still managers who consider themselves being "pillars" of their department. They cannot and will not take annual leaves or even sick leaves because they believe the department will collapse without them. They seldom mind high staff turnovers. One of their employees once said that these managers were the clerks, the secretary, and the department. In the past, these managers could be assessed as excellent according to most of performance assessment criteria. Therefore, they believe that this was the right way to "manage". The only criterion they might score low would be Human Relation Abilities but it constituted a small portion of the overall assessment. Certainly while such managers' dedication to work are highly respected, their attitudes must be changed for becoming a transformational leader in a Quality Organization.

Xerox in Hong Kong even goes one step further to include the criteria of "Employees Satisfaction Indices" into managers' performance assessment and reward system. These can count as much as one-third of the managers' overall remuneration. In other words, Xerox implements a kind of "subordinates' assessment" over the managers, but in a anonymous manner. Without going into details of Xerox's method, perhaps HAVI may consider introducing this element into their managers' appraisal and rewards.

³⁶ From H.K. Leung, Manager of Quality Assurance, of Motorola Hong Kong, in his speech to the Quality Conference 1994, organized by HAVI Group (Far East) LP, on March 12, 1994 in Hong Kong.

For General Staff

Ownership of their Work

A major complaint of management in HAVI is employees' lack of ownership, i.e., they used to "pass the buck" upwards. Their perception of management is "management by exception": the managers are to solve all the "problems" for them, and they just perform the "routines". In the author's opinion, to "accuse" the employees entirely is not altogether fair. Autocratic style of management in the past gave rise to such behaviour and attitude, similar to Motorola's phenomenon before implementing TQM.

In a Quality Organization, employees must be properly empowered, that is, they must be equipped with the necessary skills and authority. More importantly, employees must know that they are empowered. They are the owner of their work. Managers are their facilitators and supporters rather than "mentors". Little in the past assessment criteria emphasized this explicitly. Similarly, they could be assessed how active they have been involved in the QATs or how many work processes they have improved, like the managers.

Improvement to work is in everyone's responsibility

While employees should be owners of their work, they should seek to improve the work at their initiation. One Quality Objective in HAVI is Continuous Improvement to Work Processes. It is important to communicate and emphasize that this is everyone's responsibility. Employees should not wait for "quality to happen", but they should make it happen.

Past performance assessment criteria such as Creativity and Alertness should have contained similar element. However, they carried only a small weight in the overall assessment. An example for improvement is to encourage and assess the quality and quantity of new ideas being put forward. When some new ideas will not be able to implement for the time being, reasons must be given and the act of giving new ideas should be appraised. This will help continue the momentum and improve the quality of new ideas.

Common Aspects

Emphasize Customer Satisfaction and Work Processes Improvements, not merely behaviours or traits

Experience shows that traits are hard, perhaps impossible, to change. While certain "quality behaviour" like team-playing or transformational leadership style should be emphasized, the Performance Appraisal should emphasize achievement of Quality Goals - Customer Satisfactions and Work Processes Improvements.

One of the way to measure the achievements in these two areas is through the Strategic Planning Process. In this process individual operating unit and department will set up their own strategic goals (usually three to five years) and their measurements in the context of the Quality Vision and Objectives. The performance assessment must discuss and document how far these goals have been accomplished. Otherwise, the Quality Objectives and Vision are seen as separated from everyone's day-to-day work. The use of Performance Appraisal as a tool to communicate and promote Quality implementation will be unsuccessfully.

Be more future-oriented: to encourage improvements in future

Previous performance appraisal was overly past-oriented because it was closely related to accrediting individual merit increases. For both managers and general staff, they were asked to rate past behaviours and achievements. Future target setting and planning came last and occupied only one section. In addition, these plans or targets were seldom reviewed in the course of the following year and next review, as indicated by some of the interviewees.

The performance appraisal should not simply list whether objectives met in the past (like in the revised form). It should give more space on how the objectives could be better achieved. The appraisal should also change or include new objectives in future if circumstances change. It should allow room for the appraiser and appraisee together to plan how to achieve these objectives. These plans and objectives must be followed up and followed through constantly. They should not be written down simply for completing the form.

The forced rating section on various behaviour or traits should be reduced to a minimal because they were assessments of past behaviours. In the longer run, it should be eliminated altogether.

Education on Performance Appraisal and Training on Conducting Performance Appraisal

Without going into detailed conceptual discussion on the difference between Training and Education, the author will refer Training as skill-transfer to conduct certain task(s), and Education as knowledge-transfer of certain ideas, concepts or events.

An interesting but alarming feedback on the 1993 Performance Appraisal from a few employees is that the only change they perceived was they did not receive the salary letter at the end of the discussion. Obviously these few were disappointed. This might not be very astonishing when expectation and behaviours of managers and general staff remained unchanged. In the history of HAVI so far, there is no formal training or education on Performance Appraisal. Managers and subordinates completed the exercise each year on the basis of their past experience and perception. The same set of fear and false expectation are carried forward and reinforced.

In order to enforce Performance Appraisal as a catalyst for culture change, the Company should tell the employees actively and explicitly what Performance Appraisal is and how they should be conducted. This is to "communicate the communication tool". In other words, training should be conducted to define expectations for Performance Appraisal. Such training or education should be conducted on a continual basis, and upon any changes in the process.

Reward System

Quality is not a competition. The major flaw of the previous reward system is the competitive nature in awarding individual merit increase using the outputs of the Performance Appraisal. As seen from the interviewees' comments, this competitive nature of reward system is often demotivating.

The effectiveness of using monetary reward as motivating tool is highly questionable as discussed before. From the author's own observation, individual merit increase based on performance rating as a fair and powerful reward tool is also doubtful. Owing to the budget constraint and the high inflationary pressure in recent years in Hong

Kong, the scale of merit increases normally ranged a few percentage points, say from nine to fifteen. In reality, the range usually narrowed to ten to thirteen. As one of the leaving employee in his exit interview commented, "I almost worked to my last breath over these years. I was usually rated excellent or good, but I got only eleven to thirteen percent increment. Those who barely met their job requirement just get one percent lower. Why should I work so hard?" It demotivates good performers and defeats the very purpose of merit increase.

The whole principle of rewarding good efforts and results should be changed. First of all, it should not be competitive in nature. As management always emphasizes, quality is a win-win game. Second, achieving Quality Objectives (Customer Satisfaction and Process Improvement) are everyone's basic job requirements and should be contained in the job description (through the Strategic Plan). People are employed to achieve them. These are not extras. This is a subtle but important twist in the basic rationale of the Reward System.

Rather the author tends to support an across-the-board annual salary increase, the rate of which might tie in with cost-of-living adjustments. In addition, one may need to go back to basics: Why should there be salary increment every year? Without a real increase in productivity, or real improvement in achieving the organization goal, why should there be a real increase in salaries? Labour shortage and spirally increasing wage levels in Hong Kong in the past decade render employers and employees forget these basic questions. In fact, across-the-board increase versus individual merit increase is a hot agenda item in the Senior Management's meetings in HAVI.

Monetary reward policy should be set in a way that employees should be able to "reap the benefits" of their quality work, through delighting the customers and improving work processes. This is the principle of gainsharing. The fourth Quality Objectives is profit. In specific terms, it is Return on Investments (ROI), and constant growth. What

will be more discouraging if employees see that results of all their good work only go into the pockets of their C.E.O. or his few partners! If employees can have their share in the company's profit, resulted from their quality performance, the inertia to Quality will be maintained.

Allocating company shares to employees will be a bit too far fetched in this strictly private company. Therefore, a bonus scheme tied with the company's ROI would be more appropriate. But it is important that the company can maintain and communicate clearly to its employees a good balance between investment for long-term growth and short-term profits.

Senior Management has already made an important decision in early 1994 regarding its year end bonus scheme. In the past, rate of year end bonus was the same across everyone in individual operating unit, regardless of seniority and ranks. The bonus rate is largely determined by the financial performance of that operating unit. For instance, in late 1993, all employees in the Distribution Centre in Hong Kong can get a record rate of three and three quarters month salary as year end bonus because they made a good profit. The logic of this method appears to recognize the team effort of the whole operating unit. However, as the operating unit grows larger, team effort of the whole operating unit becomes less easily recognizable. Good performers began to complain the "free-riders" and the method became demotivating. In early 1994, it was decided to erase the rigid rule of company-based bonus scheme. Instead, it would be up to individual General Manager or Directors to reward their employees according to individual employees' contribution. Many of the General Managers indicated that they would implement team-based or department-based bonus scheme. They require individual department to establish its Strategic Goals and their measurements. These Goals should be conducive to achieve the Quality Objectives. A department will reap the benefits of their efforts by accomplishing these goals, i.e, employees are able to reap the benefits of their own Quality work. In the author's opinion, the decision is correct.

Non-monetary reward will be as important as monetary reward. Senior Management has already spent considerable effort on some non-monetary rewards though there is no firm conclusion so far.³⁷ In fact, they already came to the stage of drafting the mechanism in detail, such as the specific criteria and when and how these should be implemented. While these awards should be welcome, the author would like to remind that financial achievements should never be a dominating criterion in deciding the award recipients. Xerox in Hong Kong has similar schemes, one of which is Total Customer Satisfaction Award. According to their Quality Assurance Manager, Katy Lam, there has been a saleslady in Xerox Hong Kong who has exceeded her sales quota by three times in a year. However, she was not even among the finalists to this Award because she got low score in Total Customer Satisfaction.³⁸ Otherwise, employees will not see different expectations in TQP but merely a translation of good sales record. Quality never means to be only results or profit-oriented. It is Total Customer Satisfaction.

Management should also commend on small wins. Motorola has the Small Wins Award Scheme to encourage daily though minor improvements at a very low cost for the company. Without going into specifics of such scheme, management in HAVI should seriously consider implementing similar soon, so as to start creating a culture of improvements and applauding improvements. It is to get the inertia moving.

Use of non-monetary rewards can build up pride of employees in their quality work. It tries to shift the "loci of motivation" from extrinsic to intrinsic, and makes it more pertinent and perpetual. From a financial cost stand point, it is very minimal.

³⁷ Some of the non-monetary awards are "the HAVI Far East Quality Team Award", "General Manager's Award". They aim to recognize team or individual's effort in improving work processes.

³⁸ From Katy Lam, Quality Assurance Manager of Xerox in Hong Kong, in her speech to the Quality Conference 1994, organized by HAVI Group (Far East) LP, on March 12, 1994 in Hong Kong.

Training and Development

Empowerment is a key element in TQM. A key factor to successful empowerment is to properly equip employees with all necessary skills. A major complaint from the interviewees is that training needs were seldom used as a basis for planning training programs in the organization, even when these needs have been raised and discussed in the performance appraisals.

When focus of performance appraisal becomes more future-oriented, this aspect should become growingly important in the performance discussion. Meanwhile, providing adequate resources to meet the training needs become very critical. Senior Management, Human Resources Department, and line managers have important role to play in this regard. The act of providing training itself can also be a motivating factor. As one of the employees has commented in a post-training course review, "I am so happy the Company nominates and actively sponsors me to this course. It is not the money that matters. It is the Company's confidence by investing the money and time on me." The individual built pride of being a trained employee. This is intrinsic motivation.

High staff turnover is a killer to a Quality Organization. It loses human resources who are already oriented towards quality concepts and practices, on top of the hard cost of recruitment. A major finding through the exit interviews with the leavers is that a key reason for leaving HAVI is lack of career development opportunity. Compensation and Remuneration are usually not the major reasons. In a Quality organization highlighting improvements and growth (as in HAVI), individual's growth and development needs should also be compatible to the Company's goals. Providing training to prepare

employees for career development should be more pertinent. A Quality organization should be a "learning organization".

