Organizational Factors Influencing Performance Management System in Higher Educational Institution of South East Asia

aNur Naha Abu Mansor, bAnanya Raka Chakraborty, cTay Ke Yin, dZeynep Mahitapoglu

aSenior Lecturer, Faculty of Management and HRD, Universiti Teknologi Malaysia, Malaysia.  
bMasters Candidate, Faculty of Management and HRD, Universiti Teknologi Malaysia, Malaysia  
cUndergraduates, Faculty of Management and HRD, Universiti Teknologi Malaysia, Malaysia

Abstract

The main purpose of this article is to identify the factors that are influencing the implementation of performance management system (PMS) in South East Asia. This study specifically inspects organizational factors influencing PMS. The study adopts a quantitative approach using questionnaires distributed to 123 academics across a University in Malaysia. Factor analysis was conducted using Principle Component Analysis (PCA) technique to identify the construct validity of factors influencing PMS. The results of the study demonstrated that three organizational factors influenced PMS and its effectiveness at a moderate level.

Keywords : Performance management system (PMS), performance appraisal, organizational factors, effectiveness of PMS

1. Introduction

Organizations today are continuously facing external and internal forces that drive them to change due to the world are more competitive in times. External forces such as new industries in the market and rapid changes in information technology are among the factors that shape the approach on how organizations handle their businesses [1].

In order to be competent and up to date, many organizations have reorganized and merged into chain, clusters, networks, and strategic alliances to cope with the external forces [2]. In that situation, PMS is one of the key issues that could help organizations to cope with the current business flow. [3] illuminated that there is an urgent necessity to have new management approach to manage the performance of organizations as the traditional ways have lost their applicability. Therefore, PMS was developed for
managing the performance within organizations. The new PMS must be able to produce specific, timely and relevant information for planning, decision making and control purposes [4]. According to [5], performance management and measurement systems developed as a means of monitoring and maintaining organizational control, which is the process of ensuring that an organization pursues action plans that lead to the achievement of overall goals and objectives. These goals should in turn be direct manifestation of the mission and strategic orientation of an organization. Performance management, as related to human resource management (HRM), is the process of delivering strengthened success to organizations’ by improving capabilities of individuals and teams.

Organizations should develop employee competencies in a manner aligned with the organization’s business purposes because the ultimate competitive asset of any institute is its people. This can be succeeded through Performance Management System (PMS), which act as both behavioral change tool and enabler of PMS improved organizational performance through being instrumental in driving change. With the aim of being able to do so the PMS must have the ability to capture the internal and external changes or factors of the organization. Many organizations claimed that their PMS implementation are somehow effective in a way that they have conduct and inserted all relevant and needed steps in their PMS. The effectiveness of implementation of PMS in organizations is still under ambiguity as the effectiveness of implementation depends on variety of factors that are interrelated to the implementation success in organizations.

[6] recent report indicated that employees in Malaysia seldom use PMS except forced through obligation by organizations. Therefore, there is a need to find out how far is the effectiveness in implementation of PMS in organizations.

2. Background

[7] reviewed that performance management is a crucial aspect for the extreme of organizational effectiveness. It is considered the “Achilles Heel” of managing human capital because it is the key process through which work is accomplished and should therefore be a top priority for managers to review [8].

According to [9], culture can be thought of as the sum total of beliefs, ideologies, behaviors and values prevalent in organizations, which can influence organization power relationship and their response to change. It could have a great impact on its success if the employees are involved and motivated during the development of the performance measurement and management system. Experience in performance management and measurement systems will affect the system implementation and also its end results [9]. Another variable that has been getting an increase in attention as one of the key determinants of performance is employee engagement [10]. [11, 17] suggest that designing the performance management process to foster employee engagement will lead to higher levels of performance.

The effectiveness of HR systems is, in part, a task of the degree to which they are matching with both organizational and individual goals [12]. According to [8], there are a great number of design features that potentially can influence the effectiveness of a performance management system, and many of these have been empirically studied to clarify their impact.

