

A Context-Specific Perspective of HR Performance Management in Quality-Oriented Organizational Contexts

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ABSTRACT

This study aims to contribute both theoretically and empirically to the long-lasting, heated debate about the congruence between HR performance appraisal and TQM underlying precepts. It adopts a qualitative research methodology based on 2 case studies of quality-focused organizations in the UK automotive industry. The results differentiate between two types of performance appraisals (technical vs. social) with very different impacts on employee performance. Overall, the results produce new evidence on the interplay between theory and practice in the combined field of quality management and human resource management.

Keywords: Performance appraisal, Quality management, Qualitative study, Automotive industry.

1. Introduction

This study aims to contribute empirically to previous work through analysing the elimination of performance appraisal advocated by TQM proponents and the organizational resistance to this kind of elimination. It is a response to the mounting business and academic evidence that have demonstrated a widespread lack of empirical research on the (in) consistency between performance appraisal criteria and TQM assumptions, and the implications for TQM effectiveness. While accepting the shortcomings of the traditional performance appraisals, the paper heeds the suggestion offered by Prince that “presenting a caricature of poor appraisal practices hardly bolsters the argument that all appraisal practices should be eliminated” (1996, p. 44) and the plea by Brown and Lim (2008) that performance appraisal research should not merely make “theoretical contributions, but also facilitate improvements in practice.”

2. TQM and Performance Appraisal: A Review

Deming identified performance appraisal as the third of his “seven deadly diseases” in terms of barriers to TQM. The following four themes recur in Deming’s (1986) discussion: (i) they are unfair since they hold the worker responsible for errors that may be the result of faults within the system; (ii) they promote worker behaviour that compromises quality; (iii) they create a band of discouraged workers who cease trying to excel; and (iv) they rob the workers of their pride in workmanship (see Ghorpade et al., 1995, p. 33). In Scholtes’ (1993, p. 355) view, performance appraisal disregards and, in fact, undermines teamwork; disregards the existence of a system; disregards variability in the system; uses a measurement system that is unreliable and inconsistent; encourages an approach to problem-solving that is superficial and culprit-oriented; tends to establish an aggregate of safe goals in an organization; creates losers, cynics, and wasted human resources; and seeks to provide a means to administer multiple managerial functions (pay, promotion, feedback communication, direction-setting, etc.), yet it is inadequate to accomplish any of them. As a result, Scholtes notes that ‘organisation managers can choose to promote either of these approaches but not both’.

However, despite the gloomy prognosis there is little evidence to suggest companies have abandoned performance appraisal (Bretz et al., 1992; Cardy, 1998; Grote, 2002, 2011; Brown and Benson, 2003; Marchington and Wilkinson 2008). Indeed, Graber et al. (1992, p. 59) and Bach (2005) argue that employee appraisal can make important contributions to the identification of training needs, strengthening of communication and provision of legal defensibility. It also can support the alignment of training and development programmes to strategic needs, make placement or staffing decisions more effective, and enhance performance (Iles, 2001). This line of supportive arguments are highly suggestive of a need to balance TQM's focus on system and HRM's focus on individual, thereby meeting both organisational requirements and 'helping the employees improve their performance' (see Ghorpade et al., 1995), rather than 'bolstering managerial power and control' (Bach, 2000, p. 255).

Considering the state of the available literature regarding the relative importance of performance appraisal in the context of TQM, the importance of consistency between performance appraisal and TQM, and the need to inform performance appraisal practice (see Banks and Murphy, 1985; Bretz et al., 1992), this matter would appear to warrant further investigation. Hence, the major thrust of this paper is to attempt to redress this apparent shortfall in empirical work through providing the results of a recent study of the congruence between performance appraisal practices and the philosophy of TQM and its consequences for the effectiveness of TQM programmes.

3. Research Method

Using a qualitative case study, in-depth interviews were employed to obtain specific qualitative information from quality and HR managers of two EFQM-registered large manufacturing organizations operating in the automobile industry in the UK. In total, 31 interviews were carried out during a nine-month time period. The interviewees included quality and HR managers at senior, middle and first line levels. The selection of interviewees from various managerial levels conforms to the notion of 'multiple perspectives' of qualitative research methods (Strauss and Corbin, 1994, p. 280; Yin, 2014). To elicit the views and opinions of the managers, the interviews involved open-ended questions and covered topics that included: the characteristics of the current performance appraisal systems, changes in performance appraisal system as a result of TQM adoption, management rationale for conducting performance appraisal, and the impact of performance appraisal on the effectiveness of TQM programmes. Each interview lasted between one and a half to two hours. To enhance the validity of the information derived from the interviews (Cho and Trent, 2006), the interview data were supplemented by some observation and examination of the related documents (e.g. performance appraisal forms and reports, frequency of performance appraisal, feedback on employee performance). The interviews were then fully transcribed, leading to the production of large amounts of textual materials. Following the procedures outlined by Strauss and Corbin (1994), content analysis (Weber, 1990) was conducted on the interview transcripts and the data were thematically analysed, with the aid of NVivo 9 (Bazeley and Jackson, 2013).