Career development should include both vertical promotion and horizontal job movements. Moreover, a quality organization should be horizontally flatter.³⁹ Therefore, opportunity for vertical movement will become less. Nevertheless, employees in HAVI, are not accustomed to horizontal career movements. Many of them even fear about it and perceive it as "loss of status". Re-orienting these values or beliefs will be necessary, albeit a considerable time-consuming task. This could be accomplished by the company's other communication tools such as newsletters or senior management' lead by examples. Cross-posting did happen amongst the Senior Management members and they were good starts. A learning organization should now put more effort on cross-training and multi-skill learning.

Last but definitely not the least, systematic and proactive succession planning is a key element in planning career development and training resources and directions. If it could be accomplished, the company will be able to harvest and leverage the results from its spending on quality education and various skills trainings.

³⁹ James Graham, "Quality of Working Life and Total Quality Management", International Journal of Manpower, Vol. 13, No. 1, 1992, pp. 41-58.

CHAPTER VIII

CONCLUSION

TQP is a long journey. HAVI is just at the start. This paper has attempted to review, discuss and present various pertinent and critical changes in the Performance Appraisal system. The prime focus is its role as an effective communicative tool to help the necessary culture change to be a Quality Organization. This paper also includes two closely related sub-system, the Reward system and Training and Development System. Without simultaneous change in these two sub-systems, the changes in Performance Appraisal will become superficial. Afterall, even Performance Management system is one amongst all other necessary changes to become a Quality Organization. Some of other necessary changes have been touched in this paper but without further elaboration, including other communication tools, value and beliefs.

Certainly, there are a great deal to be done and reviewed in this organization in the long and winding road to Quality. As a business executive, the author would be eager to see her employer achieve it, especially she can take a part. As a humble student in the management academics, she would like to contribute, however little, to the accretion of knowledge as far as possible through this micro level study.

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April 21, 1993

Ms. Amita Dutt
Present

Dear Amita

Re: Protocol as Research Student

We are pleased to invite you to perform such academic research in the Company and its affiliates in Hong Kong as may be needed for your MBA graduation project.

The following recaps our previous discussion on your research activities here:

Objectives and Content

The primary objective of the research is for your academic project. Nevertheless, it would also be desirable if the result of the research could be of reference and practical value to the Company. Therefore, mutual benefits, for both the Company and you, from the research effort are ~~expected~~ *preferred*.

Note, however, that the basic aim of this exercise is to enable you to collect sufficient information to enable you to meet your needs.

The choice of topics and scope of the research will be at your discretion, but should be communicated to the Company for endorsement. The Company reserves the right to reject or amend topics which are deemed inappropriate.

The format and content of the research paper will be at your own choice. Nevertheless, it would be desirable if it can be presented in format of being mutually beneficial, both to the Company and you.

Activities

You may contact and interview employees of the Company for your research work. However, the interviews should not be disruptive to the interviewees and the operations of the Company.

Strategies and questions of the interviews should be submitted to the Company for endorsement prior to the interviews, to ensure their suitability.

..../P.2

HVI Group Services



April 21, 1993

P.2

3. Requests for information regarding the Company should be submitted in writing. The Company reserves the right to refuse any requests which are deemed inappropriate.
4. All the information obtained and entrusted to you during the research process should be for academic purposes only. You are obliged to keep all such information in the strictest confidence during and after your research activities here. Without prior written approval from the Company you should not disclose any of the information to external parties, including your University and your project instructor, except as it shall be reflected in your official submission project.
5. You should submit the final draft of your project to the Company, for screening and endorsement, before presenting to your University.

Logistics

1. You will be coming to the office during office hours to perform your research and be based with HGS, from now on until the end of the research work, tentatively by June 1993. A work station at HGS will be allocated to you.
2. Expenses for communication (fax, overseas calls, etc), photocopying and others related incurred by you in the office for the research or personal purpose will be at your own account. You are required to report such expenses to the Company weekly for record and billing purposes.
3. The Company will monitor your activities during your stay in the company via the Human Resources Manager. You are strongly recommended to communicate with her whenever necessary and report your activities and progress to her on a regular basis.

Amita, we trust that the above complies with your understanding. Please acknowledge your acceptance by signing in duplicate and returning one copy to us.

Yours sincerely
For and on behalf of
HAVI GROUP SERVICES

Accepted By

Gavin Gemmell
Director - Fin. & Admin.

Amita DUTT

INTERVIEW QUESTIONS FOR GENERAL STAFF AND MANAGERS

- (1) Explain the objective of the interview and highlight the 4 areas to be covered.

TOTAL QUALITY PROCESS

- (2) Are you aware of the Total Quality Process focus?
- (3) How did you find out?
- (4) When was this?
- (5) Has BLT educated you on the need for it?
- (6) Do you know what Total Quality Process means?
- (7) What is the meaning of "quality" to you?
- (8) What do you think is the meaning of "quality" to BLT?
- (9) Who is your customer?
- (10) How can they be served better?
- (11) Are you doing it?
If yes, how?
If no, why not?
- (12) Who is guiding you to better serve your customers?
- (13) What are your perceptions about Total Quality Management?
 - Will it work?
 - Will there be improvements? Elaborate.
 - Will these improvements be permanent? Why?

- 1) Is the increment reflective of the feedback given on your performance?
- 2) Can you suggest any other rewards you would also value?

DEVELOPMENT

- 3) Do you aspire to move to any other position at BLT?
- 4) Have you informed your superior of this?
- If not, then, why?
- 5) When?
- 6) Were they able to advise you clearly on how to move to this position?
- 7) Are you developing in the organisation?

INTERVIEW WITH COMPANY GENERAL MANAGER

- 1) What does "quality" mean to you?
- 2) What are your perceptions of Total Quality Process?
- Will it work?
- Will there be improvements? Why?
- Will they be permanent? Why?
- 3) Have you planned how Total Quality Process may be used to achieve your company's goals?
- 4) What do you see to be the vision of your company?
- 5) How do you think Total Quality Process can help you fulfil this?
- 6) What time frame have you set for the implementation of Total Quality Process?
- 7) How do you plan to enforce the practice of Total Quality in your organisation?

- (8) I hear that you are forming steering committees for the Total Quality Management coordinator, do they know what your plans for the company are and how Total Quality Process fits into it?
- (9) What is Total Quality Process to you? ... a good strategy, a bad one, realistic, a fact ... one word to describe what it is.
- (10) Do you think that the BLT culture can accommodate the "quality" concept without needing to be changed?
- (11) Who do you see as the champion of the system?
- (12) Have you bought into the Total Quality Process concept?
- (13) As General Manager, who are your customers?

MILESTONE IN HAVI SUCCESS

- 1974 MESSRS T PERLMAN & R ROCQUE HAD AN IDEA
MAY 20, P/R CO WAS FORMED WITH NOTHING
JUNE 26, DISTRIBUTION BUSINESS AWARDED
AUGUST 24, DC AND OFFICE RENTED IN ELK GROVE VILLAGE,
ILLINOIS
SEPTEMBER 9, 1ST SHIPMENT TO 187 STORES WITH 43 ITEMS
- 1975 PERSECO HANDLING PURCHASING OF PAPER PRODUCTS FOR 2
D Cs
- 1976 LEMONT D C SERVICED FOR 216 STORES IN ILLINOIS AND 55
STORES IN INDIANAPOLIS WITH FOOD & PAPER PRODUCTS
- 1977 P/R CO (NORTH) OPERATIONAL IN ST PAUL, MINNESOTA
- 1978 PERSECO SERVICED 24 DCS, COORDINATING SHIPMENTS FROM
65 VENDOR ON 183 ITEMS, 520 POS PER WEEK
LEMONT INITIATED DISTRIBUTION OF PERISHABLE ITEMS
- 1980 FRIDLEY D C WAS BUILT FOR P/R CO (NORTH)
TRANSPORTATION BUSINESS OF PERSECO BECAME GOLDEN
ARCHES EXPRESS
LEMONT & FRIDLEY STARTED DISTRIBUTION TO MILWAUKEE
REGION
- 1981 P/R (FAR EAST) STARTED IN HONG KONG
P/R INC STARTED DISTRIBUTION FOR INDIANA
- 1982 P/R ENTERPRISES (SINGAPORE) STARTED DISTRIBUTION IN
SINGAPORE

MILESTONE IN HAVI SUCCESS

- 1983 HAVI, PERSECO AND GOLDEN ARCHES EXPRESS RELOCATED INTO WESTMONT HQ

- 1984 PERSECO WORLDWIDE SERVICES WAS FORMED IN HK TO PERFORM PURCHASING FUNCTIONS FOR ASIAN MARKETS

- 1985 P/R FACILITIES AT GREENFIELD, INDIANA BEGAN OPERATIONAL

IN SINGAPORE, P/R ENTERPRISES WAS SOLD TO A LOCAL DISTRIBUTION COMPANY

PRIMMS WAS FOUND FOR EQUIPMENT PURCHASE AND MAINTENANCE, PROPERTY CONSTRUCTION AND MANAGEMENT

- 1987 P/R WHITEWATER BEGAN OPERATION

PERFORMANCE CONCEPTS WAS FORMED TO DEVELOP THE PREMIUMS & PROMOTION BUSINESS

- 1988 A JOINT VENTURE IN SINGAPORE, TRIREMIS WAS FORMED WITH NEW HORIZON TO PROVIDE DISTRIBUTION/BAKERY FOR McDONALD'S SINGAPORE