2.1 Purpose of Performance Management System (PMS)

The purposes of performance management systems are of three kinds: strategic, developmental, and administrative [13]. In relation to strategic purpose, performance management system should link employee activities with the organization’s goals. It has been found that in order to achieve their strategic purpose, effective performance management systems exhibit five characteristics. These are: (i) the alignment of employee performance with organizational objectives; (ii) a clear articulation of the desired work culture; (iii) a clear specification of the results and competencies- that is, the ‘how the results are to
be achieved’; (iv) the management behavior and style that encourages discretionary effort; and (v) the simple processes and documentation that enable line managers and employees to see performance management as part of their daily workplace.

According to [14], performance data are used in making decision about employees, including promotion to higher-level jobs, size of annual base salary adjustments, performance bonuses and commissions, lateral transfers, and terminations. Feedback, counseling, performance improvement and evaluation of organizational programs are the other purposes of PMS. According to [14], in a PMS, performance measures are also used as the basis for providing employees with feedback and counseling to improve their performance. Another major use of performance measures centers around the evaluation of organizational programs. Performance measures can serve as criteria for assessing the effectiveness or, or “validating” employee selection measures, employee training programs, work-family programs, or any other intervention design to improve employee productivity or organizational working.

2.2 Factors Influencing PMS

[15] had identified two main factors influencing PMS in Mexico. These factors are contextual and organizational factors, and technology factors. Contextual and organizational factors include economic, labor, and organizational factors. Those factors are fixed and act as constraints or parameter for organizational actions that, in turn, affect PA. According to another study of same authors, there are two main factors that affect PMS in India. Those are economic and cultural factors. Therefore, the influencing factors, which have been found in India and Mexico, should be considered for PMS in Malaysia as well. As those are common and essential factors, they are very strong to influence PMS.

[9] explained that there are two basic factors which influence performance management systems in public organization. Those are internal and external factors. Internal factors include leadership and internal management commitment, internal resources, performance-oriented culture, employee engagement, and maturity of PMS. Leadership is important in designing and developing effective performance measurement system and internal management commitment brings formality to the performance management reviews and as a consequence could influence employees’ commitment to achieving targets and improving performance. Measurement and management systems may require a lot of time and effort, especially at the beginning of the process as internal resources. According to Pettigrew [9], culture can be thought of as the sum total of beliefs, ideologies, behaviors and values prevalent in organizations, which can influence organization power relationship and their response to change. It could have a great impact on its success if the employees are involved and motivated during the development of the performance measurement and management system. Experience in performance management and measurement systems will affect the system implementation and also its end results.

External factors include citizens and elected officials, labor unions, legal requirements. In particular, employees view performance-monitoring systems as systems intended to force them to work harder, and managers see such systems as efforts to put increased pressure on them to produce added results. All these elements sustain the role of a performance-oriented culture as a factor influencing the implementation of performance measurement and management systems in public organizations. In terms of time limitation and cost, the important variables for implementation of PMS are the internal factors.

E-performance management systems will be more likely to produce incomplete criterion data on incumbent behavior than traditional systems [18]. According to [16] performance management system helps employee to do their job better, and develop their skills and potential. Employees might be satisfied with the useful feedback from PMS. If they think that the assessments of performance are consistent, fair and unbiased, they feel more motivated after review meetings. PMS helps them to know how their objectives relate to the business needs of the organization. If the information disclosed in performance reviews is used sensitively and productively by the organization, the employees, employee will feel more motivated and this affects their performance positively.
Through the review, the main purpose of this study is to identify factors influencing the implementation of performance management system (PMS) in an Educational Institution in South East Asia.

3. Methodology

Data was collected using a set of questionnaire as it is the most prominent method to gather the demanded information. The information gathered from an interview was also beneficial for this research. A set of specifically customized questionnaire was developed to accommodate this research. This entire questionnaire consisted of 41 questions among 3 sections, including a demographic information section, factors influencing implementation of performance management system, and perceived effectiveness of performance appraisal. The questions were a six point scaling format and an open ended question, plus a demographic section. Section A is related to demographic information, which consists of 4 questions focusing on information about academics' personal background such as years of experience in the university, age, gender and marital status. Section B consists of 5 basic components with a total of 23 items are related with those components. Based on the literature review, there are five different organizational factors, which are leadership, internal management commitment, internal sources, performance-oriented culture, and employee engagement. Section C consists of 14 items on perceived effectiveness of performance appraisal. The questionnaire consisted of 14 items, which were adopted from [16] research. Based on the research objectives, an interview session on an SME from the Human Capital Development department consisting of 9 questions had been developed and used for the SME interview.