4. Findings

Overall, performance appraisal systems of the cases were seen to fall far short of TQM requirements. Most of the TQM and HRM managers across different levels advocated a command-and-control approach to performance appraisal and conducted performance appraisal on an annual basis assessing past performance. The dominant source of appraisal – i.e. immediate supervisor – was also unfavourable to TQM. Only one-fifth of the managers claimed that they had reasonably adjusted their performance appraisals to integrate TQM requirements or had been engaged extensively in creating a performance appraisal compatible with TQM. These managers did seek to go beyond the label and made some attempts to maximise the effectiveness of performance appraisal systems not least because they believed that performance appraisal practices could enhance the long-term effectiveness of TQM programmes. For these managers, the risk of a non-TQM performance appraisal was seen to have a deterrent effect on the well-intended TQM objectives. In seeking to explain this apparent lack of congruence between TQM underlying precepts and performance appraisal measures, the following section provides a detailed qualitative examination of the specified characteristics of the interviewees' responses.

4.1 Source of Appraisal

The most common source of appraisal was the immediate supervisor. Supervisors or line managers delivered annual performance appraisal and were given increased authority to evaluate the subordinate's performance without any input from the subordinate or ratee. Although both quality and HR managers were concerned with reliance on immediate supervisor appraisal, no action had been taken. The interview data revealed a lack of understanding of TQM and its implications for appraising employee performance to be the most obvious barrier in delegating the responsibility of appraisal to non-managerial employees. For these managers, while there was emphasis on teamwork and the customer as integral parts of their TQM programmes, there was no mention of co-worker input or customer feedback as logical sources of performance information (see Waldman, 1997; Barnes, 1997). The interviewees pointed to several factors to justify their use of the immediate supervisor as the main source of performance appraisal one of which was a distrust of employees (e.g. cost advantages to the organisations to use the immediate supervisor or self-appraisal as a time-consuming practice - see Ghorpade, 2000; Rees and Porter, 2004). However, in one case managers advocated multi-source feedback and there was a shift towards employee training and development to use the multi-source feedback system which is positively correlated with team performance and viewed as a joint problem solving method (Rowe, 1995). The TQM literature also sees the customer as part of the vital process of criterion development for performance appraisal in addition to the need to involve employees in revising the appraisal criteria (see Gary, 2002; Roberts, 2003).

4.2 Frequency of Appraisal

Most managers were engaged in performance appraisal on an annual basis. Indeed, we found little evidence of ongoing appraisal. The lack of an ongoing feedback throughout the performance period in our cases arises from a lack of standards and performance measures of TQM itself. However, it was only for the managers of one case that a different approach to both TQM and performance appraisal had contributed to more frequent appraisal. For these managers, frequency of appraisal was not only an ongoing feedback system and coaching, but also it was regarded as a means of developing employee potential (see Latham et al 2007). Drawing on the managers' responses, two key issues were found to be relevant. First, there was an ongoing assessment of the performance appraisal criteria based on the TQM notion of continuous improvement. Second, employees were regarded as the key to business success and hence identifying their short- and long-term needs through ongoing appraisal of their performance was seen to be of central importance to TQM effectiveness (see Marchington and Wilkinson, 2008; Wilkinson et al., 1998).

4.3 The Focus of Appraisal

Only a minority of managers viewed the assessment of the past achievements or failures as a means to develop individuals through advice, information and shaping their behaviour with praise or punishment (see Ghorpade et al., 1995). Instead, control of process – as opposed to employee – was seen to be the main focus of their TQM programmes. For these managers, control had been seen as providing better judgement about the future training needs of the individual employees. According to the interviewees, performance appraisal practices had previously been criticised for its lack of relevancy to TQM practices. Following adoption of TQM programmes, they revised their appraisal systems with a particular focus on developmental function of appraisal. As a result, appraisal was seen as essentially a means of helping employees to reach their full potential by assisting them to find their right 'fit' in the organization (Buckingham and Coffman, 1999).