- 1989 PERFORMANCE DESIGNS WAS ESTABLISHED TO HANDLE PREMIUMS AND PROMOTION IN ASIA-PACIFIC

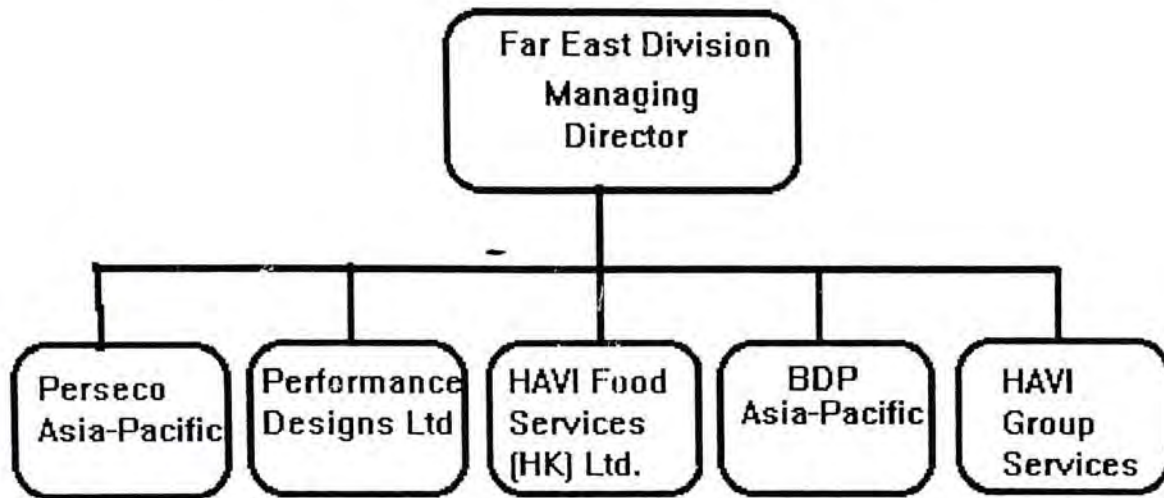
PERSECO EUROPE WAS FORMED AND LOCATED NEAR ROTTERDAM, HOLLAND

- 1990 SYSTEM SERVICES WERE FORMED UNDER PERSECO TO HANDLE THE McPIC PROGRAMS

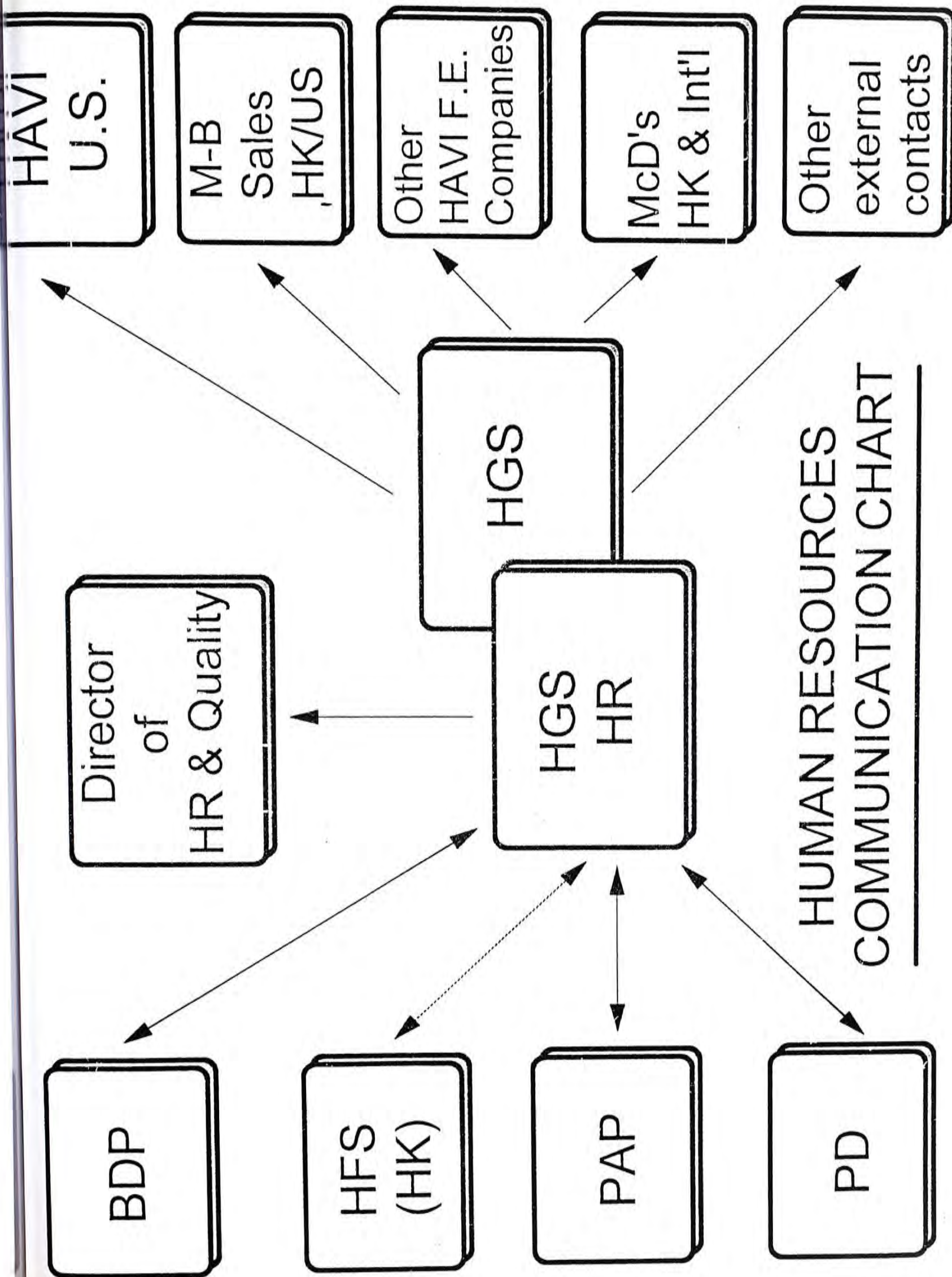
HAVI ACQUIRED M-B SALES TO FURTHER EXPAND THE PREMIUMS BUSINESS

- 1991 PRODIGY DISTRIBUTORS INC & PROMAC THAI INC WERE FORMED TO PROVIDE DISTRIBUTION FOR PHILIPPINES AND THAILAND RESPECTIVELY

Organization Chart Hong Kong Companies



as of February 1994



HUMAN RESOURCES COMMUNICATION CHART

SECTION 3
JOB TITLE SYSTEM 1994 (OFFICE & ADMIN. STAFF)
Job Title Extension

<u>Ref</u>	<u>Grade</u>	<u>Grade Title</u>	<u>HGS</u>	<u>P.A-P</u>	<u>PD</u>	<u>HFS-HK</u>	<u>BDP</u>
9	Staff Director	Admin and/or Acctg Business Development Human Resources M.I.S. Sec & Admin	Admin and/or Acctg Packaging Purchasing Admin Purchasing & Logistics Shipping	Admin and/or Acctg Creative & Development Engineering Marketing Operations Quality Assurance	Admin and/or Acctg Centre Operations Human Resources Operations Purchasing Transportation	Admin and/or Acctg Marketing Operations	
8	Senior Manager	Regional Acctg Business Development Human Resources M.I.S. Sec & Admin. Quality & Comm.	Admin and/or Acctg Packaging Purchasing Admin Purchasing & Logistics Shipping Purchasing	Admin and/or Acctg Account Services Creative & Development Engineering Operations Human Resources Quality Assurance	Admin and/or Acctg Centre Operations Shenzhen Operations Customer Services ETAK Operations Transportation Operations Purchasing S.U.M.S.	Admin and/or Acctg Marketing Operations	

Section 3
JOB TITLE SYSTEM (OFFICE & ADMIN STAFF)
CY1994
(Cont'd)

<u>Ref Grade</u>	<u>Grade Title</u>	<u>HGS</u>	<u>P A-P</u>	<u>PD</u>	<u>HFS-HK</u>	<u>BDP</u>
7	Manager	Admin and/or Acctg Business Development Executive Assistant* Human Resources M.I.S. Sec & Admin.	Admin and/or Acctg Logistics Packaging Purchasing Admin Shipping	Admin and/or Acctg Account Services Creative & Development Engineering Operations Purchasing Quality Assurance	Admin and/or Acctg Centre Operations ETAK Operations Human Resources Operations Purchasing & Customer Services QA & Operations Training S.U.M.S. Shenzhen Operations Transportation	Admin. and/or Acctg Marketing Operations
6	Asst Manager	Admin and/or Acctg Business Development Human Resources M.I.S.	Admin and/or Acctg Logistics Packaging Purchasing Admin Shipping	Admin and/or Acctg Account Services Creative & Development Engineering Operations Quality Assurance	Admin and/or Acctg Centre Operations Customer Services Purchasing ETAK Operations Human Resources Transportation Operations S.U.M.S.	Admin &/or Acctg Marketing Operations

Section 3
JOB TITLE SYSTEM (OFFICE & ADMIN STAFF)
CY1994
(Cont'd)

<u>Ref Grade</u>	<u>Grade Title</u>	<u>HGS</u>	<u>P A-P</u>	<u>PD</u>	<u>HFS-HK</u>	<u>BDP</u>
6	Senior Supervisor	Executive Secretary* Accounting	Executive Secretary* Sr Account Executive* Senior Logistic Analyst* Accounting Packaging Shipping	Executive Secretary* Sr Account Executive* Senior Product Designer* Senior Project Engineer* Senior Project Leader* Accounting Quality Assurance	Executive Secretary* Inventory Operations Accounting Customer Services Field Services S.U.M.S. ETAK Operations Operations Support Shenzhen Operations	Executive Secretary Sr Account Executive* Accounting Operations Marketing
5	Supervisor II	Admin and/or Acctg Analyst Programmer II* ¹ Human Resources Projects Analyst II* ¹ Senior Secretary II* Sr. LAN Administrator* ¹ Systems Analyst* ¹ LAN Administrator* ¹	Admin and/or Acctg Account Executive II* Logistic Analyst II* Packaging Purchasing Admin Shipping Senior Secretary II*	Admin and/or Acctg Product Designer II* Product Engineer II* Project Leader II* Sr Graphic Designer* Senior Secretary II* Quality Assurance	Admin and/or Acctg Customer Services ETAK Operations Human Resources Inventory Operations Operations Support Senior Secretary II* S.U.M.S. Shenzhen Operations	Admin and/or Acctg Marketing Operations Sr Secretary II* Account Executive II*

¹ Please refer to separate MIS Grading Structure. Here only shows their equivalence in the general grading system.

Section 3
JOB TITLE SYSTEM (OFFICE & ADMIN STAFF)
CY1994
(Cont'd)

<u>Ref</u> <u>Grade</u>	<u>Grade Title</u>	<u>HGS</u>	<u>P A-P</u>	<u>PD</u>	<u>HFS-HK</u>	<u>BDP</u>
4	Supervisor I	Admin and/or Acctg Analyst Programmer I* ² Human Resources Management Trainee* Senior Secretary I* Analyst Programmer I* ²	Admin and/or Acctg Senior Secretary I* Account Executive I* Logistic Analyst I* Management Trainee* Packaging Purchasing Admin Shipping	Admin and/or Acctg Senior Secretary I* Account Executive I* Graphic Designer II* Product Designer I* Project Engineer I* Project Leader I* Quality Assurance	Admin and/or Acctg Customer Services Field Services S.U.M.S. ETAK Operations Human Resources Inventory Operations Operations Support Senior Secretary I* Shenzhen Operations	Accounting Management Trainee* Account Executive I* Senior Secretary I* Marketing Operations
3	Sr Coordinator	Accounting Administration Human Resources Secretary II* Transportation Senior Systems Operator* ² Programmer* ² Trainee Programmer* ²	Accounting Asst Account Executive* Logistics Packaging Purchasing Admin Shipping Secretary II*	Accounting Asst Account Executive* Project Development Account Services Graphic Designer I* Secretary II* Senior Quality Controller	Admin and/or Acctg Customer Services ETAK Operations Human Resources Inventory Operations Secretary II* S.U.M.S.	Accounting Asst. Account Executive* Secretary II* Marketing Operations

² Please refer to separate MIS Grading Structure. Here only shows their equivalence in the general grading system.

Section 3
JOB TITLE SYSTEM (OFFICE & ADMIN STAFF)
CY1994
(Cont'd)

<u>Ref</u> <u>Grade</u>	<u>Grade Title</u>	<u>HGS</u>	<u>P A-P</u>	<u>PD</u>	<u>HFS-HK</u>	<u>BDP</u>
2	Coordinator II	Accounting Administration Human Resources Receptionist II* Secretary I* Transportation Systems Operator* ³	Accounting Logistics Packaging Purchasing Admin Secretary I* Shipping	Accounting Account Services Project Development Quality Controller II* Secretary I*	Admin and/or Acctg Customer Services ETAK Operations Human Resources Inventory Operations Secretary I* S.U.M.S.	Accounting Marketing Operations Secretary I*
1	Coordinator I	Accounting Administration Receptionist I* Transportation Human Resources	Accounting Logistics Packaging Purchasing Admin Shipping	Accounting Account Services Operations Quality Controller I*	Admin and/or Acctg Customer Services ETAK Operations Human Resources Inventory S.U.M.S. Operations	Accounting Marketing Operations

* Titles exist on their own and do not carry the title extension with respect to the Grade Title.

³ Please refer to separate MIS Grading Structure. Here only shows their equivalence in the general grading system.