Cronbach Alpha is a method to measure the reliability of a questionnaire. A pilot test was conducted consisting of 34 lecturers from the Faculty of Electrical Engineering to test the reliability of the instrument. The Cronbach’s Alpha value through the reliability analysis revealed through the pilot study a value of 0.843 for organizational factors and for effectiveness of PMS was 0.822. The findings from the questionnaire answers and interview were documented and content analyzed for subjects in terms of suggestions for future changes, problems inherent in the system, and problems encountered in using the system. In analyzing the data, it was divided into quantitative and qualitative research. “Principal component analysis” technique of factor analysis was used to explore the main components in research question.

4. Findings

Factor analysis was conducted for the organizational factors. The factor analysis revealed Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy indicated a KMO value of 0.72 and specified that the required satisfactory sample size was achieved as KMO is > 0.05, patterns of correlation were compact and distinct and reliable factors were deferred. Bartlett's test was found to be very significant (p < 0.05). Therefore, there was a relationship between the observed variables, showing that factor analysis was appropriate.

The total variance of 68.0% was explained by three extracted factors. Eigenvalue for factor-1 is 4.87 % with total variance explained value of 40.6 %, eigenvalue for factor-2 is 1.80 % with total variance explained value of 15.0 % and eigenvalue for factor-3 is 1.49 % with total variance explained value of 12.6 %. It indicates that the factors were explaining the variances above acceptable level of 40%. Accordingly, the eigenvalues determined that the factor explained adequate variance for it to be a constructive factor.

The Scree plots test was used to verify the number of extracted factor. Results revealed the Scree plot produced three factors solution are having an eigenvalue greater than 1. The eigenvalues for the first
variables drop hastily and the following factor declines in the eigenvalues gradually levels off. The thunderbolt in Scree plot shows the point on the curve which is less than the eigenvalue 1.0. The Cronbach alpha value of 0.84 was found for all 5 items which belongs to factor-1, and the value of 0.81 extracted 4 items which belongs to factor-2. Similarly, CA value of 0.81 was found for another 3 items in factor-3. Cronbach alpha values (> 0.70) showed that all of the items are reliable. Thus, the entire test is internally consistent. Next, items for each factor are presented accordingly Factor-1 (employee involvement) consist of E2, E1, E3, IMC3, IMC4 and factor-2 (performance oriented culture) contain P1, P2, P3, E5. L4, L5, IMC2 belongs to factor-3 which is management commitment. The analysis of factors and reliability using Cronbach Alpha test showed that the instrument has content and face validity as well as reliability.

Descriptive statistics are depicted in Table 1 for each component of the three organizational factors and for the overall mean, SD and specific for each item within the variable.

Table 1. Descriptive Statistics for Organizational Factors (N=100)