4.4 The Subject of Appraisal

According to the interviewees, inclusion of system factors would be relatively subjective input measures which often triggered conflict of interests both at managerial and non-managerial levels. Although several system factors such as adequate training, the nature of relationship between co-workers and supervisors, the availability of tools and equipment, and availability of information and instructions needed to do a job were prevalent in the interviewees' responses, there was no attempt to link these factors to the appraisal of employee performance. In only one case did managers mention that they made concerted efforts in their organisations to include system-level features in appraising employee performance. Drawing on the managers' responses, three types of system factors were typically distinguished. First, there was a clear attempt to link employee performance with the amount and relevancy of training provided. Second, the organisations involved the conditions in which the job was performed as an input to appraising employee

performance. Third, availability of resources, both financial and no-financial ones, was seen to be considered as a system factor and thereby a criterion for appraising employee performance.

5. Conclusion

The primary objective of this study was to examine whether TQM organisations adjusted their performance appraisal systems to integrate quality management requirements. Overall, the content analysis of the quality and HR managers' responses across senior, middle and first line levels revealed that the development of performance appraisal was less dramatic when set against the underlying principles of TQM. As we have noted Deming (1986) and other TQM advocates have argued that ranking and paying individuals by end results against pre-set goals is unsound because: it nourishes short-term performance and annihilates long-term planning; it is destructive to the appraisees; it is detrimental to teamwork; it focuses on the end product, which results in rewarding success and it holds the worker responsible for errors that may be the result of faults within the system. Equally, it should be noted that appraisal systems also face strong criticism from HRM researchers (e.g. Prince, 1996; Wilkinson et al., 1998; Cardy, 1998; Bach, 2000; Armstrong and Baron, 2007, Redman 2009).

Based on the data from two TQM-driven manufacturing organisations operating in the automobile industry, we found that the performance appraisal systems of the case organisations function in two very different ways with very different impacts on the employees (the subject of appraisal) and the TQM initiatives. We called the first type of performance appraisal system which was the dominant type, a 'control and compliance-oriented' performance appraisal. Such appraisal systems were seen to be coercive in nature. It primarily served the purpose of a bureaucratic organisation. Under such appraisal systems, non-managerial employees were not allowed to deviate from the detailed and prescribed methods which were created by senior management. In spite of TQM's emphasis on employee involvement, performance appraisal systems were designed and modified over time without the participation and contribution of employees not least because the primary aim was only to enhance efficiency, rather than improving simultaneously their efficiency and meeting the continuous improvement challenge of the TQM philosophy.

In contrast, we labelled the second type of performance appraisal system which was found in only one of the cases 'development and commitment-oriented' performance appraisal. Unlike the 'control and compliance-oriented' performance appraisal, a development and commitment-oriented appraisal gave equal weight to both production/operations (the technical structure) and people-based (social profile) practices. Despite having routine and repetitive operations which required a hard production-oriented orientation towards TQM as well as a bureaucratic organisational form in that greater coherence and discipline were needed (see Lawler, 1994), hierarchical layers were integrated, various quality teams were established, and more importantly, attempts were made to establish an organisation-wide quality culture through empowering employees and making them accountable for their quality-related responsibility. Such working structures, systems and managerial orientations towards measuring employee performance so resemble Adler's (1999, p. 38) second type of bureaucracy which serves the purposes of enablement. For Adler, such working structure and managerial orientation toward organisation improvement can be experienced by employees as a tool to support their work rather than to reinforce the authority of their managers.

One important implication of the findings is that adjusting performance appraisal systems to incorporate TQM is not an easy task and that this seems to be accentuated in the context of mass-production industries. Our analysis has shown that management's orientations towards and rationale for adopting TQM initiatives and adjusting the existing organisational systems and practices to incorporate TQM assumptions have been a barrier to TQM effectiveness. Staw and Epstein (2000), DiMaggio and Powell (1983), Westphal et al. (1997) and Beer (2003) found that if senior management adopts TQM in the hope of rapid painless change as well as legitimacy in the eyes of investors and the business community, they are unlikely to create an organizational culture compatible with TQM requirements.

In respect of implications for future research, there are several important issues which deserve further investigation. There are very few studies which have traced the influence of system factors on employee performance. This in turn leads to a consideration of why such a shift has not taken place as it was expected. Furthermore, it appears that the impediments to TQM-performance appraisal integration are different with

regard to the nature of the firm's operations. Moreover, investigating the congruence between TQM and performance appraisal in service-oriented organisations, organisations with high social structure and those performing mainly non-routine tasks might provide invaluable insight into this matter. Finally, in this study only the views of managers were sought. However, from a TQM perspective, the difference between a mediocre and an excellent service or product lies more often than not with the person who serves or produces them, and much more the systems which are the responsibility of managers.

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