HAVI Group (Far East) LP
 --- Age & Sex Analysis ---

Company : From 01 HAVI Group Services
 To 05 BDP Asia-Pacific
 Dept. : From 01 M.D. OFFICE
 To 90 BDP OPERATIONS

Date : 03/22/1994
 As of Date : 03/22/1994
 Security Control : All

	AGE											Total
	Below 20	21-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	Over 60		
Male :	1	14	43	46	31	11	5	1	1	1	1	154
Female :	4	10	32	11	10	2	0	0	0	0	0	69
	5	24	75	57	41	13	5	1	1	1	1	223

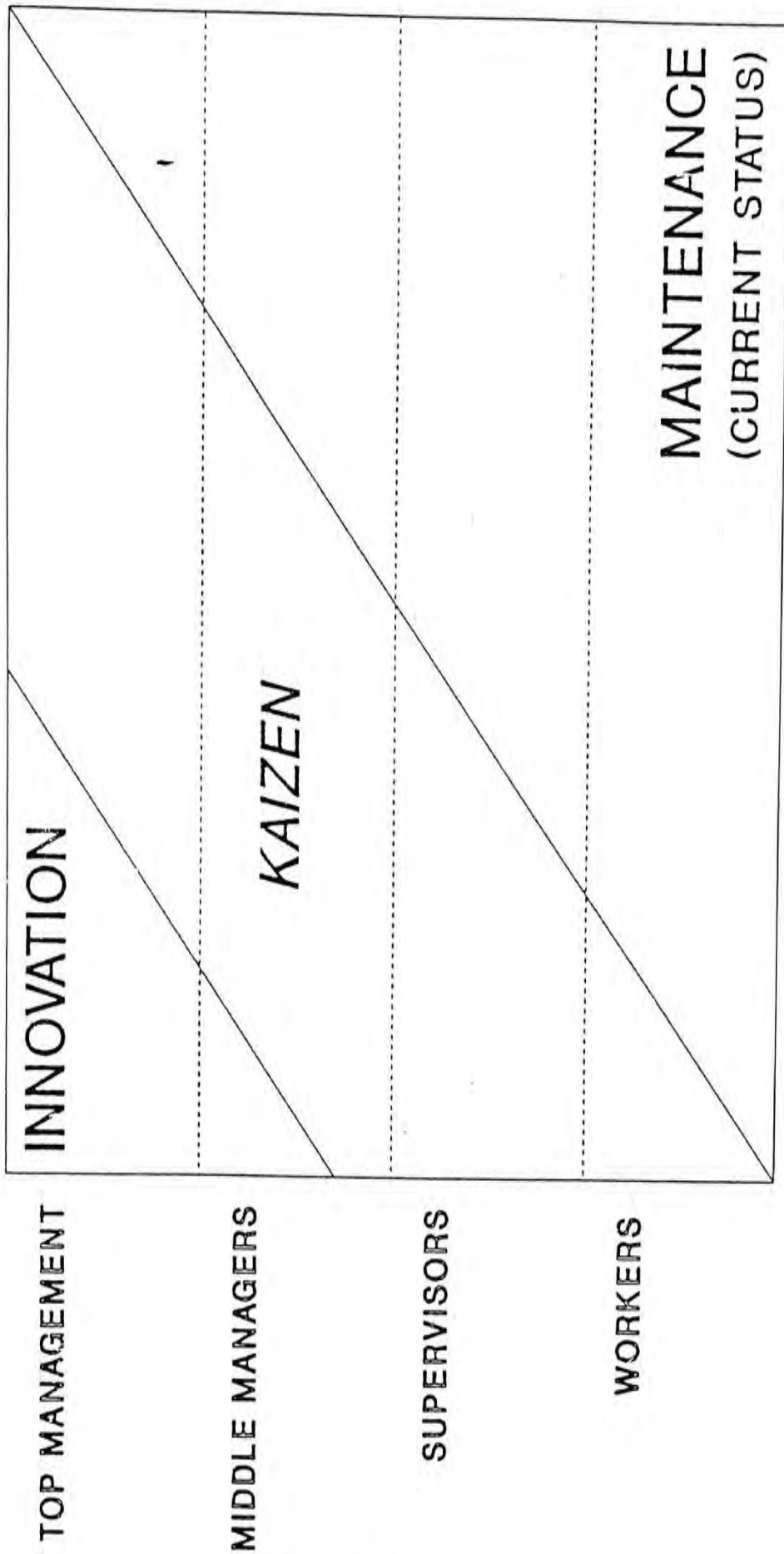
Average Ages : 31

***** End of Report *****

KAIZEN

- * MARKET-IN
- * TOTAL QUALITY CONTROL
- * INDUSTRIAL ROBOTS
- * QC CIRCLES
- * SUGGESTION SYSTEM
- * AUTOMATION
- * TOTAL PRODUCTIVE MAINTENANCE

- * KANBAN
- * JUST-IN-TIME
- * ZERO DEFECTS
- * SMALL GROUP ACTIVITIES
- * LABOR-MANAGEMENT RELATIONS
- * PRODUCTIVITY IMPROVEMENT



SPECIAL EDITION January 1993

T Q P MESSAGE FROM MANAGING DIRECTOR



In the past year or so, TQM or "Total Quality Management" has captured the imagination of McDonald's and its supplier system. This management philosophy has been championed and embraced by McDonald's as their overarching strategy to ensure their continued success to widen the gap on their competition.

It is significant to note that at corporate McDonald's in the U.S., the Purchasing Department in Oakbrook has played a leadership role in promoting Total Quality, not only within McDonald's but also bringing the message to its suppliers system. Where then are we, the HAVI Far East Group of companies, at on this Total Quality Crusade?

On January this year, our managers convened in Pattaya for the annual HAVI Far East Management Conference. Aptly, as our conference theme depicted, we began the "Total Quality Process" (TQP) with a stimulating education on Total Quality. For most of us, the conference was an awakening, a wonderful experience that heightened our awareness on the need to push Total Quality as the cornerstone of our success in the 1990's.

It has become overwhelmingly clear in the minds of management that Total Quality must be the fundamental nature by which you, our people, think, work and act. What are the essentials and principles of Total Quality? I shall summarise them down to three fundamentals:

過往一年許，麥當勞及其所有供應商已接受「全面優質管理」(Total Quality Management) 觀念，而這項管理哲學已成為麥當勞所拱冠及擁護之策略，以確保他們在業內持續競爭上賴以成功之要訣。

重要的是，美國麥當勞總部的採購組是鼓吹「全面優質」的先驅，他們不只將這訊息傳播於麥當勞本身，且伸展至各供應商，而在夏暉集團遠東區各公司來說，我們在這項使命上到達了甚麼地步呢？

今年一月，我們所有經理在泰國芭堤雅召開週年會議，會議主題適當地倡議「全面優質進程」(Total Quality Process)，與會者得到極富激勵性的培訓，對芸芸眾人來說，是次會議乃屬於一次喚醒的經驗，使我們強烈地意識到推動「全面優質」實為九十年代達致成功之基石。

管理階層已絕對明瞭「全面優質」是每個人身體力行之基本質素，究竟「全面優質」有何重點及準則？我現簡述下列三點：



1 Total Customer Satisfaction – we must focus on the needs, wants and expectations of our customers, internal and external. Nothing is more sacrosanct. Listen to your customer and more so than being reactive, we must be proactive, be one step ahead in anticipating our customers' every need.

顧客至上：我們應關注客戶及其不同層面的需要及期望，顧客是不可冒犯的，我們並且要主動地(不要處於被動)聆聽顧客所希望得到的事，事事做到先行一步。



2 Continuous Improvement or KAIZEN – the focus is on improving, bettering and making more effective the actions that we take no matter how small that improvement step may be. Doing the right thing at the right time, with the minimum of effort and expense, through innovation and team-work. It's also doing things right the first time and "zero - defect" concept in our approach to work. Design quality and prevention, not cures.

不斷進步(或力求改善)：無論事情大小，我們都集中精神於改良更進，並謀求每項行動都能奏效，透過創意及羣體合作，以最少功夫及成本在適當時間做適當的事情，這亦是說憑着「全無缺點」的概念將事情在首次時做對，更需不斷地追求品質及防範未然，而不是事情出錯後而作挽救。



3 Empowering and Belief in you, the people of HAVI – embracing TQP means believing that we ultimately have in our people the talent, experience, dedication and responsible attitude necessary to deliver required quality results to our customers.

適當地委任於員工：「全面優質」之成功，亦得賴各員工具具有各樣才能、經驗、貢獻，以至有責任感的態度為我們的顧客提供優質服務。

Total Quality is easier said than done. This is not a one-off training program, not just a tool - it is a culture we at HAVI Far East must build for ourselves. It will take time and small steps, it will require patience and sticking together as a team - that is why management decided to call it a process i.e. TOTAL QUALITY PROCESS. Let us recognize that the cultivation of Quality is an ongoing continuous improvement process.

「全面優質」說來比實際行動容易得多，亦不是一次訓練課程便得成功，而是一種全面的文化，必須按步就班，且要給與耐性，齊心去幹，因而我們管理階層稱之為「進程」，好讓我們認識到優質意念的培養是一項不斷進行改善的過程。

Over the second half of this year, all of us will begin to get more and more involved in the implementation of TQP. I ask only that you give of your best, keep an open mind, be patient when you feel progress is slow - together through TQP we shall over time build towards a Total Quality Culture. Through Total Quality, the HAVI Far East Companies will grow and scale new heights which must also mean that you, our people, will not only gain total satisfaction at work but more importantly grow with us in your careers.

Ben Chang

我們將會逐漸體會到「全面優質進程」之施行，我希望大家能全身投入，聽取新意，給與耐性，建立起我們的全面優質文化。透過「全面優質」觀念，夏暉集團遠東區各公司將繼續攀上更高境界，從而令所有人員除得到工作滿足感以外，並可與公司同步成長。



EMBARKING ON TOTAL QUALITY PROCESS

推行「全面優質進程」



By now, all of you will be familiar with the catch phrase "Total Quality Process". Indeed many of you will have had initial exposure to the concept and may have been excited by the prospect of being involved in the development and implementation of "TOTAL QUALITY".

Senior Management of the HAVI Group in the Far East were exposed to the concept of TQP early in 1991 when the subject matter became compulsory reading for all GMs and Directors. This initial exposure was supplemented by a seminar in October 1991 attended by senior management in Penang which, in turn led to a two day introductory presentation for Managers, at the Management Conference held earlier this year in Pattaya.

It was apparent from all managers participating in the TQP Conference that a significant opportunity had been discovered which would allow all levels of staff to have a personal opportunity to directly influence the further success and growth of HAVI in the Far East. "KAIZEN" or "Continuous Improvement" and the principles of total quality were brought to bear on the vast majority of the attendees who returned infused with this new knowledge and invigorated by the prospect of positive change.

Soon after the Pattaya Conference, senior management deliberated on the implementation of TQP and decided that:

1. The HAVI Far East Companies should share a common vision to embrace the "Total Quality" philosophy. To this end, a "Quality Council" comprising all General Managers and Directors should be formed to strategically promote, support and ensure consistent end goals are reached in our TQP implementation. "Steering Committees" directing TQP efforts should, however, be formed at Operating Unit level. Responsibility & accountability of TQP implementation must lie with the managers of each operating units.
2. Because of our geographical spread, diversity in business nature and different company maturity, we cannot expect to have one implementation method with one time line. We recognize that building quality in our people is a "culture change process" that may require different programs conducted at varying pace. Where consistency is applicable, this Quality Council will examine synergy of application.
3. Following in from # 2 above, our Hong Kong companies collectively and each of our operations in Singapore, Thailand, Philippines, and Beijing will independently evaluate how to proceed on TQP implementation. In the meantime, it was agreed that the process of TQP education and awareness building should be embarked upon. To this end, total quality elements were being individually applied by managers and TQP elements introduced into orientation and staff meetings. By this method, it is intended to prepare all staff for full implementation of the "Total Quality Process".

So far so good!! Where do we go from here?

