Performance management systems: a global perspective.

Kleingeld, P.A.M.

Published in:
European Journal of Work and Organizational Psychology

DOI:
10.1080/13594320802536125

Published: 01/01/2009

Please check the document version of this publication:

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Link to publication

Citation for published version (APA):

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Download date: 02. Jan. 2019
In the literature, a myriad of definitions of Performance Management (PM) are given. Depending on the disciplinary perspective, the focus of attention may be on managing the performance of individuals, teams, business processes, and/or entire organizations. The editors of this book view PM as the key process by which organizations set goals, determine standards, assign and evaluate work, and determine rewards in line with their business strategies. With a special emphasis on management of individual performance through performance appraisal (PA), they set out to fill a gap in the knowledge about performance management practices in key countries across the world.

The book consists of two parts. The first part (six chapters) contains introductions in key themes of global PM. The second part contains 10 chapters covering performance management practices in 11 countries whose economies have a major impact on global business: the US, Mexico, UK, France and Germany, Turkey, India, China, South Korea, Japan, and Australia. A “What have we learned?” chapter concludes the book.

In the first part, a key chapter (Chapter 2) by Briscoe and Claus focuses on PM policies and practices in multinational enterprises (MNEs). Based on a literature review (64 studies), they argue that research on international PM is hampered by a lack of consensus on critical factors and associated variables, and thus provides little guidance for practitioners. They describe a model for PM for MNEs, and discuss the issues involved in the design and implementation of PM systems in MNEs. In another key chapter (Chapter 6), Murphy and DeNisi provide a model of the PA process that includes distal factors at the national and organizational levels that influence the appraisal process (e.g., cultural and national norms; strategy and firm performance; the country’s legal system). In addition, more proximal factors include organizational norms, the purpose of appraisal, and acceptance of the appraisal system. These
proximal factors influence the appraisal process through intervening factors such as rater motivation and rater–ratee relationships. Finally, the model considers the impact of judgement factors (e.g., opportunity to observe) and distortion factors (e.g., consequences of appraisal). This model acts as a framework for the chapters dedicated to individual countries, as it allows for a comparison of PA/PM systems across nations and cultures.

The three remaining chapters in Part I focus on specific themes within PM. In Chapter 3, Pritchard and DiazGranados present a motivation model that can help managers to understand the role of motivation in PM and to pinpoint causes of low motivation. In Chapter 4, Pichler, Varma, and Petty explore the influence of rater–ratee relationships on PA and PM in general and rating bias in particular. The fifth chapter, by Gerhart and Trevor, is about merit pay. The authors discuss the fundamentals of merit pay within the broader context of a pay strategy, and outline key factors for a successful implementation thereof.

The country-wise chapters (approximately 15 pages each and written by local experts) all provide overviews that generally cover three main topics: historical development of PM, key factors that impact on PM, and key challenges in PM. All contributions were specially commissioned for the book. To enable a comparison between these countries, the chapters are similarly structured based on Murphy and DeNisi’s model. In a relatively short (seven pages) but well-wrought final chapter, the editors consider differences and similarities among the 11 countries, draw conclusions, and suggest directions for future research in the area of performance management. Rather than describe each individual chapter—which would require more space than is available for this review—I will focus on some conclusions with respect to these differences and similarities.

The editors conclude that specific programmes employed in the US, Western Europe, and Australia have a lot in common. There is much experience in the field of PM, and individual performance outcomes are often used as a basis for rewards. Another connection is the dominant role of legal concerns (albeit different concerns in different countries). The authors also note a growing importance of avoiding bias in dealing with diverse workforces. The prominence of these legal and bias concerns explains why, in addition to improving employee performance, avoiding legal problems has become a motive for the development of high-quality PM systems. As the culture in these countries is relatively individualistic, the use of merit pay (which requires substantial variance in performance ratings) and individual rewards tends to be accepted.