<table>
<thead>
<tr>
<th>Organizational Factors (Overall)</th>
<th>Item Mean</th>
<th>Std. Deviation</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Involvement</td>
<td>3.68</td>
<td>0.84</td>
<td></td>
</tr>
<tr>
<td>E1= Employees feel involved during the development of PMS.</td>
<td>3.40</td>
<td>1.146</td>
<td></td>
</tr>
<tr>
<td>E2= employees are informed about development of PMS</td>
<td>3.82</td>
<td>1.114</td>
<td></td>
</tr>
<tr>
<td>E3= Employees are made accountable to their own development.</td>
<td>4.07</td>
<td>1.148</td>
<td></td>
</tr>
<tr>
<td>IMC3= There is sufficient training provided on PMS</td>
<td>3.37</td>
<td>1.089</td>
<td></td>
</tr>
<tr>
<td>IMC4= There is strong support from top managers about involving in PMS</td>
<td>3.77</td>
<td>.863</td>
<td></td>
</tr>
<tr>
<td>Performance Oriented Culture</td>
<td>3.99</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>P1= Employees are encouraged to monitor their performance.</td>
<td>3.95</td>
<td>.903</td>
<td></td>
</tr>
<tr>
<td>P2= Everyone is concerned of meeting performance target.</td>
<td>4.11</td>
<td>1.004</td>
<td></td>
</tr>
<tr>
<td>P3= There is a strong drive towards performing well.</td>
<td>3.94</td>
<td>.897</td>
<td></td>
</tr>
<tr>
<td>E5= Employees understand how their work contributes to their organization performance.</td>
<td>3.94</td>
<td>1.003</td>
<td></td>
</tr>
<tr>
<td>Management Commitment</td>
<td>3.68</td>
<td>0.92</td>
<td></td>
</tr>
<tr>
<td>L4= The system is perfect to evaluate the job has been done.</td>
<td>3.72</td>
<td>1.181</td>
<td></td>
</tr>
<tr>
<td>L5= It assists staffs adapting any innovation and change</td>
<td>3.87</td>
<td>1.134</td>
<td></td>
</tr>
<tr>
<td>IMC2= Manager constantly monitors activities performed by staff through PMS</td>
<td>3.45</td>
<td>.936</td>
<td></td>
</tr>
</tbody>
</table>
Further qualitative data through an interview with the SME of this study who is the senior assistant register of the university was used to add richness to the existing quantitative data. Table 2 depicts the main interview questions and answers.

Table 2 Interview Responses

<table>
<thead>
<tr>
<th>Questions</th>
<th>Answers (Main points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>What are the factor influencing PMS while you are implementing it?</td>
<td>Human Factors and Demographic affects</td>
</tr>
<tr>
<td></td>
<td>Technical Factor</td>
</tr>
<tr>
<td></td>
<td>Maturity of PMS</td>
</tr>
<tr>
<td></td>
<td>Management factors</td>
</tr>
</tbody>
</table>

5. Discussion

As mentioned earlier, 5 internal factors were presented by [9] that influenced PMS in public organizations. Those are leadership and internal management commitment, internal resources, performance-oriented culture, employee engagement, and maturity of PMS. In conducting this research, the authors have eliminated one of the factors presented by [9] (maturity of PMS) due to irrelevancy with the situation in the university. However on the findings in this study, three main organizational factors were found more significant that influenced the implementation of PMS. These organizational factors were merged into another factor as they were found interrelated. The first factor is employee involvement. Employee engagement and strong internal management support is relatively important as pointed out by academic staffs to ensure the PMS is implemented successfully. These findings are also in line with the statement by [11] whom suggested that designing PMS processes that is able to foster employee engagement will lead to higher level of performance.

Second important factor that had been outlined in this finding is performance-oriented culture. [9] stated that culture could be thought of as the sum total of beliefs, ideologies, behaviors, and values prevalent in organizations, which can influence organization power relationship and their response to change. Third critical factor that have been narrowed down by the analysis is management commitment. As stated by [9], leadership is important in designing and developing effective performance measurement system and internal management commitment brings formality to the performance management reviews and as a consequence, could influence employees’ commitment to achieving targets and improving performance.

6. Conclusion

This study investigates factors influencing implementation of performance management system. The findings show that there are three main factors that influence the implementation of PMS. A PMS system that is implemented very strongly and positively is influenced by the factors providing significant effectiveness. In addition, this will cause high performance. However, as an important factor, management commitment is still inadequate. In order to increase effectiveness of PMS, this factor should be deemed carefully and strictly.

Overall, this study has achieved the objectives and the purpose intended. From the findings, the authors found that organizational factors are very fundamental parts of PMS. PMS is very important in increasing performance in any workplace, especially in higher educational institutions such as UTM.

Finally, this study can be a reference for future researchers in PMS in higher education institution settings which have very unique characteristics compared to business oriented industries. Hence, the authors hope that this study can be beneficial for properly improving the design, quality, and
implementation of future PMS. The university at the last stage of this study has informed of taking further actions and developments to move this system forward for the better of its system users. Thus, management can take a step forward to make the system more powerful tool for measuring employee performance.

References