你可能已對「全面優質進程」(TQP)有初步認識，及熱切期望能參與其中。

早於九一年初，高層管理人員已開始研讀此概念，並成為所有總經理/董事們的必讀範圍，在同年九月及九二年初，藉於檳城及芭堤雅舉行會議，向不同階層的管理人員推介。

與會後，所有經理們十分鼓舞，他們絕大部分皆認同「改善」或「不斷進步」及「全面優質」的觀念，認為及期望 TQP 可以為夏暉帶來正面改變，使我們可更進一步。

在芭堤雅會議後，我們已決定推行 TQP：

1. 所有夏暉遠東區公司應有一致的「全面優質」目標及精神。一個由所有總經理及董事組成的「優質策劃議會」即將成立，去提倡及支持 TQP 的推行，並維持已定的一致目標。同時，每間公司亦會成立「領導小組」以配合其推行。總之，各公司的經理們都是推行 TQP 的關鍵人物。
2. 由於地區分佈，不同的業務性質及不同的成熟程度，我們不能期望只有一種推行方法及同一進度表。要知道建立「全面優質」是一個「文化改變過程」，在不同情況下需要不同方法。但「優質策劃議會」亦會監察不同方法的進程，以求取得協同效果，及避免偏離目標。
3. 因此，香港區的公司，及其他亞太區的公司，包括星加坡、泰國、菲律賓及北京，將各自研究其「全面優質」的推行方法。但大家已一致同意現時是進行教育及喚醒的時間。故此，「全面優質」將於各公司的管理人員中開始推行，並及於迎新活動和員工會議，使所有員工皆有適當準備，以接受 TQP 的全速推行。

讓我們逐一看看：

Hong Kong Companies

Having looked at many organizations and met with various personalities, the Hong Kong companies have decided that Griffiths Management Ltd. (GML) will help take us through the initial stages of TQP in Hong Kong. They will be assisted in this by Organizational Dynamics Incorporated (ODI), an organization which is familiar with TQP implementation and having offices in USA and Australia.



Over the course of the next two months (August and September) we all will be involved in the "Development of a Quality Strategy and Implementation Plan" for Hong Kong Companies. This will involve GML in a research and data collection exercise during which they will visit each of our companies in Hong Kong and investigate systems, people, attitudes, methods, communications, structures - plus other aspects.

They will then present their findings to the Quality Council over a 2-day meeting in September. The Quality Council with GML / ODI's help will develop our Implementation Strategy.

This should enable us to define a very positive and clear plan for TQP, in Hong Kong, for each Operating Unit. Our objective has been to choose the best, and most meaningful, method to implement TQP. We now believe we have done so, and eagerly await the results of this exercise to allow you - our staff - to participate fully in the process.

In mid-August, our Hong Kong supervisors also spent 2 days in a TQP seminar to reinforce the quality philosophy - this further prepare them for the TQP implementation process.

香港區的公司

在仔細比較數間僱問公司的建議後，我們已請得 Griffiths Management Ltd. (GML) 替我們計劃 TQP 初階，而 Organizational Dynamics Inc. (ODI) 亦會從旁協助。ODI 乃一間對 TQP 有深入認識的顧問公司，在美國及澳洲皆有辦事處。

在八月及九月間，我們會投入「成立優質策略及推行計劃」。GML 會作一研究及資料搜集，包括訪問各公司，研究其系統、員工、想法、方法、溝通、組織等方面，所得結果將在九月份舉行的「優質策劃議會」中報告，以協助成立我們 TQP 的推行策略。

這樣做是要使我們能得到一個正確、最好及最有意義的方法。而我們正積極期待這份研究結果。

在八月中，香港的中級管理人員已參與一項為期兩日的研討課程，以準備迎接 TQP 的推行。

Triremis Singapore

In the case of Triremis Singapore, the implementation of TQP is made easier because of a ready made program organized by the National Productivity Board. The National Productivity Board is a government funded body set up for the purpose of pursuing and promoting the concept of productivity in Singapore. It is offering an elaborate course to guide companies towards the implementation of TQP. The course was jointly developed between



the NPB and Philip Crosby Associates of the USA with a highly local context as well as use of local languages and utilises a combination of talks, videos, dramas, and workshops. These are conducted at various

levels, so that the whole company is exposed to the concept and practice. Over and above all these, the NPB will then provide consultancy assistance to ensure that the directions of implementation are along the right track.

Triremis has begun the TQP program for all their managers, departmental and section heads and will continue the implementation throughout this year.

Triremis——星加坡

對 Triremis 來說，TQP 的推行比較容易，原因是其國家生產力促進局(NPB)已有一套現成的程式。NPB 為一政府資助機構，目的為提倡生產力的概念。經 Philip Crosby Assc.(美國)的協助下，已成立一套完整課程去指引其他機構推行 TQP，這包括一系列適用於當地環境及不同階層的講座、影帶、話劇及實習。同時，NPB 也協助保證推行的過程是朝正確方向。

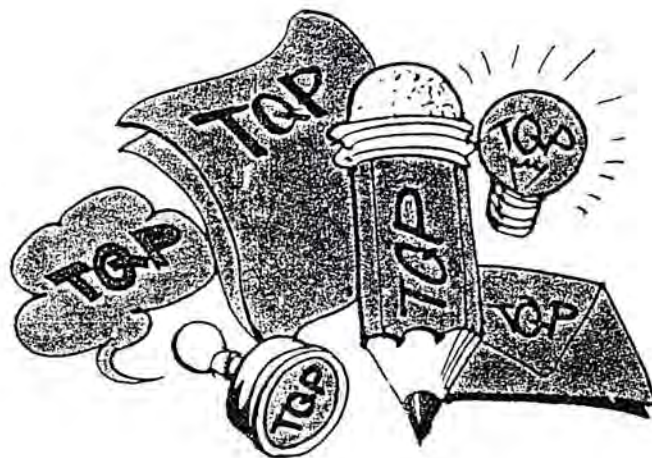
Triremis 已於管理人員及部門主管中推展 TQP。

Prodigy (Phil), Promac (Thai), & HUSI (Beijing)

For our newer operating units in Thailand and the Philippines, the senior managers have been exposed to TQP at the January conference but because of the stage of maturity of these companies, we envisaged that implementation will come some time towards the end of the year after our more mature units have got their program underway. In Beijing, HUSI will eventually embark and get involved but we are leaving it till a later date after local operations are smoothly running.

This brings us around, full circle, to what our core belief is. The HAVI Group of Companies worldwide believe that our most valuable resource are our employees. By helping you develop, we encourage you, in turn, to develop the company - through the Quality Philosophy, we shall develop a QUALITY CULTURE. Let's look forward to an exciting and positive implementation of TQP.

Gavin W. Gemmell



Prodigy(菲律賓)、Promac(泰國)及福喜(北京)

較新成立的公司，如 Prodigy 及 Promac，其經理們已於今年一月的芭堤雅會議中認識了「全面優質」，但因其組織的成熟程度不同，預計其 TQP 的推行會較遲一點，或於本年年底，當其他較成熟的公司推行其計劃後才開始。至於北京的福喜，則會在其操作穩定下來後才推行。

夏暉集團一直深信以人為本。我們鼓勵及協助員工的個人發展，從而幫助集團的進步——經過「全面優質」的精神，以期達致「全面優質」文化。

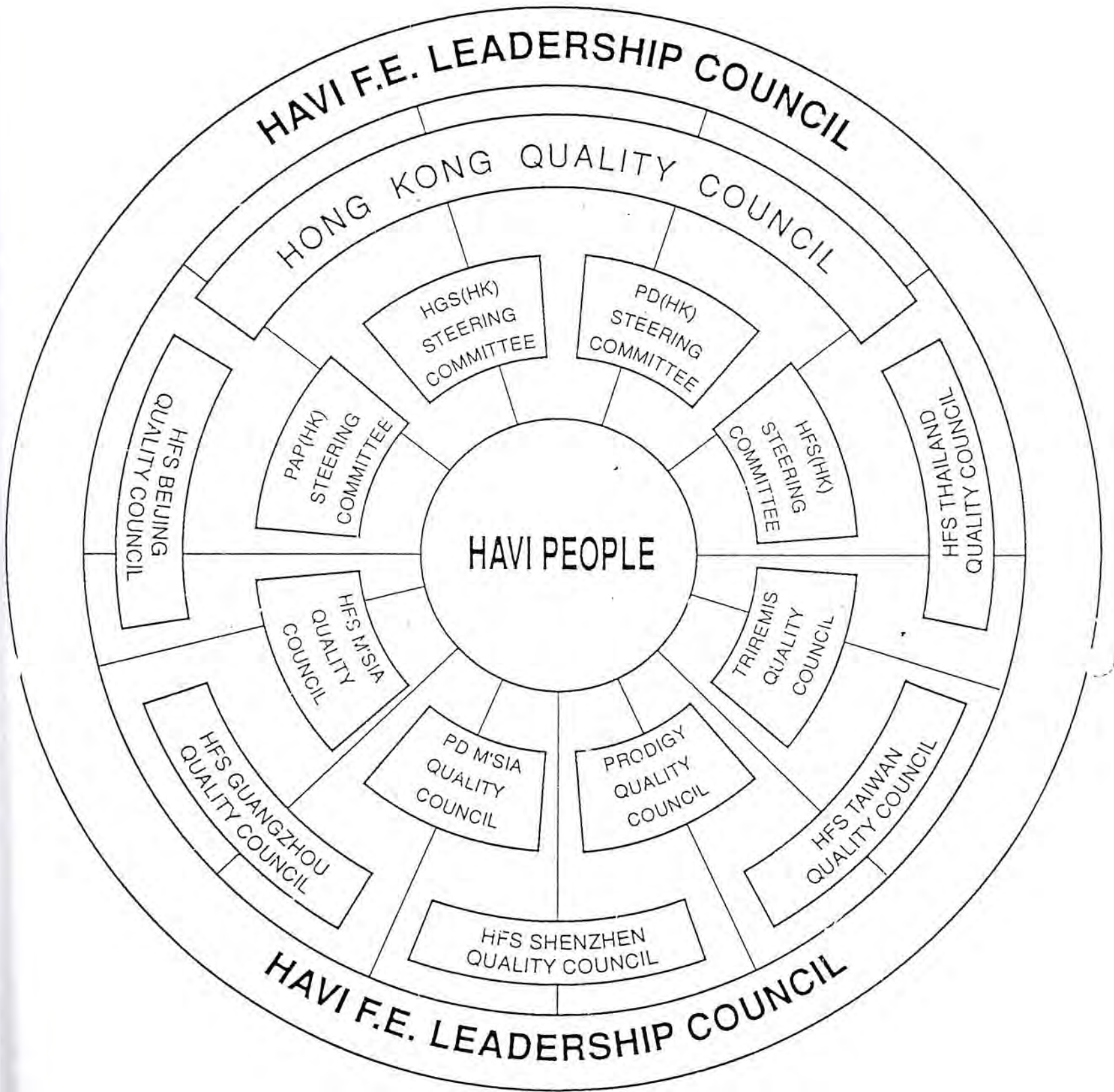
Contents

The Quality Advantage

Introduction	Preface
	Course Overview
Module One	The Meaning of Quality
Module Two	The Cost of Quality
Module Three	You and Your Customer
Module Four	Continuous Improvement
Module Five	Implementation



TQP INFRA-STRUCTURE



HAVI Group Services Strategic Plan CY94-96

VISION STATEMENT

We will be the best in all we do by living our quality culture in an environment of Growth and Fun.

MISSION STATEMENT

To facilitate the growth of HAVI Companies in Asia Pacific by partnering with our customers and enhancing their performance through responsive and proactive support.

HAVI FE Division Objectives

- ★ Maximising Every Individual's Potential
- ★ Total Customer Satisfaction
- ★ Constant Focus on Work Processes
- ★ Progressive Improvement on Profitability



CRITICAL SUCCESS FACTORS

- Customer - Supplier Partnering
- Efficient and Cutting Edge MIS Technology and Communications.
- Empowerment of Management and Staff.
- Increased Productivity and the Provision of Value Added Professional and Technical Services.
- Double digit percentage Divisional Growth in Profitability within planned investment and cash flow parameters.

STRATEGIC GOALS

- To create effective systems, policies and procedures which meet the needs of Customers and Suppliers.

- To provide and maintain a stable, secure and reliable MIS and electronic communications infrastructure and continually search for improvements.

- To establish an environment where all employees automatically initiate continuous process improvements.

- To establish proactive divisional and operating unit measurement criteria for profit, cash management and growth.