PM systems in China, South Korea, and Japan have some shared characteristics due to the collectivist culture in these countries. However, they are in different stages of economic development (Japan being the most
and China the least mature), which goes hand in hand with differences in PM. For example, PM systems in China have been characterized by informal and inconsistent use and heavily influenced by the Chinese culture, which values social harmony and has an egalitarian approach to distributing outcomes. However, the last decade has shown an increase in the use of western-style PM systems and a move toward the systems used in South Korea, which are based on merit rather than seniority. In Japan, a tradition of long-term employment has led to a PM focus on employee organizational learning and developing abilities. As a result of global competition, however, Japanese PM systems have been placing more emphasis on individual contribution and output.

The PM systems in Mexico and Turkey appear to lag behind in effectiveness. A context factor in Turkey is the large percentage of family-owned businesses with relationship-oriented norms and concomitant subjective and informal PM systems. In Mexico, PM and PA are still in their early stages, partly due to a focus on individual appraisal that does not fit with a collectivist and high power-distance culture.

India is in a class of its own: A very high rate of foreign investments and innovations has made India one of the fastest growing economies in the world. As a result, PM systems are increasingly based on western models.

One of the main conclusions drawn by the editors is that with increasing complexity and competitiveness of a country’s economy, the PM systems employed will gradually move towards the systems found in Western Europe and the US, “overruling” the country’s culture and customs. For MNEs this will pose a challenge, because in the short and intermediate terms it will still be necessary to take into account national and cultural norms such as collectivism (Asian countries), the importance of maintaining face (China), and deference to seniority (Turkey). This challenge should not be underestimated and the authors warn strongly against blindly copying US/Western European PM programmes to other settings. Research that determines how western PM systems can be assimilated into other cultures is considered of great importance.

Few would disagree that most human resource management (HRM) handbooks are based on practices in the US (and UK) and consider “international” PM practices only briefly. Likewise, English-language business, management, and psychology journals lean heavily towards the US. For example, an abstract search I conducted in the ABI/Inform database resulted in hundreds of hits for PM in the US and the UK, but only a little over 20 for countries such as Germany and India, and just a handful for Mexico, Turkey, and South Korea. An important contribution of this book would be that it enhances our insight into PM practices in latter countries.
The most obvious audience for this book would consist of researchers in the area of global HRM and students in International HRM programs, but it may also be interesting for students and researchers from other disciplines and professionals with an interest in PM in new economies or cultural aspects of PM. Work and organizational psychologists and students who are interested in the management of individuals’ motivation and performance may find some individual chapters worthwhile, especially from the first part of the book. The European audience is served with three chapters on four countries (UK, Germany/France, and Turkey). Although 4 out of 11 is not bad, it is surprising that no former communist country from Eastern Europe was included, as the impact of political changes and increased foreign investments on PM would have been interesting to learn about.

Oftentimes, there is a lack of focus in edited books covering a broad field consisting of chapters by invited authors. The reader is confronted with a “lucky bag” of contributions that are only implicitly connected. The editors of this book have largely succeeded in creating a coherent whole by ensuring that all contributors to the countrywise chapters use the PM model that is presented in Chapter 6 as a starting point. There are some minor issues. For example, one gets the impression that Chapters 3–5 are not essential to the book: Although good introductions to motivation, rater–ratee relations in PM, and merit pay, these topics have been covered extensively elsewhere. Perhaps, one of these chapters could have been replaced by a chapter on the topic of expatriate PM, which is mentioned in an introductory chapter as a global HRM topic that has received little scholarly intention, but is only briefly discussed in the chapter about MNEs. Also, for the reader who does not want to read and compare all country chapters it would have been very useful to have a summary table with each country’s characteristics for each of the factors of Murphy and DeNisi’s model.

At the end of the final chapter, the editors state: “... we really don’t know much about the effectiveness of most PM interventions in non-US settings” (page 259). Although this may still be true, the contributors to this book should be complimented for teasing out the main issues.

AD KLEINGELD

Department of Industrial Engineering & Innovation Sciences,
Human Performance Management Group,
Eindhoven University of Technology, The Netherlands