ACTION PLAN CY94

- Regular Customer/Supplier Alignment Exercise
 - Define measures of Excellence
 - Respond to changing needs
 - Interface with HHO for consistency
- Strength & enhance MIS support and services
 - Create Disaster Recovery Plan
 - Formulate SOP's
 - Elevate User Training
 - Research New & appropriate software
- Promote TQP and Skill Training
 - Dedicate minimum of 40 hours training to each staff member in CY94.
 - Participation in QAT's
 - Staff survey
- Define Performance Measures
 - Profit (EBIT)
 - Capex
 - Cash
 - People (Turnover)

**STRATEGIC PLANNING PROCESS
HUMAN RESOURCES DEPARTMENT
CY94-96**

A. VISION STATEMENT (the Far East Vision)

"We will be the best in all we do by living our quality culture in an environment of **Growth and Fun.**"

B. MISSION STATEMENT - The Human Resources Department

"To continuously improve our human resources to be the Best People, the Most Valued Asset, for the Company, to mutually achieve Corporate objectives and Individual objectives."

Linking between Vision and Mission

- * Consider People as one of the most important and expensive resources for the Company in the course of achieving its objectives.
- * A quality organization should listen to the "Voice of the Employees". It requires that employees' objectives and corporate objectives should be attuned.
- * The corporate and the employees should grow simultaneously and mutually. Satisfaction and fun will be generated in due course.
- * If the employees do their best, the company will perform its best, and therefore, achieving a quality organization.

C. CRITICAL SUCCESSFUL FACTORS

- * Clearly defined jobs of all levels and clearly defined policies and operating procedures

This is to set clear goals and guidelines for all and to eliminate false expectations which used to cause frustrations.

- * Pertinent Deployment, Empowerment and Recognition

"Right people for the Right Job."

Employees should also take ownership and pride in their work.

- * Development

Employees should be able to pursue career growth opportunities within the organization. It is a joint effort of the employees and the corporate.

- * Competitive Remuneration and Benefits Package

Employees should be rewarded properly for their efforts and contributions to the organization. It is also important for motivating and retaining the good staff.

- * Challenging and Positive Environment

People, especially the comparatively young population within the company, need to be continuously challenged, for the growth and development of the people and the company.

Challenges must be constructive to the company and the employees. Positive Environment will generate fun despite of continuous challenges.

D. ENVIRONMENT ANALYSIS

I. **External (to HR Dept and the Company) Factors**

1. The Customers - Key Customer Survey Analysis

Raw Data Analysis - as attached

Importance of service areas, in descending order, as in the eyes of the Customers:

1. Recruitment Services
2. Salary & Benefits Administration
3. Newcomer Orientation
4. Policy & Procedure Management
5. Understanding Line Functions
6. internal HR Status Update
7. External HR Intelligence Update
8. Personnel Record Keeping
9. Employee Functions Organization
10. Counselling Services
11. Training Information Update

5 biggest service gaps (Importance Rating minus Performance Rating) in the eyes of the customers:

1. External HR Intelligence Update
2. Understanding Line Functions
3. Counselling Services
4. Policy & Procedure Management
5. Recruitment and Newcomer Orientation

2. The Labour Market/Supply

+ ve issues:

- * Import Labour Scheme. Though it does not directly affect us (the MetroPlaza companies) much, it helps to stabilize the overall labour supply and the upward trend of wages.
- * Returning of some emigrated professionals, such as the MIS and Accounting personnel, helps to increase the supply of managerial staff.

-ve issues:

- * Still tight labour supply in the supervisory/clerical level, partly due to the relatively static working population, and the increase in demand for such levels as the service sectors in Hong Kong expand.

3. The Competitors - Other Employers

+ve issues:

- * In view of the tight labour supply, some employers in service sectors started to look for new sources, such as from PRC and other S.E. Asian countries, than relying on destructive wage competition.

-ve issues:

- * Employers started to introduce new items in their staff benefits packages, rather than pure wage increase, to attract, motivate and retain employees. This means that we need to be always conscious of new developments in such areas in order to remain competitive. It also means higher cost.

4. The Economy

+ve issues:

- * Economic depression in the U.S., Canada, and Australia forced the HK emigrants to return. This will ease the labour supply, especially for the managerial and professional positions.
- * Down trend of the inflationary rate will loose the force on wage level increase.

-ve issues:

- * Still high inflationary pressure from the growing economy.

5. Government/Legislation

+ve issues:

- * Legislations on Retirement Schemes clear past misunderstandings and abuses.
- * Increasing pressure from labour unions give rise to stricter labour regulations, more protection to the employees.

-ve issues:

- * Legislations on Retirement Schemes means less flexibility for fund schemes to meet different needs of employers.
- * Increasing pressure from labour unions give rise to stricter labour regulations, less flexibility and discretion to the employers. This will also mean high labour cost.

II. Internal (to the HR Dept) Factors

1. Manpower cost budgeting and control

- * Not very much tie in with the business plan
- * Different approaches adopted by different operating unit.
- * Expense/budget on information sourcing remain very tight (this includes time also).

2. Human Resources within the HR Dept.

- * Due to personnel transition, it takes time to stabilize the work force of the department.
- * Steady growth, in terms of work capability and mental maturity, has been observed.
- * Due to the growing demand from customers on the HR Dept and other SS Depts in HGS, secretarial support will be increasingly tight.

3. Technology

- * New HR system will enhance the efficiency of the department, by reducing volume of paperworks.
- * Systems understanding and thinking quite low among the HR personnel.
- * Computer software literacy is acceptable at this juncture but lack of sources on new technology.

E. IDENTIFYING GAPS

With the environmental factors analyzed, and the Critical Success Factors identified above, major gaps are:

- * Lack of clearly defined job descriptions.
- * Lack of consistent and well-defined Training & Development Plan and a reasonable Training Budget.
- * Lack of proactive sourcing for market HR information.
- * Outdated HR Policy/Procedural Manual, and its effective communication.

F. SETTING STRATEGIC GOALS AND ACTION PLANS

Goals	Time Line
A. Policy/Procedural Management	
1. Update the HR Policy/Procedure Manual, and communicate to the staff.	January CY94
2. Develop means to continuously update the Manual and communication to the staff.	April CY94
3. Review the HR Policy/Procedure.	On-going
B. Job Description System	
1. Obtain Job Description of all current positions from department managers.	June CY94
2. Perform systematic Job Analysis.	December CY94
3. Review the Grading and Salary Structure	December CY94
Market HR Information Sourcing and HR Practice Benchmarking	
1. Identify the nature and type of information to be sourced	January CY94
2. Identify the possible sources.	March CY94
3. Contact the sources and obtain information, and analysing the information.	On-going
4. Review the sources	On-going
5. Identify the practices to be benchmarked (say 3 processes).	April CY94
6. Identify the partners to be benchmarked.	June CY94

- | | |
|--|------------------------------------|
| 7. Benchmarking process started and implementation of revised practices. | On-going |
| D. Well-defined Training and Development Plan and Reasonable Budget | |
| 1. Training Needs analysis for individual company. | January CY94 |
| 2. Develop the Training Plans, together with the forecast. | March CY94 |
| 3. Succession Planning, by General Managers of each company. | Start by January CY94 and on-going |

Quality Element	Little-q Organization	Big-Q Organization
The definition of quality is . . .	Product oriented	Customer oriented
Quality priorities are . . .	Less important than cost, schedule, and volume	The catalyst—the “driver”—for meeting other equally important priorities
The business focus . . .	Is short term	Balances short term and long term
Emphasis is on . . .	Detecting errors	Preventing errors
Costs are . . .	Raised when quality is emphasized	Lowered when quality is emphasized
Errors are understood to result from . . .	Special causes (workers making mistakes)	Common causes (ineffective systems and management practices)
Cycle time is . . .	Lengthened to ensure quality work	Reduced dramatically through process improvements
Responsibility for quality belongs to . . .	Quality control/quality assurance inspectors or specialists	Everyone
The organizational culture tends toward . . .	Pointing fingers, finding blame, and punishing risk takers	Continuous improvement, innovation, and permission to fail
The organizational structure is . . .	Hierarchical, bureaucratic, and static	Flat, integrated, and fluid
Problem solving is by . . .	Those in authority, top of pyramid	Teams, all employee levels



SECTION 1
GUIDELINES FOR SALARY REVIEW CY1992

The Salary Review will fundamentally base on merits. Only when being considered appropriate and applicable by the management, should there be additional elements: promotional increments and special increments.

TOTAL SALARY INCREMENT (inclusive of all the three elements) for the whole operating company should NOT exceed 13% of its current total basic salary payout.

I. MERIT INCREMENT

1. Merit Increment primarily takes into consideration the performance of the staff. Individual employee's merit will base on the performance rating of his/her performance appraisal, which should be processed by his superior together with consensus from the management. Merit increment percentage has, however, included the cost of living component.

Following table stipulates the percentages of merit increment with respect to each level of performance ratings:

<u>Performance Rating</u>	<u>Percentage of Increment</u>	
	<u>Grade 5 & Below</u> (General Grades)	<u>Grade 6 to 9</u> (Managerial Grades)
Definitely Unsatisfactory	6.0%	5.0%
Needs Improvement	8.5%	7.5%
Meets Requirement	11.0%	10.0%
Good	13.0%	12.0%
Commendable	15.0%	14.0%
Excellent	17.0%	16.0%

The Merit Increment for staff of Grade 6 to 9 (managerial grades) is 1% lower than those of Grade 5 and below of equivalent performance ratings because of 1) the upward adjustment of the Rental Reimbursement and 2) comparatively large base of basic salary of the managerial grades and this is to diminish the growing divergence, in absolute terms, of the salaries between managerial and general grades.

SECTION 1
GUIDELINES FOR SALARY REVIEW CY1992

II. OTHER INCREMENTS

There can be other additional increments added on top of the Merit Increment under the following circumstances:

1. Promotional Increment

Promotional Increment will be made for cases of promotion. Suggested range for Promotion Increment is 5 - 15%, on top of the Merit Increment. Reasons and recommendations for promotion should be stated in detail in the Promotion Proposal Form (copy attached), in addition to the Performance Appraisal Form. All standard procedures and approval policies for processing a promotion should be followed.

As a general rule, an employee should be rated "Commendable" or "Excellent" if he/she is proposed for promotion.

2. Special Increment

Special Increment only applies when there are special factors, such as under-market (or above-market) pay, significant changes in responsibilities and addressing to internal relativity, thereby affecting the salary levels of the employees. Justifications for Special Increment must be given in the "Remarks" column on the Annual Salary Review Worksheet (Sample attached).

III. INCREMENT FOR STAFF NOT COMPLETING FULL YEAR OF SERVICE IN CY92

The percentage of increment to staff who join the company during CY92 should be prorated according to their actual length of service, counting from the first day he/she commenced duty until December 31, 1992.

For example, if the employee (say of Grade 1) will have completed 9 months service up to December 31, and is rated "good" in his performance appraisal and there is no other types of increments for him, he should be entitled to a 13% increment in salary should he completed one full year of service. But for CY92, since he has only 0.75 year of service, his percentage of increment should be prorated i.e. $13\% \times 0.75 = 9.75\%$.

This guideline will be strictly monitored during this year's review to ensure compliance.

SECTION 1
GUIDELINES FOR SALARY REVIEW CY1992
(Cont'd)

PROCEDURES AND TIME-TABLE FOR THE ANNUAL PERFORMANCE AND SALARY REVIEW

This year the process should be driven by the General Managers/Directors in coordination with Human Resources Representatives and Department Heads. Please note that the Nov. 2 deadline must be adhered to.

<u>Date Line</u>	<u>Event</u>
October 6, 1992	Performance Appraisal Forms distributed to the Department Heads through the General Managers/Directors.
October 6, 1992	Compensation and Benefits Schedule CY1993 (including Guidelines for Salary Review), together with the Annual Salary Review Worksheet, issued by the Human Resources Department and distributed to General Managers/Directors only.
October 19, 1992	Completed performance ratings and promotion proposals (if any) by the Department Heads/Supervisors submitted to the General Managers/Directors.
October 19 - 30, 1992	Discussions/meetings of General Managers/Directors with the Department Heads on the performance ratings and salary reviews, and promotion proposals, if any. (recommended).
November 2, 1992	<i>Final performance ratings and promotion proposals (if any) sent from the General Managers/Directors to the Managing Director.</i>
	Performance Review Interviews Schedule finalized by the Human Resources Department.
	Tentative Salary Reviews and Promotion Proposals sent to Human Resources for preparatory work.
November 2 - 9, 1992	Discussions with the Managing Director and the General Managers/Directors on the performance ratings, salary reviews and promotion proposals begins, if necessary.

SECTION 1
GUIDELINES FOR SALARY REVIEW CY1992
(Cont'd)

<u>Date Line</u>	<u>Event</u>
November 9, 1992	Performance ratings, salary reviews and promotion results finalized by the Managing Director.
November 10, 1992	Performance Interviews commence.

Notes

1. Please ensure NO DISCLOSURE of the above exchange scale of performance rating with salary increment percentage to the Department Heads before the performance appraisal forms are completed and returned by them. This is to maximize the objectivity in the process of appraising performances and subsequently awarding the merit increments.
2. No adjustment to the merit increment is allowed. Merit increment should exactly reflect the result of the performance rating of an employee.
3. General Managers/Directors have the discretion to adjust within 1% at the "Special Increment" of the employee's salary increment in order to fine-tune the overall budget.
4. Justification in detail for special adjustment beyond 1% must be given at the "Remarks" column on the Salary Review Worksheet or on separate sheet when required.
5. General Managers/Directors may consider negative increments to over-paid staff at the "Special Increment" column in order to bring their salaries closer to the real values.
6. Under no circumstances should salary fall outside the salary range of the respective reference grade. Please refer to the Corporate Salary Range (attached).
7. Please indicate new title in the Salary Review Worksheet ("Remarks" column) if there is title change. For consistent naming of positions, please follow the guidelines in the Corporate Title System.
8. Please ensure that all necessary supporting documents, such as Promotion Proposal Forms, justifications for special adjustments, should be attached together with the Salary Review Worksheet when submitted to the Managing Director.



**Performance Appraisal Form
for General Staff**

=

Name	:	
Position	:	
Company	:	
Department	:	
Employment Date	:	
Name of Appraiser	:	
Name of Third Person	:	
Period Covered by The Appraisal	:	
Date of Appraisal Interview	:	
Type of Review	:	<input type="checkbox"/> Confirmation <input type="checkbox"/> Promotion <input type="checkbox"/> Special Review <input type="checkbox"/> Annual Review <input type="checkbox"/> Transfer

Instructions:

Listed below are a number of traits, abilities and characteristics that are important for success in business. Placed an "X" mark on each rating scale over the descriptive phrase which most nearly describes the person being rated. (If this form is being used for self-evaluation, you will be describing yourself.)

ACCURACY is the correctness of work duties performed.

Makes frequent errors.

Careless; makes recurrent errors.

Usually accurate; makes only average number of mistakes.

Requires little supervision; is exact and precise most of the time.

Requires absolute minimum of supervision; is almost always accurate.

ALERTNESS is the ability to grasp instructions, to meet changing conditions and to solve novel or problem situations.

Slow to "catch on."

Requires more than average instructions and explanations.

Grasps instructions with average ability.

Usually quick to understand and learn.

Exceptionally keen and alert.

CREATIVITY is talent for having new ideas, for finding new and better ways of doing things and for being imaginative.

Rarely has a new idea; is unimaginative.

Occasionally comes up with a new idea.

Has average imagination; has reasonable number of new ideas.

Frequently suggests new ways of doing things; is very imaginative.

Continually seeks new and better ways of doing things; is extremely imaginative.

INITIATIVE is the willingness to assume responsibilities and initiate efforts to achieve goals.

Effort less than job requirement. Very close supervision is needed to fulfill job duties.

Just accomplish minimum job requirement. Little effort to improve work performance. Requires close supervision.

Positive towards taking responsibilities and generates own effort to improve work performance. Self starter.

Often generate own efforts to improve work performance and team results. Responsive to new challenges and always self-motivating.

Continually and aggressively seeks ways to improve own performance and team results. Likes to take new challenges. Self driven.

PERSONALITY is an individual's behavior characteristics or his/her personal suitability for the job.

Personality unsatisfactory for this job.

Personality questionable for this job.

Personality satisfactory for this job.

Very desirable personality for this job.

Outstanding personality for this job.

ORGANIZING/TIME MANAGEMENT is the ability to prioritize job tasks and organizing the work activities.

No planning and priorities-setting. Does not use time productively.

Some initial efforts in planning work, schedule and priority-setting. However, job tasks are still not efficiently organized.

Often able to initiate planning efforts and identify priorities. Time is used quite efficiently.

Able to regularly set current priorities and plan schedule and use time productively according to priorities.

Able to consistently set correct priorities and organize things systematically according to pre-set priorities to achieve highest efficiency.

WORKING RELATIONSHIPS is the ability and willingness to work with associates, supervisors and subordinates.

Seldom cooperate. Self-centered and cannot get into the team.

Cooperation and assistance to peers are given only when requested. Sometimes has difficulty in getting along with co-workers.

No problem in getting along with co-workers. Responsive to team efforts.

Often work in harmony with others. Good team worker.

Very effective working relationships with others. Social leader in the team.

ATTENDANCE is faithfulness in coming to work daily and conforming to work hours.

Often absent without good excuse and/or frequently reports for work late.

Lax in attendance and/or reporting for work on time.

Usually present and on time.

Very prompt; regular in attendance.

Always regular and prompt; volunteers for overtime when needed.

HOUSEKEEPING is the orderliness and cleanliness in which an individual keeps his/her work area.

Disorderly or untidy.

Some tendency to be careless and untidy.

Ordinarily keeps work area fairly neat.

Quite conscientious about neatness and cleanliness.

Unusually neat, clean and orderly.

DEPENDABILITY is the ability to do required jobs well with a minimum of supervision.

Requires close supervision; is unreliable.

Sometimes requires prompting.

Usually takes care of necessary tasks and completes with reasonable promptness.

Requires little supervision; is reliable.

Requires absolute minimum of supervision.

JOB KNOWLEDGE is the information concerning work duties which an individual should know for a satisfactory job performance.

Poorly informed about work duties.

Lacks knowledge of some phases of work.

Moderately informed; can answer most common questions.

Understands all phases of work.

Has complete mastery of all phases of job.

WORK EFFICIENCY is the efficiency an individual display in the daily work.

Does not meet minimum target.

Just enough to reach target.

Efficiency is satisfactory, constantly meet or exceed target.

High efficiency, obviously exceed standard target, does more than is required.

Superior efficiency record.

STABILITY is the ability to withstand pressure and to remain calm in crisis situations.

Goes "to pieces" under pressure; is "jumpy" and nervous.

Occasionally "blows up" under pressure; is easily irritated.

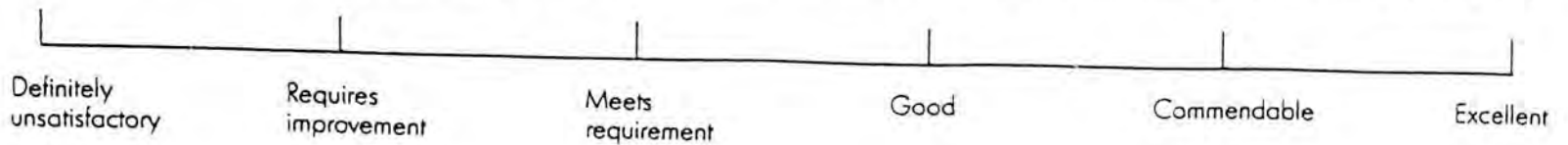
Has average tolerance for crises; usually remains calm.

Tolerates most pressure; very good tolerance for crises.

Thrives under pressure; really enjoys solving crises.

OVERALL EVALUATION

in comparison with other employees with the same length of service on this job.



COMMENTS

Areas which could be further improved –

and these can be strengthened by doing the following:

Major strong points are –

and these can be applied more effectively by doing the following:

Remarks:

Prepared by:

Appraiser/Appraisee

Date: _____

Read and understood by:

Appraisee

Date: _____

Approved by:

Department Manager/General Manager

Date: _____

Reviewed by:

Human Resources Manager

Date: _____



**Performance Appraisal Form
for Managers / Supervisors**

Name :

Position :

Company :

Department :

Employment Date :

Name of Appraiser :

Name of Third Person :

Period Covered by The Appraisal :

Date of Appraisal Interview ::

Type of Review : () Confirmation
() Promotion
() Special Review
() Annual Review
() Transfer

Part I: Review of Achievement

1. List the major targets/assignments you have accomplished under review period.

Targets/Assignments Accomplished	Remarks

2. List the major targets/assignments you have not accomplished under review period.

Targets/Assignments Not Accomplished	Reasons

Part II: Individual Ability Assessment

This section is an assessment of the individual's capabilities / knowledge in terms of the requirement of his / her current job. Please put a (✓) on the scale and support your assessment rating in the adjacent open box:

1. Human Relations Abilities

Abilities for dealing with people — understanding, selecting, developing, motivating and influencing people (principally one's subordinates, colleagues in the company and outside people such as customers, competitors).

Below Requirement		
Meets Requirement		
Exceeds Requirement		
Outstanding		

2. Communication Abilities

Abilities in effectively communicating information in both verbal and written forms, presentation, negotiating and debating objectively.

Below Requirement		
Meets Requirement		
Exceeds Requirement		
Outstanding		

3. Problem Solving Abilities

Original and logical thinking on analyzing, evaluating, reasoning and arriving consistently at sound conclusions. Creative approach to solution finding.

Below Requirement		
Meets Requirement		
Exceeds Requirement		
Outstanding		

4. Organising Abilities

Abilities in designing and operating efficient work systems, scheduling work, managing time, meeting deadline and following through till completion.

Below Requirement		
Meets Requirement		
Exceeds Requirement		
Outstanding		

5. Planning Abilities

Abilities in looking ahead, setting goals, handling future challenges proactively and laying down systematic action plans.

Below Requirement		
Meets Requirement		
Exceeds Requirement		
Outstanding		

6. Technical and Professional Competence

Knowledge, skill and experience acquired for performing all aspects of the current job requirements.

Below Requirement		
Meets Requirement		
Exceeds Requirement		
Outstanding		

7. Personal Attitude & Commitment in HAVI's Philosophy

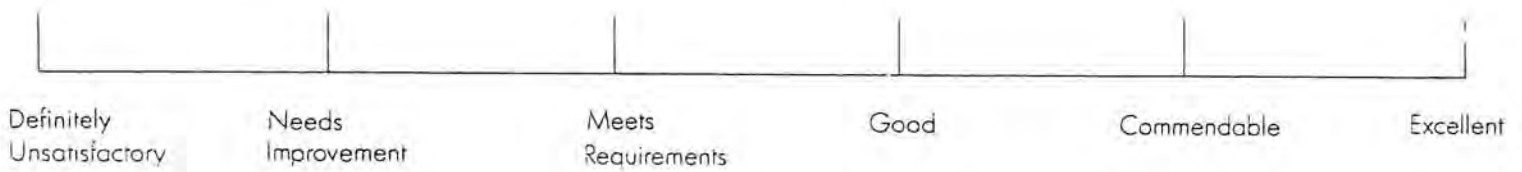
Ethusiasm and commitment in work, initiative, self-confidence, sense of responsibility, perseverance and adaptability, willing to work in team, friendly, respect for people and fair treatment.

Below Requirement		
Meets Requirement		
Exceeds Requirement		
Outstanding		

Part V: Training and Development

Please identify the priority needs for training and/or career development in next appraisal period.

Part VI: Overall Performance Rating



Performance is very much substandard and improvement is critically needed before some corrective measures are taken.

Performance is not up to expectation and improvement is needed to reach standards.

Performance generally meets requirements and is desirable to have future progress.

Performance constantly meets requirements and sometimes exceeds standards. Good efforts have been made.

Performance obviously exceeds standard and is often outstanding in some strong areas.

Performance is excellent and is distinguished in most areas. Potential for more senior responsibilities.

Prepared by:

Read and understood by:

Appraiser/Appraisee
Date: _____

Employee
Date: _____

Approved by:

Reviewed by:

Department Manager/General Manager
Date: _____

Human Resources Manager/
Managing Director
Date: _____

Performance Appraisal Task Force
 Meeting on 9.14.93 (EH/CB/FC/GF/GG/

RECEIVED

15 SEP 1993

H R D

1. Existing Process

1.1 Objectives

- To give annual salary increment (related to performance) annually.
- To provide an opportunity for formal appraisal between appraiser and employee, together with neutral observer.
- Probation review for newcomers.

Strengths

- Understanding mutual expectations & set up performance targets for following year (managers only).
- Opportunity to give praise.
- Identifies key issues.
- Employee gives feedback to employer.
- Forces feedback once a year.
- Provides some structure.
- Positively significant event.

Weaknesses

- No regular review (necessary to measure and monitor).
- One way feedback.
- Little or no follow-up (skills levels inconsistent).
- % has been fixed, cannot be altered!!
- Atmosphere not right.
- Anxiety.
- Linkage of Performance Appraisal and salary increment (positive interview can be destroyed by low increment).
- Too subjective.
- Inadequate training + guidelines for Manager.
- 3rd Party may inhibit open exchange.
- Timeline - discussion schedules.
- No opportunity for feedback from peers.
- Inadequate for formal feedback to management how he/she is treating you.
- Newcomers/new staff unfamiliar with this type of "confrontational" interview process. Not culturally friendly.
- Not consistent with TQP principles.
- Too many grades of performance.

1.2 Timing

- Commences Oct 1, forms issued.
- Interviews commence - November onwards.
- Complete by Dec 24 latest.

2. New Process -- Elements of TQP Performance Appraisal

- Specific Measurement Criteria
 - Measurements
 - Observation
 - Judgement
- Positively, emotionally stimulating/motivated.
- Customer / Supplier alignment (close the gaps)
 - Appraiser --> Appraisee ??
 - Appraiser <-- Appraisee ??
 - Peers
- Teamwork.
- Openness/climate/dissipate anxiety.
- Emphasis on improvement (continuous).
- Perceived fairness (???)
- Responsibilities (empowerment)
 - Ability to take tasks on
 - Ability to pass tasks on (delegate)
- One to one interview unless 3rd party requested by both parties.
- Leadership.
- Participation in TQP activities.
- Criteria for job enhancement/promotion/career development (career development section).
- Training.
- Timing of process to be planned carefully (interviews).
- Self Appraisal.
- Separate Increment & Performance Appraisal (Appraisal completed before increment letter issue).
- Issue MIP and salary increment letter together (reduces paperwork and effort).

3. CY93 Appraisal

- During process, explain we are changing for next year.

4. Objective for Next Meeting

- Revise existing system to accommodate "Elements of TQP Performance Appraisal".

5. Parking Lot

- Performance Agreement between appraisers and appraisees (review in long term).

Performance Appraisal Form - CY93

Name :

Position :

Operating Unit :

Department :

Reports to :

Appraiser :

Third Party
(Optional) :

Review Period :

Date joined :

Initial Designation :

Career record : (1) Date: Position :
(2) Date: Position :
(3) Date: Position :
(4) Date: Position :

Type of Appraisal : () Confirmation
() Promotion
() Performance (annual)
() Other (specify) _____

Section 1 Personal Accomplishments

1.1 List, in order of importance, the key objectives of your job in the review period.	
	<u>Appraiser Comments</u>

1.2 In relation to the key objectives mentioned above, enumerate the major achievements and accomplishments in the review period. How were they accomplished?	
	<u>Appraiser Comments</u>

1.3 In relation to the key objectives mentioned above, list those which were not met and provide an explanation.	
	<u>Appraiser Comments</u>

* In the event additional information needs to be provided in respect of 1.1, 1.2 or 1.3, please complete additional comments on a separate sheet for inclusion.

Section 2 Performance Rating

The objective of this section is to evaluate the employee's performance in the criteria outlined. Differences in assessments between the Appraiser and the Employee should be used to constructively determine action plans for ongoing improvement.

The Appraiser's assessment shall, in all circumstances, be considered the basis for annual evaluation.

- 5 = Exceeds all requirements of the job in this dimension.
- 4 = Exceeds most requirements of the job in this dimension.
- 3 = Meets, but does not exceed requirements of the job in this dimension.
- 2 = Meets some, but not all, requirements of the job in this dimension.
- 1 = Does not meet any requirement of the job in this dimension.

A = Appraiser E = Employee

1	2	3	4	5
---	---	---	---	---

2.1 Strategic Plan

- Participation in and understanding of Strategic Plan for the Operating Unit.

A					
E					

- Personal commitment and ownership of responsibilities arising from the Strategic Plan.

A					
E					

2.2 Teamwork

- Assess your ability and willingness to work with other staff in teams.

A					
E					

2.3 Total Quality Process

- Evaluate your understanding, acceptance and commitment to TQP.

A					
E					

- Appraise the extent to which you are personally enhancing your knowledge and practising TQP.

A					
E					

2.4 Quality Action Teams

- Measure the extent to which you have participated, supported and encouraged in QAT's during CY93.

A					
E					

2.5 Work Processes

- Assess the extent to which you are continually improving your work processes, and that of your colleagues.

A					
E					

2.6 Leadership and Influence

- How capably have you demonstrated leadership and positive influence in your work, and/or that of your colleagues during the review period.

A					
E					

2.7 Innovation and Creativity

- Assess the extent to which you have introduced new ideas and embraced change in the work environment.

A					
E					

2.8 Customers Alignment

- Indicate the extent to which you have reviewed the requirements of your internal/external customers and aligned your objectives with theirs.

A					
E					

2.9 Communications

- Assess the effectiveness of your communications with your internal/external customers, suppliers + colleagues.

A					
E					

2.10 Planning and Organising

- How well have you planned your actions and organised your resources in support of your work related goals during the review period.

A					
E					

2.11 Professional & Technical Expertise

- What is your level of professional and technical expertise in relation to your current position.

A					
E					

2.12 Training & Career Development

- How effectively have you and your supervisor planned and implemented career development, TQP training and general education during the review period.

A					
E					

2.13 Enthusiasm & Commitment

- Indicate your personal level of enthusiasm and commitment to HAVI, your job and colleagues.

A					
E					

Section 3 Overall Performance Rating

Rating	1.0	1.5	2.0	2.5	3.0	3.5	4.0	4.5	5.0
Appraiser									
	Poor		Needs Improvement		Meets Requirement		Commendable		Excellent

Comments from the Employee: -

Section 4 Goals and Personal Improvement Plan for CY94

4.1 Goals for CY94

List below your major goals for CY94, in relation to your job and work environment:-

Action Plan	Completion Date

4.2 TQP

List below the steps you will take to enhance your knowledge of TQP and participate in Process Improvement opportunities.

Action Plan	Completion Date

4.3 Training, Career Development and General Education

Define the critical areas needed during the following twelve months.

Action Plan	Completion Date

Section 5 Others

Other Comments :

Signed by : _____
Employee

Date : _____

Signed by : _____
Appraiser

Date : _____

**NOTES TO ALL STAFF ON
PERFORMANCE APPRAISAL CY93**

1. Objectives of the amended Performance Appraisal process for CY93

- 1.1 To reflect key values of TQP in the Performance Appraisal process.
- 1.2 To reflect participation and ownership in/of the Strategic Planning process.
- 1.3 To generally improve the process of Performance Appraisal.

2. The Process in Brief

- 2.1 The Performance Appraisal forms will be passed to the employees via their Dept. Manager/Supervisor.
- 2.2 The employees will complete the form first, based on self-assessment on their performance in the review period covered.
- 2.3 The employees will then return the completed form to their supervisor/Dept. Manager, who will proceed with the process accordingly.
- 2.4 There will be Performance Appraisal Interview between the Appraiser and the Employee, to discuss the performance targets, ratings, and plans for CY94, with or without the presence of a third party.
- 2.5 General Manager of each operating company will set its own timetable on the process, while complying with several group timelines.

3. Important Notes

- 3.1 There will be one form for all. This means that Managers/supervisors as well as general staff will use the same form.
- 3.2 Employee and appraiser will complete the same form.
- 3.3 Some of the areas, such as participation in Strategic Planning Process and QAT's, might not be applicable to all staff this year, especially the more junior members who were not given the opportunity to fully participate.

In such cases, the Appraiser and Employee should indicate accordingly, for example, by entering N/A (Not Applicable). The Appraiser should NOT consider these areas when making their overall rating.

However, we wish to firmly bring home the message to ALL STAFF that these areas of performance and participation (i.e. TQP and Strategic Planning, etc.) are the responsibility of everyone - and will be a clear measure for CY94.

- 3.4 The presence of a Third Party is NOT mandatory. General Manager of each Operating Unit will be the final authority to decide the necessity of a Third Party in each case, and who he/she will be, if necessary.
- 3.5 When necessary, the Third Party should be adding value to the process. (Therefore, it is NOT mandatory to have an HR Rep as the third party.)
- 3.7 ~~This year~~, the Appraiser will NOT hand over the salary increment letter at the end of the Performance Appraisal.
- 3.8 Notification of salary increment will be issued to all staff, in the form of a confidential letter, in mid-December 1993. *of the year*
- 3.9 If employees have any questions regarding this process, ^{*they can*} please contact their supervisor, Dept. Manager, General Manager or the HR Manager.

MEETING NOTES OF THE TASK FORCE MEETING ON
PERFORMANCE APPRAISAL

Date: February 8, 1994
Time: 10:00 - 11:00 am
Attendees: Sundaraj Balakrishnan/Christina Burnet/Gary Fok/Ed Hahn/
Hermony Lee/Bernard Wong/Grace Wong
Apology: Gavin Gemmell

1. *Experience, comments and opinions on the CY93 Performance Appraisal:*

HFS-HK

1. *Staff found the content of the form hard to understand, especially the jargons.*
2. *Staff found that a number of questions were vague and confusing.*
3. *There was no systematic method to calculate the overall rating.*
4. *Time line was too rush.*
5. *Who could opt for the 3rd party? Appraiser wanted one-to-one interview, but the appraiser insisted to have a 3rd party (e.g. boss's boss).*

PAP

1. *Time line was too rush.*
2. *The form was not so suitable for Supervisor II and below. Suggest to have two different forms for different level, as before.*
3. *There were jargons not easily understandable to employees, e.g. confusion on TQA and QAT.*
4. *The form treated TQP as one distinct program. Suggest to better integrate it with other criteria/requirements.*
5. *TQ appears too vague for Account Executives. Any measurement?*
6. *There should be more space for comments.*
7. *Staff generally welcomed the optional 3rd party approach.*
8. *Using one form by appraiser and appraisee was good.*

HGS

1. *Staff did not understand the form - language problem.*
2. *Staff did not have clear understanding to TQP, so they could not come up with specific goals in their plan.*
3. *Not all areas in the form were applicable to all, but they still fill in, though they had a liberty to leave them blank.*
4. *The optional 3rd party was welcome.*
5. *Both sides filled in one form was good. They could better prepare for the interview - they came into the interview warm.*

PD/BDP

1. *Comfortable with the form.*
 2. *Difficult jargons.*
 3. *Most staff was not involved in the Strat Plan process, so not applicable for them.*
 4. *It is alright to have the boss's boss present as the 3rd party.*
2. *It was agreed that with the above list of comments, all should use the CY93 form as a base to suggest amendments or improvements, and bring them to next meeting for discussion. A totally new form will also be welcome.*
 3. *All should also think about the whole process as well as the time line, in addition to the form.*
 4. *Next meeting will be held on March 10, 1994 (Thu) 10:00 - 11:00 am, at Room B.*

Note: Attached please also find an article on Team Appraisals for your reference.

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